COPY

Board of Governors of the Federal Reserve System

RECEIVED
MAR 28 2013
By

Annual Report of Holding Companies—FR Y-6

Report at the close of business as of the end of fiscal year

This Report is required by law: Section 5(c)(1)(A) of the Bank Holding Company Act (12 U.S.C. § 1844 (c)(1)(A)); Section 8(a) of the International Banking Act (12 U.S.C. § 3106(a)); Sections 11(a)(1), 25 and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); Section 211.13(c) of Regulation K (12 C.F.R. § 211.13(c)); and Section 225.5(b) of Regulation Y (12 C.F.R. § 225.5(b)) and section 10(c)(2)(H) of the Home Owners' Loan Act. Return to the appropriate Federal Reserve Bank the original and the number of copies specified.

This report form is to be filed by all top-tier bank holding companies and top-tier savings and loan holding companies organized under U.S. law, and by any foreign banking organization that does not meet the requirements of and is not treated as a qualifying foreign banking organization under Section 211.23 of Regulation K (12 C.F.R. § 211.23). (See page one of the general instructions for more detail of who must file.) The Federal Reserve may not conduct or sponsor, and an organization (or a person) is not required to respond to, an information collection unless it displays a currently valid OMB control number.

NOTE: The *Annual Report of Holding Companies* must be signed by one director of the top-tier holding company. This individual should also be a senior official of the top-tier holding company. In the event that the top-tier holding company does not have an individual who is a senior official and is also a director, the chairman of the board must sign the report.

I, John Ptak
Name of the Holding Company Director and Official

Executive Vice President, Treasurer and Director
Title of the Holding Company Director and Official

attest that the *Annual Report of Holding Companies* (including the supporting attachments) for this report date has been prepared in conformance with the instructions issued by the Federal Reserve System and are true and correct to the best of my knowledge and belief.

With respect to information regarding individuals contained in this report, the Reporter certifies that it has the authority to provide this information to the Federal Reserve. The Reporter also certifies that it has the authority, on behalf of each individual, to consent or object to public release of information regarding that individual. The Federal Reserve may assume, in the absence of a request for confidential treatment submitted in accordance with the Board's "Rules Regarding Availability of Information," 12 C.F.R. Part 261, that the Reporter and individual consent to public release of all details in the report concerning that individual.

Signature of Holding Company Director and Official

03/25/2013
Date of Signature

For holding companies not registered with the SEC–
Indicate status of Annual Report to Shareholders:

- ☐ is included with the FR Y-6 report
- ☒ will be sent under separate cover
- ☐ is not prepared

For Federal Reserve Bank Use Only

RSSD ID 3341469
C.I.

Date of Report (top-tier holding company's fiscal year-end):
December 31, 2012
Month / Day / Year

Reporter's Name, Street, and Mailing Address
Edgebrook Bancorp, Inc.
Legal Title of Holding Company
6000 W. Touhy Ave.
(Mailing Address of the Holding Company) Street / P.O. Box

Chicago	IL	60646
City	State	Zip Code

Physical location (if different from mailing address)

Person to whom questions about this report should be directed:

John Ptak	EVP / Treasurer / Director
Name	Title

773-594-2000
Area Code / Phone Number / Extension
773-594-2100
Area Code / FAX Number
jptak@edgebrookbank.com
E-mail Address
www.edgebrookbank.com
Address (URL) for the Holding Company's web page

Does the reporter request confidential treatment for any portion of this submission?

☐ Yes Please identify the report items to which this request applies:

☐ In accordance with the instructions on pages GEN-2 and 3, a letter justifying the request is being provided.
☐ The information for which confidential treatment is sought is being submitted separately labeled "Confidential."

☒ No

Edgebrook Bancorp, Inc.
and Subsidiary

Consolidated Financial Statements
and
Independent Auditor's Report

For the Year Ended
December 31, 2012

Wolf & Company LLP
Certified Public Accountants

CONTENTS

Wolf Company LLP

Wolf & Company
Oakbrook Terrace · Chicago

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Edgebrook Bancorp, Inc.
Chicago, Illinois

We have audited the accompanying consolidated financial statements of EDGEBROOK BANCORP, INC. AND SUBSIDIARY, which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Edgebrook Bancorp, Inc. and Subsidiary as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Oakbrook Terrace, Illinois
October 15, 2013

Wolf & Company LLP

PKF
A PKF International Member Firm

1901 S. Meyers Road, Suite 500 · Oakbrook Terrace, Illinois 60181-5209
630.545.4500 *main* · 630.574.7818 *fax* · www.wolfcpa.com

EDGEBROOK BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31, 2012	December 31, 2011
Cash and due from banks	$ 11,852,600	$ 9,291,408
Interest-bearing deposits in other banks	850,000	1,095,000
Securities available-for-sale, at fair value	4,730,487	5,301,450
Securities held-to-maturity, at cost	300,000	300,000
Loans	70,289,752	76,470,797
Less allowance for loan losses	(2,343,768)	(2,014,637)
Loans, net	67,945,984	74,456,160
Leasehold improvements and equipment, net	459,405	546,950
Other real estate owned	2,624,163	811,498
Accrued interest receivable and other assets	354,294	282,713
	$ 89,116,933	$ 92,085,179

LIABILITIES AND SHAREHOLDERS' EQUITY

	2012	2011
Liabilities:		
Deposits:		
Noninterest-bearing demand	$ 4,016,592	$ 2,315,301
NOW and money market accounts	8,846,448	9,198,891
Savings	1,453,889	1,372,615
Time	70,469,337	74,280,415
Total deposits	84,786,266	87,167,222
Accrued interest payable and other liabilities	555,315	350,381
Due to shareholder	15,000	15,000
Promissory notes, convertible to common stock	853,417	934,498
Total liabilities	86,209,998	88,467,101
Shareholders' equity:		
Common stock, no par value; authorized 25,000,000 shares; 14,422,003 shares issued and outstanding at December 31, 2012; 12,129,534 shares issued and outstanding at December 31, 2011;	13,826,906	12,531,951
Accumulated deficit	(10,611,056)	(8,983,354)
Accumulated other comprehensive income	66,085	69,481
	3,281,935	3,618,078
Shareholder notes receivable	(375,000)	-
Total shareholders' equity	2,906,935	3,618,078
	$ 89,116,933	$ 92,085,179

See accompanying notes to these consolidated financial statements.

EDGEBROOK BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Year Ended December 31, 2012	2011
Interest income:		
Loans, including fees	$ 4,197,336	$ 4,334,710
Securities available-for-sale	105,973	118,963
Deposits in other banks	39,288	30,242
Total interest income	4,342,597	4,483,915
Interest expense:		
Deposits	974,705	1,370,750
Borrowed funds	75,115	72,003
Total interest expense	1,049,820	1,442,753
Net interest income	3,292,777	3,041,162
Provision for loan losses	957,000	525,000
Net interest income after provision for loan losses	2,335,777	2,516,162
Noninterest income:		
Customer service fees	165,115	130,197
Other income	44,091	535,782
Total noninterest income	209,206	665,979
Noninterest expense:		
Salaries and employee benefits	1,358,726	1,379,370
Occupancy and equipment	233,169	252,167
Professional fees	611,328	274,581
Data processing	163,742	150,046
FDIC and state assessments	235,775	285,343
Nonaccrual/foreclosed asset expense	1,039,378	400,220
Other expense	530,567	456,682
Total noninterest expense	4,172,685	3,198,409
Net loss	$ (1,627,702)	$ (16,268)

See accompanying notes to these consolidated financial statements.

EDGEBROOK BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	For the Year Ended December 31, 2012	2011
Net loss	$ (1,627,702)	$ (16,268)
Other comprehensive income (loss):		
Unrealized holding gains (losses) arising during the period	(3,396)	154,579
Comprehensive income (loss)	$ (1,631,098)	$ 138,311

See accompanying notes to these consolidated financial statements.

