Annual Disclosure Statement
2012

EQUAL HOUSING LENDER MEMBER FDIC

WOORI AMERICA BANK

Contents

I. Bank Profile - Milestones

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 Anniversary		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

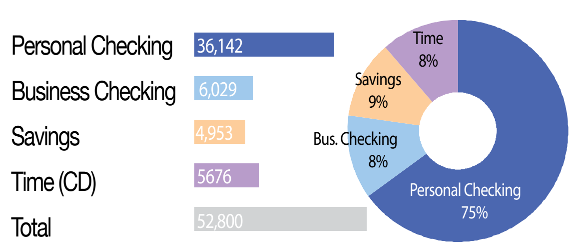
The Bank is a leading local community bank that operates 17 branches in six states (NY, NJ, PA, VA, MD, CA). The Bank contributes to the regional local economy with specialized Korean community-oriented financial services for both SMEs and retail banking clients. The Bank has total of 67 thousands accounts including 7.1 thousands business accounts.

Network Presence

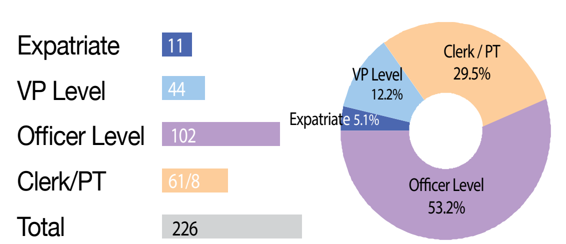
WAB Branches

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

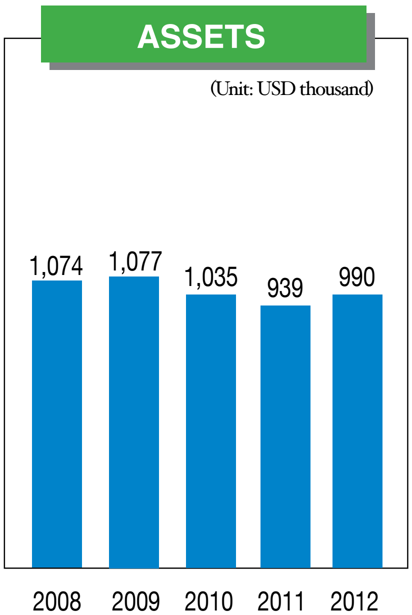
of Customer Account

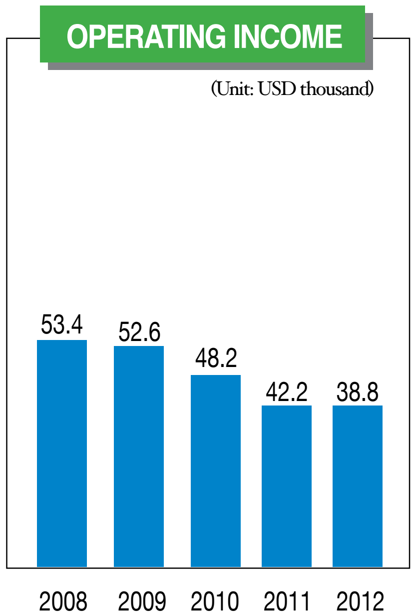


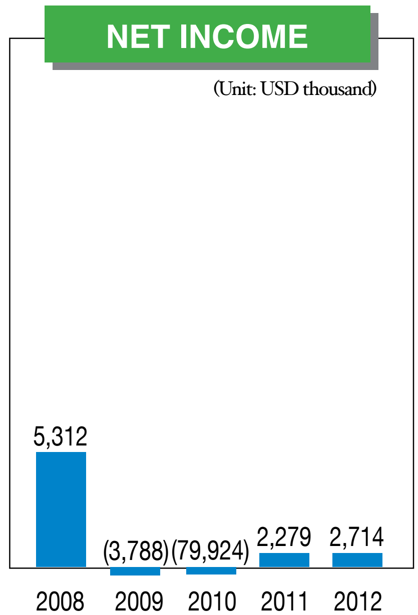
of Employee Status



II. Financial Performance Analysis - Highlight







[Assets & Liabilities Trend]

(Unit: USD Thousand)

Type	2008	2009	2010	2011	2012
Loan	865,706	819,793	712,180	677,843	742,483
Investment	100,798	96,490	93,597	70,259	93,483
Others	107.069	160.482	229,643	191,277	154,279
Assets	1,073,573	1,076,765	1,035,420	939,379	990,245
Deposit	943,614	949,262	920,573	822,603	878,578
Equity	1119,542	116,289	106,446	108,849	111,667

[Income Statement Trend]

(Unit: USD Thousand)

Type	2008	2009	2010	2011	2012
Operating Income	52,027	48,281	42,211	40,149	38,802
Net Interest Income	42,948	39,770	34,310	32,777	31,469
Non Interest Income	9,079	8,511	7,901	7,372	7,333
Operating Expenses	31,485	34,177	60,038	33,782	34,102
Corp. Tax	4,140	(2,157)	1,609	170	235
Net Income	5,312	(3,788)	(79,924)	2,279	2,714

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INDEPENDENCE AUDITORS' REPORT

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

We have audited the accompanying financial statements of Woori America Bank (the "Bank"), a wholly-owned subsidiary of Woori Bank, Seoul, Korea, which comprise the balance sheets as of December 31, 2012 and 2011, and the related statements of comprehensives income, changes in stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2012 and 2011, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting
We have also audited, in accordance with attestation standards established by the American Institute of Certified Public Accountants, the Company's internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 20, 2013 not presented herein expressed an unmodified opinion on the Company's internal control over financial reporting.

