

**AMB Financial Corp.
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**Financial Report
For The Three Months Ended
March 31, 2011**

Note: This report is intended to be read in conjunction with our Annual Report to Stockholders for the year ended December 31, 2010, copies of which are included on this website. This report is dated March 31, 2011 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>2011</u> unaudited	December 31, <u>2010</u>
<u>Assets</u>		
Cash and amounts due from depository institutions	\$ 1,438,239	\$ 1,598,273
Interest-bearing deposits	13,397,299	15,897,383
Total cash and cash equivalents	14,835,538	17,495,656
Investment securities, available for sale, at fair value	300,192	299,608
Mortgage backed securities, available for sale, at fair value	5,462,077	5,182,412
Loans receivable (net of allowance for loan losses: \$1,924,325 at March 31, 2011 and \$1,884,599 at December 31, 2010)	132,823,126	133,411,381
Real estate owned and other repossessed assets	1,712,562	2,095,696
Investment in limited partnership	593,857	603,157
Stock in Federal Home Loan Bank of Indianapolis	1,799,900	1,799,900
Accrued interest receivable	591,438	606,519
Office properties and equipment- net	9,089,843	9,164,295
Real estate held for development and sale	148,000	148,000
Bank owned life insurance	4,162,048	4,132,094
Prepaid expenses and other assets	6,309,423	6,347,525
	\$ 177,828,004	\$ 181,286,243
<u>Liabilities and Stockholders' Equity</u>		
<u>Liabilities</u>		
Deposits	\$ 147,051,292	\$ 147,899,795
Borrowed money	9,381,208	12,381,208
Guaranteed preferred beneficial interest in the Company's subordinated debentures	3,000,000	3,000,000
Advance payments by borrowers for taxes and insurance	990,249	534,869
Other liabilities	2,256,964	2,402,366
Total liabilities	\$ 162,679,713	\$ 166,218,238
<u>Stockholders' Equity</u>		
Preferred stock, \$1,000 liquidation value; authorized 100,000 shares; 3,674 shares issued at March 31, 2011 and December 31, 2010	\$ 3,753,742	\$ 3,744,541
Common Stock, \$.01 par value; authorized 1,900,000 shares; 1,683,641 shares issued and 981,638 shares outstanding at March 31, 2011 and December 31, 2010	16,837	16,837
Additional paid- in capital	11,533,912	11,533,912
Retained earnings, substantially restricted	7,516,372	7,453,498
Accumulated other comprehensive income, net of tax	88,271	80,060
Treasury stock, at cost (702,003 shares at March 31, 2011 and December 31, 2010)	(7,760,843)	(7,760,843)
Total stockholders' equity	\$ 15,148,291	\$ 15,068,005
Total liabilities and stockholders' equity	\$ 177,828,004	\$ 181,286,243

See accompanying notes to consolidated financial statements.

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

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
	<u> </u>	<u> </u>
Interest income		
Loans	\$ 1,890,317	\$ 2,037,047
Mortgage-backed securities	42,834	52,165
Investment securities	562	-
Interest-bearing deposits	9,157	2,478
Dividends on FHLB stock	13,563	9,691
Total interest income	<u>\$ 1,956,433</u>	<u>\$ 2,101,381</u>
Interest expense		
Deposits	\$ 451,342	\$ 583,177
Borrowings	208,027	281,044
Total interest expense	<u>\$ 659,369</u>	<u>\$ 864,221</u>
Net interest income	\$ 1,297,064	\$ 1,237,160
Provision for loan losses	143,000	190,000
Net interest income after provision for loan losses	<u>\$ 1,154,064</u>	<u>\$ 1,047,160</u>
Non-interest income:		
Loan fees and service charges	\$ 37,562	\$ 37,451
Deposit related fees	96,439	99,158
Other fee income	113,022	69,112
Rental Income	78,499	28,894
Gain on sale of loans	10,985	4,031
Loss from investment in limited partnership	(9,300)	(9,300)
Gain on sale of real estate owned and other repossessed assets	12,185	89,252
Increase in cash surrender value of life insurance	29,953	30,793
Other income	4,106	4,187
Total non-interest income	<u>\$ 373,451</u>	<u>\$ 353,578</u>
Non-interest expense:		
Staffing costs	\$ 670,392	\$ 645,748
Advertising	26,333	21,185
Occupancy and equipment expense	166,403	192,820
Data processing	152,797	137,193
Professional fees	81,288	86,759
Federal deposit insurance premiums	76,207	62,539
Other operating expenses	171,490	153,335
Total non-interest expense	<u>\$ 1,344,910</u>	<u>\$ 1,299,579</u>
Income before income taxes	\$ 182,605	\$ 101,159
Income tax expense	60,465	27,872
Net income	<u>122,140</u>	<u>73,287</u>
Preferred stock dividends	50,065	50,065
Net income available to common shareholders	<u>\$ 72,075</u>	<u>\$ 23,222</u>
Earnings per share available to common shareholders:		
Basic	\$ 0.07	\$ 0.02
Diluted	\$ 0.07	\$ 0.02

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, 2010	\$ 3,744,541	\$ 16,837	\$ 11,533,912	\$ 7,453,498	\$ 80,060	\$ (7,760,843)	\$ 15,068,005
Comprehensive income:							
Net income				122,140			122,140
Other comprehensive income, net of income taxes:							
Unrealized holding gain during the period					8,211		8,211
Total comprehensive income							130,351
Other	9,201			(9,201)			-
Preferred stock dividends				(50,065)			(50,065)
Balance at September 30, 2010	\$ 3,753,742	\$ 16,837	\$ 11,533,912	\$ 7,516,372	\$ 88,271	\$ (7,760,843)	\$ 15,148,291

See accompanying notes to consolidated financial statements.

