Annual Disclosure Statement
2011

WOORI
AMERICA BANK

Contents

I. Bank Profile - Milestone

In January 1984, Woori America Bank opened its first branch at Broadway in Manhattan as a wholly owned subsidiary of Woori Bank Seoul, one of the Korea largest commercial bank. The Bank expanded its networks into New Jersey in October 1997. In September 2003, the Bank acquired and merged with Panasia Bank to become a leading bank in North Eastern area. In January 2006, the Bank also purchased the State Chartered License of SCCB to enter into California State for becoming as a Regional Community Bank to cover up to six different states of Korean American Communities.

1984. 01.27	Established Broadway (NY) (Initial Capital $5 million)	1st Br.	1980'S
1985. 06.25	Opened Flushing (NY)	2nd Br.	Assets: $ 38 million

1991. 12.12	Opened Woodside (NY)	3rd Br.	1990'S
1997. 10.27	Opened Fort Lee (NJ)	4th Br.	Assets: $ 261 million

2000. 01.07	Opened Ridgefield (NJ)	5th Br.	2000 ~ 2003
2003. 09.11	Panasia Bank M&A (NJ, PA, VA)	10th Br.	Assets: $ 613 million

2004. 01.27	Opened Bayside (NY)	11th Br.	2004'S
2004. 04.09	Established WAB Scholarship Foundation		
2004. 04.19	Opened Elkins Park (PA)	12th Br.	Assets: $ 698 million

2005. 04.26	Opened Wheaton (MD)	13th Br.	2005 ~ 2006
2006. 01.26	Opened Wilshire (CA) (Acquisition of SCCB)	14th Br.	
2006. 11.20	Opened Olympic (CA)	15th Br.	Assets: $ 944 million

2007. 02.22	Opened Fullerton (CA)	16th Br.	2007
2007. 03.15	Opened Garden Grove (CA)	17th Br.	
2007. 10.31	Opened Centreville (VA)	18th Br.	Assets: $ 1,043 million

2009. 01 27	25th Annyversary	2009
		Assets: $1,077 million

2010. 12 01	Capital Infusion $70 million Woori Bank, Korea	2010
		Assets: $ 1,035 million

I. Bank Profile – Branches/Customers/Employees

The Bank is a leading local community bank that operates 18 branches in six states (NY, NJ, PA, VA, MD, CA). The Bank contributes to the regional local economy with specialized Korean community-oriented financial services for both SMEs and retail banking clients. The Bank has total of 67 thousands accounts including 7.1 thousands business accounts.

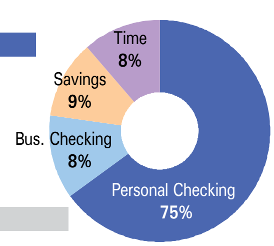
Network Presence

WAB Branches

NY1 BPC	Broadway, Woodside
NY2 BPC	Flushing, Bayside
NJ BPC	Fort Lee, Main Street, Pal Park, Ridgefield, Closter
PA BPC	Cheltenham, Elkins Park
WM BPC	Annandale, Wheaton, Centreville
CA BPC	Olympic, Wilshire, Fullerton, Garden Grove

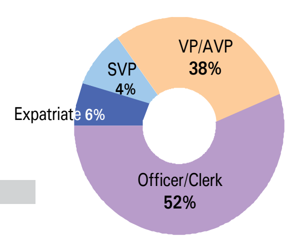
of Customer Account

Personal Checking	43,979
Business Checking	6,491
Savings	4,475
Time (CD)	5,847
Total	60,790

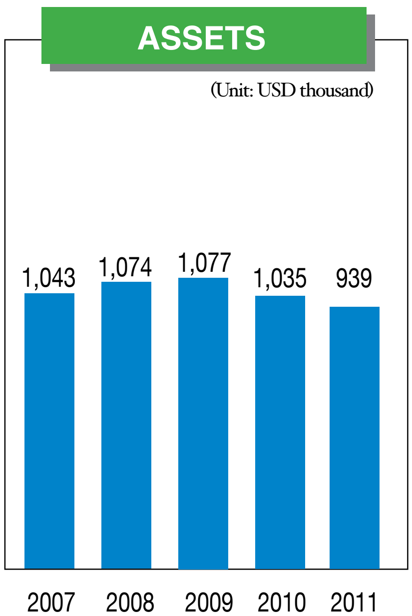


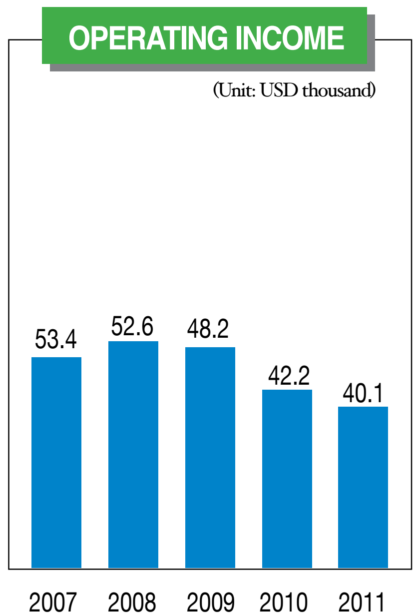
of Employee Status

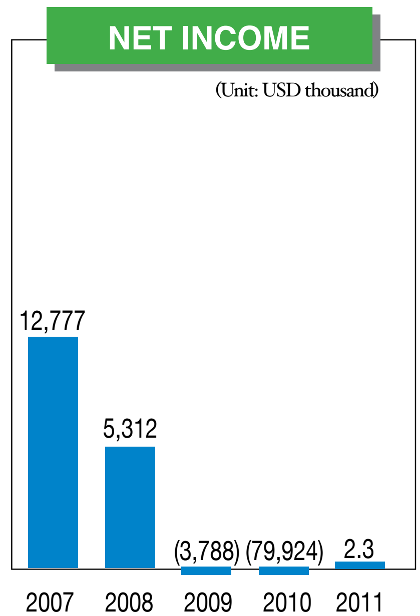
Expatriate	13
SVP Level	8
VP/AVP Level	85
Officer/Clerk	115
Total	221



II. Financial Performance Analysis - Highlight







[Assets & Liabilities Trend]

(Unit: USD Thousand)

Type	2007	2008	2009	2010	2011
Loan	810,281	865,706	819,793	712,180	677,843
Investment	85,952	100,798	96,490	93,597	70,259
Others	146,847	107.069	160.482	229,643	191,277
Assets	1.043.080	1,073,573	1,076,765	1,035,420	939,379
Deposit	915,372	943,614	949,262	920,573	822,603
Equity	114,656	119,542	116,289	106,446	108,849

[Income Statement Trend]

(Unit: USD Thousand)

Type	2007	2008	2009	2010	2011
Operating Income	53,491	52,027	48,281	42,211	40,149
Net Interest Income	45,029	42,948	39,770	34,310	32,777
Non Interest Income	8,462	9,079	8,511	7,901	7,372
Operating Expenses	30,172	31,485	34,177	60,038	33,728
Corp. Tax	9,128	4,140	(2,157)	1,609	170
Net Income	12,777	5,312	(3,788)	(79,924)	2,279

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Report of Independent Auditors

To the Board of Directors of
Woori America Bank New York, NY:

We have audited the accompanying balance sheet of Woori America Bank (the "Bank"), a wholly owned subsidiary of Woori Bank, Seoul, Korea, as of December 31, 2011 and 2010, and the related statements of operations, changes in stockholder's equity and cash flows for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

