NARA BANCORP INC
Form 10-Q
May 05, 2011
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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, 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)

Delaware	**95-4849715**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification Number)**
3731 Wilshire Boulevard, Suite 1000, 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 x 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	x
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 x

As of April 29, 2011 there were 38,003,327 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. 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.

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PART I

FINANCIAL INFORMATION

Item 1. Financial Statements
NARA BANCORP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

ASSETS	(Unaudited) March 31, 2011	December 31, 2010
	(Dollars in thousands, except share data)	
Cash and cash equivalents:		
Cash and due from banks	$ 23,431	$ 23,916
Interest-bearing deposit at Federal Reserve Bank	111,910	148,415
Total cash and cash equivalents	135,341	172,331
Securities available for sale, at fair value	512,000	528,262
Loans held for sale, at the lower of cost or fair value	40,688	26,927
Loans receivable, net of allowance for loan losses (March 31, 2011 - $63,340 ; December 31, 2010 - $62,320)	2,090,773	2,085,425
Other real estate owned, net	2,708	1,581
Federal Reserve Bank stock, at cost	6,367	6,367
Federal Home Loan Bank (FHLB) stock, at cost	17,015	17,717
Premises and equipment, net	10,540	10,915
Accrued interest receivable	8,731	8,648
Deferred tax assets, net	34,780	37,072
Customers liabilities on acceptances	12,358	11,528
Bank owned life insurance	24,301	24,117
Goodwill	2,509	2,509
Other intangible assets, net	456	534
Prepaid FDIC insurance	8,458	9,639
Other assets	19,118	19,724
Total assets	$ 2,926,143	$ 2,963,296

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NARA BANCORP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

LIABILITIES AND STOCKHOLDERS EQUITY	(Unaudited) March 31, 2011	December 31, 2010
	(Dollas in thousands, except share data)	
LIABILITIES:		
Deposits:		
Non-interest bearing	$ 402,579	$ 388,731
Interest bearing:		
Money market and NOW accounts	690,398	688,593
Savings deposits	127,905	126,255
Time deposits of $100,000 or more	318,861	321,542
Other time deposits	636,355	650,993
Total deposits	2,176,098	2,176,114
Federal Home Loan Bank borrowings	300,000	350,000
Subordinated debentures	39,268	39,268
Secured borrowings	15,308	11,758
Accrued interest payable	4,733	4,830
Acceptances outstanding	12,358	11,528
Other liabilities	14,042	11,235
Total liabilities	2,561,807	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 March 31, 2011 and December 31, 2010	67,000	67,000
Preferred stock discount	(2,559)	(2,797)
Common stock, $0.001 par value; authorized, 100,000,000 shares; issued and outstanding, 37,993,327 and 37,983,027 shares at March 31, 2011 and December 31, 2010, respectively	38	38
Capital surplus	171,397	171,364
Retained earnings	126,032	120,361
Accumulated other comprehensive income, net	2,428	2,597
Total stockholders equity	364,336	358,563
Total liabilities and stockholders equity	$ 2,926,143	$ 2,963,296

See accompanying notes to condensed consolidated financial statements (unaudited)

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NARA BANCORP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)

For the three ended March 31, 2011 and 2010

(Unaudited)

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
INTEREST INCOME:		
Interest and fees on loans	$ 33,085	$ 33,348
Interest on securities	3,930	5,088
Interest on federal funds sold and other investments	179	225
Total interest income	37,194	38,661
INTEREST EXPENSE:		
Interest on deposits	5,131	9,947
Interest on FHLB advances	2,572	2,984
Interest on other borrowings	608	487
Total interest expense	8,311	13,418
NET INTEREST INCOME BEFORE PROVISION FOR LOAN LOSSES	28,883	25,243
PROVISION FOR LOAN LOSSES	5,262	25,407
NET INTEREST INCOME (LOSS) AFTER PROVISION FOR LOAN LOSSES	23,621	(164)
NON-INTEREST INCOME:		
Service fees on deposit accounts	1,497	1,619
International service fees	570	539
Loan servicing fees, net	463	457
Wire transfer fees	322	293
Other income and fees	507	353
Net gains on sales of SBA loans	1,160	43
Net gains on sales and calls of securities available for sale		6,296
Net valuation losses on interest rate swaps	(11)	(231)
Net gains on sales of OREO	2	15
Total non-interest income	4,510	9,384
NON-INTEREST EXPENSE:		
Salaries and employee benefits	7,154	5,593
Occupancy	2,437	2,427
Furniture and equipment	935	778
Advertising and marketing	579	459
Data processing and communications	983	933
Professional fees	709	702
FDIC assessments	1,289	1,367
Credit related expenses	744	563
Other	1,865	1,362

Total non-interest expense		16,695		14,184
INCOME (LOSS) BEFORE INCOME TAX PROVISION (BENEFIT)		11,436		(4,964)
INCOME TAX PROVISION (BENEFIT)		4,690		(2,432)
NET INCOME (LOSS)	$	6,746	$	(2,532)
DIVIDENDS AND DISCOUNT ACCRETION ON PREFERRED STOCK	$	(1,075)	$	(1,071)
NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS	$	5,671	$	(3,603)
EARNINGS (LOSS) PER COMMON SHARE				
Basic	$	0.15	$	(0.10)
Diluted	$	0.15	$	(0.10)

See accompanying notes to condensed consolidated financial statements (unaudited)

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NARA BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

THREE MONTHS ENDED MARCH 31, 2011 AND 2010

(Unaudited)

	Preferred Stock	Preferred Stock Discount	Common Stock Shares	Common Stock Amount	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (loss), net	Comprehensive Income (loss)
			(In thousands, except share data)					
BALANCE, JANUARY 1, 2010	**$ 67,000**	**$ (3,737)**	**37,824,007**	**$ 38**	**$ 169,806**	**$ 131,891**	**$ 2,977**	
Issuance of additional shares pursuant to various stock plans			11,400		11			
Tax effects of stock plans					(17)			
Stock-based compensation					48			
Preferred stock cash dividends accrued (5%)						(837)		
Accretion on preferred stock discount		234				(234)		
Comprehensive income:								
Net loss						(2,532)		$ (2,532)
Other comprehensive income (loss):								
Change in unrealized gain (loss) on securities available for sale, net of tax							(822)	(822)
Change in unrealized gain (loss) on interest-only strips, net of tax							2	2
Change in unrealized gain (loss) on interest rate swaps, net of tax							(7)	(7)
Total comprehensive income (loss)								$ (3,359)
BALANCE, MARCH 31, 2010	**$ 67,000**	**$ (3,503)**	**37,835,407**	**$ 38**	**$ 169,848**	**$ 128,288**	**$ 2,150**	

	Preferred Stock	Preferred Stock Discount	Common Stock Shares	Common Stock Amount	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss), net	Comprehensive Income (loss)
			(In thousands, except share data)					
BALANCE, JANUARY 1, 2011	**$ 67,000**	**$ (2,797)**	**37,983,027**	**$ 38**	**$ 171,364**	**$ 120,361**	**$ 2,597**	
Issuance of additional shares pursuant to various stock plans			10,300		6			
Stock-based compensation					27			
Preferred stock cash dividends accrued (5%)						(837)		
Accretion of preferred stock discount		238				(238)		
Comprehensive income:								
Net income						6,746		$ 6,746
Other comprehensive income (loss):								
Change in unrealized gain on securities available for sale, net of tax							(164)	(164)
Change in unrealized gain on interest-only strips, net of tax							2	2

Change in unrealized gain (loss) on interest rate swaps, net of tax								(7)	(7)
Total comprehensive income (loss)									$ 6,577
BALANCE, MARCH 31, 2011	**$ 67,000**	**$ (2,559)**	**37,993,327**	**$ 38**	**$ 171,397**	**$ 126,032**	**$**	**2,428**	

See accompanying notes to consolidated financial statements.

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NARA BANCORP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

THREE MONTHS ENDED MARCH 31, 2011 AND 2010

(Unaudited)

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ 6,746	$ (2,532)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation, amortization, net of discount accretion	2,293	3,439
Stock-based compensation expense	27	48
Provision for loan losses	5,262	25,407
Valuation adjustment of OREO	27	157
Proceeds from sales of loans	11,695	4,102
Originations of loans held for sale	(20,326)	(2,207)
Deferred gain on transfer of assets	(1,474)	(325)
Net gains on sales of SBA and other loans	(1,160)	(43)
Net change in bank owned life insurance	(184)	(74)
Net gains on sales of securities available for sale		(6,296)
Net losses on sales of OREO	(2)	(15)
Net valuation losses on interest rate swaps	11	231
Change in accrued interest receivable	(83)	1,538
Change in deferred income taxes	2,391	(2,182)
Change in prepaid FDIC insurance	1,181	(50)
Change in other assets	628	1,087
Change in accrued interest payable	(97)	(2,604)
Change in other liabilities	2,774	5,172
Net cash provided by operating activities	9,709	24,853
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in loans receivable	(14,680)	8,263
Proceeds from sales of securities available for sale		208,141
Proceeds from sales of OREO	422	666
Purchase of premises and equipment	(397)	(773)
Purchase of securities available for sale	(19,808)	
Redemption of Federal Home Loan Bank stock	702	
Proceeds from matured, called, or paiddown securities available for sale	34,359	62,479
Net cash provided by investing activities	598	278,776

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

THREE MONTHS ENDED MARCH 31, 2011 AND 2010

(Unaudited)

	Three Months Ended March 31, 2011	2010
	(In thousands)	
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in deposits	(16)	(152,398)
Net change in secured borrowings	3,550	4,050
Payment of cash dividends on Preferred Stock	(837)	(837)
Proceeds from FHLB borrowings		10,000
Repayment of FHLB borrowings	(50,000)	(10,000)
Issuance of additional stock pursuant to various stock plans	6	11
Tax effects on issuance of shares from stock plan		(17)
Net cash used in financing activities	(47,297)	(149,191)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(36,990)	154,438
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	172,331	125,592
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 135,341	$ 280,030
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	$ 8,408	$ 16,022
Income taxes paid	$ 45	$ 714
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTMENT ACTIVITIES		
Transfer from loans receivable to other real estate owned	$ 1,574	$ 4,620
Transfer from loan receivables to loans held for sale	$ 2,496	$ 25,450
Investment securities paydowns pending future settlement	$	$ 15,540

See accompanying notes to condensed consolidated financial statements (unaudited)

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Nara Bancorp, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Nara Bancorp, Inc.

Nara Bancorp, Inc. (Nara Bancorp , on a parent-only basis, and Company, we or our on a 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 certain consumer financial services through its wholly owned subsidiary, Nara Bank (Nara Bank or the Bank). The Bank has branches in California, New York and New Jersey as well as a Loan Production Office in Texas.

On December 9, 2010, we entered into a definitive agreement to merge with Center Financial in an all stock transaction valued at $285.7 million, or approximately $7.16 per Center Financial share based on the closing price on December 8, 2010. As of May 4, 2011, the transaction was valued at $294.7 million, or approximately $7.38 per Center Financial share. The boards of directors of both companies each unanimously approved the Center Merger. While there can be no assurance as to the exact timing, or that the Center Merger will be completed at all, we are working to complete the Center Merger in the second half of 2011. The consummation of the Center Merger is subject to regulatory approval, the approval of the shareholders of both Nara Bancorp and Center Financial, and other customary closing conditions.

Upon consummation of the Center Merger, each share of common stock of Center Financial issued and outstanding immediately prior to the effective time of the Center Merger (the Effective Time) will be converted into and become exchangeable for 0.7804 of a share of common stock of Nara Bancorp, subject to the payment of cash in lieu of the issuance of fractional shares. Based on the number of shares Center Financial common stock outstanding on the date of the Merger Agreement and not including the effect of outstanding in-the-money options, this will result in approximately 31.1 million Nara Bancorp shares being exchanged for approximately 39.9 million outstanding Center Financial shares, subject to adjustment in certain limited circumstances. Nara Bancorp shareholders will own 55% of the combined company and Center Financial shareholders will own 45%.

We cannot assure you that the Center Merger will be consummated as scheduled, or at all. See Item 1.A. Risk Factors Risks Relating to the Center Merger included in our 2010 Annual Report on Form 10-K for a description of risks relating to the Center Merger.

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. All intercompany transactions and balances have been eliminated in consolidation.

We believe that we have made all adjustments, consisting solely of normal recurring accruals, necessary to fairly present our financial position at March 31, 2011 and the results of our operations for the three months then ended. Certain reclassifications have been made to prior period amounts to conform to the current year presentation. The results of operations for the interim periods are not necessarily indicative of results to be anticipated for the full year.

These unaudited condensed consolidated financial statements should be read along with the audited consolidated financial statements and accompanying notes included in our 2010 Annual Report on Form 10-K.

Recently Issued Not Yet Effective Accounting Pronouncements

In April 2011, the FASB issued ASU No. 2011-02, *A Creditor s Determination of Whether a Restructuring Is a Troubled Debt Restructuring*, updated to amend previous guidance with respect to troubled debt restructurings. This updated guidance is designed to assist creditors with determining whether or not a restructuring constitutes a troubled debt restructuring. In particular, additional guidance has been added to help creditors determine whether a concession has been granted and whether a debtor is experiencing financial difficulties. Both of these conditions are required to be met for a restructuring to constitute a troubled debt restructuring. The amendments in the update are effective for the first interim period beginning on or after June 15, 2011, and should be applied retrospectively to the beginning of the annual period of adoption. The provisions of this update are not expected to have a material impact on the Company s financial position, results of operations or cash flows.

3. Stock-Based Compensation

The Company has a stock based incentive plan, the 2007 Nara Bancorp, Inc. Equity Incentive Plan (2007 Plan). The 2007 Plan, which was approved by our stockholders on May 31, 2007, provides for grants of stock options, stock appreciation rights (SARs), restricted stock, performance shares and performance units (sometimes referred to individually or collectively as awards) to non-employee directors, officers, employees and consultants of the Company. Stock options may be either incentive stock options (ISOs), as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the Code), or nonqualified stock options (NQSOs).

The 2007 Plan gives the Company flexibility to (i) attract and retain qualified non-employee directors, executives and other key employees and consultants with appropriate equity-based awards, (ii) motivate high levels of performance, (iii) recognize employee contributions to the Company s success, and (iv) align the interests of Plan participants with those of the Company s stockholders. The exercise price for shares under an ISO may not be less than 100% of fair market value (FMV) on the date the award is granted under Code Section 422. Similarly, under the terms of the 2007 Plan the exercise price for SARs and NQSOs may not be less than 100% of FMV on the date of grant. Performance units are awarded to a participant at the market price of the Company s common stock on the date of award (after the lapse of the restriction period and the attainment of the performance criteria). No minimum exercise price is prescribed for performance shares and restricted stock awarded under the 2007 Plan.

ISOs, SARs and NQSOs have vesting periods of three to five years and have 10-year contractual terms. Restricted stock, performance shares, and performance units will be granted with a restriction period of not less than one year from the grant date for performance-based awards and not less than three years from the grant date for time-based vesting of grants. Compensation expense for awards is recorded over the vesting period.

The 2007 Plan reserves 1,300,000 shares for issuance. 1,196,000 shares were available for future grants as of March 31, 2011.

The total shares reserved for issuance will serve as the underlying value for all equity awards under the 2007 Plan. With the exception of the shares underlying stock options and restricted stock awards, the board of directors may choose to settle the awards by paying the equivalent cash value or by delivering the appropriate number of shares.

