BBCN BANCORP INC
Form 10-K
March 13, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 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 # 000-50245

BBCN BANCORP, INC.

(Exact name of Registrant as specified in its charter)

Delaware	**95-4849715**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer identification Number)**

3731 Wilshire Boulevard

Suite 1000

Los Angeles, California 90010

(Address of principal executive offices) (Zip Code)

Registrant s telephone number, including area code: (213) 639-1700

Securities registered pursuant to Section 12(b) of the Act

Title of Class	**Name of Exchange on Which Registered**
Common Stock, par value $0.001 per share	The NASDAQ Stock Market, LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

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). x Yes ¨ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of accelerated filer, large accelerated filer and smaller reporting company 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 Act). Yes ¨ No x

The aggregate market value of the Common Stock held by non-affiliates of the Registrant based upon the closing sale price of the Common Stock as of the last business day of the Registrant s most recently completed second fiscal quarter, June 30, 2011, as reported on the NASDAQ Global Select Market, was approximately $309,731,000.

Number of shares outstanding of the Registrant s Common Stock as of March 2, 2012: 77,984,252

Documents Incorporated by Reference: Definitive Proxy Statement for the 2012 Annual Meeting of Stockholders   Part III

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PART I

Forward-Looking Information

Some statements in this Annual Report on Form 10-K constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act) and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). These forward-looking statements relate to, among other things, expectations regarding the business environment in which we operate, projections of future performance, perceived opportunities in the market and statements regarding our business strategies, objectives and vision. Forward-looking statements include, but are not limited to, statements preceded by, followed by or that include the words will, believes, expects, anticipates, intends, plans, estimates or similar expressions. These statements involve risks and uncertainties. Our actual results, performance or achievements may differ significantly from the results, performance or achievements expressed or implied in such forward-looking statements. For a more detailed discussion of factors that might cause such a difference, see Item 1A, Risk Factors . BBCN Bancorp does not undertake, and specifically disclaims any obligation, to update any forward looking statements to reflect the occurrence of events or circumstances after the date of such statements except as required by law.

Item 1. *BUSINESS*
General

BBCN Bancorp, Inc. (BBCN Bancorp on a parent-only basis, and the Company, we or our on a consolidated basis) is a bank holding company headquartered in Los Angeles, California. We offer commercial banking loan and deposit products through our wholly owned subsidiary, BBCN Bank, a California state-chartered bank (the Bank or BBCN Bank). BBCN Bank primarily focuses its business in Korean communities in California, New York City metropolitan area, New Jersey, Chicago and Seattle. Our headquarters are located at 3731 Wilshire Boulevard, Suite 1000, Los Angeles, California 90010, and our telephone number at that address is (213) 639-1700.

BBCN Bancorp, Inc., formerly named Nara Bancorp, Inc., was formed to become the holding company for Nara Bank effective in February 2002. Nara Bank opened for business in June 1989 under the name United Citizens National Bank as a national banking association, was renamed Nara Bank, National Association in January 1994 and became Nara Bank upon converting to a California state-chartered bank in January 2005. On November 30, 2011, we merged with Center Financial Corporation (Center Financial or Center) in a merger of equals transaction. Concurrently with the merger, Nara Bancorp changed its name to BBCN Bancorp, Inc. At the bank level, Nara Bank merged into Center Bank, and concurrently with the merger, Center Bank changed its name to BBCN Bank.

BBCN Bancorp is registered as a bank holding company and is regulated in that capacity by the Board of Governors of the Federal Reserve System (the Federal Reserve Board or FRB). BBCN Bancorp exists primarily for the purpose of holding the stock of the Bank and of such other subsidiaries as it may acquire or establish. BBCN Bank s deposits are insured by the Federal Deposit Insurance Corporation (FDIC), up to applicable limits.

Through the merger with Center , we added Center Bank s 21 full-service branch offices, 18 of which are located in California, as well as a Loan Production Office in Seattle and one in Denver. Under the terms of the merger agreement, Center Financial shareholders received 0.7805 shares of Company common stock in exchange for each share of common stock of Center Financial, resulting in our issuance of approximately 31.2 million shares of our common stock, with a merger date fair value of $292 million.

We file reports with the Securities and Exchange Commission (the SEC), which include annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, as well as proxy statements and information statements in connection with our stockholders meetings and other information. The SEC maintains

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a website that contains the reports, proxy and information statements and other information we file with them. The address of the site is http://www.sec.gov. Our website address is *http://www.bbcnbank.com*. Electronic copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and amendments to those reports, are available free of charge by visiting the Investor Relations section of our website. These reports are generally posted as soon as reasonably practicable after they are electronically filed with the SEC.

Business Overview

Our principal business activities are conducted through BBCN Bank and primarily consist of earning interest on loans and investment securities that are funded by customer deposits and other borrowings. Operating revenues consist of the difference between interest received and interest paid, gains and losses on the sale of financial assets, and fees earned for financial services provided. Interest rates are highly sensitive to many factors that are beyond our control, such as general economic conditions, new legislation affecting the banking industry, and the policies of various governmental and regulatory authorities. Although our business may vary with local and national economic conditions, such variations are not generally seasonal in nature.

Through our network of 44 branches and three loan production offices, we offer commercial banking loan and deposit products to our customers, who typically are small- to medium-sized businesses and individuals in our market areas. We accept deposits and originate a variety of loans, including commercial business loans, commercial real estate loans, trade finance loans, and Small Business Administration (SBA) loans. BBCN Bank offers cash management services to our business customers, which includes remote deposit capture, lock box and ACH origination services. To better meet our customers needs, our mini-market branches generally offer extended hours from 9 a.m. to 6 p.m. Each of our branches operates 24-hour automated teller machines (ATMs). We also offer debit card services to all customers and courier services to qualifying customers. Our banking officers focus on customers to better support their banking needs. In addition, most of our branches offer travelers checks, safe deposit boxes, and other customary bank services. We also offer 24-hour banking by telephone. Our website at *www.bbcnbank.com* offers internet banking services and applications in both English and Korean.

Lending Activities

Commercial Business Loans

We provide commercial loans to businesses for various purposes such as for working capital, purchasing inventory, debt refinancing, business acquisitions and other business related financing needs. Commercial loans are typically classified as (1) short-term loans (or lines of credit) or (2) long-term loans (or term loans to businesses). Short term loans are often used to finance current assets such as inventory and accounts receivable and typically have terms of one year with interest paid monthly on the outstanding balance and the principal balance due at maturity. Long term loans typically have terms of 5 to 7 years with principal and interest paid monthly. The credit worthiness of our borrowers is determined before a loan is originated and is periodically reviewed to ascertain whether credit quality changes have occurred. Commercial business loans are typically collateralized by the borrower s business assets and/or real estate.

Our commercial business loan portfolio includes trade finance loans from BBCN Bank s Corporate Banking Center, which generally serves businesses involved in international trade activities. These loans are typically collateralized by business assets and are used to meet the short-term working capital needs (accounts receivable and inventory financing) of our borrowers. The Corporate Banking Center also issues and advises on letters of credit for export and import businesses. The underwriting procedure for this type of credit is the same as for commercial business loans. We offer the following types of letters of credit to customers:

Commercial: An undertaking by the issuing bank to pay for a commercial transaction.

Standby: An undertaking by the issuing bank to pay for the non-performance of the applicant customer.

Revocable: Letter of credit that can be modified or cancelled by the issuing bank at any time with notice to the beneficiary (does not provide the beneficiary with a firm promise of payment).

Irrevocable: Letter of credit that cannot be altered or cancelled without mutual consent of all parties.

Sight: Letter of credit requiring payment upon presentation of conforming shipping documents.

Usance: Letter of credit which allows the buyer to delay payment up to a designated number of days after presentation of shipping documents.

Import: Letter of credit issued to assist customers in purchasing goods from overseas.

Export: Letter of credit issued to assist customers selling goods to overseas.

Transferable: Letter of credit which allows the beneficiary to transfer its drawing (payment) rights, in part or full, to another party.

Non-transferable: Letter of credit which does not allow the beneficiary to transfer their right, in part or full, to another.

Our trade finance services include the issuance and negotiation of letters of credit, as well as the handling of documentary collections. On the export side, we provide advice and negotiation of commercial letters of credit, and we transfer and issue back-to-back letters of credit. We also provide importers with trade finance lines of credit, which allow for the issuance of commercial letters of credit and the financing of documents received under such letters of credit, as well as documents received under documentary collections. Exporters are assisted through export lines of credit as well as through immediate financing of clean documents presented under export letters of credit.

Commercial Real Estate Loans

Real estate loans are extended for the purchase and refinance of commercial real estate and are generally secured by first deeds of trust. The maturities on such loans are generally restricted to seven years with a 25-year principal amortization schedule and a balloon payment due at maturity; however, our loan portfolio is composed of predominantly 5-year term loans. We offer both fixed and floating rate commercial real estate loans. It is our general policy to restrict commercial real estate loan amounts to 70% of the appraised value of the property at the date of origination.

Small Business Administration Loans

The Bank also extends loans partially guaranteed by the SBA. The Bank extends SBA loans known as SBA 7(a) loans and SBA 504 loans. SBA 7(a) loans are typically extended for working capital needs, purchase of inventory, purchase of machinery and equipment, debt refinance, business acquisitions, start-up financing, or to purchase or construct owner-occupied commercial property. SBA 7(a) loans are typically term loans with maturities up to 10 years for loans not secured by real estate and up to 25 years for real estate secured loans. SBA loans are fully amortizing with monthly payments of principal and interest. SBA 7(a) loans are typically floating rate loans that are secured by business assets and/or real estate. Depending on the loan amount, each loan is typically guaranteed 75% to 85% by the SBA, with a maximum gross loan amount to any one small business borrower of $5.0 million, and a maximum SBA guaranteed amount of $3.75 million.

We are able generally to sell the guaranteed portion of the SBA 7(a) loans in the secondary market at a premium, while earning servicing fee income on the sold portion over the remaining life of the loan. In addition to the interest yield earned on the unguaranteed portion of the SBA 7(a) loans that are not sold, we recognize income from gains on sales and from loan servicing on the SBA 7(a) loans that are sold.

SBA 504 loans are typically extended for the purpose of purchasing owner-occupied commercial real estate or long-term capital equipment. SBA 504 loans are typically extended for up to 20 years or the life of the asset being financed. SBA 504 loans are financed as a participation loan between the Bank and the SBA through a

Certified Development Company (CDC). Generally, the loans are structured so as to give the Bank a 50% first deed of trust (TD), the CDC a 40% second TD, and the remaining 10% is funded by the borrower. Interest rates for the first TD Bank loans are subject to normal bank commercial rates and terms, and the second TD CDC loans are fixed for the life of the loans based on certain indices.

All of our SBA loans are originated through BBCN Bank s SBA Loan Department. The SBA Loan Department is staffed by loan officers who provide assistance to qualified businesses. The Bank has been designated as an SBA Preferred Lender, which is the highest designation awarded by the SBA. This designation generally facilitates a more efficient marketing and approval process for SBA loans. We have attained SBA Preferred Lender status nationwide.

Consumer Loans

Our consumer loans consist of home equity and signature loans, with a majority of our consumer loan portfolio currently consisting of signature loans. Effective February 28, 2007, we discontinued originating auto loans and effective January 1, 2008, we discontinued originating new home equity loans, due to the lack of scalability and profitability of these types of loans. However, upon the merger with Center, we resumed originating direct auto loans effective December 1, 2011. The consumer loans totaled $66.5 million at December 31, 2011, compared to $11.3 million at December 31, 2010.

Investing Activities

The main objectives of our investment strategy are to provide a source of on-balance sheet liquidity while providing a means to manage our interest rate risk, and to generate an adequate level of interest income without taking undue risks. Subject to various restrictions, our investment policy permits investment in various types of securities, certificates of deposit (CD s) and federal funds sold. Our investment portfolio consists of U.S. Treasury bills, government sponsored agency bonds, mortgage backed securities, collateralized mortgage obligations (CMOs), corporate bonds, municipal bonds, and mutual funds. For a detailed breakdown of our investment portfolio, see Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Financial Condition Investment Security Portfolio.

Our securities are classified for accounting purposes as available-for-sale. We do not maintain a held-to-maturity or trading portfolio. Securities purchased to meet investment-related objectives, such as liquidity management or interest rate risk and which may be sold as necessary to implement management strategies, are designated as available-for-sale at the time of purchase. At December 31, 2011, we had $740.9 million in securities available-for-sale. We purchased $236.0 million, and sold $138.2 million in investment securities during 2011. Investment securities available-for-sale acquired from Center Financial at the merger date was $293.1 million.

Deposit Activities

We attract both short-term and long-term deposits from the general public by offering a wide range of deposit products and services. Through our branch network, we provide our banking customers with personal and business checking accounts, money market accounts, savings, certificates of deposit, individual retirement accounts, 24-hour ATMs, internet banking and bill-pay, remote deposit capture, lock box and ACH origination services.

FDIC-insured deposits are our primary source of funds. As part of our asset-liability management, we analyze our retail and wholesale deposits maturities and interest rates to monitor and manage the cost of funds, to the extent feasible in the context of changing market conditions, as well as to promote stability in our supply of funds. For more deposit information, see Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Financial Condition Deposits.

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Borrowing Activities

When we have more funds than required for our reserve requirements or short-term liquidity needs, we sell federal funds to other financial institutions. Conversely, when we have less funds than required, we may borrow funds from the Federal Home Loan Bank of San Francisco (FHLB), the Federal Reserve Bank of San Francisco or our correspondent banks. In addition, we may borrow from the FHLB on a longer term basis to provide funding for certain loan or investment securities strategies, as well as asset-liability management strategies.

The FHLB functions in a reserve credit capacity for qualifying financial institutions. As a member, we are required to own capital stock in the FHLB and may apply for advances from the FHLB utilizing qualifying mortgage loans and certain securities as collateral. The FHLB offers a full range of borrowing programs on its advances, with terms ranging from one day to thirty years, at competitive market rates. A prepayment penalty is usually imposed for early repayment of these advances. Information concerning FHLB borrowings is included in Note 7 of Notes to Consolidated Financial Statements.

We may also 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 up to 95% of the outstanding principal balance of the qualifying loans and the fair value of the securities that we pledge. At December 31, 2011, the principal balance of the qualifying loans was $494.2 million and the collateral value of investment securities was $50.5 million, and no borrowings were outstanding against this line.

