

**AMB Financial Corp.
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**Financial Report For The Three
Months Ended March 31, 2010**

Note: This report is intended to be read in conjunction with our Annual Report to Stockholders for the year ended December 31, 2009, copies of which are included on this website. This report is dated March 31, 2010 and should not be read to cover any subsequent periods. We specifically disclaim any obligation to update this report even if the contents thereof should become misleading.

This report has not been prepared in accordance with Securities and Exchange Commission rules applicable to public companies and is not intended to comply with such rules.

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**AMB FINANCIAL CORP.
AND SUBSIDIARIES**

Consolidated Statements of Financial Condition

| | March 31, <u>2010</u> unaudited | December 31, <u>2009</u> unaudited |
|--|---------------------------------------|--|
| <u>Assets</u> | | |
| Cash and amounts due from depository institutions | \$ 1,997,448 | \$ 3,791,899 |
| Interest-bearing deposits | 16,349,571 | 14,617,942 |
| Total cash and cash equivalents | 18,347,019 | 18,409,841 |
| Mortgage backed securities, available for sale, at fair value | 5,624,241 | 5,859,377 |
| Loans receivable (net of allowance for loan losses): | | |
| \$2,424,094 at March 31, 2010 and | | |
| \$2,329,696 at December 31, 2009) | 136,883,067 | 138,044,484 |
| Real estate owned and other repossessed assets | 2,845,996 | 3,646,612 |
| Investment in limited partnership | 631,057 | 640,357 |
| Stock in Federal Home Loan Bank of Indianapolis | 1,965,100 | 1,965,100 |
| Accrued interest receivable | 580,641 | 600,361 |
| Office properties and equipment- net | 9,060,025 | 8,755,864 |
| Real estate held for development and sale | 168,000 | 168,000 |
| Bank owned life insurance | 4,036,385 | 4,005,592 |
| Prepaid expenses and other assets | 5,468,887 | 5,444,522 |
| | \$ 185,610,418 | \$ 187,540,110 |
| <u>Liabilities and Stockholders' Equity</u> | | |
| <u>Liabilities</u> | | |
| Deposits | \$ 146,950,012 | \$ 143,345,935 |
| Borrowed money | 16,987,142 | 22,987,142 |
| Guaranteed preferred beneficial interest in the Company's subordinated debentures | 3,000,000 | 3,000,000 |
| Advance payments by borrowers for taxes and insurance | 969,785 | 613,031 |
| Other liabilities | 2,791,127 | 2,715,819 |
| Total liabilities | \$ 170,698,066 | \$ 172,661,927 |
| <u>Stockholders' Equity</u> | | |
| Preferred stock, \$1,000 liquidation value; authorized 100,000 shares, 3,674 shares issued at March 31, 2010 and December 31, 2009 | \$ 3,716,938 | \$ 3,707,737 |
| Common Stock, \$.01 par value; authorized 1,900,000 shares; 1,683,641 shares issued and 981,638 shares outstanding at March 31, 2010 and December 31, 2009 | 16,837 | 16,837 |
| Additional paid- in capital | 11,534,278 | 11,533,912 |
| Retained earnings, substantially restricted | 7,309,344 | 7,295,323 |
| Accumulated other comprehensive income, net of tax | 95,798 | 85,217 |
| Treasury stock, at cost (702,003 shares at March 31, 2010 and December 31, 2009) | (7,760,843) | (7,760,843) |
| Total stockholders' equity | \$ 14,912,352 | \$ 14,878,183 |
| Total liabilities and stockholders' equity | \$ 185,610,418 | \$ 187,540,110 |

See accompanying notes to consolidated financial statements.

**AMB FINANCIAL CORP.
AND SUBSIDIARIES**
Consolidated Statements of Earnings
(Unaudited)

| | <u>Three Months Ended March 31, 2010</u> | <u>Three Months Ended March 31, 2009</u> |
|---|--|--|
| Interest income | | |
| Loans | \$ 2,037,047 | \$ 2,107,425 |
| Mortgage-backed securities | 52,165 | 39,828 |
| Investment securities | - | 6,875 |
| Interest-bearing deposits | 2,478 | 994 |
| Dividends on FHLB stock | 9,691 | 9,691 |
| Total interest income | <u>\$ 2,101,381</u> | <u>\$ 2,164,813</u> |
| Interest expense | | |
| Deposits | \$ 583,177 | \$ 809,780 |
| Borrowings | 281,044 | 392,238 |
| Total interest expense | <u>\$ 864,221</u> | <u>\$ 1,202,018</u> |
| Net interest income | \$ 1,237,160 | \$ 962,795 |
| Provision for loan losses | 190,000 | 250,000 |
| Net interest income after provision for loan losses | <u>\$ 1,047,160</u> | <u>\$ 712,795</u> |
| Non-interest income: | | |
| Loan fees and service charges | \$ 37,451 | \$ 56,251 |
| Deposit related fees | 99,158 | 126,360 |
| Other fee income | 69,112 | 77,832 |
| Rental Income | 28,894 | 21,641 |
| Gain on sale of loans | 4,031 | 42,669 |
| Loss from investment in limited partnership | (9,300) | (9,300) |
| Loss from write down and sales of real estate held for development | - | (9,269) |
| Gain (loss) on sale and write down of real estate owned and other repossessed assets | 89,252 | (38,992) |
| Increase in cash surrender value of life insurance | 30,793 | 31,653 |
| Other income | 4,187 | 6,463 |
| Total non-interest income | <u>\$ 353,578</u> | <u>\$ 305,308</u> |
| Non-interest expense: | | |
| Staffing costs | \$ 590,805 | \$ 549,272 |
| Advertising | 21,185 | 38,615 |
| Occupancy and equipment expense | 192,820 | 183,065 |
| Data processing | 137,193 | 126,683 |
| Professional fees | 86,759 | 146,348 |
| Federal deposit insurance premiums | 62,539 | 27,671 |
| Other operating expenses | 208,278 | 228,365 |
| Total non-interest expense | <u>\$ 1,299,579</u> | <u>\$ 1,300,019</u> |
| Income (loss) before income taxes (benefit) | \$ 101,159 | \$ (281,916) |
| Income tax expense (benefit) | 27,872 | (124,205) |
| Net income (loss) | <u>73,287</u> | <u>(157,711)</u> |
| Preferred stock dividends | 50,065 | - |
| Net income (loss) available to common shareholders | <u>\$ 23,222</u> | <u>\$ (157,711)</u> |
| Earnings (loss) per share available for common shareholders: | | |
| Basic | \$ 0.02 | \$ (0.16) |
| Diluted | \$ 0.02 | \$ (0.16) |

See accompanying notes to consolidated financial statements.