The stock plan adopted in 2000, under which options and restricted units were previously granted to employees, officers, and directors of the Company, is no longer active and no additional equity awards may be granted under the plan. Options under the 2000 Plan were granted with an exercise price equal to the fair market value on the date of grant with vesting periods from three to five years and have 10-year contractual terms. Some restricted units were awarded under the 2000 plan to participants at the fair market value of the Company s common stock on the date of award and all units granted under this plan were fully vested on the third anniversary of the grant. Compensation expense for the awards was recorded over the vesting period.

For the three months ended March 31, 2011 and 2010, no stock options or restricted stock awards were granted.

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The following is a summary of stock option activity under the Plan for the three months ended March 31, 2011:

	Number of Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding - January 1, 2011	533,250	$ 9.73		
Granted				
Exercised	(2,000)	5.75		
Forfeited				
Outstanding - March 31, 2011	531,250	$ 9.74	2.88	$ 787,000
Options exercisable - March 31, 2011	507,250	$ 9.79	2.64	$ 764,000
Unvested options expected to vest after March 31, 2011	24,000	$ 8.64	7.96	$ 24,000

The following is a summary of restricted and performance unit activity under the Plan for the three months ended March 31, 2011:

	Number of Shares	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Life (Years)
Outstanding - January 1, 2011	36,200	$ 8.25	
Granted			
Vested	(8,200)	11.97	
Forfeited			
Outstanding - March 31, 2011	28,000	$ 7.15	8.90

The total fair value of performance units vested for the three months ending March 31, 2011 and 2010 was $79 thousand and $101 thousand, respectively.

The amount charged against income, before income tax benefit (provision) of $11 thousand and ($16 thousand), in relation to the stock-based payment arrangements was $27 thousand and $48 thousand for the three months ending March 31, 2011 and 2010, respectively. At March 31, 2011, unrecognized compensation expense related to non-vested stock option grants and restricted and performance units aggregated $171 thousand, and is expected to be recognized over a remaining weighted average vesting period of 2.5 years.

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The estimated annual stock-based compensation as of March 31, 2011 for each of the succeeding years is indicated in the table below:

	Stock Based Compensation Expense (In thousands)
Remainder of 2011	$ 32
For the year ended December 31:	
2012	44
2013	43
2014	37
2015	15
Total	$ 171

4. Earnings Per Share (EPS)

Basic EPS does not reflect the possibility of dilution that could result from the issuance of additional shares of common stock upon exercise or conversion of outstanding securities and is computed by dividing net 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 stock options or other contracts to issue common stock were exercised or converted to common stock that would then share in our earnings. For the three months ended March 31, 2011 and 2010, stock options and restricted shares awards for approximately 150,000 shares and 1,059,000 shares of common stock were excluded in computing diluted earnings per common share because they were antidilutive. Additionally, warrants to purchase 521,266 shares of common stock were also antidilutive and excluded for the three months ended March 31, 2010.

The following table shows the computation of basic and diluted EPS for the three months ended March 31, 2011 and 2010.

	For the three months ended March 31,					
	2011			2010		
	Net income available to common stockholders (Numerator)	Shares (Denominator)	Per Share (Amount)	Net income available to common stockholders (Numerator)	Shares (Denominator)	Per Share (Amount)
	(Dollars in thousands, except share and per share data)					
Net income (loss) as reported	$ 6,746			$ (2,532)		
Less: preferred stock dividends and accretion of preferred stock discount	(1,075)			(1,071)		
Basic EPS - common stock	$ 5,671	37,987,345	$ 0.15	$ (3,603)	37,828,587	$ (0.10)
Effect of Dilutive Securities:						
Stock Options		105,622				
Common stock warrants		5,881				
Diluted EPS - common stock	$ 5,671	38,098,848	$ 0.15	$ (3,603)	37,828,587	$ (0.10)

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5. Securities Available for Sale

The following table summarizes the amortized cost, estimated fair value and distribution of our investment securities portfolio as of the dates indicated:

	At March 31, 2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In thousands)			
Available for Sale				
Debt securities *:				
GSE bonds	$ 119,010	$ 867	$ (939)	$ 118,938
GSE collateralized mortgage obligations	91,326	2,246	(156)	93,416
GSE mortgage-backed securities	282,605	4,541	(2,333)	284,813
Corporate note	4,477		(441)	4,036
Municipal bonds	5,258	68	(28)	5,298
Total debt securities	502,676	7,722	(3,897)	506,501
Mutual funds - GSE mortgage related securities	5,462	37		5,499
	$ 508,138	$ 7,759	$ (3,897)	$ 512,000

	At December 31, 2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In thousands)			
Available for Sale				
Debt securities*:				
GSE bonds	$ 125,429	$ 1,059	$ (770)	$ 125,718
GSE collateralized mortgage obligations	101,312	2,146	(257)	103,201
GSE mortgage-backed securities	282,205	4,628	(1,999)	284,834
Corporate note	4,473		(765)	3,708
Municipal bonds	5,258	55	(31)	5,282
Total debt securities	518,677	7,888	(3,822)	522,743
Mutual funds - GSE mortgage related securities	5,462	57		5,519
	$ 524,139	$ 7,945	$ (3,822)	$ 528,262

* As of March 31, 2011 and December 31, 2010, Government Sponsored Enterprises (GSE) included GNMA, FHLB, FNMA, FHLMC, and FFCB and are all residential property-based investments.

The proceeds from sales of securities and the associated gains are listed below:

	For the three months ended March 31,	
	2011	2010
	(In thousands)	
Proceeds	$	$ 208,141
Gross gains		6,295

Gross losses

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The amortized cost and estimated fair value of debt securities at March 31, 2011, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separately.

	Amortized Cost	Estimated Fair Value
	(In thousands)	
Available for sale:		
Due within one year	$	$
Due after one year through five years	340	347
Due after five years through ten years	1,652	1,671
Due after ten years	126,753	126,254
GSE collaterized mortgage obligations	91,326	93,416
GSE mortgage-backed securities	282,605	284,813
Mutual funds - GSE mortgage related securities	5,462	5,499
	$ 508,138	$ 512,000

Securities with carrying values of approximately $248.3 million and $270.3 million at March 31, 2011 and December 31, 2010, respectively, were pledged to secure public deposits, various borrowings and for other purposes as required or permitted by law.

The following table shows our investments gross unrealized losses and estimated fair value, aggregated by investment category and the length of time that the individual securities have been in a continuous unrealized loss position as of the dates indicated.

At March 31, 2011	Less than 12 months			12 months or longer			Total		
Description of Securities	Number of Securities	Fair Value	Gross Unrealized Losses	Number of Securities	Fair Value	Gross Unrealized Losses	Number of Securities	Fair Value	Gross Unrealized Losses
					(In thousands)				
GSE bonds	3	$ 43,966	$ (939)		$	$	3	$ 43,966	$ (939)
GSE collaterized mortgage obligations	1	6,102	(74)	1	14,382	(82)	2	20,484	(156)
GSE mortgage-backed securities	6	93,936	(2,333)				6	93,936	(2,333)
Corporate note				1	4,036	(441)	1	4,036	(441)
Municipal bonds	5	1,931	(28)				5	1,931	(28)
	15	$ 145,935	$ (3,374)	2	$ 18,418	$ (523)	17	$ 164,353	$ (3,897)

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At December 31, 2010 Description of Securities	Less than 12 months Number of Securities	Fair Value	Gross Unrealized Losses	12 months or longer Number of Securities	Fair Value	Gross Unrealized Losses	Total Number of Securities	Fair Value	Gross Unrealized Losses
					(In thousands)				
GSE bonds	4	$ 65,465	$ (770)		$	$	4	$ 65,465	$ (770)
GSE collaterized mortgage obligations	3	9,091	(187)	2	17,337	(70)	5	26,428	(257)
GSE mortgage-backed securities	7	99,555	(1,999)				7	99,555	(1,999)
Corporate note				1	3,708	(765)	1	3,708	(765)
Municipal bonds	5	1,929	(31)				5	1,929	(31)
	19	$ 176,040	$ (2,987)	3	$ 21,045	$ (835)	22	$ 197,085	$ (3,822)

ASC Topic 320 requires an entity to assess whether the entity has the intent to sell the debt security or more likely than not will be required to sell the debt security before its anticipated recovery. If either of these conditions is met, an entity must recognize an other-than-temporary impairment (OTTI). If an entity does not intend to sell the debt security and will not be required to sell the debt security, the entity must consider whether it will recover the amortized cost basis of the security. If the present value of expected cash flows is less than the amortized cost basis of the security, OTTI shall be considered to have occurred. OTTI is then separated into the amount of the total impairment related to credit losses and the amount of the total impairment related to all other factors. An entity determines the impairment related to credit losses by comparing the present value of cash flows expected to be collected from the security with the amortized cost basis of the security. OTTI related to the credit loss is then recognized in earnings. OTTI related to all other factors is recognized in other comprehensive income.

We evaluate securities for OTTI on at least a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to the financial condition and near-term prospects of the issuer, the length of time and the extent to which the fair value of the securities has been less than our cost for the securities, and our intention to sell, or whether it is more likely than not that we will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. In analyzing an issuer s financial condition, we consider whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer s financial condition.

The corporate note at March 31, 2011 and December 31, 2010 consists of one bond with an amortized cost of $4.5 million and an unrealized loss of $441 thousand at March 31, 2011. The bond is scheduled to mature in May 2047, with a first call date option in May 2012. Management determined this unrealized loss did not represent OTTI at March 31, 2011 and December 31, 2010 as the investment is rated investment grade and there are no credit quality concerns with the obligor. The market value decline is deemed to be due to the current market volatility and is not reflective of management s expectations of our ability to fully recover this investment, which may be at maturity. Interest on the corporate note has been paid as agreed and management believes this will continue in the future and the bond will be repaid in full as scheduled. For these reasons, no OTTI was recognized on the corporate note at March 31, 2011.

We consider the losses on our investments in an unrealized loss position at March 31, 2011 to be temporary based on: 1) the likelihood of recovery; 2) the information relative to the extent and duration of the decline in market value; and 3) the Company s intention not to sell, and our determination that it is more likely than not that we will not be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis.

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6. Loans Receivable and Allowance for Loan Losses

The following is a summary of loans receivable by major category:

	March 31, 2011	December 31, 2010
	(In thousands)	
Loan portfolio composition		
Real estate loans:		
Residential	$ 2,103	$ 2,263
Commercial & industrial	1,512,050	1,524,650
Construction	62,324	46,900
Total real estate loans	1,576,477	1,573,813
Commercial business	495,344	491,811
Trade finance	57,524	57,430
Consumer and other	12,635	13,268
Total loans outstanding	2,141,980	2,136,322
Less: deferred loan fees	(2,047)	(2,261)
Gross loans receivable	2,139,933	2,134,061
Less: allowance for loan losses	(63,340)	(62,320)
Loans receivable, excluding guaranteed portion of delinquent SBA loans	2,076,593	2,071,741
Guaranteed portion of delinquent SBA loans	14,180	13,684
Loans receivable, net	$ 2,090,773	$ 2,085,425

Activity in the allowance for loan losses is as follows for the periods indicated:

	Three months ended March 31, 2011	2010
	(In thousands)	
Balance, beginning of period	$ 62,320	$ 59,424
Provision for loan losses	5,262	25,407
Loans charged off	(5,310)	(21,057)
Recoveries of charge-offs	1,068	221
Balance, end of period	$ 63,340	$ 63,995

The activity in the allowance for loan losses by segment of loans for the year ended March 31, 2011 is as follows:

	Real estate - Residential	Real estate - Commercial	Real estate - Construction	Commercial Business	Trade Finance	Consumer and other	Unallocated	Total
Balance, beginning of year	$ 14	$ 32,884	$ 3,396	$ 24,930	$ 192	$ 635	$ 269	$ 62,320
Provision for loan losses	1	5,790	1,673	(1,705)	(22)	(206)	(269)	$ 5,262
Loans charged off		(2,389)	(693)	(2,113)		(115)		$ (5,310)
Recoveries of charged offs		234		659		175		$ 1,068

Balance, end of year	$	15	$	36,519	$	4,376	$	21,771	$	170	$	489	$	$ 63,340

The allowance for loan losses is comprised of specific loss allowances for impaired loans and general loan loss allowances based on quantitative and qualitative analyses.

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Interest income on individually impaired loans was as follows:

	For the Three Months Ended March 31, 2011	
	Interest income recognized during impairment	Cash-basis interest income recognized
	(In Thousands)	
Real Estate - Commercial		
Retail	$ 81	$ 81
Hotel & Motel	357	388
Gas Station & Car Wash	81	83
Mixed Use	18	23
Industrial & Warehouse	77	77
Other	101	103
Real Estate - Construction	28	23
Commercial Business	248	232
	$ 991	$ 1,010

	For the Three Months Ended March 31, 2010
	(In Thousands)
Average of individually impaired loans during the period	$ 133,544
Interest income recognized during impairment	1,516
Cash-basis interest income received	1,516

Interest income recognized during impairment represents interest income earned on accruing impaired loans. Cash-basis interest income recognized represents cash received for interest payments on accruing impaired loans.

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The impaired loans at the periods indicated are set forth in the following table by class of loans.

	As of March 31, 2011			As of December 31, 2010		
	Unpaid Principal Balance	Related Allowance	Average Balance	Unpaid Principal Balance	Related Allowance	Average Balance
	(In Thousands)			(In Thousands)		
With Related Allowance:						
Real Estate - Residential	$	$	$	$	$	$
Real Estate - Commercial						
Retail	3,477	(1,401)	5,412	7,347	(1,518)	7,498
Hotel & Motel	16,155	(5,026)	10,752	5,349	(987)	11,439
Gas Station & Car Wash	3,533	(1,204)	3,338	3,142	(1,411)	8,844
Mixed Use	2,568	(54)	1,438	308	(53)	2,334
Industrial & Warehouse	4,003	(603)	5,771	7,539	(1,729)	2,453
Other	2,042	(171)	2,370	2,697	(448)	5,711
Real Estate - Construction	6,605	(2,192)	6,197	5,789	(1,686)	4,027
Commercial Business	25,799	(7,839)	30,880	35,961	(13,270)	29,753
Trade Finance						
Consumer and Other						89
	$ 64,182	$ (18,490)	$ 66,157	$ 68,132	$ (21,102)	$ 72,148
With No Related Allowance						
Real Estate - Residential	$	$	$	$	$	$
Real Estate - Commercial						
Retail	6,818		7,973	9,127		10,100
Hotel & Motel	8,306		8,463	8,619		7,299
Gas Station & Car Wash	3,904		4,551	5,197		8,361
Mixed Use	3,063		3,362	3,660		4,635
Industrial & Warehouse	3,484		1,926	367		2,510
Other	11,551		14,541	17,530		10,853
Real Estate - Construction	3,633		4,051	4,469		2,481
Commercial Business	4,067		4,548	5,029		4,550
Trade Finance	460		465	469		287
Consumer and Other	170		129	88		18
	$ 45,456	$	$ 50,006	$ 54,555	$	$ 51,094
Total	$ 109,638	$ (18,490)	$ 116,163	$ 122,687	$ (21,102)	$ 123,242

* Adjustment to recorded investment is not deemed material to this presentation. Accrued interest receivable on total loans is $6.0 million and $6.1 million and deferred loan fees on total loans are $(2.0 million) and $(2.3 million) at March 31, 2011 and December 31, 2010.