March 7, 2012

Balancec Sheets

In US Dollars	*2011*	*2010*
ASSETS		
CASH AND DUE FROM BANKS	$ 161,478,693	$ 230,137,664
FEDERAL FUNDS SOLD -	27,000,000	
INTEREST-BEARING DEPOSITS	7,000,000	5,250,000
SECURITIES AVAILABLE-FOR-SALE, At fair value	70,259,468	93,596,827
SECURITIES HELD-TO-MATURITY, At amortized cost (fair value approximates $1,830,174 and $2,107,531 as of December 31, 2011 and 2010, respectively)	1,705,351	1,986,312
LOANS:		
Loans	677,843,034	712,179,580
Deferred loan fees, net	(757,651)	(830,799)
Allowance for loan losses	(24,255,635)	(31,755,487)
Net loans	652,829,748	679,593,294
PROPERTY AND EQUIPMENT, Net	5,579,312	6,684,808
ACCRUED INTEREST RECEIVABLE	2,845,987	3,387,479
PREPAID EXPENSES	7,113,041	8,460,393
CORE DEPOSIT INTANGIBLE, Net	515,200	809,600
OTHER ASSETS	3,052,543	5,513,558
TOTAL ASSETS	$939,379,343	$ 1,035,419,935

LIABILITIES AND STOCKHOLDER'S EQUITY		
DEPOSITS:		
Noninterest-bearing demand	$ 3388,226,625	$ 350,042,780
Interest-bearing demand and savings	248,804,681	356,740,947
Time deposits	185,571,544	213,789,388
Total Deposit	822,602,850	920,573,115
ACCRUED INTEREST PAYABLE	3,084,363	3,510,971
OTHER LIABILITIES	4,842,877	4,889,164
Total liabilities	830,530,090	928,973,250
COMMITMENTS AND CONTINGENCIES (See Note 9)		
STOCKHOLDER'S EQUITY:		
Common stock, $5 par value; 34,000,000 shares authorized, 24,500,000 shares issued and outstanding	122,500,000	122,500,000
Capital surplus	7,500,000	7,500,000
Retained earnings (accumulated deficit)	(21,214,215)	(23,493,616)
Accumulated other comprehensive loss, net	63,468	(59,699)
Total stockholder's equity	108,849,253	106,446,685
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$939,979,343	$1,035,419,935

See notes to financial statements.

Statement of Operation

In US Dollars	*2011*	*2010*
INTEREST INCOME:		
Interest and fees on loans	$ 37,158,996	$ 42,171,627
Interest on federal funds sold and interest-bearing deposits	375,911	438,819
Interest on securities	634,486	795,962
Interest on bills bought	15,265	37,720
Total interest income	38,184,658	43,444,128
INTEREST EXPENSES:		
Interest on deposits	5,407,901	9,134,060
Interest on short-term borrowings	18	111
Total interest expenses	5,407,919	9,134,171
NET INTEREST INCOME	32,776,739	34,309,957
PROVISION FOR LOAN LOSSES	3,971,860	60,491,006
NET INTEREST INCOME (LOSS) AFTER PROVISION FOR LOAN LOSSES	28,804,879	(26,181,049)
NONINTEREST INCOME:		
Service charges on deposit accounts	3,245,335	3,617,689
Other service charges and fees	4,053,358	4,198,075
Other gains	73,229	85,857
Total noninterest income	7,371,922	7,901,621
NONINTEREST EXPENSES:		
Salaries and employee benefits	15,561,959	14,354,922
Occupancy	4,645,952	4,572,924
Electronic data processing	2,809,333	2,788,292
Depreciation and amortization	2,001,346	2,129,662
Impairment of goodwill	-	21,513,525
Loss on sale of loans	-	3,299,146
Other	8,709,046	11,379,567
Total noninterest expenses	33,727,636	60,038,038
INCOME (LOSS) BEFORE INCOME TAXES	2,449,165	(78,317,466)
PROVISION FOR INCOME TAXES	169,764	1,606,756
NET INCOME(LOSS)	$2,279,401	$ (79,924,222)

See notes to financial statements.

Statement of Changes in Stockholder's Equity

	Shares of Common Stock	Common Stock	Capita Surplus	Retained Earnings (Accumulated Deflict)	Accumulated Other Comprehensive Income (Loss)	Total
Balance - January 1, 2010	10,500,000	$ 52,500,000	$7,500,000	$ 56,430,606	$ (140,802)	$ 116,289,804
Issuance of common stock at par	14,000,000	70,000,000	-		-	70,000,000
Comprehensive loss						
Net loss	-	-	-	(79,924,222)	-	(79,924,222)
Net change in unrealized gains (losses) on securities available-for-sale, net of tax of $66,357	-	-	-	-	81,103	81,103
Total comprehensive loss	-	-	-	-	-	(3,251,706)
Balance - December 31, 2010	24,500,000	122,500,000	7,500,000	(23,493,616)	(59,699)	106,446,685
Comprehensive loss						
Net Income	-	-	-	2,279,401	-	2,279,401
Net change in unrealized loss on securities available-for-sale, net of tax of $93,370	-	-	-	-	123,167	123,167
Total comprehensive Income	-	-	-	-	-	2,402,568
Balance - December 31, 2010	24,500,000	$ 122,500,000	$ 7,500,000	$ (21,214,215)	$ 63,468	$ 108,849,253

See notes to financial statements.

Statement of Cash Flows

	2011	*2010*
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income(loss)	$ 2,279,401	$ (79,924,222)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	2,001,346	2,129,662
Provision for loan losses	3,971,860	60,491,006
Loss on sale of loans	-	3,299,146
Gain on disposal of property and equipment	-	(523)
Net amortization of securities	122,007	178,724
Impairment of goodwill	-	21,513,525
Deferred income taxes expense (benefit)	-	6,081,319)
Changes in assets and liabilities:		
Decrease in accrued interest receivable	541,492	483,114
Decrease in prepaid expenses	1,347,352	1,492,194
Decrease (increase) in other assets	2,851,445	(164,865)
Increase in accrued interest payable	(426,608)	(1,517,099)
Increase in other liabilities	(46,286)	(1,294,199)
Net cash provided by operating activities	12,642,009	12,767,782
CASH FLOWS FROM INVESTING ACTIVITIES:		
Activity in available-for-sale securities		
Purchases	(25,078,221)	(45,071,167)
Proceeds from prepayments	3,512,659	3,608,901
Proceeds from maturities	45,000,000	44,000,000
Activity in held-to-maturity securities		
Proceeds from prepayments	275,502	411,863
Loan originations and principal collections, net	14,952,242	(317,026)
Proceeds from sale of loans	7,358,553	53,007,491
Proceeds from sale of property and equipment	-	8,100
Purchase of interest-bearing deposits	(1,750,000)	(250,000)
Net decrease in bills bought	-	2,820,796
Purchase of property and equipment	(601,449)	(1,157,565)
Net cash provided by investing activities	43,669,286	57,061,393
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of stock	-	70,000,000
Net increase in noninterest-bearing demand deposits	38,183,845	30,270,326
Net increase(decrease) in interest-bearing demand and savings deposits	(107,936,267)	11,904,171
Net decrease in time deposits	(28,217,844)	(70,865,610)
Net cash provided by financing activities	(97,970,266)	41,308,887
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(41,658,971)	111,138,062
CASH AND CASH EQUIVALENTS, Beginning of year	230,137,664	118,999,602
CASH AND CASH EQUIVALENTS, End of year	$ 188,478,693	$230,137,664
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	$ 5,834,527	$ 10,651,270
Income taxes	$ 280,354	$ -
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTMENT ACTIVITIES:		
Transfer from loans receivable to other real estate owned	$ 480,890	$ 649,462

See notes to financial statements.

