2010 Annual Report

President's Message
To Our Stockholders:

On behalf of AMB Financial Corp. (the Company), and its wholly owned subsidiary, American Savings, FSB (the Bank), I am pleased to present our 2010 annual financial report. The board of directors, officers and employees are optimistic regarding opportunities for the organization in the future.

In 2010 the Bank celebrated its 100-year anniversary of serving the communities of Northwest Indiana. The Bank was formed in 1910 as the First Polish Building and Loan Association. The Bank's humble beginnings in the basement of a north Hammond church exemplify the purest example of community. The organization was formed out of the concept of neighbor helping neighbor to achieve financial goals and often even dreams. Today we proudly admit that the mission of the organization remains true to that original sense of community loyalty. We remain today a part of this community, helping our neighbors achieve their financial goals and dreams through our financial strength and stability.

2010 saw a continuation of the effects of one of the worst economic crises, commonly referred to as the Great Recession, in recent history. A variety of factors such as continued high unemployment, declines in real estate value and overall lack of consumer spending contributed to a listlessness in the local economy. Despite many of these hurdles that continue to plague the profits and stability of the banking industry today, the Company managed to produce $395,000 in net income as compared with the prior year's loss of $1.6 million.

Interest income for the Company declined $237,000 as compared to the previous year from $8.4 million in 2009 to $8.2 million in 2010. The decline in interest income was primarily attributed to a decline in loans receivable and the impact of lower short and long-term interest rates. At the same time, this decline was offset by a $1.2 million reduction in interest expense from $4.4 million in 2009 to $3.2 million in 2010.

The need to add additional provisions for loan losses declined significantly from $2.4 million in 2009 to $631,000 in 2010. This difference of $1.8 million in reserving activity had a materially positive impact on net interest income after provision for loan losses, which increased 175.5% from $1.6 million in 2009 to $4.3 million in 2010.

Deposits in the Bank increased by 3.2% from $143.3 million in 2009 to $147.9 million in 2010. The increased deposits and a 3.4% decline in loans receivable from $138.0 million in 2009 to $133.4 million in 2010 were used to pay off $10.6 million in high rate borrowings from the Federal Home Loan Bank of Indianapolis (FHLBI). The repayment of FHLBI borrowings contributed to a $387,000 reduction in interest expense in 2010. Overall, total assets declined 3.3% from $187.5 million in 2009 to $181.3 million in 2010.

The Bank continues to remain well capitalized by regulatory standards. The tier I (core) capital and risk-based capital ratios were 9.12% and 14.64% respectively at December 31, 2010. Maintaining strong capital levels continues to be a priority for management.

Total nonperforming assets declined 32.7% or $3.4 million between December 31, 2009 and December 31, 2010. Nonperforming loans declined 27.4% during the period from $6.8 million in 2009 to $4.9 million in 2010. Real estate owned declined 42.5% during the period from $3.6 million in 2009 to $2.1 million at December 31, 2010.

Our financial performance and stock performance are available on our website at http://www.ambfinancial.com. I urge you to visit our site to view this information and utilize its other services.

The entire staff of the Bank and the Company appreciates your commitment and support, and we look forward to a long and profitable relationship.

Sincerely,

Michael Mellon
President / CEO

SELECTED CONSOLIDATED FINANCIAL INFORMATION
(Dollars in thousands)

	At December 31,				
	2010	2009	2008	2007	2006
SELECTED FINANCIAL DATA:					
Total assets	181,286	187,540	180,092	174,754	182,282
Loans receivable, net	133,411	138,044	150,834	148,025	150,701
Investment securities and interest-bearing deposits	17,997	16,583	3,913	3,849	10,433
Mortgage-backed securities	5,182	5,859	3,609	858	1,252
Trading securities	-	-	-	307	339
Deposits	147,900	143,346	129,213	118,882	124,858
Borrowed funds	12,381	22,987	30,883	35,913	34,318
Guaranteed preferred beneficial interest in junior subordinated debt	3,000	3,000	3,000	3,000	5,000
Preferred Stock	3,745	3,708	-	-	-
Stockholders' equity including preferred stock	15,068	14,878	12,950	13,453	14,661