**Consolidated Statement of Changes in Stockholders' Equity
(Unaudited)**

| | Preferred Stock | Common Stock | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income | Treasury Stock | Total |
|---|--------------------|-----------------|----------------------------------|----------------------|---|-------------------|---------------|
| Balance at December 31, 2009 | \$ 3,707,737 | \$ 16,837 | \$ 11,533,912 | \$ 7,295,323 | \$ 85,217 | \$ (7,760,843) | \$ 14,878,183 |
| Comprehensive income: | | | | | | | |
| Net income | | | | 73,287 | | | 73,287 |
| Other comprehensive income, net of income taxes: | | | | | | | |
| Unrealized holding gain during the period | | | | | 10,581 | | 10,581 |
| Total comprehensive income | | | | | | | 83,868 |
| Other | 9,201 | | | (9,201) | | | - |
| Stock option compensation | | | 366 | | | | 366 |
| Preferred stock dividends | | | | (50,065) | | | (50,065) |
| Balance at March 31, 2010 | \$ 3,716,938 | \$ 16,837 | \$ 11,534,278 | \$ 7,309,344 | \$ 95,798 | \$ (7,760,843) | \$ 14,912,352 |

See accompanying notes to consolidated financial statements.

**AMB FINANCIAL CORP.
AND SUBSIDIARIES**

Consolidated Statements of Cash Flows

| | Three Months Ended March 31, | |
|--|------------------------------|--------------|
| | 2010 | 2009 |
| | (unaudited) | |
| Cash flows from operating activities: | | |
| Net income (loss) | \$ 73,287 | \$ (157,711) |
| Adjustments to reconcile net income (loss) to net cash: | | |
| Depreciation | 90,394 | 84,945 |
| Stock option compensation | 366 | 366 |
| Amortization of premiums and accretion of discounts | 7,116 | 674 |
| Proceeds from sale of loans held for sale | 368,031 | 3,951,019 |
| Origination of loans held for sale | (364,000) | (3,908,350) |
| Gain on sale of loans | (4,031) | (42,669) |
| (Gain) loss on write down and sale of real estate owned | (89,252) | 38,992 |
| Provision for loan losses | 190,000 | 250,000 |
| Loss from limited partnership | 9,300 | 9,300 |
| Increase in cash surrender value of life insurance | (30,793) | (31,653) |
| Loss from write down and sales of real estate held for development and sale | - | 9,268 |
| (Decrease) increase in deferred income on loans | (15,065) | 6,218 |
| (Increase) decrease in prepaid and deferred income taxes | (51,446) | 114,183 |
| Decrease in accrued interest receivable | 19,720 | 40,212 |
| (Decrease) increase in accrued interest payable | (5,553) | 647 |
| Increase in purchased accounts receivable | (185,411) | (393,920) |
| Increase in deferred compensation | 5,860 | 5,341 |
| Other, net | 280,437 | (1,037,036) |
| | 298,960 | (1,060,174) |
| Net cash provided by (for) operating activities | | |
| Cash flows from investing activities: | | |
| Purchase of mortgage-backed securities | (149,003) | (681,036) |
| Proceeds from repayments of mortgage-backed securities | 394,660 | 214,913 |
| Purchase of loans | - | (114,700) |
| Loan disbursements | (8,719,286) | (8,279,713) |
| Loan repayments | 9,604,125 | 12,475,687 |
| Proceeds from sale of real estate owned | 991,511 | 140,470 |
| Proceeds from sale of real estate held for development | - | 860,943 |
| Purchase of real estate held for development | - | (33,527) |
| Property and equipment expenditures, net | (394,555) | (205,651) |
| | 1,727,452 | 4,377,386 |
| Net cash provided by investing activities | | |
| Cash flows from financing activities: | | |
| Net increase in deposits | 3,604,077 | 4,197,745 |
| Proceeds from borrowed money | - | 2,000,000 |
| Repayment of borrowed money | (6,000,000) | (6,728,667) |
| (Decrease) increase in advance payments by borrowers for taxes and insurance | 356,754 | 495,872 |
| Proceeds from issuance of preferred stock | - | 3,674,000 |
| Dividends paid on preferred stock | (50,065) | - |
| | (2,089,234) | 3,638,950 |
| Net cash provided (for) by financing activities | | |
| Net change in cash and cash equivalents | (62,822) | 6,956,162 |
| Cash and cash equivalents at beginning of period | 18,409,841 | 3,800,062 |
| Cash and cash equivalents at end of period | \$ 18,347,019 | \$10,756,224 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid during the period for: | | |
| Interest | \$ 871,298 | \$ 1,202,894 |
| Income taxes | - | - |
| Non-cash investing activities: | | |
| Transfer of loans to real estate owned | 101,643 | 346,463 |

See accompanying notes to consolidated financial statements.

**Earnings (Loss) Per Share
(Unaudited)**

| | Three Months Ended <u>March 31, 2010</u> | Three Months Ended <u>March 31, 2009</u> |
|--|--|--|
| Net income (loss) available to common shareholders | \$ <u>23,222</u> | <u>(157,711)</u> |
| Total weighted average common shares outstanding for basic computation | <u>981,638</u> | <u>981,638</u> |
| Basic income (loss) per share | \$ <u>0.02</u> | <u>\$ (0.16)</u> |
| Total weighted average common shares outstanding for basic computation | 981,638 | 981,638 |
| Common stock equivalents due to dilutive effect of stock options | <u>0</u> | <u>0</u> |
| Total weighted average common shares and equivalents outstanding for diluted computation | <u>981,638</u> | <u>981,638</u> |
| Diluted income (loss) per share | \$ <u>0.02</u> | <u>\$ (0.16)</u> |

**AMB Financial Corp.
And Subsidiaries**

Status as Non-Reporting Company.

We are not subject to the reporting requirements of Section 13 of the Securities Exchange Act of 1934 and accordingly this report has not been prepared in accordance with applicable Securities Exchange Commission rules. This report is intended to cover the quarter ended March 31, 2010 and should not be read to cover any subsequent periods.

Notes to Consolidated Financial Statements.

