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ANNUAL REPORT 2007



**NARA BANCORP, INC.**

*...always a step ahead*

**Filings Services**

APR 30 2008

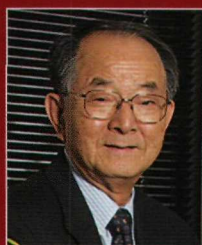
**SNL Financial, LC**  
1-800-969-4121

**\$2.4 billion strong**

*... and building value for our customers,  
shareholders and employees*



# Dear Shareholders, Valued Customers and Employees:



Dr. Chong-Moon Lee  
*Chairman of the Board*



Ki Suh Park  
*Vice-Chairman of the Board*



Min Kim  
*President & CEO*

We were pleased with our performance in many areas of the bank during 2007. We continued to generate strong loan growth as our total loans increased 17% during the year. We grew our non-interest income by 17%, driven largely by an improvement in our SBA lending business, and we maintained disciplined expense control, as evidenced by the continued improvement in our operating efficiency ratio.

We also achieved a number of strategic milestones, such as terminating our memorandum of understanding with the Federal Reserve Bank of San Francisco and the California Department of Financial Institutions, which was very important for the future growth of the bank.

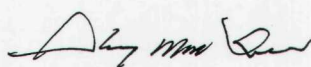
Our overall financial results were negatively impacted by issues largely beyond our control, primarily the precipitous decline in interest rates during the year. The drop in interest rates placed significant pressure on our net interest margin, which reduced the profitability of our lending businesses and offset the strong results we generated in other areas.

The stock market was particularly bearish on the financial services sector in 2007, and our stock was certainly impacted by this negative sentiment. However, we are encouraged by the fact that our stock performed better than all of the other major Korean American banks during the year. We believe this reflects the market's higher degree of confidence in our ability to create value for shareholders in the future.

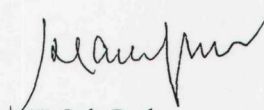
Looking ahead, with interest rates expected to decline further, we believe 2008 will be another challenging year. Our primary goal will be positioning the Company to prosper when economic conditions become more favorable. To accomplish this, we will be focusing on actively managing our net interest margin, diligently monitoring the health of our borrowers to minimize credit losses, continuing our tight expense control, expanding our East Coast presence with the opening of two new branches in New York and New Jersey, and continuing to invest in technology that will allow us to increase the breadth of our relationships with customers through new products and services. As we successfully execute these strategies, we believe we can position the Company to generate higher levels of earnings in future years.

In closing, the Board of Directors would like to thank our valued customers for allowing us to serve your financial needs. We would also like to thank our management team and employees for their hard work and commitment during a challenging period. We look forward to working with you to consistently enhance the value of our franchise in the coming years.