	At or for the Year Ended December 31,				
	2010	2009	2008	2007	2006
SELECTED FINANCIAL RATIOS AND OTHER DATA:					
Return on average assets (1)	0.21%	-0.87%	-0.16%	0.03%	0.37%
Return on average stockholders' equity (2)	2.64	-10.38	-2.12	0.34	4.48
Return on average common equity (3)	1.73	-14.56	-2.12	0.34	4.48
Average stockholders' equity to average assets	8.05	8.40	7.36	8.01	8.28
Stockholders' equity to total assets	8.31	7.93	7.19	7.70	8.04
Interest rate spread during the period	3.15	2.52	2.60	2.31	2.69
Net interest margin	3.08	2.46	2.47	2.29	2.69
Operating expenses to average assets	2.71	2.76	2.59	2.61	2.63
Efficiency ratio (4)	80.76	107.23	101.17	97.42	82.52
Non-performing assets to total assets	3.88	5.58	3.76	1.91	2.06
Allowance for loan losses to non-performing loans	38.11	34.20	16.02	28.46	25.65
Allowance for loan losses to loans receivable, net (5)	1.39	1.66	0.56	0.50	0.45
Ratio of average interest-earning assets to average interest-bearing liabilities	.96x	.98x	.96x	.99x	1.00x
Number of full service offices	4	4	4	3	3

(1) Net income (loss) divided by average total assets.
(2) Net income (loss) divided by average total stockholders' equity.
(3) Net income (loss) available to common shareholders divided by average common stockholders' equity.
(4) Non-interest expense divided by net-interest income plus non-interest income except for gains and losses on investments available for sale and other assets.
(5) Loans include net loans, excluding the allowance for loan losses.

SELECTED CONSOLIDATED FINANCIAL INFORMATION (cont.)
(Dollars in thousands except per share data)

	For the Year Ended December 31,				
	2010	**2009**	**2008**	**2007**	**2006**
SELECTED OPERATING DATA:					
Total interest income	$8,162	$8,399	$9,452	$10,037	$10,027
Total interest expense	3,215	4,407	5,599	6,442	5,807
Net interest income	4,947	3,992	3,853	3,595	4,220
Provision for loan losses	631	2,425	535	133	248
Net interest income after provision for loan losses	4,316	1,567	3,318	3,462	3,972
Non-interest income:					
Fees and service charges	885	912	1,069	978	1,139
Rental income	214	91	108	148	139
Gain on sale of securities	-	-	24	-	-
Unrealized (loss) gain on trading securities	-	-	(36)	(33)	10
Gain on sale of other assets	-	-	24	18	39
Gain (loss) on write-down and sale of other real estate owned	98	(414)	(131)	(88)	(79)
Loss from limited partnership	(37)	(36)	(36)	(45)	(41)
Gain (loss) income from real estate held for development	(20)	(33)	(411)	34	51
Gain on sale of loans	15	112	-	18	-
Increase in cash surrender value of life insurance	126	135	131	126	123
Other	22	30	32	23	23
Total non interest income	1,303	797	774	1,161	1,404
Non interest expense:					
Compensation and benefits	2,265	2,147	2,114	2,256	2,327
Advertising	143	162	201	165	250
Office occupancy and equipment expenses	570	695	549	438	428
Data processing	577	487	445	504	476
Federal deposit insurance premiums	256	311	104	16	16
Professional fees	293	409	376	401	306
Other	944	924	853	853	806
Total non-interest expense	5,048	5,135	4,642	4,633	4,609
Income (loss) before income taxes	571	(2,771)	(550)	(10)	767
Income tax provision (benefit)	176	(1,151)	(270)	(58)	119
Net income (loss)	395	(1,620)	(280)	48	648
Preferred stock dividend	200	159	0	0	0
Net income (loss) available to common shareholders	195	(1,779)	(280)	48	648
Basic earnings (loss) per common share	$.20	($1.81)	($0.29)	$0.05	$0.64
Diluted earnings (loss) per common share	$.20	($1.81)	($0.29)	$0.05	$0.64

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General. AMB Financial Corp. (the "Company") is the savings and loan holding company for American Savings FSB, (the "Bank"), a federally chartered savings bank. Collectively, the Company and the Bank are referred to herein as the "Company."