**AMB FINANCIAL CORP.
AND SUBSIDIARIES**

Consolidated Statements of Cash Flows

	Three Months Ended March 31,	
	2011	2010
	(unaudited)	
Cash flows from operating activities:		
Net income	\$ 122,140	\$ 73,287
Adjustments to reconcile net income to net cash:		
Depreciation	90,370	90,394
Stock option compensation	-	366
Amortization of premiums and accretion of discounts	(13,798)	7,116
Proceeds from sale of loans held for sale	593,985	368,031
Origination of loans held for sale	(583,000)	(364,000)
Gain on sale of loans	(10,985)	(4,031)
Gain on sale of real estate owned	(12,185)	(89,252)
Provision for loan losses	143,000	190,000
Loss from limited partnership	9,300	9,300
Increase in cash surrender value of life insurance	(29,954)	(30,793)
Increase (decrease) in deferred income on loans	36,248	(15,065)
Increase in prepaid and deferred income taxes	(50,600)	(51,446)
Decrease in accrued interest receivable	15,081	19,720
Decrease in accrued interest payable	(5,284)	(5,553)
Increase in purchased accounts receivable	(226,311)	(185,411)
Increase in deferred compensation	6,639	5,860
Other, net	162,782	280,437
	<u>247,428</u>	<u>298,960</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of mortgage-backed securities	(716,508)	(149,003)
Proceeds from repayments of mortgage-backed securities	463,742	394,660
Loan disbursements	(7,707,716)	(8,719,286)
Loan repayments	7,860,275	9,604,125
Proceeds from sale of real estate owned	651,767	991,511
Property and equipment expenditures, net	(15,918)	(394,555)
	<u>535,642</u>	<u>1,727,452</u>
Net cash provided by investing activities		
Cash flows from financing activities:		
Net (decrease) increase in deposits	(848,503)	3,604,077
Repayment of borrowed money	(3,000,000)	(6,000,000)
Increase in advance payments by borrowers for taxes and insurance	455,380	356,754
Dividends paid on preferred stock	(50,065)	(50,065)
	<u>(3,443,188)</u>	<u>(2,089,234)</u>
Net cash provided for financing activities		
Net change in cash and cash equivalents	(2,660,118)	(62,822)
Cash and cash equivalents at beginning of period	17,495,656	18,409,841
Cash and cash equivalents at end of period	<u>\$ 14,835,538</u>	<u>\$ 18,347,019</u>
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	\$ 664,653	\$ 869,774
Income taxes	-	-
Non-cash investing activities:		
Transfer of loans to real estate owned	256,448	101,643

See accompanying notes to consolidated financial statements.

Earnings Per Share
(Unaudited)

	Three Months Ended <u>March 31, 2011</u>	Three Months Ended <u>March 31, 2010</u>
Net income available to common shareholders	\$ <u>72,075</u>	<u>23,222</u>
Total weighted average common shares outstanding for basic computation	<u>981,638</u>	<u>981,638</u>
Basic income per share	\$ <u>0.07</u>	<u>\$ 0.02</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>-</u>	<u>-</u>
Total weighted average common shares and equivalents outstanding for diluted computation	<u>981,638</u>	<u>981,638</u>
Diluted income per share	\$ <u>0.07</u>	<u>\$ 0.02</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 three month period ended March 31, 2011 and should not be read to cover any other 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, 2011, the results of operations for the three month periods ended March 31, 2011 and 2010 and cash flows for the three month periods ended March 31, 2011 and 2010. 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 Per Share. Earnings per share for the three month periods ended March 31, 2011 and 2010 were determined by dividing net income available to common shareholders 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.

Reclassifications. Certain 2010 items or amounts have been reclassified or restated in order to conform to the 2011 presentation.

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 recent 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”);
 - the impact of new regulators resulting from the pending change in the regulation of the Company and the Bank from the Office of Thrift Supervision to the Federal Reserve System and the Office of the Comptroller of the Currency;
 - 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 including those issued by the Consumer Financial Protection Bureau;
 - inflation, interest rate, market and monetary fluctuations and its impact on our interest rate sensitive balance sheet;
 - the 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 space in our branch facilities when vacancies occur;
 - 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 the Company or the Bank.

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 UST’s website.

New Federal Legislation. The recently enacted Dodd-Frank Act will significantly change the current bank regulatory structure and affect the lending, investment, trading and operating activities of financial institutions and their holding companies. The Dodd-Frank Act will eliminate our current primary federal regulator, the Office of Thrift Supervision, and will require American Savings, FSB to be regulated by the Office of the Comptroller of the Currency (the primary federal regulator for national banks). The Dodd-Frank Act also authorizes the Board of Governors of the Federal Reserve System to supervise and regulate all savings and loan holding companies like AMB Financial Corp., in addition to bank holding companies which it currently regulates. As a result, the Federal Reserve Board’s current regulations applicable to bank holding companies, including holding company capital requirements, will apply to savings and loan holding companies like AMB Financial Corp., unless an exemption exists. These capital requirements are substantially similar to the capital requirements currently applicable to American Savings, FSB. The Dodd-Frank Act also requires the Federal Reserve Board to set minimum capital levels for bank holding companies that are as stringent as those required for the insured depository subsidiaries, and the components of Tier 1 capital are restricted to capital instruments that are currently considered to be Tier 1 capital for insured depository institutions. Bank holding companies

with assets of less than \$500 million are exempt from these capital requirements. Under the Dodd-Frank Act, the proceeds of trust preferred securities are excluded from Tier 1 capital unless such securities were issued prior to May 19, 2010 by bank or savings and loan holding companies with less than \$15 billion of assets. The legislation also establishes a floor for capital of insured depository institutions that cannot be lower than the standards in effect today, and directs the federal banking regulators to implement new leverage and capital requirements within 18 months that take into account off-balance sheet activities and other risks, including risks relating to securitized products and derivatives.