The accompanying unaudited consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the United States of America and in the opinion of management contain all adjustments (all of which are normal and recurring in nature) necessary to present fairly, and not make misleading, the financial position as of March 31, 2010, the results of operations for the three month periods ended March 31, 2010 and 2009 and cash flows for the three month periods ended March 31, 2010 and 2009. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The attached consolidated statements are those of AMB Financial Corp. (the "Company") and its consolidated subsidiaries American Savings, FSB (the "Bank"), the Bank's wholly owned subsidiary NIFCO, Inc., and the wholly owned subsidiary of NIFCO, Inc., Ridge Management, Inc.

Earnings (Loss) Per Share.

Earnings (loss) per share for the three month periods ended March 31, 2010 and 2009 were determined by dividing net income for the periods by the weighted average number of both basic and diluted shares of common stock, as well as common stock equivalents outstanding. Stock options are regarded as common stock equivalents and are considered in diluted earnings per share calculations. Common stock equivalents are computed using the treasury stock method. For such periods, there was no dilutive effect of common stock equivalents.

Capital Purchase Program.

On January 30, 2009, the Company sold and the United States Department of the Treasury (the "UST") purchased (a) 3,674 shares of Company Fixed Rate Cumulative Perpetual Preferred Stock, Series A, having a liquidation preference of \$1,000 per share (the "Series A Preferred Shares"), and (b) a warrant (the "Warrant") to purchase up to 184 shares of Company Fixed Rate Cumulative Perpetual Preferred Stock, Series B, having a liquidation preference of \$1,000 per share (the "Series B Preferred Shares").

The purchase price for the Series A Preferred Shares was \$3,674,000 and the Warrant was exercised in a cashless transaction for nominal consideration. At closing, the Company issued to the UST 3,674 Series A Preferred Shares and 184 Series B Preferred Shares. Cumulative dividends on the Series A Preferred Shares accrue on the liquidation preference at an annual rate of 5% per year for the first five years and at an annual rate of 9% thereafter. Cumulative dividends on the Series B Preferred Shares accrue on the liquidation preference at an annual rate of 9%.

The CPP imposes substantial restrictions on the payment of dividends on the Company's common stock and on the Company's ability to repurchase its common stock without UST approval. The Preferred Shares generally may not be redeemed for at least three years. As a result, our ability to pay dividends, and/or make stock repurchases will be subject to significant restrictions for at least three years. The CPP subjects the Company to executive compensation limitations included in the Emergency Economic Stabilization Act of 2008.

While the Bank met the regulatory requirements for being well capitalized without participation in the CPP, the Company firmly believes that, absent knowing the extent and depth of the current economic recession, it was prudent to raise additional capital through the CPP.

A summary of the CPP can be found on the U.S. Treasury Department's website at <http://ustreas.gov/initiatives/eesa/>.

FDIC Transaction Account Guarantee Program.

The Bank is participating in the Transaction Account Guarantee Program, which includes additional FDIC insurance coverage for its customers. Customers with noninterest-bearing deposit accounts, Lawyer's Trust Accounts, and NOW accounts paying interest at a rate of less than 0.50 percent will be fully insured by the FDIC regardless of the account balance, through December 31, 2010. Coverage under the Transaction Account Guarantee Program is in addition to and separate from the coverage available under the FDIC's general deposit insurance rules, which was increased from \$100,000 to \$250,000 per depositor, through December 31, 2013.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements.

The Company and the Bank may from time to time make written or oral "forward-looking statements." These forward-looking statements may be included in this Financial Report, which are made in good faith by us. These forward-looking statements include statements about our beliefs, plans, objectives, goals, expectations, anticipations, estimates and intentions, that are subject to significant risks and uncertainties, and are subject to change based on various factors, some of which are beyond our control. The words "may," "could," "should," "would," "believe," "anticipate," "estimate," "expect," "intend," "plan" and similar expressions are intended to identify forward-looking statements. The following factors, among others, could cause our financial performance to differ materially from the plans, objectives, expectations, estimates and intentions expressed in the forward-looking statements:

- the current condition of the United States economy in general and in our local economy (including unemployment) in which we conduct operations;
- the effects of, and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Federal Reserve Board and the United States Treasury ("UST");
- our ability to manage and reduce our non-performing assets;
- our ability to repay our holding company debt, including our \$3 million of trust preferred stock and \$2 million of holding company notes, when due;
- the impact of new laws and regulations resulting from the current economic crisis on financial institutions, the lending market and our regulatory agencies;
- the impact of current and future restrictions and requirements on institutions like us which have accepted funds from the UST under its Capital Purchase Program ("CPP");

- future deposit premium levels which may continue to rise;
- the impact of the possible receivership or nationalization of other banking institutions;
- future loan underwriting and consumer protection requirements;
- inflation, interest rate, market and monetary fluctuations;
- the steep decline in loan demand and real estate values within our local market;
- our ability to redeem our \$3.7 million of preferred stock and \$184,000 of warrant preferred stock issued to the UST under its CPP before the dividend on the preferred stock increases to 9% on January 30, 2014;
- the future financial strength, dividend level and activities of the FHLB of Indianapolis in which we own stock and from which we borrow money;
- the impact of any new government foreclosure relief and loan modification programs;
- the timely development of and acceptance of our new products and services and the perceived overall value of these products and services by users, including the features, pricing and quality thereof compared to competitors' products and services;
- the willingness of users to substitute our products and services for products and services of our competitors;
- our ability to reinvest our cash flows in today's very low interest rate environment;
- our success in gaining regulatory approval of our products and services, when required;
- the impact of changes in financial services' laws and regulations (including laws concerning taxes, banking, securities and insurance);
- the impact of technological changes;
- competition from other financial service providers in the Company's market area;
- the success of our new executives in managing our business operations;
- the success of our loan restructuring and work out arrangements;
- our ability to accurately estimate the value of our assets and the appropriate level of our allowance for loan losses;
- our ability to lease vacant space in our branch facilities;
- our ability to support the additional overhead expense resulting from our recent branch expansion; and
- future changes in consumer spending and saving habits.

The list of important factors stated above is not exclusive. We do not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by or on behalf of AMB Financial or American Savings.

Financial Condition.

The total assets of the Company were \$185.6 million at March 31, 2010, a decrease of \$1.9 million, or 1.0%, from \$187.5 million at December 31, 2009. The decrease in assets was the result of decreases in loans receivable and real estate owned.