The Company's primary market area consists of the northwest portion of Lake County, Indiana. Business is conducted from our main office at 8230 Hohman Avenue, Munster, Indiana, as well as our three full-service banking offices located in Dyer, Hammond, and Schererville, Indiana. The Bank is a community-oriented savings institution whose business primarily consists of accepting deposits from customers within its market area and investing those funds in mortgage loans secured by one-to four-family residences. To a lesser extent, funds are invested in non-residential real estate, home equity, multi-family, construction, consumer, commercial business and other loans. The Company also invests in accounts receivable, mortgage-backed and other investment securities and leases.

The Company's results of operations are primarily dependent on net interest income, which is the difference between the interest income on its interest-earning assets, such as loans and securities, and the interest expense on its interest-bearing liabilities, such as deposits and borrowings and to a lesser degree, non-interest income and non-interest expense. Net interest income depends upon the volume of interest-earning assets and interest-bearing liabilities and the interest rate earned or paid on them, respectively. When the Company's non performing assets increase, our volume of interest earning assets declines, thus adversely impacting net interest income. Non-interest income primarily consists of fees on deposits and loan products, increase in cash surrender value of life insurance, rental income, income or losses from real estate owned operations, and securities gains or losses. The Company's non-interest expenses primarily consist of employee compensation and benefits, occupancy and equipment expenses, data processing service fees, federal deposit insurance premiums, and other operating expenses.

The Company's results of operations are also affected by general economic conditions, the monetary and fiscal policies of Federal agencies and the policies of agencies that regulate financial institutions, all of which are in great flux as a result of today's economic and banking environment. Future changes in applicable laws, regulations or government policies, which are likely, may have a material impact on the Company. Lending activities are influenced by the demand for real estate loans and other types of loans, competition among lenders, the general level of real estate values, the level of interest rates and the availability of funds. Deposit flows and costs of funds are influenced by prevailing market interest rates (including rates on non-deposit investment alternatives), account maturities, and the levels of personal income and savings in the Company's market area.

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 year ended December 31, 2010 and should not be read to cover any other periods.

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 Annual 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.

Operating Strategy. The Company's mission is to maintain its focus as an independent, community-oriented financial institution focused on serving customers in its primary market area. The Board of Directors has sought to accomplish this mission through an operating strategy designed to maintain capital in excess of regulatory

requirements, to manage, to the extent practical, the Company's loan delinquencies and vulnerability to changes in interest rates. The key components of the Company's operating strategy are to: (i) focus its lending operations on the origination of loans secured by one-to four-family residential real estate; (ii) supplement its one-to four-family residential lending activities with non-residential, home equity, multi-family, construction, and business loans in our market area; (iii) augment its lending activities with investments in purchased loans, leases, mortgage-backed and other securities; (iv) emphasize adjustable-rate and/or short and medium duration assets when market conditions permit; (v) build and maintain its regular savings, transaction, money market and club accounts; and (vi) increase, at a managed pace, to the extent practicable, the volume of the Company's assets and liabilities.

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 $181.3 million at December 31, 2010, a decrease of $6.2 million, or 3.3%, from $187.5 million at December 31, 2009. The decrease in assets was primarily the result of decreases in loans receivable and real estate owned.

Cash and cash equivalents, primarily interest bearing deposits, totaled $17.5 million at December 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. Investment securities, available for sale, totaled $300,000 at December 31, 2010. There were no investment securities, available for sale, at December 31, 2009.

Mortgage-backed securities decreased $677,000 to $5.2 million at December 31, 2010, from $5.9 million at December 31, 2009. The decrease was the result of repayments of $2.1 million, offset in part by purchases totaling $1.5 million. Purchases consisted of Fannie Mae and Freddie Mac, fixed rate, pass through securities. At December 31, 2010, the Company had an unrealized gain on available for sale mortgage-backed securities of $134,000 compared to a $142,000 unrealized gain at December 31, 2009.