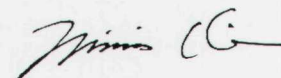
Sincerely,



Dr. Chong-Moon Lee  
*Chairman of the Board*



Ki Suh Park  
*Vice-Chairman of the Board*



Min Kim  
*President & CEO*

## Nara Bank: *Who We Are*

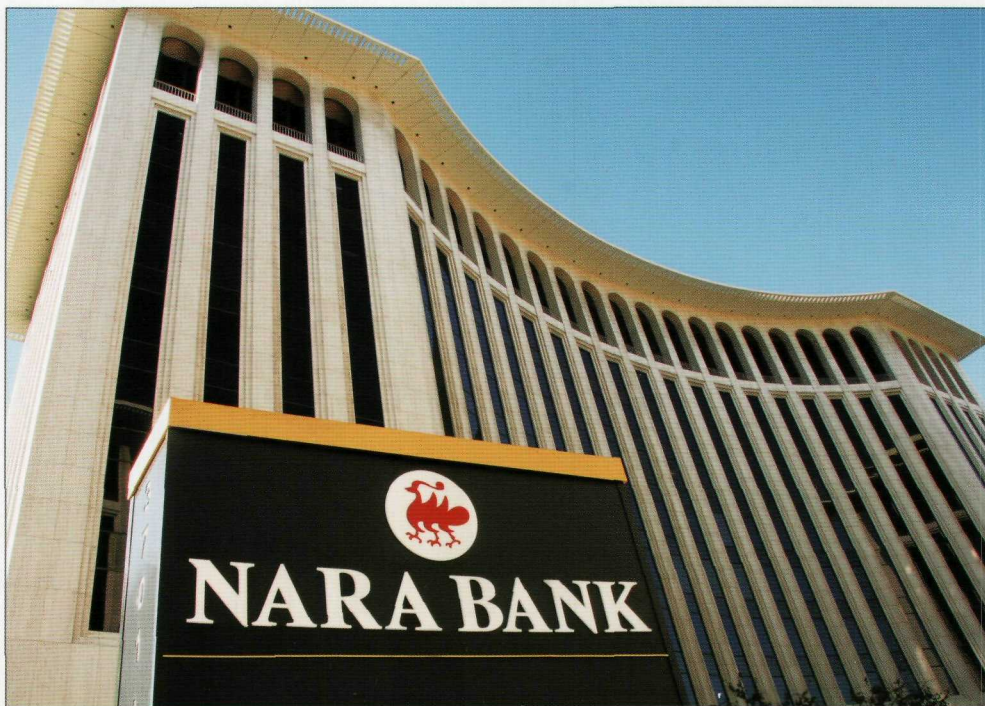
Nara Bank was founded by local businessmen and community leaders in 1989 to serve the financial needs of Korean Americans. The community bank was the first commercial bank to provide Korean Americans with a network of offices on both the West and East coasts. While staying strongly rooted in the Korean American community, over the years Nara Bank has expanded its customer base to serve a diverse group of customers mirroring its communities.

The Bank provides superior financial products and specializes in core business banking products for small to medium-sized companies, with an emphasis on commercial real estate and business lending, SBA lending and international trade financing.

As always, Nara Bank is dedicated to customer service that represents the finest qualities of the Nara brand. That means creating long-term customer relationships and customer satisfaction—built on a foundation of trust and integrity—through friendly, personal attention and sound, professional financial services. Nara Bank employees are empowered to think outside the box to deliver a full complement of financial services that are . . . *always a step ahead.*

NARA Bancorp, Inc., the parent company of Nara Bank, maintains its headquarters in Los Angeles and extends its reach with 19 full-service branches and 8 loan production offices across the U.S. Nara Bank has full-service branches in California and New York, and loan production offices in California, Georgia, Nevada, New Jersey, Texas, and Virginia.

Nara Bank is a member of the FDIC and is an equal opportunity lender. For more information, visit the Bank's website at [www.narabank.com](http://www.narabank.com). NARA Bancorp, Inc. stock is listed on NASDAQ under the symbol, NARA.



# Nara Bank:

*Always a Step Ahead*



## Staying true to our **Vision**

- Be the nationwide top-tier regional bank in Korean American niche markets with a well-diversified capability to compete equally well in mainstream domestic markets.
- Be known as the premier relationship bank of choice by customers and employees.
- Provide our shareholders consistent top-tier returns.

## Guided by our **Mission**

- We are a company made up of talented, hard-working, and driven individuals who strive for exceptional long-term returns to our owners.
- We will strengthen our business capabilities and processes to deliver the best professional services to our target markets and be the strongest amongst our peers.
- We will establish a distinct competitive advantage by delivering the best-in-class customer relationship management capabilities for our customers.
- Our success in becoming the employer of choice is based on providing an environment that challenges and encourages employees to develop their skills to realize their potential.
- Our Management Philosophy embraces a culture that recognizes the importance of maintaining strong regulatory ratings grounded in strategically focused enterprise risk management.

## Inspired by our **Symbol**

- The Nara traditional symbol ("Samjokoh") represents a Phoenix-like figure of a mythical bird, which perfectly captures our essence and our spirit of progress and optimism.
- The Nara modern symbol ("Nanuri") was recently created to communicate a friendly and positive image to our customers through various media.



## Nara Bank: Key Events in 2007

At Nara Bank, we believe in being a responsible and caring presence in the communities we serve. We value the opportunity to show appreciation to our communities, as well as to our valued customers and employees. Our key events in 2007 included the following:



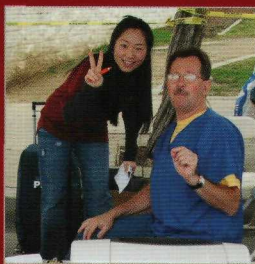
### Scholarship Awards Ceremony

The Nara Scholarship recipients were honored at a ceremony held at our corporate and regional offices. The recipients and their families joined together for great food and inspirational messages from Nara President/CEO Min Kim and Gina Kim, a reporter for KTLA television station. In 2007, 92 students received a \$1,000 Nara Scholarship Award.