Cash and cash equivalents, primarily interest bearing deposits, totaled \$18.3 million at March 31, 2010, as compared to \$18.4 million at December 31, 2009. Interest bearing deposits can fluctuate significantly on a day-to-day basis due to cash demands, customer deposit levels, loan activity and future expected cash flows. We may maintain interest-bearing deposits at relatively high levels, as a part of our effort to manage interest rate risk during a period of historically low interest rates.

Mortgage-backed securities decreased \$235,000 to \$5.6 million at March 31, 2010, from \$5.9 million at December 31, 2009. The decrease was primarily the result of principal repayments totaling \$395,000, offset in part by purchases totaling \$149,000. New purchases consisted of Freddie Mac, fixed rate, pass through securities. At March 31, 2010, the Company had an unrealized gain on available for sale mortgage-backed securities of \$160,000 compared to a \$142,000 unrealized gain at December 31, 2009.

Net loans receivable decreased \$1.1 million, or 0.8%, to \$136.9 million at March 31, 2010, from \$138.0 million at December 31, 2009. Loan originations and purchases totaled \$9.1 million during the quarter ended March 31, 2010, as compared to \$12.3 million during the prior year period. Included in the 2010 period were \$364,000 of single-family fixed rate loans originated for sale and subsequently sold into the secondary market as compared to \$3.9 million during the prior year period. Loan sales have slowed dramatically from the prior year as interest rates have increased from their historic lows on long term fixed rate loans and the majority of those who were able to refinance did so during 2009. These historically low fixed rate mortgage loans were sold in an effort to reduce interest rate risk. Offsetting the originations and purchases were amortization, prepayments, and sales of loans totaling \$10.0 million and \$16.4 million for the three months ended March 31, 2010 and 2009, respectively.

The determination of the allowance for loan losses involves material estimates that are susceptible to significant change in the near term. The allowance for loan losses is maintained at a level adequate to provide for losses through charges to operating expense. The allowance is based upon past loss experience and other factors, which, in management's judgment, deserve current recognition in estimating losses. Such other factors considered by management include growth and composition of the loan portfolio, the relationship of the allowance for losses to outstanding loans and adverse economic conditions. To determine the appropriate level for the allowance for loan losses, management applies historical loss percentages to performing residential real estate, nonresidential real estate, consumer, and commercial business loan balances. In addition, nonperforming loans are evaluated for current collateral deficiencies. Management establishes reserves within the allowance for loan losses for loans that have collateral deficiencies. By applying the historical loss factors to the current loan balances and identifying the required collateral deficiency reserves for the period, management records loan loss provisions, which establishes the appropriate level for the allowance for loan losses.

The allowance for loan losses totaled \$2.4 million at March 31, 2010, an increase of \$94,000 from the \$2.3 million allowance at December 31, 2009. The Bank's allowance for loan losses to net loans receivable was 1.74% at March 31, 2010, compared to 1.66% at December 31, 2009. Impacted by the current economic crisis, high unemployment in our market area is causing weakness in loan quality, creating additional pressure on commercial loans, consumer loans, and credit card portfolios and also impacting the performance of residential mortgage loans. Collateral values also have continued to decline from their pre 2004 – 2007 historical levels.

Management believes that the allowance for loan losses is adequate at March 31, 2010. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in information and economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for losses. Such agencies may require the Bank to recognize additions to the allowance based on their judgments about information available to them at the time of their examination.

Non-performing loans totaled \$6.2 million, or 4.45% of total loans receivable at March 31, 2010, compared to \$6.8 million, or 4.82% of total loans receivable at December 31, 2009. Non-performing loans at March 31, 2010, consisted of:

- twenty-five single family mortgage loans totaling \$3.4 million, of which five loans totaling \$307,000 are located outside of the Bank's general lending area. Included in the \$3.4 million total, are four single family loans totaling \$916,000 which were modified during 2009 while in a non-performing status;
- one multi-family construction loan representing a \$1.2 million participation interest in a real estate development loan for the construction of nine residential condominium units located in Chicago, Illinois. The units are substantially completed, however, there have been no sales, which has resulted in the borrower experiencing cash flow difficulties. During the third quarter of 2009, management retained legal counsel and filed a lawsuit against the lead lender to pursue potential material violations of the participation agreement and the underlying loan documentation by the lead lender. Subsequent to March 31, 2010, the complaint was resolved with Company receiving a principal reduction payment of \$118,000 and the designation status of lead lender;
- one non-residential loan representing a \$1.2 million real estate participation loan secured by a water park hotel located in Dundee, Michigan. The borrower is experiencing cash flow difficulties due to current economic conditions in Michigan resulting in the inability to maintain debt service coverage. The Company, in conjunction with other loan participants, has restructured the note and actively monitors the credit;
- one single-family construction loan totaling \$225,000;
- three second mortgage line of credit loans totaling \$85,000;
- three consumer loans totaling \$72,000, of which one loan totaling \$34,000 was modified during 2009 while in a non performing status;
- two loans secured by undeveloped lots totaling \$71,000;
- three credit card receivables totaling \$31,000; and
- one commercial nonmortgage loan totaling \$1,000.

Not included in the above totals are three single-family loans totaling \$493,000, which were modified during 2009 while in a non-performing status, but have subsequently been performing in accordance with their terms for at least six months since modification.

The ratio of allowance for loan losses to non-performing loans was 38.85% at March 31, 2010, compared to 34.20% at December 31, 2009.

Net real estate owned at March 31, 2010 totaled \$2.8 million as compared to \$3.6 million at December 31, 2009. Real estate owned includes:

- nine single family dwelling units totaling \$1.1 million;
- five single family dwelling units in various stages of construction totaling \$628,000;
- twenty nine single family vacant land parcels totaling \$878,000 of which eighteen parcels totaling \$149,000 are located near Indianapolis, Indiana; and
- one nonresidential property totaling \$203,000.

All of the real estate owned properties, with the exception of the land parcels near Indianapolis, are located within the Bank's general lending area. The real estate owned properties are valued at the lower of cost or management's estimate of net realizable value. During the three months ended March 31, 2010, the Company recorded real estate owned sales of \$1.0 million resulting in a gain of \$89,000. However, in view of the current weak real estate market, there can be no assurance whether, when, and at what price the Company will be able to sell the current inventory of real estate owned.

The Company's investment in a limited partnership decreased \$9,300 to \$631,000 at March 31, 2010, from \$640,000 at December 31, 2009. The decline represents the Company's share of the operating losses generated by the partnership, which manages an investment in a low income housing apartment development, which has generated housing tax credits available to offset federal income tax liabilities.