The Dodd-Frank Act also creates a new Consumer Financial Protection Bureau with broad powers to supervise and enforce consumer protection laws. The Consumer Financial Protection Bureau has broad rule-making authority for a wide range of consumer protection laws that apply to all banks and savings institutions such as American Savings, FSB, including the authority to prohibit “unfair, deceptive or abusive” acts and practices. The Consumer Financial Protection Bureau has examination and enforcement authority over all banks and savings institutions with more than \$10 billion in assets. Banks and savings institutions with \$10 billion or less in assets will be examined by their applicable bank regulators. The new legislation also weakens the federal preemption available for national banks and federal savings associations, and gives state attorneys general the ability to enforce applicable federal consumer protection laws.

The legislation also broadens the base for Federal Deposit Insurance Corporation insurance assessments. Assessments will now be based on the average consolidated total assets less tangible equity capital of a financial institution. The Dodd-Frank Act also permanently increases the maximum amount of deposit insurance for banks, savings institutions and credit unions to \$250,000 per depositor, retroactive to January 1, 2008, and non-interest bearing transaction accounts have unlimited deposit insurance through December 31, 2012. Lastly, the Dodd-Frank Act will increase stockholder influence over boards of directors by requiring companies to give stockholders a non-binding vote on executive compensation and so-called “golden parachute” payments, and authorizing the Securities and Exchange Commission to promulgate rules that would allow stockholders to nominate and solicit votes for their own candidates using a company’s proxy materials. The legislation also directs the Federal Reserve Board to promulgate rules prohibiting excessive compensation paid to bank holding company executives, regardless of whether the company is publicly traded or not.

Financial Condition. The total assets of the Company were \$177.8 million at March 31, 2011, a decrease of \$3.5 million or 1.9%, from \$181.3 million at December 31, 2010. The decrease in total assets was primarily the result of decreases in cash and cash equivalents, as well as reductions in loans receivable and real estate owned. The cash generated from these reductions was utilized to fund the repayment of a Federal Home Loan Bank of Indianapolis (FHLBI) advance totaling \$3.0 million.

Cash and cash equivalents, primarily interest bearing deposits, totaled \$14.8 million at March 31, 2011, as compared to \$17.5 million at December 31, 2010. The decreased cash levels were due in part to the repayment of the aforementioned FHLBI advance totaling \$3.0 million. 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.

Investment securities, available for sale, remained unchanged totaling \$300,000 at March 31, 2011. Mortgage-backed securities increased \$280,000 to \$5.5 million at March 31, 2011, from \$5.2 million at

December 31, 2010. New purchases, during the quarter, of \$717,000 consisted of Freddie Mac and Ginnie Mae, fixed rate, pass through securities. At March 31, 2011, the Company had an unrealized gain on available for sale mortgage-backed securities of \$147,000 compared to a \$134,000 unrealized gain at December 31, 2010.

Net loans receivable decreased \$588,000, or 0.4%, to \$132.8 million at March 31, 2011, from \$133.4 million at December 31, 2010. Loan originations and purchases totaled \$8.3 million during the three months ended March 31, 2011, as compared to \$9.1 million during the prior year period. Offsetting the originations and purchases were amortization, prepayments, and sales of loans totaling \$8.5 million and \$10.0 million for the three months ended March 31, 2011 and 2010, respectively. Included in the 2011 period were \$583,000 of single-family fixed rate loans originated for sale and subsequently sold into the secondary market as compared to \$364,000 during the prior year period. These low fixed rate mortgage loans were sold in an effort to reduce interest rate risk.

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 was \$1.9 million at March 31, 2011, representing a \$40,000 increase from the recorded allowance at December 31, 2010. This represents a ratio of allowance for loan losses to net loans receivable of 1.43% and 1.39%, respectively, at March 31, 2011 and December 31, 2010. Impacted by current negative economic conditions, 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 failed to stabilize.

Management believes that the allowance for loan losses is adequate at March 31, 2011. 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 quality of loans and the adequacy of the allowance for loan losses and may require the Company to recognize additions to the allowance based upon their judgments about information available to them at the time of their examinations.

Loans receivable are summarized as follows:

	March 31, 2011	December 31, 2010
Mortgage loans:		
One-to-four family	\$ 91,380,049	\$ 90,749,662
Multi-family	6,705,121	6,169,450
Nonresidential	18,664,301	19,819,300
Construction	4,200,608	3,767,237
Land	2,119,490	2,378,394
	<hr/>	<hr/>
Total mortgage loans	123,069,569	122,884,043
Other loans:		
Equity lines of credit	6,970,231	7,357,251
Other consumer	1,909,767	1,925,354
	<hr/>	<hr/>
Total other loans	8,879,998	9,282,605
Commercial business loans	4,513,160	4,881,779
	<hr/>	<hr/>
Total loans receivable	136,462,727	137,048,427
Less:		
Loans in process	1,512,757	1,586,176
Net deferred yield adjustments	202,519	166,271
Allowance for loan losses	1,924,325	1,884,599
	<hr/>	<hr/>
Loans receivable, net	<u><u>\$ 132,823,126</u></u>	<u><u>\$ 133,411,381</u></u>

The following tables present the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method for the dates indicated:

	Allowance for Loan Losses					
	At March 31, 2011			At December 31, 2010		
	Individually	Collectively	Total	Individually	Collectively	Total
	Evaluated	Evaluated		Evaluated	Evaluated	
for	for		for	for		
	<u>Impairment</u>	<u>Impairment</u>		<u>Impairment</u>	<u>Impairment</u>	
One-to-four family	\$ 487,992	\$ 526,593	\$ 1,014,585	\$ 551,836	\$ 488,812	\$ 1,040,648
Multi-family	36,947	163,489	200,436	53,839	146,452	200,291
Nonresidential	68,914	210,804	279,718	25,564	219,894	245,458
Construction	50,308	24,886	75,194	50,308	11,210	61,518
Land	34,089	54,358	88,447	50,832	40,578	91,410
Equity lines of credit	11,458	24,013	35,471	12,448	24,085	36,533
Other consumer	30,594	39,214	69,808	20,982	45,603	66,585
Commercial business loans	36,786	123,880	160,666	19,046	123,110	142,156
Total	\$ 757,088	\$ 1,167,237	\$ 1,924,325	\$ 784,855	\$ 1,099,744	\$ 1,884,599