EDGEBROOK BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the Years Ended December 31, 2012 and 2011

	Common Stock	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Shareholder Notes Receivable	Total
Balance at December 31, 2010	$ 11,946,830	$ (8,967,086)	$ (85,098)	$ -	$ 2,894,646
Net loss	-	(16,268)	-	-	(16,268)
Unrealized gains on securities available-for-sale	-	-	154,579	-	154,579
Issuance of 960,955 shares of common stock at $0.65 per share	624,621	-	-	-	624,621
Stock issuance costs	(39,500)	-	-	-	(39,500)
Balance at December 31, 2011	12,531,951	(8,983,354)	69,481	-	3,618,078
Net loss	-	(1,627,702)	-	-	(1,627,702)
Unrealized losses on securities available-for-sale	-	-	(3,396)	-	(3,396)
Issuance of 2,292,469 shares of common stock at $0.65 per share	1,490,105	-	-	-	1,490,105
Stock issuance costs	(195,150)	-	-	-	(195,150)
Notes receivable to finance the the purchase of common stock	-	-	-	(375,000)	(375,000)
Balance at December 31, 2012	$ 13,826,906	$ (10,611,056)	$ 66,085	$ (375,000)	$ 2,906,935

See accompanying notes to these consolidated financial statements.

EDGEBROOK BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Year Ended December 31,	
	2012	2011
Cash flows from operating activities:		
Net loss	$ (1,627,702)	$ (16,268)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	109,010	111,895
Net (gain) loss on sale of other real estate owned	35,100	(5,462)
Net amortization on premiums and discounts	35,184	38,465
Provision for loan losses	957,000	525,000
Provision for other real estate owned	70,000	
Provision for other real estate owned write down	-	150,000
(Increase) decrease in accrued interest receivable and other assets	(71,581)	128,716
Increase (decrease) in accrued interest payable and other liabilities	204,934	(238,303)
Net cash provided by (used in) operating activities	(288,055)	694,043
Cash flows from investing activities:		
Net (increase) decrease in interest-bearing deposits in other banks	245,000	(260,000)
Purchases of securities available-for-sale	(3,296,274)	(5,007,828)
Purchases of securities held-to-maturity	-	(300,000)
Proceeds from maturities and calls of securities available-for-sale	3,600,000	3,750,000
Proceeds from sales of other real estate owned	796,550	212,462
Paydowns on securities available-for-sale	228,657	204,231
Net (increase) decrease in loans	2,838,861	(4,609,237)
Purchases of leasehold improvements and equipment	(21,465)	(18,716)
Net cash provided by (used in) investing activities	4,391,329	(6,029,088)
Cash flows from financing activities:		
Issuances of promissory notes, convertible to common stock	-	-
Repayments of promissory notes, convertible to common stock	(81,081)	(72,642)
Proceeds from issuance of common stock, net of shareholder loans	1,115,105	624,621
Stock issuance costs	(195,150)	(39,500)
Net cash provided by (used in) financing activities	(1,542,082)	3,382,914
Net increase (decrease) in cash and cash equivalents	2,561,192	(1,952,131)
Cash and cash equivalents:		
Beginning of year	9,291,408	11,243,539
End of year	$ 11,852,600	$ 9,291,408

See accompanying notes to these consolidated financial statements.

EDGEBROOK BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Year Ended December 31, 2012	2011
Supplemental disclosure of cash flow information:		
Cash payments for:		
Interest on deposits	$ 991,372	$ 1,384,305
Interest on borrowed funds	25,762	34,125
Transfer from loans to other real estate owned	2,714,315	206,198
Unrealized gains (losses) on securities available-for-sale	(3,396)	154,579
Notes receivable to finance the purchase of common stock	375,000	-

See accompanying notes to these consolidated financial statements.

1. Summary of Significant Accounting Policies

The accompanying consolidated financial statements have been prepared in conformity with generally accepted accounting principles and conform to practices within the banking industry.

Nature of Operations – Edgebrook Bancorp, Inc. (the Company) provides commercial and retail banking services through its office in Chicago, Illinois. Edgebrook Bank (the Bank) offers a wide range of deposit products including checking, savings and term certificate accounts and its primary lending products include residential, multifamily, commercial, and construction real estate loans. Edgebrook Bancorp, Inc. was formed on July 18, 2002. The Bank commenced operations on May 9, 2005.

Principles of Consolidation – The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Edgebrook Bank. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates – The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The determination of the adequacy of the allowance for loan losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. In connection with the determination of the estimated losses on loans, management obtains independent appraisals for significant collateral.

The Bank's loans are generally secured by specific items of collateral including real property, consumer assets, and business assets. Although the Bank has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on local economic conditions.

While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans. Such agencies may require the Bank to recognize additional losses based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the estimated losses on loans may change materially in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

Comprehensive Income (Loss) – Comprehensive income (loss) is defined as the change in equity of a business enterprise from transactions and other events from non-shareholder sources. Comprehensive income (loss) includes net income (loss) and other changes in stockholders' equity, which bypass the statement of operations. For all periods presented, other comprehensive income (loss) includes only one component, the change in unrealized gains (losses) on available-for-sale investment securities.

Cash and Cash Equivalents – Cash and cash equivalents include interest bearing and non-interest bearing amounts due from depository banks and federal funds sold with original maturities of three months or less.

1. Summary of Significant Accounting Policies (Cont.)

Interest-Bearing Deposits in Other Banks – Interest-bearing deposits in other banks include certificates of deposit accounts. Certificates of deposit mature within one year and are carried at cost.

Investment Securities – Accounting principles generally accepted in the United States of America require that debt and equity securities be classified into one of three reporting categories and accounted for as follows: (1) held-to-maturity securities reported at amortized cost, (2) trading securities reported at fair value with unrealized gains and losses included in earnings, and (3) available-for-sale securities reported at fair value with unrealized gains and losses net of related taxes reported as an increase or decrease in other comprehensive income.

Securities held-to-maturity are securities that the Company has the intent and ability to hold to maturity and are carried at cost adjusted for amortization of premium and accretion of discount, generally computed using the interest method.

The amortization of premiums and accretion of discounts are recognized as adjustments to interest income in a manner that approximates the level-yield method. Realized gains and losses on securities sold are computed based on the adjusted cost of the specific securities sold.

Securities available-for-sale are securities that are intended to be held for indefinite periods of time, but which may not be held to maturity. These securities may be used as a part of the Company's asset/liability management strategy and may be sold in response to changes in interest rates, deterioration of issuer's creditworthiness, or due to a desire to increase capital or liquidity.

Realized securities gains and losses are determined on a specific identification basis and are reported in the consolidated statements of operations as securities gains and losses.

Loans – The Company's loan portfolio includes commercial, commercial real estate, residential real estate, and installment and other segments. Commercial real estate loans include segments for construction and land development, multifamily, owner-occupied commercial property and non-owner occupied commercial property. Residential real estate loans include classes for closed-end 1-4 family and home equity loans.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally 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 accrual of interest on all loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual if collection of principal or interest is considered doubtful. All interest accrued but not collected for loans that are placed on nonaccrual is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

1. Summary of Significant Accounting Policies (Cont.)

Allowance for Loan Losses – The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. The allowance consists of general, allocated and unallocated components, as further described below.

General component

The general component of the allowance for loan losses is based on historical loss experience adjusted for qualitative factors stratified by the following loan segments: commercial, commercial real estate, residential real estate and installment. Management uses a rolling average of historical losses based on a time frame appropriate to capture relevant loss data for each loan segment. This historical loss factor is adjusted for the following qualitative factors: levels/trends in delinquencies; trends in volume and terms of loans; effects of changes in risk selection and underwriting standards and other changes in lending policies, procedures and practices; experience/ability/depth of lending management and staff; and national and local economic trends and conditions. There were no changes in the Company's policies or methodology pertaining to the general component of the allowance for loan losses during 2012 or 2011.

The qualitative factors are determined based on the various risk characteristics of each loan segment. Risk characteristics relevant to each portfolio segment are as follows:

Commercial loans – Loans in this segment are made to businesses and are generally secured by assets of the business. Repayment is expected from the cash flows of the business. A weakened economy, and resultant decreased consumer spending, will have an effect on the credit quality in this segment. Overdraft balances are also included in this segment.