Net loans receivable decreased $4.6 million, or 3.4%, to $133.4 million at December 31, 2010, from $138.0 million at December 31, 2009. Loan originations and purchases totaled $40.4 million during the year ended December 31, 2010, as compared to $47.8 million during the prior year period. Included in the 2010 total were $1.2 million of loans originated for sale and subsequently sold into the secondary market, as compared to $7.3 million of sold loans in the prior year period. 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 $43.5 million and $54.0 million for the years ended December 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 $1.9 million at December 31, 2010, a decrease of $445,000 from the $2.3 million allowance at December 31, 2009. The Bank’s allowance for loan losses to net loans receivable was 1.39% at December 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 December 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 $4.9 million, or 3.61% of total loans receivable at December 31, 2010, compared to $6.8 million, or 4.82% of total loans receivable at December 31, 2009. The decrease in non-performing loans during the current year was impacted by two single family loans returning to a performing status totaling $718,000 and the partial charge-offs related to two non-performing loans totaling $762,000. The first partial charge-off totaling $400,000 was related to a $1.1 million participation interest in a real estate development loan for the construction of nine residential condominium units located in Chicago, Illinois. The units are partially completed, however, a lack of sales resulted in the borrower experiencing cash flow difficulties. The balance of $647,000 at December 31, 2010, represents the current fair value of the Company’s fifty percent participation interest in the development, which is in foreclosure. The second partial charge-off totaling $361,000 was related to a $1.2 million real estate participation loan secured by a water park hotel located in Dundee, Michigan. The borrower is also experiencing cash flow difficulties due to economic conditions in Michigan resulting in the inability to maintain debt service coverage. The Company, in conjunction with other loan participants, restructured the loan agreement in 2010 and actively monitors the credit. Operating cash flows have been insufficient to support any debt service since the restructure. The balance of $806,000 at December 31, 2010, represents the current fair value of the Company’s six percent participation interest in the property.

In addition to the two participation loans discussed above, non-performing loans at December 31, 2010, consisted of twenty-six single family mortgage loans totaling $3.0 million, of which seven loans totaling $678,000 are located out of the Bank’s general lending area, one multi-family residential loan totaling $261,000, three loans secured by undeveloped lots totaling $174,000, two second mortgage line of credit loans totaling $40,000, two commercial non mortgage loans totaling $25,000, three consumer loans totaling $24,000, and one credit card receivable totaling

$3,000. The ratio of allowance for loan losses to non-performing loans was 38.1% at December 31, 2010, compared to 34.2% at December 31, 2009.

Included in the non-performing totals are troubled debt restructurings which consisted of three single family loans totaling $550,000 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 December 31, 2010.

Troubled debt restructurings not included in the above non-performing totals consisted of four single-family loans totaling $852,000 and one secured consumer loan totaling $27,000, 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.

Net real estate owned at December 31, 2010 totaled $2.1 million and includes eleven single family dwelling units totaling $1.2 million, twenty-six single family vacant land parcels totaling $691,000 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 2010, the Company recorded a gain on the sale of real estate owned of $207,000 and recognized write-downs in the value of real estate in the amount of $108,000 to address the decline in property values after the Company took ownership of the real estate. 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 $37,000 to $603,000 at December 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.

Stock in the FHLB of Indianapolis decreased $165,200 to $1.8 million at December 31, 2010, from $2.0 million at December 31, 2009. The decline represents a partial stock repurchase by the FHLB of Indianapolis. 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 $9.2 million at December 31, 2010, as compared to $8.8 million at December 31, 2009. The Company incurred an additional $536,000 of construction build out costs for its office building located in Schererville, Indiana, and $115,000 of construction build out costs for its office building located in Dyer, Indiana. While the Bank utilizes a portion of each building as a full service branch office, the remainder of the buildings are leased by non-affiliated entities.

The Company's investment in real estate development consists of two vacant lots valued at $148,000, which are currently listed for sale. During the year ended December 31, 2010, the Company recognized a loss of $20,000 due to a market value decline related to the vacant lots.

Bank owned life insurance increased $126,000 to $4.1 million at December 31, 2010, as compared to $4.0 million at December 31, 2009. The change represents the 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 $900,000 to $6.3 million at December 31, 2010, as compared to $5.4 million at December 31, 2009. The increase was primarily due to a $1.3 million increase in the Company's purchased accounts receivable program, which involves the purchase and subsequent management of accounts receivable of credit-worthy business customers, offset in part by a $237,000 decline in prepaid FDIC insurance premiums.