Notes to Financial Statements

1. Organization

Woori America Bank (the "Bank") is a wholly owned subsidiary of Woori Bank (the "Parent"), Seoul, Korea. The Bank is engaged in providing retail banking services, primarily for Korean-American customers, under a license granted by the Superintendent of Banks, New York State Banking Department ("NYSBD"). As an insured state-chartered bank that is not a member of the Federal Reserve system, the Bank is primarily supervised by the Federal Deposit Insurance Corporation ("FDIC") and the NYSBD. The Bank conducts its business through eighteen branches located in New York (4), New Jersey (5), Pennsylvania (2), Maryland (1), Virginia (2) and California (4).

2. Summary of Significant Accounting Policies

The accounting and reporting policies of the Bank conform with accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Bank employs the following significant accounting policies:

Cash and Cash Equivalents — For purposes of reporting the statement of cash flows, cash and cashequivalents include cash on hand, amounts due from banks and federal funds sold, which have original maturities of less than 90 days.

Securities — Securities which the Bank has the positive intent and ability to hold to maturity are classified as securities held-to-maturity and carried at amortized cost, adjusted for amortization of premiums and accretion of discounts ("amortized cost"), which are recognized in interest income by the interest method over the period to maturity.

Securities not classified as securities held-to-maturity are classified as securities available-for-sale and carried at their fair value, with unrealized gains and losses, net of taxes, reported in other comprehensive income.

All securities are recorded on trade date. Gains and losses on the sale of securities available-for-sale are determined by the specific-identification method.

An other than temporary impairment ("OTTI") is recognized if the fair value of a debt security is lowerthan the amortized cost and the debt security will be sold, it is more likely than not that the Bank will be required to sell the security before recovering the amortized cost, or if it is expected that not all of the amortized cost will be recovered.

The credit loss component of other-than-temporary impairment write-down is recorded in earnings, while the remaining portion of the impairment loss is recognized in other comprehensive income (loss), provided the Bank does not intend to sell the underlying debt security and it is more likely than not that the Bank will not be required to sell the debt security prior to recovery.
In determining whether a credit loss exists and the period over which the fair value of the debt security is expected to recover, management considers the following factors: (1) the length of time and extent to which fair value has been less than amortized cost, (2) adverse conditions specifically related to the security, an industry, or geographic area, (3) the historic and implied volatility of the security, (4) the payment structure of the debt security and the likelihood of the issuer being able to make payments that increase in the future, (5) failure of the issuer of the security to make scheduled interest payments, (6) any changes to the rating of the security by a rating agency and (7) recoveries or additional declines in fair value subsequent to the balance sheet date.

Loans and Allowance for Loan Losses — Loans are reported at their outstanding unpaid principal balances adjusted for charge-offs, the allowance for loan losses, and any deferred fees or costs on originated

Notes to Financial Statements

loans. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method.

The allowance for loan losses is established through charges to income based on management's evaluation of the adequacy of the allowance to provide for probable losses in the existing loan portfolio. The adequacy of the allowance for loan losses is continually reviewed by management, taking into consideration current economic conditions, past loss experience, risks inherent in the loan portfolio and the value of impaired loans.

A loan is considered impaired, if, on the basis of current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due. An impaired loan is measured on the basis of the present value of expected future cash flows discounted at the loan's effective interest rate or, as a practical expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral-dependent. Loans continue to be classified as impaired unless they are brought fully current and the collection of scheduled interest and principal is considered probable.

When a loan or portion of a loan is determined to be uncollectible, the portion deemed uncollectible is charged against the allowance, and subsequent recoveries, if any, are credited to the allowance. Loans are placed on nonaccrual status if they are past due as to maturity or payment of principal or interest for a period of more than 90 days, unless such loans are well-collateralized and in the process of collection. If a loan or a portion of a loan is classified as doubtful or is partially charged off, the loan is classified as nonaccrual. When a loan is designated as nonaccrual, any accrued but unpaid interest income on such loans is reversed and charged against current income.

While a loan is classified as nonaccrual and the future collectability of the recorded loan balance is doubtful, collections of interest and principal are generally applied as a reduction to principal outstanding. When the future collectability of the recorded loan balance is expected, interest income may be recognized on a cash basis.

Goodwill and Other Intangible Assets — Net assets of companies acquired in purchase transactions are recorded at fair value at the date of acquisition, as such, the historical cost basis of individual assets and liabilities are adjusted to reflect their fair value. Identified intangibles are amortized on a straight-line basis over the period benefited. Goodwill is not amortized but is reviewed for potential impairment on an annual basis at the reporting unit level.

The impairment test is performed in two phases. The first step of the goodwill impairment test compares the fair value of the reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired; however, if the carrying amount of the reporting unit exceeds its fair value, an additional procedure must be performed. That additional procedure compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. The implied fair value of the reporting unit's goodwill is determined by comparing the fair value of the reporting unit (as determined in the first step) to the fair value of the net assets of the reporting unit, as if the reporting unit was being acquired in a business combination. An impairment loss is recorded to the extent that the carrying amount of goodwill exceeds its implied fair value. Goodwill was fully written off due to impairment for the year ended December 31, 2010.

Other intangible assets are evaluated for impairment if events or changes in circumstances indicate a possible impairment. Such evaluation of other intangible assets is based on undiscounted cash flow projections. The Bank was not aware of any events or changes in circumstances that would indicate the core deposit intangible asset is impaired at December 31, 2011 and 2010.

Depreciation and Amortization — Property and equipment, including leasehold improvements, are carried at cost less accumulated depreciation and amortization. The Bank computes depreciation using the straight-line method over the estimated useful lives ranging from 3 to 35 years.

Notes to Financial Statements

Leasehold improvements are amortized using the straight-line method over the terms of the leases or the estimated useful lives of the improvement, whichever is shorter.

Income Taxes — Deferred tax assets and liabilities are determined on the basis of the difference between the tax basis of assets and liabilities and their respective financial-reporting amounts ("temporary differences") at currently enacted tax rates in effect for the years in which the temporary differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50 percent likely of being realized upon settlement. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded.

The Bank's policy on classification of interest and penalties related to uncertain tax positions is that such interest and penalties are classified as income taxes.

Off-Balance Sheet Instruments — In the ordinary course of business, the Bank enters into off-balancesheet financial instruments primarily consisting of letters of credit. Such financial instruments are recorded in the financial statements when they are funded or related fees are incurred or received.

Guarantees — For certain guarantees, a liability for the fair value of the obligation undertaken in issuing the guarantee is recognized. The Bank provides standby letters of credit, the fees of which are being deferred and amortized using the straight-line method.

Allowance for Guarantees — The Bank analyzes its legally binding off-balance sheet commitments for possible losses associated with such commitments. The Bank reviews the ability of the counterparty of the underlying credit commitment to perform under the proposed commitment. If it is determined that a loss is probable and estimable, the Bank will record a liability in a similar manner as if a loan was granted under the terms of the commitment. At December 31, 2011 and 2010, the allowance for guarantees amounted to approximately $52,000 (included in other liabilities).

Recent Accounting Pronouncements — In January 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2010-06, *Fair Value Measurements and Disclosures,* which amends Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures,* to add new requirements for disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 financial instruments. It also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. This guidance became effective for the Bank on January 1, 2010, except for the specific requirement to present the Level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which became effective on January 1, 2011. Adoption of this guidance did not have a material effect on the Bank's financial statements.

In July 2010, the FASB issued ASU 2010-20, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Loan Losses,* to enhance the disclosures required for financing receivables and allowances for credit losses under ASC 310. The amended disclosures are designed to provide more information to financial statement users about the credit quality of a creditor's financing receivables and the adequacy of its allowance for credit losses. For nonpublic entities, the disclosures are effective for annual reporting periods ending on or after December 15, 2011. The enhanced disclosures are included in Note 4 to the Bank's financial statements.

