Annual Disclosure Statement 2013

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)	1980'S
1985. 06.25	Opened Flushing (NY)	Assets: $ 38 million

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

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

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

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

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

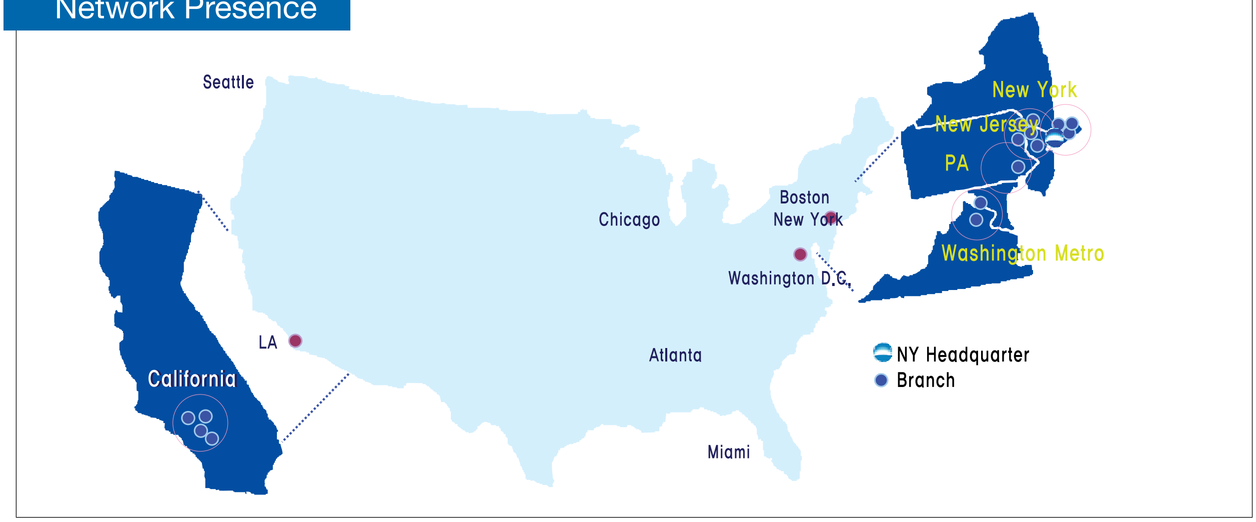
2010. 12. 01	Capital Infusion $70 million Woori Bank, Korea	2010
		Assets: $ 1,035 million

2014. 01. 27	30th Anniversary	2014
		Assets: $ 1,156 million

I. Bank Profile – Branches/Customers/Employees

The Bank is a leading local community bank that operates 16 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

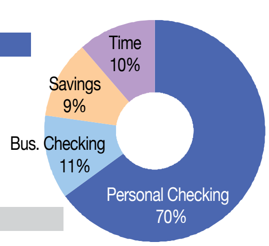


WAB Branches

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

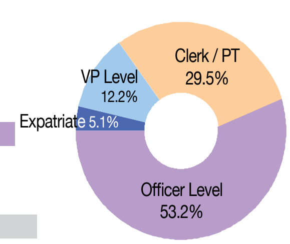
of Customer Account

Personal Checking	36,626
Business Checking	5,774
Savings	4,883
Time (CD)	5,5597
Total	52,850

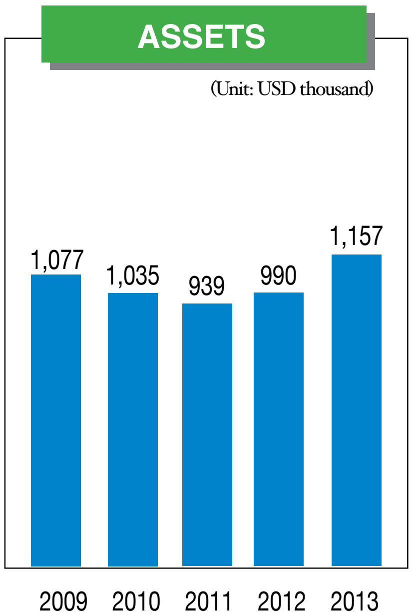


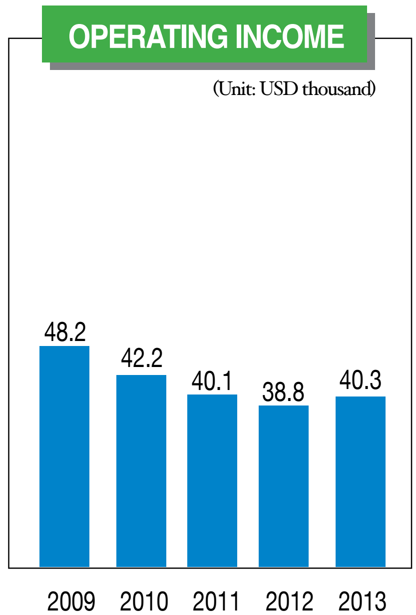
of Employee Status

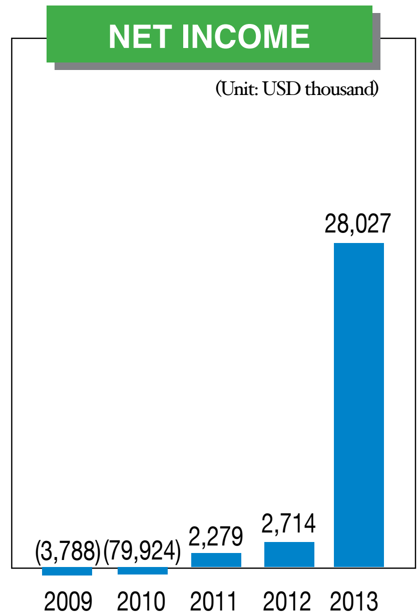
Expatriate	10
VP Level	49
Officer Level	104
Clerk/PT	56/6
Total	225



II. Financial Performance Analysis - Highlight







[Assets & Liabilities Trend]

(Unit: USD Thousand)