Market Area and Competition

We have 44 banking offices in areas having high concentrations of Korean Americans, of which 34 are located in the Los Angeles, Orange County, Oakland and Silicon Valley (Santa Clara County) areas of California, 7 are located in the New York metropolitan area and New Jersey, 2 are in Washington, and 1 is in Chicago. We also have three loan production offices located in Dallas, Seattle and Denver. The banking and financial services industry generally, and in our market areas specifically, are highly competitive. The increasingly competitive environment is a result primarily of strong competition among the banks servicing the Korean-American community, changes in regulation, changes in technology and product delivery systems, and the consolidation among financial services companies. In addition, federal legislation may have the effect of further increasing the pace of consolidation within the financial services industry. See Supervision and Regulation .

We compete for loans, deposits, and customers with other commercial banks, savings and loan associations, securities and brokerage companies, mortgage companies, insurance companies, finance companies, money market funds, credit unions, and other non-bank financial service providers. Many of these competitors are much larger in total assets and capitalization, have greater access to capital markets, are more widely recognized, have broader geographic scope, and offer a broader range of financial services than we do.

Economic Conditions, Government Policies and Legislation

Our profitability, like that of most financial institutions, depends, among other things, on interest rate differentials. In general, the difference between the interest expense on interest-bearing liabilities, such as deposits and borrowings, and the interest income on our interest-earning assets, such as loans we extend to our customers and securities held in our investment portfolio, as well as the level of non-interest bearing deposits, have a significant impact on our profitability. Interest rates are highly sensitive to many factors that are beyond our control, such as the economy, inflation, unemployment, consumer spending and political events. The impact that future changes in domestic and foreign economic and political conditions might have on our performance cannot be predicted.

Our business is also influenced by the monetary and fiscal policies of the federal government and the policies of regulatory agencies, particularly the FRB. The FRB implements national monetary policies (with objectives such as curbing inflation or preventing recession) through its open-market operations in U.S. government securities, by adjusting the required level of reserves for depository institutions subject to its reserve requirements, and by varying the targeted federal funds and discount rates applicable to borrowings by depository institutions. The actions of the FRB in these areas influence the growth of bank loans, investments, and deposits and also affect interest rates earned on interest-earning assets and paid on interest-bearing liabilities. The nature and impact on BBCN Bancorp and the Bank of future changes in monetary and fiscal policies cannot be predicted.

From time to time, legislation and regulations are enacted or adopted which have the effect of increasing the cost of doing business, limiting or expanding permissible activities, or affecting the competitive balance between banks and other financial services providers. Proposals to change the laws and regulations governing the operations and taxation of banks, bank holding companies, and other financial institutions and financial services providers are frequently made in the U.S. Congress, in the state legislatures, and before various regulatory agencies. These proposals may result in changes in banking statutes and regulations and our operating environment in substantial and unpredictable ways. If enacted, such legislation could increase or decrease the cost of doing business, limit or expand permissible activities or affect the competitive balance among banks, savings associations, credit unions, and other financial institutions. We cannot predict whether any of this potential legislation will be enacted, and if enacted, the effect that it, or any implementing regulations, would have on our financial condition or results of operations. See Supervision and Regulation.

Supervision and Regulation

General

As a California state-charted bank whose accounts are insured by the FDIC, BBCN Bank is subject to regulation, supervision and regular examination by the California Department of Financial Institutions (the DFI) and the FDIC. In addition, while BBCN Bank is not a member of the Federal Reserve System, the Bank is subject to certain regulations of the Federal Reserve Board. The Bank is subject to supervision and regulation of its business activities, including, among others, capital standards, general investment authority, deposit taking and borrowing authority, mergers, establishment of branch offices, and permitted subsidiary investments and activities. BBCN Bancorp is registered with and subject to examination by the FRB as a bank holding company and is also subject to the bank holding company provisions of the California Financial Code, including being subject to examination by the DFI. These regulatory systems are intended primarily for the protection of depositors, the FDIC insurance fund and the banking system as a whole, rather than for the protection of shareholders or other investors.

The following paragraphs summarize certain of the laws and regulations that apply to us and to the Bank. These descriptions of statutes and regulations and their possible effects do not purport to be complete descriptions of all of the provisions of those statutes and regulations and their possible effects on us, nor do they purport to identify every statute and regulation that may apply to us.

Recent Developments

In response to the economic downturn and financial industry instability, legislative and regulatory initiatives have been, and will likely continue to be, introduced and implemented, which could substantially intensify the regulation of the financial services industry. We cannot predict whether or when potential legislation or new regulations will be enacted, and if enacted, the effect that new legislation or any implemented regulations and supervisory policies would have on our financial condition and results of operations. Moreover, especially in the current economic environment, bank regulatory agencies have been very aggressive in responding to concerns and trends identified in examinations, and this has resulted in the increased issuance of enforcement actions to financial institutions requiring action to address credit quality, liquidity and risk management and capital adequacy, as well as other safety and soundness concerns.

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Through its authority under the Emergency Economic Stabilization Act of 2008 (the EESA), as amended by the American Recovery and Reinvestment Act of 2009 (the ARRA), the U.S. Treasury (Treasury) implemented the Capital Purchase Program under the Treasury s Troubled Asset Relief Program (the CPP), a program designed to bolster eligible healthy institutions by injecting capital into these institutions. We participated in the CPP so that we could continue to lend and support our current and prospective clients, especially during this unstable economic environment. Under the terms of our participation, we issued $67 million of our Fixed Rate Cumulative Perpetual Preferred Stock, Series A (the Series A Preferred Stock) and a warrant to purchase common stock and thereby became subject to various requirements, including certain restrictions on paying dividends on our common stock and repurchasing our equity securities, unless the Treasury has consented. Additionally, in order to participate in the CPP, we were required to adopt certain standards for executive compensation and corporate governance. Upon the merger with Center Financial, the $55 million of Fixed Rate Cumulative Perpetual Preferred Stock, Series A that Center Financial issued to the Treasury pursuant to the CPP was converted into a new series of BBCN Preferred Stock, designated as Fixed Rate Cumulative Perpetual Stock, Series B, having substantially the same rights preferences, privileges and voting powers as Center Financial s Series A Preferred Stock.

On November 4, 2011, the DFI and the FRB notified the Company that they would not object to termination by the boards of directors of the Company and the Bank of the resolutions previously adopted by the respective boards at the request of such bank regulatory authorities. The resolutions, which provided among other things for submission to the DFI and the FRB of plans for improvements in the operations of the Company and the Bank and that neither company would declare dividends without regulatory approval, have now been terminated since their objectives have been accomplished.

Bank Holding Company Regulation

BBCN Bancorp is registered as a bank holding company pursuant to the Bank Holding Company Act (BHCA) and that capacity is subject to supervision and examination by the FRB and its authority to:

- Require periodic reports and such additional information as the FRB may require;

- Require bank holding companies to maintain increased levels of capital if deemed appropriate by the FRB (See Capital Requirements);

- Require that bank holding companies serve as a source of financial and managerial strength to subsidiary banks and commit resources as necessary to support each subsidiary bank;

- Restrict the ability of bank holding companies to obtain dividends or other distributions from their subsidiary banks;

- Terminate an activity or terminate control of or liquidate or divest certain subsidiaries, affiliates or investments if the FRB determines the activity or the control of the subsidiary or affiliate constitutes a significant risk to the financial safety, soundness or stability of any bank subsidiary;

- Require the prior approval of senior executive officer or director changes;

- Regulate provisions of certain bank holding company debt and require prior approval to purchase or redeem securities in certain situations; and

- Approve or disapprove acquisitions and mergers with banks and consider certain competitive, management, financial or other factors in granting these approvals in addition to similar federal, California or other state banking agency approvals which may also be required.

The FRB s view is that in serving as a source of strength to its subsidiary banks, a bank holding company should stand ready to use available resources to provide adequate capital funds to its subsidiary banks during periods of financial stress or adversity and should maintain financial flexibility and capital-raising capacity to obtain additional resources for assisting its subsidiary banks. A bank holding company s failure to meet its source-of-strength obligations may constitute an unsafe and unsound practice or a violation of the FRB s regulations, or both. The source-of-strength doctrine most directly affects bank holding companies where a bank holding company s subsidiary bank fails to maintain adequate capital levels. In such a situation, the subsidiary bank will be required by the bank s federal regulator to take prompt corrective action. See Prompt Corrective Action below.

Subject to prior notice or FRB approval, bank holding companies may generally engage in, or acquire shares of companies engaged in, activities determined by the FRB to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. Bank holding companies which elect and retain financial holding company status pursuant to the Gramm-Leach-Bliley Act of 1999 (GLBA) may engage without prior FRB approval in these nonbanking activities and broader securities, insurance, merchant banking and other activities that are determined by the FRB, in consultation with the Treasury, to be financial in nature or are incidental or complementary to activities that are financial in nature. In order to elect and retain financial holding company status, all depository institution subsidiaries of a bank holding company must be well capitalized, well managed, and, except in limited circumstances, be in satisfactory compliance with the Community Reinvestment Act (CRA), which requires banks to help meet the credit needs of the communities in which they operate. Failure to maintain compliance with these requirements or correct any non-compliance within a fixed time period could lead to required divestiture of subsidiary banks or a requirement to conform all of the holding company s activities to those permissible for a bank holding company. BBCN Bancorp has not elected financial holding company status.

Securities Exchange Act of 1934

BBCN Bancorp s common stock is publicly held and listed on Nasdaq Global Select Market, and BBCN Bancorp is subject to the periodic reporting, information, proxy solicitation, insider trading, corporate governance and other requirements and restrictions of the Securities Exchange Act of 1934 and the regulations of the SEC promulgated hereunder and the Nasdaq listing requirements.

Sarbanes-Oxley Act

BBCN Bancorp is subject to the accounting oversight and corporate governance requirements of the Sarbanes-Oxley Act of 2002, including, among other things, required executive certification of financial presentations, increased requirements for board audit committees and their members, and enhanced disclosure of controls and procedures and internal control over financial reporting.

Dodd-Frank Act

As required by the Dodd-Frank Act, the FDIC adopted a new DIF restoration plan which became effective on January 1, 2011. Among other things, the plan: (1) raises the minimum designated reserve ratio, which the FDIC is required to set each year, to 1.35 percent (from the former minimum of 1.15 percent) and removes the upper limit on the designated reserve ratio (which was formerly capped at 1.5 percent) and consequently on the size of the fund; (2) requires that the fund reserve ratio reach 1.35 percent by September 30, 2020 (rather than 1.15 percent by the end of 2016, as formerly required); (3) requires that, in setting assessments, the FDIC offset the effect of requiring that the reserve ratio reach 1.35 percent by September 30, 2020, rather than 1.15 percent by the end of 2016 on insured depository institutions with total consolidated assets of less than $10 billion; (4) eliminates the requirement that the FDIC provide dividends from the fund when the reserve ratio is between 1.35 percent and 1.5 percent; and (5) continues the FDIC s authority to declare dividends when the reserve ratio at the end of a calendar year is at least 1.5 percent, but grants the FDIC sole discretion in determining whether to suspend or limit the declaration or payment of dividends. The Federal Deposit Insurance Act continues to require that the FDIC s Board of Directors consider the appropriate level for the designated reserve ratio annually and, if changing the designated reserve ratio, engage in notice-and-comment rulemaking before the beginning of the calendar year. The FDIC has set a long-term goal of getting its reserve ratio up to 2% of insured deposits by 2027.

On February 7, 2011, the FDIC approved a final rule, as mandated by the Dodd-Frank Act, changing the deposit insurance assessment system from one that is based on total domestic deposits to one that is based on average consolidated total assets minus average tangible equity. In addition, the final rule creates a scorecard-based assessment system for larger banks (those with more than $10 billion in assets) and suspends dividend payments if the DIF reserve ratio exceeds 1.5 percent, but provides for decreasing assessment rates when the Deposit Insurance Fund reserve ratio reaches certain thresholds. Larger insured depository institutions will likely pay higher assessments to the DIF than under the old system. Additionally, the final rule includes a new adjustment for depository institution debt whereby an institution would pay an additional premium equal to 50 basis points on every dollar of long-term, unsecured debt held as an asset that was issued by another insured depository institution (excluding debt guaranteed under the FDIC s Temporary Liquidity Guarantee Program) to the extent that all such debt exceeds 3 percent of the other insured depository institution s Tier 1 capital.

Many aspects of the Dodd-Frank Act are subject to rulemaking and will take effect over several years, making it difficult to anticipate the overall financial impact on us, our customers or the financial industry more generally. Provisions in the legislation that affect deposit insurance assessments, payment of interest on demand deposits, and interchange fees could increase the costs associated with deposits as well as place limitations on certain revenues that those deposits may generate.

Bank Regulation

BBCN Bank is subject to regulation, supervision, and regular examination by the DFI and the FDIC. In addition, while the Bank is not a member of the Federal Reserve System, the Bank is subject to certain regulations of the Federal Reserve Board. Federal and state laws and regulations which are specifically applicable to banks regulate, among other things, the scope of their business, their investments, their reserves against deposits, the timing of the availability of deposited funds, their activities relating to dividends, investments, loans, the nature and amount of and collateral for certain loans, borrowings, capital requirements, certain check-clearing activities, branching, and mergers and acquisitions. California banks are also subject to FRB Regulation O and Federal Reserve Act Sections 23A and 23B and FRB Regulation W, which restrict or limit loans or extensions of credit to insiders , including officers directors and principal shareholders, and loans or extension of credit by banks to affiliates or purchases of assets from affiliates, including parent bank holding companies, except pursuant to certain limits and exceptions and only on terms and conditions at least as favorable as those prevailing for comparable transactions with unaffiliated parties.