In April 2011, the FASB issued ASU 2011-02, *A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring*, which clarifies when a loan modification or restructuring is considered a troubled debt restructuring. The FASB believed that such additional clarification was needed because of the complexity of this evaluation, coupled with the increasing number of loan

Notes to Financial Statements

modifications, notably for residential mortgages but also for commercial real estate loans during the past year. The Bank adopted ASU 2011-02 in 2011. The enhanced disclosures are included in Note 4 to the Bank's financial statements.

In May 2011, the FASB issued new guidance regarding fair value measurements (ASU 2011-04, Fair Value Measurement (Topic 820): *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs),* effective for the first interim or annual period beginning after December 15, 2011. The guidance should be applied prospectively. The amendments in this ASU are intended to establish common requirements for measuring fair value and for disclosing information about fair value measurements in accordance with GAAP and International Financial Reporting Standards ("IFRS"). Some of the amendments clarify the FASB's intent on the application of existing fair value measurement requirements. Other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. The Bank does not expect the adoption of this new guidance to have a material impact on its financial statements.

In June 2011, the FASB issued new guidance regarding comprehensive income (ASU 2011-05, Comprehensive Income (Topic 220): *Presentation of Comprehensive Income*), effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The guidance should be applied retrospectively and early adoption is permitted. The new guidance provides companies with the option to present the total of comprehensive income, components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The objective of the standard is to increase the prominence of items reported in other comprehensive income and to facilitate convergence of GAAP and IFRS. The standard
eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. The amendments in ASU 2011-05 do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified in net income. The Bank intends to continue to apply the one-statement approach in 2012.

In December 2011, the FASB issued new guidance regarding comprehensive income (ASU 2011-12, Comprehensive income (Topic 220): *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05*). The amendments in ASU 2011-12 are effective for fiscal years and interim periods within those years beginning after December 15, 2011. Consistent with the effective date of the amendments in ASU 2011-05, ASU 23011-12 defers the effective date pertaining to the presentation of reclassification adjustments out of accumulated other comprehensive income in ASU 2011-05. The amendments are being made to allow the FASB time to redeliberate whether to present on the face of the financial statements the effects of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income for all periods presented. All other requirements in ASU 2011-05 are not affected by ASU 2011-12, including the requirement to report comprehensive income either in a single continuous financial statement or in two separate but consecutive financial statements. For non public entities, the ASU is effective for the annual period ending after December 15, 2012. The Bank is currently evaluating the impact of this guidance on its financial statements.

In December 2011, the FASB issued new guidance regarding balance sheet offsetting disclosures (ASU 2011-11, Balance Sheet (Topic 210): *Disclosures about Offsetting Assets and Liabilities*), effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The guidance should be applied retrospectively for all comparative periods presented. The amendments in ASU 2011-11 require an entity to disclose information about offsetting and related arrangements to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. The objective of ASU 2011-11 is to facilitate comparison between those entities that prepare their financial statements on the basis of GAAP and those entities that prepare their financial statements on the basis of IFRS. The Bank is currently evaluating the impact of this guidance on its financial statement and related disclosures.

Notes to Financial Statements

3. Securities

The amortized cost and fair value of debt securities at December 31, 2011 and 2010 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2011:				
Securities available-for-sale:				
Corporate debt securities	$ 9,995,762	$ -	$ 61,062	$ 9,934,700
Mortgage-backed securities	2,842,169	86,846	441	2,928,574
Debt securities issued by U.S. government corporations and agencies	56,740,511	85,171	25,560	56,800,123
Debt securities issued by states and political subdivisions of United States	573,032	$ 23,039	-	596,071
Total available-for-sale securities	$ 70,151,474	$162,904	$ 271,447	$93,596,827
Securities held-to-maturity				
Mortgage-backed securities	$ 1,705,351	$124,823	$ -	$ 1,830,174
December 31, 2009:				
Securities available-for-sale:				
Corporate debt securities	$ 10,001,798	$ -	$ 146,206	$9,855,592
Mortgage-backed securities	3,699,968	121,531	146	3,821,353
Debt securities issued by U.S. government corporations and agencies	79,430,247	41,373	114,686	79,356,934
Debt securities issued by States and political subdivisions of United States	573,357	-	10,409	562,948
Total available-for-sale securities	$ 93,705,370	$162,904	$ 271,447	$93,596,827
Securities held-to-maturity				
Mortgage-backed securities	$ 1,986,312	$121,219	$ -	$ 2,107,531

Notes to Financial Statements

The amortized cost and fair value of debt securities at December 31, 2011 and 2010, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	**Estimated Fair Value**	**Amortized Cost**	**Estimated Fair Value**
December 31, 2011:				
Due in one year or less	$ 37,999,098	$ 37,931,382	$ -	$ -
Due after one year through five years	27,078,985	27,122,688	-	-
Due after five years through ten years	1,345,019	1,369,675	-	-
Due after ten years	886,203	907,149	-	-
	67,309,305	67,330,894	-	-
Mortgage-backed securities	2,842,169	2,928,574	1,705,351	1,830,174
Total securities	$ 70,151,474	$ 70,259,468	$ 1,705,351	$ 1,830,174
December 31, 2010:				
Due in one year or less	$ 25,001,719	$ 24,970,038	$ -	$ -
Due after one year through five years	61,642,470	61,450,805	-	-
Due after five years through ten years	2,433,425	2,427,141	-	-
Due after ten years	927,788	927,490	-	-
	90,005,402	89,775,474	-	-
Mortgage-backed securities	3,699,968	3,821,353	1,986,312	2,107,531
Total securities	$ 93,705,370	$ 93,596,827	$ 1,986,312	$ 2,107,531

The Bank did not sell any debt securities during 2011 and 2010.

Certain securities are pledged to Federal Reserve Bank to secure discount window advances. The carrying value of pledged securities was approximately $995,426 and $1,888,717 at December 31, 2011and 2010, respectively.

Notes to Financial Statements

Information pertaining to securities with gross unrealized losses at December 31, 2011 and 2010, aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	Less Than Twelve Months		**Over Twelve Months**	
	Gloss Unrealized Loses	**Estimated Fair Value**	**Gross Unrealized Loses**	**Estimated Fair Value**
December 31, 2011:				
Securities available-for-sale				
Corporate debt securities	$ 29,646	$ 4,966,200	$ 31,416	$ 4,968,500
Mortgage-backed securities	-	-	441	79,668
Debt securities issued by U.S. government corporations and agencies	8,274	14,986,127	17,286	17,070,635
Debt securities issued by states and political corporations of United States	-	-	-	-
Total securities available-for-sale with gross unrealized losses	$ 37,920	$ 19,952,327	$ 49,143	$22,118,803
December 31, 2010:				
Securities available-for-sale				
Corporate debt securities	$ -	$ -	$ 146,206	$ 9,855,592
Mortgage-backed securities			146	114,079
Debt securities issued by U.S. government corporations and agencies	54,026	24,945,975	60,660	24,650,886
Debt securities issued by states and political corporations of United States	10,409	562,949	-	-
Total securities available-for-sale with gross unrealized losses	$ 64,435	$ 25,508,924	$ 207,012	$34,620,557

At December 31, 2011 and 2010, two available-for-sale securities within the corporate debt securities category have unrealized losses of approximately 0.61% and 1.46%, respectively, from the Bank's
amortized cost basis. These securities were issued by Korean government owned banks and Korean public enterprises (with a credit rating of A by S&P for all).

At December 31, 2011 and 2010, one available-for-sale security within the mortgage-backed securities category has unrealized losses of approximately 0.016% and 0.004%, respectively, from the Bank's amortized cost basis. The security was issued by US government sponsored entities (GNMA), and it is expected that the security would not be settled at a price less than the amortized cost of the Bank's investment.