Type	2009	2010	2011	2012	2013
Loan	819,793	712,180	677,843	742,483	856,092
Investment	96,490	95,583	71,964	94,599	100,518
Others	160.482	227,657	189,572	153,163	199,806
Assets	1,076,765	1,035,420	939,379	990,245	1,156,416
Deposit	949,262	920,573	822,603	870,905	1,009,834
Equity	116,289	106,446	108,849	111,667	139,244

[Income Statement Trend]

(Unit: USD Thousand)

Type	2009	2010	2011	2012	2013
Operating Income	48,281	42,211	40,149	38,802	40,318
Net Interest Income	39,770	34,310	32,777	31,469	33,028
Non Interest Income	8,511	7,901	7,372	7,333	7,290
Operating Expenses	34,177	60,038	33,782	34,102	32,675
Corp. Tax	(2,157)	1,609	170	235	(16,685)
Net Income	(3,788)	(79,924)	2,279	2,714	28,027

Crowe Horwath

Crowe Horwath LLP
Independent Member Crowe Horwath International

Board of Directors
Woori America Bank
New York, New York

Report on the Financial Statements
We have audited the accompanying financial statements of Woori America Bank (the “Bank”), a whollyowned subsidiary of Woori Bank, Seoul, Korea, which comprise the balance sheet as of December 31, 2013, and the related statements of comprehensive income, changes in stockholder’s equity, and cash flows for the year 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.

Auditor’s Responsibility
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 from 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 entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. 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 Woori America Bank as of December 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter
The financial statements of Woori America Bank as of December 31, 2012, were audited by other auditors whose report dated March 20, 2013, expressed an unqualified opinion on those statements.

Crowe Horwath LLP

Crowe Horwath LLP

New York, New York
March 28, 2014

Balancec Sheets (DECEMBER 31, 2013 AND 2012)

In US Dollars	*2013*	*2012*
ASSETS		
Cash and due from banks	$ 87,553,440	$ 65,677,783
Federal funds sold	20,000,000	15,000,000
Cash and cash equivalents	107,553,440	80,677,783
Interest-bearing deposits	81,500,000	81,500,000
Securities available-for-sale, at fair value	90,997,403	93,482,873
Securities held-to-maturity, at amortized cost (fair value of $9,421,649 and $1,200,798 as of December 31, 2013 and 2012, respectively)	9,521,076	1,115,589
Loans		
Loans	856,091,917	742,483,232
Deferred loan fees, net	(1,404,183)	(1,204,547)
Allowance for loan losses	(17,156,070)	(21,526,677)
Net loans	837,531,664	719,752,008
Property and equipment, net	4,459,971	4,723,134
Accrued interest receivable	3,638,775	3,309,364
Core deposit intangible, net	-	220,800
Deferred tax asset, net	17,423,852	-
Other assets	3,790,039	5,463,350
Total assets	$1,156,416,220	$ 990,244,901
LIABILITIES AND STOCKHOLDER'S EQUITY		
Deposits		
Noninterest-bearing demand	$ 464,422,308	$ 409,980,769
Interest-bearing demand and savings	329,926,687	291,932,392
Time deposits	215,484,689	168,991,823
Total deposits	1,009,833,684	870,904,984
Accrued interest payable	2,363,487	2,242,310
Other liabilities	4,975,538	5,430,502
Total liabilities	1,017,172,709	878,577,796
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)	9,527,979	(18,499,750)
Accumulated other comprehensive income (loss), net of tax	(284,468)	166,855
Total stockholder's equity	139,243,511	111,667,105
Total liabilities and stockholder's equity	$1,156,416,220	$ 990,244,901

See notes to financial statements.

STATEMENTS OF COMPREHENSIVE INCOME (YEARS ENDED DECEMBER 31, 2013 AND 2012)

In US Dollars	*2013*	*2012*
Interest income		
Interest and fees on loans	$ 34,562,451	$ 32,834,129
Interest on federal funds sold and interest-bearing deposits	847,380	1,030,289
Interest on securities	1,177,143	965,092
Interest on bills bought	89,695	15,823
Total interest income	36,676,669	34,845,333
Interest expense		
Interest on deposits	3,648,379	3,480,621
Interest on short-term borrowings	21	401
Total interest expense	3,648,400	3,481,022
Net interest income	33,028,269	31,364,311
Provision for loan losses	(3,700,000)	1,750,000
Net interest income after provision for loan losses	36,728,269	29,614,311
Noninterest income		
Service charges on deposit accounts	2,913,415	3,466,051
Other service charges and fees	3,218,166	3,368,273
Gain (loss) on sale of securities	(3,651)	385,424
Gain on sale of loans	1,052,128	112,111
Gain on sale of other real estate owned ("OREO")	12,713	-
Other	97,454	105,418
Total noninterest income	7,290,226	7,437,277
Noninterest expense		
Salaries and employee benefits	16,332,377	16,181,078
Occupancy	4,461,211	4,614,479
Electronic data processing	2,843,749	2,963,022
Depreciation and amortization	1,755,962	2,199,586
Regulatory assessment fee	1,211,556	1,147,346
Other	6,070,417	6,996,330
Total noninterest expense	32,675,272	34,101,841
Income before income taxes	11,343,223	2,949,748
Income tax expense (benefit)	(16,684,506)	235,283
Net income	28,027,729	2,714,465
Other comprehensive (loss) income, net of tax:		
Change in unrealized gain (loss) on securities available-for-sale, net of reclassifications and taxes	(451,323)	103,387
Comprehensive income	$ 27,576,406	$ 2,817,852

See notes to financial statements.

STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY

(YEARS ENDED DECEMBER 31, 2013 AND 2012)

	Number of Shares of Common Stock	Common Stock	Capita Surplus	Retained Earnings (Accumulated Deflict)	Accumulated Other Comprehensive Income (Loss)	Total
Balance - January 1, 2012	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
Comprehensive income	-	-	-	103,347	-	103,347
Balance - December 31, 2012	24,500,000	122,500,000	7,500,000	(18,499,750)	166,855	111,667,105
Net income	-	-	-	28,207,729	-	28,207,729
Comprehensive loss	-	-	-	-	(451,323)	(451,323)
BALANCE AT DECEMBER 31, 2013	24,500,000	$122,500,000	$7,500,000	$ 9,527,979	$(284,468)	$139,243,511

See notes to financial statements.