### Dental Fair

Our 2007 Dental Fair was held on May 12 at our Garden Grove branch, which opened its doors just weeks prior to the event. The event provided free dental screenings for all and basic treatment for children; although anyone was welcome to receive the services, it really helped those who otherwise do not have the resources to afford dental services.



### KAMASC Health Expo

Nara Bank teamed with the Korean American Medical Association of Southern California in providing free health examinations to the local community. Nara Bank volunteers provided translation services and assisted attendees to find the care they were seeking. The event helped to raise awareness of common illnesses and how they can easily be prevented.



### Junior Achievement Day

Nara has been conducting this event with great success in our New York Region and 2007 was the first time it was held in Southern California. Employee volunteers donated their time and energy to provide our youth with a fun learning experience about financial responsibility. It was a positive experience for students, teachers and volunteers alike.



## CEO Reception

With our new CEO Min Kim taking office in November of 2006, we held a reception to commemorate this event in early 2007. It was an opportunity to celebrate as well as to show appreciation and strengthen relationships with our VIP customers who were in attendance to congratulate Ms. Kim.



## Halloween Costume Contest

We appreciate our Nara Bank employees who work hard and we always endeavor to create activities that allow the staff to relax and enjoy themselves. The 2007 costume contest had a record number of entries and created a lot of laughs for all who took part in the festivities.



## Garden Grove Branch Opening

Our new Garden Grove office opened its doors on April 16, making it Nara Bank's 19th branch. Our latest branch was another step in expanding services to our customers and solidifying our presence in the Orange County market.



## PBWC Conference

Nara Bank was honored for providing a workplace that provides equal opportunity for advancement. The Professional Business Women of California held its annual conference October 16 at the Sacramento Convention Center, where Nara President/CEO Min Kim addressed the attendees on behalf of Nara Bank.



## Nara Bank: *Staying a Step Ahead*



At Nara Bank we continue to position ourselves for success by expanding our footprint and providing innovative and technologically enhanced products to our customers.

### New Branch Office in Garden Grove

In April, Nara Bank opened a new full-service branch at 10055 Garden Grove Boulevard. With this branch we are expanding our brand and services to the large business population in that area, and strengthening our presence in the important Orange County market.

### New and Expanded Cash Management Services

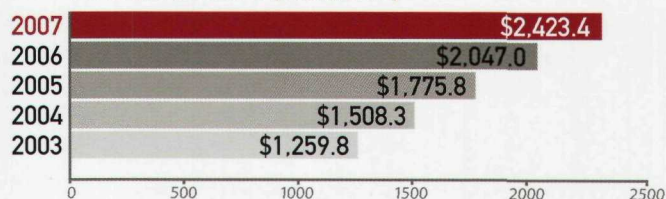
Nara Bank is committed to fulfilling the evolving needs of our customers through new technology and convenience. In 2007, we introduced a number of Cash Management products, with many more in the implementation stages. Products such as Remote Deposit, Lockbox, ACH Origination, and Online Wire Transfer help our business customers in the areas of convenience and efficiency, and have proven to be successful in a short period of time.

- **Remote Deposit.** With Remote Deposit, customers can deposit checks anytime day or night, utilizing a desktop scanner that connects to a PC and the Internet, without having to physically deliver the actual checks to the bank. It's the quickest and easiest way to turn check deposits into cash. Benefits include speed and convenience, savings in time and money, faster cash flow and reduced risk of check fraud.
- **ACH Origination.** Nara Bank's ACH service makes it easier for businesses to initiate payments and/or make collections from a third party, without the use of checks. Businesses can send payments to multiple destinations or collect payments from multiple sources with one transaction, making it ideal for those with a high volume of account activity. Each transaction can consist of an unlimited number of debits or credits and can be imported directly from accounting systems and sent electronically to the bank, making it more convenient and quicker, improving cash flow.
- **Lockbox.** This efficient cash management tool is ideal for businesses that receive a high volume of check payments. It improves profitability and cash flow while reducing risks and processing expenses. Customers can process receivables more quickly than those received at an organization's normal street address. New technologies have been implemented to speed up data capture, reduce errors and eliminate expensive paper outputs.
- **Online Wire Transfer.** With eCorp's Wire Transfer service, customers can wire funds electronically, without having to fill out paperwork, right from the convenience of their computer. Customers can quickly send funds to institutions or other destinations, domestic and international, with accuracy and security. eCorp provides high performance 24/7 online banking.