Deloitte & Touche LLP

March 10, 2013

Balancec Sheets (DECEMBER 31, 2012 AND 2011)

In US Dollars	*2012*	*2011*
ASSETS		
CASH AND DUE FROM BANKS	$ 65,677,783	$ 161,478,693
FEDERAL FUNDS SOLD	15,000,000	27,000,000
INTEREST-BEARING DEPOSITS	81,500,000	7,000,000
SECURITIES AVAILABLE-FOR-SALE, at fair value	93,482,873	70,259,468
SECURITIES HELD-TO-MATURITY, at amortized cost (fair value of $1,200,798 and $1,830,174 as of December 31, 2012 and 2011, respectively)	1,115,589	1,705,351
LOANS:		
Loans	742,483,232	677,843,034
Deferred loan fees, net	(1,204,547)	(757,651)
Allowance for loan losses	(21,526,677)	(24,255,635)
Net loans	719,752,008	652,829,748
PROPERTY AND EQUIPMENT, net	4,723,134	5,579,312
ACCRUED INTEREST RECEIVABLE	3,309,364	2,845,987
PREPAID EXPENSES	2,024,295	7,113,041
CORE DEPOSIT INTANGIBLE, net	220,800	515,200
OTHER ASSETS	3,439,055	3,052,543
TOTAL ASSETS	$ 990,244,901	$ 939,379,343
LIABILITIES AND STOCKHOLDER'S EQUITY		
DEPOSITS:		
Noninterest-bearing demand	$ 409,980,769	$ 3 88,226,625
Interest-bearing demand and savings	291,932,392	2 48,804,681
Time deposits	168,991,823	1 85,571,544
Total deposits	870,904,984	8 22,602,850
ACCRUED INTEREST PAYABLE	2,242,310	3,084,363
OTHER LIABILITIES	5,430,502	4,842,877
Total liabilities	878,577,796	8 30,530,090
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	1 22,500,000
Capital surplus	7,500,000	7,500,000
Accumulated deficit	(18,499,750)	(21,214,215)
Accumulated other comprehensive income, net of tax	166,855	63,468
Total stockholder's equity	111,667,105	108,849,253
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$ 990,244,901	$ 9 39,379,343

See notes to financial statements.

STATEMENTS OF COMPREHENSIVE INCOME (YEARS ENDED DECEMBER 31, 2012 AND 2011)

In US Dollars	*2012*	*2011*
INTEREST INCOME:		
Interest and fees on loans	$ 32,938,560	$ 37,158,996
Interest on federal funds sold and interest-bearing deposits	1,030,289	375,911
Interest on securities	965,092	634,486
Interest on bills bought	15,823	15,265
Total interest income	34,949,764	38,184,658
INTEREST EXPENSES:		
Interest on deposits	3,480,621	5,407,901
Interest on short-term borrowings	401	18
Total interest expenses	3,481,022	5,407,919
NET INTEREST INCOME	31,468,742	32,776,739
PROVISION FOR LOAN LOSSES	1,750,000	3,971,860
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	29,718,742	28,804,879
NONINTEREST INCOME:		
Service charges on deposit accounts	3,466,051	3,245,335
Other service charges and fees	3,263,843	4,053,358
Gain on sale of securities	385,424	-
Gain on sale of loans	112,111	-
Other	105,418	73,229
Total noninterest income	7,332,847	7,371,922
NONINTEREST EXPENSES:		
Salaries and employee benefits	16,181,078	15,561,959
Occupancy	4,614,479	4,645,952
Electronic data processing	2,963,022	2,809,333
Depreciation and amortization	2,199,586	2,001,346
Regulatory assessment fee	1,147,346	1,156,906
Other operating expenses	6,996,330	7,552,140
Total noninterest expenses	34,101,841	33,727,636
INCOME BEFORE INCOME TAXES	2,949,748	2,449,165
PROVISION FOR INCOME TAXES	235,283	169,764
NET INCOME	2,714,465	2,279,401
OTHER COMPREHENSIVE INCOME — Unrealized gains on available-for-sale securities, net of taxes	103,387	123,167
COMPREHENSIVE INCOME	$ 2,817,852	$ 2,402,568

See notes to financial statements.

STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
(YEARS ENDED DECEMBER 31, 2012 AND 2011)

	Number of Shares of Common Stock	Common Stock	Capita Surplus	Retained Earnings (Accumulated Deflict)	Accumulated Other Comprehensive Income (Loss)	Total
Balance - January 1, 2011	24,500,000	$122,500,000	$7,500,000	$(23,493,616)	$(59,699)	$106,446,685
Net income				2,279,401		2,279,401
Other comprehensive income - Net change in unrealized gain on available for sale securities					123,167	123,167
Balance - December 31, 2011	24,500,000	122,500,000	7,500,000	(21,214,215)	63,468	108,849,253
Net income				2,714,465		2,714,465
Other comprehensive income, net of taxes:						
Reclassification adjustment for realized loss for securities sold included in net income - net of tax of approximately	$164,000				(230,315)	
Net change in unrealized loss on securities available for sale — net of tax of approximately	$238,000				333,702	
BALANCE AT DECEMBER 31, 2012	24,500,000	$122,500,000	$7,500,000	$(18,499,750	$166,855	$111,667,105

See notes to financial statements.