At December 31, 2011 and 2010, seventeen and twenty-five available-for-sale securities within the debt securities issued by U.S. government corporations and agencies category have unrealized losses of approximately 0.04% and 0.14%, respectively, from the Bank's amortized cost basis.

At December 31, 2010, two available-for-sale securities within the debt securities issued by states and political subdivisions of United States category have unrealized losses of approximately 1.82% from the Bank's amortized cost basis.

Notes to Financial Statements

The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost of the investment. Because the Bank does not believe that there are any circumstances where: (1) the Bank would have the intent to sell those investments; (2) it is more likely than not that the Bank will be required to sell those investments before recovery of their amortized cost basis; or (3) the Bank does not expect to recover the entire amortized cost basis of those investments, the Bank does not deem those investments to be other-than-temporarily impaired at December 31, 2011 and 2010. There are no known current funding needs which would require their liquidation.

4. LOANS

Major classifications of loans at December 31, 2011 and 2010 are as follows:

	2011	2010
Commercial real estate	$410,279,455	$ 476,978,417
Residential real estate	170,609,410	131,166,044
Commercial business	54,815,093	58,878,333
Small business administration	8,617,990	10,603,104
Trust receipts	13,157,619	17,755,690
Line of credit	15,235,026	12,278,277
Other	5,128,441	4,519,715
	677,843,034	712,179,580
Less:		
Deferred loan origination fees, net	(757,651)	(937,947)
Allowance for loan losses	(24,255,635)	(22,781,578)
Net loans	$652,829,748	$ 796,073,911

Non-Accrual and Past Due Loans — Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. Loans are placed on non-accrual status when, in management's opinion, the borrower may be unable to meet payment obligations as they become due, as well as when required by regulatory provisions. Loans may be placed on non-accrual status regardless of whether or not such loans are considered past due. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received in excess of principal due. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

At December 31, 2011 and 2010, non-accrual loans, segregated by class of loans, were as follows:

	2011	2010
Commercial real estate	$ 17,830,108	$ 9,561,157
Residential real estate	2,268,665	2,155,849
Commercial business	1,625,429	2,333,582
Small business administration	465,814	1,046,626
Trust receipts	1,024,443	99,858
Line of credit	1,608	823,543
Total	$ 23,216,067	$ 16,020,615

Had interest on these non-accrual loans been accrued, such interest would have amounted to approximately $1,690,000 and $694,000 for 2011 and 2010, respectively.

Notes to Financial Statements

A summary of past due loans, segregated by class of loans, as of December 31, 2011 and 2010 follows:

	Commercial real estate	Residential real estate	Commercial business	Small Business adminstrtion	Trust receipt	Line of credit	Other
Loan Balance:							
Loans individually evaluated for impairment	$20,826,152	$2,268,665	$2,018,684	$ 465,814	$ -	$1,024,443	$ 4,438
Loans collectivey evaluated for impairment	289,453,303	168,340,745	52,796,409	8,152,176	13,157,619	14,210,583	5,124,003
Ending balance	$410,279,455	$170.609.410	$54,815,093	$ 8,617,990	$13,157,619	$15,235,026	$5,128,441
Allowance for loan losses:							
Loans individually evaluated for impairment	$ 563,211	$ 240,891	$ 476,576	$ 3,817	$ -	$ 536,934	$ 4,438
Loans collectivey evaluated for impairment	12,300,205	3,962,827	4,766,548	791,741	237,564	377,155	55,718
Ending balance	$ 12,836,414	$ 4,167,718	$ 5,243,124	$ 796,568	$ 237,564	$ 914,089	$ 60,156

Impaired Loans — Loans are considered impaired when, based on current information and events, it is probable the Bankwill be unable to collect all amounts due in accordance with the original contractual terms of the loan agreement, including scheduled principal and interest payments. Impairment is evaluated in total for smaller-balance loans of a similar nature and on an individual loan basis for other loans. If a loan is impaired, a specific valuation allowance is allocated, if necessary, so that the loan is reported net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Interest payments on impaired loans are typically applied to principal unless collectability of the principal amount is reasonably assured, in which case interest is recognized on a cash basis. Impaired loans, or portions thereof, are charged off when deemed uncollectible.

Notes to Financial Statements

Impaired loans as of December 31, 2011 and 2010 are set forth in the following table. No interest income was recognized on impaired loans subsequent to their classification as impaired.

December 31, 2011:

	Unpaid Contractual Principal Balance	Recorded Investment with no Allowance	Recorded Investment with Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
Commercial real estate	$ 21,336,513	$ 12,437,705	$ 8,388,447	$ 20,826,152	$ 563,211	$ 23,014,071
Residential real estate	2,722,402	693,216	1,575,449	2,268,665	204,891	2,549,235
Commercial business	6,110,951	86,942	1,931,742	2,018,684	476,576	2,722,275
Small business administration	1,140,958	380,809	85,005	465,814	3,826	556,154
Trust receipts	179,079	-	-	-	-	-
Line of credit	1,312,407	296,909	727,534	1,024,443	536,934	1,067,531
Other	23,368		4,438	4,438	4,439	5,334
Total	$ 38,828,678	$13,895,581	$12,712,615	$26,608,196	$1,762,877	$29,914,600

December 31, 2010:

	Unpaid Contractual Principal Balance	Recorded Investment with no Allowance	Recorded Investment with Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
Commercial real estate	$ 10,485,915	$ 8,559,779	$1,001,378	$ 9,561,157	$ 282,460	$ 9,533,600
Residential real estate	3,768,623	1,464,095	691,754	2,155,849	157,377	2,559,958
Commercial business	4,170,827	159,421	2,174,161	2,333,582	1,099,870	3,356,691
Small business administration	1,180,020	58,711	987,915	1,046,626	697,221	1,381,968
Trust receipts	99,858	-	99,858	99,858	99,858	138,666
Line of credit	1,618,543	800,000	23,543	823,543	23,543	1,161,301
Total	$ 21,323,786	$11,042,006	$4,978,609	$16,020,615	$ 2,360,329	$18,132,184

Credit Quality Indicators — As part of the on-going monitoring of the credit quality of the Bank's loan portfolio, management tracks certain credit quality indicators including trends related to (i) the weighted-average risk grade of commercial loans, (ii) the level of classified commercial loans, (iii) net charge-offs, (iv) non-accrual loans (see details above) and (v) the general economic conditions.

Notes to Financial Statements

Loans with classification of pass, special mention and substandard at December 31, 2011 and December 31, 2010 are presented in the following table by loan type:

December 31, 2011:	Pass	Special Mention	Substandard	Doubtful	Loss
Commercial real estate	$348,534,432	$ 28,822,023	$ 32,866,630	$ -	$ 56,370
Residential real estate	165,399,569	1,072,644	4,137,197	-	-
Commercial business	48,541,381	1,385,363	4,548,589	-	339,759
Small business administration	6,755,482	1,100,720	761,788	-	-

December 31, 2010:	Pass	Special Mention	Substandard	Doubtful	Loss
Commercial real estate	$408,816,941	$ 37,847,699	$ 30,313,777	$ -	$ -
Residential real estate	126,603,377	1,087,983	3,055,676	419,008	-
Commercial business	43,633,424	3,852,737	10,587,236	19,655	785,282
Small business administration	7,652,685	364,689	1,839,161	616,280	130,289

Allowance for Loan Losses — The allowance for loan losses is a reserve established through a provision for probable loan losses charged to expense, which represents management's best estimate of probable losses that have been incurred within the existing portfolio of loans. The allowance, in the judgment of management, is necessary to reserve for estimated loan losses and risks inherent in the loan portfolio. The Bank's methodology is based on historical loss experience by type of credit and internal risk grade and specific loss allocations, with adjustments for current events and conditions.