Commercial real estate – Loans in this segment are primarily income-producing properties, including multifamily residential, throughout the Chicago area. The underlying cash flows generated by the properties are adversely impacted by a downturn in the economy as evidenced by increased vacancy rates, which in turn, will have an effect on the credit quality in this segment. Management obtains rent rolls annually and continually monitors the cash flows of these loans. Loans in this segment also include speculative real estate development loans for which payment is derived from sale of the property. Credit risk is affected by cost overruns, time to sell at an adequate price, and market conditions.

Residential real estate – Loans in this segment primarily include owner-occupied 1-4 family residences secured by 1st liens. The Bank generally has 2nd liens on property securing equity lines-of-credit. The Company generally does not originate loans with a loan-to-value ratio greater than 80 percent and does not generally grant loans that would be classified as subprime upon origination. All loans in this segment are collateralized by residential real estate and repayment is dependent on the credit quality of the individual borrower or borrowers. The overall health of the economy, including unemployment rates and housing prices, will have an effect on the credit quality in this segment.

1. Summary of Significant Accounting Policies (Cont.)

Allowance for Loan Losses (cont.) –

General component (cont.)

Installment and other – Loans in this segment are generally installment loans to individuals and are supported by non-real estate collateral. The repayment is dependent on the credit quality of the individual borrower. Loans that do not meet the definition of other segments are included as other.

Allocated component

The allocated component relates to loans that are classified as impaired. Based on internal credit ratings, loans are evaluated for impairment on a loan-by-loan basis. Impairment is measured by either the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral if the loan is collateral dependent. An allowance is established when the discounted cash flows (or collateral value) of the impaired loan is lower than the carrying value of that loan. Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. 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 a 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.

The Company periodically may agree to modify the contractual terms of loans. When a loan is modified and a concession is made to a borrower experiencing financial difficulty, the modification is considered a troubled debt restructuring (TDR). All TDRs are initially classified as impaired.

Unallocated component

An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating allocated and general reserves in the portfolio.

Credit-Related Financial Instruments – In the ordinary course of business, the Bank has entered into commitments to extend credit, including commitments under lines of credit and standby letters of credit. Such instruments are recorded when they are funded.

Leasehold Improvements and Equipment – Leasehold Improvements and equipment are carried at cost net of accumulated depreciation. Depreciation is computed using the straight-line method based principally on the estimated useful lives of the assets. Maintenance and repairs are expensed as incurred while major additions and improvements are capitalized.

1. Summary of Significant Accounting Policies (Cont.)

Other Real Estate Owned – Property acquired in satisfaction of debts or through foreclosure is valued at the lower of fair value or the recorded investment in the related loan. At foreclosure, if the fair value of the property acquired is less than the recorded investment in the related loan, a write down is recognized by a charge to the allowance for possible loan losses. The cost of carrying the assets subsequent to foreclosure and any decrease in the market value occurring after that date are treated as charges to operations in the year incurred. When the property is not in a condition for use or sale at the time of foreclosure, completion and holding costs necessary to bring it into such a state are capitalized, provided that such costs do not in aggregate exceed the lower of fair value or the recorded investment in the related loan.

Income Taxes – In March 2007, the Company, with the consent of its shareholders, converted to a C corporation under sections of the federal and state income tax laws, effective as of January 1, 2007. The Company files consolidated income tax returns with its subsidiary, Edgebrook Bank. Each member of the consolidated group provides for income taxes on a separate return basis and is charged or credited by the Company with the tax or tax benefit shown in a separate return. The provision for income taxes is based on amounts reported in the statements of operations adjusted for differences that do not enter into computation of taxes payable under applicable laws. The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial reporting and tax basis of the Company's assets and liabilities. Measurement of deferred tax assets and liabilities is based upon the provision of enacted tax laws and effects of future changes in tax laws or rates. The Company recognizes the financial statement impact of a tax position when it is more than likely than not that the position will be sustained upon examination. The Company is no longer subject to U.S. federal, state and local income tax audits before the 2009 tax year.

Stock Option Plan – In 2006, the Company entered into an employment agreement with an executive officer that grants nonqualified options to purchase up to 10,000 shares of the Company's common stock. The exercise price of each option is equal to the fair market value of the Company's common stock at date of grant. Options generally vest over two years. The options do not have a contractual life but instead must be exercised no later than one year after the executive officer's termination of employment with the Company. The Company did not record related compensation expense due to its insignificant impact on the consolidated financial statements.

Allowance for Loan Losses and Credit Quality of Financing Receivables – In April 2011, the Financial Accounting Standards Board (FASB) issued guidance in Accounting Standards Update No. 2011-02, *Receivables (Topic 310): A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring* (ASU No. 2011-02). In ASU No. 2011-02, the FASB provides additional guidance and clarification to help creditors in determining whether a creditor has granted a concession and whether a debtor is experiencing financial difficulties for purposes of determining whether a restructuring constitutes a troubled debt restructuring. ASU No. 2011-02 is effective for annual periods ending on or after December 15, 2012, and should be applied prospectively. The Company has adopted this guidance in 2012.

Changes to the Effective Control Assessment in Accounting for Transfers – In April 2011, the FASB issued Accounting Standards Update No. 2011-03, *Transfers and Servicing (Topic 860): Reconsideration of Effective Control for Repurchase Agreements* (ASU No. 2011-03). ASU No. 2011-03 amends the criteria used to determine whether an entity recognizes a sale or secured borrowing transaction for the transfer of financial assets subject to repurchase agreements. The

1. Summary of Significant Accounting Policies (Cont.)

Changes to the Effective Control Assessment in Accounting for Transfers (cont.) –

guidance in ASU No. 2011-03 is intended to improve the accounting for repurchase agreements by removing the criterion requiring the transferor to have the ability to repurchase or redeem the transferred financial assets from the assessment of effective control and focuses instead on the contractual rights and obligations under the repurchase agreements. The guidance in ASU No. 2011-03 is effective for reporting periods beginning on or after December 15, 2011, and should be applied prospectively to transactions and modifications of existing transactions that occur after the effective date. The Company has adopted this guidance in 2012.

Fair Value Measurements – In May 2011, the FASB issued guidance in Accounting Standards Update No. 2011-04, *Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* (ASU No. 2011-04). ASU No. 2011-04 was issued to improve comparability of fair value application, measurements and disclosures between U.S. GAAP reporting and IFRS reporting. ASU No. 2011-04 clarifies fair value definitions and enhances fair value measurement guidance with respect to highest and best use measurements, equity instrument measurements, and measurement of financial instruments that are managed within a portfolio. Additionally, ASU No. 2011-04 expands disclosures for unobservable inputs used in Level 3 fair value measurements. ASU No. 2011-04 is effective for annual periods beginning after December 15, 2011. The Company has adopted this guidance in 2012.

Presentation of Comprehensive Income – In June 2011, the FASB issued Accounting Standards Update No. 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income* (ASU No. 2011-05). ASU No. 2011-05 was issued to improve the comparability and consistency of reporting for comprehensive income as well as improve the transparency of the components of other comprehensive income. ASU No. 2011-05 eliminates the option to present components of other comprehensive income as part of the statement of changes in shareholders' equity. ASU No. 2011-05 requires presentation of other comprehensive income items either in a single statement of comprehensive income or in two separate but consecutive statements of income and comprehensive income. In December 2011, the FASB deferred the standard's provision which requires presentation of reclassification adjustments for each component of other comprehensive income within net income. This deferral does not change the requirement to present items of net income, other comprehensive income and total comprehensive income in either a single statement of comprehensive income or separate but consecutive statements of income and comprehensive income. ASU No. 2011-05 is effective for years ending after December 15, 2012. The Company has adopted the presentation requirements of ASU No. 2011-05 in 2012.