The federal and California regulatory structure gives the bank regulatory agencies extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies with respect to the classification of assets and the establishment of adequate loan loss reserves for regulatory purposes. The regulatory agencies have adopted guidelines to assist in identifying and addressing potential safety and soundness concerns. The guidelines establish operational and managerial standards generally relating to: (1) internal controls, information systems, and internal audit systems; (2) loan documentation; (3) credit underwriting; (4) interest-rate risk exposure; (5) asset growth and asset quality; and (6) compensation, fees, and benefits. Further, the regulatory agencies have adopted safety and soundness guidelines for asset quality and for evaluating and monitoring earnings to ensure that earnings are sufficient for the maintenance of adequate capital and reserves. If as a result of an examination, the DFI or the FDIC should determine that the financial condition, capital resources, asset quality, earnings prospects, management, liquidity, or other aspects of the Bank s operations are unsatisfactory or that the Bank or its management is violating or has violated any law or regulation, the DFI and the FDIC have authority to:

- Require affirmative action to correct any conditions resulting from any violation or practice;

Direct an increase in capital and the maintenance of higher specific minimum capital ratios, which may preclude the Bank from being deemed well capitalized and restrict its ability to accept certain brokered deposits;

Restrict the Bank s growth geographically, by products and services, or by mergers and acquisitions;

Enter into or issue informal or formal enforcement actions, including memoranda of understanding, written agreements and consent or cease and desist orders or prompt corrective action orders to take corrective action and cease unsafe and unsound practices;

Require prior approval of senior executive officer or director changes;

Remove officers and directors and assess civil monetary penalties; and

Take possession of, close and liquidate the Bank or appoint the FDIC as receiver under certain circumstances.

Under the Federal Deposit Insurance Act (FDI Act) and the California Financial Code, California state chartered commercial banks may generally engage in any activity permissible for national banks. Additionally, BBCN Bank may form subsidiaries to engage in the many so-called closely related to banking or nonbanking activities commonly conducted by national banks in operating subsidiaries. Further, California banks may conduct certain financial activities in a subsidiary to the same extent that national banks may conduct such activities, provided the bank is and remains well capitalized, well managed and in satisfactory compliance with the CRA. BBCN Bank currently does not conduct activities in subsidiaries.

Capital Requirements

The federal banking agencies have adopted risk-based capital guidelines for bank holding companies and banks that are expected to provide a measure of capital that reflects the degree of risk associated with a banking organization s operations for both transactions reported on the balance sheet as assets, such as loans, and those recorded as off-balance sheet items, such as commitments, letters of credit and recourse arrangements. Under these capital guidelines, a banking organizations is required to maintain certain minimum capital ratios, which are computed by dividing its qualifying capital by its total risk-adjusted assets and off-balance sheet items. In general, the dollar amounts of assets and certain off-balance sheet items are risk-adjusted and assigned to various risk categories. Qualifying capital is classified depending on the type of capital as follows:

Tier 1 capital consists of common equity, retained earnings, qualifying non-cumulative perpetual preferred stock, a limited amount of qualifying cumulative perpetual preferred stock and minority interests in the equity accounts of consolidated subsidiaries (including trust-preferred securities), less goodwill and certain other intangible assets. In determining bank holding company compliance with holding company level capital requirements, qualifying Tier 1 capital may consist of trust-preferred securities, subject to certain criteria and quantitative limits for inclusion of restricted core capital elements in Tier 1 capital.

Tier 2 capital includes, among other things, hybrid capital instruments, perpetual debt, mandatory convertible debt securities, qualifying term subordinated debt, preferred stock that does not qualify as Tier 1 capital, and a limited amount of allowance for loan and lease losses.

Tier 3 capital consists of qualifying unsecured subordinated debt.

Under the capital guidelines, there are three fundamental capital ratios: a total risk-based capital ratio, a Tier 1 risk-based capital ratio and a Tier 1 leverage ratio. To be deemed well capitalized a bank must have a total risk-based capital ratio, a Tier 1 risk-based capital ratio and a Tier 1 leverage ratio of at least 10%, 6% and 5%, respectively. At December 31, 2011, the respective capital ratios of BBCN Bancorp and BBCN Bank exceeded the minimum percentage requirements to be deemed well-capitalized. Further information is provided in the schedule in Note 14 of

Notes to Consolidated Financial Statements.

Pursuant to federal regulations, banks must maintain capital levels commensurate with the level of risk to which they are exposed, including the volume and severity of problem loans. The federal banking agencies may change existing capital guidelines or adopt new capital guidelines in the future and have required many banks and bank holding companies subject to enforcement actions to maintain capital ratios in excess of the minimum ratios otherwise required to be deemed well capitalized, in which case institutions may no longer be deemed well capitalized and may therefore be subject to restrictions on taking brokered deposits.

The current risk-based capital guidelines are based upon the 1988 capital accord of the International Basel Committee on Banking Supervision, a committee of central banks and bank supervisors and regulators from the major industrialized countries that develops broad policy guidelines for use by each country s supervisors in determining the supervisory policies they apply. In December 2010, the Basel Committee published an agreement among its member country bank regulatory authorities to establish a new set of capital and other standards for major banking institutions, referred to as Basel III. Under these standards, when fully phased-in on January 1, 2019, banking institutions will be required to maintain heightened Tier 1 common equity, Tier 1 capital, and total capital ratios, as well as maintaining a capital conservation buffer. The Tier 1 common equity and Tier 1 capital ratio requirements will be phased-in incrementally between January 1, 2013 and January 1, 2015; the deductions from common equity made in calculating Tier 1 common equity will be phased-in incrementally over a four-year period commencing on January 1, 2014; and the capital conservation buffer will be phased-in incrementally between January 1, 2016 and January 1, 2019. The Basel Committee also announced that a countercyclical buffer of 0% to 2.5% of common equity or other fully loss-absorbing capital will be implemented according to national circumstances as an extension of the conservation buffer. In general, it is expected that implementation of the Basel III standards will result in increased capital requirements for commercial banks in the United States.

BBCN Bancorp and BBCN Bank are required by the U.S. bank regulatory agencies to also maintain a leverage capital ratio designed to supplement the risk-based capital guidelines. Banks and bank holding companies that have received the highest rating of the five categories used by regulators to rate banks and that are not anticipating or experiencing any significant growth must maintain a ratio of Tier 1 capital (net of all intangibles) to adjusted total assets of at least 3%. All other institutions are required to maintain a leverage ratio of at least 100 to 200 basis points above the 3% minimum, for a minimum of 4% to 5%. As of December 31, 2011, BBCN Bancorp and BBCN Bank s leverage capital ratios were 19.81% and 18.13%, respectively, exceeding regulatory minimums.

Prompt Corrective Action

The federal banking agencies have issued regulations pursuant to the FDI Act defining five categories in which an insured depository institution will be placed, based on the level of its capital ratios: well-capitalized, adequately-capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized. A bank that may otherwise meet the minimum requirements to be classified as well-capitalized, adequately capitalized, or undercapitalized may be treated instead as though it were in the next lower capital category if the appropriate federal banking agency, after notice and opportunity for hearing, determines that an unsafe or unsound condition, or an unsafe or unsound practice, warrants such treatment. Under the prompt corrective action regulations, the subsidiary bank will be required to submit to its federal regulator a capital restoration plan and to comply with the plan. Each parent company that controls the subsidiary bank will be required to provide assurances of compliance by the bank with the capital restoration plan. However, the aggregate liability of such parent companies will not exceed the lesser of (i) 5% of the bank s total assets at the time it became undercapitalized and (ii) the amount necessary to bring the bank into compliance with the plan. Failure to restore capital under a capital restoration plan can result in the bank s being placed into receivership if it becomes critically undercapitalized. A bank subject to prompt corrective action also may affect its parent bank holding company in other ways. These include possible restrictions or prohibitions on dividends to the parent bank holding company by the bank; subordinated debt payments to the parent; and other transactions between the bank and the holding company. In addition, the regulators may impose restrictions on the ability of the holding company itself to pay

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dividends; require divestiture of holding company affiliates that pose a significant risk to the bank; or require divestiture of the undercapitalized subsidiary bank. At each successive lower-capital category, an insured bank may be subject at the agencies discretion to impose more restrictions under the agencies prompt corrective action regulations, including restrictions on the bank s activities.

Deposit Insurance

The FDIC is an independent federal agency that insures deposits of federally insured banks and savings institutions, up to prescribed statutory limits for each depositor, through the Deposit Insurance Fund (the DIF) and safeguards the safety and soundness of the banking and savings industries. The FDIC insures our customer deposits. The Dodd-Frank Act permanently raised the standard maximum deposit insurance amount to $250,000. On November 9, 2010, the FDIC Board of Directors issued a final rule to implement the Dodd-Frank Act that provides temporary unlimited deposit insurance coverage for non-interest bearing accounts from December 31, 2010, through December 31, 2012. This temporary unlimited coverage is in addition to, and separate from, the coverage of at least $250,000 available to depositors under the FDIC s general deposit insurance rules.

The amount of FDIC assessments paid by each DIF member institution is based on its relative risk of default as measured by regulatory capital ratios and other supervisory factors. Since 2008, there have been higher levels of bank failures which has dramatically increased resolution costs of the FDIC and depleted the DIF. In order to maintain a strong funding position and restore reserve ratios of the DIF, the FDIC has increased assessment rates of insured institutions and may continue to do so in the future. As of December 31, 2010, the Bank s assessment rate averaged 5 cents per $100 in assessable deposits. On November 12, 2009, the FDIC adopted a requirement for institutions to prepay in 2009 their estimated quarterly risk-based assessments for the fourth quarter of 2009 and for all of 2010, 2011 and 2012.

We are generally unable to control the amount of premiums that we are required to pay for FDIC insurance. If there are additional bank or financial institution failures or if the FDIC otherwise determines, we may be required to pay even higher FDIC premiums than the recently increased levels. These announced increases and any future increases in FDIC insurance premiums may have a material and adverse affect on our earnings. Further, all FDIC-insured institutions are required to pay assessments to the FDIC to fund interest payments on bonds issued by the Financing Corporation (FICO), an agency of the Federal government established to recapitalize the predecessor to the DIF. The FICO assessment rates, which are determined quarterly, averaged 0.0084% of insured deposits in fiscal 2011. These assessments will continue until the FICO bonds mature in 2017.

The FDIC has redefined its deposit insurance premium assessment base to be an institution s average consolidated total assets minus average tangible equity as required by the Dodd-Frank Act and revised deposit insurance assessment rate schedules in light of the changes to the assessment base. The proposed rate schedule and other revisions to the assessment rules, which were adopted by the FDIC Board of Directors on February 7, 2011, became effective April 1, 2011 and was used to calculate the June 30, 2011. Our FDIC insurance expense totaled $4.3 million in 2011.

The FDIC may terminate a depository institution s deposit insurance upon a finding that the institution s financial condition is unsafe or unsound or that the institution has engaged in unsafe or unsound practices that pose a risk to the DIF or that may prejudice the interest of the bank s depositors. The termination of deposit insurance for a bank would also result in the revocation of the bank s charter by the DFI.

Restrictions on Dividends and Other Capital Distributions

Both California and federal law limit the payment of dividends by the Bank. Under the California Financial Code, the Bank is permitted to pay dividends out of the Bank s net profits up to the lesser of retained earnings or the Bank s net income for the last three fiscal years (less any distributions made to shareholders during such period), or with the prior written approval of the DFI, in an amount not exceeding the greatest of (i) the Bank s retained earnings, (ii) its net income for the Bank s last fiscal year and (iii) the Bank s net income for its current fiscal year. Under federal law and the regulations of the FRB, the Bank may not, without FRB approval, pay dividends exceeding the Bank s net income for its current year and two preceding fiscal years, less the sum of dividends paid during such periods and any transfers required by the FRB or required to be made for the retirement of preferred stock.

It is the FRB s policy that bank holding companies generally pay dividends on common stock only out of income available over the past year, and only if prospective earnings retention is consistent with the organization s expected future needs and financial condition. It is also the FRB s policy that bank holding companies should not maintain dividend levels that undermine their ability to be a source of strength to their banking subsidiaries. Additionally, in consideration of the current financial and economic environment, the FRB has indicated that bank holding companies should carefully review their dividend policy and has discouraged payment ratios that are at maximum allowable levels unless both asset quality and capital are very strong.

The terms of our Series A Preferred Stock, Series B Preferred Stock and Junior Subordinated Securities also limit our ability to pay dividends on our common stock. If we are not current in our payment of dividends on our Series A Preferred Stock, Series B Preferred Stock, or in our payment of interest on our Junior Subordinated Securities, we may not pay dividends on our common stock.

Operations and Consumer Compliance Laws

The Bank must comply with numerous federal anti-money laundering and consumer protection statutes and implementing regulations, including but not limited to the Truth in Savings Act, Electronic Funds Transfer Act, Expedite Funds Availability Act, the USA PATRIOT Act of 2001, the Bank Secrecy Act, the CRA, the Equal Credit Opportunity Act, the Truth in Lending Act, the National Flood Insurance Act and various other federal and state privacy protection laws. Noncompliance with these laws could subject the Bank to lawsuits and could also result in administrative penalties, including, fines and reimbursements. BBCN Bancorp and the Bank are also subject to federal and state laws prohibiting unfair or fraudulent business practices, untrue or misleading advertising and unfair competition.

These laws and regulations mandate certain disclosure requirements and regulate the manner in which financial institutions must deal with customers when taking deposits, making loans, collecting loans, and providing other services. Failure to comply with these laws and regulations can subject the Bank to various penalties, including but not limited to enforcement actions, injunctions, fines or criminal penalties, punitive damages to consumers, and the loss of certain contractual rights.

On November 18, 2009, the Department of Justice entered a Consent Decree (CD) in the case of the United States v. Nara Bank relating to Nara Bank s past indirect auto lending practices. Although Nara Bank exited indirect auto lending in 2006 and BBCN Bank exited indirect auto lending as of December 1, 2011, BBCN Bank has acceded to the former Nara Bank s obligations under the CD. The CD will remain in place until the year 2013 and prescribes ongoing compliance with the provisions of the Equal Credit Opportunity Act. Given the impact the economic environment has had on consumers, Fair Lending remains a high priority of regulators.

Employees

As of December 31, 2011, we had 678 full-time equivalent employees. None of our employees are represented by a union or covered by a collective bargaining agreement. Management believes that its relations with its employees are good.

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Item 1A. ***RISK FACTORS***

Before deciding to purchase, hold or sell our common stock, you should carefully consider the risks described below in addition to the other cautionary statements and risks described elsewhere, and the other information contained, in this Report and in our other filings with the SEC, including our subsequent reports on Forms 10-Q and 8-K. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business. If any of these known or unknown risks or uncertainties actually occurs, our business, financial condition and results of operations may be seriously harmed. In that event, the market price for our common stock will likely decline.