Statement of Cash Flows (YEARS ENDED DECEMBER 31, 2012 AND 2011)

	2012	*2011*
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 2,714,465	$ 2,279,401
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,199,586	2,001,346
Provision for loan losses	1,750,000	3,971,860
Gain on disposal of property and equipment	(4,445)	-
Gain on disposal of Investments	(394,222)	-
Gain on disposal of OREO	(112,111)	-
Net amortization of securities	264,071	122,007
Changes in assets and liabilities:		
Decrease(Increase) in accrued interest receivable	(463,377)	541,492
Decrease in prepaid expenses	5,088,746	1,347,352
Decrease (increase) in other assets	(130,179)	2,851,445
Decrease in accrued interest payable	(842,053)	(426,608)
Increase(decrease) in other liabilities	513,408	(46,286)
Net cash provided by operating activities	10,583,889	12,642,009
CASH FLOWS FROM INVESTING ACTIVITIES:		
Activity in available-for-sale securities:		
Purchases	(84,722,426)	(25,078,221)
Proceeds from prepayments	1,660,024	3,512,659
Proceeds from maturities	48,000,000	45,000,000
Proceeds from sales of investments	12,153,650	-
Activity in held-to-maturity securities		-
Proceeds from prepayments	582,863	275,502
Proceeds from sales of OREO	1,039,555	-
Loan originations and principal collections, net	(87,036,472)	14,952,242
Proceeds from sale of property and equipment	17,296	-
Purchase of interest-bearing deposits	(74,500,000)	(1,750,000)
Net increase in bills bought	(188,697)	-
Proceeds from sale of loans	17,369,132	7,358,553
Purchase of property and equipment	(1,061,859)	(601,449)
Net cash used in (provided by) investing activities	(166,686,934)	43,669,286
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in noninterest-bearing demand deposits	21,754,145	38,183,845
Net increase (decrease) in interest-bearing demand and savings deposits	43,127,711	(107,936,267)
Net decrease in time deposits	(16,579,721)	(28,217,844)
Net cash provided by (used in) financing activities	48,302,135	(97,970,266)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(107,800,910)**	**(41,658,971)**
CASH AND CASH EQUIVALENTS, Beginning of year	**188,478,693**	**230,137,664**
CASH AND CASH EQUIVALENTS, End of year	**$80,677,783**	**$188,478,693**
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	$4,323,082	$5,834,527
Income Tax	$293,355	$280,354
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTMENT ACTIVITIES:		
Transfer from loans receivable to other real estate owned	$995,081	$480,890

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 Department of Financial Services ("NYS-DFS"). 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 NYSDFS. The Bank conducts its business through seventeen branches located in New York (4), New Jersey (5), Pennsylvania (1), 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 ("GAAP"). The preparation of financial statements in conformity with GAAP 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. Estimates which are particularly subject to significant change in the near future include valuation of the allowance for loan losses, valuation of investments and recognition of deferred tax assets and liabilities and related valuation allowance.

The Bank employs the following significant accounting policies:

Cash and Cash Equivalents — For purposes of reporting the statement of cash flows, cash and cash equivalents include cash on hand, amounts due from banks and federal funds sold, which have original maturities of less than 90 days. Cash deposited in Federal Reserve Bank accounts for 67% and 78% of total cash and cash equivalents in an amount of approximately $54 million and $147 million at December 31, 2012 and 2011, respectively.

Interest-Bearing Deposits — Interest-bearing deposits consist of Certificates of Deposits ("CD") with other depository institutions.

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 basis. Gains and losses on the sale of securities available-forsale are determined by the specific-identification method.

An other than temporary impairment ("OTTI") is recognized if the fair value of a debt security is lower than the amortized cost and 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.

The Bank performs detailed evaluation of the investment portfolio on a quarterly basis in assessing individual positions that have market values that have declined below cost. 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,

Notes to Financial Statements

(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 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.

A restructuring of a debt constitutes a troubled debt restructuring ("TDR") if the Bank for economic or legal reasons related to the borrower's financial difficulties grants a concession to the borrower that it would not otherwise consider. Restructured loans typically present an elevated level of credit risk as the borrowers are not able to perform according to the original contractual terms. Loans that are reported as TDRs are considered impaired and measured for impairment until they mature or are paid down.

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

Other Intangible Assets — 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 De-

Notes to Financial Statements

cember 31, 2012 and 2011.

Other Assets — Other assets are primarily comprised of membership stock at Federal Home Loan Bank system ("FHLB") of $1,183,700, security deposits of $1,013,452, other real estate owned ("OREO") of $548,537. As a system member, the Bank is entitled to borrow from the FHLB, and is required to own capital stock based on the capital of the Bank and which is carried at par value. OREO is measured at fair value less estimated costs to sell when acquired, establishing a new cost basis.

Noninterest-Bearing Demand — Noninterest-bearing demand are customer checking accounts, which may include service fees based on activity and balances.
Interest-Bearing Demand and Savings — Interest-bearing demand and savings are primarily comprised of negotiable order of withdrawal accounts, regular savings and money market accounts.

Time deposits — Time deposits are comprised of CD and Individual retirement accounts ("IRA"). The Bank offers several types of CDs with a maximum maturity of five years. The majorities of CDs have maturities of one to twelve months and typically pays simple interest credited monthly or at maturity. These accounts generally earn interest at rates established by management based on competitive market factors and management's desire to increase or decrease certain types or maturities of deposits.

Other Liabilities — Other liabilities are primarily comprised of security deposits of $1,945,633 received from customers in relation with credit cards, import guarantee money of $863,928, and deferred rent liability of $823,059.