Deposits increased $4.6 million, or 3.2%, to $147.9 million at December 31, 2010, from $143.3 million at December 31, 2009. The increase in deposits was due to a $5.1 million increase in certificates of deposit and a $1.3 million increase in savings accounts offset by a $1.1 million decrease in demand deposits and NOW accounts (checking) and a $700,000 decrease in money market accounts. At December 31, 2010, the Bank's non-certificate accounts (passbook, checking and money market accounts) comprised $54.2 million, or 36.7% 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 $10.1 million at December 31, 2010 as compared to $7.3 million at December 31, 2009. Certificate and passbook deposits generally increased due to successful marketing efforts as well as the public's current preference towards FDIC insured products as compared to alternative investments, including equity markets, given the stock market turmoil's of recent years. Demand and money market deposits declined due to normal fluctuations, which occur on a routine basis.

Borrowed money, which consisted primarily of FHLB of Indianapolis advances, decreased by $10.6 million, or 46.1%, to $12.4 million at December 31, 2010, as compared to $23.0 million at December 31, 2009. The Company reduced borrowings with excess liquidity generated from the aforementioned increase in deposit balances as well as repayments from loans receivable. Borrowings from the FHLB of Indianapolis totaled $10.4 million at December 31, 2010, compared with $21.0 million at December 31, 2009. At December 31, 2010, the weighted average rate on the FHLB of Indianapolis borrowings was 4.67%, compared to 4.49% at December 31, 2009. The weighted term to maturity of the Company's FHLB of Indianapolis borrowings at December 31, 2010 was 1.5 years.

Total stockholders' equity of the Company increased by $190,000 to $15.1 million, or 8.31% of total assets, at December 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 $395,000, offset in part by preferred stock dividends paid to the United States Treasury under the Capital Purchase Program totaling $200,000, as well as an unrealized market value loss on available for sale securities during the year, net of tax, in the amount of $5,000. The number of common shares outstanding at December 31, 2010 was 981,638 and the book value per common share (excluding book value relating to preferred stock) outstanding was $11.54. The Bank's tangible, core and risk-based capital percentages of 9.12%, 9.12% and 14.64%, respectively, at December 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.

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. No tax equivalent adjustments were made. All average balances were calculated using average daily balances and include non-accruing loans.

ANALYSIS OF NET INTEREST INCOME TABLE

For the Year Ended December 31, (Dollars in thousands)

	2010			2009			2008		
	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Rate	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Rate	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Rate
Assets:									
Interest-Earning Assets									
Loans receivable (1)	135,933	7,903	5.81%	143,875	8,137	5.66%	149,034	9,177	6.16%
Mortgage-backed securities	5,658	189	3.34%	4,790	190	3.97%	1,853	85	4.59%
Investment securities	2	-	0.00%	372	20	5.42%	1,080	59	5.46%
Interest-bearing deposits	17,304	35	0.20%	11,290	5	0.04%	2,043	37	1.81%
FHLB stock	1,945	35	1.81%	1,965	47	2.37%	1,928	94	4.88%
Total interest-earning assets	160,842	8,162	5.07%	162,292	8,399	5.18%	155,938	9,452	6.06%
Non-interest earning assets	25,271			23,446			23,279		
Total assets	186,113			185,738			179,217		
Liabilities and Stockholders Equity:									
Interest-Bearing Liabilities									
Passbook accounts	18,639	51	0.28%	17,299	74	0.43%	17,199	174	1.01%
Demand and NOW accounts	37,864	225	0.60%	32,671	297	0.91%	26,927	425	1.58%
Certificate accounts	91,463	1,880	2.05%	87,071	2,590	2.97%	79,399	3,148	3.96%
Total deposits	147,966	2,156	1.46%	137,041	2,961	2.16%	123,525	3,747	3.03%
Borrowings	16,347	862	5.28%	25,844	1,249	4.83%	35,218	1,649	4.68%
Junior subordinated debentures	3,000	197	6.55%	3,000	197	6.55%	3,000	203	6.77%
Total interest-bearing liabilities	167,313	3,215	1.92%	165,885	4,407	2.66%	161,743	5,599	3.46%
Non-interest liabilities	3,825			4,244			4,279		
Total liabilities	171,138			170,129			166,022		
Stockholders equity	14,975			15,609			13,195		
Total liabilities and stockholders equity	186,113			185,738			179,217		
Net interest income / net interest rate spread		4,947	3.15%		3,992	2.52%		3,853	2.60%
Net interest-earning assets / net interest margin	(6,471)		3.08%	(3,593)		2.46%	(5,805)		2.47%
Ratio of interest-earning assets to interest bearing liabilities	.96x			.98x			.96x		

(1) Calculated net of loans in process, deferred yield adjustments and allowance for loan losses.