If we fail to maintain an effective system of internal controls and disclosure controls and procedures, we may not be able to accurately report our financial results or prevent fraud. Effective internal controls and disclosure controls and procedures are necessary for us to provide reliable financial reports and disclosures to stockholders, to prevent fraud and to operate successfully as a public company. If we cannot provide reliable financial reports and disclosures or prevent fraud, our business may be adversely affected and our reputation and operating results would be harmed. Any failure to develop or maintain effective internal controls and disclosure controls and procedures or difficulties encountered in their implementation may also result in regulatory enforcement action against us, adversely affect our operating results or cause us to fail to meet our reporting obligations.

Economic conditions in California, New York or other markets in which we operate may adversely affect our loan portfolio and reduce the demand for our services. We focus our business primarily in Korean-American communities in California, the greater New York City metropolitan area and New Jersey. We also have banking operations in Chicago and Seattle. Adverse economic conditions in our market areas have had a material adverse impact on the quality of our business. A continued economic slowdown in California, New York or other markets in which we operate may have any or all of the following consequences, any of which may reduce our net income and adversely affect our financial condition:

- loan delinquencies may increase,
- problem assets and foreclosures may increase,
- the level and duration of deposits may decline,
- demand for our products and services may decline, and
- collateral for loans may decline in value below the principal amount owed by the borrower.

***Our allowance for loan losses may not cover actual loan losses*.** If our actual loan losses exceed the amount we have allocated for estimated probable incurred losses, our business will be adversely affected. We attempt to limit the risk that borrowers will fail to repay loans by carefully underwriting our loans, but losses nevertheless occur in the ordinary course of lending operations. We create allowances for estimated loan losses through provisions that are recorded as reductions in income in our accounting records. We base these allowances on estimates of the following:

- historical experience with our loans,
- evaluation of current economic conditions and other factors,
- reviews of the quality, mix and size of the overall loan portfolio,

- reviews of delinquencies, and
- the quality of the collateral underlying our loans.

If our allowance estimates are inadequate, we may incur losses, our financial condition may be materially and adversely affected and we may be required to raise additional capital to enhance our capital position. In

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addition, various regulatory agencies, as an integral part of their examination process, periodically review the adequacy of our allowance. These agencies may require us to establish additional allowances based on their judgment of the information available at the time of their examinations. No assurance can be given that we will not sustain loan losses in excess of present or future levels of the allowance for loan losses.

We have a high level of loans secured by real estate collateral. A further downturn in the real estate market may seriously impair our loan portfolio. As of December 31, 2011, approximately 72% of our loan portfolio consisted of loans secured by various types of real estate. There has been a general slowdown in the economy and declines in value in the commercial real estate market in Southern California, along with high levels of unemployment. Continued deterioration in the real estate market generally and in commercial real estate values in particular, along with high levels of unemployment, may result in additional loan charge-offs and provisions for loan losses, which may have an adverse effect on our net income and capital levels.

Changes in interest rates affect our profitability. The interest rate risk inherent in our lending, investing, and deposit taking activities is a significant market risk to us and our business. We derive our income mainly from the difference or spread between the interest earned on loans, securities and other interest-earning assets, and interest paid on deposits, borrowings and other interest-bearing liabilities. In general, the wider the spread, the more net interest income we earn. When market rates of interest change, the interest we receive on our assets and the interest we pay on our liabilities will fluctuate. This can cause decreases in our spread and can greatly affect our income. In addition, interest rate fluctuations can affect how much money we may be able to lend. There can be no assurance that we will be successful in minimizing the adverse effects of changes in interest rates.

If we lose key employees, our business may suffer. There is intense competition for experienced and highly qualified personnel in the Korean American banking industry. In addition, the America Recovery and Reinvestment Act of 2009 places certain restrictions on executive compensation that may impact our ability to attract, retain and motivate senior management personnel. Our future success depends on the continued employment of existing senior management personnel. If we lose key employees temporarily or permanently, it may hurt our business. We may be particularly hurt if our key employees became employed by our competitors in the Korean American banking industry.

Environmental laws may force us to pay for environmental problems. The cost of cleaning up or paying damages and penalties associated with environmental problems may increase our operating expenses. When a borrower defaults on a loan secured by real property, we often purchase the property in foreclosure or accept a deed to the property surrendered by the borrower. We may also take over the management of commercial properties whose owners have defaulted on loans. We also lease premises where our branches and other facilities are located and where environmental problems may exist. Although we have lending, foreclosure and facilities guidelines that are intended to exclude properties with an unreasonable risk of contamination, hazardous substances may exist on some of the properties that we own, lease, manage or occupy. We may face the risk that environmental laws may force us to clean up the properties at our expense. The cost of cleaning up a property may exceed the value of the property. We may also be liable for pollution generated by a borrower s operations if we take a role in managing those operations after a default. We may find it difficult or impossible to sell contaminated properties.

We are exposed to the risks of natural disasters. A significant portion of our operations is concentrated in Southern California, which is an earthquake-prone region. A major earthquake may result in material loss to us. A significant percentage of our loans are and will be secured by real estate. Many of our borrowers may suffer uninsured property damage, experience interruption of their businesses or lose their jobs after an earthquake. Those borrowers might not be able to repay their loans, and the collateral for such loans may decline significantly in value. Unlike a bank with operations that are more geographically diversified, we are vulnerable to greater losses if an earthquake, fire, flood or other natural catastrophe occurs in Southern California.

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An increase in non-performing assets would reduce our income and increase our expenses. If the level of non-performing assets increases in the future, it may adversely affect our operating results and financial condition. Non-performing assets are mainly loans on which the borrowers are not making their required payments. Non-performing assets also include loans that have been restructured to permit the borrower to make payments and real estate that has been acquired through foreclosure or deed in lieu of foreclosure of unpaid loans. To the extent that assets are non-performing, we have less earning assets generating interest income and an increase in credit related expenses, including provisions for loan losses.

We may experience adverse effects from acquisitions. We have acquired other banking companies and bank offices in the past and consider additional acquisitions as opportunities arise. If we do not adequately address the financial and operational risks associated with acquisitions of other companies, we may incur material unexpected costs and disruption of our business. Acquisitions that are large in relation to our asset size, such as our recently completed merger with Center Financial, may increase the degree of such risks.

Risks involved in acquisitions of other companies include:

- the risk of failure adequately to evaluate the asset quality of the acquired company,
- difficulty in assimilating the operations, technology and personnel of the acquired company,
- diversion of management s attention from other important business activities,
- difficulty in maintaining good relations with the loan and deposit customers of the acquired company,
- inability to maintain uniform standards, controls, procedures and policies,
- potentially dilutive issuances of equity securities or the incurrence of debt and contingent liabilities, and
- amortization of expenses related to acquired intangible assets that have finite lives.

Liquidity risks may impair our ability to fund operations and jeopardize our financial condition. Liquidity is essential to our business. An inability to raise funds through deposits, borrowings, the sale of loans, and other sources may have a material adverse effect on our liquidity. Our access to funding sources in amounts adequate to finance our activities may be impaired by factors that affect us specifically or the financial services industry in general. Factors that may detrimentally impact our access to liquidity sources include a decrease in the level of our business activity due to a market downturn or adverse regulatory action against us. Our ability to acquire deposits or borrow may also be impaired by factors that are not specific to us, such as a severe disruption of the financial markets or negative views and expectations about the prospects for the banking industry or the general financial services industry as a whole.

The level of our problem assets, occurrence of operating losses or a failure to comply with requirements of the agencies which regulate us may result in regulatory actions against us which may adversely affect our business and the market price of our common stock. The DFI, the FDIC and the FRB each have authority to take actions to require that we comply with applicable regulatory capital requirements, cease engaging in what they perceive to be unsafe or unsound practices or make other changes in our business. Among others, the corrective measures that such regulatory authorities may take include requiring us to enter into informal or formal agreements regarding our operations, the issuance of cease and desist orders to refrain from engaging in unsafe and unsound practices, removal of officers and directors and the assessment of civil monetary penalties. See Item 1. Business Supervision and Regulation for a further description of such regulatory powers.

Increased deposit insurance costs may adversely affect our results of operations. Due to the greatly increased rate of bank failures experienced in the current period of financial stress, as well as the extraordinary programs in which the FDIC has been involved to support the banking industry generally, the FDIC s Deposit Insurance Fund has been substantially reduced and the FDIC has incurred substantially increased operating costs. For these reasons, the FDIC has significantly increased the rates of deposit insurance premiums that it charges insured banks, including BBCN Bank, which has increased our costs of operation. Additional increases in the deposit insurance premium rates of the FDIC or other increases in costs related to deposit insurance may be imposed, which may result in further increases in BBCN Bank s operating costs.

Changes in accounting standards may affect how we record and report our financial condition and results of operations. Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. From time to time, the Financial Accounting Standards Board and SEC change the financial accounting and reporting standards that govern the preparation of our financial statements. These changes and their impacts on us can be hard to predict and may result in unexpected and materially adverse impacts on our reported financial condition and results of operations.

We are subject to operational risks relating to our technology and information systems. The continued efficacy of our technology and information systems, related operational infrastructure and relationships with third party vendors in our ongoing operations is integral to our performance. Failure of any of these resources, including but not limited to operational or systems failures, interruptions of client service operations and ineffectiveness of or interruption in third party data processing or other vendor support, may cause material disruptions in our business, impairment of customer relations and exposure to liability for our customers, as well as action by bank regulatory authorities.

Our business reputation is important and any damage to it may have a material adverse effect on our business. Our reputation is very important for our business, as we rely on our relationships with our current, former and potential clients and stockholders, and in the communities we serve. Any damage to our reputation, whether arising from regulatory, supervisory or enforcement actions, matters affecting our financial reporting or compliance with SEC and exchange listing requirements, negative publicity, our conduct of our business or otherwise may have a material adverse effect on our business.

As we expand outside our California markets, we may encounter additional risks that may adversely affect us. Currently, the majority of our offices are located in California, but we also have seven offices in New York and New Jersey. We also have banking offices in Chicago and Seattle. Over time, we may seek to establish offices to serve Korean-American communities in other parts of the United States as well. In the course of these expansion activities, we may encounter significant risks, including unfamiliarity with the characteristics and business dynamics of new markets, increased marketing and administrative expenses and operational difficulties arising from our efforts to attract business in new markets, manage operations in noncontiguous geographic markets, comply with local laws and regulations and effectively and consistently manage our non-California personnel and business. If we are unable to manage these risks, our operations may be adversely affected.

Adverse conditions in South Korea may adversely affect our business. A substantial number of our customers have economic and cultural ties to South Korea and, as a result, we are likely to feel the effects of adverse economic and political conditions there. If economic conditions in South Korea deteriorate, we may, among other things, be exposed to economic and transfer risk, and may experience an outflow of deposits by our customers with connections to South Korea. Transfer risk may result when an entity is unable to obtain the foreign exchange needed to meet its obligations or to provide liquidity. This may adversely impact the recoverability of investments in or loans made to such entities. Adverse economic conditions in South Korea may also negatively impact asset values and the profitability and liquidity of our customers who operate in this region.

Our use of appraisals in deciding whether to make loans secured by real property does not ensure that the value of the real property collateral will be sufficient to repay our loans. In considering whether to make a loan secured by real property, we require an appraisal of the property. However, an appraisal is only an estimate of the value of the property at the time the appraisal is made and requires the exercise of a considerable degree of judgment and adherence to professional standards. If the appraisal does not accurately reflect the amount that may be obtained upon sale or foreclosure of the property, whether due to a decline in property value after the date of the original appraisal or defective preparation of the appraisal, we may not realize an amount equal to the indebtedness secured by the property and as a result, we may suffer losses.

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Changes in governmental regulation may impair our operations or restrict our growth. Federal and state bank regulatory agencies regulate many aspects of our operations. These areas include:

- the capital that we must maintain,
- the dividends that we may pay,
- the kinds of activities that we may engage in,
- the compensation that we may pay,
- the kinds and amounts of investments that we can make,
- the locations of our offices,
- how much interest we can pay on demand deposits,
- insurance of deposits and the premiums that we must pay for this insurance, and
- how much cash we must set aside as reserves for deposits.

The governmental supervision and regulations to which we are subject, which are intended primarily for the protection of depositors rather than our stockholders, may be changed at any time, and the interpretation of these statutes and regulations by examining authorities may also change. Within the last several years, Congress and the federal bank regulatory authorities have made significant changes to these statutes and regulations. There can be no assurance that such changes to the statutes and regulations or in their interpretation will not adversely affect our business. BBCN Bank is subject to regulation and examination by the DFI and the FDIC and BBCN Bancorp is subject to the rules and regulations of the FRB. In addition to governmental supervision and regulation, BBCN Bank and BBCN Bancorp are subject to changes in other federal and state laws, including changes in tax laws, which may materially affect the banking industry. If we fail to comply with federal and state bank regulations, the regulators may limit our activities or growth, fine us or force the bank into receivership.

Implementation of the various provisions of the Dodd-Frank Act may increase our operating costs or otherwise have a material effect on our business, financial condition or results of operations. The Dodd-Frank Act includes, among other things: (i) the creation of a Financial Services Oversight Council to identify emerging systemic risks and improve interagency cooperation; (ii) the creation of a Consumer Financial Protection Bureau authorized to promulgate and enforce consumer protection regulations relating to financial products that would affect banks and non-bank finance companies; (iii) the establishment of new capital and prudential standards for banks and bank holding companies, including the elimination, with exceptions for banking organizations having assets of less than $10 billion, of the ability to treat trust preferred securities as Tier 1 capital; (iv) enhanced regulation of financial markets, including the derivatives, securitization and mortgage origination markets; (v) the elimination of proprietary trading and private equity investment activities by banks; (vi) the elimination of barriers to de novo interstate branching by banks; (vii) permanent establishment of the previously implemented temporary increase of FDIC deposit insurance to $250,000 per insured account; (viii) the authorization of interest-bearing transaction accounts and (ix) changes in the calculation of FDIC deposit insurance assessments and an increase in the minimum designated reserve ratio for the DIF.