Changes in allowance for loan losses during 2011 and 2010 are as follows:

	2011	2010
Balance, beginning of year	$ 31,755,487	$ 22,781,578
Charge-offs	(12,219,805)	(53,001,305)
Provisions for loan losses	3,971,860	60,491,006
Recoveries	748,039	1,452,877
Transfer from allowance for bills bought	-	31,331
Balance, end of year	$ 21,255,635	$ 31,755,487

Notes to Financial Statements

The Bank's recorded investment in loans as of December 31, 2011 and 2010 related to each balance in the allowance for loan losses by portfolio segment and disaggregated on the basis of the Bank's impairment methodology was as follows:

December 31, 2011

	Commercial Real Estate	Residential Real Estate	Commercial Business	Small Business Administration	Trust Receipts	Line of Credit	Other
Loans individually evaluated for impairment	$ 20,826,152	$ 2,268,665	$ 2,018,684	$ 465,814	$ -	$ 1,024,443	$ 4,438
Loans collectively evaluated for impairment	389,453,303	168,340,745	52,796,409	8,152,176	13,157,619	14,210,583	5,124,003
Ending balance	$ 410,279,455	$170,609,410	$54,815,093	$ 8,617,990	$13,157,619	$15,235,026	$ 5,128,441
Allowance for loan losses							
Loans individually evaluated for impairment	$ 536,211	$ 204,891	$ 476,576	$ 3,827	$ -	$ 536,934	$ 4,438
Loans collectively evaluated for impairment	12,300,205	3,962,827	4,766,548	792,741	237,564	377,155	55,718
Total	$ 12,836,416	$ 4,167,718	$5,243,124	$ 796,568	$ 237,564	$ 914,089	$ 60,156

December 31, 2010

	Commercial Real Estate	Residential Real Estate	Commercial Business	Small Business Administration	Trust Receipts	Line of Credit	Other
Loans individually evaluated for impairment	$ 73,194,822	$ 3,474,684	$ 7,418,372	$,585,730	$ 677,553	$ 823,543	$ -
Loans collectively evaluated for impairment	403,783,595	127,691,360	51,459,961	8,017,374	17,078,137	11,454,734	4,519,715
Ending balance	$ 476,978,417	$131,166,044	$58,878,333	$10,603,104	$17,755,690	$12,278,277	$4,519,715
Allowance for loan losses	$ 13,556,120	$ 3,551,767	$ 9,251,828	$ 2,890,129	$ 632,514	$ 1 ,492,522	$ 380,607
Allowance for loan losses							
Loans individually evaluated for impairment	$ 5282,460	$ 157,377	$ 360,876	$ 697,221	$ 99,858	$ 762,537	$ -
Loans collectively evaluated for impairment	13,273,660	33,394,390	8,890,952	2,192,908	532,656	729,985	380,607
Total	$ 13,556,120	$ 3,551,767	$ 9,251,828	$ 2,890,129	$ 632,514	$ 1 ,492,522	$ 380,607

evaluation of the counterparty.

Notes to Financial Statements

During 2011 and 2010, the Bank sold classified loans with a net carrying amount of $7,358,553 and $56,306,636, respectively. The total sales proceeds after deducting relevant sales expenses were $7,358,553 and $53,007,491, resulting in a loss of $0 and $3,299,145 for the years ended December 31, 2011 and 2010, respectively.

The following table summarizes the TDRs that occurred for the years ended December 31, 2011 and 2010 and their effect on the allowance for credit losses by class of financing receivables.

	2011			2010		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Troubled Debt Restructurings						
Commercial real estate	-	$ -	$ -	18	$ 50,248,881	$ 34,251,378
Residential real estate	-	-	-	1	1,906,772	1,240,099
Commercial business	1	2,429,410	2,429,410	8	31,543,213	20,781,512
Small business administrati	-	-	-	1	25,909	25,909

	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
Troubled Debt Restructurings That Subsequently Defaulted				
Troubled debt restructurings:				
Commercial business	1	$ 733,337	-	$ -

There is no commitment to lend additional funds to debtors owing receivables whose terms have been modified in troubled debt restructurings. The following table summarizes TDR balances for December 31, 2011 and 2010, respectively.

	2011	2010
Commercial real estate	$ 5,650,891	$ 7,191,959
Commercial business	733,337	1,361,925
Total	$ 6,384,228	$ 8,553,884

No loans are pledged at December 31, 2011 and 2010.

The Bank grants loans to customers in the Korean-American communities in the Metropolitan New York area, Pennsylvania, Maryland, Virginia and California. The ability of the Bank's debtors to honor their contracts is substantially dependent on the economic conditions of the respective communities. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's evaluation of the counterparty.

Notes to Financial Statements

5. PROPERTY AND EQUIPMENT

The major components of property and equipment at December 31, 2011 and 2010 were as follows:

	2011	2010
Land	$ 566,000	$ 566,000
Buildings	2,091,196	2,073,396
Furniture and equipment	6,845,956	6,369,977
Software	1,219,058	1,111,388
Leasehold improvements	6,413,473	6,413,473
	17,135,683	16,534,234
Less: Accumulated depreciation and amortization	(11,556,371)	(9,849,426)
Property, equipment, net	$ 5,579,312	$ 6,684,808

Total depreciation expense for the years ended December 31, 2011 and 2010 was $1,706,946 and $1,835,262 respectively.

6. GOODWILL AND OTHER INTANGIBLE ASSETS

The change in the carrying amount of goodwill for the years ended December 31, 2010 and 2009 is as follows:

	2010
Goodwill — beginning of year	$ 21,513,525
Goodwill acquired during the year	-
Impairment	(21,513,525)
Goodwill — end of year	$ -

The gross carrying amount and accumulated amortization related to core deposit intangible at December 31, 2011 and 2010 are presented below:

	2011	2010
Gross carrying amount	$ 2,944,000	$ 2,944,000
Accumulated amortization	(2,428,800)	(1,840,000)
Core deposit intangible, net	$ 515,200	$ 1,104,000

Core deposit intangible reflects the estimated fair value of the acquired demand deposits and savings accounts which the Bank can expect to maintain for an extended period of time because of generally stable customer relationships. The core deposit intangible is amortized using the straight-line method over its estimated useful life since the estimated run-off of depositors cannot be reliably determined. The estimated weighted average life of the core deposit intangible is ten years. The fair value of this asset was based principally upon the estimates of (i) the funding benefits that these deposits provide relative to our alternative funding sources and (ii) the projected run-off of the related customer accounts. Amortization expense on core deposit intangible was $294,400 in 2011 and 2010. The Bank estimates that aggregate amortization expense will be approximately $294,400 for 2012 and $220,800 in 2013.

Notes to Financial Statements

7. DEPOSITS

At December 31, 2010, the scheduled maturities of time deposits are as follows:

2012	$ 154,759,308
2013	17,211,410
2014	8,760,798
2015	1,212,118
2016	1,227,274
Thereafter	2,400,636
Total deposits	$ 185,571,544

The aggregate amount of time deposits, each with a minimum denomination of $100,000 was $106,995,239 and $133,175,981 at December 31, 2011 and 2010, respectively.

8. INCOME TAXES

A summary of the income tax expense (benefit) for the years ended December 31, 2011 and 2010 is as follows:

	2011	2010
Current taxes		
Federal	$ (57,874)	$ (4,833,457)
State and local	227,638	358,895
	(169,764)	(4,474,562)
Deferred taxes		
Federal	-	(1,731,476)
State and local	-	(312,806)
	-	(2,044,282)
Total income tax expense (benefit)	$ 169,764	$ (2,157,593)

The difference between the Bank's reported provision for income taxes and the amount computed by multiplying pre-tax income taxes by the U.S. federal statutory rate of 35% is primarily due to state and local income taxes, change in valuation allowance against deferred tax assets and certain permanent differences in 2011 and state and local income taxes, goodwill impairment and change in deferred tax asset valuation allowance in 2010.