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The following table provides the recorded investment in nonaccrual and loans past due over 90 days still on accrual by class of loans:

	As of March 31, 2011		
	Non-accrual Loans*	Loans past due 90 days or more, still accruing* (In Thousands)	Total nonperforming loans*
Real estate loans:			
Commercial			
Retail	$ 5,024	$	$ 5,024
Hotel & Motel	2,930		2,930
Gas Station & Car Wash	2,181		2,181
Mixed Use	4,678		4,678
Industrial & Warehouse	3,546		3,546
Other	4,209		4,209
Construction	8,528		8,528
Total	31,096		31,096
Commercial business	15,005		15,005
Trade finance	460		460
Consumer and other	400		400
	$ 46,961	$	$ 46,961

* Adjustment to recorded investment is not deemed material to this presentation.

	As of December 31, 2010		
	Non-accrual Loans*	Loans past due 90 days or more, still accruing* (In Thousands)	Total nonperforming loans*
Real estate loans:			
Commercial			
Retail	$ 1,615	$	$ 1,615
Hotel & Motel	1,187		1,187
Gas Station & Car Wash	3,054		3,054
Mixed Use	3,968		3,968
Industrial & Warehouse	3,690		3,690
Other	4,834		4,834
Construction	8,547		8,547
Total	26,895		26,895
Commercial business	15,991		15,991
Trade finance	469		469
Consumer and other	448		448
	$ 43,803	$	$ 43,803

* Adjustment to recorded investment is not deemed material to this presentation.

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The following table presents the aging of the recorded investment in past due loans by class of loans:

	As of March 31, 2011			
	30-59 Days Past Due*	60-89 Days Past Due*	Greater than 90 Days Past Due*	Total Past Due*
	(In Thousands)			
Real estate - Residential	$	$	$	$
Real estate - Commercial				
Retail	1,960	2,485	5,024	9,469
Hotel & Motel			2,930	2,930
Gas Station & Car Wash	1,162		2,181	3,343
Mixed Use	845		4,678	5,523
Industrial & Warehouse	368		3,546	3,914
Other	380		4,209	4,589
Real estate - Construction			8,528	8,528
Commercial business	887	251	15,005	16,143
Trade finance			460	460
Consumer and other	16	5	400	421
	$ 5,618	$ 2,741	$ 46,961	$ 55,320

* Adjustment to recorded investment is not deemed material to this presentation. Accrued interest receivable on total loans is $6.0 million and deferred loan fees on total loans are $(2.0 million) at March 31, 2011.

	As of December 31, 2010			
	30-59 Days Past Due*	60-89 Days Past Due*	Greater than 90 Days Past Due*	Total Past Due*
	(In Thousands)			
Real estate - Residential	$ 46	$	$	$ 46
Real estate - Commercial				
Retail	950	188	1,615	2,753
Hotel & Motel	455		1,187	1,642
Gas Station & Car Wash			3,054	3,054
Mixed Use	401		3,968	4,369
Industrial & Warehouse	133	239	3,690	4,062
Other	302		4,834	5,136
Real estate - Construction			8,547	8,547
Commercial business	684	855	15,991	17,530
Trade finance			469	469
Consumer and other	41	2	448	491
	$ 3,012	$ 1,284	$ 43,803	$ 48,099

* Adjustment to recorded investment is not deemed material to this presentation. Accrued interest receivable on total loans is $6.1 million and deferred loan fees on total loans are $(2.3 million) at December 31, 2010.

We categorize loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. We analyze loans individually by classifying the loans as to credit risk. This analysis includes all non-homogeneous loans. This analysis is performed at least on a quarterly basis. We use the following definitions for risk ratings:

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Special Mention: Loans classified as special mention have a potential weakness that deserves management s close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution s credit position at some future date.

Substandard: Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the repayment of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful: Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or repayment in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be Pass-rated loans. The risk category of loans by class of loans is as follows:

	As of March 31, 2011			
	Special Mention	Substandard	Doubtful	Total
Real estate - Residential	$	$ 43		$ 43
Real estate - Commercial				
Retail	5,693	21,828		27,521
Hotel & Motel	2,477	26,599		29,076
Gas Station & Car Wash	4,173	8,015		12,188
Mixed Use	400	7,064		7,464
Industrial & Warehouse	381	8,673		9,054
Other	1,424	18,767		20,191
Real estate - Construction		10,238		10,238
Commercial business	3,472	39,624	5,057	48,153
Trade finance	2,902	460		3,362
Consumer and other	350	880		1,230
Total Watch List Loans	$ 21,272	$ 142,191	$ 5,057	$ 168,520

	As of December 31, 2010			
	Special Mention	Substandard	Doubtful	Total
Real estate - Residential	$	$ 46		$ 46
Real estate - Commercial				
Retail	1,948	18,898		20,846
Hotel & Motel	10,896	15,490		26,386
Gas Station & Car Wash	8,798	8,923		17,721
Mixed Use	364	5,887		6,251
Industrial & Warehouse	385	8,871		9,256
Other	1,865	21,431		23,296
Real estate - Construction		10,257		10,257
Commercial business	4,182	45,054	260	49,496
Trade finance	305	469		774
Consumer and other	830	448		1,278
Total Watch List Loans	$ 29,573	$ 135,774	$ 260	$ 165,607

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The adequacy of the allowance for loan losses is determined by management based upon an evaluation and review of the credit quality of the loan portfolio, consideration of historical loan loss experience, relevant internal and external factors that affect the collection of a loan, and other pertinent factors.

The Migration Analysis is a formula methodology based on the Bank s actual historical net charge-off experience for each loan pool and loan risk grade (Pass, Special Mention, Substandard and Doubtful). The migration analysis is centered on the Bank s internal credit risk rating system. Our internal loan review and external contracted credit review examinations are used to determine and validate loan risk grades. This credit review system takes into consideration factors such as: borrower s background and experience; historical and current financial condition; credit history and payment performance; economic conditions and their impact on various industries; type, fair value and volatility of the fair value of collateral; lien position; and the financial strength of any guarantors.

A general loan loss allowance is provided on loans not specifically identified as impaired (non-impaired loans). The allowance is determined first based on a quantitative analysis using a loss migration methodology. The loans are classified by type and loan grade, and the historical loss migration is tracked for the various stratifications. Loss experience is quantified for the most recent 12 quarters and then weighted to give more weight to the most recent losses. That loss experience is then applied to the stratified portfolio at each quarter end. During 2009, the non-impaired Commercial Real Estate loan portfolio was stratified into ten different loan pools based on property types and the non-impaired Commercial and Industrial loan portfolio was stratified into five different loan pools based on loan type, to allocate historic loss experience to more granular loan pools. Effective June 30, 2010 four additional pools, primarily in the commercial real estate portfolio, were further stratified. In addition, a new software program was implemented effective June 30, 2010 and is used to track and allocate charge-offs to the various loan grades by loan pools. The stratification of the non-impaired loan portfolio resulted in a quantitative general loan loss allowance of $24.5 million at March 31, 2011, compared to $23.9 million at December 31, 2010.

Additionally, in order to systematically quantify the credit risk impact of other trends and changes within the loan portfolio, the Bank utilizes qualitative adjustments to the Migration Analysis within established parameters. The parameters for making adjustments are established under a Credit Risk Matrix that provides seven possible scenarios for each of the factors below. The matrix allows for up to three positive (Major, Moderate, and Minor), three negative (Major, Moderate, and Minor), and one neutral credit risk scenarios within each factor for each loan type pool. Generally, the factors are considered to have no significant impact (neutral) to our historical migration ratios. However, if information exists to warrant adjustment to the Migration Analysis, changes are made in accordance with the established parameters supported by narrative and/or statistical analysis. The Credit Risk Matrix and the seven possible scenarios enable the Bank to qualitatively adjust the Loss Migration Ratio or individual specific reserve allocations by as much as 50 basis points in either direction (positive or negative) for each loan type pool. This matrix considers the following nine factors, which are patterned after the guidelines provided under the FFIEC Interagency Policy Statement on the Allowance for Loan and Lease Losses:

- Changes in lending policies and procedures, including underwriting standards and collection, charge-off, and recovery practices.
- Changes in national and local economic and business conditions and developments, including the condition of various market segments.
- Changes in the nature and volume of the loan portfolio.
- Changes in the experience, ability, and depth of lending management and staff.
- Changes in the trends of the volume and severity of past due and classified loans; and changes in trends in the volume of non-accrual loans and troubled debt restructurings, and other loan modifications.
- Changes in the quality of our loan review system and the degree of oversight by the Directors.

Changes in the value of underlying collateral for collateral-dependent loans.

The existence and effect of any concentrations of credit, and changes in the level of such concentrations.

The effect of external factors such as competition and legal and regulatory requirements on the level of estimated losses in our loan portfolio.

The qualitative loan loss allowance on the loan portfolio was $20.4 million at March 31, 2011 compared to $17.0 million at December 31, 2010.

We also establish specific loss allowances for loans where we have identified potential credit risk conditions or circumstances related to a specific individual credit. The specific allowance amounts are determined by a method prescribed by FASB ASC 310-10-35-22, *Measurement of Impairment*. The loans identified as impaired will be accounted for in accordance with one of the three acceptable valuations: 1) the present value of future cash flows discounted at the loan s effective interest rate; 2) the loan s observable market price; or 3) the fair value of the collateral, if the loan is collateral dependent. For the collateral dependent impaired loans, we obtain an appraisal to determine the amount of impairment at the date that the loan become impaired. The appraisals are based on as is valuation. To ensure that appraised values remain current, we generally obtain an updated appraisal every twelve months from qualified independent appraisers. Furthermore, if the most current appraisal is dated more than six months prior to the effective date of the impairment test, we validate the most current value with third party market data appropriate to the location and property type of the collateral. If the third party market data indicates that the value of our collateral property has declined since the most recent valuation date, we adjust the value of the property downward to reflect current market conditions. If the fair value of the collateral, less cost to sell, is less than the recorded amount of the loan, we then recognize impairment by creating or adjusting an existing valuation allowance with a corresponding charge to the provision for loan losses. If an impaired loan is expected to be collected through liquidation of the collateral, the loan is deemed to be collateral dependent and the amount of impairment is charged off against the allowance for loan losses.

The Bank considers a loan to be impaired when it is probable that not all amounts due (principal and interest) will be collectible in accordance with the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. The significance of payment delays and payment shortfalls is determined on a case-by-case basis by taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower s prior payment record and the amount of the shortfall in relation to the principal and interest owed.

For commercial business loans, real estate loans and certain consumer loans, we base the measurement of loan impairment on the present value of the expected future cash flows, discounted at the loan s effective interest rate or on the fair value of the loan s collateral if the loan is collateral dependent. We evaluate most consumer loans for impairment on a collective basis, because these loans have generally smaller balances and are homogeneous in the underwriting terms and conditions, and in the type of collateral. If a loan is deemed to be impaired, the amount of the impairment is supported by a specific allowance amount which is included in the allowance for loan losses through a charge to the provision for loan losses.

In the third quarter, 2010, based on current market conditions, we expanded the criteria for evaluating loans for potential impairment which resulted in an increase in impaired loans from the prior quarter. Prior to the third quarter of 2010, loans graded Substandard were not individually evaluated for impairment and only considered impaired if they were 60+ days past due, unless other events existed that qualified the loan for impairment review. Therefore, a Substandard credit that was current in its contractual payments, but was classified due to other risk issues would not necessarily be subject to individual review for impairment analysis. Effective September 30, 2010, we expanded the scope of the loans reviewed for individual impairment by including all loans over $2 million that were risk-graded as Substandard, even though such loans were less than 60 days delinquent and were performing under their contractual terms. Effective December 31, 2010, we expanded the scope to include all loans over $1 million. This enhancement to our impairment analysis provided more coverage in terms of current fair values on classified loans as updated market values are required as part of the impairment analysis process. Effective March 31, 2011, we implemented a higher-level, preliminary non-impairment test, that is applied to loans that are graded Substandard, but are not TDRs and are on accrual. We use a five-step test with the following criteria: (1) the loan is current with no 30-day late payments in the past six months; (2) the loan payments are the contractual, non-modified amount; (3) the financial information that supports payment capacity is not aged over one year; (4) the global cash flow supports the current payment amount at a ratio of 1:1 or better; and (5) for CRE loans secured by a first lien on real estate collateral, the original LTV is below 100%. If the loan meets all of these criteria, it is not considered as impaired and is subject to a general loan loss allowance for non-impaired loans. Impaired loans at March 31, 2011, were $109.6 million, a decrease from $122.7 million at December 31, 2010.

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This decrease in impaired loans is due primarily to eight loans totaling $15.8 million returning to non-impaired status based on a review of the current financial information and payment performance.

The following table presents the recorded investment in loans by portfolio segment and impairment status at March 31, 2011 and December 31, 2010:

	As of March 31, 2011						
	Real estate - Residential	Real estate - Commercial	Real estate - Construction	Commercial business (In Thousands)	Trade finance	Consumer and other	Total
Impaired loans	$	$ 68,904	$ 10,238	$ 29,866	$ 460	$ 170	$ 109,638
Specific allowance	$	$ 8,459	$ 2,192	$ 7,839	$	$	$ 18,490
Loss coverage ratio	0.00%	12.28%	21.41%	26.25%	0.00%	0.00%	16.86%
Non-impaired loans	$ 2,103	$ 1,443,146	$ 52,086	$ 465,478	$ 57,064	$ 12,465	$ 2,032,342
General allowance	$ 15	$ 28,060	$ 2,184	$ 13,932	$ 170	$ 489	$ 44,850
Loss coverage ratio	0.71%	1.94%	4.19%	2.99%	0.30%	3.92%	2.21%
Total loans (1)	$ 2,103	$ 1,512,050	$ 62,324	$ 495,344	$ 57,524	$ 12,635	$ 2,141,980
Total allowance for loan loss	$ 15	$ 36,519	$ 4,376	$ 21,771	$ 170	$ 489	$ 63,340
Loss coverage ratio	0.71%	2.42%	7.02%	4.40%	0.30%	3.87%	2.96%

(1) Excludes the guaranteed portion of delinquent SBA loans.
(2) Adjustment to recorded investment is not deemed material to this presentation. Accrued interest receivable on total loans is $6.0 million and deferred loan fees on total loans are $(2.0 million) at March 31, 2011.

	As of December 31, 2010						
	Real estate - Residential	Real estate - Commercial	Real estate - Construction	Commercial business (In Thousands)	Trade finance	Consumer and other	Total
Impaired loans	$	$ 70,882	$ 10,258	$ 40,990	$ 469	$ 88	$ 122,687
Specific allowance	$	$ 6,145	$ 1,686	$ 13,271	$	$	$ 21,102
Loss coverage ratio	0%	8.67%	16.44%	32.38%	0.00%	0.00%	17.20%
Non-impaired loans	$ 2,263	$ 1,453,768	$ 36,642	$ 450,821	$ 56,961	$ 13,180	$ 2,013,635
General allowance	$ 14	$ 26,740	$ 1,710	$ 11,659	$ 192	$ 903	$ 41,218
Loss coverage ratio	0.62%	1.84%	4.67%	2.59%	0.34%	6.85%	2.05%
Total loans (1)	$ 2,263	$ 1,524,650	$ 46,900	$ 491,811	$ 57,430	$ 13,268	$ 2,136,322
Total allowance for loan loss	$ 14	$ 32,885	$ 3,396	$ 24,930	$ 192	$ 903	$ 62,320
Loss coverage ratio	0.62%	2.16%	7.24%	5.07%	0.33%	6.81%	2.92%

(1) Excludes the guaranteed portion of delinquent SBA loans.
(2) Adjustment to recorded investment is not deemed material to this presentation. Accrued interest receivable on total loans is $6.1 million and deferred loan fees on total loans are $(2.3 million) at December 31, 2010.