Statement of Cash Flows (YEARS ENDED DECEMBER 31, 2013 AND 2012)

	2013	*2012*
Cash flows from operating activities		
Net income	$ 28,027,729	$ 2,714,465
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,976,762	2,199,586
Provision for loan losses	(3,700,000)	1,750,000
Gain on disposal of property and equipment	-	(4,445)
Net realized (gain) loss on sale of securities	3,651	(394,222)
Net gain on sale of loans	(724,988)	(112,111)
Net gain on sale of OREO	(12,713)	-
Net amortization of securities	692,794	264,071
Changes in assets and liabilities:		
Increase in deferred tax assets	(17,105,516)	-
Decrease (increase) in accrued interest receivable and other assets	1,123,751	4,495,190
Increase (decrease) in accrued interest payable and other liabilities	(333,787)	(328,645)
Net cash provided by operating activities	9,947,683	10,583,889
Cash flows from investing activities		
Activity in securities available-for-sale:		
Purchases	(20,553,741)	(84,722,426)
Proceeds from prepayments	1,623,022	1,660,024
Proceeds from maturities	15,000,000	48,000,000
Proceeds from sales	4,996,875	12,153,650
Activity in securities held-to-maturity:		
Purchases	(9,072,456)	(84,722,426)
Proceeds from prepayments	620,179	582,863
Proceeds from sales of OREO	754,616	1,039,555
Loan originations and principal collections, net	(111,744,132)	(87,036,472)
Proceeds from sale of property and equipment	-	17,296
Net increase in interest-bearing deposits	-	(74,500,000)
Net increase in bills bought	(12,363,753)	(188,697)
Proceeds from sale of loans	10,231,463	17,369,132
Purchase of property and equipment, net	(1,492,799)	(1,061,859)
Net cash used in investing activities	(122,000,726)	(166,686,934)
Cash flows from financing activities		
Net increase in noninterest-bearing demand deposits	54,441,539	21,754,145
Net increase in interest-bearing demand and savings deposits	37,994,295	43,127,711
Net increase in time deposits	46,492,866	(16,579,721)
Net cash provided by financing activities	138,928,700	48,302,135
Net decrease in cash and cash equivalents	26,875,657	(107,800,910)
Cash and cash equivalents, beginning of year	80,677,783	188,478,693
Cash and cash equivalents, end of year	$ 107,553,440	$ 80,677,783
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	$ 3,527,223	$ 4,323,082
Income tax	361,935	293,355
Supplemental disclosures of non-cash investment activities:		
Transfer from loans receivable to other real estate owned	$ 521,754	$ 995,081

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 ("NYSDFS"). 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 sixteen branches located in New York (4), New Jersey (4), Pennsylvania (1), Maryland (1), Virginia (2) and California (4).

2. Summary of Significant Accounting Policies

Subsequent Events: The Bank has evaluated subsequent events for recognition and disclosure through March 28, 2014, which is the date the financial statements were available to be issued.

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 than90 days.

Interest-Bearing Deposits: Interest-bearing deposits consist of Certificates of Deposit ("CD") with other depository institutions mature within one year and are carried at cost.
Securities: Debt 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 or trading securities 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.

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 is recorded in earnings, while the remaining portion of the impairment is recognized in other comprehensive income, 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 a detailed evaluation of the investment portfolio on a quarterly basis in assessing individual positions that have market values that have declined below amortized 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, (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

Notes to Financial Statements

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: 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.

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 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 wellcollateralized 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. 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.

The following portfolio segments have been identified:

Commercial Real Estate – Commercial real estate loans are secured by nonresidential real estate and generally have larger balances and involve a greater degree of risk than residential real estate loans. Repayment of commercial real estate loans depends on the global cash flow analysis of the borrower and the net operating income of the property, the borrower's expertise, credit history and profitability, and the value of the underlying property. Of primary concern in commercial real estate lending is the borrower's creditworthiness and the cash flow from the property. Payments on loans secured by income properties often depend on successful operation and management of the properties. As a result, repayment of such loans may be subject, to a greater extent than residential real estate loans, to adverse conditions in the real estate market or the economy. Commercial real estate is also subject to adverse market conditions that cause a decrease in market value or lease rates, obsolescence in location or function and market conditions associated with oversupply of units in a specific region.

Residential Real Estate – Residential real estate loans are generally made on the basis of the borrower's ability to make repayment from his or her employment income or other income, and which are secured by real property whose value tends to be more easily ascertainable. Repayment of residential real estate loans is subject to adverse employment conditions in the local economy leading to increased default rates and decreased market values from oversupply in a geographic area. In general these loans depend on the borrower's continuing financial stability and, therefore, are likely to be adversely affected by various factors, including job loss, divorce, illness, or personal bankruptcy. Furthermore, the application of various federal and state laws, including federal and state bankruptcy and insolvency laws, may limit the amount that can be recovered on such loans.

Commercial – Commercial loans are generally of higher risk and typically are made on the basis of the borrower's ability to make repayment from the cash flow of the borrower's business. As a result, the availability of funds for the repayment of commercial loans may depend substantially on the success of the business itself. Furthermore, any

Notes to Financial Statements

collateral securing such loans may depreciate over time, may be difficult to appraise, and may fluctuate in value.

Other – Other loans consist of trust receipts and consumer loans. Trust receipts are short term receivables which are secured by merchandise paid by the Bank on behalf of the borrower. The source repayment is the ultimate sale of merchandise. Consumer loans are comprised of credit cards, deposit overdrafts, and other consumer products. The risk in this class of loans depends on the borrowers' income and their ability to repay the outstanding debt from sources of income.