Notes to Financial Statements

At December 31, 2011 and 2010, the components of the Bank's net deferred tax assets are as follows:

	2011	**2010**
Deferred tax assets		
Net operating loss carryforwards	$ 11,753,192	$ 11,624,411
Allowance for loan losses	8,859,267	10,367,903
Depreciation	1,328,293	1,170,161
Deferred rent	446,840	469,131
Valuation of other real estate owned	-	283,973
Charitable contribution	229,903	151,193
Non-accrual interest	322,452	49,900
Unrealized losses on securities available-for-sale	-	40,036
Intangible assets	6,527	11,707
	22,939,474	24,168,415
Deferred tax liabilities		
Amortization of core deposit intangible	212,427	332,601
Unrealized gain on securities available-for -sale	44,526	-
	256,953	332,601
Total deferred tax assets	22,682,521	23,835,814
Less: Valuation allowance	(22,727,047)	(23,835,814)
Net deferred tax assets	$ (44,526)	$6,081,318

The Bank has established a full valuation allowance at December 31, 2011 and 2010 because it is more likely than not that the net deferred tax assets will not be realized. The change in valuation allowance during 2011 was a decrease of $1,108,767 and an increase by $23,835,814, respectively. At December 31, 2011, the Bank had net operating loss carryforwards of approximately $28,505,078, which will expire through year 2031.

The Bank had no unrecognized tax benefits and consequently had not accrued interest and penalties related thereto at the beginning or end of 2011 and 2010. The Bank does not expect its unrecognized tax benefit balance to change significantly in the next 12 months. New York, New Jersey, California and New York City are principally where the Bank is subject to state and local income taxes. The Bank is currently under Internal Service Revenue examination for the years 2008 through 2010. For the remaining state and local jurisdictions, 2008 through 2010 remain subject to examination.

9. COMMITMENT AND CONTINGENCIES

The Bank rents office space under twenty one noncancelable operating leases which expire in January 2012 through December 2019. Each lease contains provisions for payment by the Bank of property taxes, maintenance and certain other operating costs.

Notes to Financial Statements

The following is a schedule of minimum rental payments required under noncancelable operating leases with lease terms longer than one year:

Year Ending December 31	Minimum Rentals
2012	$ 3,142,194
2013	2,859,409
2014	2,667,099
2015	2,338,160
2016	846,622
Thereafter	1,212,583
Total minimum rental payments	$ 13,066,067

Total rent expense related to such non cancelable operating leases for the years ended December 31, 2011 and 2010 amounted to $3,912,188 and $3,810,288, respectively, which is included in Occupancy expenses.

The Bank has entered into a contract with Fiserv Solutions Inc. to outsource data-processing for most of its bank activities including loans, deposits, outgoing remittance, incoming remittance, and bank statements. The contract was renewed in October 2009 and will expire on September 30, 2014. The contract calls for monthly fees to be paid based on transaction volume. If the Bank wishes to early
terminate the contract, it would be required to pay an early termination fee equal to 70% of the largest monthly invoice during the contract term for the remaining term of the contract. Total service expense under the contract for the year ended December 31, 2011 and 2010 amounted to $2,529,682 and $2,462,397, respectively.

In the normal course of business, the Bank is involved in various legal claims. Management has reviewed all legal claims against the Bank with counsel and has taken into consideration the views of counsel, as to the outcome of the claims. Our management evaluates our exposure to these claims and proceedings individually and in the aggregate and provides for potential losses on such litigation if the amount of the loss is estimatable and the loss is probable. In management's opinion, final disposition of all such claims will not have a material adverse effect on the results from operations, cash flows or financial position of the Bank.

10. REGULATORY MATTERS

A prior approval of the Bank's regulatory agency is required if the total of all dividends declared exceeds the total of its net profits for that year combined with its retained net profits of the preceding two years. The Bank did not pay dividends during 2011 and 2010.

The Bank is subject to various regulatory capital requirements administered by the federal and state banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

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

Notes to Financial Statements

The Bank's actual capital amounts and ratios at December 31, 2011 and 2010 are presented in the table (in thousands).

	Actual		For Capital Adequacy Purpose		To be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2010						
Total capital (to risk-weighted assets)	$116,037	19.19 %	$ 48,379	8.00 %	$ 60,474	10.00 %
Tier I capital (to risk-weighted assets)	108,271	17.90	24,190	4.00	36,285	6.00
Tier I capital (to average assets)	108,271	11.66	37,133	4.00	46,416	5.00
December 31, 2009						
Total capital (to risk-weighted assets)	$114,099	17.59 %	$ 51,907	8.00 %	$ 64,883	10.00 %
Tier I capital (to risk-weighted assets)	105,696	16.29	25,953	4.00	38,930	6.00
Tier I capital (to average assets)	105,696	10.18	41,549	4.00	51,936	5.00

The Bank maintains balances with the Federal Reserve Bank for reserve requirements under the Federal Reserve Act and for clearing requirements. As of December 31, 2011 and 2010, the required balances for reserve were $4,348,000 and $4,224,000, respectively and the required balance for clearing was $1,000,000.

11. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

The Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financial needs of its customers. These financial instruments include standby letters of credit, commercial letters of credit, and commitments to extend credit ("loan commitments"). These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheet.

The contractual amount of these financial instruments represents maximum possible credit risk should the counterparty draw down the commitment or the Bank fulfill its obligation under the guarantee, and the counterparty subsequently fails to perform according to the terms of the contract. Most of these commitments and guarantees expire without a default occurring or without being drawn. As a result, the total contractual amount of these instruments is not, in the Bank's view, representative of the Bank's actual future credit exposure or funding requirements.

Off-Balance Sheet Lending-Related Financial Instruments — Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. At December 31, 2011 and 2010, more than 99% and 95%, respectively, of the standby letters of credit mature within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Bank typically has recourse to recover from the customer any amounts paid under these guarantees; in addition, the Bank may hold cash or real estate as collateral to support these guarantees. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's evaluation of the counterparty. At December 31, 2011 and 2010, the maximum potential future payments that the Bank could be required to make under the standby letters of credit were $9,306,904 and $11,176,013, respectively.

Commercial letters of credit are agreements to pay only when a customer has complied with predetermined conditions and the underlying transaction is consummated as intended. These agreements generally expire on fixed dates and are primarily used as a mechanism to facilitate international trade. At December 31, 2011 and 2010, the Bank had outstanding commercial letters of credit of $6,363,935, $7,387,990, respectively.

Notes to Financial Statements

Loan commitments are legally binding agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and require payment of a fee. The Bank evaluates each customer's creditworthiness on a case by case basis prior to approving a commitment, advancing funds under a commitment, and determining the related collateral requirement. Collateral held includes real estate. At December 31, 2011, the Bank had outstanding loan commitments of $2,606,000.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Bank applies the FASB ASC 820 guidance that:

• Defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and establishes a framework for measuring fair value;

• Establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date;

•Expands disclosures about instruments

The guidance establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active market that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an assets or liability. Items valued using internal valuation techniques are classified according to the lowest level input that is significant to the valuation, and are typically classified as Level 3.

Fair value is based upon quoted market data when available. If listed prices or quotes are not available, the Bank considers relevant and observable market prices in its valuations where possible. The frequency of transaction, the size of the bid-ask spread and the amount of adjustment necessary when comparing similar transactions are all factors in determining the liquidity of markets and the relevance of observed prices in those markets.

Following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.ypically significant and result in Level 3 inputs for determining fair value. Impaired loans are reviewed and evaluated on at least quarterly basis for additional impairment and adjusted accordingly, based on same factors described above.