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Under certain circumstances, we will provide borrowers relief through loan modifications. These modifications are either temporary in nature (temporary modifications), or are more substantive troubled debt restructurings. At March 31, 2011, total modified loans were $47.4 million, compared to $55.6 million at December 31, 2010. The temporary modifications generally consist of interest only payments for a three- to six-month period, whereby principal payments are deferred. At the end of the modification period, the remaining principal balance is re-amortized based on the original maturity date. Loans subject to temporary modifications are generally downgraded to Substandard or Special Mention. At the end of the modification period, the loan either 1) returns to the original contractual terms; 2) is further modified and accounted for as a troubled debt restructuring in accordance with ASC 310-10-35; or 3) is disposed of through foreclosure or liquidation.

Troubled Debt Restructured (TDR) loans are defined by ASC 310-40, Troubled Debt Restructurings by Creditors and ASC 470-60, Troubled Debt Restructurings by Debtors, and evaluated for impairment in accordance with ASC 310-10-35. The concessions may be granted in various forms, including reduction in the stated interest rate, reduction in the amount of principal amortization, forgiveness of a portion of a loan balance or accrued interest, or extension of the maturity date.

A summary of TDRs on accrual by type of concession as of March 31, 2011 and December 31, 2010 is presented below:

	As of March 31, 2011			As of December 31, 2010		
(In Thousands)	Real estate - Commercial	Commercial Business	Total	Real estate - Commercial	Commercial Business	Total
Payment concession	$ 1,866	$ 2,177	$ 4,043	$ 975	$ 8,744	$ 9,719
Maturity / Amortization concession	10,319	4,902	15,221	4,968	7,144	12,112
Rate concession	9,443	712	10,155	12,250	1,022	13,272
	$ 21,628	$ 7,791	$ 29,419	$ 18,193	$ 16,910	$ 35,103

TDRs on accrual status are comprised of loans that were accruing at the time of restructuring and for which the Bank anticipates full repayment of both principal and interest. TDRs that are on non-accrual can be returned to accrual status after a period of sustained performance, generally determined to be six months of timely payments as modified. Sustained performance includes the periods prior to the modification if the prior performance met or exceeded the modified terms. TDRs on accrual status at March 31, 2011 were comprised of 11 commercial real estate loans totaling $21.6 million and 25 commercial business loans totaling $7.8 million. TDRs on accrual status at December 31, 2010 were comprised of 17 commercial real estate loans totaling $18.2 million and 43 commercial business loans totaling $16.9 million. We expect that the TDRs on accrual status as of March 31, 2011, which are all performing in accordance with their restructured terms to continue to comply with the restructured terms because of the reduced principal or interest payments on these loans. TDRs with sustained performance may be reclassified as non-TDRs after each year end.

We have allocated $9.6 million and $15.8 million of specific reserves to TDRs as of March 31, 2011 and December 31, 2010, respectively. As of March 31, 2011 and December 31, 2010, we did not have any outstanding commitments to extend additional funds to these borrowers.

7. Borrowings

We maintain a secured credit facility with the Federal Home Loan Bank of San Francisco (FHLB SF) against which the Company may take advances. The borrowing capacity is limited to the lower of 30% of the Bank s total assets or the Bank s collateral capacity, which was $592.4 million at March 31, 2011. The terms of this credit facility require the Company to pledge eligible collateral with the FHLB-SF equal to at least 100% of outstanding advances.

At March 31, 2011 and December 31, 2010, real estate secured loans with a carrying amount of approximately $1.1 billion were pledged as collateral for borrowings from the FHLB-SF. At March 31, 2011 and December 31, 2010, other than FHLB-SF stock, no securities were pledged as collateral for borrowings from the FHLB-SF.

At March 31, 2011 and December 31, 2010, FHLB-SF borrowings were $300 million and $350 million, had a weighted average interest rate of 3.19% and 3.18%, respectively, and had various maturities through September 2016. At March 31, 2011 and December 31, 2010, advances with various put dates and strike prices were $150 million. The cost of FHLB borrowings as of March 31, 2011 ranged between 0.68% and 4.57%. At March 31, 2011, the Company had a remaining borrowing capacity of $292.0 million.

At March 31, 2011, the contractual maturities for FHLB-SF borrowings were as follows:

	Contractual Maturities	Maturity/ Put Date
	(In thousands)	
Due within one year	$ 26,000	$ 176,000
Due after one year through five years	269,000	119,000
Due after five years through ten years	5,000	5,000
	$ 300,000	$ 300,000

In addition, as a member of the Federal Reserve Bank (FRB) system, we may borrow from the Federal Reserve Bank of San Francisco. The maximum amount that we may borrow from the Federal Reserve Bank s discount window is 96% of the fair value of the securities that we pledge and up to 63% of the outstanding principal balance of the qualifying loans that we pledge. At March 31, 2011, the outstanding principal balance of the qualifying loans was $394.0 million. As of March 31, 2011 and December 31, 2010, no borrowing was outstanding against the line.

Secured borrowings of $15.3 and $11.8 million at March 31, 2011 and December 31, 2010, respectively, represent the sold portion of SBA loans sold with 90 days recourse clause. Recognition of these sales is required to be deferred until the end of the 90 day recourse period.

8. Subordinated Debentures

At March 31, 2011, five wholly-owned subsidiary grantor trusts that were established by Nara Bancorp at various times had issued $38 million of pooled Trust Preferred Securities (trust preferred securities). Trust preferred securities accrue and pay distributions periodically at specified annual rates as provided in the indentures for such securities. The trusts used the net proceeds from their respective offerings to purchase a like amount of subordinated debentures (the Debentures) of Nara Bancorp. The Debentures are the sole assets of the trusts. Nara Bancorp s obligations under the Debentures and related documents, taken together, constitute a full and unconditional guarantee by Nara Bancorp of the obligations of the trusts. The trust preferred securities are mandatorily redeemable upon the maturity of the Debentures, or upon earlier redemption of the Debentures as provided in the indentures. Nara Bancorp has the right to redeem the Debentures in whole (but not in part) on or after specific dates, at redemption prices specified in the indentures plus any accrued but unpaid interest to the redemption date. Nara Bancorp also has a right to defer consecutive payments of interest on the debentures for up to five years.

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The following table is a summary of trust preferred securities and the related Debentures at March 31, 2011:

(Dollars in Thousands)

Issuance Trust	Issuance Date	Trust Preferred Security Amount	Subordinated Debentures Amount	Rate Type	Initial Rate	Rate at 3/31/11	Maturity Date
Nara Bancorp Capital Trust I	03/28/2001	$ 10,000	$ 10,400	Fixed	N/A	10.18%	06/08/2031
Nara Capital Trust III	06/05/2003	5,000	5,155	Variable	4.44%	3.46%	06/15/2033
Nara Statutory Trust IV	12/22/2003	5,000	5,155	Variable	4.02%	3.15%	01/07/2034
Nara Statutory Trust V	12/17/2003	10,000	10,310	Variable	4.12%	3.26%	12/17/2033
Nara Statutory Trust VI	03/22/2007	8,000	8,248	Variable	7.00%	1.96%	06/15/2037
TOTAL ISSUANCE		$ 38,000	$ 39,268				

The Company s investment in the common trust securities of the issuer trusts of $1.5 million at March 31, 2011 and December 31, 2010 is included in other assets. Although the securities issued by of the trusts are not included as a component of stockholders equity in the consolidated balance sheets, the securities are treated as capital for regulatory purposes. Specifically, under applicable regulatory guidelines, the $38 million of securities issued by the trusts qualify as Tier 1 capital, along with the $64.4 million of our outstanding Fixed Rate Cumulative Perpetual Preferred Stock, net of discount. The trust preferred security debt issuances are includable in Tier I capital up to a maximum of 25% of capital on an aggregate basis. Any amount that exceeds 25% qualifies as Tier 2 capital. At March 31, 2011, all of the $38 million of the trusts securities qualified as Tier 1 capital along with the $64.4 million of preferred stock. In July 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) was signed into law which, among other things, limits to bank holding companies having total assets of more than $15 billion the ability to treat trust preferred security debt issuances as Tier 1 capital. Since the Company had less than $15 billion in assets at March 31, 2011, under the Dodd-Frank Act, it will be able to continue to include its existing trust preferred securities in Tier 1 capital.

The Board of Governors of the Federal Reserve System, which is Nara Bancorp s federal banking regulator, has promulgated a modification of the capital regulations affecting trust preferred securities. Under this modification, beginning March 31, 2011, the Company is required to use a more restrictive formula to determine the amount of trust preferred securities that can be included in regulatory Tier I capital. The Company will be allowed to include in Tier I capital an amount of trust preferred securities equal to no more than 25% of the sum of all core capital elements, which is generally defined as stockholders equity less certain intangibles, including core deposit intangibles, net of any related deferred income tax liability.

9. Derivative Financial Instruments and Hedging Activities

As part of our asset and liability management strategy, we may enter into derivative financial instruments, such as interest rate swaps, caps and floors, with the overall goal of minimizing the impact of interest rate fluctuations on our net interest margin. Interest rate swaps and caps involve the exchange of fixed-rate and variable-rate interest payment obligations without the exchange of the underlying notional amounts.

Under the interest rate swap agreements that the Company had entered into as of December 31, 2007, the Company received a fixed rate and paid a floating rate. The interest rate swaps qualified as cash flow hedges for accounting purposes, and effectively fixed the interest rate received on the variable rate loans indexed to Prime as of December 31, 2007. As of December 31, 2007, the amounts in accumulated other comprehensive income (loss) associated with these cash flow hedges totaled a gain of $122 thousand (net of tax of $73 thousand). During January 2008, the Company terminated the $50 million of these interest rate swaps that were outstanding at December 31, 2007. The gain of $247 thousand, net of tax, on termination of the swaps is being amortized into income over the remaining life of the swaps. $7 thousand, net of tax of $4 thousand, was recognized into income during the first quarter of 2011.

During the third quarter of 2009, we entered into two two-year interest rate cap agreements with an aggregate notional amount of $50 million. Under these cap agreements, we receive quarterly payments from the counterparty when the quarterly resetting 3 Month London-Interbank Offered Rate (3 Mo. LIBOR) exceeds the strike level of 2.00%. The upfront fee paid to the counterparty in entering into these two interest rate cap agreements was $359 thousand. During the first quarter of 2010, we entered into another three-year interest rate cap agreement with an aggregate notional amount of $50 million. Under this cap agreement, we also receive quarterly payments from the counterparty when the quarterly resetting 3 Mo. LIBOR exceeds the strike level of 2.00%. The upfront fee paid to the counterparty in entering into this interest rate cap agreement was $890 thousand. These interest rate cap agreements are considered free-standing due to non-designation of a hedge relationship to any of its financial assets or liabilities. Under FASB ASC 815, valuation gains or losses on interest rate caps not designated as hedging instruments are recognized in earnings. At March 31, 2011, the aggregate fair value of the outstanding interest rate caps was $145 thousand, and we recognized mark-to-market losses on valuation of $22 thousand for the first quarter ended March 31, 2011.

At March 31, 2011, summary information about these interest-rate caps is as follows:

Notional amounts	$100.0 million
Weighted average pay rates	N/A
Weighted average receive rates	N/A
Weighted average maturity	1.18 years
Fair value of combined interest rate caps	$145 thousand

The following tables summarize the fair value of derivative financial instruments utilized by the Company:

	Derivatives at March 31, 2011 (In thousands)		December 31, 2010	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives not designated as hedging instruments:				
Interest rate caps	Other Assets	$ 145	Other Assets	$ 167
Total derivatives not designated as hedging instruments		$ 145		$ 167

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The effect of derivative instruments on the Consolidated Statement of Income for the three months ended March 31, 2011 and 2010 are as follows:

	Location of Gain or (Loss) Recognized in Income on Derivatives	March 31, 2011	March 31, 2010
		(In thousands)	
		Amount of Gain or (Loss) Recognized in Income on Derivatives	
Derivatives not designated as hedging instruments under FASB ASC 815:			
Interest rate contracts (1)	Other income	$ (22)	$ (241)
Total		$ (22)	$ (241)

(1) Includes amounts representing the net interest payments as stated in the contractual agreements and the valuation gains or (losses) on interest rate contracts not designated as hedging instruments.

10. Business Segments

Our management utilizes an internal reporting system to measure the performance of our various operating segments. We have identified three principal operating segments for the purposes of management reporting: banking operations, trade finance services (TFS) and small business administration (SBA) lending services. Information related to our remaining centralized functions and eliminations of inter-segment amounts has been aggregated and included in banking operations. Although all three operating segments offer financial products and services, they are managed separately based on each segment s strategic focus. The banking operations segment focuses primarily on commercial and consumer lending and deposit operations throughout our branch network. The TFS segment focuses primarily on allowing our import/export customers to handle their international transactions. Trade finance products include the issuance and collection of letters of credit, international collection and import/export financing. The TFS business segment also originates loan products, such as trade finance loans, commercial business loans and other loans. The SBA segment primarily provides our customers with access to the U.S. SBA guaranteed lending program. The SBA segment also makes commercial real estate and commercial business loans, which are not under the SBA guarantee program.

Operating segment results are based on our internal management reporting process, which reflects assignments and allocations of capital, certain operating and administrative costs and the provision for loan losses. Non-interest income and non-interest expense, including depreciation and amortization, directly attributable to a segment are assigned to that business. We allocate indirect costs, including overhead expense, to the various segments based on several factors, including, but not limited to, full-time equivalent employees, loan volume and deposit volume. We evaluate the overall performance based on profit or loss from operations before income taxes, excluding gains and losses that are not expected to reoccur. Future changes in our management structure or reporting methodologies may result in changes to the measurement of our operating segment results.

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The following tables present the operating results and other key financial measures for the individual operating segments for the three months ended March 31, 2011 and 2010.

Three Months Ended March 31,
(Dollars in thousands)

	Business Segment			
2011	**Banking Operations**	**TFS**	**SBA**	**Company**
Net interest income, before provision for loan losses	$ 25,044	$ 1,894	$ 1,945	$ 28,883
Less provision for loan losses	(207)	2,047	3,422	5,262
Non-interest income	2,291	591	1,628	4,510
Net revenue	27,542	438	151	28,131
Non-interest expense	15,541	516	638	16,695
Income (loss) before income taxes	$ 12,001	$ (78)	$ (487)	$ 11,436
Goodwill	$ 2,509	$	$	$ 2,509
Total assets	$ 2,424,122	$ 226,601	$ 275,420	$ 2,926,143

2010	**Banking Operations**	**TFS**	**SBA**	**Company**
Net interest income, before provision for loan losses	$ 20,746	$ 2,020	$ 2,477	$ 25,243
Less provision for loan losses	19,842	2,994	2,571	25,407
Non-interest income	8,312	557	515	9,384
Net revenue	9,216	(417)	421	9,220
Non-interest expense	13,246	473	465	14,184
Income (loss) before income taxes	$ (4,030)	$ (890)	$ (44)	$ (4,964)
Goodwill	$ 2,509	$	$	$ 2,509
Total assets	$ 2,549,346	$ 234,160	$ 295,514	$ 3,079,020

The SBA business segment primarily originates for sale and services SBA loans. It also originates commercial real estate loans and commercial business loans, not covered by the SBA guarantee program. Total SBA business segment assets at March 31, 2011 and 2010 included SBA loans (principally, the unguaranteed portion) of $110.3 million and $104.0 million; commercial real estate loans of $118.2 million and $165.7 million; and commercial business loans of $16.2 million and $14.7 million, respectively.