Stock in the FHLB of Indianapolis remained unchanged totaling \$2.0 million at March 31, 2010. The Company is required to hold stock in the FHLB of Indianapolis in order to obtain advances. The amount of FHLB stock required to be held by the Company is determined by the amount of borrowed funds from the FHLB of Indianapolis.

Office properties and equipment totaled \$9.1 million at March 31, 2010, as compared to \$8.8 million at December 31, 2009. During the three months ended March 31, 2010, the Company incurred an additional \$395,000 of construction build out costs in conjunction with the signing of new tenant leases for its office building located in Schererville, Indiana, which was opened to the public in October 2008. While the Bank utilizes a portion of the building as a full service branch office, the remainder of the building is under lease by four tenants. As of March 31, 2010, two of the tenants are in place with remaining two tenants scheduled to begin occupancy as soon as practical.

The Company's investment in real estate development consists of two vacant lots valued at \$168,000, which are currently listed for sale.

Bank owned life insurance increased \$31,000 to \$4.0 million at March 31, 2010. The change represents an increase in the cash surrender value of the life insurance policies purchased in connection with deferred compensation plans utilized by directors and officers of the Company.

Prepaid expenses and other assets increased \$24,000 to \$5.5 million at March 31, 2010. Prepaid expenses and other assets consist primarily of a \$1.9 million deferred tax asset, prepaid FDIC insurance premiums through December 31, 2012 totaling \$780,000, and \$2.2 million of purchased accounts receivables, which involve the purchase and subsequent management of accounts receivable of credit-worthy business customers.

Deposits increased \$3.6 million, or 2.5%, to \$146.9 million at March 31, 2010, from \$143.3 million at December 31, 2009. The increase in deposits was due to a \$2.6 million increase in certificates of deposit, a \$1.0 million increase in passbook accounts and a \$663,000 increase in money market accounts, offset by a \$675,000 decrease in demand deposits and NOW accounts (checking). At March 31, 2010, the Bank's non-certificate accounts (passbook, checking and money market accounts) comprised \$55.7 million, or 37.9% of deposits, compared to \$54.7 million, or 38.2% of deposits at December 31, 2009. Deposits at the Schererville branch office, which opened in October 2008, totaled \$8.6 million at March 31, 2010 as compared to \$7.3 million at December 31, 2009. Deposits in general increased due to successful marketing efforts as well as with the public's current preference towards

FDIC insured products as compared to alternative investments, including equity markets, given the stock market turmoil of recent years.

Borrowed money, which consisted primarily of FHLB of Indianapolis advances, decreased by \$6.0 million, or 26.1%, to \$17.0 million at March 31, 2010, as compared to \$23.0 million at December 31, 2009. The Company was able to reduce borrowings due in part to the aforementioned increase in deposit balances and cash inflows from repayments of loans receivable and proceeds from the sale of real estate owned. Borrowings from the FHLB of Indianapolis totaled \$15.0 million at March 31, 2010, compared with \$21.0 million at December 31, 2009. At March 31, 2010, the weighted average rate on the FHLB of Indianapolis borrowings was 4.94%, compared to 4.49% at December 31, 2009. The weighted term to maturity of the Company's FHLB of Indianapolis borrowings at March 31, 2010 was 1.7 years.

Total stockholders' equity of the Company increased by \$34,000 to \$14.9 million, or 8.03% of total assets, at March 31, 2010, compared to \$14.9 million, or 7.93% of total assets at December 31, 2009. The increase in stockholders' equity was the result of net income totaling \$73,000 as well as an unrealized market value gain on available for sale securities during the period, net of tax, in the amount of \$11,000. Offsetting these increases were preferred stock dividends paid to the United States Treasury totaling \$50,000. The number of common shares outstanding at March 31, 2010 was 981,638 and the book value per common share (excluding book value relating to preferred stock) outstanding was \$11.40. The Bank's tangible, core and risk-based capital percentages of 8.44%, 8.44% and 13.82%, respectively, at March 31, 2010 exceeded all regulatory requirements and categorize the Bank as well capitalized under OTS guidelines.

It is not clear how serious an effect the current slowdown of the economy will have on the Company's loan volume, credit quality and deposit flows. However, management believes that the Company's construction loans, non-owner occupied loans, purchased loans, and consumer loans, as well as the real estate it owns, may be particularly sensitive to adverse economic conditions.

Results for the Quarter Ended March 31, 2010 Compared to the Quarter Ended March 31, 2009

General – The Company recorded net income totaling \$73,000 for the quarter ended March 31, 2010. Including preferred stock dividends of \$50,000, the net income available for common shareholders was \$23,000, or \$0.02 per basic and diluted share. This compares to a net loss of (\$158,000) for the quarter ended March 31, 2009, or (\$0.16) per diluted share, during which there were no preferred stock dividends paid. The current quarter net income of \$73,000 was positively impacted compared to the prior year's quarter by a \$274,000 increase in net interest income, \$60,000 decrease in the provision for loan losses, and a \$48,000 increase in non-interest income, offset by a \$152,000 increase in income tax expense.

Interest income - Total interest income decreased by \$65,000, or 3.0%, to \$2.1 million for the quarter ended March 31, 2010, from \$2.2 million for the prior year's quarter. This decrease was the result of a decline in the average yield earned on interest-earning assets to 5.29% for the quarter ended March 31, 2010, as compared to 5.40% for the quarter ended March 31, 2009 as well as a \$1.5 million decrease in the average balance of interest-earning assets to \$159.2 million for the quarter ended March 31, 2010, as compared to \$160.7 million for the quarter ended March 31, 2009. The decrease in the average yield of interest-earning assets reflects the impact of lower short and long-term interest rates, as compared to the same period one-year ago. The decrease in the average balance of interest-earning assets was primarily

due to an \$11.1 million decrease in loans receivable offset in part by an \$8.0 million increase in the average balance of interest-bearing deposits and a \$2.1 million increase in the average balance of mortgage backed securities outstanding.