	Loan Balances					
	At March 31, 2011			At December 31, 2010		
	Individually	Collectively	Total	Individually	Collectively	Total
	Evaluated	Evaluated		Evaluated	Evaluated	
for	for		for	for		
	<u>Impairment</u>	<u>Impairment</u>		<u>Impairment</u>	<u>Impairment</u>	
One-to-four family	\$ 2,476,571	\$ 88,903,478	\$ 91,380,049	\$ 2,965,130	\$ 87,784,532	\$ 90,749,662
Multi-family	286,947	6,418,174	6,705,121	260,626	5,908,824	6,169,450
Nonresidential	805,863	17,858,438	18,664,301	805,863	19,013,437	19,819,300
Construction	647,190	3,553,418	4,200,608	647,190	3,120,047	3,767,237
Land	76,177	2,043,313	2,119,490	174,077	2,204,317	2,378,394
Equity lines of credit	14,017	6,956,214	6,970,231	39,861	7,317,390	7,357,251
Other consumer	36,457	1,873,310	1,909,767	27,058	1,898,296	1,925,354
Commercial business loans	75,585	4,437,575	4,513,160	25,115	4,856,664	4,881,779
Total	\$ 4,418,807	\$ 132,043,920	\$ 136,462,727	\$ 4,944,920	\$ 132,103,507	\$ 137,048,427

Impaired loans, which consist of the Company's non-accrual loans, were as follows:

	March 31,	December 31,
	<u>2011</u>	<u>2010</u>
Period end loans with allocated allowance for loan losses	\$ 3,809,513	\$ 4,210,557
Period end loans with no allocated allowance for loan losses	609,294	734,363
Total	\$ 4,418,807	\$ 4,944,920
Valuation reserve relating to impaired loans	\$ 757,088	\$ 784,855

The following table presents loans individually evaluated for impairment by class of loans as of the dates indicated:

	At March 31, 2011		2010 At December 31 2010	
	Unpaid Principal Balance	Allowance for Loan Losses Allocated	Unpaid Principal Balance	Allowance for Loan Losses Allocated
	With an allowance recorded:			
One-to-four family	\$ 1,867,277	\$ 487,992	\$ 2,230,767	\$ 551,836
Multi-family	286,947	36,947	260,626	53,839
Nonresidential	805,863	68,914	805,863	25,564
Construction	647,190	50,308	647,190	50,308
Land	76,177	34,089	174,077	50,832
Equity lines of credit	14,017	11,458	39,861	12,448
Other consumer	36,457	30,594	27,058	20,982
Commercial business loans	75,585	36,786	25,115	19,046
With no related allowance recorded:				
One-to-four family	609,294	-	734,363	-
Total	\$ 4,418,807	\$ 757,088	\$ 4,944,920	\$ 784,855

The Company has no loans past due over ninety days and still accruing interest. The following table presents the recorded investment in nonaccrual loans by class of loans at the dates indicated:

	March 31, 2011	December 31, 2010
One-to-four family	\$ 2,476,571	\$ 2,965,130
Multi-family	286,947	260,626
Nonresidential	805,863	805,863
Construction	647,190	647,190
Land	76,177	174,077
Equity lines of credit	14,017	39,861
Other consumer	36,457	27,058
Commercial business loans	75,585	25,115
Total	\$ 4,418,807	\$ 4,944,920

The following tables represent the aging of the recorded investment in past due loans as of the dates indicated:

	March 31, 2011				
	30 - 89	Greater Than	Total	Loans	Total
	Days	90 Days		Not	
	Past Due	Past Due	Past Due	Past Due	
One-to-four family	\$ 1,330,551	\$ 2,476,571	\$ 3,807,122	\$ 87,572,927	\$ 91,380,049
Multi-family	-	286,947	286,947	6,418,174	6,705,121
Nonresidential	24,891	805,863	830,754	17,833,547	18,664,301
Construction	-	647,190	647,190	3,553,418	4,200,608
Land	-	76,177	76,177	2,043,313	2,119,490
Equity lines of credit	62,265	14,017	76,282	6,893,949	6,970,231
Other consumer	31,219	36,457	67,676	1,842,091	1,909,767
Commercial business loans	179,253	75,585	254,838	4,258,322	4,513,160
Total	\$ 1,628,179	\$ 4,418,807	\$ 6,046,986	\$ 130,415,741	\$ 136,462,727

	December 31, 2010				
	30 - 89	Greater Than	Total	Loans	Total
	Days	90 Days		Not	
	Past Due	Past Due	Past Due	Past Due	
One-to-four family	\$ 2,071,606	\$ 2,965,130	\$ 5,036,736	\$ 85,712,926	\$ 90,749,662
Multi-family	26,320	260,626	286,946	5,882,504	6,169,450
Nonresidential	-	805,863	805,863	19,013,437	19,819,300
Construction	-	647,190	647,190	3,120,047	3,767,237
Land	-	174,077	174,077	2,204,317	2,378,394
Equity lines of credit	6,433	39,861	46,294	7,310,957	7,357,251
Other consumer	41,352	27,058	68,410	1,856,944	1,925,354
Commercial business loans	152,368	25,115	177,483	4,704,296	4,881,779
Total	\$ 2,298,079	\$ 4,944,920	\$ 7,242,999	\$ 129,805,428	\$ 137,048,427

The Company has allocated \$246,475 and \$159,634 of loan loss reserves to customers whose loan terms have been modified in troubled debt restructurings as of March 31, 2011 and December 31, 2010 respectively. Restructured loan terms consisted of the capitalization of delinquent interest and fees on to the principal balance. The capitalized interest and fees are treated as a deferred income item and subsequently recognized over the remaining loan term.