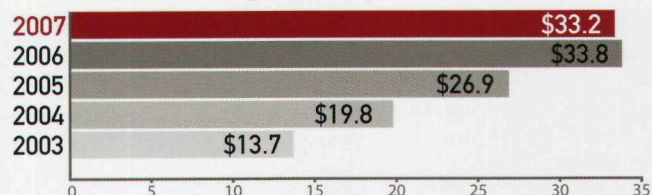
# NARA Bancorp:

## 5-Year Results

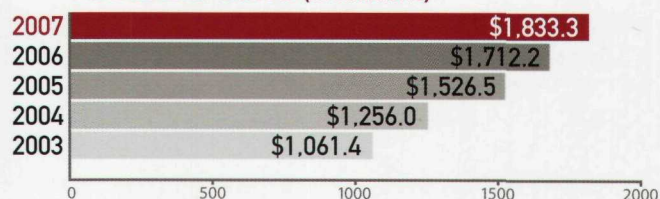
**TOTAL ASSETS (IN MILLIONS)**



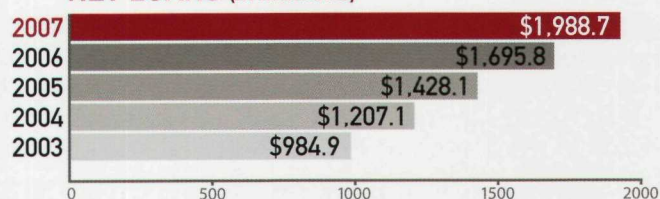
**NET INCOME (IN MILLIONS)**



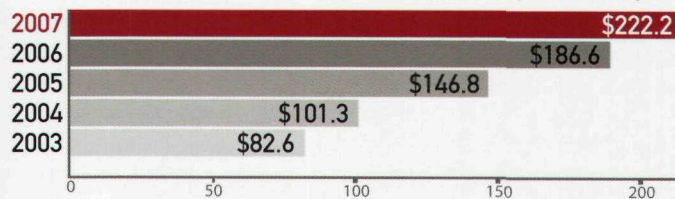
**TOTAL DEPOSITS (IN MILLIONS)**



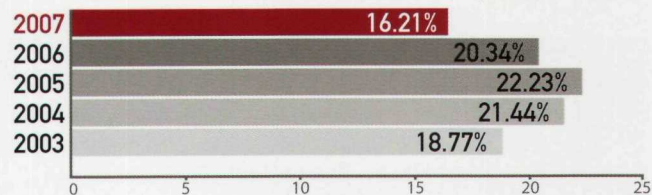
**NET LOANS (IN MILLIONS)**



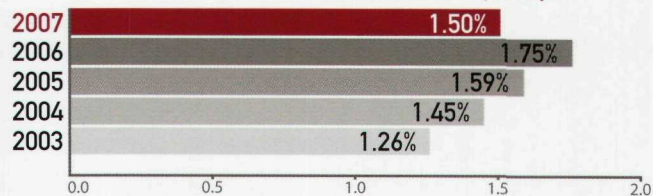
**TOTAL SHAREHOLDERS' EQUITY (IN MILLIONS)**



**RETURN ON AVERAGE EQUITY (ROAE)**



**RETURN ON AVERAGE ASSETS (ROAA)**



# NARA BANCORP, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

December 31, 2007 and 2006

(In thousands, except share data)