2. Investment Securities

The amortized cost of securities and their approximate fair values as of December 31, 2012 and 2011 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2012:				
Held-to-maturity:				
U.S. Government agencies	$ 300,000	$ 1,360	$ -	$ 301,360
Available-for-sale:				
U.S. Government agencies	$ 3,499,967	$ 4,835	$ 1,060	$ 3,503,742
Mortgage-backed securities	1,164,435	62,310	-	1,226,745
	$ 4,664,402	$ 67,145	$ 1,060	$ 4,730,487
December 31, 2011:				
Held-to-maturity:				
U.S. Government agencies	$ 300,000	$ 867	$ -	$ 300,867
Available-for-sale:				
U.S. Government agencies	$ 3,806,214	$ 27,418	$ -	$ 3,833,632
Mortgage-backed securities	1,425,755	42,063	-	1,467,818
	$ 5,231,969	$ 69,481	$ -	$ 5,301,450

Securities with a carrying value of $1,226,745 and $5,601,450 at December 31, 2012 and 2011, respectively, were pledged to secure federal funds lines and other purposes required or permitted by law.

The amortized costs and fair values of debt securities as of December 31, 2012, by contractual maturity, are as follows:

	Held-to-Maturity		Available-for-Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ -	$ -	$ -	$ -
Due after one year through five years	-	-	202,560	203,644
Due after five years through ten years	-	-	-	-
Due after ten years	300,000	301,360	3,297,407	3,300,098
Mortgage-backed securities	-	-	1,164,435	1,226,745
	$ 300,000	$ 301,360	$ 4,664,402	$ 4,730,487

2. Investment Securities (Cont.)

There were no sales of securities during 2012 or 2011. Proceeds from calls and maturities of securities were $3,600,000 and $3,750,000 in 2012 and 2011, respectively. Proceeds from paydowns of securities during 2012 and 2011 amounted to $228,657 and $204,231, respectively.

Securities with unrealized losses at December 31, 2012, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, are as follows:

	Less than 12 Months		Greater than 12 Months		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
2012:						
U.S. Government agencies	$ 998,445	$ (1,060)	$ -	$ -	$ 998,445	$ (1,060)

The Company did not hold any securities with unrealized losses at December 31, 2011.

Management evaluates securities for other-than-temporary impairment as economic or market concerns warrant such evaluation. Consideration is given to the length of time and extent to which fair value has been less than cost, the financial condition and near-term prospects of the issuer, and the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovering in fair value.

3. Loans

Loans at December 31, 2012 and 2011 are summarized as follows:

	2012	2011
Commercial	$ 5,488,351	$ 4,539,603
Commercial real estate	21,317,055	22,767,623
Residential real estate	42,637,947	48,396,476
Installment and other	726,995	656,381
	70,170,348	76,360,083
Net deferred loan costs	119,404	110,714
Allowance for loan losses	(2,343,768)	(2,014,637)
	$ 67,945,984	$ 74,456,160

The Company conducts the majority of its lending activities throughout Chicago, Illinois, and certain other loans have been made to borrowers in Wisconsin, Michigan, Ohio, Arizona and Florida. Such other loans totaled approximately $6,461,023 and $7,007,000 at December 31, 2012 and 2011, respectively. Loans granted to businesses are primarily secured by business assets, owner-occupied real estate or personal assets of commercial borrowers. Loans to individuals are primarily secured by automobiles, residential real estate or other personal assets. Since the majority of the Company's borrowers and the related loan collateral have a geographic concentration in the Chicago metropolitan

3. Loans (Cont.)

area, the Company has had an exposure to a decline in the local economy and real estate market. However, management believes that the diversity of its customer base and local economy, its knowledge of the local market, and its proximity to customers limits the risk of exposure to adverse economic conditions.

Loans to directors, executive officers and certain associations of the Company were made in the ordinary course of business and were made on substantially the same terms, including rates and collateral, as those prevailing at the time for comparable transactions with other persons and did not involve more than the normal risk of collectability or present other unfavorable features.

As of December 31, 2012 and 2011, loans aggregating $726,061 and $716,778, respectively, were outstanding to directors, executive officers and certain associates. During 2012, new loans aggregating $106,299 and amounts collected of $97,016 were transacted with such parties.

The Bank is servicing loans on behalf of a related party. The balance on these loans totaled approximately $513,000 and $627,000 as of December 31, 2012 and 2011, respectively.

4. Allowance for Loan Losses and Credit Quality Disclosures

Changes in the allowance for loan losses and the related loan balance information as of and for the years ended December 31, 2012 and 2011 are as follows:

	Year Ended December 31, 2012					
	Commercial	Commercial Real Estate	Residential Real Estate	Installment and Other	Unallocated	Total
Allowance for loan losses:						
Allowance for loan losses, beginning of year	$ 54,657	$ 460,548	$ 1,393,409	$ 5,693	$ 100,330	$ 2,014,637
Provision for loan losses	85,022	350,107	469,809	152,392	(100,330)	957,000
Loan recoveries	-	-	-	-	-	-
	139,679	810,655	1,863,218	158,085	-	2,971,637
Loans charged off	-	(43,652)	(584,217)	-	-	(627,869)
Allowance for loan losses, end of year	$ 139,679	$ 767,003	$ 1,279,001	$ 158,085	$ -	$ 2,343,768
Allowance for loan losses, end of year:						
Individually evaluated for impairment	$ -	$ 632,686	$ 724,078	$ 140,739	$ -	$ 1,497,503
Collectively evaluated for impairment	139,679	134,317	554,923	17,346	-	846,265
Loan acquired with deteriorated credit quality	-	-	-	-	-	-
	$ 139,679	$ 767,003	$ 1,279,001	$ 158,085	$ -	$ 2,343,768

4. Allowance for Loan Losses and Credit Quality Disclosures (Cont.)

	Year Ended December 31, 2012					
	Commercial	Commercial Real Estate	Residential Real Estate	Installment and Other	Unallocated	Total
Loan balance, end of year:						
Individually evaluated for impairment	$ 14,904	$ 4,841,696	$ 8,175,696	$ 140,739	$ -	$ 13,173,035
Collectively evaluated for impairment	5,473,447	16,475,359	34,462,251	586,256	-	56,997,313
Loan acquired with deteriorated credit quality	-	-	-	-	-	-
	$ 5,488,351	$ 21,317,055	$ 42,637,947	$ 726,995	$ -	$ 70,170,348

	Year Ended December 31, 2011					
	Commercial	Commercial Real Estate	Residential Real Estate	Installment and Other	Unallocated	Total
Allowance for loan losses:						
Allowance for loan losses, beginning of year	$ 17,660	$ 246,120	$ 1,205,193	$ 10,075	$ 454,703	$ 1,933,751
Provision for loan losses	76,997	272,324	506,743	23,309	(354,373)	525,000
Loan recoveries	-	-	63,724	-	-	63,724
	94,657	518,444	1,775,660	33,384	100,330	2,522,475
Loans charged off	(40,000)	(57,896)	(382,251)	(27,691)	-	(507,838)
Allowance for loan losses, end of year	$ 54,657	$ 460,548	$ 1,393,409	$ 5,693	$ 100,330	$ 2,014,637
Allowance for loan losses, end of year:						
Individually evaluated for impairment	$ 15,000	$ 257,400	$ 990,320	$ -	$ -	$ 1,262,720
Collectively evaluated for impairment	39,657	203,148	403,089	5,693	100,330	751,917
Loan acquired with deteriorated credit quality	-	-	-	-	-	-
	$ 54,657	$ 460,548	$ 1,393,409	$ 5,693	$ 100,330	$ 2,014,637
Loan balance, end of year:						
Individually evaluated for impairment	$ 21,756	$ 3,718,714	$ 10,467,938	$ 2,500	$ -	$ 14,210,908
Collectively evaluated for impairment	4,517,847	19,048,909	37,928,538	653,881	-	62,149,175
Loan acquired with deteriorated credit quality	-	-	-	-	-	-
	$ 4,539,603	$ 22,767,623	$ 48,396,476	$ 656,381	$ -	$ 76,360,083

4. Allowance for Loan Losses and Credit Quality Disclosures (Cont.)

The Company uses a graded loan rating system as a means of identifying potential problem loans.

Loans rated 1 to 4 – Loans in these categories are considered "pass" rated loans with low to average risk.

Loans rated 5 to 6 – Loans in this category are internally designated by management as "watch." These loans are starting to show signs of potential weakness and are being closely monitored by management.

Loans rated 7 – Loans in this category are considered "substandard." Generally, a loan is considered substandard if it is inadequately protected by the current net worth and paying capacity of the obligors and/or the collateral pledged. There is a distinct possibility that the Company will sustain some loss if the weakness is not corrected.