Interest income on loans receivable decreased \$70,000, to \$2.0 million for the quarter ending March 31, 2010, as compared to the quarter ended March 31, 2009. The decrease in interest income on loans was the result of an \$11.1 million decline in the average balance of loans outstanding to \$137.8 million for the quarter ended March 31, 2010, as compared to \$148.9 million for the quarter ended March 31, 2009, offset in part by a 25 basis point increase in the average yield to 5.92% for the quarter ended March 31, 2010, from 5.67% for the quarter ended March 31, 2009. The decrease in the average balance was due to higher principal repayments and loan sales during the prior year of 2009. The increase in the average yield on loans receivable reflects in part the impact of a decrease in the Company's level of nonperforming loans as more loans were put on interest nonaccrual during the prior period as compared to the current period and the impact of the removal of loans from nonaccrual due to principal payoffs during the current period.

Interest income on mortgage-backed securities increased \$12,000 to \$52,000 for the quarter ended March 31, 2010 as compared to the prior year's quarter, due to a \$2.1 million increase in the average balance in the portfolio. The average balance increased due to purchases of \$3.0 million over the recent twelve-month period. Interest income on investment securities decreased \$8,000 as compared to the prior year's quarter. Interest income on interest bearing deposits increased by \$1,000 to \$2,000 for the quarter ended March 31, 2010 compared to the quarter ended March 31, 2009. The increase in interest income was the result of an \$8.0 million increase in the average balance for interest bearing deposits for the quarter ended March 31, 2010 to \$13.6 million as compared to an average balance of \$5.6 million for the same period in 2009. Interest income on interest-bearing deposits continues to be negatively impacted by the historical decline in overnight rates that began in the fourth quarter of 2008. Dividend income on FHLB of Indianapolis stock remained unchanged totaling \$10,000 for the quarter ended March 31, 2010 as the dividend accrual rate remained at 2.00%.

Interest Expense – Total interest expense decreased by \$338,000, or 28.1%, to \$864,000 for the quarter ended March 31, 2010, as compared to \$1.2 million for the quarter ended March 31, 2009. The average cost of interest-bearing liabilities decreased 86 basis points to 2.11% for the quarter ended March 31, 2010, as compared to 2.97% for the quarter ended March 31, 2009, due to a continuing decline in short-term interest rates during the last twelve months, which enabled management to lower the rate on maturing certificates of deposit and still remain competitive. Partially offsetting this decrease was a \$1.8 million increase in the average balance of interest-bearing liabilities to \$165.7 million for the quarter ended March 31, 2010, as compared to \$163.9 million for the quarter ended March 31, 2009. The average balance of deposits outstanding increased by \$13.2 million, while the average balance of borrowings outstanding declined by \$11.4 million.

Interest expense on deposits decreased by \$227,000, or 28.0%, to \$583,000 for the quarter ended March 31, 2010, from \$810,000 for the quarter ended March 31, 2009. The decrease in interest expense on deposits was primarily due to an 87 basis point decrease in the average cost of deposits to 1.63% for the quarter ended March 31, 2010 from 2.50% for the prior year's quarter, offset in part by a \$13.2 million increase in the average balance of deposits outstanding. The decrease in the average cost of deposits was primarily driven by a 105 basis point decrease on certificates of deposits to an average rate of 2.29% during the quarter ended March 31, 2010, as compared to an average rate of 3.34% for the quarter ended

March 31, 2009. As was the case during 2009, the majority of certificates of deposits that were scheduled to reprice continue to do so at relatively lower short-term rates.

Interest expense on borrowings decreased by \$111,000, or 28.3%, to \$281,000 for the quarter ended March 31, 2010, from \$392,000 for the quarter ended March 31, 2009. This decrease was the result of an \$11.4 million decrease in the average balance of borrowings to \$20.9 million for the quarter ended March 31, 2010, from \$32.3 million for the quarter ended March 31, 2009. Partially offsetting this decline was a 53 basis point increase in the average cost of borrowed funds to 5.44% for the quarter ended March 31, 2010 compared to 4.91% for the quarter ended March 31, 2009 as a result of debt reduction on lower rate advances. Interest expense on FHLB of Indianapolis advances decreased by \$110,000 to \$192,000 for the quarter ended March 31, 2010, as compared with the prior year's quarter as a result of an \$11.4 million decrease in the average balance outstanding to \$15.9 million for the quarter ended March 31, 2010, from \$27.3 million for the quarter ended March 31, 2009. Partially offsetting this decline was a 40 basis point increase in the average cost of these advances to 4.90% compared to 4.50% for the prior year's quarter as a result of debt reduction on maturing lower rate advances. Interest expense on other borrowings remained unchanged at \$89,000 for the quarter ended March 31, 2010, as compared to the prior year's quarter.

Net Interest Income - As a result of the above changes in interest income and interest expense, net interest income increased \$274,000, or 28.5%, to \$1.2 million for the quarter ended March 31, 2010, as compared to \$963,000 for the quarter ended March 31, 2009. The net interest rate spread increased by 75 basis points to 3.18% during the current quarter, as compared to 2.43% for the quarter ended March 31, 2009. The net interest margin increased by 71 basis points to 3.11% in the current quarter, as compared to 2.40% in the year ago period. The increase in the net interest rate spread and net interest margin was due to the decreased cost of funds resulting from the current low interest rate environment for deposit accounts.

Provision for Loan Losses – The Company recorded a provision for loan losses of \$190,000 during the quarter ended March 31, 2010, as compared to \$250,000 during the quarter ended March 31, 2009. Despite the overall improvement in non-performing loans during the most recent three month period, the general portion of the allowance was increased by \$188,000 based on adverse changes in both the local and national economy. During the quarter ended March 31, 2010, the Bank incurred charge-offs of \$89,000 related to three single-family residential loans and \$8,000 related to one credit card receivable. These charge-offs were offset by recoveries totaling \$1,000 related to a commercial loan. Based upon management's assessment, appropriate provisions are made to maintain the adequacy of the allowance to cover probable losses in the loan portfolio. The amount of the allowance is based on estimates and ultimate losses may vary from such estimates.

Non-Interest Income – Non-interest income increased by \$48,000 to \$353,000 for the quarter ended March 31, 2010 compared to \$305,000 for the quarter ended March 31, 2009. The Company recognized an \$89,000 gain on the sale of real estate owned during the quarter ended March 31, 2010 compared to \$39,000 loss in the prior year's quarter. Losses on real estate held for development declined by \$9,000 as no losses were recorded in the current quarter and rental income increased by \$7,000 as additional branch office space was occupied during the current quarter. These increases were offset by reduced gains on the sale of loans of \$39,000 due to lower origination volumes, a \$27,000 reduction in deposit fee income primarily due to lower overdraft fee income and a \$19,000 decline in loan fee income due to a reduction in perceived loan refinance activity and a decline in other fee income of \$9,000 related to

volume reductions in third party brokerage income. As a result of the Company's diligent efforts, it currently has signed lease agreements for the entire Schererville branch office, with lease payments for an additional 7,800 square feet expected to begin from new tenants during the remaining portion of 2010. The Company continues to actively market its available office space as its Dyer branch office location.