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 Off-Balance Sheet Commitments — The Bank analyzes its legally binding off-balance sheet commitments for probable losses associated with such commitments. The Bank

Notes to Financial Statements

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 records a liability in a similar manner as if a loan was granted under the terms of the commitment. At December 31, 2012 and 2011, the allowance for guarantees amounted to approximately $52,000 (included in other liabilities).

Interest Income — The Bank's primary source of revenue is interest income, which is derived from earnings assets such as loans, federal funds sold and interest-bearing deposits, and securities. Interest on loans is credited to income as earned and is accrued only if deemed collectible. Interest on securities is credited to income as earned and is accrued daily. Purchase premiums and discounts are amortized and recorded as interest income using the interest method over the estimated lives of the securities.

Recent Accounting Pronouncements — In June 2011, the Financial Accounting Standards Board ("FASB") issued new guidance regarding comprehensive income (Accounting Standards Update ("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 International Financial Reporting Standards ("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 adopted the guidance on January 1, 2012, and elected the single continuous statement of comprehensive income.

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 2011-12 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. The Bank adopted the guidance on January 1, 2012, and elected the single continuous statement of comprehensive income.

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 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 ASU 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. This fair value guidance will result in common fair value measurement and disclosure requirements for GAAP and IFRS. In addition, this guidance requires additional disclosures for fair value measurements categorized as Level 3, including quantitative information about the unobservable inputs and assumptions used in the fair value measurement, a description of the valuation policies and procedures, and a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs and the interrelationships between those unobservable inputs. In addition, disclosure of the amounts and reasons for all transfers in and out of Level 1 and Level 2 will be required. The adoption of this accounting guidance is effective for annual reporting periods beginning after December 15, 2011. The required disclosures are included in Note 12 of the Bank's financial statements.

In December 2011, the FASB issued ASU 2011-11, *Disclosures about Offsetting Assets and Liabilities,* which amends Accounting Standards Codification ("ASC") 210, *Balance Sheet*. The amendment requires the Bank to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. The amended guidance is effective for periods beginning on or after January 1, 2013, and the Bank is currently evaluating the impact of the adoption of ASU 2011-11.

In January 2013, the FASB issued ASU No. 2013-01, *Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities*. The amendments clarify that the scope of ASU No. 2011-11 applies to derivatives, and repurchase agreements and reverse repurchase agreements, that are either offset in accordance with ASC 210-20-45, *Balance Sheet Offsetting,* or ASC 815-10-45, *Derivatives and Hedging -Balance Sheet Netting,* or subject to an enforceable master netting arrangement or similar agreement. The effective date of this ASU is the same as the effective date of ASU 2011-11, and the Bank is currently evaluating the impact that the adoption of these ASUs will have on its financial statements.

In February 2013, the FASB issued ASU No. 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (Topic 220)*, which requires the Bank to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, the Bank is required to present, either on the face of the statement where net income is presented or in the notes to the financial statements, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required to be reclassified to net income in its entirety in the same reporting period under GAAP. The update is effective prospectively for reporting periods beginning after December 15, 2012. The Bank is currently evaluating the impact that the adoption of this ASU will have on its financial statements.

In February 2013, the FASB issued ASU 2013-03, *Clarifying the Scope and Applicability of a Particular Disclosure to Nonpublic Entities.* The amendments clarify that certain requirements of ASU 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs,* apply to nonpublic entities that have total assets of $100 million or more or that have one or more derivative financial instrument. The Bank has therefore adopted ASU 2011-04, and the required disclosures are included in Note 12 of the Bank's financial statements.

Notes to Financial Statements

3. Securities

The amortized cost and fair value of debt securities at December 31, 2012 and 2011 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2012:				
Securities available-for-sale:				
Corporate debt securities	$ 26,121,033	52,597	57,797	$ 26,115,833
Mortgage-backed securities	2,525,013	110,969	581	2,635,401
Debt securities issued by U.S. government corporations and agencies	58,845,393	107,224	9,567	58,943,050
Debt securities issued by states and political subdivisions of United States	5,705,836	113,147	30,394	5,788,589
Total available-for-sale securities	$ 93,197,275	$ 383,937	$ 98,339	$ 93,482,873
Securities held-to-maturity:				
Mortgage-backed securities	$ 1,115,589	$ 85,209	$ -	$ 1,200,798
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	$ 195,056	$ 87,063	$ 70,259,468
Securities held-to-maturity:				
Mortgage-backed securities	$ 1,705,351	$ 124,823	$ -	$ 1,830,174

Notes to Financial Statements

The amortized cost and fair value of debt securities at December 31, 2012 and 2011, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	**Estimated Fair Value**	**Amortized Cost**	**Estimated Fair Value**
December 31, 2012:				
Due in one year or less	$ 15,027,299	$ 15,030,865	$ -	$ -
Due after one year through five years	70,764,917	70,847,051	-	-
Due after five years through ten years	2,298,652	2,311,571	-	-
Due after ten years	2,581,394	2,657,985	-	-
	90,672,262	90,847,472	-	-
Mortgage-backed securities	2,525,013	2,635,401	1,115,589	1,200,798
Total securities	$ 93,197,275	$ 93,482,873	$ 1,115,589	$ 1,200,798
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

During 2012, the Bank sold three available-for-sale securities for USD 12,153,650 and the gain on disposal of securities was USD 394,222. There was no disposal of any available-for-sale securities during 2011.

Certain securities are pledged to Federal Reserve Bank to secure discount window advances. The carrying value of pledged securities was approximately $3,844,000 and $995,000 at December 31, 2012 and 2011, respectively.