Loans rated 8 – Loans in this category are considered "doubtful." Loans classified as doubtful have all the weakness inherent in those classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, highly questionable and improbable.

On an annual basis, or more often if needed, the Company formally reviews the ratings on all loans. The Company engages an independent third-party to review the loan portfolio. Management uses the results of this review as part of its annual review process.

The following presents the loan balance based upon the Company's loan rating system as of December 31, 2012 and 2011:

	Year Ended December 31, 2012				
	Pass	Watch	Substandard	Doubtful	Total
Commercial	$ 1,878,447	$ -	$ 3,609,904	$ -	$ 5,488,351
Commercial real estate:					
Construction and land development	2,860,899	-	-	-	2,860,899
Multifamily	2,296,635	3,487,877	2,441,586	-	8,226,098
Owner occupied	669,985	2,101,908	-	-	2,771,893
Non-owner occupied	6,493,055	-	965,110	-	7,458,165
Residential real estate:					
1-4 family first liens	22,331,709	6,942,379	7,758,655	-	37,032,743
1-4 family junior liens	1,849,232	-	213,396	-	2,062,628
Home equity lines	3,072,592	107,943	362,041	-	3,542,576
Installment and other	526,058	250	200,687	-	726,995
	$ 41,978,612	$ 12,640,357	$ 15,551,379	$ -	$ 70,170,348

4. Allowance for Loan Losses and Credit Quality Disclosures (Cont.)

	Year Ended December 31, 2011				
	Pass	Watch	Substandard	Doubtful	Total
Commercial	$ 4,517,847	$ -	$ 21,756	$ -	$ 4,539,603
Commercial real estate:					
Construction and land development	2,751,821	-	212,374	-	2,964,195
Multifamily	6,606,888	3,193,136	810,575	-	10,610,599
Owner occupied	845,256	-	-	-	845,256
Non-owner occupied	4,800,754	626,573	2,920,246	-	8,347,573
Residential real estate:					
1-4 family first liens	25,247,374	1,699,889	13,962,689	-	40,909,952
1-4 family junior liens	1,892,996	-	998,618	-	2,891,614
Home equity lines	4,022,584	-	572,326	-	4,594,910
Installment and other	656,381	-	-	-	656,381
	$ 51,341,901	$ 5,519,598	$ 19,498,584	$ -	$ 76,360,083

The aging of the Company's loan portfolio as of December 31, 2012 and 2011 is as follows:

	Year Ended December 31, 2012						
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total Loan Balance	Recorded Investment > 90 Days and Accruing
Commercial	$ -	$ -	$ 14,904	$ 14,904	$ 5,473,447	$ 5,488,351	$ -
Commercial real estate:							
Construction and land development	-	-	-	-	2,860,899	2,860,899	-
Multifamily	-	-	2,441,586	2,441,586	5,784,512	8,226,098	-
Owner occupied	-	-	-	-	2,771,893	2,771,893	-
Non-owner occupied	-	-	800,109	800,109	6,658,056	7,458,165	-
Residential real estate:							
1-4 family first liens	454,031	371,167	3,399,929	4,225,127	32,807,616	37,032,743	-
1-4 family junior liens	-	-	361,962	361,962	1,700,666	2,062,628	-
Home equity lines	39,082	-	29,822	68,904	3,473,672	3,542,576	-
Installment and other	10,559	-	-	10,559	716,436	726,995	-
	$ 503,672	$ 371,167	$ 7,048,312	$ 7,923,151	$ 62,247,197	$ 70,170,348	$ -

4. Allowance for Loan Losses and Credit Quality Disclosures (Cont.)

	Year Ended December 31, 2011						
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total Loan Balance	Recorded Investment > 90 Days and Accruing
Commercial	$ -	$ -	$ 21,756	$ 21,756	$ 4,517,847	$ 4,539,603	$ 21,756
Commercial real estate:							
Construction and land development	-	-	212,374	212,374	2,751,821	2,964,195	-
Multifamily	-	498,247	-	498,247	10,112,352	10,610,599	-
Owner occupied	-	-	-	-	845,256	845,256	-
Non-owner occupied	666,356	343,814	2,253,890	3,264,060	5,083,513	8,347,573	-
Residential real estate:							
1-4 family first liens	438,512	1,206,360	4,462,044	6,106,916	34,803,036	40,909,952	-
1-4 family junior liens	50,046	-	108,469	158,515	2,733,099	2,891,614	-
Home equity lines	245,000	-	-	245,000	4,349,910	4,594,910	-
Installment and other	-	-	2,500	2,500	653,881	656,381	-
	$ 1,399,914	$ 2,048,421	$ 7,061,033	$ 10,509,368	$ 65,850,715	$ 76,360,083	$ 21,756

4. Allowance for Loan Losses and Credit Quality Disclosures (Cont.)

The following presents loans individually evaluated for impairment as of December 31, 2012 and 2011:

	Year Ended December 31, 2012				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial	$ 14,904	$ 14,904	$ -	$ 18,330	$ -
Commercial real estate:					
Construction and land development	-	-	-	-	-
Multifamily	-	-	-	-	-
Owner occupied	-	-	-	-	-
Non-owner occupied	-	-	-	-	-
Residential real estate:					
1-4 family first liens	3,609,437	3,632,939	-	3,670,070	82,960
1-4 family junior liens	-	-	-	-	-
Home equity lines	-	-	-	-	-
Installment and other	-	-	-	-	-
	3,624,341	3,647,843	-	3,688,400	82,960
With an allowance recorded:					
Commercial	-	-	-	-	-
Commercial real estate:					
Construction and land development	-	-	-	-	-
Multifamily	2,441,586	2,441,586	487,686	2,441,523	13,779
Owner occupied	1,600,000	1,600,000	100,000	1,600,000	34,093
Non-owner occupied	800,110	800,110	45,000	840,604	19,936
Residential real estate:					
1-4 family first liens	4,368,898	4,368,898	526,717	4,379,124	111,855
1-4 family junior liens	167,539	167,539	167,539	169,997	5,402
Home equity lines	29,822	29,822	29,822	29,444	-
Installment and other	140,739	140,739	140,739	140,896	3,073
	9,548,694	9,548,694	1,497,503	9,601,588	188,138
	$ 13,173,035	$ 13,196,537	$ 1,497,503	$ 13,289,988	$ 271,098

4. Allowance for Loan Losses and Credit Quality Disclosures (Cont.)

	Year Ended December 31, 2011				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial	$ -	$ -	$ -	$ -	$ -
Commercial real estate:					
Construction and land development	-	-	-	-	-
Multifamily	586,094	586,094	-	594,417	20,764
Owner occupied	-	-		-	-
Non-owner occupied	-	-	-	-	-
Residential real estate:					
1-4 family first liens	4,643,008	4,781,761	-	4,773,697	170,486
1-4 family junior liens	417,929	417,929	-	417,940	24,230
Home equity lines	-	-	-	-	-
Installment and other	2,500	2,500	-	2,500	-
	5,649,531	5,788,284	-	5,788,554	215,480
With an allowance recorded:					
Commercial	21,756	21,756	15,000	23,209	1,095
Commercial real estate:					
Construction and land development	212,374	1,320,374	100,000	366,478	-
Multifamily	-	-	-	-	-
Owner occupied	-	-	-	-	-
Non-owner occupied	2,920,246	2,920,246	157,400	2,911,601	57,231
Residential real estate:					
1-4 family first liens	4,828,498	5,095,498	411,817	4,962,989	106,524
1-4 family junior liens	375,643	375,643	375,643	394,786	9,991
Home equity lines	202,860	202,860	202,860	203,024	4,569
Installment and other	-	-	-	-	-
	8,561,377	9,936,377	1,262,720	8,862,087	179,410
	$ 14,210,908	$ 15,724,661	$ 1,262,720	$ 14,650,641	$ 394,890

4. Allowance for Loan Losses and Credit Quality Disclosures (Cont.)

Nonaccrual loans at December 31, 2012 and 2011 are summarized as follows:

	2012	2011
Commercial	$ -	$ -
Commercial real estate:		
Construction and land development	-	212,374
Multifamily	2,441,586	-
Owner occupied	-	-
Non-owner occupied	800,110	2,253,890
Residential real estate:		
1-4 family first liens	3,594,352	4,461,914
1-4 family junior liens	167,539	108,469
Home equity lines	29,822	62,121
Installment and other	-	2,500
Total	$ 7,033,409	$ 7,101,268

The following is a summary of loans modified as troubled debt restructurings during the years ended December 31, 2012 and 2011:

	Number of Contracts	Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment
2012 Troubled debt restructurings:			
Residential real estate	3	$ 2,001,211	$ 2,001,211
Installment and other	1	140,739	140,739
	4	$ 2,141,950	$ 2,141,950
2011 Troubled debt restructurings:			
Commercial real estate	1	$ 666,356	$ 666,356
Residential real estate	2	696,940	696,940
	3	$ 1,363,296	$ 1,363,296

4. Allowance for Loan Losses and Credit Quality Disclosures (Cont.)

The troubled debt restructurings provide for modifications to the repayment terms. This included interest rates reductions and changes to payment structures, converting payments from principal and interest to interest only. The restructurings did not result in a forgiveness of principal. Management performs an impairment analysis on troubled debt restructurings. Any reserve required is recorded through the provision for loan losses.

The following is a summary of troubled debt restructurings that defaulted in the first twelve months after restructure during the year ended December 31, 2012 and 2011:

	Number of Contracts	Recorded Investment
2012 Troubled debt restructurings:		
Residential real estate	1	$ 1,196,766
2011 Troubled debt restructurings:		
Commercial real estate	1	$ 666,356
Residential real estate	1	438,512
	2	$ 1,104,868

5. Premises and Equipment

A summary of premises and equipment at December 31, 2012 and 2011 follows:

	2012	2011
Leasehold improvements	$ 653,292	$ 651,576
Furniture and equipment	644,838	625,089
	1,298,130	1,276,665
Less: accumulated depreciation	838,725	729,715
	$ 459,405	$ 546,950

Depreciation and amortization expense related to leasehold improvements and equipment, which is included in occupancy and equipment expense, amounted to $109,010 and $111,895 for the years ended December 31, 2012 and 2011, respectively.

The Company is obligated under a noncancelable lease for its facility. The lease for this facility is classified as an operating lease and contains two options to renew or extend the lease term for a period of five years each. In 2009, the Company exercised the first option which extended the lease term to 2014. In addition to the minimum rental, the lease contains real estate tax and common area payment requirements and/or escalation/annual adjustment clauses.

5. Premises and Equipment (Cont.)

Total minimum base rental commitments under operating leases at December 31, 2012 are as follows:

Year Ending December 31	Amount
2013	$ 90,701
2014	78,087
	$ 168,788

The facility lease contains a second five-year option to extend rentals beyond 2014. The cost of such rentals is not included in the minimum base rental commitments.

Rent expense amounted to $82,202 and $98,650 in 2012 and 2011, respectively.

6. Shareholder Notes Receivable

Certain shareholder notes receivable totaling $375,000 at December 31, 2012 are classified as a component of shareholders' equity in the accompanying consolidated balance sheets as the purpose of the notes were to finance the purchase of common stock. The notes receivable are on market terms.

7. Deposits

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

Less than three months	$ 15,808,503
Over three months to one year	23,548,596
Over one year to three years	27,926,670
Over three years	3,185,568
	$ 70,469,337

The aggregate amount of time deposits, each with a minimum denomination of $100,000, was $36,791,810 and $32,027,059 at December 31, 2012 and 2011, respectively.

The Company had deposits of $343,525 and $315,516 with related parties including officers, directors, employees, and principal shareholders of the Company, including their families and companies of which they are principal owners, as of December 31, 2012 and 2011, respectively.

8. Promissory Notes convertible to Common Stock

At December 31, 2012 and 2011, promissory notes convertible to common stock consisted of the following:

	2012	2011
Unsecured promissory notes convertible to common stock with an interest rate of 7%. Accrued interest is computed quarterly on the last day of March, June, September, and December until the notes are paid in full. If the principal and interest is not paid by the Company upon original maturity, the notes shall automatically renew for an additional year; thereafter, these notes shall be payable on demand. Upon payments of the notes, the Company grants the holder the option to receive payment of any and all amounts due under these notes in the Company's common stock, based on offering prices ranging from $0.65 to $0.85 per share. Promissory notes issued under these terms are as follows:		
Three promissory notes with origination dates from February 27, 2009 to March 31, 2009. Notes matured on December 31, 2010, and are payable on demand.	$ 77,119	$ 93,000
Three promissory notes with origination dates from August 31, 2009 to April 9, 2010. Notes matured on June 30, 2011, and are payable on demand.	375,000	410,000
Nine promissory notes with origination dates of December 1, 2010. Notes matured on December 31, 2012, and renewed for one year.	267,251	297,451
One promissory note with origination date of December 31, 2010. Note matured on December 31, 2012, and renewed for one year.	134,047	134,047
	$ 853,417	$ 934,498

Promissory notes convertible to common stock include amounts of $415,857 and $876,498 due to shareholders as of December 31, 2012 and 2011, respectively.

9. Employee Benefit Plan

The Bank has a 401(k) plan that covers substantially all employees who have attained the age of 21 and completed one month of service. Participants make tax deferred contributions. The Company did not make any contributions to the plan for the years ended December 31, 2012 or 2011.

10. Income Taxes

Temporary differences between the amounts reported in the consolidated financial statements and the tax basis of assets and liabilities result in deferred taxes. Deferred tax assets relate primarily to the allowance for loan losses, net deferred loan costs, depreciation, and a net operating loss carryforward. Deferred tax liabilities relate primarily to accrual to cash basis adjustments. For financial reporting purposes, a valuation allowance has been recognized to offset deferred tax assets. A valuation allowance is recorded at a level necessary to result in a net deferred tax position of zero at December 31, 2012 and 2011 due to the uncertainty of the level of future taxable income. When the Company generates future taxable income, the tax benefits of these items will reduce current tax expense. No tax benefit was recorded by the Company in 2012 or 2011. At December 31, 2012, the Company had accumulated Federal net operating losses of approximately $6,540,000. Such amount is available for carryforward to offset future taxable income and begins to expire in 2027.

11. Commitments, Contingencies and Credit Risk

Financial Instruments – 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 commitments to extend credit and stand-by letters of credit. These instruments involve elements of credit risk in excess of the amounts recognized in the consolidated balance sheets. The contract amounts of these instruments reflect the extent of involvement the Bank has in particular classes of financial instruments. The Bank did not hold any off-balance-sheet-derivative financial instruments, such as futures, forwards, swaps or option contracts, at December 31, 2012 and 2011.

The Bank's exposure to credit loss, in the event of non-performance by the other party to the financial instrument for commitments to extend credit, is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

The following financial instruments were outstanding whose amounts represent credit risk at December 31, 2012 and 2011:

	2012	2011
Commitments to extend credit	$ 1,950,000	$ 1,311,000
Standby letters of credit	198,000	501,000
	$ 2,148,000	$ 1,812,000

Commitments to extend credit are 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 may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained is based on management's credit evaluation of the customer.

11. Commitments, Contingencies and Credit Risk (Cont.)

Financial Instruments (cont.) –

Unfunded commitments under commercial lines of credit, revolving credit lines and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. The lines of credit can be uncollateralized and usually do not contain a specified maturity date and ultimately may not be drawn upon to the extent to which the Company is committed.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those letters of credit are primarily issued to support public and private borrowing arrangements and generally have terms of more than 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 Company holds collateral supporting those commitments if deemed necessary. At December 31, 2012 and 2011, no amounts have been recorded as liabilities for the Company's potential obligations under these guarantees.

Concentration of Credit Risk – The Bank maintains deposits in the normal course of business with certain correspondent financial institutions in excess of federally insured limits. These financial institutions are deemed by management to be financially sound.

The Bank makes commercial, consumer and residential loans to their customers throughout northern Illinois. The majority of loans made are secured by specific collateral. Collateral held varies but may include deposits held in financial institutions; U.S. treasury securities; other marketable securities; income-producing commercial properties; accounts receivable; and property, plant and equipment.