The following table sets forth an analysis of the allowance for loan losses for the three months ended March 31, 2011 and 2010.

	Three Months Ended March 31, <u>2011</u>	Three Months Ended March 31, <u>2010</u>
Balance at beginning of period:	<u>\$1,884,599</u>	<u>\$2,329,696</u>
Charge-offs:		
One- to four family	(50,353)	(88,276)
Multi-family	-	-
Non-residential.....	-	-
Construction.....	-	-
Land	(37,921)	-
Consumer	-	(8,355)
Commercial business	<u>(15,000)</u>	<u>-</u>
Total charge-offs.....	<u>(103,274)</u>	<u>(96,631)</u>
Recoveries:		
One- to four family	-	-
Multi-family	-	-
Non-residential.....	-	-
Consumer	-	-
Commercial business	<u>-</u>	<u>1,029</u>
Total recoveries.....	<u>-</u>	<u>1,029</u>
Net charge-offs	(103,274)	(95,602)
Additions charged to operations	<u>143,000</u>	<u>190,000</u>
Balance at end of period	<u>\$1,924,325</u>	<u>\$2,424,094</u>
Ratio of net charge-offs during the period to average gross loans outstanding during the period	<u>0.08%</u>	<u>0.07%</u>
Ratio of net charge-offs during the period to average non-performing loans during the period.....	<u>2.21%</u>	<u>1.47%</u>

Non-performing loans totaled \$4.4 million, or 3.24% of total loans receivable at March 31, 2011, compared to \$4.9 million, or 3.61% of total loans receivable at December 31, 2010. Non-performing loans at March 31, 2011, consisted of:

- twenty-four single family mortgage loans totaling \$2.5 million, of which eight loans totaling \$782,000 are located outside of the Bank's general lending area. Of those loans located outside the Bank's general lending area, four loans totaling \$482,000 are FHA insured;
- one multi-family construction loan representing a \$647,000 participation interest in a real estate development loan for the construction of nine residential condominium units located in Chicago, Illinois. The balance represents the current fair value of the Company's 50% percent participation interest in the development. The units are substantially completed, however, there have been no sales, which has resulted in the borrower experiencing cash flow difficulties. The Company has initiated foreclosure proceedings;

- one non-residential loan representing an \$806,000 real estate participation loan secured by a water park hotel located in Dundee, Michigan. The balance represents the current fair value of the Company's 6% participation interest in the property. 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. Operating cash flows have been insufficient to support any debt service since the restructure;
- two loans secured by multi family dwelling units totaling \$287,000;
- two loans secured by undeveloped lots totaling \$76,000;
- two commercial nonmortgage loans totaling \$76,000;
- three secured consumer loans totaling \$23,000;
- one consumer home equity line of credit totaling \$14,000; and
- four credit card receivables totaling \$13,000.

Included in the above non-performing loan totals are troubled debt restructurings which consisted of four single family loans totaling \$617,000 and one multi-family loan totaling \$261,000 which were restructured during 2009 and 2010 while in a non-performing status. These loans have since returned to a past due status in excess of ninety days as of March 31, 2011. Also included in the current non-performing loan totals is one commercial nonmortgage loan totaling \$65,000, which was restructured in 2011 while in a non-performing status.

Not included in the above non-performing totals were three single-family loans totaling \$783,000 and one secured consumer loan totaling \$26,000, which were restructured 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 43.55% at March 31, 2011, compared to 38.11% at December 31, 2010.

Net real estate owned at March 31, 2011 totaled \$1.7 million as compared to \$2.1 million at December 31, 2010. Real estate owned includes:

- ten single family dwelling units totaling \$876,000;
- twenty-six one to four family vacant land parcels totaling \$632,000 of which sixteen parcels totaling \$119,000 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, 2011, the Company recorded net real estate owned sales of \$652,000 resulting in a gain of \$12,000. There can be no assurance whether, when, and at what price the Company will be able to sell the remaining inventory of real estate owned.

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 the collection of which 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, 2011	December 31, 2010
	<hr/>	<hr/>
Non- accruing loans:		
One to four family	\$2,476,571	\$2,965,130
Multi- family	286,947	260,626
Non- residential	805,863	805,863
Construction	647,190	647,190
Land	76,177	174,077
Home Equity Line of Credit	14,017	39,861
Other Consumer	36,457	27,058
Commercial business	75,585	25,115
	<hr/>	<hr/>
Subtotal	\$4,418,807	\$4,944,920
Foreclosed assets:		
One to four family	\$877,582	\$1,201,576
Multi-family	-	-
Non-residential	203,040	203,040
Construction	-	-
Land	631,940	691,080
Home Equity Line of Credit	-	-
Other Consumer	-	-
Commercial business	-	-
	<hr/>	<hr/>
Subtotal	\$1,712,562	\$2,095,696
Total non-performing assets	<hr/> \$6,131,369	<hr/> \$7,040,616
Non-performing assets to total assets	3.45%	3.88%

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

The Company's investment in a limited partnership decreased \$9,300 to \$594,000 at March 31, 2011, from \$603,000 at December 31, 2010. 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.

Stock in the FHLB of Indianapolis remained unchanged totaling \$1.8 million at March 31, 2011. 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, 2011, as compared to \$9.2 million at December 31, 2010. The decline represents normal depreciation offset in part by additions totaling \$16,000.

The Company's investment in real estate development consists of two vacant lots valued at \$148,000, which are currently listed for sale.