	2007	2006
<b>ASSETS</b>		
Cash and cash equivalents:		
Cash and due from banks	\$ 40,147	\$ 36,300
Federal funds sold	9,000	44,500
TOTAL CASH AND CASH EQUIVALENTS	49,147	80,800
Securities available for sale—at fair value	258,773	162,851
Securities held to maturity—at amortized cost (fair value: 2006—\$1,002)	—	1,000
Loans held for sale—at the lower of cost or market	12,304	15,162
Loans receivable—net of allowance for loan losses (2007—\$20,035; 2006—\$19,112)	1,988,694	1,695,753
Federal Reserve Bank stock—at cost	2,253	2,253
Federal Home Loan Bank of San Francisco (FHLB) stock—at cost	15,441	7,505
Premises and equipment—net	11,254	11,941
Accrued interest receivable	9,348	8,974
Deferred tax assets, net	14,594	16,210
Customers' liabilities on acceptances	7,663	7,565
Bank owned life insurance	22,908	15,113
Goodwill	2,347	2,347
Other intangible assets—net	2,242	2,899
Other assets	26,442	16,612
TOTAL ASSETS	<u>\$2,423,410</u>	<u>\$2,046,985</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
LIABILITIES:		
Deposits:		
Noninterest bearing	\$ 364,518	\$ 407,519
Interest bearing:		
Money market and other	260,224	184,199
Savings deposits	143,020	141,611
Time deposits of \$100,000 or more	899,980	768,727
Other time deposits	165,604	210,179
TOTAL DEPOSITS	1,833,346	1,712,235
Borrowings from FHLB	297,000	76,000
Subordinated debentures	39,268	39,268
Accrued interest payable	10,481	8,258
Acceptances outstanding	7,663	7,565
Other liabilities	13,472	17,032
TOTAL LIABILITIES	2,201,230	1,860,358
STOCKHOLDERS' EQUITY:		
Preferred stock, \$0.001 par value—authorized 10,000,000 shares; none issued and outstanding		
Common stock, \$0.001 par value—authorized, 40,000,000 shares; issued and outstanding, 26,193,672 and 26,107,672 shares at December 31, 2007 and 2006, respectively	26	26
Capital surplus	79,974	77,939
Retained earnings	142,491	111,978
Accumulated other comprehensive loss, net	(311)	(3,316)
TOTAL STOCKHOLDERS' EQUITY	222,180	186,627
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$2,423,410</u>	<u>\$2,046,985</u>

# NARA BANCORP, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

December 31, 2007, 2006 and 2005

<i>(In thousands, except share data)</i>	2007	2006	2005
INTEREST INCOME:			
Interest and fees on loans	\$164,163	\$144,349	\$108,915
Interest on securities	9,867	8,435	6,217
Interest on federal funds sold and other investments	1,743	3,047	2,092
Total interest income	175,773	155,831	117,224
INTEREST EXPENSE:			
Interest on deposits	68,247	55,557	32,698
Interest on subordinated debentures	3,333	3,348	2,863
Interest on other borrowings	6,988	2,311	2,090
Total interest expense	78,568	61,216	37,651
NET INTEREST INCOME BEFORE PROVISION FOR LOAN LOSSES	97,205	94,615	79,573
PROVISION FOR LOAN LOSSES	7,530	3,754	5,427
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	89,675	90,861	74,146
NON-INTEREST INCOME:			
Service charges on deposit accounts	7,023	6,081	6,281
International service fees	2,564	2,666	2,854
Loan servicing fees, net	1,988	1,833	1,612
Wire transfer fees	1,407	1,400	1,429
Net gains on sales of SBA loans	5,204	4,826	5,987
Net gains on sales of other loans	2,372	1,272	—
Net gains on sales of securities available for sale	27	92	143
Other income and fees	1,988	1,099	1,864
Total non-interest income	22,573	19,269	20,170
NON-INTEREST EXPENSE:			
Salaries and employee benefits	28,429	27,097	23,925
Occupancy	8,506	7,814	6,963
Furniture and equipment	2,724	2,269	2,100
Advertising and marketing	1,993	2,352	2,149
Data processing and communications	3,482	3,781	3,416
Professional fees	2,815	2,938	3,714
Other	8,501	7,676	6,381
Total non-interest expense	56,450	53,927	48,648
INCOME BEFORE INCOME TAX PROVISION	55,798	56,203	45,668
INCOME TAX PROVISION	22,599	22,397	18,811
NET INCOME	\$ 33,199	\$ 33,806	\$ 26,857
EARNINGS PER SHARE:			
Basic	\$ 1.27	\$ 1.31	\$ 1.11
Diluted	\$ 1.25	\$ 1.28	\$ 1.07