Notes to Financial Statements

Information pertaining to securities with gross unrealized losses at December 31, 2012 and 2011 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, 2012:				
Securities available-for-sale:				
Corporate debt securities	$ 57,797	$ 12,391,372	$ -	$ -
Mortgage-backed securities	-	-	581	75,983
Debt securities issued by U.S. government corporations and agencies	6,218	9,993,782	3,350	470,755
Debt securities issued by states and political subdivisions of United States	30,394	1,711,691	-	-
Total securities available-for-sale with gross unrealized losses	$ 94,409	$ 24,096,845	$ 3,931	$ 546,738
December 31, 2011:				
Securities available-for-sale:				
Corporate debt securities	$ 29,646	$ 4,966,200	$ 31,416	$ 4,968,500
Mortgage-backed securities	-	-	41	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 subdivisions of United States	-	-	-	-
Total securities available-for-sale with gross unrealized losses	$ 37,920	$ 19,952,327	$ 49,143	$ 22,118,803

At December 31, 2012 and 2011, four available-for-sale securities within the corporate debt securities category have unrealized losses of approximately 0.22% and 0.61%, 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, 2012 and 2011, one available-for-sale security within the mortgage-backed securities category has unrealized losses of approximately 0.023% and 0.016%, 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, 2012 and 2011, 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 0.02% and 0.04%, respectively, from the Bank's amortized cost basis.

At December 31, 2012, two available-for-sale securities within the debt securities issued by states and political subdivisions of United States category have unrealized losses of approximately 0.53% 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, 2012 and 2011. There are no known current funding needs which would require their liquidation.

4. LOANS

Major classifications of loans at December 31, 2012 and 2011 are as follows:

	2012	2011
Commercial real estate	$ 471,723,765	$ 410,279,455
Residential real estate	181,361,190	170,609,410
Commercial business	43,231,852	54,815,093
Small business administration	13,569,257	8,617,990
Trust receipts	13,288,428	13,157,619
Line of credit	13,275,806	15,235,026
Other	6,032,934	5,128,441
	742,483,232	677,843,034
Less:		
Deferred loan origination fees, net	(1,204,547)	(757,651)
Allowance for loan losses	(21,526,677)	(24,255,635)
Net loans	$ 719,752,008	$ 652,829,748

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, 2012 and 2011, non-accrual loans, segregated by class of loans, were as follows:

	2012	2011
Commercial real estate	$ 5,647,533	$ 17,830,108
Residential real estate	666,136	2,268,665
Commercial business	38,803	1,625,429
Small business administration	436,328	465,814
Trust receipts	-	-
Line of credit	296,909	1,024,443
Other	24,300	1,608
Total	$ 7,110,009	$ 23,216,067

Notes to Financial Statements

Had interest on these non-accrual loans been accrued, such interest would have amounted to approximately $429,000 and $1,690,000 for 2012 and 2011, respectively.

A summary of past due loans, segregated by class of loans, as of December 31, 2012 and 2011 follows:

December 31, 2012:

	Loans 30-89 Days Past Due	Loans 90 or More Days Past Due	Total Past Due Loans	Current Loans	Total Loans	Accruing Loans 90 or More Days Past Due
Commercial real estate	$ 1,180,569	$ 4,561,886	$ 5,742,455	$ 465,981,310	$ 471,723,765	$ -
Residential real estate	149,123	666,136	815,259	180,545,931	181,361,190	-
Commercial business	167,065	38,803	205,868	43,025,984	43,231,852	-
Small business administration	221,897	309,181	531,078	13,038,179	13,569,257	-
Trust receipts	-	-	-	13,288,428	13,288,428	-
Line of credit	8,833	296,909	305,742	12,970,064	13,275,806	-
Other	47,037	24,300	71,337	5,961,597	6,032,934	-
Total	$ 1,774,524	$ 5,897,215	$ 7,671,739	$ 734,811,493	$ 742,483,232	$ -

December 31, 2011:

	Loans 30-89 Days Past Due	Loans 90 or More Days Past Due	Total Past Due Loans	Current Loans	Total Loans	Accruing Loans 90 or More Days Past Due
Commercial real estate	$ 2,207,777	$ 10,974,028	$ 13,181,805	$ 397,097,650	$ 410,279,455	$ -
Residential real estate	154,438	2,038,677	2,193,115	168,416,295	170,609,410	-
Commercial business	-	847,356	847,356	53,967,737	54,815,093	-
Small business administration	294,691	247,612	542,302	8,075,688	8,617,990	-
Trust receipts	-	-	-	13,157,619	13,157,619	-
Line of credit	-	1,024,442	1,024,442	14,210,584	15,235,026	-
Other	-	26,500	26,500	5,101,941	5,128,441	-
Total	$ 2,656,906	$ 15,158,615	$ 17,815,520	$ 660,027,514	$ 677,843,034	$ -

Impaired Loans — Loans are considered impaired when, based on current information and events, it is probable the Bank will 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.

Impaired loans as of December 31, 2012 and 2011 are set forth in the following table. Interest income recognized on impaired loans subsequent to their classification as impaired amounted to approximately $220,000 and $0 for 2012 and 2011, respectively.