Bank owned life insurance increased \$30,000 to \$4.2 million at March 31, 2011. 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 decreased \$38,000 to \$6.3 million at March 31, 2011. Prepaid expenses and other assets consist primarily of a \$1.8 million deferred tax asset, prepaid FDIC insurance premiums through December 31, 2012 totaling \$528,000, and \$3.5 million of purchased accounts receivables, which involve the purchase and subsequent management of accounts receivable of credit-worthy business customers.

Deposits decreased \$849,000 to \$147.1 million at March 31, 2011 from \$147.9 million at December 31, 2010 primarily due to \$1.8 million decline in demand deposits and NOW accounts (checking) and a \$795,000 decrease in certificates of deposit accounts offset by a \$1.3 million increase in passbook accounts and a \$489,000 increase in money market accounts. At March 31, 2011, the Bank's non-certificate accounts (passbook, checking and money market accounts) comprised \$54.2 million, or 36.8% of deposits, compared to \$54.2 million, or 36.7% of deposits at December 31, 2010.

Borrowed money, which consisted primarily of FHLB of Indianapolis advances, decreased by \$3.0 million, or 24.2%, to \$9.4 million at March 31, 2011, as compared to \$12.4 million at December 31, 2010. Borrowings from the FHLB of Indianapolis totaled \$7.4 million at March 31, 2011, compared with \$10.4 million at December 31, 2010. At March 31, 2011, the weighted average rate on the FHLB of Indianapolis borrowings decreased to 4.43%, compared to 4.67% at December 31, 2010 due to the repayment of a relatively higher rate advance. During the next three month period, \$3.0 million of FHLB of Indianapolis advances will mature at a weighted average rate of 3.54%. The weighted term to maturity of the Company's FHLB of Indianapolis borrowings at March 31, 2011 was 1.8 years.

Total stockholders' equity of the Company increased by \$80,286 to \$15.1 million, or 8.52% of total assets, at March 31, 2011, compared to \$15.0 million, or 8.31% of total assets at December 31, 2010. The increase in stockholders' equity was the result of net income totaling \$122,000 as well as an

unrealized market value gain on available for sale securities during the period, net of tax, in the amount of \$8,000. 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, 2011 was 981,638 and the book value per common share (excluding book value relating to preferred stock) outstanding was \$11.61. The Bank's tangible, core and risk-based capital percentages of 9.43%, 9.43% and 15.15%, respectively, at March 31, 2011 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, 2011 Compared to the Quarter Ended March 31, 2010

General. Net income available to common shareholders for the quarter ended March 31, 2011 was \$72,000, or \$0.07 per diluted share, an increase of \$49,000 over the net income available to common shareholders of \$23,000, or \$0.02 per diluted share, for the quarter ended March 31, 2010. Excluding payment of preferred stock dividends, net income would have been \$122,000 in the current quarter compared to net income totaling \$73,000 in the prior year's quarter. Net income in the current quarter was positively impacted compared to the prior year's quarter by a \$60,000 increase in net interest income, a \$47,000 decrease in the provision for loan losses, and a \$20,000 increase in non-interest income, offset by a \$45,000 increase in non interest expense and a \$33,000 increase in income tax expense.

Interest Income. Total interest income decreased by \$145,000, or 6.9%, to \$2.0 million for the quarter ended March 31, 2011, from \$2.1 million for the prior year's quarter. This decrease was the result of a \$3.0 million decrease in the average balance of interest-earning assets to \$156.2 million for the quarter ended March 31, 2011, as compared to \$159.2 million for the same period in 2010. The decrease in the average balance of interest-earning assets was primarily due to a \$4.9 million decrease in average loans receivable offset by a \$2.2 million increase in the average balance of interest-bearing deposits. The average yield earned on interest-earning assets decreased to 5.02% for the quarter ended March 31, 2011 as compared to 5.29% at March 31, 2010.

Interest income on loans receivable decreased \$147,000, to \$1.9 million for the quarter ending March 31, 2011, as compared to the same period in 2010. The decrease in interest income on loans was primarily the result of a \$4.9 million decline in the average balance of loans outstanding to \$132.9 million for the quarter ended March 31, 2011, as compared to \$137.8 million for the quarter ended March 31, 2010, as well as a decline in the average yield to 5.70% for the quarter ended March 31, 2011 as compared to 5.92% for the quarter ended March 31, 2010. The decrease in the average balance was due in part to overall weak loan demand as well as loan payoffs and refinancings that were not replaced with new originations. The decline in the average yield earned reflects the impact of lower rate loans on new originations.

Interest income on mortgage-backed securities decreased \$9,000 to \$43,000 for the quarter ended March 31, 2011 as compared to the prior year's quarter, due to a 42 basis point decline in the average yield to 3.21% for the quarter ended March 31, 2011, from 3.63% for the quarter ended March 31, 2010, as well

as a \$417,000 decrease in the average balance in the portfolio. The average yield declined due to lower fixed rates on new purchases. The average balance decreased over the most recent twelve-month period due to principal repayments exceeding new purchase activity. Interest income on interest bearing deposits increased by \$7,000 to \$9,000 for the quarter ended March 31, 2011 compared to the quarter ended March 31, 2010. 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 and continues today. The Company continues to hold higher levels of short-term liquid assets due to the lack of desirable alternative investments in the current interest rate environment. Dividend income on FHLB of Indianapolis stock increased \$3,000 to \$13,000 for the quarter ended March 31, 2011, as the most recent dividend paid by the FHLB of Indianapolis was 2.50% as compared to a 2.00% dividend paid during the prior year's quarter.