Interest Rate Risk – The Bank assumes interest rate risk (the risk that general interest rate levels will change) as a result of its normal operations. As a result, fair values of the Bank's financial instruments will change when interest rate levels change, and that change may be either favorable or unfavorable to the Bank. Management attempts to match maturities of assets and liabilities to the extent believed necessary to minimize interest rate risk. However, borrowers with fixed rate obligations are less likely to prepay in a rising rate environment and more likely to prepay in a falling rate environment. Conversely, depositors who are receiving fixed rates are more likely to withdraw funds before maturity in a rising rate environment and less likely to do so in a falling rate environment. Management monitors rates and maturities of assets and liabilities and attempts to minimize interest rate risk by adjusting terms of new loans and deposits and by investing in securities with terms that mitigate the Bank's overall interest rate risk.

Litigation – Because of the nature of their activities, the Company and the Bank could be subject to pending and threatened legal actions, which arise in the normal course of business. As of December 31, 2012, management was unaware of any pending or threatened litigation.

Cash Requirements – The Bank is required to maintain certain average cash reserve balances with the Federal Reserve Bank. The required balance at December 31, 2012 and 2011 was $25,000.

12. Restrictions on Dividends

Banking regulations limit the amount of dividends that may be paid by the Bank to the Company without prior approval of the Bank's regulatory agency. These regulations generally limit the amount of dividends the Bank may pay to the Company to an amount equal to the Bank's undistributed net income, subject to the capital needs of the Bank.

13. Regulatory Capital Requirements

The Bank is subject to various regulatory capital requirements administered by the federal 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 assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weighting and other factors.

Quantitative measures established by regulation to insure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the following table) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier 1 capital (as defined) to adjusted total assets (as defined).

The most recent notification from the Federal Deposit Insurance Corporation (FDIC) categorized the Bank adequately capitalized under the regulatory framework for prompt corrective action; however, the Bank failed to meet the minimum 13% risk based ratio and 9% Tier 1 leverage ratio requirements stipulated in the current FDIC Consent Order. To be categorized as adequately capitalized, the Bank must maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the following table. There are no conditions or events since that notification that management believes have changed the Bank's category.

The Bank's capital amounts and ratios at December 31, 2012 and 2011 are presented in the following table:

	Actual		Minimum for Capital Adequacy Purposes		Minimum to Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2012:						
Total Capital (to Risk-Weighted Assets)	$ 4,576,000	8.54%	$ 4,286,000	8.0%	$ 5,358,000	10.0%
Tier 1 Capital (to Risk-Weighted Assets)	3,886,000	7.25%	2,143,000	4.0%	3,215,000	6.0%
Tier 1 Capital (to Adjusted Total Assets)	3,886,000	4.19%	3,706,000	4.0%	4,632,000	5.0%
As of December 31, 2011:						
Total Capital (to Risk-Weighted Assets)	$ 5,261,000	9.69%	$ 4,342,000	8.0%	$ 5,427,000	10.0%
Tier 1 Capital (to Risk-Weighted Assets)	4,557,000	8.40%	2,171,000	4.0%	3,256,000	6.0%
Tier 1 Capital (to Adjusted Total Assets)	4,557,000	4.87%	3,744,000	4.0%	4,680,000	5.0%

13. Regulatory Capital Requirements (Cont.)

The FDIC and Illinois Department of Financial and Professional Regulation (IDFPR) have issued a Consent Order to the Bank to address items of concern including management and director oversight, the operating business plan, compliance, credit risk management policies and practice and internal controls over financial reporting. Management is making efforts to ensure the Bank is in compliance with the articles of the Order.

14. Fair Value Measurements

Generally accepted accounting principles provide a uniform framework for the definition, measurement and disclosure of fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an 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. Such accounting guidance also 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. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted market prices (unadjusted) for identical assets or liabilities in active markets 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, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2012 and 2011.

Investment Securities Available-for-Sale – Investment securities available-for-sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices for similar assets, if available. If quoted prices are not available, fair values are measured using matrix pricing models, or other model-based valuation techniques requiring observable inputs other than quoted prices such as yield curves, prepayment speeds, and default rates. Recurring Level 1 securities would include U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets. Recurring Level 2 securities include U.S. government agency securities, U.S. government sponsored agency securities, mortgage-backed securities, collateralized mortgage obligations and municipal bonds. Where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. Changes in fair market value are recorded in other comprehensive income as the securities are available for sale.

14. Fair Value Measurements (Cont.)

Impaired Loans – The Company does not record loans at fair value on a recurring basis. However, on occasion, a loan is considered impaired and an allowance for loan loss is established. A loan is considered impaired when it is probable that all of the principal and interest due under the original terms of the loan may not be collected. Once a loan is identified as impaired, management will measure impairment. The fair value of loans is generally 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 by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and client's business, resulting in a Level 3 fair value classification. Impaired loans are evaluated on a quarterly basis for additional impairment and adjusted accordingly. Impaired loans that are valued based on the present value of future cash flows are not considered in the fair value hierarchy.

Other Real Estate Owned – The Company does not record other real estate owned at fair value on a recurring basis. Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at the lower of the carrying amount or fair value less cost to sell. Fair value is commonly based on recent real estate appraisals which are typically updated no less frequently than annually. 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 by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Other real estate owned properties are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

Fair values of assets and liabilities measured on a recurring basis at December 31, 2012 and 2011 are as follows:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2012:				
Securities available-for-sale	$ 4,730,487	$ -	$ 4,730,487	$ -
December 31, 2011:				
Securities available-for-sale	$ 5,301,450	$ -	$ 5,301,450	$ -

14. Fair Value Measurements (Cont.)

Other Real Estate Owned (cont.) –

Fair values of assets and liabilities measured on a nonrecurring basis at December 31, 2012 and 2011 are as follows:

		Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Gain/(Loss)
December 31, 2012:					
Impaired loans	$ 11,675,532	$ -	$ -	$ 11,675,532	$ (966,272)
Other real estate owned	2,624,163	-	-	2,624,163	-
	$ 14,299,695	$ -	$ -	$ 14,299,695	$ (966,272)
December 31, 2011:					
Impaired loans	$ 12,948,188	$ -	$ -	$ 12,948,188	$ (836,205)
Other real estate owned	811,498	-	-	811,498	(150,000)
	$ 13,759,686	$ -	$ -	$ 13,759,686	$ (986,205)

The following represent impairment charges recognized during the period.

Impaired loans that were considered collateral dependent had a carrying amount of $13,173,035 and $14,210,908 with a valuation allowance of $1,497,503 and $1,262,720 as of December 31, 2012 and 2011, respectively. Collateral dependent impaired loans were adjusted to the fair value, less costs to sell, of the underlying collateral securing these loans resulting in certain losses. The losses are not recorded directly as an adjustment to current earnings, but rather as a component in determining the allowance for loan losses.

Other real estate owned, which are valued using the fair value less costs to sell, had a carrying amount of $2,694,163 and $1,071,339 with a valuation allowance of $70,000 and $259,841 as of December 31, 2012 and 2011, respectively. Other real estate owned and repossessed assets were adjusted to the fair value, less costs to sell, resulting in certain losses. The losses are recorded directly as an adjustment to current earnings.