December 31, 2012:

	Unpaid Contractual Principal Balance	Recorded Investment with no Allowance	Recorded Investment with Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
Commercial real estate	$ 12,503,369	$ 6,649,517	$ 2,620,999	$,270,516	$ 205,095	$ 10,464,806
Res idential real estate	772,155	153,123	513,013	666,136	3,250	669,415
Commercial business	38,803	38,803	38,803	38,803	41,098	
Small business administration	562,890	482,788	-	482,788	161,323	538,114
Trust receipts		-	-	-	-	-
Line of credit	296,909	296,909	-	296,909	-	297,072
Other	-	-	-	-	-	-
Total	$ 14,174,126	$ 7,621,140	$ 3,134,012	$ 10,755,152	$ 408,471	$ 12,010,505

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	$ 27,336,513	$ 12,437,705	$ 8,388,447	$ 20,826,152	$ 536,211	$ 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	26,368	-	4,438	4,438	4,439	5,334
Total	$ 38,828,678	$ 13,895,581	$ 12,712,615	$ 26,608,196	$ 1,762,877	$ 29,914,60

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.

Loans with classification of pass, special mention and substandard at December 31, 2012 and December 31, 2011 are presented in the following table by major loan type:

December 31, 2012:

	Pass Special	Mention	Substandard	Doubtful	Loss	Total
Commercial real estate	$ 432,029,986	$ 18,476,086	$ 21,012,597	$ -	$ 205,095	$ 471,723,764
Residential real estate	176,542,921	2,395,209	2,419,810	-	3,250	181,361,190
Commercial business	42,004,731	788,864	399,454	-	38,803	43,231,852
Small business administration	12,636,609	200,879	570,446	-	161,323	13,569,257
Total	$ 663,214,247	$ 21,861,038	$ 24,402,307	$ -	$ 408,471	$ 709,886,063

December 31, 2011:

	Pass Special	Mention	Substandard	Doubtful	Loss	Total
Commercial real estate	$ 348,534,432	$ 28,822,023	$ 32,866,630	$ -	$ 56,370	$ 410,279,455
Residential real estate	165,399,569	1,072,644	4,137,197	-	-	170,609,410
Commercial business	48,541,382	1,385,363	4,548,589	-	339,759	54,815,093
Small business administration	6,755,482	1,100,720	761,788	-	-	8,617,990
Total	$ 569,230,865	$ 32,380,749	$ 42,314,205	$ -	$ 396,129	$ 644,321,948

Notes to Financial Statements

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 2012 and 2011 are as follows:

	2012	2011
Balance, beginning of year	$ 24,255,635	$ 31,755,487
Charge-offs	(7,535,191)	(12,219,805)
Provisions for loan losses	1,750,000	3,971,860
Recoveries	3,056,233	748,093
Balance, end of year	$ 21,526,677	$ 24,255,635

The Bank's recorded investment in loans as of December 31, 2012 and 2011 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, 2012

	Commercial Real Estate	Residential Real Estate	Commercial Business	Small Business Administration	Trust Receipts	Line of Credit	Other	Total
Loan balances:								
Loans individually evaluated for impairment	$ 9,270,516	$ 666,136	$ 38,803	$ 482,788	$ -	$ 296,909	$ -	$ 10,755,152
Loans collectively evaluated for impairment	462,453,249	180,695,054	43,193,049	13,086,469	13,288,428	12,978,897	6,032,934	731,728,080
Ending balance	$ 471,723,765	$ 181,361,190	$ 43,231,852	$ 13,569,257	$ 13,288,428	$ 13,275,806	$ 6,032,934	$ 742,483,232
Allowance for loan losses:								
Loans individually evaluated for impairment	$ 205,095	$ 3,250	$ 38,803	$ 161,323	$ -	$ -	$ -	$ 408,471
Loans collectively evaluated for impairment	13,702,169	2,851,113	3,269,471	712,830	96,840	431,598	54,185	21,118,206
Total	$ 13,907,264	$ 2,854,363	$ 3,308,274	$ 874,153	$ 96,840	$ 431,598	$ 54,185	$ 21,526,677

December 31, 2011

	Commercial Real Estate	Residential Real Estate	Commercial Business	Small Business Administration	Trust Receipts	Line of Credit	Other	Total
Loan balances:								
Loans individually evaluated for impairment	$ 20,826,152	$ 2,268,665	$ 2,018,684	$ 65,814	$ -	$ 1,024,443	$ 4,438	$ 26,608,196
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	651,234,838
Ending balance	$ 410,279,455	$ 170,609,410	$ 54,815,093	$ 8,617,990	$ 13,157,619	$ 15,235,026	$ 5,128,441	$ 677,843,034
Allowance for loan losses:								
Loans individually evaluated for impairment	$ 536,211	$ 204,891	$ 476,576	$ 3,827	$ -	$ 536,934	$ 4,438	$ 1,762,877
Loans collectively evaluated for impairment	12,300,205	3,962,827	4,766,548	792,741	237,564	377,155	55,718	22,492,758
Total	$ 12,836,416	$ 4,167,718	$ 5,243,124	$ 796,568	$ 237,564	$ 914,089	$ 60,156	$ 24,255,635

Notes to Financial Statements

During 2012 and 2011, the Bank sold classified loans with a net carrying amount of $16,574,255 and $7,358,553, respectively. The total sales proceeds after deducting relevant sales expenses were $17,369,132 and $7,358,553, resulting in a gain of $794,877 and $0, which are included as recoveries in allowance for loan losses in the accompanying balance sheet for the years ended December 31, 2012 and 2011, respectively.

The following table summarizes the TDRs that occurred for the years ended December 31, 2012 and 2011 and their effect on the allowance for credit losses by class of financing receivables.