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. The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings and classified as impaired.

Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

All loans deemed to meet the definition of impaired are individually evaluated for impairment. If a loan is impaired, a portion of the allowance is allocated 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.

Troubled debt restructurings are separately identified for impairment disclosures and are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a troubled debt restructuring is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral. For troubled debt restructurings that subsequently default, the Bank determines the amount of reserve in accordance with the accounting policy for the allowance for loan losses.

The general component covers non-impaired loans and is based on historical loss experience adjusted for current factors. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Bank over the most recent 3 years. This actual loss experience is supplemented with other economic factors based on the risks present for each portfolio segment. These economic factors include consideration of the following: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting stan-

Notes to Financial Statements

dards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations.

Concentration of Credit Risk: 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.

Servicing Rights: When loans are sold with servicing retained, servicing rights are initially recorded at fair value with the income statement effect recorded in gains on sales of loans. Fair value is estimated using a valuation model based upon the present value of cash flows utilizing prepayment rates, appropriate discount rates and adequate expense rates. The servicing assets are subsequently measured at fair value at each quarter-end report date. Changes in the fair value or the servicing assets are reported in earnings in the period in which the changes occur.

Servicing fee income, which is reported on the income statement as other servicing charges and fees, is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal and are recorded as income when earned. Servicing fee income totaled $83,010 and $104,430 for the years ended December 31, 2013 and 2012, respectively. Late fees and ancillary fees related to loan servicing are not material.

Transfers of Financial Assets: Transfers of financial assets are accounted for as sales, when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Bank, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Property and Equipment: 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. 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.

Core Deposit Intangible: 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 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 runoff of the related customer accounts.

Other Assets: At December 31, 2013, other assets are primarily comprised of Federal Home Loan Bank ("FHLB") stock of $1,323,100, security deposits of $991,203, prepaid assets of $519,082, servicing rights of $327,140 and OREO of $311,992. As a system member, the Bank is entitled to borrow from the FHLB, and is required to own capital stock. OREO is measured at fair value less estimated costs to sell when acquired, establishing a new cost basis.

Other Liabilities: At December 31, 2013, other liabilities are primarily comprised of security deposits of $2,040,707 received from customers in relation with credit cards, import guarantee money of $793,101, and deferred rent liability of $514,277.

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.

Comprehensive Income: Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available for sale which are also recognized as separate components of equity.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated.

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.

Reclassifications: Some items in the prior year financial statements were reclassified to conform to the current presentation. Reclassifications had no effect on prior year net income or shareholder's equity.

Recent Accounting Pronouncements: There were no accounting standards adopted during the current year that had a material impact on the Bank's financial position, results of operations or disclosures.

Notes to Financial Statements

3. Securities

The amortized cost and fair value of debt securities at December 31, 2013 and 2012 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
2013				
Securities available-for-sale				
Corporate debt securities	$ 38,817,068	$ 103,323	$ (122,786)	$ 38,797,605
Mortgage-backed securities: residential	6,279,768	61,703	(385,881)	5,955,590
Debt securities issued by U.S. government sponsored entities and agencies	40,777,854	53,894	(96,974)	40,734,774
Debt securities issues by states and political subdivisions	5,606,774	38,938	(136,278)	5,509,434
Total available-for-sale securities	$ 91,481,464	$ 257,858	$ (741,919)	$ 90,997,403
2012				
Securities available-for-sale				
Corporate debt securities	$ 26,121,033	$ 52,597	$ (57,797)	$ 26,115,833
Mortgage-backed securities: residential	2,525,013	110,969	(581)	2,635,401
Debt securities issued by U.S. government sponsored entities and agencies	58,845,393	107,224	(9,567)	58,943,050
Debt securities issues by states and political subdivisions	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
2013				
Securities held-to-maturity				
Debt securities issues by states and political subdivisions	$ 6,009,697	$ 28,549	$ -	$ 6,038,246
Mortgage-backed securities: residential	3,511,379	-	(127,976)	3,383,403
Total held-to-maturity securities	$ 9,521,076	$ 28,549	$ (127,976)	$ 9,421,649
2012				
Securities held-to-maturity				
Mortgage-backed securities: residential	$ 1,115,589	$85,209	$ -	$,200,798

Notes to Financial Statements

3. Securities (Continued)

The amortized cost and fair value of debt securities at December 31, 2013 and 2012, 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, 2013				
Due in one year or less	$ 26,210,788	$ 26,241,751	$ -	$ -
Due after one year through five years	55,470,926	55,384,610	-	-
Due after five years through ten years	2,103,156	2,090,107	1,104,750	1,104,360
Due after ten years	1,416,826	1,325,345	4,904,947	4,933,886
	85,201,696	85,041,813	6,009,697	6,038,246
Mortgage-backed securities	6,279,768	5,955,590	3,511,379	3,383,403
Total	$ 91,481,464	$ 90,997,403	$ 9,521,076	$ 9,421,649

During 2013, the Bank sold one available-for-sale security for $4,996,875 at a loss of $3,651. During 2012, the Bank sold three available-for-sale securities for $12,153,650 at a gain of $394,222.

Certain securities are pledged to Federal Reserve Bank to secure discount window advances. The carrying value of pledged securities was approximately $2,635,699 and $3,844,000 at December 31, 2013 and 2012, respectively.

Notes to Financial Statements

3. Securities (Continued)

Information pertaining to securities with gross unrealized losses at December 31, 2013 and 2012, 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, 2013				
Securities available-for-sale				
Corporate debt securities	$ (97,999)	$ 11,845,634	$ (24,787)	$ 1,706,646
Mortgage-backed securities: residential	(385,881)	3,933,364	-	-
Debt securities issued by U.S. government sponsored entities and agencies	(80,197)	3,324,629	(16,777)	11,542,913
Debt securities issued by states and political subdivisions	(128,479)	2,401,714	(7,799)	863,343
Total securities available-for-sale	$ (692,556)	$ 21,505,341	$ (49,363)	$ 14,112,902
Securities held-to-maturity				
Mortgage-backed securities: residential	$ (207,853)	$ 5,673,861	$ -	$ -
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 sponsored entities and agencies	(6,218)	9,993,782	(3,349)	470,755
Debt securities issued by states and political subdivisions	(30,394)	1,711,691	-	-
Total securities available-for-sale	$ (94,409)	$ 24,096,845	$ (3,930)	$ 546,738

At December 31, 2013 and 2012, four available-for-sale securities within the corporate debt securities category have unrealized losses of approximately 0.32% and 0.22%, respectively, from the Bank's amortized cost basis. These securities were issued by one Korean government-owned finance corporation and three Korean public enterprises (with a credit rating of A by S&P for all).