14. Fair Value Measurements (Cont.)

Other Real Estate Owned (cont.) –

The valuation techniques and significant unobservable inputs used to measure non-recurring Level 3 fair value measurements at December 31, 2012 were as follows:

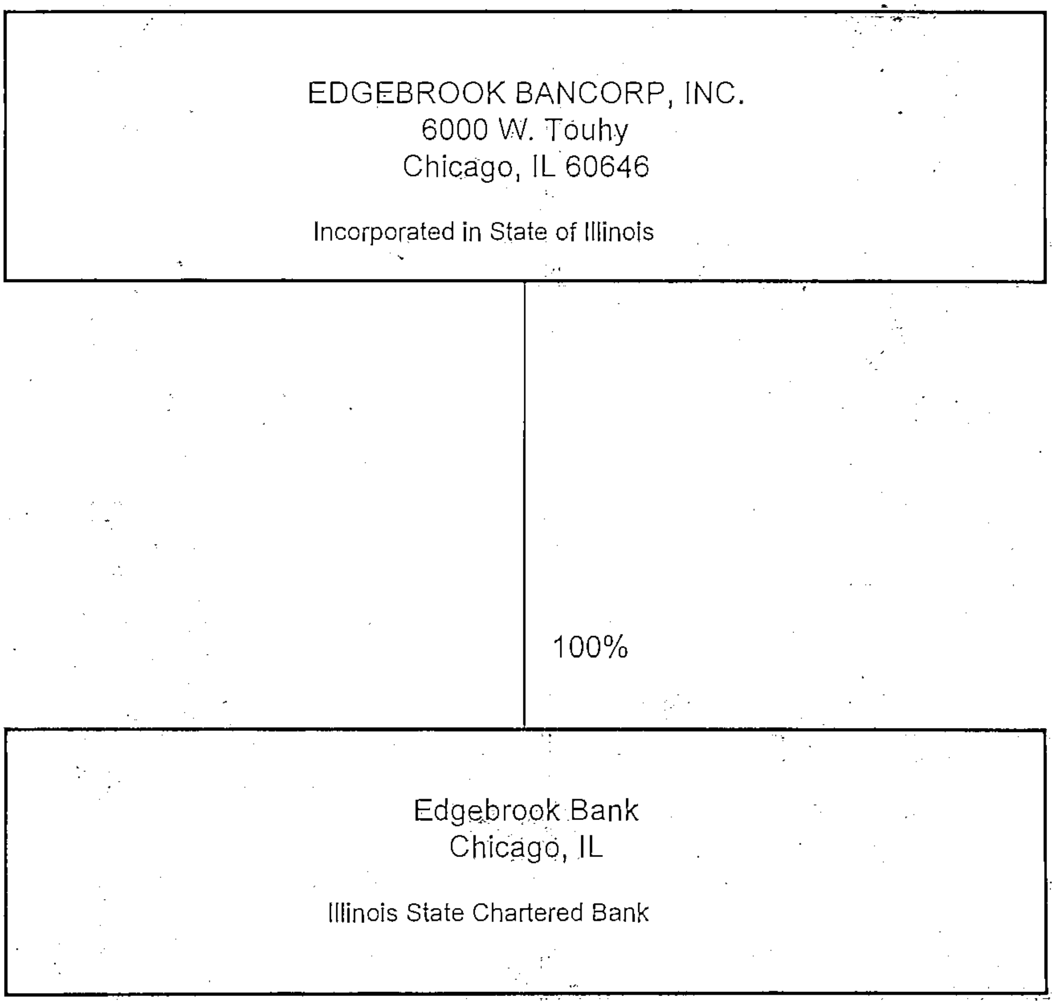
	Fair Value	Valuation Methodology	Significant Unobservable Input	Range of Inputs (Weighted Average)
Impaired loans	$ 11,675,532	Sales Comparison Approach	Discount on market value and selling costs	0% - 45% (12.6%)
Other real estate owned	2,624,163	Sales Comparison Approach	Discount on market value and selling costs	0% - 8% (3.4%)

15. Subsequent Events

The Company evaluated its December 31, 2012 consolidated financial statements for subsequent events through October 15, 2013, the date the consolidated financial statement were available to be issued. The Company is not aware of any subsequent events that would require recognition in its consolidated financial statements.

FORM FR Y-6

EDGEBROOK BANCORP, INC.
CHICAGO, IL
FISCAL YEAR ENDING DECEMBER 31, 2009
Item 2.b.



Results: A list of branches for your holding company: EDGEBROOK BANCORP, INC. (3341469) of CHICAGO, IL.
The data are as of 12/31/2012. Data reflects information that was received and processed through 02/24/2013.

Reconciliation and Verification Steps
1. In the **Data Action** column of each branch row, enter one or more of the actions specified below.
2. If required, enter the date in the **Effective Date** column.

Actions
OK: If the branch information is correct, enter 'OK' in the **Data Action** column.
Change: If the branch information is incorrect or incomplete, revise the data, enter 'Change' in the **Data Action** column and the date when this information first became valid in the **Effective Date** column.
Close: If a branch listed was sold or closed, enter 'Close' in the **Data Action** column and the sale or closure date in the **Effective Date** column.
Delete: If a branch listed was never owned by this depository institution, enter 'Delete' in the **Data Action** column.
Add: If a reportable branch is missing, insert a row, add the branch data, and enter 'Add' in the **Data Action** column and the opening or acquisition date in the **Effective Date** column.

If printing this list, you may need to adjust your page setup in MS Excel. Try using landscape orientation, page scaling, and/or legal sized paper.

Submission Procedure
When you are finished, send a saved copy to your FRB contact. See the detailed instructions on this site for more information.
If you are e-mailing this to your FRB contact, put your institution name, city and state in the subject line of the e-mail.

Note:
To satisfy the **FR Y-10 reporting requirements**, you must also submit FR Y-10 Domestic Branch Schedules for each branch with a **Data Action** of Change, Close, Delete, or Add.
The FR Y-10 report may be submitted in a hardcopy format or via the FR Y-10 Online application - https://y10online.federalreserve.gov.

* FDIC UNINUM, Office Number, and ID_RSSD columns are for reference only. Verification of these values is not required.

Data Action	Effective Date	Branch Service Type	Branch ID_RSSD*	Popular Name	Street Address	City	State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office	Head Office ID_RSSD*	Comments
		Full Service (Head Office)	3339925	EDGEBROOK BANK	6000 WEST TOUHY AVENUE	CHICAGO	IL	60646	COOK	UNITED STATES	424232	0	EDGEBROOK BANK	3339925	

Form FR Y-6
Legal Title of Bank Holding Company
Fiscal Year Ending December 31, 2012

Report Item 3: Securities holders
(1)(a)(b)(c) and (2)(a)(b)(c)

(1)(a) Name, City, State, Country	(1)(b) Country of Citizenship or Incorporation	(1)(c) Number and Percentage of Each Class of Voting Securities	(2)(a) Name, City, State, Country	(2)(b) Country of Citizenship or Incorporation	(2)(c) Number and Percentage of Each Class of Voting Securities
Bernard W. Glavin, Jr. & Suzanne Glavin Glenview, IL	USA	5,472,422 - 37.97% Common Stock	N/A	N/A	N/A
Anthony J. Rose Independence, OH	USA	1,125,000 - 7.80% Common Stock	N/A	N/A	N/A

Form FR Y-6
Legal Title of Bank Holding Company
Fiscal Year Ending December 31, 2012

Report Item 4: Insiders
(1),(2),(3)(a)(b)(c), and (4)(a)(b)(c)

(1) Name, City, State, Country	(2) Principal Occupation if other then with Bank Holding Company	(3)(a) Title & Position with Bank Holding Company	(3)(b) Title & Position with Bank Subsidiaries	(3)(c) Title & Position with Other Businesses	(4)(a) Percentage of Voting Shares in Bank Holding Company	(4)(b) Percentage of Voting Shares in Bank Subsidiaries	(4)(c) List Names of Other Companies if 25% or more of voting securities is held
Bernard W. Glavin, Jr. Glenview, IL	N/A	Chairman & President of the Company; Chairman of the Board	Chief Executive Officer of the Bank	N/A	37.97%	N/A	None
Suzanne Glavin Glenview, IL	Interior Designer	Secretary of the Company	N/A	Part Owner	See above (Joint with B. Glavin Jr.)	N/A	The North Shore Nest 50%
Anthony J. Rose Independence, OH	Retired	Director of the Company	N/A	Retired	7.80%	N/A	None
John B. Ptak Streamoood, IL	N/A	Treasurer & Executive Vice President & Director of the Company	Director & Vice President of the Bank	N/A	0.17%	N/A	None
Russell W. Holmquist, Jr. Park Ridge, IL	Owner, Russell W. Holmquist Insurance Agency	Director of the Company	Director of the Bank	President of Russell W. Holmquist Insurance Agency	0.12%	N/A	Russell Holmquist Insurance Agency (100%)