11. Income Taxes

Our Company and its subsidiaries are subject to U.S. federal income tax as well as income tax of the state of California and various other state income taxes. We had total unrecognized tax benefits of $214 thousand at March 31, 2011 and $202 thousand at December 31, 2010 that related primarily to uncertainties related to income taxes for the California Enterprise Zone loan interest deductions taken in prior years. The amount of unrecognized tax benefits increased slightly due to the uncertainties related to income taxes for the California Enterprise Zone loan interest deductions added in 2011. Our Company and its subsidiaries are subject to U.S. federal income tax as well as income tax of the state of California and various other state income taxes. The statute of limitations related to the consolidated Federal income tax return is closed for all tax years up to and including 2006. The expiration of the statute of limitations related to the various state income tax returns that the Company and subsidiaries file, varies by state. The Company is currently under audit by the California Franchise Tax Board for the years 2007 and 2008. We do not anticipate any material changes as a result of the examinations.

We recognize interest and penalties related to income tax matters in income tax expense. We had accrued interest and penalties of approximately $26 thousand and $23 thousand at March 31, 2011 and December 31, 2010, respectively.

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Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion, or all, of the deferred tax asset will not be realized. In assessing the realization of deferred tax assets, management evaluates both positive and negative evidence, including the existence of any cumulative losses in the current year and the prior two years, the amount of taxes paid in available carry-back years, the forecasts of future income, applicable tax planning strategies, and assessments of current and future economic and business conditions. This analysis is updated quarterly and adjusted as necessary. Based on the analysis, the Company has determined that a valuation allowance for deferred tax assets was not required as of March 31, 2011.

12. Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

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; or other inputs that are observable or can be corroborated by observable market data.

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

Securities Available for Sale

The fair values of securities available for sale are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or matrix pricing, which is a mathematical technique widely used 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 (Level 2 inputs).

Impaired Loans

The fair values of impaired loans are generally measured for impairment using the practical expedients permitted by FASB ASC 310-10-35 including impaired loans measured at an observable market price (if available), or at the fair value of the loan s collateral (if the loan is collateral dependent). Fair value of the loan s collateral, when the loan is dependent on collateral, is determined by appraisals or independent valuation, which is then adjusted for the cost related to liquidation of the collateral. These are considered Level 3 inputs.

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Derivatives

The fair value of our derivative financial instruments, including interest rate swaps and caps, is based on derivative valuation models using market data inputs as of the valuation date that can generally be verified and do not typically involve significant management judgments. (Level 2 inputs).

Other Real Estate Owned

Other real estate owned is valued at the time the loan is foreclosed upon and the asset is transferred to other real estate owned. The value 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. Other real estate owned is reviewed and evaluated on at least an annual basis for additional impairment and adjusted accordingly, based on the same factors identified above.

Loans held for sale

Loans held for sale are carried at the lower of cost or fair value, as determined by outstanding commitments from investors, or based on recent comparable sales, if available, and if not available, are based on discounted cash flows using current market rates applied to the estimated life and credit risk (Level 2 inputs) or may be assessed based upon the fair value of the collateral which is obtained from recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are typically significant and result in Level 3 classification of the inputs for determining fair value.

Assets and liabilities measured at fair value on a recurring basis are summarized below:

		Fair Value Measurements Using		
	March 31, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(In thousands)		
Assets:				
Securities available for sale:				
GSE bonds	$ 118,938	$	$ 118,938	$
GSE collateralized mortgage obligations	93,416		93,416	
GSE mortgage-backed securities	284,813		284,813	
Corporate note	4,036		4,036	
Municipal bonds	5,298		5,298	
Mutual funds	5,499	5,499		
Derivatives - Interest rate caps	145		145	

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There were no significant transfers between Level 1, 2 and 3 during the quarter ended March 31, 2011

		Fair Value Measurements Using		
	At December 31, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(In thousands)		
Assets:				
Securities available for sale:				
GSE bonds	$ 125,718	$	$ 125,718	$
GSE collateralized mortgage obligations	103,201		103,201	
GSE mortgage-backed securities	284,834		284,834	
Corporate note	3,708		3,708	
Municipal bonds	5,258		5,258	
Mutual funds	5,519	5,519		
Derivatives - Interest rate caps	167		167	

Fair value adjustments for interest rate caps resulted in a net expense of $22 thousand for the three months ended March 31, 2011 and $901 thousand for the year ended December 31, 2010.

Assets measured at fair value on a non-recurring basis are summarized below:

		Fair Value Measurements Using		
	March 31, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(In thousands)		
Assets:				
Impaired loans at fair value:				
Real estate loans	$ 39,885	$	$	$ 39,885
Commercial business	1,741			1,741
Loans held for sale, net	575		575	
Other real estate owned	1,641			1,641

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		Fair Value Measurements at Using		
	At December 31, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(In thousands)		
Assets:				
Impaired loans at fair value:				
Real estate loans	$ 35,009			$ 35,009
Commercial business	6,611			6,611
Loans held for sale, net	3,225		3,225	
Other real estate owned	675			675

Impaired loans, which are measured for impairment using the fair value of the loan collateral, had a carrying amount of $80.3 million at March 31, 2011, after partial charge-offs of $12.2 million. In addition, these loans had a specific valuation allowance of $10.3 million at March 31, 2011. Of this $80.3 million, $52.0 million were carried at their fair value of $41.6 million as a result of the aforementioned charge-offs and specific valuation allowances. The remaining $28.3 million were carried at cost at March 31, 2011, as the fair value of the collateral on these loans exceeded the book value for each individual credit. The Company also has impaired loans totaling $29.3 million at March 31, 2011 which are measured based on the present value of expected future cash flows and are not included in the above table as this is not a measurement of fair value. Of these, $27.0 million were carried below cost as a result of charge-offs or assigned specific reserves of $12.2 million at March 31, 2011. The remaining $2.3 million of impaired loans measured based on the present value of expected cash flows are carried at cost. Charge-offs and changes in specific valuation allowances for the three months ended March 31, 2011 on impaired loans carried at the fair value of loan collateral at March 31, 2011 resulted in additional provisions for loan losses of $7.2 million.

Impaired loans, which are measured for impairment using the fair value of the loan collateral, had a loan principal balance of $94.6 million at December 31, 2010, after partial charge-offs of $20.0 million. In addition, these loans had a specific valuation allowance of $11.2 million at December 31, 2010. Of this $94.6 million, $52.8 million were carried at their fair value of $41.6 million as a result of the aforementioned charge-offs and specific valuation allowances. The remaining $41.8 million were carried at cost at December 31, 2010, as the fair value of the collateral on these loans exceeded the book value for each individual credit. The Company also has impaired loans totaling $28.1 million at December 31, 2010 which are measured based on the present value of expected cash flows and are not included in the above table as this is not a measurement of fair value. Of these, $27.8 million were carried below cost as a result of charge-offs or assigned specific reserves of $9.9 million at December 31, 2010. The remaining $231 thousand of impaired loans measured based on the present value of expected cash flows are carried at cost. Charge-offs and changes in specific valuation allowances during 2010 on impaired loans carried at the fair value of loan collateral at December 31, 2010 resulted in additional provision for loan losses of $ 43.2 million.

Loans held for sale, which were carried at their fair value, approximated $575 thousand, after partial charge-offs of $60 thousand. The charges-offs on loans held for sale were $217 thousand for the three months ended March 31, 2011.

Loans held for sale, which were carried at their fair value, approximated $3.2 million, after partial charge-offs of $1.3 million and a valuation allowance of $100 thousand. Total charge-offs on loans held for sale were $33.8 million during 2010.

Other real estate owned carried at its fair value had a carrying amount of $1.6 million at March 31, 2011, which is made up of an outstanding balance of $3.4 million, with a valuation allowance of $1.8 million. Changes in the valuation allowance on other real estate owned outstanding at March 31, 2011 resulted in a write-down of $27 thousand for the three months ended March 31, 2011.

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Other real estate owned carried at its fair value had a carrying amount of $675 thousand at December 31, 2010, which is made up of an outstanding balance of $1.1 million, with a valuation allowance of $439 thousand. Changes in the valuation allowance on other real estate owned outstanding at December 31, 2010 resulted in a write-down of $2.2 million during 2010.

Fair Value of Financial Instruments

Carrying amounts and estimated fair values of financial instruments, not previously presented, at March 31, 2011 and December 31, 2010 were as follows:

	March 31, 2011	
	Carrying Amount	Estimated Fair Value
	(In thousands)	
Financial Assets:		
Cash and cash equivalents	$ 135,341	$ 135,341
Loans held for sale	40,113	43,101
Loans receivable net	2,049,147	2,083,692
Federal Reserve Bank stock	6,367	N/A
Federal Home Loan Bank stock	17,015	N/A
Accrued interest receivable	8,731	8,731
Customers liabilities on acceptances	12,358	12,358
Financial Liabilities:		
Noninterest-bearing deposits	$ (402,579)	$ (402,579)
Saving and other interest bearing demand deposits	(818,301)	(818,301)
Time deposits	(955,216)	(959,466)
Borrowings from Federal Home Loan Bank	(300,000)	(312,874)
Subordinated debentures	(39,268)	(39,392)
Secured borrowing	(15,308)	(15,308)
Accrued interest payable	(4,733)	(4,733)
Bank s liabilities on acceptances outstanding	(12,358)	(12,358)

	December 31, 2010	
	Carrying Amount	Estimated Fair Value
	(In thousands)	
Financial Assets:		
Cash and cash equivalents	$ 172,331	$ 172,331
Loans held for sale	23,702	25,364
Loans receivable net	2,043,806	2,076,384
Federal Reserve Bank stock	6,367	N/A
Federal Home Loan Bank stock	17,717	N/A
Accrued interest receivable	8,648	8,648
Customers liabilities on acceptances	11,528	11,528
Financial Liabilities:		
Noninterest-bearing deposits	$ (388,731)	$ (388,731)
Saving and other interest bearing demand deposits	(814,848)	(814,848)
Time deposits	(972,535)	(977,762)
Borrowings from Federal Home Loan Bank	(350,000)	(365,167)
Subordinated debentures	(39,268)	(39,649)
Secured borrowing	(11,758)	(11,758)
Accrued interest payable	(4,830)	(4,830)
Bank s liabilities on acceptances outstanding	(11,528)	(11,528)

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The methods and assumptions used to estimate fair value are described as follows.

The carrying amount is the estimated fair value for cash and cash equivalents, savings and other interest bearing demand deposits, accrued interest receivable and payable, customer s and Bank s liabilities on acceptances, non-interest-bearing deposits, short-term debt, secured borrowings, and variable rate loans or deposits that reprice frequently and fully. For fixed rate loans or deposits and for variable rate loans or deposits with infrequent repricing or repricing limits, fair value is based on discounted cash flows using current market rates applied to the estimated life and credit risk. The allowance for loan losses is considered to be a reasonable estimate of discount for credit quality concerns. Fair value of loans held for sale is based on market quotes. Fair value of time deposits and debt is based on current rates for similar financing. It was not practicable to determine the fair value of Federal Reserve Bank stock or Federal Home Loan Bank stock due to restrictions placed on their transferability. The fair value of commitments to fund loans represents fees currently charged to enter into similar agreements with similar remaining maturities and is not presented herein. The fair value of these financial instruments is not material to the consolidated financial statements.

13. Comprehensive Income (Loss)

Comprehensive income (loss) components and related tax effects were as follows:

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
	(In thousands)	
Net income (loss)	$ 6,746	$ (2,532)
Unrealized holding gains on securities available-for sale and interest only strips	(257)	4,898
Reclassification adjustments for gains realized in income		(6,296)
Net unrealized gain	(257)	(1,398)
Tax expense (benefit)	(95)	(578)
Net of tax amount	$ (162)	$ (820)
Reclassification adjustment for gains realized for the ineffective portion of swaps and caps and discontinued hedge positions	$ (11)	$ (11)
Net unrealized loss	(11)	(11)
Tax benefit	(4)	(4)
Net of tax amount	$ (7)	$ (7)
Total other comprehensive income	$ (169)	$ (827)
Comprehensive income (loss)	$ 6,577	$ (3,359)

14. Stockholders Equity and Regulatory Matters

The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company s and the Bank s financial statements, such as restrictions on the growth, expansion or the payment of dividends or other capital distributions or management fees. Under capital adequacy guidelines and the

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regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Prompt corrective action provisions are not applicable to bank holding companies.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier I capital (as defined) to average assets (as defined). Management believes that, as of March 31, 2011 and December 31, 2010, the Company and the Bank met all capital adequacy requirements to which they are subject.

As of March 31, 2011 and December 31, 2010, the most recent regulatory notification categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier I risk-based and Tier I leverage ratios as set forth in the table below. There are no conditions or events since the notification that management believes have changed the Bank s category.

On November 21, 2008, the Company received $67 million from the U.S. Treasury through its TARP capital purchase plan and issued 67,000 shares of cumulative preferred stock. The preferred stock will pay cumulative dividends at the rate of 5% per year for the first five years and 9% per year thereafter. The shares are callable by the Company at par after three years if the repurchase is made with proceeds of a new offering or placement of common equity or of certain preferred stock treated as Tier 1 capital under applicable Federal banking regulations.

Prior to the earlier of the third anniversary of the closing date and the date on which the preferred shares have been redeemed in whole or the investor has transferred all of the preferred shares to third parties which are not affiliates of the investor, neither the Company nor any Company subsidiary shall, without the consent of the investor, declare or pay any dividend or make any distribution on its common stock (other than (A) regular quarterly cash dividends of not more than $0.0275, which was the amount of the last quarterly cash dividend per share declared or, if lower, publicly announced an intention to declare, on the common stock prior to October 14, 2008, as adjusted for any stock split, stock dividend, reverse stock split, reclassification or similar transaction, (B) dividends payable solely in shares of common stock and (C) dividends or distributions of rights or junior stock in connection with a stockholders rights plan).

The preferred stock issued qualifies as Tier 1 capital.

In conjunction with the purchase of the Company s preferred stock, the U.S. Treasury received a warrant to purchase 1,042,531 shares of the Company s common stock at $9.64 per share. The term of the warrant is ten years. On December 3, 2009, US Treasury approved the Company s request for an adjustment to the Company s warrant share position due to a qualified equity offering in November 2009, which is discussed below. The adjusted number of warrant is 521,266, or 50% of original issuance of 1,042,531.