Non-Interest Expense – For the three months ended March 31, 2010, non-interest expense totaled \$1.3 million, unchanged from the prior year's quarter. During the current quarter, staffing costs increased by \$42,000 due to increases in compensation and benefits, federal deposit insurance premiums increased by \$35,000 due to an increase in the assessment rate and base, data processing costs increased by \$11,000 due to contract increases and occupancy expenses increased by \$10,000 due primarily to increases in snow removal and maintenance costs. These increases were offset by a \$60,000 decrease in legal and professional fees, a \$20,000 decrease in other operating expenses primarily due to decreases in net real estate owned expenses and a \$17,000 decrease in advertising expenses. In view of today's adverse economic conditions, there can be no assurance that the FDIC will not further raise its premium rate or require additional special assessments. In addition, in view of our recent adverse operating results, there can be no assurance that we will not receive a ratings downgrade triggering an increase in our premium rate.

Income Taxes - The Company recorded an income tax expense of \$28,000 for the quarter ended March 31, 2010, as compared to a benefit of \$124,000 for the quarter ended March 31, 2009, which was generated by the net loss recorded during the 2009 period.

Analysis of Net Interest Income. Net interest income represents the difference between interest earned on interest-earning assets and interest paid on interest-bearing liabilities. Net interest income is affected by the relative amounts of interest-earning assets and interest-bearing liabilities, and the interest rates earned or paid on them.

The following table presents, for the periods indicated, the total dollar amounts of interest income from average interest-earning assets and the resultant yields, as well as the interest expense on average interest-bearing liabilities, expressed both in dollars and rates. All average balances were calculated using average daily balances and include non-accruing loans.

(Dollars in thousands)

| <u>Yield Analysis</u> | <u>Three Month Period Ended</u> March 31, 2010 | | | <u>Three Month Period Ended</u> March 31, 2009 | | |
|--|---|--------------------------------|----------------------------|---|--------------------------------|----------------------------|
| | <u>Average Balance</u> | <u>Interest Income Expense</u> | <u>Average Yield/ Cost</u> | <u>Average Balance</u> | <u>Interest Income Expense</u> | <u>Average Yield/ Cost</u> |
| Assets: | | | | | | |
| Interest-Earning Assets: | | | | | | |
| Loans receivable | \$137,777 | \$2,037 | 5.92% | \$148,937 | \$2,107 | 5.67% |
| Mortgage-backed securities | 5,747 | 52 | 3.63 | 3,645 | 40 | 4.37 |
| Investment securities | - | - | - | 512 | 7 | 5.37 |
| Interest-bearing deposits | 13,673 | 2 | 0.07 | 5,630 | 1 | 0.07 |
| FHLB stock | 1,965 | 10 | 2.00 | 1,965 | 10 | 2.00 |
| Total interest-earning assets | <u>159,162</u> | <u>2,101</u> | 5.29 | <u>160,689</u> | <u>2,165</u> | 5.40 |
| Non interest-earning assets | <u>25,055</u> | | | <u>22,938</u> | | |
| Total assets | <u>184,217</u> | | | <u>183,627</u> | | |
| Liabilities and Stockholder's Equity: | | | | | | |
| Interest-Bearing Liabilities: | | | | | | |
| Passbook accounts | 17,990 | 12 | 0.28 | 17,241 | 30 | 0.71 |
| Demand accounts | 36,736 | 62 | 0.68 | 29,973 | 85 | 1.14 |
| Certificate accounts | 90,066 | 509 | 2.29 | 84,363 | 695 | 3.34 |
| Total deposits | <u>144,792</u> | <u>583</u> | 1.63 | <u>131,577</u> | <u>810</u> | 2.50 |
| Borrowings | <u>20,920</u> | <u>281</u> | 5.44 | <u>32,319</u> | <u>392</u> | 4.91 |
| Total interest-bearing liabilities | <u>165,712</u> | <u>864</u> | 2.11 | <u>163,896</u> | <u>1,202</u> | 2.97 |
| Non interest-bearing liabilities | <u>3,613</u> | | | <u>4,078</u> | | |
| Total liabilities | <u>169,325</u> | | | <u>167,974</u> | | |
| Stockholder's equity | <u>14,892</u> | | | <u>15,653</u> | | |
| Total liabilities and stockholders' equity | <u>\$184,217</u> | | | <u>\$183,627</u> | | |
| Net interest income / net interest rate spread | | <u>\$1,237</u> | 3.18% | | <u>\$963</u> | 2.43% |
| Net interest margin | | | 3.11% | | | 2.40% |

The following table sets forth an analysis of the allowance for loan losses for the three months ended March 31, 2010 and March 31, 2009.

(Dollars in thousands)

| | 2010 Three Months Ended March 31 | 2009 Three Months Ended March 31 |
|--|--|--|
| Balance at beginning of period:..... | <u>\$ 2,330</u> | <u>\$ 855</u> |
| Charge-offs: | | |
| One- to four family | 89 | - |
| Multi-family | 8 | - |
| Non-residential | - | - |
| Construction | - | - |
| Land | - | - |
| Consumer..... | - | 12 |
| Commercial business | - | - |
| Total charge-offs..... | <u>97</u> | <u>12</u> |
| Recoveries: | | |
| One- to four family | - | - |
| Multi-family | - | - |
| Non-residential | - | - |
| Consumer..... | - | 1 |
| Commercial business | <u>1</u> | <u>-</u> |
| Total recoveries | <u>1</u> | <u>1</u> |
| Net charge-offs | (96) | (11) |
| Additions charged to operations | <u>190</u> | <u>250</u> |
| Balance at end of period | <u>\$ 2,424</u> | <u>\$ 1,094</u> |
| Ratio of net charge-offs during the period to average loans outstanding during the period | <u>0.07%</u> | <u>0.01%</u> |
| Ratio of net charge-offs during the period to average non- performing assets | <u>0.98%</u> | <u>0.15%</u> |

Capital Standards

As a federally chartered savings bank, the Bank's deposits are insured up to the applicable limits by the Federal Deposits Insurance Corporation ("FDIC"). The Bank is a member of the Federal Home Loan Bank ("FHLB") of Indianapolis, which is one of the twelve regional banks comprising the FHLB system. The Bank is regulated by the Office of Thrift Supervision ("OTS") and the FDIC. The Bank is further regulated by the Board of Governors of the Federal Reserve System as to reserves required to be maintained against deposits and certain other matters. Such regulation and supervision establishes a comprehensive framework of activities in which an institution can engage and is intended primarily for the protection of the insurance fund and depositors. The regulatory structure also gives the regulatory authorities extensive discretion in connection with their supervisory and enforcement activities. Any change in such regulation, whether by the OTS, the FDIC or Congress could have a material impact on the Company and its operations.