# NARA BANCORP, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

December 31, 2007, 2006 and 2005

<i>(In thousands, except share data)</i>	Number of Shares Outstanding	Common Stock	Capital Surplus	Deferred Compensation	Retained Earnings	Accumulated Other Comprehensive Loss, net	Comprehensive Income
<b>BALANCE, JANUARY 1, 2005</b>	<b>23,333,338</b>	<b>\$ 23</b>	<b>\$ 44,903</b>	<b>\$ (3)</b>	<b>\$ 56,848</b>	<b>\$ (517)</b>	
Issuance of additional stock	1,440,922	1	19,624				
Stock options exercised	671,516	1	2,327				
Tax benefit from stock options exercised			2,605				
Amortization of restricted stock				1			
Forfeiture of restricted stock	(1,334)		(8)	2			
Cash dividends declared (\$0.11 per share)					(2,689)		
Comprehensive income:							
Net income					26,857		\$26,857
Other comprehensive income (loss):							
Change in unrealized gain (loss) on securities available for sale, net of tax						(1,633)	(1,633)
Change in unrealized gain (loss) on interest-only strips, net of tax						(17)	(17)
Change in unrealized gain (loss) on interest rate swaps, net of tax						(1,571)	(1,571)
Total comprehensive income							\$23,636
<b>BALANCE, DECEMBER 31, 2005</b>	<b>25,444,442</b>	<b>\$ 25</b>	<b>\$ 69,451</b>	<b>\$ -</b>	<b>\$ 81,016</b>	<b>\$ (3,738)</b>	
<b>BALANCE, JANUARY 1, 2006</b>	<b>25,444,442</b>	<b>\$ 25</b>	<b>\$ 69,451</b>	<b>\$ -</b>	<b>\$ 81,016</b>	<b>\$ (3,738)</b>	
Stock options exercised	663,230	1	4,316				
Tax benefit from stock options exercised			2,696				
Stock-based compensation			1,476				
Cash dividends declared (\$0.11 per share)					(2,844)		
Comprehensive income:							
Net income					33,806		\$33,806
Other comprehensive income (loss):							
Change in unrealized gain (loss) on securities available for sale, net of tax						229	229
Change in unrealized gain (loss) on interest-only strips, net of tax						(13)	(13)
Change in unrealized gain (loss) on interest rate swaps, net of tax						206	206
Total comprehensive income							\$34,228
<b>BALANCE, DECEMBER 31, 2006</b>	<b>26,107,672</b>	<b>\$ 26</b>	<b>\$ 77,939</b>	<b>\$ -</b>	<b>\$ 111,978</b>	<b>\$ (3,316)</b>	
<b>BALANCE, JANUARY 1, 2007</b>	<b>26,107,672</b>	<b>\$ 26</b>	<b>\$ 77,939</b>	<b>\$ -</b>	<b>\$ 111,978</b>	<b>\$ (3,316)</b>	
Cumulative effect of adoption of EITF 06-5, net of tax of \$140					\$ 194		
Stock options exercised	86,000		500				
Stock-based compensation			1,535				
Cash dividends declared (\$0.11 per share)					(2,880)		
Comprehensive income:							
Net income					33,199		\$33,199
Other comprehensive income (loss):							
Change in unrealized gain (loss) on securities available for sale, net of tax						1,415	1,415
Change in unrealized gain (loss) on interest-only strips, net of tax						(22)	(22)
Change in unrealized gain (loss) on interest rate swaps, net of tax						1,612	1,612
Total comprehensive income							\$36,204
<b>BALANCE, DECEMBER 31, 2007</b>	<b>26,193,672</b>	<b>\$ 26</b>	<b>\$ 79,974</b>	<b>\$ -</b>	<b>\$ 142,491</b>	<b>\$ (311)</b>	

# Nara Bank:

## *Our Board of Directors*

### BOARD OF DIRECTORS



*Standing, left to right*

Howard Gould, Vice Chairman of Carpenter and Company  
Scott Yoon-suk Whang, Former CEO and Founder of Avalanche Publishing, Inc.  
Jesun Paik, Senior Advisor of Robb Evans & Associates, LLC  
John H. Park, President & CEO of ABI US Sales Corp, and BB Imex Corp.  
James Staes, Director of The Mechanics Bank of Richmond