Certain provisions of the legislation are not immediately effective or are subject to required studies and implementing regulations. Further, community banks with less than $10 billion in assets (less than $15 billion with respect to trust preferred securities) are exempt from certain provisions of the legislation. We cannot predict how this significant new legislation may be interpreted and enforced nor how implementing regulations and supervisory policies may affect us. There can be no assurance that these or future reforms will not significantly increase our compliance or operating costs or otherwise have a significant impact on our business, financial condition and results of operations.

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Our stock price may be volatile, which may result in substantial losses for our stockholders. The market price of our common stock may be subject to fluctuations in response to a number of factors, including:

- issuing new equity securities;
- the amount of our common stock outstanding and the trading volume of our stock;
- actual or anticipated changes in our future financial performance;
- changes in financial performance estimates of us or by securities analysts;
- competitive developments, including announcements by us or our competitors of new products or services or acquisitions, strategic partnerships, joint ventures or capital commitments;
- the operating and stock performance of our competitors;
- changes in interest rates;
- changes in key personnel;
- changes in economic conditions that affect the Bank s performance; and
- changes in legislation or regulations that affect the Bank.

We may raise additional capital, which could have a dilutive effect on the existing holders of our common stock and adversely affect the market price of our common stock. We periodically evaluate opportunities to access capital markets, taking into account our financial condition, regulatory capital ratios, business strategies, anticipated asset growth and other relevant considerations. Among other considerations, we intend to redeem, at an appropriate time prior to February 15, 2014, the Series A Preferred Stock, the Series B Preferred Stock and the warrants we issued to the U.S. Treasury Department. In addition, it is possible that future acquisitions, organic growth or changes in regulatory capital requirements could require us to increase the amount or change the composition of our current capital, including our common equity. For all of these reasons, and subject to market conditions, we may issue additional shares of common stock or other capital securities in public or private transactions.

The issuance of additional common stock or securities convertible into or exchangeable for our common stock or that represent the right to receive common stock, or the exercise of such securities, could be substantially dilutive to holders of our common stock, including purchasers of common stock in this offering. Holders of our common stock have no preemptive or other rights that would entitle them to purchase their pro rata share of any offering of shares of any class or series and, therefore, such sales or offerings could result in dilution of the ownership interests of our stockholders.

We have suspended declaration and payment of dividends on our common stock. Our ability to declare and pay dividends in the future, as well as the ability of the Bank to make dividend payments to us, will be subject to regulatory, statutory and other restrictions. In March, 2009, we announced the suspension of our prior policy of paying quarterly dividends in order to preserve capital and to provide us with increased flexibility to invest in our business. Until November 2011, we were also subject to special regulatory limitations on the payment of dividends under resolutions adopted by the boards of directors of Nara Bancorp and Nara Bank after consultation with the DFI and the FRB. Our board of directors intends to consider reinstating our prior dividend policy if economic conditions warrant it and subject to other business and strategic considerations. There can be no assurance, however, when or if we will reinstate payment of regular cash dividends. Our ability to pay dividends at that time will be subject to statutory and other limitations applicable to us or to the Bank.

Our outstanding preferred stock may diminish the net income per share available dividends to holders of our common stock or on liquidation. The accrual of dividends and the accretion of discount on our Series A Preferred Stock and Series B Preferred Stock reduce the net income available to holders of our common stock. Dividends on the Series A Preferred Stock and the Series B Preferred Stock, which accrue at the rate of 5% per annum until February 15, 2014 and 9% per annum thereafter, are cumulative, which means that any dividends

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not declared or paid will accumulate and be payable when the payment of dividends is resumed. Depending on our financial condition at the time, these dividend requirements may adversely affect our ability to declare and pay dividends on our common stock. The holders of the Series A Preferred Stock and Series B Preferred Stock would also be entitled to receive a liquidation payment of $1,000 per share before any payments of liquidation proceeds may be made to our common stockholders in the event of the liquidation, dissolution or winding up of the Company.

Our results of operations or financial condition could be adversely affected as a result of future impairment of our intangible assets. At December 31, 2011, we had $90.5 million of goodwill, primarily resulting from our merger with Center Financial Corporation. Future acquisitions could result in increases in the amount of our goodwill or other intangible assets. We assess the carrying value of intangible assets, including goodwill, at least annually in order to determine whether such assets are impaired. In reviewing the carrying value of intangible assets, we look to the market value of our common stock, compared to book value. We further assess the recoverability of such intangible assets by evaluating the fair value of the related business unit. If recoverability is deemed impaired, a write-down of such intangible assets would be required.

We may be not be able to realize the anticipated benefits of the Center Merger, including estimated cost savings and synergies, or it may take longer than anticipated to achieve such benefits. The realization of the benefits anticipated as a result of the Center Merger, including cost savings and synergies, will depend in part on the integration of Center Financial s operations with our operations. There can be no assurance that Center Financial s operations can be integrated successfully into our operations in a timely fashion, or at all. The dedication of management resources to such integration may divert attention from our day-to-day business and there can be no assurance that there will not be substantial costs associated with the transition process or that there will not be other material adverse effects as a result of these integration efforts. Such effects, including, but not limited to, incurring unexpected costs or delays in connection with such integration, may have a material adverse effect on our financial results.

Item 1B. ***Unresolved Staff Comments.***

None.

Item 2. ***PROPERTIES***

Our principal executive offices are located at 3731 Wilshire Blvd., Suite 1000, Los Angeles, California 90010. As of December 31, 2011, we operated full-service branches at 42 leased operations, 2 owned facilities operations and LPOs at 3 leased operations. Expiration dates of our leases range from March 2012 to April 2022. The two owned facilities, the Olympic and Western branches, had carrying values (including land value) of $3.9 million and $4.4 million, respectively, at December 31, 2011. We believe our present facilities are adequate for our current needs.

As of December 31, 2011, premises and equipment, net of accumulated depreciation and amortization, totaled $20.9 million. Total occupancy expense, including furniture and equipment expense for the year ended December 31, 2011, was $15.9 million. Total lease expense for the year ended December 31, 2011 was $8.6 million.

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Item 3. ***LEGAL PROCEEDINGS***

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. The parties to the class action signed a Memorandum of Understanding (MOU) to settle this lawsuit, subject to court approval, by making certain additional disclosures, all of which appear in the amended Registration Statement filed by the Company on Form S-4 on July 15, 2011. Center further agreed that it or its successor (the Company) would pay, following consummation of the merger, up to $400,000 in plaintiff s attorneys fees, if and to the extent awarded by the court. Any such payment would not become due until the merger was consummated and would be payable by the combined company. The parties signed a stipulation, dated as of October 28, 2011, formalizing the settlement reflected in the MOU. On March 7, 2012, the Court entered an order and final judgment approving the settlement and awarding plaintiff s counsel only $250,000 in attorneys fees and expenses.

The Company was a nominal defendant in Thomas Chung v. Nara Bancorp, Inc., et al, a shareholder derivative lawsuit which purports to be brought on the Company s behalf by Mr. Thomas Chung, a former chairman of the Company s board of directors (the Chung Lawsuit) and which was filed on May 20, 2008 in the Superior Court of California, County of Los Angeles. The Chung Lawsuit alleges that the members of the Company s board of directors as composed on the date the lawsuit was filed, as well as the Company s board of directors as it was composed in March 2005 (collectively, the Boards) breached their fiduciary duties to the Company s shareholders and mismanaged corporate assets. The complaint sought damages exceeding $54 million from the Boards, together with reimbursement from all defendants of Mr. Chung s legal costs incurred in pursuing the Chung Lawsuit. If any damages are recovered in the purported shareholder derivative lawsuit, such damages, but not any awards of legal costs to Mr. Chung would be payable to BBCN Bancorp. The court granted the Company s motion for summary judgment in September 2010 and the case was dismissed. Chung filed an appeal, and the Court of Appeals affirmed the trial court s ruling in January 2012. Mr. Chung did not file an appeal with the California Supreme Court within the required timeframe and thus the appellate court s ruling is final, and the case is over.

We are involved in routine litigation incidental to our business, none of which is expected to have a material adverse effect on us.

Item 4. **MINE SAFETY DISCLOSURES**

Not applicable.

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PART II

Item 5. ***MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES***

Our common stock is traded on the Nasdaq Global Select Market under the symbol BBCN.

We had approximately 3,186 beneficial owners and 610 registered holders of our common stock as of March 2, 2012. The following table sets forth, the range of high and low sales prices for, and quarterly dividend paid on our common stock for the calendar quarters indicated.

Quarters ended:	High Sales Price	Low Sales Price	Dividends
December 31, 2011	$ 9.46	$ 5.72	0
September 30, 2011	$ 8.54	$ 5.96	0
June 30, 2011	$ 9.84	$ 7.05	0
March 31, 2011	$ 10.48	$ 9.18	0
December 31, 2010	$ 9.86	$ 6.98	0
September 30, 2010	$ 8.43	$ 5.96	0
June 30, 2010	$ 10.24	$ 7.34	0
March 31, 2010	$ 11.78	$ 8.33	0

The closing price for our common stock on the Nasdaq Global Select Market on March 2, 2012 was $9.88 per share.

In March 2009, we announced our decision to suspend our prior policy of paying quarterly cash dividends in order to preserve capital. Future dividends are subject to the discretion of our Board of Directors after its consideration of a number of factors, including our future earnings, financial condition, bank regulatory capital requirements, cash needs and general business conditions. In addition, BBCN Bancorp agreed as a condition of its issuance of the Series A and Series B Preferred Stocks to the Treasury under the CPP that it would not pay cash dividends on its common stock at a quarterly rate greater than $0.0275 per share, or redeem, purchase or acquire any of its common stock or other equity securities, without the prior approval of the Treasury Department while the Series A and Series B Preferred Stock remains outstanding.

BBCN Bancorp s ability to pay dividends is subject to restrictions set forth in the Delaware General Corporation Law. The Delaware General Corporation Law provides that a Delaware corporation may pay dividends either (i) out of the corporation s surplus (as defined by Delaware law), or (ii) if there is no surplus, out of the corporation s net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. In addition, the payment of dividends by BBCN Bancorp is subject to review and possible limitation by the FRB under its authority as regulator of bank holding companies. In general, the FRB discourages the payment of dividends on common stock in amounts exceeding a holding company s net income available to common stockholders for the four quarters preceding a dividend payment. If we defer interest on the subordinated debentures issued in connection with our trust preferred securities, BBCN Bancorp would also be prohibited from paying any dividends on our common stock or preferred stock until BBCN Bancorp is current on its interest payments.

BBCN Bancorp s ability to pay cash dividends in the future will depend in large part on the ability of the Bank to pay dividends on its capital stock to BBCN Bancorp. The ability of the Bank to declare a cash dividend to BBCN Bancorp is subject to compliance with its minimum capital requirements, additional limitations under federal and California law and regulations and policies of the FRB.

The applicable statutory and regulatory limitations on the declaration and payment of dividends are further described in Item 1. Business Supervision and Regulation.

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We did not repurchase any of our securities during 2011. Our ability to repurchase common stock is subject to prior approval of the FRB and the U.S. Treasury Department pursuant to the agreements we entered into in connection with our participation in the Treasury Department s Capital Purchase Program.

Securities Authorized for Issuance Under Equity Compensation Plans

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans excluding securities reflected in Column (a) (c)
Equity compensation plans approved by security holders	830,011	$ 16.35	3,128,161
Equity compensation plans not approved by security holders	0	0	0
Total	830,011	$ 16.35	3,128,161

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Stock Performance Graph

The following graph compares the yearly percentage change in the cumulative total shareholder return (stock price appreciation plus reinvested dividends) on the common stock of the Company with (i) the cumulative total return of the Nasdaq Market Index, (ii) the cumulative total return of the S&P Small Cap 600 Index, (iii) a published index comprised of banks and thrifts selected by SNL Financial LLC , and (iv) the cumulative total return of the S&P 500 Index. The graph assumes an initial investment of $100 and reinvestment of dividends. Points on the graph represent the performance as of the last business day of each of the years indicated. The graph is not necessarily indicative of future price performance.

The following graph does not constitute soliciting material and shall not be deemed filed or incorporated by reference into any filing by BBCN Bancorp under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that we may specifically incorporate this graph by reference.

COMPARATIVE CUMULATIVE TOTAL RETURN

AMONG BBCN BANCORP, NASDAQ MARKET INDEX, S&P SMALLCAP 600 INDEX,

SNL BANK & THRIFT INDEX AND, S&P 500 INDEX

ASSUMES $100 INVESTED ON DEC. 31, 2006

ASSUMES DIVIDENDS REINVESTED

FISCAL YEAR ENDING DEC. 31, 2011

	Period Ending					
Index	**12/31/2006**	**12/31/2007**	**12/31/2008**	**12/31/2009**	**12/31/2010**	**12/31/2011**
BBCN Bancorp, Inc.	100	56.20	47.79	55.13	47.91	45.94
NASDAQ Composite	100	110.66	66.42	96.54	114.06	113.16
S&P 600 Index	100	99.70	68.71	86.28	108.98	110.09
SNL Bank and Thrift	100	76.26	43.85	43.27	48.30	37.56
S&P 500	100	105.49	66.46	84.05	96.71	98.76

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Item 6. SELECTED FINANCIAL DATA

The following table presents selected financial and other data of the Company as of and for each of the years in the five-year period ended December 31, 2011. The information below should be read in conjunction with, and is qualified in its entirety by: the more detailed information included elsewhere herein, including our Audited Consolidated Financial Statements and Notes thereto.