Interest Expense. Total interest expense decreased by \$205,000, or 23.7%, to \$659,000 for the quarter ended March 31, 2011, as compared to \$864,000 for the same period in 2010. The average cost of interest-bearing liabilities decreased 47 basis points to 1.64% for the quarter ended March 31, 2011, as compared to 2.11% for the quarter ended March 31, 2010, 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. The average balance of interest-bearing liabilities outstanding declined by \$3.0 million to \$162.7 million for the quarter ended March 31, 2011, as compared to \$165.7 million for the quarter ended March 31, 2010. The average balance of borrowings outstanding decreased by \$5.7 million between the periods, while the average balance of deposits outstanding increased by \$2.7 million.

Interest expense on deposits decreased by \$132,000, or 22.6%, to \$451,000 for the quarter ended March 31, 2011, from \$583,000 for the same period in 2010. The decrease in interest expense on deposits was primarily due to a 39 basis point decrease in the average cost of deposits to 1.24% for the quarter ended March 31, 2011 from 1.63% for the prior year's quarter, offset in part by a \$2.7 million increase in the average balance of deposits outstanding. The decrease in the average cost of deposits was primarily driven by a 50 basis point decrease on certificates of deposits to an average rate of 1.79% during the quarter ended March 31, 2011, as compared to an average rate of 2.29% for the quarter ended March 31, 2010. As was the case during 2010, 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 \$73,000, or 26.0%, to \$208,000 for the quarter ended March 31, 2011, from \$281,000 for the same period in 2010. This decrease was the result of a \$5.7 million decrease in the average balance of borrowings to \$15.2 million for the quarter ended March 31, 2011, from \$20.9 million for the quarter ended March 31, 2010. Partially offsetting this decline was an 8 basis point increase in the average cost of borrowed funds to 5.52% for the quarter ended March 31, 2011 compared to 5.44% for the quarter ended March 31, 2010 as a result of the repayment of slightly lower rate borrowings. Interest expense on FHLB of Indianapolis advances decreased to \$119,000 for the quarter ended March 31, 2011, as compared to \$192,000 for the prior year's quarter as a result of a \$5.7 million decrease in the average balance outstanding to \$10.2 million for the quarter ended March 31, 2011, from \$15.9 million for the quarter ended March 31, 2010. Interest expense on other borrowings, having an outstanding average balance of \$5.0 million, remained unchanged at \$89,000 for the quarter ended March 31, 2011, 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 \$60,000, or 4.8%, to \$1.3 million for the quarter ended March 31, 2011, from \$1.2 million for the same period in 2010. The net interest rate spread increased 20 basis points to 3.38% for the quarter ended March 31, 2011 from 3.18% for the same period in 2010, while the net interest margin increased 21 basis points to 3.32% for the quarter ended March 31, 2011 from 3.11% for the same period in 2010. 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 \$143,000 during the quarter ended March 31, 2011, as compared to \$190,000 during the quarter ended March 31, 2010. Despite the decline in non-performing loans during the most recent three month period, provisions to the allowance were warranted due to charge-off activity and continued adverse pressures for both the local and national economies. During the quarter ended March 31, 2011, the Bank incurred charge-offs totaling \$103,000 related to one loan secured by a single-family dwelling unit, one loan secured by a vacant building lot and one unsecured 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 \$20,000 to \$373,000 for the quarter ended March 31, 2011, as compared to \$353,000 for the quarter ended March 31, 2010. Rental income increased by \$50,000 as additional branch office space has been leased, other fee income increased by \$44,000 primarily due to increased accounts receivable financings and gains on the sales of loans increased by \$7,000. These increases were partially offset by a \$77,000 decline in gains on the sale of real estate owned.

Non-Interest Expense. Non-interest expense increased by \$45,000, totaling \$1.3 million during the three months ended March 31, 2011. During the current quarter, staffing costs increased by \$25,000 due in part to an increase in employee pension and health insurance expenses, advertising expenses increased by \$5,000, data processing expenses increased by \$16,000, FDIC insurance assessment expenses increased by \$14,000 and other operating expenses, primarily consisted of real estate owned, telecommunications and loan expenses, increased by \$18,000. Partially offsetting these increases was a \$26,000 reduction in occupancy expenses due to lower real estate tax accruals and a \$5,000 reduction in professional and legal fees.

Income Taxes. The Company recorded an income tax expense of \$60,000 for the quarter ended March 31, 2011, as compared to \$28,000 for the quarter ended March 31, 2010, as a result of an increase in taxable income.

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.

Yield Analysis

(Dollars in thousands)

	Three Months Ended <u>March 31, 2011</u>			Three Months Ended <u>March 31, 2010</u>		
	<u>Average Balance</u>	<u>Interest</u>	<u>Average Yield/ Cost</u>	<u>Average Balance</u>	<u>Interest</u>	<u>Average Yield/ Cost</u>
Assets:						
Interest-Earning Assets:						
Loans receivable	\$132,869	\$1,890	5.70%	\$137,777	\$2,037	5.92%
Mortgage-backed securities	5,331	43	3.21	5,747	52	3.63
Investment securities	300	1	0.75	-	-	-
Interest-bearing deposits	15,862	9	0.23	13,673	2	0.07
FHLB stock	1,800	13	3.06	1,965	10	2.00
Total interest-earning assets	<u>156,162</u>	<u>1,956</u>	5.02	<u>159,162</u>	<u>2,101</u>	5.29
Non interest-earning assets	<u>25,011</u>			<u>25,055</u>		
Total assets	<u>181,173</u>			<u>184,217</u>		
Liabilities and Stockholders' Equity:						
Interest-Bearing Liabilities:						
Passbook accounts	19,589	12	0.25	17,990	12	0.28
Demand accounts	34,997	29	0.34	36,735	62	0.68
Certificate accounts	<u>92,915</u>	<u>410</u>	1.79	<u>90,067</u>	<u>509</u>	2.29
Total deposits	<u>147,501</u>	<u>451</u>	1.24	<u>144,792</u>	<u>583</u>	1.63
Borrowings	<u>15,248</u>	<u>208</u>	5.52	<u>20,920</u>	<u>281</u>	5.44
Total interest-bearing liabilities	<u>162,749</u>	<u>659</u>	1.64	<u>165,712</u>	<u>864</u>	2.11
Non interest-bearing liabilities	<u>3,321</u>			<u>3,613</u>		
Total liabilities	<u>166,070</u>			<u>169,325</u>		
Stockholders' equity	<u>15,103</u>			<u>14,892</u>		
Total liabilities and stockholders' equity	<u>\$181,173</u>			<u>\$184,217</u>		
Net interest income / interest rate spread		<u>\$1,297</u>	<u>3.38%</u>		<u>\$1,237</u>	<u>3.18%</u>
Net interest margin			3.32%			3.11%