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The Company s and the Bank s actual capital amounts and ratios are presented in the table below:

	Actual		Required For Capital Adequacy Purposes		Required To Be Well Capitalized under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in thousands)			
As of March 31, 2011:						
Total capital (to risk-weighted assets):						
Company	$ 405,398	17.7%	$ 182,821	8.0%	N/A	N/A
Bank	$ 395,599	17.3%	$ 182,611	8.0%	$ 228,264	10.0%
Tier I capital (to risk-weighted assets):						
Company	$ 376,383	16.5%	$ 91,411	4.0%	N/A	N/A
Bank	$ 366,616	16.1%	$ 91,305	4.0%	$ 136,958	6.0%
Tier I capital (to average assets):						
Company	$ 376,383	12.9%	$ 116,503	4.0%	N/A	N/A
Bank	$ 366,616	12.6%	$ 116,432	4.0%	$ 145,540	5.0%

	Actual		Required For Capital Adequacy Purposes		Required To Be Well Capitalized under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in thousands)			
As of December 31, 2010:						
Total capital (to risk-weighted assets):						
Company	$ 403,298	17.7%	$ 182,389	8.0%	N/A	N/A
Bank	$ 393,292	17.3%	$ 182,065	8.0%	$ 227,581	10.0%
Tier I capital (to risk-weighted assets):						
Company	$ 374,353	16.4%	$ 91,194	4.0%	N/A	N/A
Bank	$ 364,397	16.0%	$ 91,032	4.0%	$ 136,549	6.0%
Tier I capital (to average assets):						
Company	$ 374,353	12.6%	$ 118,718	4.0%	N/A	N/A
Bank	$ 364,397	12.3%	$ 118,742	4.0%	$ 148,427	5.0%

Under federal banking law, dividends declared by the Bank in any calendar year may not, without the approval of the regulatory agency, exceed its net income for that year combined with its retained income from the preceding two years. However, the regulatory agency has previously issued a bulletin to all banks outlining guidelines limiting the circumstances under which banks may pay dividends even if the banks are otherwise statutorily authorized to pay dividends. The limitations impose a requirement or in some cases suggest that prior approval of the regulatory agency should be obtained before a dividend is paid if a bank is the subject of administrative action or if the payment could be viewed by the regulatory agency as unsafe or unusual. In 2009, the Bank agreed with its primary regulatory agencies to obtain the prior written approval to pay any dividends.

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

The following discussion and analysis should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2010 and the unaudited consolidated financial statements and notes set forth elsewhere in this report.

GENERAL

Selected Financial Data

The following table sets forth certain selected financial data concerning the periods indicated:

	At or for the Three Months Ended March 31,	
	2011	2010
	(Dollars in thousands, except share and per share data)	
Income Statement Data:		
Interest income	$ 37,194	$ 38,661
Interest expense	8,311	13,418
Net interest income	28,883	25,243
Provision for loan losses	5,262	25,407
Net interest income after provision for loan losses	23,621	(164)
Non-interest income	4,510	9,384
Non-interest expense	16,695	14,184
Income (loss) before income tax expense (benefit)	11,436	(4,964)
Income tax expense (benefit)	4,690	(2,432)
Net income (loss)	$ 6,746	$ (2,532)
Dividends and discount accretion on preferred stock	$ (1,075)	$ (1,071)
Net income (loss) available to common stockholders	$ 5,671	$ (3,603)
Per Share Data:		
Earnings (loss) per common share - basic	$ 0.15	$ (0.10)
Earnings (loss) per common share - diluted	$ 0.15	$ (0.10)
Book value (period end, excluding preferred stock and warrants)	$ 7.83	$ 7.87
Common shares outstanding	37,993,327	37,835,407
Weighted average shares - basic	37,987,345	37,828,587
Weighted average shares - diluted	38,098,848	37,828,587
Statement of Financial Condition Data - at Period End:		
Assets	$ 2,926,143	$ 3,079,020
Securities available for sale	512,000	498,801
Gross loans, net of deferred loan fees and costs * (excludes loans held for sale)	2,139,933	2,147,493
Deposits	2,176,098	2,281,792
Federal Home Loan Bank borrowings	300,000	350,000
Subordinated debentures	39,268	39,268
Stockholders equity	364,336	363,821

	At or for the Three Months Ended March 31,	
	2011	2010
	(Dollars in thousands)	
Average Balance Sheet Data:		
Assets	$ 2,936,114	$ 3,176,343
Securities available for sale	526,341	662,023
Gross loans, including loans held for sale *	2,167,739	2,200,488
Deposits	2,158,100	2,374,515
Stockholders equity	363,166	372,363
Selected Performance Ratios:		
Return on average assets (1) (7)	0.92%	-0.32%
Return on average stockholders equity (1) (7)	7.43%	-2.72%
Non-interest expense to average assets (1)	2.27%	1.79%
Efficiency ratio (2)	50.00%	40.96%
Net interest margin (3) *	4.13%	3.35%
Regulatory Capital Ratios (4)		
Leverage capital ratio (5)	12.92%	12.49%
Tier 1 risk-based capital ratio	16.47%	17.10%
Total risk-based capital ratio	17.74%	18.37%
Tangible common equity ratio (8)	10.08%	9.58%
Asset Quality Ratios: *		
Allowance for loan losses to gross loans, excluding loans held for sale	2.96%	2.98%
Allowance for loan losses to non-performing loans	134.88%	101.21%
Total non-performing loans to gross loans	2.19%	2.94%
Total non-performing assets to total assets (6)	2.70%	4.36%

* Excludes the guaranteed portion of delinquent SBA loans

(1) Annualized.

(2) Efficiency ratio is defined as non-interest expense divided by the sum of net interest income and non-interest income.

(3) Net interest margin is calculated by dividing annualized net interest income by average total interest-earning assets.

(4) The required ratios for a well-capitalized institution are 5% leverage capital, 6% tier I risk-based capital and 10% total risk-based capital.

(5) Calculations are based on average quarterly asset balances.

(6) Non-performing assets include non-accrual loans, loans past due 90 or more and still accruing interest, other real estate owned, and restructured loans.

(7) Based on net loss before effect of dividends and discount accretion on preferred stock

(8) Excludes TARP preferred stock, net of discount, of $64.4 million and $63.5 million and stock warrants of $2.4 million and $2.4 million at March 31, 2011 and 2010, respectively.

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Results of Operations

Overview

Our total assets decreased $37.2 million, or 1%, to $2.93 billion at March 31, 2011, from $2.96 billion at December 31, 2010. Gross loans receivable were unchanged at $2.15 billion at March 31, 2011 and December 31, 2010. Our deposits were also unchanged at $2.18 billion at March 31, 2011 and December 31, 2010. Time deposits decreased by $17 million while non-interest bearing demand deposit accounts increased by $14 million.

Our net income available to common stockholders for the three months ended March 31, 2011 was $5.7 million, or $0.15 per diluted share, compared to net loss available to common stockholders of ($3.6) million, or ($0.10) per diluted share, for the same period of 2010, representing an increase in net income of $9.3 million, or 257%. The improvement in results of operations is primarily due to a decrease in the provision for loan losses.

The annualized income (loss) on average assets was 0.92% for the first quarter of 2011, compared to (0.32%) for the same period of 2010. The annualized income (loss) on average equity was 7.43% for the first quarter of 2011, compared to (2.72%) for the same period of 2010. The efficiency ratio was 50.00% for the first quarter of 2011, compared to 40.96% for the same period of 2010.

Net Interest Income and Net Interest Margin

Net Interest Income and Expense

The principal component of our earnings is net interest income, which is the difference between the interest and fees earned on loans and investments and the interest paid on deposits and borrowed funds. Net interest income expressed as a percentage of average interest-earning assets is referred to as net interest margin. The net interest spread is the yield on average interest-earning assets less the cost of average interest-bearing liabilities (interest-bearing deposits and borrowed funds). Net interest income is affected by changes in the respective volumes of interest-earning assets and funding liabilities as well as by changes in the yields earned on interest-earning assets and the rates paid on interest-bearing liabilities.

Net interest income before provision for loan losses was $28.9 million for the first quarter of 2011, an increase of $3.7 million, or 14%, compared to $25.2 million for the same period of 2010. The increase is primarily due to an improved net interest margin. The net interest margin improved to 4.13% for the first quarter 2011, compared to 3.35% for the same period of 2010. The improvement in the net interest margin was primarily caused by the downward repricing of our interest bearing liabilities.

Interest income for the first quarter of 2011 was $37.2 million compared to $38.7 million for the same period of 2010. Interest income decreased $1.5 million due to a decrease in the volume of average interest-earning assets, which was offset by an increase in the average yield earning on average interest-earning assets of $126 thousand.

Interest expense for the first quarter of 2011 was $8.3 million, a decrease of $5.1 million, or 38%, compared to interest expense of $13.4 million for the same quarter of 2010. The decrease was primarily the result of a $3.4 million decrease in interest expense due to a decrease in the average rates paid on interest-bearing liabilities and a $1.7 million decrease in interest expense due to a decrease in the volume of average interest-bearing liabilities.

Net Interest Margin

During the first quarter 2011, our net interest margin increased 78 basis points to 4.13% from 3.35% for the same quarter of last year. The weighted average yield on the loan portfolio for the first quarter 2011 slightly increased by 4 basis points to 6.19% from 6.15% for the same quarter of last year, which was mainly due to a decrease of $688 thousand in reversal of interest on non-accrual loans.

The weighted average yield on our investment securities available for sale for the first quarter 2011 decreased 8 basis points to 2.99% from 3.07% for the same quarter 2010. The decrease in the average yield on investment securities was due to the sale of investment securities totaling $201.8 million with an average yield of 4.89% during the year ended 2010, which was replaced by new investment securities with lower yield than the weighted average yield of the portfolio as a result of decrease in market interest rates.

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The weighted average cost of deposits for the first quarter of 2011 decreased 74 basis points to 0.96% from 1.70% for the same quarter last year. The cost of time deposits decreased 102 basis points to 1.25% from 2.27%, accounting for a substantial portion of the decrease. The decrease was primarily due to the decrease in the rates paid on certificates of deposits upon renewal and on money market accounts as a result of the decline in market interest rates.

The weighted average cost of FHLB advances for first quarter of 2011 decreased 25 basis points to 3.21% compared to 3.46% for first quarter 2010, as matured advances with higher rates were either refinanced at lower rates or allowed to expire.

Following are selected weighted average data on a spot rate basis at March 31, 2011 and 2010:

	March 31, 2011	March 31, 2010
Weighted average loan portfolio yield (excluding discounts)	5.88%	5.94%
Weighted average securities available-for-sale portfolio yield	3.15%	2.95%
Weighted average cost of deposits	0.95%	1.42%
Weighted average cost of total interest-bearing deposits	1.17%	1.70%
Weighted average cost of FHLB advances	3.19%	3.42%
Net interest margin	4.00%	3.34%

Prepayment penalty income for the first quarter of 2011 and 2010 was $229 thousand and $173 thousand, respectively. Non-accrual interest income reversed was $100 thousand and $788 thousand for the first quarter of 2011 and 2010, respectively. Excluding the effects of both non-accrual loan interest income and prepayment penalty income, the net interest margin for the first quarter 2011 and 2010 would have been as 4.11% and 3.43%, respectively.

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The following table presents our condensed consolidated average balance sheet information, together with interest rates earned and paid on the various sources and uses of funds for the periods indicated:

	Three months ended March 31, 2011			Three months ended March 31, 2010		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate *	Average Balance	Interest Income/ Expense	Average Yield/ Rate *
	(Dollars in thousands)					
INTEREST EARNINGS ASSETS:						
Loans [1] [2]	$ 2,167,739	$ 33,085	6.19%	$ 2,200,488	$ 33,348	6.15%
Securities available for sale [3]	526,341	3,930	2.99%	662,023	5,088	3.07%
FRB and FHLB stock and other investments	137,094	179	0.52%	166,191	183	0.44%
Federal funds sold			N/A	20,000	42	0.83%
Total interest earning assets	$ 2,831,174	$ 37,194	5.32%	$ 3,048,702	$ 38,661	5.13%
INTEREST BEARING LIABILITIES:						
Deposits:						
Demand, interest-bearing	$ 680,254	$ 1,464	0.87%	$ 504,666	$ 1,288	1.04%
Savings	126,661	709	2.27%	134,441	805	2.43%
Time deposits:						
$100,000 or more	321,708	455	0.57%	903,466	4,961	2.23%
Other	640,549	2,502	1.58%	500,067	2,893	2.35%
Total time deposits	962,257	2,957	1.25%	1,403,533	7,854	2.27%
Total interest bearing deposits	1,769,172	5,130	1.18%	2,042,640	9,947	1.97%
FHLB advances	324,611	2,572	3.21%	350,000	2,984	3.46%
Other borrowings	55,088	608	4.42%	39,767	487	4.90%
Total interest bearing liabilities	2,148,871	$ 8,310	1.57%	2,432,407	$ 13,418	2.24%
Non-interest bearing demand deposits	388,928			331,875		
Total funding liabilities / cost of funds	$ 2,537,799		1.33%	$ 2,764,282		1.97%
Net interest income/net interest spread		$ 28,884	3.75%		$ 25,243	2.90%
Net interest margin			**4.13%**			**3.35%**
Net interest margin, excluding effect of non-accrual loan income(expense) [4]			4.14%			3.45%
Net interest margin, excluding effect of non-accrual loan income(expense) and prepayment fee income [4] [5]			4.11%			3.43%
Cost of deposits:						
Non-interest demand deposits	$ 388,928	$		$ 331,875	$	
Interest bearing deposits	1,769,172	5,130	1.18%	2,042,640	9,947	1.97%
Total deposits	$ 2,158,100	$ 5,130	0.96%	$ 2,374,515	$ 9,947	1.70%

* Annualized

(1) Interest income on loans includes loan fees.

(2) Average balances of loans are net of deferred loan fees and costs and include nonaccrual loans and loans held for sale, but excludes the guaranteed portion of delinquent SBA loans.

(3) Interest income and yields are not presented on a tax-equivalent basis.

(4) Non-accrual interest income reversed was $100 thousand and $788 thousand for the three months ended March 31, 2011 and 2010, respectively.

(5) Loan prepayment fee income excluded was $229 thousand and $173 thousand for the three months ended March 31, 2011 and 2010, respectively.

The following table illustrates the changes in our interest income, interest expense, and 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 changes due to volume and the changes due to rate categories in proportion to the relationship of the absolute dollar amounts attributable solely to the change in volume and to the change in rate.

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	Three months ended March 31, 2011 over March 31, 2010		
	Net Increase (Decrease)	Change due to	
		Rate	Volume
	(Dollars in thousands)		
INTEREST INCOME:			
Interest and fees on loans	$ (263)	$ 236	$ (499)
Interest on securities	(1,158)	(141)	(1,017)
Interest on other investments	(4)	31	(35)
Interest on federal funds sold	(42)		(42)
Total interest income	$ (1,467)	$ 126	$ (1,593)
INTEREST EXPENSE:			
Interest on demand deposits	$ 176	$ (224)	$ 400
Interest on savings	(96)	(51)	(45)
Interest on time deposits	(4,897)	(2,885)	(2,012)
Interest on FHLB borrowings	(412)	(203)	(209)
Interest on other borrowings	121	(52)	173
Total interest expense	$ (5,108)	$ (3,415)	$ (1,693)
Net Interest Income	$ 3,641	$ 3,541	$ 100

Provision for Loan Losses

The provision for loan losses reflects our judgment of the current period cost associated with credit risk inherent in our loan portfolio. The loan loss provision for each period is dependent upon many factors, including loan growth, net charge-offs, changes in the composition of the loan portfolio, delinquencies, assessments by management, third parties and regulators examination of the loan portfolio, the value of the underlying collateral on problem loans and the general economic conditions in our market areas. Specifically, the provision for loan losses represents the amount charged against current period earnings to achieve an allowance for loan losses that, in our judgment, is adequate to absorb probable incurred losses inherent in our loan portfolio. Periodic fluctuations in the provision for loan losses result from management s assessment of the adequacy of the allowance for loan losses; however, actual loan losses may vary in material respects from current estimates. If the allowance for loan losses is inadequate, it may have a material adverse effect on our financial condition.