Savings associations must meet three capital requirements: core and tangible capital to total assets ratios as well as a regulatory capital to total risk-weighted assets ratio.

Core Capital Requirement

The core capital requirement, or the required "leverage limit", currently requires a savings institution to maintain core capital of not less than 4% of adjusted total assets. For the Bank, core capital generally includes common stockholders' equity (including retained earnings), and minority interests in the equity accounts of fully consolidated subsidiaries, less intangibles other than certain servicing rights. Investments in and advances to subsidiaries engaged in activities not permissible for national banks are also required to be deducted in computing core total capital.

Tangible Capital Requirement

Under OTS regulation, savings institutions are required to meet a tangible capital requirement of 1.5% of adjusted total assets. Tangible capital is defined as core capital less any intangible assets, plus purchased mortgage servicing rights in an amount includable in core capital.

Risk-Based Capital Requirement

The risk-based capital requirement provides that savings institutions maintain total capital equal to not less than 8% of total risk-weighted assets. For purposes of the risk-based capital computation, total capital is defined as core capital, as defined above, plus supplementary capital, primarily general loan loss reserves (limited to a maximum of 1.25% of total risk-weighted assets.) Supplementary capital included in total capital cannot exceed 100% of core capital.

At March 31, 2010, the Bank was in compliance with all of its capital requirements as follows:

| | <u>March 31, 2010</u> | | <u>December 31, 2009</u> | |
|---|-----------------------|--------------------------|--------------------------|--------------------------|
| | <u>Amount</u> | <u>Percent of Assets</u> | <u>Amount</u> | <u>Percent of Assets</u> |
| Stockholders' equity of the Bank | \$ 16,749,034 | 8.89 % | 16,586,732 | 8.89 % |
| Tangible capital | 15,461,930 | 8.44 % | 15,274,107 | 8.25 % |
| Tangible capital requirement | 2,749,108 | 1.50 | 2,778,366 | 1.50 |
| Excess | \$ <u>12,712,822</u> | <u>6.94 %</u> | <u>12,495,741</u> | <u>6.75 %</u> |
| Core capital | 15,461,930 | 8.44 % | 15,274,107 | 8.25 % |
| Core capital requirement | 7,330,956 | 4.00 | 7,408,975 | 4.00 |
| Excess | \$ <u>8,130,974</u> | <u>4.44 %</u> | <u>7,865,132</u> | <u>4.25 %</u> |
| Total Risk-Based Capital | 16,547,370 | 13.82 % | 16,171,661 | 13.09 % |
| Risk-based capital requirement | 9,580,300 | 8.00 | 9,883,892 | 8.00 |
| Excess | \$ <u>6,967,070</u> | <u>5.82 %</u> | <u>6,287,769</u> | <u>5.09 %</u> |
| Total Bank Assets - Thrift Financial Report | \$ 184,561,000 | | 186,537,000 | |
| Adjusted Total Assets-Thrift Financial Report For Regulatory Capital Calculation | \$ 183,273,896 | | 185,224,375 | |
| Total Risk-Weighted Assets-Thrift Financial Report | \$ 119,753,755 | | 123,548,646 | |

A reconciliation of stockholders' equity of the Bank for financial reporting purposes to capital available to the Bank to meet regulatory capital requirements is as follows:

| | <u>March 31, 2010</u> | <u>December 31, 2009</u> |
|--------------------------------------|-----------------------|--------------------------|
| Stockholders' equity of the Bank | \$ 16,749,034 | \$ 16,586,732 |
| Regulatory capital adjustment | | |
| For mortgage servicing rights | (4,475) | (4,428) |
| For deferred tax assets | (1,186,830) | (1,222,980) |
| For available for sale securities | <u>(95,799)</u> | <u>(85,217)</u> |
| Tangible and core capital | \$ 15,461,930 | \$ 15,274,107 |
| Allowable general loan loss reserves | <u>1,085,440</u> | <u>897,554</u> |
| Total Risk- Based Capital | \$ <u>16,547,370</u> | \$ <u>16,171,661</u> |

Non-Performing Assets

The following table sets forth the amounts and categories of non-performing assets, on the date indicated, in the Company's portfolio. Loans are reviewed monthly and any loan whose collection is doubtful is placed on non-accrual status. Loans are placed on non-accrual status when principal and interest is 90 days or more past due, unless, in the judgment of management, the loan is well collateralized and in the process of collection. Interest accrued and unpaid at the time a loan is placed on non-accrual status is charged against interest income. Subsequent payments are either applied to the outstanding principal balance or recorded as interest income, depending on the assessment of the ultimate collection of the loan.

| | March 31, | | December 31, |
|---------------------------------------|------------------------|--|------------------------|
| | 2010 | | 2009 |
| | (Dollars in thousands) | | (Dollars in thousands) |
| Non-accruing loans: | | | |
| One to four family | 3,401 | | 3,687 |
| Multi-family | --- | | 245 |
| Non-residential | 1,188 | | 1,259 |
| Land | 71 | | 17 |
| Commercial business | 1 | | 60 |
| Construction | 1,390 | | 1,390 |
| Consumer (includes home equity) | 188 | | 153 |
| Subtotal | 6,239 | | 6,811 |
| Foreclosed assets: | | | |
| One to four family | 1,137 | | 1,899 |
| Multi-family | --- | | --- |
| Non-residential | 203 | | 203 |
| Land | 878 | | 921 |
| Construction one to four family | 628 | | 624 |
| Consumer | --- | | --- |
| Subtotal | 2,846 | | 3,647 |
| Total non-performing assets | 9,085 | | 10,458 |
| Non-performing assets to total assets | 4.89% | | 5.58% |

In view of today's turbulent economy, there can be no assurance that we will not experience further increases in our non performing assets or that the value of our current non performing assets will not further decline.