The table below presents the extent to which changes in interest rates and changes in the volume of interest-earning assets and interest bearing liabilities have affected the Company's interest income and interest expense during the period indicated. Information is provided in each category with respect to (i) changes attributable to changes in rate (changes in rate multiplied by prior volume), (ii) changes attributable to changes in volume (changes in volume multiplied by prior rate), (iii) changes attributable to the combined impact of volume and rate (changes in the rate multiplied by the changes in the volume), and (iv) the net change. The changes attributable to the combined impact of volume and rate have been allocated proportionately to the changes due to volume and the changes due to rate.

	For the Year Ended December 31,							
	2010 Compared to 2009 Increase (Decrease) Due to				2009 Compared to 2008 Increase (Decrease) Due to			
	Rate	Volume	Rate/ Volume	Net	Rate	Volume	Rate/ Volume	Net
	(Dollars in thousands)				(Dollars in thousands)			
Interest-earning assets:								
Loans receivable, net	$ 227	(448)	(13)	(234)	(748)	(318)	26	(1,040)
Mortgage-backed securities	(30)	34	(5)	(1)	(11)	134	(18)	105
Investment securities	-	(20)	-	(20)	(1)	(39)	1	(39)
Interest-bearing deposits	17	3	10	30	(36)	167	(163)	(32)
FHLB Stock	(12)	-	-	(12)	(48)	2	(1)	(47)
Totals	$ 202	(431)	(8)	(237)	(844)	(54)	(155)	(1,053)
Interest-bearing liabilities:								
Passbook accounts	$ (27)	6	(2)	(23)	(100)	1	(1)	(100)
Demand and Now accounts	(102)	47	(17)	(72)	(180)	90	(38)	(128)
Certificate accounts	(800)	131	(41)	(710)	(786)	304	(76)	(558)
Borrowed funds	115	(460)	(42)	(387)	53	(439)	(14)	(400)
Junior subordinated debt	-	-	-	-	(6)	-	-	(6)
Totals	$ (814)	(276)	(102)	(1,192)	(1,019)	(44)	(129)	(1,192)
Net change in net interest income				$ 955				$ 139

Comparison of the Results of Operations for the Years Ended December 31, 2010 and 2009

General – The Company recorded net income totaling $395,000 for the year ended December 31, 2010. After deducting preferred stock dividends of $200,000, the net income available for common shareholders was $195,000, or $0.20 per basic and diluted share. This compares to a net loss of $1.8 million (including preferred stock dividends of $159,000) for the year ended December 31, 2009, or ($1.81) per diluted share. The change in the current year net income is attributable to a $955,000 increase in net interest income, a $1.8 million decrease in the provision for loan losses and a $506,000 increase in non-interest income offset in part by a $1.3 million increase in provision for income taxes.

Interest income - Total interest income decreased by $237,000, or 2.8%, to $8.2 million for the year ended December 31, 2010, from $8.4 million for 2009. This decrease was the result of a decline in the average yield earned on interest-earning assets to 5.07% for the year ended December 31, 2010, as compared to 5.18% for the year ended December 31, 2009 and a $1.5 million decrease in the average balance of interest-earning assets to $160.8 million for the year ended December 31, 2010, as compared to $162.3 million for the year ended December 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 due to decreases in the average balance of loans receivable offset in part by an increase in the average balance of interest-bearing deposits.

Interest income on loans receivable decreased $233,000, to $7.9 million for the year ending December 31, 2010, as

compared to the prior year. The decrease in interest income on loans was the result of an $8.0 million decrease in the average balance of loans outstanding to $135.9 million for the year ended December 31, 2010, as compared to $143.9 million for the year ended December 31, 2009 offset in part by a 15 basis point increase in the average yield to 5.81% for the year ended December 31, 2010, from 5.66% for the year ended December 31, 2009. The decrease in the average balance of loans was due to higher principal repayments and loan sales compared to the volume of new originations and purchases held for the portfolio. The Company sold $1.2 million in long-term fixed rate mortgage loans originated at historically low interest rates in an effort to reduce interest rate risk. The increase in the average yield on loans receivable reflects the impact of higher yielding new originations and purchases, as well as a decrease in the Company's level of nonperforming loans.