Notes to Financial Statements

Securities Available for Sale — The fair values of securities available for sale are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities relationship to other benchmark quoted securities (Level 2 inputs).

Impaired Loans — The guidance applies to loans measured for impairment using practical expedients, including impaired loans measured at the fair value of the loan's collateral (if the loan is collateral dependent). Fair value of the loan's collateral, when the loan is dependent on collateral, is determined by qualified licensed appraisers hired by the Bank. Appraised and reported values may be discounted based on management's historical knowledge, changes in market conditions from the time of valuation, and/or management's expertise and knowledge of the customer and customer's business. Such discounts are typically significant and result in Level 3 inputs for determining fair value. Impaired loans are reviewed and evaluated on at least quarterly basis for additional impairment and adjusted accordingly, based on same factors described above.

Assets and Liabilities Measured on a Recurring Basis under ASC 820 — Assets and liabilities measured at fair value on a recurring basis are summarized below:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31
Assets at December 31, 2011:				
Securities available-for-sale				
Corporate debt securities	$ -	$ 9,934,700	$ -	$ 9,934,700
Mortgage-backed securities	-	2,928,574	-	2,928,574
Debt securities issued by U.S. government corporations and agencies	-	56,800,123	-	56,800,123
Debt securities issued by states and political subdivisions of United States	-	596,071	-	596,071
Total available-for-sale securities	$ -	$ 70,259,468	$ -	$ 70,259,468
Assets at December 31, 2010:				
Securities available-for-sale				
Corporate debt securities	$ -	$ 9,855,592	$ -	$ 9,855,592
Mortgage-backed securities	-	3,821,353	-	3,821,353
Debt securities issued by U.S. government corporations and agencies	-	79,356,934	-	79,356,934
Debt securities issued by states and political subdivisions of United States	-	562,948	-	562,948
Total available-for-sale securities	$ -	$ 93,596,827	$ -	$ 93,596,827

Transfers of securities among the levels occur at the end of the reporting period. There were no transfers between Level 1 and Level 2 for the year ended December 31, 2011.

Notes to Financial Statements

Assets and Liabilities Measured on a Non-Recurring Basis under ASC 820 — The following table presents the financial instruments measured at fair value on a non-recurring basis as of December 31, 2011. The valuation methodology used to measure the fair value of these loans is described above.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31
Assets at December 31, 2011:				
Impaired loans-collateral dependent				
Commercial real estate loans	$ -	$ -	$ 20,289,941	$ 20,289,941
Residential	-	-	2,063,774	2,063,774
Commercial business	-	-	1,542,108	1,542,108
Small Business Administration	-	-	461,987	461,987
Trust receipts	-	-	-	-
Line of credit	-	-	487,509	487,509
Other	-	-	-	-
Total Impaired loans-collateral dependent	$ -	$ -	$ 24,845,319	$ 24,845,319
Other real estate owned	$ -	$ -	$ 480,090	$ 480,090
Assets at December 31, 2010:				
Impaired loans-collateral dependent				
Commercial real estate loans	$ -	$ -	$ 9,278,698	$ 9,278,698
Residential	-	-	1,998,472	1,998,472
Commercial business	-	-	1,233,711	1,233,711
Small Business Administration	-	-	349,405	349,405
Trust receipts	-	-	-	-
Line of credit	-	-	800,000	800,000
Other	-	-	-	-
Total Impaired loans-collateral dependent	$ -	$ -	$ 13,660,286	$ 13,660,286
Other real estate owned	$ -	$ -	$ 2,504,462	$ 2,504,462

As December 31, 2011 and 2010, impaired loans, which are measured for impairment using the fair value of the collateral, had a net carrying amount of $24,845,319 and 13,660,286 with a valuation allowance of $1,762,877 and $2,360,329, respectively. The adjustment to fair value resulted in a reversal of provision for loan losses of $597,452 and $8,507,391 in 2011 and 2010, respectively.

Financial Disclosures of Estimated Fair Value — The Bank is required to disclose the estimated fair values of financial statements and the methods and significant assumptions used to estimate their fair values. Substantially all of the Bank's assets and liabilities and off-balance-sheet products are considered financial instruments. Financial instruments that are not carried at fair value on the Bank's balance sheets are discussed below. Additionally, certain financial instruments and all nonfinancial instruments are excluded from the scope of the guidance that requires such disclosure.

Notes to Financial Statements

Financial Instruments for Which Fair Value Approximates Carrying Value — Certain financial instruments that are not carried at fair value on the balance sheets are carried at amounts that approximate fair value due to their short-term nature and generally negligible credit risk. These instruments include cash and due from banks, deposits with banks, federal funds sold, short- erm receivables and accrued interest receivable, other borrowed funds, accounts payable and accrued liabilities. In addition, the guidance requires that the fair value for deposit liabilities with no stated maturity (i.e., demand, savings and certain money market deposits) be equal to their carrying value

Financial Instruments for Which Fair Value Does Not Approximate Carrying Value:

Loans — The majority of the Bank's loans are not carried at fair value on a recurring basis on the balance sheets nor are they actively traded. Fair value for the majority of loans are estimated using discounted cash flow analyses based on prevailing market spreads for credit currently being offered for loans with similar credit quality and additionally liquidity risk and general market conditions are also considered in the valuation process.

Time Deposits — Fair values of time deposits are estimated by discounting cash flows using the appropriate market rates for the applicable maturity.

Loan Commitments and Letters of Credit — The Bank had outstanding loan commitments of $2,606,000 and $0 as of December 31, 2011 and 2010, respectively. The fair values of letters of credit are estimated on the basis of the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counter parties, or on the estimated costs to terminate them or otherwise settle the obligations with the counterparties at the reporting date. The fair value of such items is not material to the financial statements.

The following table presents the carrying value and estimated fair value of financial assets and liabilities.

	December 31, 2011		**December 31, 2010**	
	Carrying Amount	**Estimated Fair Value**	**Carrying Amount**	**Estimated Fair Value**
Financial assets				
Cash and due from banks	$ 161,478,693	$ 161,478,693	$ 230,137,664	$ 230,137,664
Interest-bearing deposits	7,000,000	7,000,000	5,250,000	5,250,000
Federal funds sold	27,000,000	27,000,000	-	-
Securities available-for-sale	70,259,468	70,259,468	93,596,827	93,596,827
Securities held-to-maturity	1,705,351	1,830,174	1,986,312	2,107,531
Loans, net	652,829,748	647,359,553	679,593,294	659,645,140
Accrued interest receivable	2,845,987	2,845,987	3,387,479	3,387,479
Financial liabilities				
Deposit liabilities	822,602,850	822,602,850	920,573,115	923,803,886
Accrued interest payable	3,084,363	3,084,363	3,510,971	3,510,971

Notes to Financial Statements

13. TRANSACTION WITH RELATED PARTY

The Bank conducts business transactions and maintains balances with the Parent in the ordinary course of business. At December 31, 2011 and 2010, these balances were $1,546,394 and $1,148,697, respectively, of noninterest bearing deposits made by the Parent. During 2011, the Bank paid $140,319 to the Parent for the management advisory services and supports that the Parent provided. During 2010, the Bank sold loans with net carrying value of $24,294,144 to its affiliate, WR Investment America, LLC, and recognized no gain or loss from this transaction. (See Note 4)

14. SUBSEQUENT EVENTS

The Bank has performed an evaluation of events that have occurred subsequent to December 31, 2011, and through March 7, 2012, which is the date the financial statements were available to be issued. There have been no material subsequent events that occurred during such period that would require disclosure in the financial statements or would be required to be recognized in the financial statements.

Disclaimer Statement

The FDIC has not reviewed the information contained therein: “This statement has not been reviewed, or confirmed for accuracy or relevance, by the Federal Deposit Insurance Corporation.”