	2012			2011		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Pre-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Pre-Modification Outstanding Recorded Investment
Troubled Debt Restructurings						
Commercial real estate	1	$ 131,080	$ 131,080	-	$ -	$ -
Residential real estate	-	-	-	-	-	-
Commercial business	-	-	-	1	2,429,410	2,429,410
Small business administration	-	-	-	-	-	-

	Number of Contracts	Recorded Investment	Number of Contracts	Recorded nvestment
Troubled Debt Restructurings				
That Subsequently Defaulted				
Troubled debt restructurings:				
Commercial real estate	1	$ 729,961	-	$ -
Residential real estate	-	-	-	-
Commercial business	-	-	1	733,337
Small business administration	-	-	-	-

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, 2012 and 2011, respectively.

	2012	2011
Commercial real estate	$ 4,484,024	$ 5,650,891
Commercial business	-	733,337
Total	$ 4,484,024	$ 6,384,228

No loans are pledged at December 31, 2012 and 2011.

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, 2012 and 2011 were as follows:

	2012	2011
Land	$ 566,000	$ 566,000
Buildings	2,091,196	2,091,196
Furniture and equipment	7,491,327	6,845,956
Software	1,371,844	1,219,058
Leasehold improvements	5,935,964	6,413,473
	17,456,331	17,135,683
Less: Accumulated depreciation and amortization	(12,733,197)	(11,556,371)
Property and equipment, net	$ 4,723,134	$ 5,579,312

Total depreciation expense for the years ended December 31, 2012 and 2011 was $1,905,186 and $1,706,946, respectively.

6. OTHER INTANGIBLE ASSETS

The gross carrying amount and accumulated amortization related to core deposit intangible at December 31, 2012 and 2011 are presented below:

	2012	2011
Gross carrying amount	$ 2,944,000	$ 2,944,000
Accumulated amortization	(2,723,200)	(2,428,800)
Core deposit intangible, net	$ 220,800	$ 515,200

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 both years of 2012 and 2011. The Bank estimates that aggregate amortization expense will be approximately $220,800 for 2013.

Notes to Financial Statements

7. TIME DEPOSITS

At December 31, 2012, the scheduled maturities of time deposits are as follows:

2013	$ 132,720,735
2014	20,875,182
2015	10,414,910
2016	1,474,285
2017	1,299,817
Thereafter	2,206,894
Total deposits	$ 168,991,823

The aggregate amount of time deposits in denomination of $100,000 or more was $104,033,192 and $106,995,239 at December 31, 2012 and 2011, respectively.

8. INCOME TAXES

A summary of the income tax expense (benefit) for the years ended December 31, 2012 and 2011 is as follows:

	2012	**2011**
Current taxes		
Federal	$ 302,727	$ (57,874)
State and local	(67,444)	227,638
	235,283	169,764
Deferred taxes		
Federal	-	-
State and local	-	-
	-	-
Total income taxes	$ 235,283	$ 169,764

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 2012.

Notes to Financial Statements

At December 31, 2012 and 2011, the components of the Bank's net deferred tax assets are as follows:

	2012	2011
Deferred tax assets		
Net operating loss carryforwards	$ 10,299,412	$ 11,753,192
Allowance for loan losses	8,780,306	8,859,267
Depreciation	1,661,553	1,328,293
Deferred rent	342,203	446,840
Charitable contribution	311,489	222,903
Non-accrual interest	174,277	322,452
AMT tax credit	306,547	-
Bonus accrual	119,609	-
Intangible assets	-	6,527
	21,995,396	22,939,474
Deferred tax liabilities		
Amortization of core deposit intangible	91,802	212,427
Unrealized gain on securities available-for-sale	118,744	44,526
	210,546	256,953
Total deferred tax assets	21,784,850	22,682,521
Less: Valuation allowance	(21,903,593)	(22,727,047)
Net deferred tax liabilities	$ (118,743)	$ (44,526)

The Bank has established a full valuation allowance at December 31, 2012 and 2011 because it is more likely than not that the net deferred tax assets will not be realized. The change in valuation allowance during 2012 and 2011 was a decrease of $823,454 and $1,108,767, respectively. At December 31, 2012, the Bank had net operating loss carryforwards of approximately $24,771,000, 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 2012 and 2011. 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, 2009 through 2011 remain subject to examination.

9. COMMITMENT AND CONTINGENCIES

The Bank rents office space under twenty one non-cancelable operating leases with expiry dates of January 2013 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 non-cancelable operating leases with lease terms longer than one year:

Year Ending December 31	**Minimum Rentals**
2013	$ 3,530,827
2014	3,356,144
2015	2,910,428
2016	1,432,457
2017	1,103,020
Thereafter	3,640,925
Total minimum rental payments	$ 15,973,801

Total rent expense related to such non-cancelable operating leases for the years ended December 31, 2012 and 2011 amounted to $4,058,410 and $3,912,188, respectively, which is included in Occupancy expenses in the Statements of Comprehensive Income.

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, 2012 and 2011 amounted to $2,602,434 and $2,529,682, respectively, which is include in Electronic data processing expenses in the Statement of Comprehensive Income.

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. Management evaluates its 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 estimable 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 2012 and 2011.

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, 2012 and 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, 2012 and 2011 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, 2012						
Total capital (to risk-weighted assets)	$ 119,986	17.55 %	$ 54,692	8.00 %	$ 68,365	10.00 %
Tier I capital (to risk-weighted assets)	111,279	16.28	27,346	4.00	41,019	6.00
Tier I capital (to average assets)	111,279	11.67	38,138	4.00	47,672	5.00
December 31, 2011						
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

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, 2012 and 2011, the required balances for reserve were $3,844,000 and $4,348,000, respectively, and the required balance for clearing was $0 and $1,000,000 as of December 31, 2012 and 2011, respectively.