*Seated, left to right*

Min Kim, President & CEO  
Ki Suh Park, Design and Managing Partner and CEO of Gruen Associates  
Terry Schwakopf, Regulatory and Risk Management Consultant

*Not pictured:*

Dr. Chong-Moon Lee, Chairman of the Board of Directors and Chairman of Ambex Venture Group

# Nara Bank: Our Locations

## CORPORATE OFFICE

**Los Angeles** (213) 639-1700

## BRANCH OFFICES

### Southern California

Wilshire (213) 351-5980  
 Corporate Banking Center (213) 235-3220  
 Downtown (213) 763-1122  
 Olympic (213) 235-3100  
 Gardena (310) 329-3333  
 Torrance\* (310) 257-0100  
 Glendale\* (818) 551-0700  
 Valley\* (818) 654-0200  
 Fullerton\* (714) 994-5000  
 Garden Grove (714) 537-3333  
 Cerritos (562) 468-0900  
 Diamond Bar\* (909) 594-9080  
 Rowland Hts. (626) 581-4020

*\*Mini Branch*

### Northern California

Oakland (510) 302-0505  
 Silicon Valley (408) 557-2000

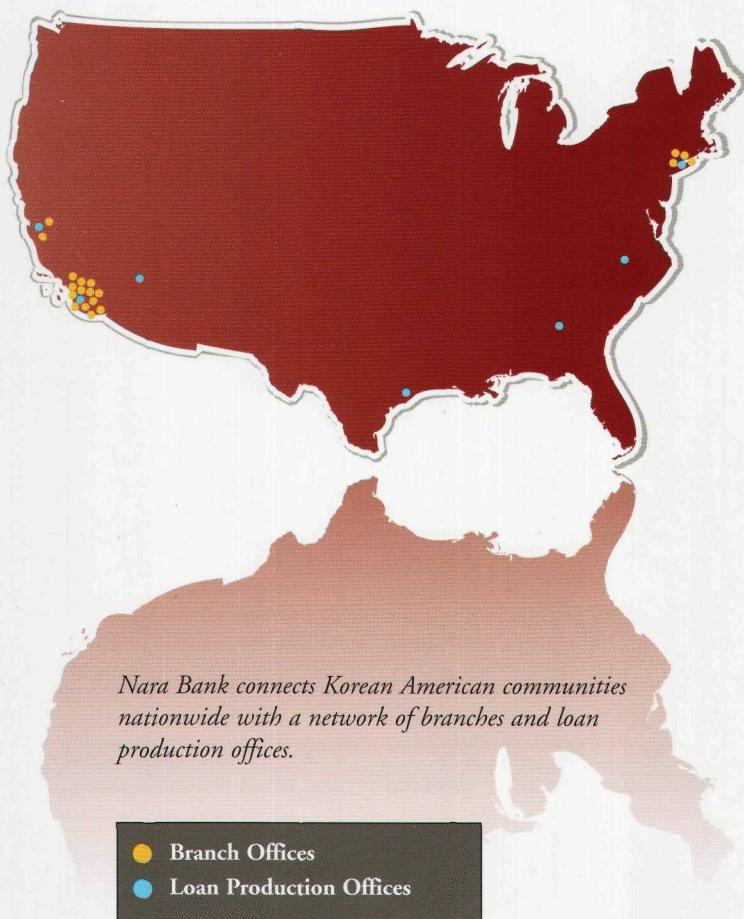
### New York

Bayside (718) 428-1606  
 Flushing (718) 886-6611  
 Jackson Hts. (718) 335-2000  
 Manhattan (212) 279-2790

## LOAN PRODUCTION OFFICES

### U.S. Locations

Atlanta (678) 209-0673  
 Dallas (469) 522-4955  
 Houston (713) 464-9992  
 Las Vegas (702) 856-4466  
 N. California (510) 353-4091  
 New Jersey (201) 592-7861  
 Virginia (703) 916-1212  
 SBA Corporate (877) 627-2722



*Nara Bank connects Korean American communities nationwide with a network of branches and loan production offices.*

● Branch Offices  
 ● Loan Production Offices