The provision for loan losses for the first quarter of 2011 was $5.3 million, a decrease of $20.1 million, or 79%, from $25.4 million for the same period last year. The decrease is primarily due to lower charge-offs for the three most recent quarters resulting in lower historical loss rates that are used to calculate general reserve requirements. Net charge-offs decreased to $4.2 million for the three months ended March 31, 2011, compared to $20.8 million for the same period last year.

See Footnote 6 of the Notes to Condensed Consolidated Financial Statements (unaudited) and Financial Condition-Loans Receivable and Allowance for Loan Losses for further discussion.

Non-interest Income

Non-interest income is primarily comprised of service fees on deposits accounts, fees received from our trade finance letter of credit operations and net gains on sales of loans and securities available for sale.

Non-interest income for the first quarter of 2011 was $4.5 million, compared to $9.4 million for the same quarter of 2010, a decrease of $4.9 million, or 52%. The decrease was primarily due to a decrease of $6.3 million in net gains on sales of securities available-for sale offset by an increase of $1.1 million in net gains on sales of loans. A

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total of $201.8 million in available-for-sale GSE investment securities were sold in the first quarter of 2010 as part of the rebalancing of the duration and mix of our investment securities portfolio. No securities were sold during the first quarter of 2011. Net gains on sale of SBA loans were $1.2 million for the first quarter of 2011, an increase of $1.1 million from $43 thousand for the same quarter of 2010. The increase reflected a significant improvement in the secondary market for SBA loans, as well as, the impact of the requirement of deferral of gain recognition, which became effective beginning of 2010.

The breakdown of changes in our non-interest income by category is shown below:

	Three Months Ended March,		Increase (Decrease)	
	2011	2010	Amount	Percent (%)
	(Dollars in thousands)			
Service fees on deposit accounts	$ 1,497	$ 1,619	$ (122)	-7.5%
International service fees	570	539	31	5.8%
Loan servicing fees, net	463	457	6	1.3%
Wire transfer fees	322	293	29	9.9%
Other income and fees	507	353	154	43.6%
Net gains on sales of SBA loans	1,160	43	1,117	2597.7%
Net gains on sales securities available for sale		6,296	(6,296)	-100.0%
Net valuation losses on interest rate contracts	(11)	(231)	220	95.2%
Net gains (losses) on sale of OREO	2	15	(13)	-86.7%
Total non-interest income	**$ 4,510**	**$ 9,384**	**$ (4,874)**	**-51.9%**

Non-interest Expense

Non-interest expense for the first quarter of 2011 was $16.7 million, an increase of $2.5 million, or 18%, compared to $14.2 million for the same quarter of 2010. The increase was primarily due to increases in salaries and benefits expense and other expense. Salaries and benefits expense increased $1.6 million, or 28%, to $7.1 million for the first quarter of 2011, compared to $5.6 million for the same quarter of 2010. The increase is due to an increase in the number of full-time equivalent (FTE) employees, which increased to 376 at March 31, 2011 from 338 at March 31, 2010, an increase of $210 thousand in vacation accrual, an increase of $99 thousand in group insurance expense due to the increase in premium and an increase of $136 thousand in 401(k) plan contributions as the Company reinstated the company matching effective January 1, 2011. The increase in FTE employees was due to a number of factors including the opening of two new branches in our Eastern Region, the addition of business development and servicing staff and increasing our staffing in Information Technology and Risk Management. The increase in other expense was primarily due to merger related expenses such as investment banking and legal fees of $511 thousand.

The breakdown of changes in non-interest expense by category is shown below:

	Three Months Ended March 31,		Increase (Decrease)	
	2011	2010	Amount	Percent (%)
	(Dollars in thousands)			
Salaries and employee benefits	$ 7,154	$ 5,593	$ 1,561	27.9%
Occupancy	2,437	2,427	10	0.4%
Furniture and equipment	935	778	157	20.2%
Advertising and marketing	579	459	120	26.1%
Data processing and communications	983	933	50	5.4%
Professional fees	709	702	7	1.0%
FDIC assessment	1,289	1,367	(78)	-5.7%
Credit related expenses	744	563	181	32.1%
Other	1,865	1,362	503	36.9%
Total non-interest expense	$ 16,695	$ 14,184	$ 2,511	17.7%

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Provision for Income Taxes

Income tax expense (benefit) was $4.7 million and ($2.4) million for the first quarter ended March 31, 2011 and 2010, respectively. The effective income tax rate for the quarters ended March 31, 2011 and 2010 was 41.0% and 49.0%, respectively. The higher effective benefit tax rate for the first quarter of 2010 compared to the statutory tax rate was primarily due to the impact of state taxes and tax credits in a loss year.

Financial Condition

At March 31, 2011, our total assets were $2.93 billion, a decrease of $37.2 million, or 1%, from $2.96 billion at December 31, 2010.

Investment Securities Portfolio

As of March 31, 2011, we had $512.0 million in available-for-sale securities, compared to $528.3 million of such securities at December 31, 2010. The net unrealized gain on the available-for sale securities at March 31, 2011 was $3.9 million, compared to a net unrealized gain on such securities of $4.1 million at December 31, 2010.

Loan Portfolio

As of March 31, 2011, gross loans outstanding, net of deferred loan fees and costs and excluding loans held for sale and the guaranteed portion of delinquent SBA loans, decreased by $5.9 million, to $2.14 billion from $2.13 billion at December 31, 2010. New loan production during the three months ended March 31, 2011 was $88.1 million, compared to $48.6 million during the same period of 2010.

The following table summarizes our loan portfolio by amount and percentage of gross loans in each major loan category at the dates indicated:

	March 31, 2011		December 31, 2010	
	Amount	Percent	Amount	Percent
	(In thousands)			
Loan portfolio composition				
Real estate loans:				
Residential	$ 2,103	0%	$ 2,263	0%
Commercial & industrial	1,512,050	70%	1,524,650	70%
Construction	62,324	3%	46,900	2%
Total real estate loans	1,576,477	73%	1,573,813	72%
Commercial business	495,344	23%	491,811	23%
Trade finance	57,524	3%	57,430	4%
Consumer and other	12,635	1%	13,268	1%
Total loans outstanding	2,141,980	100%	2,136,322	100%
Less: deferred loan fees	(2,047)		(2,261)	
Gross loans receivable	2,139,933		2,134,061	
Less: allowance for loan losses	(63,340)		(62,320)	
Loans receivable, excluding guaranteed portion of delinquent SBA loans	2,076,593		2,071,741	
Guaranteed portion of delinquent SBA loans	14,180		13,684	
Loans receivable, net	$ 2,090,773		$ 2,085,425	

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SBA loans, consisting principally of the unguaranteed portion, are included in commercial business loans and commercial and industrial real estate loans. SBA loans included in commercial business loans were $43.7 million at March 31, 2011 and $48.1 million at December 31, 2010 and SBA loans included in commercial and industrial real estate loans were $66.4 million at March 31, 2011 and $57.5 million at December 31, 2010.

We normally do not extend lines of credit or make loan commitments to business customers for periods in excess of one year. We use the same credit policies in making commitments and conditional obligations as we do for providing loan facilities to our customers. We perform annual reviews of such commitments prior to renewal.

The following table shows our loan commitments and letters of credit outstanding at the dates indicated:

	March 31, 2011	December 31, 2010
	(Dollars in thousands)	
Loan commitments	$ 206,467	$ 205,752
Standby letters of credit	18,313	9,777
Other commercial letters of credit	37,326	30,180
	$ 262,106	$ 245,709

Non-performing Assets

Nonperforming assets, which include non-accrual loans, loans past due 90 days or more and still accruing interest, restructured loans, and other real estate owned, were $79.1 million at March 31, 2011, compared to $80.5 million at December 31, 2010. Restructured loans as defined by FASB ASC 310-40 Troubled Debt Restructurings by Creditors , decreased to $29.4 million at March 31, 2011, compared to $35.1 million at December 31, 2010, resulting from a number of borrowers demonstrating payment performance for a minimum of six months. The ratio of nonperforming assets to gross loans plus OREO was 3.69% and 3.77% at March 31, 2011 and December 31, 2010, respectively.

The following table summarizes the composition of our nonperforming assets as of the dates indicated.

	March 31, 2011	December 31, 2010
	(Dollars in thousands)	
Nonaccrual loans	$ 46,961	$ 43,803
Loans past due 90 days or more, still accruing		
Total Nonperforming Loans	**46,961**	**43,803**
Other real estate owned	2,708	1,581
Restructured loans	29,419	35,103
Total Nonperforming Assets	**$ 79,088**	**$ 80,487**
Nonperforming loans to total gross loans*, excluding loans held for sale	2.19%	2.05%
Nonperforming assets to gross loans plus OREO	3.69%	3.77%
Nonperforming assets to total assets	2.70%	2.72%
Allowance for loan losses to non-performing loans*	134.88%	101.21%

* Excludes the guaranteed portion of delinquent SBA loans as these are 100% guaranteed by the SBA.

Allowance for Loan Losses

The allowance for loan losses was $63.3 million at March 31, 2011, compared to $62.3 million at December 31, 2010. We recorded a provision for loan losses of $5.3 million during the three months ended March 31, 2011, compared to $25.4 million for the same period of 2010. The allowance for loan losses was 2.96% of gross loans at March 31, 2011 and 2.92% of gross loans at December 31, 2010. Impaired loans as defined by FASB ASC 310-10-35, Accounting by Creditors for Impairment of a Loan, totaled \$109.6 million and \$122.7 million, respectively as of March 31, 2011 and December 31, 2010, with specific allowances of \$18.5 million and \$21.1 million, respectively.

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For further discussion of changes to the allowance for loan losses, see Note 6, Loans Receivable and Allowance for Loan Losses in the Notes to Condensed Consolidated Financial Statements (unaudited), included in Item 1. Financial Statements.

The following table reflects our allocation of the allowance for loan losses by loan category and the ratio of each loan category to total loans as of the dates indicated:

	Allocation of Allowance for Loan Losses			
	March 31, 2011		**December 31, 2010**	
	Amount	Percent	Amount	Percent
	(Dollars in thousands)			
Loan Type				
Real estate - Residential	$ 15	0%	$ 14	0%
Real estate - Commercial	36,519	58%	32,885	71%
Real estate - Construction	4,376	7%	3,396	2%
Commercial business	21,771	34%	24,930	23%
Trade finance	170	0%	192	3%
Consumer and other	489	1%	634	1%
Unallocated		N/A	269	N/A
Total	$ 63,340	100%	$ 62,320	100%

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The following table shows the provisions made for loan losses, the amount of loans charged off and the recoveries on loans previously charged off, together with the balance in the allowance for loan losses at the beginning and end of each period, the amount of average and gross loans outstanding, and other pertinent ratios as of the dates and for the periods indicated:

	Three Months Ended 2011	Three Months Ended 2010
	(Dollars in thousands)	
LOANS (1)		
Average gross loans, including loans held for sale	$ 2,167,739	$ 2,200,488
Gross loans, excluding loans held for sale, the guaranteed portion of delinquent SBA loans and net of deferred loan fees and costs, at end of period	$ 2,139,933	$ 2,147,493
ALLOWANCE:		
Balance-beginning of period	$ 62,320	$ 59,424
Less: Loan charge-offs:		
Residential real estate		
Commercial & industrial real estate	2,389	12,035
Construction	693	848
Commercial business loans	2,113	7,336
Trade finance		
Consumer and other loans	115	838
	5,310	21,057
Plus: Loan recoveries		
Commercial & industrial real estate	234	60
Commercial business loans	659	135
Consumer and other loans	175	26
	1,068	221
Net loan charge-offs	4,242	20,836
Provision for loan losses	5,262	25,407
Balance-end of period	$ 63,340	$ 63,995
Net loan charge-offs to average gross loans *	0.78%	3.79%
Allowance for loan losses to total loans at end of period	2.96%	2.98%
Net loan charge-offs to beginning allowance *	27.23%	140.25%
Net loan charge-offs to provision for loan losses	80.62%	82.01%

* Annualized

(1) Total loans are net of deferred loan fees and costs of $2.0 million and $2.2 million at March 31, 2011 and 2010, respectively. They also exclude the guaranteed portion of delinquent SBA loans of $14.2 million and $14.8 million at March 31, 2011 and 2010, respectively.

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We believe the allowance for loan losses as of March 31, 2011 is adequate to absorb probable incurred losses in the loan portfolio. However, no assurance can be given that actual losses will not exceed the estimated amounts.

Deposits and Other Borrowings

***Deposits*.** Deposits are our primary source of funds used in our lending and investment activities. Our deposits were unchanged at $2.18 billion at March 31, 2011 and December 31, 2010. Retail deposits totaled $2.10 billion at March 31, 2011, a decrease of $10 million from $2.11 billion at December 31, 2010. Interest-bearing demand deposits, including money market and Super Now accounts, totaled $818.3 million at March 31, 2011, an increase of $3.5 million from $814.8 million at December 31, 2010.

At March 31, 2011, 18.5% of total deposits were non-interest bearing demand deposits, 43.9% were time deposits and 37.6% were interest bearing demand and savings deposits. By comparison, at December 31, 2010, 17.9% of total deposits were non-interest bearing demand deposits, 44.7% were time deposits, and 37.4% were interest bearing demand and saving deposits. Time deposits continued to dominate our deposit composition; however, our recent focus on increasing transaction accounts has helped to reduce our dependency on time deposits, although time deposits remain our largest category of deposits.

At March 31, 2011, we had $73.7 million in brokered deposits and $200.0 million in California State Treasurer deposits, compared to $63.1 million and $200.0 million at December 31, 2010, respectively. The California State Treasurer deposits have three-month maturities with a weighted average interest rate of 0.19% at March 31, 2011 and were collateralized with securities with a carrying value of $223.4 million.

The following is a schedule of CD maturities as of March 31, 2011:

Maturity Schedule of Time Deposits

(in thousands)

Quarter Ending	Balance*	Weighted Average Interest Rate
March 31, 2011	$ 121,196	1.24%
June 30, 2011	148,515	1.49%
September 30, 2011	190,848	1.60%
December 31, 2011	134,587	1.42%
Total one year or less	595,146	1.46%
Over one year	125,216	1.76%
Total time deposits	$ 720,362	1.51%

* Excludes wholesale time deposits

Other Borrowings. Advances may be obtained from the FHLB as an alternative source of funds. Advances from the FHLB are typically secured by a pledge of commercial real estate loans and/or securities with a market value at least equal to the outstanding advances plus our investment in FHLB stock.

At March 31, 2011, we had $300.0 million of FHLB advances with average remaining maturities of 2.2 years, compared to $350.0 million with average remaining maturities of 2.2 years at December 31, 2010. The weighted average rate was 3.19% and 3.18% at March 31, 2011 and at December 31, 2010, respectively.

At March 31, 2011 and December 31, 2010, five wholly-owned subsidiary grantor trusts established at various times by Nara Bancorp had $38 million of outstanding pooled trust preferred securities (trust preferred securities). The trust preferred securities accrue and pay distributions periodically at specified annual rates as provided in the related indentures. The trusts used the net proceeds from their respective offerings to purchase a like amount of subordinated debentures (the   Debentures) of Nara Bancorp. The Debentures are the sole assets of the trusts. Nara Bancorp s obligations under the Debentures and related documents, taken together, constitute a full and unconditional guarantee by Nara Bancorp of the obligations of the trusts. The trust preferred securities are mandatorily redeemable upon the maturity of the Debentures, or upon earlier redemption as provided in the indentures. Nara Bancorp has the right to redeem the Debentures in whole (but not in part) on or after specific dates, at redemption prices specified in the indentures plus any accrued but unpaid interest to the redemption date.