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, 2012 and 2011, more than 93% and 99%, 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, 2012 and 2011, the maximum potential future payments that the Bank could be required to make under the standby letters of credit were $8,514,220 and $9,306,904, 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, 2012 and 2011, the Bank had outstanding commercial letters of credit of $5,293,516 and $6,363,935, respectively.

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, 2012 and 2011, the Bank had outstanding loan commitments of $4,211,000 and $2,606,000, respectively.

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 fram work 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.

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.

Securities Available for Sale — The securities available-for-sale includes agency securities, mortgagebacked securities, municipal securities, and corporate debt securities. 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). U.S. agency issued debt securities, agency mortgage-backed securities and municipal securities are measured primarily based on quoted market prices obtained from external pricing services and are categorized within Level 2 of the fair value hierarchy. Corporate debt securities are measured primarily using pricing data from external pricing services data from external providers and broker quotes, where available, prices observed for recently executed market transactions of comparable size, and bond spreads or credit default swap spreads of the issuer adjusted for basis differences between the swap curve and the bond curve. Corporate debt securities measured using these valuation methods are categorized within Level 2 of the fair value hierarchy.

Notes to Financial Statements

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.

Other real estate owned ("OREO") — OREO is measured at fair value less estimated costs to sell when acquired, establishing a new cost basis. Fair value is commonly based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process to adjust for differences between the comparable sales and income data available. The Bank records OREO as non-recurring with Level 3 measurement inputs.

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:

Assets at December 31, 2012:	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
Securities available-for-sale				
Corporate debt securities	$ -	$ 26,115,833	$ -	$ 26,115,833
Mortgage-backed securities	-	2,635,401	-	2,635,401
Debt securities issued by U.S. government corporations				
and agencies	-	58,943,050	-	58,943,050
Debt securities issued by states and political				
subdivisions of United States	-	5,788,589	-	5,788,589
Total available-for-sale securities	$ -	$ 93,482,873	$ -	$ 93,482,873
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

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, 2012.

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, 2012 and 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, 2012:				
Impaired loans - collateral dependent				
Commercial real estate loans	$ -	$ -	$ 9,065,421	$ 9,065,421
Residential	-	-	662,886	662,886
Commercial business	-	-	-	-
Small Business Administration	-	-	321,466	321,466
Trust receipts	-	-	-	-
Line of credit	-	-	296,909	296,909
Other	-	-	-	-
Total Impaired loans - collateral dependent	$ -	$ -	$ 10,346,682	$ 10,346,682
Other assets - other real estate owned	$ -	$ -	$ 548,537	$ 548,537
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 assets - other real estate owned	$ -	$ -	$ 480,090	$ 480,090

As December 31, 2012 and 2011, impaired loans, which are measured for impairment using the fair value of the collateral, had a net carrying amount of $10,346,682 and $24,845,319 with a valuation allowance of $$408,470 and 1,762,877, respectively. The adjustment to fair value resulted in a reversal of provision for loan losses of $1,838,848 and $597,452 in 2012 and 2011, respectively.

Quantitative information about the significant unobservable inputs (level 3) used in the fair value measurement for asset and liabilities measured on a recurring and non-recurring basis at December 31, 2012 is presented in the table below:

	Fair Value	Valuation Technique	Significant unobservable input	Range
Collateral dependent impaired loan	$ 10,346,682	Sales comparison approach	Adjustment for difference between comparable sales and expected sales amounts	% ~ 55%
OREO	548,537	Sales comparison approach	Adjustment for difference between comparable sales and expected sales amounts	31%

Notes to Financial Statements

Financial Disclosures of Estimated Fair 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, federal funds sold, interest-bearing deposits, short-term receivables and accrued interest receivable, noninterest-bearing demand, interest-bearing demand and savings, time deposits, and accrued interest payable. 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 $4,211,000 and $2,606,000 as of December 31, 2012 and 2011, 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 table below is a summary of the carrying value and estimated fair value at December 31, 2012 and December 31, 2011, for financial instruments, as defined by ASC 825-10, Financial Instruments, including those financial instruments for which the Company did not elect fair value option.

	December 31, 2012		December 31, 2011	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets				
Cash and due from banks	$ 65,677,783	$ 65,677,783	$ 161,478,693	$ 161,478,693
Federal funds sold	15,000,000	15,000,000	27,000,000	27,000,000
Interest-bearing deposits	81,500,000	81,500,000	7,000,000	7,000,000
Securities held-to-maturity	1,115,589	1,830,174	1,705,351	1,830,174
Loans, net	719,752,008	712,327,662	652,829,748	647,359,553
Accrued interest receivable	3,309,364	3,309,364	2,845,987	2,845,987
Financial liabilities				
Noninterest-bearing demand	409,980,769	409,980,769	388,226,625	388,226,625
Interest-bearing demand and savings	291,932,392	291,932,392	248,804,681	248,804,681
Time deposits	168,991,823	171,694,011	185,571,544	187,968,176
Accrued interest payable	2,242,310	2,242,310	3,084,363	3,084,363

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, 2012 and 2011, these balances were $2,872,471 and $1,546,394, respectively, of noninterest bearing deposits made by the Parent. During 2012 and 2011, the Bank paid $30,650 and $140,319 to the Parent for the management advisory services and supports that the Parent provided.

14. SUBSEQUENT EVENTS

The Bank has performed an evaluation of events that have occurred subsequent to December 31, 2012, and through March 20, 2013, 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.