At December 31, 2013 and 2012, three and one available-for-sale security within the mortgage-backed securities category have unrealized losses of approximately 6.145% and 0.016%, respectively, from the Bank's amortized cost basis. These securities were issued by government sponsored entities ("GNMA" and "FNMA"), and it is expected that the securities would not be settled at a price less than the amortized cost of the Bank's investment.

At December 31, 2013 and 2012, three and seventeen available-for-sale securities within the debt securities issued by U.S. government sponsored entities and agencies category have unrealized osses of approximately 0.24% and 0.02%, respectively, from the Bank's amortized cost basis.

At December 31, 2013 and 2012, seven and two available-for-sale securities within the debt securities issued by states and political subdivisions category have unrealized losses of approximately 2.43% and 0.53% from the Bank's amortized cost basis.

Notes to Financial Statements

At December 31, 2013, two held-to-maturity securities within the mortgage-backed securities category have unrealized losses of approximately 2.19% from the Bank's amortized cost basis. There were no unrealized losses on held-to-maturity securities in 2012.

The contractual terms of the 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 has 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 the investments to be other-than-temporarily impaired at December 31, 2013 and 2012.

4. LOANS

Major classifications of loans at December 31, 2013 and 2012, are as follows:

	2013	2012
Commercial real estate	$ 522,844,947	$ 471,723,765
Residential real estate	204,956,942	181,361,190
Commercial business	77,796,855	43,231,852
Small business administration	22,225,282	13,569,257
Other	28,267,891	32,596,628
	856,091,917	742,483,232
Less		
Deferred loan origination fees, net	(1,404,183)	(1,204,547)
Allowance for loan losses	(17,156,070)	(21,526,677)
Net loans	$ 837,531,664	$ 719,752,008

At December 31, 2013 and 2012, non-accrual loans, segregated by class of loans, were as follows:

	2013	2012
Commercial real estate	$ 4,558,016	$ 5,647,533
Residential real estate	1,858,941	666,136
Commercial business	100,000	38,803
Small business administration	127,128	436,328
Other	69,536	321,209
Total	$ 6,713,621	$ 7,110,009

Notes to Financial Statements

4. LOANS (Continued)

A summary of past due loans, segregated by class of loans, as of December 31, 2013 and 2012 follows:

December 31, 2013:

	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	$ 5,304,012	$ 1,414,954	$ 6,718,966	$ 516,125,981	$ 522,844,947	$ -
Residential real estate	617,686	1,858,941	2,476,627	202,480,315	204,956,942	-
Commercial business	-	-	-	77,796,855	77,796,855	-
Small business administration	51,277	99,204	150,481	22,074,801	22,225,282	-
Other	18,891	57,807	76,698	28,191,193	28,267,891	-
Total	$ 5,991,866	$ 3,430,906	$ 9,422,772	$ 846,669,145	$ 856,091,917	$ -

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	-
Other	55,870	321,209	377,079	32,220,089	32,597,168	-
Total	$ 1,774,524	$ 5,897,215	$ 7,671,739	$ 734,811,493	$ 742,483,232	$ -

Impaired Loans — Impaired loans as of December 31, 2013 and 2012, are set forth in the following table. Interest income recognized on impaired loans subsequent to their classification as impaired amounted to approximately $105,000 and $220,000 for 2013 and 2012, respectively.

December 31, 2013:

	Unpaid Contractual Principal Balance	Recorded Investment with no Allowance	Recorded Investment with Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
Commercial real estate	$ 8,099,446	$ 5,198,084	$ 1,627,380	$ 6,825,464	$ 404,475	$ 8,527,509
Residential real estate	2,010,107	1,780,361	78,580	1,858,941	2,501	2,015,153
Commercial business	100,000	-	100,000	100,000	100,000	1,389
Small business administration	297,087	37,323	89,805	127,128	18,838	267,228
Other	261,498	57,807	11,730	69,537	11,730	253,237
Total	$ 10,768,138	$ 7,073,575	$ 1,907,495	$ 8,981,070	$ 537,544	$ 11,064,516

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	$ 9,270,516	$ 205,095	$ 10,464,806
Residential 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
Other	296,909	296,909	-	296,909	-	297,072
Total	$ 14,174,126	$ 7,621,140	$ 3,134,012	$ 10,755,152	$ 408,471	$ 12,010,505

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.

The Bank categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Bank analyzes loans individually by classifying the loans as to credit risk. This analysis is performed on an annual basis for commercial mortgage loans with an outstanding balance greater than $500 thousand and commercial loans and trust receipts with an outstanding balance greater than $250 thousand and as needed based on payment status for all other loans. The Bank uses the following definitions for risk ratings:

Special Mention. Represents credits that have potential weaknesses that deserve management's lose attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the Bank's credit position at some future date. Special Mention assets are not adversely classified and do not expose the Bank to sufficient risk to warrant adverse classification.

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

Doubtful. Represents credits that have all the weaknesses inherent in those classified Substandard with the added characteristic that the weaknesses make collection or repayment in full, on the basis of currently known facts, conditions and values, highly questionable and improbable. Although there is a definite probability of some loss, the amount is not determined at this time.

Loss. Represents credits that are considered uncollectible in which the Bank determines the values are insignificant. This classification does not mean that the loan may not be recoverable, but rather will be considered for charge-off as a practical expedient.