Capital Standards. As a federally chartered savings bank, the Bank’s deposits are insured up to the applicable limits by the Federal Deposit 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, 2011, the Bank was in compliance with all of its capital requirements as follows:

	<u>March 31, 2011</u>		<u>December 31, 2010</u>	
	<u>Amount</u>	<u>Percent of Assets</u>	<u>Amount</u>	<u>Percent of Assets</u>
Stockholders' equity of the Bank	\$ 17,475,024	9.88 %	17,267,528	9.57 %
Tangible capital	16,598,142	9.43 %	16,374,992	9.12 %
Tangible capital requirement	2,640,857	1.50	2,691,922	1.50
Excess	\$ 13,957,285	7.93 %	13,683,070	7.62 %
Core capital	16,598,142	9.43 %	16,374,992	9.12 %
Core capital requirement	7,042,285	4.00	7,178,459	4.00
Excess	\$ 9,555,857	5.43 %	9,196,533	5.12 %
Total Risk-Based Capital	17,765,379	15.15 %	17,474,737	14.64 %
Risk-based capital requirement	9,383,142	8.00	9,550,820	8.00
Excess	\$ 8,382,237	7.15 %	7,923,917	6.64 %
Total Bank Assets - Thrift Financial Report	\$ 176,934,000		180,354,000	
Adjusted Total Assets-Thrift Financial Report				
For Regulatory Capital Calculation	\$ 176,057,118		179,461,464	
Total Risk-Weighted Assets-Thrift Financial Report	\$ 117,289,274		119,385,250	

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, 2011</u>	<u>December 31, 2010</u>
Stockholders' equity of the Bank	\$ 17,475,024	\$ 17,267,528
Regulatory capital adjustment		
For mortgage servicing rights	(3,926)	(3,736)
For deferred tax assets	(784,685)	(808,740)
For available for sale securities	(88,271)	(80,060)
Tangible and core capital	\$ 16,598,142	\$ 16,374,992
Allowable general loan loss reserves	1,167,237	1,099,745
Total Risk- Based Capital	\$ 17,765,379	\$ 17,474,737

Legal Proceedings. The Bank is, from time to time, a party to certain lawsuits in the ordinary course of its business, wherein it enforces its security interest. In addition, as of March 31, 2011, we were involved in the following litigation:

Tokarski vs. American Savings, FSB. The Bank was involved in litigation with Steve Tokarski, the successor personal representative of the Estate of John Wroblewski. The suit filed June 2007 in the Superior Court of Lake County Indiana (Case #45D040706CC0075) involved multiple claims, including an alleged conversion by the Bank of a restricted deposit account in the amount of \$155,000 to satisfy two delinquent loans as well as alleged negligence by the Bank in the cashing of two checks totaling approximately \$513,000. The suit claimed that the Bank violated a notice of restriction placed on the deposit account by applying funds without proper written consents and that the Bank assisted an individual, whom we believed was acting on behalf of John Wroblewski under a power of attorney, in misappropriating funds belonging to the Estate by cashing the checks mentioned above.

The Bank received an initial preliminary coverage opinion from its insurance carrier in August 2007, which provides coverage for claims against the Bank arising out of its operations as a financial institution. The insurance company indicated it could not provide a definitive coverage analysis until the allegations set forth in the claim were fully resolved. Thus, until such time, the insurance company reserved all rights under the policy and applicable law, including without limitation, the right to raise additional coverage issues or to revise the analysis as appropriate.

On April 11, 2011, the Motion for Summary Judgment was granted in favor of the Plaintiff Tokarski in the amount of \$513,106. The Bank has various legal options available including filing a motion to correct errors and/or to appeal the decision. The Bank notified its insurance carrier as to the Summary Judgment and is in the process of scheduling discussions between respective legal counsel of the Bank and insurance carrier to determine a course of action. The Bank has also requested an updated coverage analysis as to the Summary Judgment from its insurance carrier.

The initial claim was filed under the Bank's Directors and Officers/Company Liability Policy, which has a \$1,000,000 annual limit of liability and \$25,000 retention per claim. The retention amount was satisfied in March 2011 with respect to attorney's fees as the insurance carrier now reimburses the Bank for attorney's fees related to this matter.

At this time, the final resolution of this litigation is still in question as well as the final insurance coverage, and therefore the amount of potential loss, if any, cannot be estimated.

Trevino vs. AMB Financial Corp. The Company is also involved in litigation with Juan Trevino for alleged injuries sustained on May 15, 2008 at one of the Company's locations. The suit filed April 2009 in the Superior Court of Lake County Indiana (Case #450040904CT00148), involves an employee of ATT who was on Bank premises on a service call and alleges the Company was at fault in causing the plaintiff to trip and fall, including failure to provide adequate lighting, failure to warn of known dangers, and failure to exercise reasonable care for the safety of its invitees. The Bank intends to vigorously defend the litigation and counsel is of the opinion the Bank has strong legal and factual defenses which should permit the Bank to successfully defend the litigation. The complaint seeks recovery of damages of an unspecified amount. The Company maintains liability insurance coverage of \$5.0 million. At this time, the outcome of this litigation is still in question, and the amount of potential loss, if any, cannot be estimated.