	For The Year Ended December 31,				
	2011	2010	2009	2008	2007
	(Dollars in thousands, except share and per share data)				
Income Statement Data:					
Interest income	$ 161,895	$ 150,436	$ 158,045	$ 166,928	$ 175,773
Interest expense	32,077	42,052	65,699	70,707	78,568
Net interest income	129,818	108,384	92,346	96,221	97,205
Provision for loan losses	27,939	84,630	61,023	48,825	7,530
Net interest income after provision for loan losses	101,879	23,754	31,323	47,396	89,675
Noninterest income	23,130	24,481	18,468	13,993	22,573
Noninterest expense	82,234	63,374	61,713	57,009	56,450
Income before income tax provision (benefit)	42,775	(15,139)	(11,922)	4,380	55,798
Income tax provision (benefit)	15,660	(7,900)	(6,199)	1,625	22,599
Net income (loss)	$ 27,115	$ (7,239)	$ (5,723)	$ 2,755	$ 33,199
Dividends and discount accretion on preferred stock	(4,568)	(4,291)	(4,276)	(474)	0
Net income (loss) available to common stockholders	$ 22,547	$ (11,530)	$ (9,999)	$ 2,281	$ 33,199
Per Common Share Data:					
Earnings (loss) basic	$ 0.53	$ (0.30)	$ (0.35)	$ 0.09	$ 1.27
Earnings (loss) diluted	0.53	(0.30)	(0.35)	0.09	1.25
Book value (period end, excluding preferred stock and warrants)	8.64	7.69	7.99	8.49	8.48
Cash dividends declared per common share	0	0	0	0.11	0.11
Number of common shares outstanding (period end)	77,984,252	37,983,027	37,824,007	26,246,560	26,193,560
Balance Sheet Data At Period End:					
Assets	$ 5,166,604	$ 2,963,296	$ 3,227,957	$ 2,672,054	$ 2,423,410
Securities available for sale and held to maturity	740,920	528,262	782,690	406,586	258,773
Gross loans, net of unearned loan fees and discounts (excludes loans held for sale)	3,738,826	2,147,745	2,221,433	2,119,354	2,013,221
Deposits	3,940,892	2,176,114	2,434,190	1,938,603	1,833,346
Federal Home Loan Bank borrowings	344,402	350,000	350,000	350,000	297,000
Subordinated debentures	52,102	39,268	39,268	39,268	39,268
Stockholders equity	795,939	358,563	367,975	289,953	222,180
Average Balance Sheet Data:					
Assets	$ 3,168,124	$ 3,007,294	$ 3,038,969	$ 2,544,667	$ 2,216,514
Securities available for sale	520,460	516,460	619,594	298,886	199,293
Gross loans, including loans held for sale	2,352,253	2,173,840	2,124,615	2,089,803	1,879,457
Deposits	2,360,786	2,213,940	2,291,346	1,855,629	1,772,230
Stockholders equity	414,768	364,159	304,770	238,800	204,863
Selected Performance Ratios:					
Return on average assets[1]	0.86%	(0.24)%	(0.19)%	0.11%	1.50%
Return on average stockholders equity[2]	6.54%	(1.99)%	(1.88)%	1.15%	16.21%
Average stockholders equity to average assets	13.09%	12.11%	10.03%	9.38%	9.24%
Dividend payout ratio (Dividends per share/earnings per share)	0.00%	0.00%	0.00%	122.22%	8.66%
Net interest spread[3]	3.92%	3.35%	2.64%	3.22%	3.41%
Net interest margin[4]	4.29%	3.75%	3.15%	3.96%	4.60%
Yield on interest-earning assets[5]	5.35%	5.21%	5.39%	6.87%	8.32%

Cost of interest-bearing liabilities[6]	1.43%	1.86%	2.75%	3.65%	4.91%
Efficiency ratio[7]	53.77%	47.70%	55.69%	51.73%	47.13%

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	For The Year Ended December 31,				
	2011	2010	2009	2008	2007
	(Dollars in thousands)				
Regulatory Capital Ratios:					
Bancorp: Leverage	19.81%	12.61%	12.36%	12.61%	10.77%
Tier 1 risk-based	18.15%	16.42%	16.73%	14.32%	11.84%
Total risk-based	19.41%	17.69%	17.99%	15.58%	12.78%
Bank: Leverage	18.13%	12.27%	11.77%	12.43%	10.36%
Tier I risk-based	16.62%	16.00%	16.02%	14.10%	11.41%
Total risk-based	17.88%	17.27%	17.29%	15.34%	12.34%
Asset Quality Data:					
Nonaccrual loans	$ 31,060	$ 43,803	$ 51,674	$ 37,580	$ 16,592
Loans 90 days or more past due and still accruing[8]	17,255	0	0	0	0
Restructured loans (accruing)	18,795	35,103	64,341	3,256	765
Total nonperforming loans	67,110	78,906	116,015	40,836	17,357
Other real estate owned	7,624	1,581	2,044	2,969	
Total nonperforming assets	$ 74,734	$ 80,487	$ 118,059	$ 43,805	$ 17,357
Asset Quality Ratios:					
Nonaccrual loans to gross loans	0.83%	2.04%	2.33%	1.77%	0.82%
Nonperforming loans to gross loans	1.79%	3.67%	5.22%	1.93%	0.86%
Nonperforming assets to total assets	1.45%	2.72%	3.66%	1.64%	0.72%
Nonperforming assets to gross loans and OREO	1.99%	3.74%	5.31%	2.06%	0.86%
Allowance for loan losses to gross loans	1.66%	2.90%	2.68%	2.05%	1.00%
Allowance for loan losses to nonaccrual loans	199.46%	142.27%	115.00%	115.54%	120.75%
Allowance for loan losses to nonperforming loans	92.31%	78.98%	51.22%	106.33%	115.43%
Allowance for loan losses to nonperforming assets	82.90%	77.43%	50.33%	99.12%	115.43%
Net charge-offs to average gross loans	1.20%	3.76%	2.12%	1.22%	0.35%

(1) Net income (loss) divided by the average assets
(2) Net income (loss) divided by the average stockholders equity
(3) Difference between the average yield on interest-earning assets and the average rate paid on interest-bearing liabilities
(4) Net interest income expressed as a percentage of average interest-earning assets
(5) Interest income divided by the average interest-earning assets
(6) Interest expense divided by the average interest-bearing liabilities
(7) Noninterest expense divided by the sum of net interest income plus noninterest income
(8) Acquired loans that were originally recorded at fair value upon acquisitions. These loans are considered to be accruing as we can reasonably estimate future cash flows on acquired loans and we expect to fully collect the carrying value of these loans. Therefore, we are accreting the difference between the carrying value of these loans and their expected cash flows.

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with our Consolidated Financial Statements and accompanying notes presented elsewhere in this Report. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including those set forth under Item 1A Risk Factors and elsewhere in this Report.

Overview

BBCN Bancorp, Inc., formerly named Nara Bancorp, Inc., is a bank holding company headquartered in Los Angeles, California. BBCN Bank, formerly named Nara Bank, opened for business in June 1989 under the name United Citizens National Bank as a national banking association, was renamed Nara Bank, National Association in January 1994 and, in January 2005, became Nara Bank upon converting to a California state-chartered bank in connection with its holding company reorganization transaction. On November 30, 2011, we merged with Center Financial Corporation (Center Financial or Center) in a merger equals transaction. Concurrently with the merger, Nara Bancorp changed its name to BBCN Bancorp, Inc. At the bank level, Nara Bank merged into Center Bank, and concurrently with the merger, Center Bank changed its name to BBCN Bank.

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We offer a full range of commercial banking and consumer deposit products through BBCN Bank, a California state-chartered bank. BBCN Bank primarily focuses its business in Korean-American communities in California, in the New York City metropolitan area, and New Jersey. Our November 2011 merger with Center Financial allowed us to expand our organization by adding banking operations in Chicago and Seattle and strengthen our strategic position in California. Upon the completion of merger with Center Financial, our banking offices increased from 23 to 44 in California, the New York metropolitan area, New Jersey, Chicago and Seattle and three loan production offices located in Dallas, Seattle and Denver. We offer our banking services through out network of banking offices and loan production offices to our customers who typically are small- to medium-sized businesses in our market areas. We accept deposits and originate a variety of loans including commercial business loans, commercial real estate loans, trade finance and SBA loans. We have discontinued origination of consumer loans, but continue to service such loans in our portfolio. Effective December 1, 2011, upon the merger with Center, we resumed originating direct auto loans and started issuing credit cards.

Through the merger with Center Financial, we acquired Center Bank s 21 full-service branch offices, 18 of which are located in California, as well as two Loan Production Offices in Seattle and Denver. Under the terms of the merger agreement, Center Financial shareholders received 0.7805 shares of Company common stock in exchange for each share of common stock of Center Financial, resulting in our issuance of approximately 31.2 million shares of Company common stock, with a merger date fair value of $292 million.

The merger was accounted for as an acquisition of Center Financial by Nara Bancorp in accordance with the acquisition method of accounting as detailed in Accounting Standards Codification (ASC) 805, *Business Combination*. The acquisition method of accounting requires an acquirer to recognize the assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree based on their fair values as of the date of acquisition. This process is heavily reliant on measuring and estimating the fair values of all the assets and liabilities of the acquired entity. We engaged a third party valuation specialist to assist us in determining the fair value of Center s loan portfolio, time deposits, servicing assets, FDIC loss share receivable, debt, investments in affordable housing partnerships and operating leases. Additionally, the firm was asked to assist in the determination of the value of the intangible asset associated with the core deposit intangibles. Goodwill of $88.0 million was recorded, which is equal to the excess of the consideration transferred over the fair value of identifiable net assets acquired in connection with the merger. See Note 2 of Notes to the Consolidated Financial Statements for more detailed information on Center merger.

We had previously identified three principal operating segments: banking operations, trade finance services and small business administration lending services. However, our strategic focus has migrated from transactional banking to relationship banking upon the merger with Center Financial. While the chief operating decision makers continue to monitor the revenue streams of the various products and services, we now focus more on the relational aspects of our customers who are encouraged to purchase a multitude of products and services. Accordingly, all of the operations are considered by us to be aggregated in one reportable operating segment.

Our principal business involves earning interest on loans and investment securities that are funded by customer deposits and other borrowings. Our operating income and net income are derived primarily from the difference between interest income received from interest-earning assets and interest expense paid on interest-bearing liabilities and, to a lesser extent, from fees received in connection with servicing loan and deposit accounts and income from the sale of SBA loans. Our major expenses are the interest we pay on deposits and borrowings, provisions for loan losses and general operating expenses, which primarily consist of salaries and employee benefits and occupancy costs. Interest rates are highly sensitive to many factors that are beyond our control, such as changes in the national economy and in the related monetary policies of the Board of Governors of the Federal Reserve System, inflation, unemployment, consumer spending and political events. We cannot predict the impact that these factors and future changes in domestic and foreign economic and political conditions might have on our performance.

We have a significant business and geographic concentration in the Korean-American communities in California, the New York City metropolitan area, New Jersey, Washington, and Chicago and our results are affected by economic conditions in these areas and in South Korea. A further decline in economic and business conditions in our market areas and in South Korea may have some impact on the quality of our loan portfolio or the demand for our products and services, which in turn may have some adverse effect on our results of operations.

On November 4, 2011, the DFI and the FRB notified the Company that they would not object to termination by the boards of directors of the Company and the Bank of the resolutions previously adopted by the respective boards at the request of such bank regulatory authorities. The resolutions, which provided among other things for submission to the DFI and the FRB of plans for improvements in the operations of the Company and the Bank and that neither company would declare dividends without regulatory approval, have now been terminated since their objectives have been accomplished.

Critical Accounting Policies

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and general practices within the banking industry. The financial information contained within these statements is, to a significant extent, financial information that is based on approximate measures of the financial effects of transactions and events that have already occurred. All of our significant accounting policies are described in Note 1 of our Consolidated Financial Statements presented elsewhere herein and are essential to understanding Management s Discussion and Analysis of Financial Condition and Results of Operations. GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities at the date of our financial statements. Actual results may differ from these estimates under different assumptions or conditions.

The following is a summary of the more judgmental and complex accounting estimates and principles affecting the financial condition and results reported in our financial statements. In each area, we have identified the variables we believe to be the most important in the estimation process. We use the best information available to us to make the estimations necessary to value the related assets and liabilities in each of these areas.

Allowance for Loan Losses

Accounting for the allowance for loan losses involves significant judgments and assumptions by management, which has a material impact on the carrying value of net loans. The judgments and assumptions used by management are based on historical data and management s analysis of other qualitative factors, including the current economic environment as described under Financial Condition Allowance for Loan Losses below.

Investment Securities

The fair values of investment securities are generally determined by quoted market prices obtained from independent external brokers or or external pricing services providers who have experience in valuing these securities. We perform a monthly analysis on the broker quotes received from third parties to assess whether the prices represent a reasonable estimate of the fair value. The procedures include, but are not limited to, initial and on-going review of third party pricing methodologies as well as independent auditors reports from the third party regarding its controls over valuation of financial instruments, review of pricing trends, and monitoring of trading volumes. We also compare the market prices obtained from one source to another reputable independent external brokers or independent external pricing service providers for the reasonableness of the initial market prices obtained on a quarterly basis. We did not adjust any of the prices provided to us by the independent pricing services at December 31, 2011 or 2010.

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We evaluate securities for other-than-temporary impairment 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 has been less than cost, 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. We do not believe that we had any investment securities available for sale with unrealized losses that would be deemed to be other-than-temporarily impaired as of December 31, 2011. Investment securities are discussed in more detail under Financial Condition Investment Securities Portfolios below.

Acquired Loans

Loans that we acquired in the merger with Center Financial are recorded at fair value with no carryover of the related allowance for loan losses. We considered all classified and criticized loans and FDIC-assisted Innovative Bank acquisition related loans as credit impaired loans (Credit Impaired Loans) under the provisions of Accounting Standards Codification (ASC) 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality* resulting from the Center Financial merger. Pass graded loans acquired from Center Financial (Performing Loans) were not accounted for under ASC 310-30. These Performing Loans were placed in pools with similar risk characteristics and were recorded at fair value at the merger date. Management will periodically reassess the net realizable value of each loan pool and record interest income resulting from the accretion of the purchase discount in accordance with ASC 310-20.

Credit Impaired Loans

In accordance with ASC 310-30, Credit Impaired Loans acquired from Center were aggregated into pools based on individually evaluated common risk characteristics (including whether the loans were currently in nonperforming status) and expected cash flows were estimated on a pool basis. A pool was accounted for as a single asset with a single interest rate, cumulative loss rate and cash flow expectation. We aggregated all of Credit Impaired Loans into 17 different pools. A loan will be removed from a pool of loans only if the loan is sold or foreclosed, assets are received in satisfaction of the loan, or the loan is written off, and will be removed form the pool at the carrying value.