Loans not meeting the criteria are considered to be pass rated loans.

Notes to Financial Statements

4. LOANS (Continued)

Loans with classification by risk category at December 31, 2013 and 2012 are presented in the following table by major loan type:

December 31, 2013:	Pass	Special Mention	Substandard	Doubtful	Loss	Total
Commercial real estate	$ 501,777,819	$ 8,647,989	$ 12,014,664	$ -	$ 404,475	$ 522,844,946
Residential real estate	203,098,001	-	1,856,440	-	2,501	204,956,942
Commercial business	77,522,225	-	-	-	100,000	77,622,225
Small business administration	22,010,484	247,314	123,276	-	18,838	22,399,913
Other	25,923,832	2,265,907	66,422	-	11,730	28,267,891
Total	$ 830,332,361	$ 11,161,210	$ 14,060,802	$ -	$ 537,544	$ 856,091,917

December 31, 2012:	Pass	Special Mention	Substandard	Doubtful	Loss	Total
Commercial real estate	$ 432,029,987	$ 18,476,086	$ 21,012,597	$ -	$ 205,095	$ 471,723,765
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
Other	29,692,171	2,583,788	321,209	-	-	32,597,168
Total	$ 692,906,419	$ 24,444,826	$ 24,723,425	$ -	$ 408,471	$ 742,483,232

During 2013 and 2012, the Bank sold classified loans with a net carrying amount of $1,019,072 and $16,574,255, respectively. The total sales proceeds after deducting relevant sales expenses were $1,120,267 and $17,369,132, resulting in a gain of $101,195 and $794,877, which are included as recoveries in allowance for loan losses in the accompanying balance sheet for the years ended December 31, 2013 and 2012, respectively.

Changes in allowance for loan losses during 2013 and 2012 are as follows:

	Commercial Real Estate	Residential Real Estate	Commercial Business	Small Business Administration	Other	Total
December 31, 2013						
Allowance for loan losses:						
Beginning balance	$ 13,907,264	$ 2,854,363	$ 3,308,274	$ 874,153	$ 582,623	$ 21,526,677
Provision for loan losses	(1,143,159)	(613,172)	(1,659,555)	(347,250)	63,137	(3,700,000)
Loans charged-off	(1,162,014)	(169,193)	(254,382)	(227,253)	(277,581)	(2,090,423)
Recoveries	211,756	340,974	209,284	474,325	183,477	1,419,816
Ending balance	$ 11,813,847	$ 2,412,972	$ 1,603,621	$ 773,975	$ 551,656	$ 17,156,070
December 31, 2012						
Allowance for loan losses:						
Beginning balance	$ 12,649,148	$ 4,201,618	$ 5,388,648	$ 798,187	$ 1,218,037	$ 24,255,635
Provision for loan losses	5,402,139	(911,765)	(2,899,444)	97,949	61,121	1,750,000
Loans charged-off	(5,200,409)	(499,870)	(604,845)	(483,560)	(746,507)	(7,535,191)
Recoveries	1,056,386	64,380	1,423,915	461,577	49,975	3,056,233
Ending balance	$ 13,907,264	$ 2,854,363	$ 3,308,274	$ 874,153	$ 585,429	$ 21,526,677

Notes to Financial Statements

The Bank's recorded investment in loans as of December 31, 2013 and 2012 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:

	Commercial Real Estate	Residential Real Estate	Commercial Business	Small Business Administration	Other	Total
December 31, 2013						
Loan balances						
Loans individually evaluated for impairment	$ 6,825,464	$ 1,858,941	$ 100,000	$ 127,128	$ 69,537	$ 8,981,070
Loans collectively evaluated for impairment	516,019,483	203,098,001	77,696,855	22,098,154	28,198,354	847,110,847
Ending balance	$ 522,844,947	$ 204,956,942	$ 77,796,855	$ 22,225,282	$ 28,267,891	$ 856,091,917
Allowance for loan losses						
Loans individually evaluated for impairment	$ 404,475	$ 2,501	$ 100,000	$ 18,838	$ 11,730	$ 537,544
Loans collectively evaluated for impairment	1,409,372	2,410,471	1,503,454	734,896	573,700	16,618,425
Total	$ 11,813,847	$ 2,412,972	$ 1,603,454	$ 773,975	$ 551,656	$ 17,156,070
December 31, 2012						
Loan balances						
Loans individually evaluated for impairment	$ 9,270,516	$ 666,136	$ 38,806	$ 482,788	$ 296,909	$ 10,755,155
Loans collectively evaluated for impairment	462,453,248	180,695,054	43,193,049	13,086,469	32,300,259	729,728,079
Ending balance	$ 471,723,764	$ 181,361,190	$ 43,231,852	$ 13,569,257	$ 32,597,168	$ 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	3,702,169	2,851,113	3,269,471	712,830	582,623	21,118,206
Total	$ 13,907,264	$ 2,854,363	$ 3,308,274	$ 874,153	$ 582,623	$ 21,526,677

Notes to Financial Statements

4. LOANS (Continued)

Troubled Debt Restructurings

As of December 31, 2013 and 2012, the Bank has a recorded investment in troubled debt restructurings of $3,394,254 and $4,484,024, respectively. There were no allowance allocated to troubled debt restructurings at December 31, 2013 and 2012. 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 the troubled debt restructurings that occurred for the years ended December 31, 2013 and 2012, and their effect on the allowance for credit losses by class of financing receivables.

	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Pre-Modification Outstanding Recorded Investment
December 31, 2013			
Troubled debt restructurings			
Commercial real estate	2	$ 542,228	$ 542,228
December 31, 2012			
Troubled debt restructurings			
Commercial real estate	1	$ 131,080	$ 131,080

The troubled debt restructurings described above had not impact on the allowance during the year ending December 31, 2013 and 2012, respectively.