Off-Balance-Sheet Activities and Contractual Obligations

We routinely engage in activities that involve, to varying degrees, elements of risk that are not reflected, in whole or in part, in the consolidated financial statements. These activities are part of our normal course of business and include traditional off-balance-sheet credit-related financial instruments, interest rate swap contracts, operating leases and long-term debt.

Traditional off-balance-sheet credit-related financial instruments are primarily commitments to extend credit and standby letters of credit. These activities could require us to make cash payments to third parties in the event certain specified future events occur. The contractual amounts represent the extent of our exposure in these off-balance-sheet activities. However, since certain off-balance-sheet commitments, particularly standby letters of credit, are expected to expire or be only partially used, the total amount of commitments does not necessarily represent future cash requirements. These activities are necessary to meet the financing needs of our customers.

We enter into interest rate swap contracts under which we are required to either receive cash from or pay cash to counterparties depending on changes in interest rates. We also purchase interest rate caps to protect against increases in market interest rates. We utilize interest rate swap contracts and interest rate caps to help manage the risk of changing interest rates.

We do not anticipate that our current off-balance-sheet activities will have a material impact on our future results of operations or our financial condition. Further information regarding our financial instruments with off-balance-sheet risk can be found in Item 3   Quantitative and Qualitative Disclosures about Market Risk .

We continue lease our banking facilities and equipment under non-cancelable operating leases under which we must make monthly payments over periods up to 30 years.

Stockholders Equity and Regulatory Capital

Historically, our primary source of capital has primarily been the retention of earnings, net of dividend payments to shareholders. We seek to maintain capital at a level sufficient to assure our stockholders, our customers, and our regulators that our company and our bank subsidiary are financially sound. For this purpose, we perform ongoing assessments of our components of capital as well as projected sources and uses of capital in conjunction with projected increases in assets and levels of risks. We have considered, and we will continue to consider, additional sources of capital as needs arise, through the issuance of additional stock or debt. Based on our analysis of our capital needs (including any needs arising out of our financial condition and results of operations) and the input of our regulators, we may decide, or our regulators may require us, to raise additional capital. For example, we anticipate that we will raise additional capital through an offering of our common stock in connection with the pending Center Merger, although the amount of such an offering has not yet been finally decided upon. We may also use some of the proceeds of the offering in connection with redemption from the Treasury Department of our Series A Preferred Stock at some point in the future, subject to regulatory approval.

Total stockholders equity was $364.3 million at March 31, 2011 compared to $358.6 million at December 31, 2010. The increase was primarily due to the net income to common stockholders of $5.7 million for the three months ended March 31, 2011. Our ratio of tangible common equity to tangible assets was 10.08% at March 31, 2011, compared to 9.76% at December 31, 2010. The increase was attributable to the decrease in tangible assets.

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The federal banking agencies require a minimum ratio of qualifying total capital to risk-weighted assets of 8% and a minimum ratio of Tier I capital to risk-weighted assets of 4%. In addition to the risk-based guidelines, federal banking regulators require banking organizations to maintain a minimum amount of Tier I capital to average total assets, referred to as the leverage ratio. Capital requirements apply to the Company and the Bank separately. In addition to these uniform risk-based capital guidelines and leverage ratios that apply across the industry, the regulators have the discretion to set individual minimum capital requirements for specific institutions at rates significantly above the minimum guidelines and ratios.

At March 31, 2011, our Tier I capital, defined as stockholders equity less intangible assets, plus proceeds from the trust preferred securities (subject to limitations), was $376.4 million, compared to $374.4 million at December 31, 2010, representing a decrease of $2.0 million, or 1%. This increase was primarily due to the net income to common stockholders of $5.7 million for the three months ended March 31, 2011. At March 31, 2011, the total capital to risk-weighted assets ratio was 17.7% and the Tier I capital to risk-weighted assets ratio was 16.5%. The Tier I leverage capital ratio was 12.9%.

As of March 31, 2011 and December 31, 2010, the most recent regulatory notification categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier I risk-based and Tier I leverage capital ratios as set forth in the table below.

	As of March 31, 2011 (Dollars in thousands)					
	Actual		To Be Well-Capitalized		Excess	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Nara Bancorp, Inc						
Tier 1 capital to total assets	$ 376,383	12.9%	$ 145,629	5.0%	$ 230,754	7.9%
Tier 1 risk-based capital ratio	$ 376,383	16.5%	$ 137,116	6.0%	$ 239,267	10.5%
Total risk-based capital ratio	$ 405,398	17.7%	$ 228,527	10.0%	$ 176,871	7.7%
Nara Bank						
Tier I capital to total assets	$ 366,616	12.6%	$ 145,540	5.0%	$ 221,076	7.6%
Tier 1 risk-based capital ratio	$ 366,616	16.1%	$ 136,958	6.0%	$ 229,658	10.1%
Total risk-based capital ratio	$ 395,599	17.3%	$ 228,264	10.0%	$ 167,335	7.3%

	As of December 31, 2010 (Dollars in thousands)					
	Actual		To Be Well-Capitalized		Excess	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Nara Bancorp, Inc						
Tier 1 capital to total assets	$ 374,353	12.6%	$ 148,398	5.0%	$ 225,955	7.6%
Tier 1 risk-based capital ratio	$ 374,353	16.4%	$ 136,791	6.0%	$ 237,562	10.4%
Total risk-based capital ratio	$ 403,298	17.7%	$ 227,986	10.0%	$ 175,312	7.7%
Nara Bank						
Tier I capital to total assets	$ 364,397	12.3%	$ 148,427	5.0%	$ 215,970	7.3%
Tier 1 risk-based capital ratio	$ 364,397	16.0%	$ 136,549	6.0%	$ 227,848	10.0%
Total risk-based capital ratio	$ 393,292	17.3%	$ 227,581	10.0%	$ 165,711	7.3%

Under federal banking law and regulations, dividends declared by the Bank in any calendar year may not, without the approval of the regulatory agency, exceed its net income for that year combined with its retained income from the preceding two years. However, the regulatory agency has previously issued a bulletin to all banks outlining guidelines limiting the circumstances under which banks may pay dividends even if the banks are otherwise statutorily authorized to pay dividends. The limitations impose a requirement or in some cases suggest that prior approval of the regulatory agency should be obtained before a dividend is paid if a bank is the subject of administrative action or if the payment could be viewed by the regulatory agency as unsafe or unusual. In 2009, the Bank agreed with its primary regulatory agencies to obtain their prior written approval before paying any dividends.

Liquidity Management

Liquidity risk is the risk to earnings or capital that would arise if we were to become unable to meet our obligations when they come due without incurring unacceptable losses. Liquidity risk includes the possibility of having to manage unplanned decreases or changes in funding sources and to recognize or address changes in market conditions that affect our ability to liquidate assets quickly and with a minimum loss of value or to access other sources of cash. Factors considered in liquidity risk management are stability of the deposit base, marketability, maturity, and our ability to pledge investments, the availability of alternative sources of funds, and the demand for credit. We manage liquidity risk by managing interest-earning assets and interest-bearing liabilities, and by maintaining alternative sources of funds as described below.

Our primary sources of liquidity are derived from financing activities, which include customer and broker deposits, federal funds facilities, and borrowings from the Federal Home Loan Bank of San Francisco and the Federal Reserve Bank Discount Window. These funding sources are augmented by payments of principal and interest on loans, proceeds from sales of loans and the liquidation or sale of securities from our available for sale portfolio. Primary uses of funds include withdrawal of and interest payments on deposits, originations of loans, purchases of investment securities, and payment of operating expenses.

At March 31, 2011, our total borrowing capacity from the Federal Home Loan Bank of San Francisco and the Federal Reserve Bank was $837.0 million, of which $536.6 million was available to borrow. In addition to these lines, our liquid assets, consisting of cash and cash equivalent, interest-bearing cash deposits with other banks, overnight federal funds sold to other banks, liquid investment securities available for sale, and loan repayments within 30 days, were $452.6 million at March 31, 2011 compared to $510.5 million at December 31, 2010. Cash and cash equivalents, including federal funds sold were $135.3 million at March 31, 2011 compared to $172.3 million at December 31, 2010. We believe our liquidity sources to be stable and adequate to meet our day-to-day cash flow requirements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The objective of our asset and liability management activities is to improve our earnings by adjusting the type and mix of assets and liabilities to effectively address changing conditions and risks. Through overall management of our balance sheet and by controlling various risks, we seek to optimize our financial returns within safe and sound parameters. Our operating strategies for attaining this objective include managing net interest margin through appropriate risk/return pricing of assets and liabilities and emphasizing growth in retail deposits, as a percentage of interest-bearing liabilities, to reduce our cost of funds. We also seek to improve earnings by controlling non-interest expense, and enhancing non-interest income. We also use risk management instruments to modify interest rate characteristics of certain assets and liabilities to hedge against our exposure to interest rate fluctuations with the objective of, reducing the effects these fluctuations might have on associated cash flows or values. Finally, we perform internal analyses to measure, evaluate and monitor risk.

Interest Rate Risk

Interest rate risk is the most significant market risk impacting us. Interest rate risk occurs when interest rate sensitive assets and liabilities do not reprice simultaneously and in equal volume. A key objective of asset and liability management is to manage interest rate risk associated with changing asset and liability cash flows and values of our assets and liabilities and market interest rate movements. The management of interest rate risk is governed by policies reviewed and approved annually by the Board of Directors. Our Board delegates responsibility for interest rate risk management to the Asset Liability Committee of the Board and to the Asset and Liability Management Committee (ALCO), which is composed of Nara Bank s senior executives and other designated officers.

Market risk is the risk of adverse impacts on our future earnings, the fair values of our assets and liabilities, or our future cash flows that may result from changes in the price of a financial instrument. The fundamental objective of our ALCO is to manage our exposure to interest rate fluctuations while maintaining adequate levels of liquidity and capital. Our ALCO meets regularly to monitor interest rate risk, the sensitivity of our assets and liabilities to interest rate changes, the book and market values of our assets and liabilities, and our investment activities. It also directs changes in the composition of our assets and liabilities . Our strategy has been to reduce the sensitivity of our earnings to interest rate fluctuations by more closely matching the effective maturities or repricing characteristics of our assets and liabilities. Certain assets and liabilities, however, may react in different degrees to changes in market interest rates. Furthermore, interest rates on certain types of assets and liabilities may fluctuate prior to changes in market interest rates, while interest rates on other types may lag behind. We consider the anticipated effects of these factors when implementing our interest rate risk management objectives.

Interest Rate Sensitivity

We monitor interest rate risk through the use of a simulation model that provides us with the ability to simulate our net interest income. In order to measure, at March 31, 2011, the sensitivity of our forecasted net interest income to changing interest rates, both rising and falling interest rate scenarios were projected and compared to base market interest rate forecasts. One application of our simulation model measures the impact of market interest rate changes on the net present value of estimated cash flows from our assets and liabilities, defined as our market value of equity. This analysis assesses the changes in market values of interest rate sensitive financial instruments that would occur in response to immediate and parallel changes in market interest rates.

The impacts on our net interest income and market value of equity exposed to immediate and parallel hypothetical changes in market interest rates as projected by the model we use for this purpose are illustrated in the following table.

	March 31, 2011		December 31, 2010	
Simulated Rate Changes	**Estimated Net Interest Income Sensitivity**	**Market Value Of Equity Volatility**	**Estimated Net Interest Income Sensitivity**	**Market Value Of Equity Volatility**
+ 200 basis points	(3.09)%	(6.96)%	(3.12)%	(4.62)%
+ 100 basis points	(3.11)%	(1.29)%	(2.92)%	(2.27)%
- 100 basis points	0.28%	0.35%	0.56%	0.24%
- 200 basis points	(4.54%)	(0.26)%	(4.33%)	(0.57)%

The results obtained from using the simulation model are somewhat uncertain as the model does not take into account other impacts or changes and the effect they could have on Company s business or changes in business strategy the Company might make in reaction to changes in the interest rate environment.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We conducted an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) for the period ended March 31, 2011. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer determined that our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended March 31, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II

OTHER INFORMATION

Item 1. Legal Proceedings

The court granted the Company s motion for summary judgment in September 2010, in the Chung Lawsuit described in the Company s Form 10K for the period ended December 31, 2010, and the case was dismissed. Chung timely filed a notice of appeal; however, to date no briefs have been filed in connection with the appeal.

On May 2, 2011, a purported shareholder class action was filed in Los Angeles Superior Court against 1) the directors of Center Financial Corporation (Center), 2) Center, and 3) Nara Bancorp, Inc. (Rational Strategies Fund vs. Jin Chul Jhung, et, al, Center Financial Corporation, and Nara Bancorp, Inc., Case #BC460783). The Complaint alleges the directors of Center breached their fiduciary duties of care, good faith and loyalty, in approving the proposed merger of Center and Nara Bancorp, and that all defendants failed to properly disclose material information in the registration statement relating to the merger that has been filed with the SEC. In addition, it alleges that Nara Bancorp, Inc. aided and abetted the Center directors alleged breaches of fiduciary duty. The complaint seeks damages in an unspecified amount, attorneys fees, interest and costs.

Item 1A. Risk Factors

There were no material changes from risk factors previously disclosed in our 2010 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Reserved

Item 5. Other Information

None

Item 6. Exhibits

See Index to Exhibits .

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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.

NARA BANCORP, INC.

Date: May 5, 2011

/s/ Alvin D. Kang
Alvin D. Kang
President and Chief Executive Officer

Date: May 5, 2011

/s/ Philip E. Guldeman
Philip E. Guldeman
Executive Vice President and Chief Financial Officer

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INDEX TO EXHIBITS

Exhibit Number	Description
3.1	Certificate of Incorporation of the Company, filed with the Delaware Secretary of State on June 5, 2000 (incorporated herein by reference to the Registration Statement on Form S-4 filed with the Securities and Exchange Commission (SEC) on November 16, 2000)
3.2	Certificate of Amendment of Certificate of Incorporation of the Company, filed with the Delaware Secretary of State on May 31, 2002 (incorporated herein by reference to the Registration Statement on Form S-8 Exhibit 3.3 filed with the SEC on February 5, 2003)
3.3	Certificate of Amendment of Certificate of Incorporation of the Company, filed with the Delaware Secretary of State on June 1, 2004 (incorporated herein by reference to the Registration Statement on Form 10-Q Exhibit 3.1.1 filed with the SEC on November 8, 2004)
3.4	Certificate of Amendment of Certificate of Incorporation of the Company, filed with the Delaware Secretary of State on November 2, 2005 (incorporated herein by reference to the Registration Statement on DEF14 A, Appendix B filed with the SEC on September 6, 2005)
3.5	Certificate of Amendment of Certificate of Incorporation of the Company, filed with the Delaware Secretary of State on July 20, 2007 (incorporated herein by reference to the Registration Statement on DEF14 A, Appendix C filed with the SEC on April 19, 2007)
3.6	Amended and Restated Bylaws of Nara Bancorp, Inc. (incorporated herein by reference to Current Report on Form 8-K Exhibit 3.1 filed with the SEC on December 28, 2007)
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Public Company Accounting Reform and Investor Protection Act of 2002*
32.2	Certification of Chief Financial Officer pursuant to section 906 of the Public Company Accounting Reform and Investor Protection Act of 2002*

*** Filed herewith**