The cash flows expected to be received over the life of the pool were estimated by management with the assistance of a third party valuation specialist. These cash flows were utilized in calculating the carrying values of the pools and underlying loans, book yields, effective interest income and impairment, if any, based on actual and projected events. Default rates, loss severity, and prepayment speeds assumptions will be periodically reassessed and updated within the accounting model to update the expectation of future cash flows. The excess of the cash expected to be collected over the pool s carrying value is considered to be the accretable yield and is recognized as interest income over the estimated life of the loan or pool using the effective interest yield method. The accretable yield will change due to changes in the timing and amounts of expected cash flows. Changes in the accretable yield will be disclosed quarterly.

The excess of the contractual balances due over the cash flows expected to be collected is considered to be nonaccretable difference. The nonaccretable difference represents our estimate of the credit losses expected to occur and was considered in determining the fair value of the loans as of the merger date. Subsequent to the merger date, any increases in expected cash flows over those expected at purchase date in excess of fair value are adjusted through the accretable difference on a prospective basis. Any subsequent decreases in expected cash flows over those expected at the merger date are recognized by recording a provision for loan losses.

Credit Impaired Loans that met the criteria for nonaccrual of interest prior to the merger may be considered performing upon merger, regardless of whether the customer is contractually delinquent, if we can reasonably

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estimate the timing and amount of the expected cash flows on such loans and if we expect to collect the new carrying value of the loans in full. As such, we may no longer consider the loan to be nonaccrual or nonperforming and may accrue interest on these loans, including the impact of any accretable discount. We have determined that we can reasonably estimate future cash flows on any such acquired loans that are past due 90 days or more and on which we are accruing interest and we expect to fully collect the carrying value of the loans.

At the merger date, the gross loan portfolio, including covered loans, of Center Financial, was approximately $1.5 billion with a related allowance for loan losses of $39.9 million. The valuation resulted in a discount of approximately $118.0 million as of November 30, 2011. This discount consists of two components; nonaccretable discount and accretable discount. The Performing Loans portfolio was approximately $1.31 billion and was discounted by $67 million related to credit discount and $12 million for yield. The Credit Impaired Loans portfolio, including covered loans, was approximately $223 million and was discounted by $39 million, with substantially all of the discount being related to credit.

FDIC Loss Share Receivable

In conjunction with the FDIC-assisted acquisition of Innovative Bank by Center Financial in 2010, Center Bank entered into shared-loss agreements with the FDIC for amounts receivable covered by the shared-loss agreements. At the date of merger with Center Financial, consistent with Center Financial s accounting treatment, we elected to account for amounts receivable under the loss sharing agreement with the FDIC as FDIC loss share receivable in accordance with ASC 805. The FDIC loss share receivable was recorded at fair value, based on the discounted value of expected future cash flows under the loss sharing agreement. The cash flows expected to be received under the loss sharing agreement were estimated by management with the assistance of a third party valuation specialist. The difference between the present value and the undiscounted cash flows we expect to collect from the FDIC will be accreted into other income over the life of the FDIC loss share receivable.

The FDIC loss share receivable is reviewed quarterly and adjusted for any changes in expected cash flows based on recent performance and expectations for future performance of the covered portfolio. These adjustments are measured on the same basis as the related covered loans and covered other real estate owned. Any increases in the cash flows of the covered assets over those expected will reduce the FDIC loss share receivable and any decreases in cash flows of the covered assets under those expected will increase the FDIC loss share receivable. Increase and decrease to the FDIC loss share receivable are recorded as adjustments to other income.

Goodwill

We test goodwill for impairment annually. Before applying the two-step goodwill impairment test, in accordance with ASU 2011-08, *Intangibles Goodwill and Other (Topic 350): Testing Goodwill for Impairment*, we make a qualitative assessment of whether it is more likely than not that a reporting unit s fair value is less than its carrying amount. If we conclude that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, we do not perform the two-step impairment test. Goodwill is also tested for impairment on an interim basis if circumstances change or an event occurs between annual tests that would more likely than not reduce the fair value of the reporting unit below its carrying amount. Significant judgment is applied when goodwill is assessed for impairment. This judgment includes developing cash flow projections, selecting appropriate discount rates, identifying relevant market comparables, incorporating general economic and market conditions and selecting an appropriate control premium. The selection and weighting of the various fair value techniques may result in a higher or lower fair value. Judgment is applied in determining the weighting that is most representative of fair value. Based on our qualitative assessment, we were not required to perform the two-step impairment test as of December 31, 2011.

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Income Taxes

The provision for income taxes is based on income reported for financial statement purposes, and differs from the amount of taxes currently payable, since certain income and expense items are reported for financial statement purposes in different periods than those for tax reporting purposes. Taxes are discussed in more detail in Note 9 to our Consolidated Financial Statements presented elsewhere herein. Accrued taxes represent the net estimated amount due or to be received from taxing authorities. In estimating accrued taxes, we assess the relative merits and risks of the appropriate tax treatment of transactions taking into account statutory, judicial, and regulatory guidance in the context of our tax position. We account for income taxes using the asset and liability approach, the objective of which is to establish deferred tax assets and liabilities for the temporary differences between the financial reporting basis and the tax basis of our assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled. 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 and taxable income, applicable tax planning strategies, and assessments of current and future economic and business conditions. This analysis is updated quarterly and adjusted as necessary.

Section 382 of the Internal Revenue Code imposes limitations on a corporation s ability to use any net unrealized built in losses and other tax attributes, such as net operating loss and tax credit carryforwards, when it undergoes a 50% ownership change over a designated testing period (not to exceed three years). As a result of the merger on November 30, 2011, both Nara Bancorp and Center Financial underwent a greater than 50% ownership change. There is expected to be no limitation on the use of either company s tax attributes, because as of November 30, 2011 both companies had net unrealized built in gains, rather than net unrealized built in losses. However, future transactions, such as issuances of common stock or sales of shares of our stock by certain holders of our shares, including persons who have held, currently hold or may accumulate in the future 5% or more of our outstanding common stock for their own account, could trigger future Section 382 limitations on the Company s use of tax attributes.

Results of Operations

General

Our most significant source of income is net interest income, which is the difference between our interest income and our interest expense. Generally, interest income is generated from the loans we extend to our customers and investments, and interest expense is generated from interest-bearing deposits our customers have with us and borrowings that we may have, such as Federal Home Loan Bank of San Francisco borrowings and subordinated debentures. Our ability to generate profitable levels of net interest income is largely dependent on our ability to manage the levels of interest earning assets and interest-bearing liabilities, and the rates received or paid on them, as well as our ability to maintain sound asset quality and appropriate levels of capital and liquidity. As mentioned above, interest income and interest expense may fluctuate based on factors beyond our control, such as economic or political conditions.

We attempt to minimize the effect of interest rate fluctuations on net interest margin by monitoring our interest-sensitive assets and our interest-sensitive liabilities. Net interest income can be affected by a change in the composition of assets and liabilities, such as replacing higher yielding loans with a like amount of lower yielding investment securities. Changes in the level of nonaccrual loans and changes in volume and interest rates can also affect net interest income. Volume changes are caused by differences in the level of interest-earning assets and interest-bearing liabilities. Interest rate changes result from differences in yields earned on assets and rates paid on liabilities.

The other significant source of our income is non-interest income, including service charges and fees on deposit accounts, fees from trade finance activities and the issuance of letters of credit, and net gains on sale of

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loans that were held for sale and investment securities available for sale. Our non-interest income can be reduced by net losses on sales of other real estate owned and charges for other than temporary impairment on investment securities and derivative instruments.

In addition to interest expense, our income is impacted by provisions for loan losses, and non-interest expenses, primarily salaries and benefits and occupancy expense.

Net Income

Our net income (loss) available to common stockholders was $22.5 million for 2011 compared to ($11.5 million) for 2010 and ($10.0 million) for 2009. Our earnings (loss) per common share based on fully diluted shares were $0.53, ($0.30) and ($0.35) for 2011, 2010 and 2009, respectively. The return on average assets was 0.86%, -0.24% and -0.19% and the return on average stockholders equity was 6.54%, -1.99% and -1.88%.

The increase in earnings for 2011 compared to 2010 was primarily due to decreases in loan loss provisions and increases in net interest margin, partially offset by the the increase in non-interest expense. The decline in earnings for 2010 compared to 2009 was primarily due to increases in loan loss provisions and non-interest expense, partially offset by increases in net interest margin and non-interest income.

Operations Summary

	Year Ended December 31,						
		Increase (Decrease)			Increase (Decrease)		
(Dollars in thousands)	**2011**	**Amount**	**%**	**2010**	**Amount**	**%**	**2009**
Interest income	$ 161,895	$ 11,459	8%	$ 150,436	($ 7,609)	(5)%	$ 158,045
Interest expense	32,077	(9,975)	(24)%	42,052	(23,647)	(36)%	65,699
Net interest income	129,818	21,434	20%	108,384	16,038	17%	92,346
Provision for loan losses	27,939	(56,691)	(67)%	84,630	23,607	39%	61,023
Non-interest income	23,130	(1,351)	(6)%	24,481	6,013	33%	18,468
Non-interest expense	82,234	18,860	30%	63,374	1,661	3%	61,713
Income before income tax provision	42,775	57,914	(383)%	(15,139)	(3,217)	(27)%	(11,922)
Income tax provision	15,660	23,560	(298)%	(7,900)	(1,701)	(27)%	(6,199)
Net income	**$ 27,115**	**$ 34,354**	(475)%	**($ 7,239)**	**($ 1,516)**	**(26)%**	**($ 5,723)**

Net Interest Margin and Net Interest Rate Spread

We analyze our earnings performance using, among other measures, the net interest spread and net interest margin. The net interest spread represents the difference between the weighted average yield on interest-earning assets and average rate paid on interest-bearing liabilities. Net interest income, when expressed as a percentage of average total interest-earning assets, is referred to as the net interest margin. Our net interest margin is affected by changes in the yields earned on assets and rates paid on liabilities, as well as the ratio of the amounts of interest-earning assets to interest-bearing liabilities.

Interest rates charged on our loans are affected principally by the demand for such loans, the supply of money available for lending purposes, and other competitive factors. These factors are in turn affected by general economic conditions and other factors including those beyond our control, such as federal economic policies, the general supply of money in the economy, legislative tax policies, governmental budgetary matters, and the actions of the Federal Reserve Board. The table below presents the weighted average yield on each category of interest-earning assets, the average rate paid on each category of interest-bearing liabilities, and the resulting net interest spread and net interest margin for each year in the three-year period ended December 31, 2011.

Average Balance Sheet and Analysis of Net Interest Income

	Year Ended December 31,								
	2011			2010			2009		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Average Balance	Interest Income/ Expense	Average Yield/ Rate
	(Dollars in thousands)								
INTEREST-EARNING ASSETS:									
Loans[(1)(2)(3)]	$ 2,352,253	$ 145,554	6.19%	$ 2,173,840	$ 134,390	6.18%	$ 2,124,615	$ 131,416	6.19%
Securities[(3)]	520,460	15,501	2.98%	516,460	15,141	2.93%	619,594	25,742	4.15%
Other investments	148,339	812	0.55%	192,459	856	0.44%	171,270	680	0.40%
Federal funds sold	3,469	28	0.81%	6,082	49	0.81%	14,806	207	1.40%
Total interest-earning assets	3,024,521	161,895	5.35%	2,888,841	150,436	5.21%	2,930,285	158,045	5.39%
Non-interest earning assets:									
Cash and due from bank	48,632			29,844			71,025		
Premises and equipment, net	11,036			11,082			11,585		
Accrued interest receivable	9,381			9,560			10,246		
Intangible assets	11,207			3,312			3,857		
Other assets	63,347			64,655			11,971		
Total non-interest earning assets	143,603			118,453			108,684		
Total assets	**$ 3,168,124**			**$ 3,007,294**			**$ 3,038,969**		
INTEREST-BEARING LIABILITIES:									
Deposits:									
Demand, interest-bearing	$ 751,783	6,322	0.84%	$ 608,051	6,374	1.05%	$ 467,764	8,948	1.91%
Savings	130,568	2,945	2.26%	135,008	3,274	2.43%	125,877	3,948	3.14%
Time certificates	1,002,780	10,978	1.09%	1,118,383	18,234	1.63%	1,397,419	37,740	2.70%
FHLB advances	314,216	9,774	3.11%	353,384	12,099	3.42%	356,528	13,041	3.66%
Other borrowings	44,971	2,058	4.58%	42,895	2,071	4.83%	37,883	2,022	5.34%
Total interest-bearing liabilities	2,244,318	32,077	1.43%	2,257,721	42,052	1.86%	2,385,471	65,699	2.75%
Non-interest bearing liabilities and equity									
Demand deposits	475,655			352,498			300,286		
Other liabilities	33,383			32,916			48,442		
Stockholders equity	414,768			364,159			304,770		
Total liabilities and stockholders equity	**$ 3,168,124**			**$ 3,007,294**			**$ 3,038,969**		
NET INTEREST INCOME AND YIELD:									
Net interest income		$ 129,818			$ 108,384			$ 92,346	
Net interest margin			4.29%			3.75%			3.15%
Net interest margin, excluding non-accrual interest			4.31%			3.80%			3.20%
Net interest margin, excluding non-accrual interest and loan prepayment fee income			4.29%			3.78%			3.18%

Net interest spread(4)	3.92%	3.35%	2.64%
Net interest spread(5)	4.17%	3.60%	2.94%
Cost of funds(6)	1.18%	1.61%	2.45%

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(1) Interest income on loans includes amortization of loan fees, prepayment fees received on loan pay-offs, and accretion of discount on acquired loans from Center. See the table below for detail. The average balance of loans is net of deferred loan fees.