The following table presents loans by class modified as troubled debt restructurings for which there was a payment default within twelve months following the modification during the year ending December 31,

	Number of Loans	Recorded Investment
December 31, 2013		
Troubled debt restructurings		
Commercial real estate	2	$ 118,430
December 31, 2012		
Troubled debt restructurings		
Commercial real estate	1	$ 861,041

A loan is considered to be in payment default once it is 90 days contractually past due under the modified terms.

In order to determine whether a borrower is experiencing financial difficulty, an evaluation is performed of the probability that the borrower will be in payment default on any of its debt in the foreseeable future without the modification. This evaluation is performed under the Bank's internal underwriting policy.

Notes to Financial Statements

5. PROPERTY AND EQUIPMENT

The major components of property and equipment at December 31, 2013 and 2012 were as follows:

	2013	2012
Land	$ 566,000	$ 566,000
Buildings	2,125,826	2,091,196
Furniture and equipment	7,892,912	7,491,327
Software	1,435,230	1,371,844
Leasehold improvements	6,390,317	5,935,964
	18,410,285	17,456,331
Less: Accumulated depreciation and amortization	(13,950,314)	(12,733,197)
Property and equipment, net	$ 4,459,971	$ 4,723,134

Total depreciation expense for the years ended December 31, 2013 and 2012 was $1,535,162 and 1,905,186, respectively.

6. CORE DEPOSIT INTANGIBLE

The gross carrying amount and accumulated amortization related to core deposit intangible at December 31, 2013 and 2012 are presented below:

	2013	2012
Gross carrying amount	$ 2,944,000	$ 2,944,000
Accumulated amortization	(2,944,000)	(2,723,200)
Core deposit intangible, net	$ -	$ 220,800

Amortization expenses on core deposit intangible were$220,800 and $294,400 for the years ended December 31, 2013 and 2012, respectively. The core deposit intangible was fully amortized during 2013.

7. TIME DEPOSITS

At December 31, 2013, the scheduled maturities of time deposits are as follows:

2014	$ 166,950,032
2015	26,495,026
2016	16,501,001
2017	1,463,880
2018	1,118,376
Thereafter	2,956,374
Total time deposits	$ 215,484,689

The aggregate amount of time deposits in denomination of $100,000 or more was $150,715,675 and $104,033,192 at December 31, 2013 and 2012, respectively.

Notes to Financial Statements

8. INCOME TAXES

A summary of the income tax expense (benefit) for the years ended December 31, 2013 and 2012, is as follows:

	2013	2012
Current taxes		
Federal	$ 132,886	$ 302,727
State and local	406,867	(67,444)
	539,753	235,283
Deferred taxes		
Federal	3,456,632	(596,081)
State and local	1,234,302	(227,373)
	4,690,334	(823,454)
Change in valuation allowance	(21,903,593)	823,454
Total income taxes	$ (16,684,506)	$ 235,283

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, the change in valuation allowance against deferred tax assets and certain permanent differences in 2013.

At December 31, 2013 and 2012, the components of the Bank's net deferred tax assets are as follows:

	2013	2012
Deferred tax assets		
Net operating loss carryforwards	$ 7,627,792	$ 10,299,412
Allowance for loan losses	6,877,123	8,780,306
Depreciation	1,482,197	1,661,553
Deferred rent	212,053	342,203
Charitable contribution	275,144	311,489
Non-accrual interest	289,766	174,277
AMT tax credit	439,433	306,547
Other accrual	20,751	119,609
Unrealized losses on securities available-for-sale	199,593	-
	17,423,852	21,995,396
Deferred tax liabilities		
Amortization of core deposit intangible	-	91,803
Unrealized gain on securities available-for-sale	-	118,743
	-	210,546
	17,423,852	21,784,850
Less: Valuation allowance	-	(21,903,593)
Net deferred tax asset (liability)	$ 17,423,852	$ (118,743)

Notes to Financial Statements

Management has assessed its earnings history, its estimate of future earnings, the expected reversal of differences in book and taxable income, and the expiration dates of its net operating loss carryforwards and, at year-end 2013, determined that the realization of the net deferred tax assets was more likely than not and reversed the remaining valuation allowance. At December 31, 2013, the Bank had net operating loss carryforwards of approximately $18,499,217, 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 2013 and 2012. 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.

9. COMMITMENT AND CONTINGENCIES

The Bank rents office space under twenty non-cancelable operating leases with expiration dates of January 2014 through December 2027. Each lease contains provisions for payment by the Bank of property taxes, maintenance and certain other operating costs.

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
2014	$ 3,109,556
2015	2,651,745
2016	1,149,486
2017	826,477
2018	760,872
Thereafter	4,564,969
Total minimum rental payments	$ 13,063,105

Total rent expense related to such non-cancelable operating leases for the years ended December 31, 2013 and 2012, amounted to $4,037,667 and $4,058,410, 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, 2013 and 2012, amounted to $2,537,582 and $2,602,434, 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. In management's opinion, final disposition of all such claims will not have a material adverse effect on the results of operations, cash flows or financial position of the Bank.cial position of the Bank.

Notes to Financial Statements

10. REGULATORY MATTERS

Banks are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and prompt corrective action regulations involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. Management believes as of December 31, 2013, the Bank meet all capital adequacy requirements to which they are subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At year-end 2013 and 2012, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category.

The Bank's actual capital amounts and ratios at December 31, 2013 and 2012, 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, 2013						
Total capital (to risk-weighted assets)	$ 144,858	18.20%	$ 63,674	8.00%	$ 79,592	10.00%
Tier 1 capital (to risk-weighted assets)	134,818	16.94	31,834	4.00	47,751	6.00
Tier 1 capital (to average assets)	134,818	12.17	44312	4.00	55,389	5.00
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

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 2013 and 2012.

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.

Notes to Financial Statements

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, 2013 and 2012, more than 64% and 93%, 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, 2013 and 2012, the maximum potential future payments that the Bank could be required to make under the standby letters of credit were $12,688,517 and $8,514,220, 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, 2013 and 2012, the Bank had outstanding commercial letters of credit of $5,550,344 and $5,293,516, 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 credit worthiness 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, 2013 and 2012, the Bank had outstanding loan commitments of $1,324,000 and $4,211,000, respectively.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

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 simi lar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observ able 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.

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

Notes to Financial Statements

12. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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.

Impaired Loans: This 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: 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	$ -	$ 38,797,605	$ -	$ 38,797,605
Mortgage-backed securities	-	5,955,590	-	5,955,590
Debt securities issued by U.S. government sponsored entities and agencies	-	40,734,774	-	40,734,774
Debt securities issued by states and political subdivisions	-	5,509,434	-	5,509,434
Total available-for-sale	$ -	$ 90,997,403	$ -	$ 90,997,403
Assets at December 31, 2012				
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 sponsored Entities and agencies	-	58,943,050	-	58,943,050
Debt securities issued by states and political subdivisions	-	5,788,589	-	5,788,589
Total available-for-sale	$ -	$ 93,482,873	$ -	$ 93,482,873

Notes to Financial Statements

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, 2013.

Assets and Liabilities Measured on a Non-Recurring Basis: The following table presents the financial instruments measured at fair value on a non-recurring basis as of December 31, 2013 and 2012. 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, 2013				
Impaired loans-collateral dependent				
Commercial real estate loans	$ -	$ -	$ 1,604,029	$ 1,604,029
Residential	-	-	172,050	172,050
Total impaired loans-collateral dependent	$ -	$ -	$ 1,776,079	$ 1,776,079
Assets at December 31, 2012				
Impaired loans-collateral dependent				
Commercial real estate loans	$ -	$ -	$ 9,065,421	$ 9,065,421
Residential	-	-	662,886	662,886
Small Business Administration	-	-	321,466	321,466
Line of credit	-	-	296,909	296,909
Total impaired loans-collateral dependent	$ -	$ -	$ 10,346,682	$ 10,346,682

As December 31, 2013 and 2012, impaired loans, which are measured for impairment using the fair value of the collateral, had a net carrying amount of $2,183,556 and 10,346,682 with a valuation allowance of $407,477 and $408,470, respectively. The adjustment to fair value resulted in a reversal of provision for loan losses of $633,811 and $1,838,848 in 2013 and 2012, 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, 2013, is presented in the table below:

	Fair Value	Valuation Technique	Significant Unobservable Input	Range
Collateral dependent impaired loan	$ 1,776,079	Sales comparison approach	Adjustment for difference between comparable sales and expected sales amounts	0% - 55%

Notes to Financial Statements

12. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The table below is a summary of the carrying value and estimated fair value at December 31, 2013 and December 31, 2012, for financial instruments.

	December 31, 2013		December 31, 2012	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets				
Cash and due from banks	$ 87,553,440	$ 87,553,440	$ 65,677,783	$ 65,677,783
Federal funds sold	20,000,000	20,000,000	15,000,000	15,000,000
FHLB stock	1,323,100	n/a	1,335,100	n/a
Interest-bearing deposits	81,500,000	81,500,000	81,500,000	81,500,000
Securities available-for-sale	90,997,403	90,997,403	93,482,873	93,482,873
Securities held-to-maturity	9,521,076	9,421,649	1,115,589	1,830,174
Loans, net	837,531,664	825,411,802	719,752,008	712,327,662
Accrued interest receivable	3,638,775	3,638,775	3,309,364	3,309,364
Financial liabilities				
Noninterest-bearing demand	464,422,308	464,422,308	409,980,769	409,980,769
Interest-bearing demand and savings	329,926,688	329,926,688	291,932,392	291,932,392
Time deposits	215,484,689	217,060,000	168,991,823	171,694,011
Accrued interest payable	2,363,487	2,363,487	2,242,310	2,242,310

The methods and assumptions, not previously presented, used to estimate fair values are described as follows:

Cash and Cash Equivalents: The carrying amounts of cash and short-term instruments approximate fair values.

FHLB Stock: It is not practical to determine the fair value of FHLB stock due to restrictions placed on its transferability.

Loans: Fair values of loans, excluding loans held for sale, are estimated as follows: For variable rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. Fair values for other loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Impaired loans are valued at the lower of cost or fair value as described previously. The methods utilized to estimate the fair value of loans do not necessarily represent an exit price.

Deposits: The fair values disclosed for demand deposits (e.g., interest and non-interest checking, passbook savings, and certain types of money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amount). The carrying amounts of variable rate, fixed-term money market accounts and certificates of deposit approximate their fair values at the reporting date. Fair values for fixed rate certificates of deposit are estimated using a discounted cash flows calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits.

Accrued Interest Receivable/ Payable: The carrying amounts of accrued interest approximate fair value.

Off-Balance Sheet Instruments: Fair values for off-balance sheet, credit-related financial instruments re based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing. The fair value of commitments is not material.

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, 2013 and 2012, these balances were $2,781,458 and $2,872,471, espectively, of noninterest bearing deposits made by the Parent. During 2013 and 2012, the Bank paid $37,021 and $30,650 to the Parent for management advisory services and support that the Parent provided. The Bank rents a branch site from Woori Bank LA Agency beginning in December 2012. During 2013, the Bank paid $139,939 in rent for this branch site.

14. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The components of accumulated other comprehensive income (loss), with related tax effects, included in total equity are as follows:

	2013	2012
Net unrealized gains (losses) on securities	$ (484,061)	$ 285,598
Tax effect	199,593	(118,743)
Accumulated other comprehensive income (loss)	$ (284,468)	$ 166,855

The components of other comprehensive income, with related tax effects, included in total comprehensive income are as follows:

	2013	2012
Net unrealized gain (loss) on securities available-for-sale		
Net unrealized holding gain (loss) arising during the period, net of tax (benefit) expense of $(316,822) and approximately $238,000, respectively	$ (453,460)	$ 333,702
Less reclassification adjustment for net gains (losses) realized in net income, net of tax (benefit) expense of $(1,514) and approximately $164,000, respectively	(2,137)	230,315
Other comprehensive (loss) income	$ (451,323)	$ 103,387

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."