Year ended December 31,	Loan Fees	Deferred (Fees) cost	Loan prepayment fee income	Non-accrual Loan Income (expense)	Accretion of discount on acquired loans from Center
			(In Thousands)		
2011	$ 2,173	($ 2,744)	$ 487	($ 368)	$ 2,429
2010	1,855	(2,261)	525	(1,415)	0
2009	1,311	(2,343)	632	(1,470)	0

(2) Average balances of loans are net of deferred loan fees and costs and include non-accrual 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) Interest on interest-earning assets minus interest on interest-bearing liabilities
(5) Interest on interest-earning assets minus interest on interest-bearing liabilities and non-interest bearing deposits
(6) Interest on interest-bearing liabilities and non-interest bearing deposits

	Year Ended December 31,					
	2011 compared to 2010			2010 compared to 2009		
	Net Increase (Decrease)	Change due to Rate	Change due to Volume	Net Increase (Decrease)	Change due to Rate	Change due to Volume
	(In thousands)					
INTEREST INCOME:						
Interest and fees on loans	$ 11,164	$ 116	$ 11,048	$ 2,974	$ (69)	$ 3,043
Interest on other investments	(44)	175	(219)	176	87	89
Interest on securities	360	242	118	(10,601)	(6,772)	(3,829)
Interest on federal funds sold	(21)	0	(21)	(158)	(66)	(92)
TOTAL INTEREST INCOME	**$ 11,459**	**$ 533**	**$ 10,926**	**$ (7,609)**	**$ (6,820)**	**$ (789)**
INTEREST EXPENSE:						
Interest on demand deposits	$ (52)	$ (1,396)	$ 1,344	$ (2,574)	$ (4,774)	$ 2,200
Interest on savings	(329)	(224)	(105)	(674)	(945)	271
Interest on time certificates of deposit	(7,256)	(5,519)	(1,737)	(19,506)	(12,971)	(6,535)
Interest on FHLB	(2,325)	(1,051)	(1,274)	(942)	(828)	(114)
Interest on other borrowings	(13)	(111)	98	49	(204)	253
TOTAL INTEREST EXPENSE	**$ (9,975)**	**$ (8,301)**	**$ (1,674)**	**$ (23,647)**	**$ (19,722)**	**$ (3,925)**
NET INTEREST INCOME	**$ 21,434**	**$ 8,834**	**$ 12,600**	**$ 16,038**	**$ 12,902**	**$ 3,136**

Net Interest Income and Net Interest Margin

Net interest income was $129.8 million for 2011, compared to $108.4 million for 2010 and $92.3 million for 2009. The net interest margin was 4.29% for 2011 compared to 3.75% for 2010 and 3.15% for 2009. Interest income reversed for non-accrual loans (net of income recognized) was $368 thousand for 2011, compared to $1.4 million for 2010 and $1.5 million for 2009. Excluding this effect, the net interest margin for 2011, 2010 and 2009 was 4.31%, 3.80% and 3.20%, respectively.

Comparison of 2011 with 2010

Net interest income increased $21.4 million, or 20%, during 2011. The increase in net interest income was primarily attributable to an improvement in the net interest margin and one month of net interest income following the merger with Center. Net interest income for the year ended December 31, 2011, also included approximately $2.4 million of additional loan interest income resulting from the December 2011 accretion of the

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loan discount on acquired loans. The cost of deposits decreased during 2011 due to the decrease in the rates paid on certificates of deposit upon renewal as well as a favorable shift in the mix of deposits following the merger.

Comparison of 2010 with 2009

Net interest income increased $16.0 million, or 17%, during 2010. The increase in net interest income was due to the increase in the net interest margin. The cost of deposits decreased during 2010 due to the decrease in the rates paid on certificates of deposit upon renewal and on money market accounts as a result of the decline in market interest rates. There was no change to the prime rate during 2010.

Interest Income

Interest income was $161.9 million for 2011, compared to $150.4 million for 2010 and $158.0 million for 2009. The yield on average interest-earning assets was 5.35% for 2011, compared to 5.21% for 2010 and 5.39% for 2009.

Comparison of 2011 with 2010

The increase in interest income of $11.5 million, or 8%, for 2011 compared to 2010 was primarily due to the interest income on acquired loans from the merger for the month of December 2011, which approximate $6.9 million. The weighted average yield on investment securities for 2011 increased due to $236 million in available-for-sale securities purchased during 2011, yielding 2.57%, and $293 million in available-for-sale securities acquired from the merger, yielding 1.86%.

Comparison of 2010 with 2009

The decrease in interest income of $7.6 million, or 5%, for 2010 compared to 2009 was primarily due to a decrease in the weighted average yield on average interest-earning assets, particularly in investment securities. The yield on average investment securities was 2.93% for 2010, compared to 4.15% for 2009. The decrease in the weighted average yield on investment securities was due to sale of investment securities totaling $201.8 million with a weighted average yield of 4.89%, which was replaced by new investment securities purchased in 2010, which had lower yields than the weighted average yield of the portfolio as a result of decreases in market interest rates. The weighted average yield on loans for 2010 was 6.18%, compared to 6.19% for 2009. Average loans increased $49.2 million to $2.2 billion for 2010 from $2.1 billion for 2009.

Interest Expense

Deposits

Interest expense on deposits was $20.2 million for 2011 compared to $27.9 million for 2010 and $50.6 million for 2009. The average cost of total deposits was 0.86% for 2011 compared to 1.26% for 2010 and 2.21% for 2009. The average cost of interest-bearing deposits was 1.07% compared to 1.50% for 2010 and 2.54% for 2009.

Comparison of 2011 with 2010

The decrease in interest expense on total deposits of $7.6 million, or 27%, for 2011 compared to 2010 was due to the decrease in the rates paid on certificates of deposit upon renewal as well as a favorable shift in the mix of deposits following the merger. Non-interest bearing deposits accounted for 25% of total deposits at December 31, 2011, compared with 18% at December 31, 2010 and 14% at December 31, 2009.

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Comparison of 2010 with 2009

The decrease in interest expense on total deposits of $22.8 million, or 45%, for 2010 compared to 2009 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.

Borrowings

Borrowings include borrowings from the FHLB, the FRB, federal funds purchased and subordinated debentures. As part of our asset-liability management, we utilize FHLB borrowings to supplement our deposit source of funds. Therefore, there may be fluctuations in these balances depending on the short-term liquidity and longer-term financing needs of the Bank.

Average FHLB advances were $314.2 million in 2011, compared to $353.4 million in 2010 and $356.5 million in 2009. Interest expense on FHLB borrowings was $9.8 million in 2011, compared to $12.1 million for 2010 and $13.0 million for 2009. The average cost of FHLB advances was 3.11% for 2011, compared to 3.42% for 2010 and 3.66% for 2009. The decrease in the average cost of FHLB advances in 2011 was primarily due to the early retirement of $70 million in higher-rate advances, which resulted in a prepayment expense of $6.4 million during the month of December 2011. In addition, matured advances with higher rates being either refinanced at lower rates or allowed to expire during 2011 contributed to the decrease in the average cost. The assumed FHLB advances from the merger accounted for $129.4 million and the average cost of 0.50% as of December 31, 2011.

The average cost of other borrowings, including subordinated debentures, was 4.58% for 2011, compared to 4.83% for 2010 and 5.34% for 2009. The fluctuation in the average cost of other borrowings was due to changes in the 3-month LIBOR, to which all but one of our issues of subordinated debentures are tied. For 2011, the 3-month LIBOR average was 0.34%, compared to 0.34% and 0.69% for 2010 and 2009, respectively. Interest expense on subordinated debentures was $1.9 million for 2011, compared to $1.9 million for 2010 and $2.0 million for 2009.

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, we may be required to record additional loan loss provision, which may have a material adverse effect on our financial condition.

Comparison of 2011 with 2010

The provision for loan losses was $27.9 million for 2011, a decrease of $56.7 million, or 67%, from $84.6 million for 2010. The reduction in the the provision for loan losses reflects a decrease in net charge offs, which decreased to $28.3 million for 2011, compared to $81.7 million for 2010.

Comparison of 2010 with 2009

The provision for loan losses was $84.6 million for 2010, an increase of $23.6 million, or 39%, from $61.0 million for 2009. The increase is primarily due to an additional $26.3 million of charge-offs taken on over $60 million of problem loans that were transferred to loans held for sale at June 30, 2010 and sold in a bulk sale in the third quarter 2010. Net charge-offs increased to $81.7 million for 2010, compared to $45.0 million for 2009. The increase in net charge-offs was mostly due to an increase in partial charge-offs on impaired loans resulting primarily from declines in collateral values on collateral dependent loans as well as the charge-offs associated with the loans transferred to loans held for sale. Total classified loans decreased to $136.0 million at December 31, 2010, compared to $157.2 million at December 31, 2009, primarily due to sales of $115 million of problem loans during the year, the majority of which were classified, as well as the charge-off of classified loans, offset by $131.0 million in additional classified credits during the year.

See Financial Condition Allowance for Loan Losses for a description of our methodology for determining the allowance for loan losses.

Non-interest Income

Non-interest income was $23.1 million for 2011, compared to $24.5 million for 2010 and $18.5 million for 2009.

Comparison of 2011 with 2010

Net gains on sales of SBA loans increased $6.0 million, or 425%, to $7.4 million in 2011 from $1.4 million in 2010. Total SBA loan originations during 2011 increased $41.8 million, or 77% to $96.4 million compared to $54.6 million for 2010 due to the continues improvement of the of the SBA secondary market. Sales of SBA loans for 2011 were $71.1 million compared to $27.4 million for 2010. The increase reflected higher levels of SBA loan production and sales. Of the net gains of $7.4 million, $1.2 million was due to recognition of deferred gains from sales of $11.9 million in SBA loans during 2010. Other loans sold in 2011 and 2010 were $28.1 million and $77.2 million, respectively.

Net gains on sales of securities available-for-sale decreased $5.1 million, or 80%, to $1.3 million for 2011 from $6.4 million for 2010. A total of $138.2 million in available-for-sale investment securities were sold in December 2011 as part of the rebalancing of duration and mix of the investment securities portfolio, and purchased replacement investment securities with an aggregate book value of $108.9 million. Net gains on sales of other real estate owned (OREO) was $193 thousand in 2011 compared to $605 thousand loss in 2010. We sold 12 properties during 2011 compared to 13 properties during 2010.

Comparison of 2010 with 2009

Service charges on deposit accounts decreased $320 thousand, or 5%, to $6.5 million for 2010 from $6.8 million for 2009. The decrease was primarily due to a decrease in overdraft and NSF charges, assessed on deposit customers, which decreased $299 thousand, or 6%, to $4.8 million for 2010 from $5.1 million for 2009. Net gains on sales of SBA loans increased $706 thousand, or 102%, to $1.4 million in 2010 from $694 thousand in 2009. Total SBA loan originations during 2010 increased $43.4 million, or 386% to $54.6 million compared to $11.2 million for 2009 due to the recovery of the SBA secondary market. Sales of SBA loans for 2010 was $27.4 million compared to $11.0 million for 2009. The increase in net gains on sales of SBA loans was also due to the increase in premium paid. The average premium increased to 9.38% for 2010 compared to 6.14% for 2009. Other loans sold in 2010 and 2009 were $77.2 million and $13.7 million, respectively. Net gains on sales of other loans increased $3.6 million, or 500%, to $4.4 million for 2010 from $728 thousand for 2009. The increase in net gains on sales of other loans was due to the sale of problem assets of $61.1 million, which had been written down to estimated market value at June 30, 2010, but which resulted in a net gain of $3.7 million during third quarter of 2010.

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Net gains on sales of securities available-for-sale increased $2.0 million, or 45%, to $6.4 million for 2010 from $4.4 million for 2009. A total of $201.8 million in available-for-sale investment securities were sold during 2010 as part of the rebalancing of duration and mix of the investment securities portfolio. Net losses on sales of other real estate owned (OREO) increased $285 thousand, or 89%, to ($605 thousand) for 2010 from ($320 thousand) for 2009. We sold 13 properties during 2010 compared to 11 properties in 2009.

A breakdown of non-interest income by category is shown below:

	Year Ended December 31,						
		Increase (Decrease)			Increase (Decrease)		
(Dollars in thousands)	**2011**	**Amount**	**%**	**2010**	**Amount**	**%**	**2009**
Non-interest Income:							
Service charges on deposit accounts	$ 6,370	$ (94)	(1)%	$ 6,464	$ (320)	(5)%	$ 6,784
International service fees	2,625	256	11%	2,369	363	18	2,006
Loan servicing fees, net	1,533	(303)	(17)%	1,836	(30)	(2)	1,866
Wire transfer fees	1,555	363	30%	1,192	(140)	(11)	1,332
Net gains on sales of SBA loans	7,354	5,954	425%	1,400	706	102	694
Net gains on sales of other loans	33	(4,335)	(99)%	4,368	3,640	500	728
Net gains on sales and calls of securities available for sale	1,289	(5,107)	(80)%	6,396	1,969	45	4,427
Net gains (losses) on sales of OREO	193	798	(132)%	(605)	(285)	(89)	(320)
Net valuation losses on interest rate swaps	(114)	743	(87)%	(857)	(411)	(92)	(446)
Other income and fees	2,292	374	19%	1,918	521	37	1,397
Total non-interest income	**$ 23,130**	**$ (1,351)**	**(6)%**	**$ 24,481**	**$ 6,013**	**33%**	**$ 18,468**

Non-interest Expense

Non-interest expense was $82.2 million for 2011, compared to $63.4 million for 2010 and $61.7 million for 2009. The increases were $18.9 million, or 30% for 2011 and $1.7 million, or 3% for 2010.

Comparison of 2011 with 2010

The increase in non-interest expense for 2011 over 2010 primarily reflected higher costs associated with the combined operations of the former Nara and Center for one month, the $6.4 million prepayment charge for early retirement of FHLB advances as part of a balance sheet restructuring strategy implemented during the fourth quarter of 2011, and merger and integration expenses of $4.7 million.

Salaries and employee benefits amounted to $31.6 million for 2011, an increase of $6.4 million, or 25%, compared to $25.3 million for 2010. The increase was due to an increase in the number of full-time equivalent employees, which increased to 678 at December 31, 2011 from 376 as of December 31, 2010, an increase of $1.2 million in bonus accrual, an increase of $773 thousand in group insurance expense due to the increase in premium costs, and an increase of $591 thousand in 401(k) plan contributions, as we reinstated the company matching program effective January 1, 2011. The increase in FTE employee was primarily due to the inclusion of the former Center employees, which was 319 FTE at December 31, 2011. FTEs at the merger date was 712.

Our occupancy expense increased $2.1 million, or 21%, to $11.8 million for 2011 compared to $9.8 million for 2010. This increase is primarily the result of the cost associated with the termination of a lease which resulted in a non-recurring one-time expense of $1.5 million during the fourth quarter, as well as one month of expense related to the consummation of the merger, which increased the number of branches in December from 23 pre-merger to 44 post-merger.

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Credit-related expense decreased $992 thousand, or 21%, to $3.8 million for 2011 compared to $4.8 million in 2010. The decrease was primarily due to a lower need for col