Interest income on mortgage-backed securities decreased $1,000 to $189,000 for the year ended December 31, 2010, due to a 63 basis point decline in the average yield offset in part by an $868,000 increase in the average balance in the portfolio. The average yield declined due to new purchases made at relatively lower yields. The average balance increased due to purchases of $1.5 million during the current year. Interest income on investment securities decreased $20,000 as compared to the prior year's period as the remaining U.S. government agency security was called during 2009 and a new purchase was not made until the end of 2010. Interest income on interest bearing deposits increased by $30,000 to $35,000 for the year ended December 31, 2010, from $5,000 for the year ended December 31, 2009. Interest income on interest bearing accounts continues to be impacted from historically short-term interest rates as the yield on interest bearing deposits increased to .20% for the year ended December 31, 2010 from .04% for the year ended December 31, 2009. The average balance of interest bearing deposits for the year ended December 31, 2010 was $17.3 million compared to an average balance of $11.3 million for the same period in 2009. The increase in the average balance was due in part to various factors including the decrease in net loans receivable and proceeds from the sale of real estate owned. Dividend income on FHLB of Indianapolis stock decreased by $11,000 to $35,000 for the year ended December 31, 2010, as compared to the prior year. The decrease in dividend income was primarily the result of a decrease in the average yield to 1.81% for the year ended December 31, 2010, from 2.37% for the year ended December 31, 2009.

Interest Expense – Total interest expense decreased by $1.2 million, or 27.0%, to $3.2 million for the year ended December 31, 2010, as compared to the prior year. The cost of interest-bearing liabilities decreased 74 basis points to 1.92% for the year ended December 31, 2010, as compared to 2.66% for the prior year, due to a continual decline in short-term interest rates, which enabled management to lower the rate on maturing certificates of deposit and still remain competitive. Partially offsetting this decrease was a $1.4 million increase in the average balance of interest-bearing liabilities to $167.3 million for the year ended December 31, 2010, as compared to $165.9 million for the prior year. The average balance of deposits outstanding increased by $10.9 million, while the average balance of borrowings outstanding declined by $9.5 million.

Interest expense on deposits decreased by $805,000, or 27.2%, to $2.2 million for the year ended December 31, 2010, as compared with the prior year, as a result of a 70 basis point decrease in the average cost of deposits to 1.46% for the year ended December 31, 2010 from 2.16% for 2009, offset in part by the aforementioned $10.9 million increase in the average balance of deposits outstanding. The decrease in the average cost of deposits was primarily impacted by a 92 basis point decrease on certificates of deposits to an average rate of 2.05% during 2010, as compared to an average rate of 2.97% for 2009. As was the case during 2009, the majority of certificates of deposits that were scheduled to reprice during 2010 did so at relatively lower short-term rates.

Interest expense on borrowings decreased by $387,000, or 26.7%, to $1.1 million for the year ended December 31, 2010, as compared with the prior year as a result of the aforementioned $9.5 million decrease in the average balance of borrowings to $19.3 million for the year ended December 31, 2010, from $28.8 million for the year ended December 31, 2009. Partially offsetting this decline was a 46 basis point increase in the average cost of borrowed funds, to 5.47% for the year ended December 31, 2010 compared to 5.01% for the year ended December 31, 2009. Interest expense on FHLB of Indianapolis advances decreased by $386,000 to $703,000 for the year ended December 31, 2010, as compared with the prior year's period as a result of a $9.5 million decrease in the average balance outstanding to $14.3 million for the year ended December 31, 2010, from $23.8 million for the year ended December 31, 2009, offset by a 33 basis point increase in the average cost of these advances to 4.90% compared to 4.57% for the prior year as a result of debt reduction on lower rate advances. Interest expense on other borrowings decreased by $1,000, totaling $356,000 for the year ended December 31, 2010, as compared to the prior year.

Net Interest Income - As a result of the above changes in interest income and interest expense, net interest income increased $955,000, or 23.9%, to $4.9 million for the year ended December 31, 2010, as compared to the prior year. The net interest rate spread increased to 3.15% during the current year, as compared to 2.52% for the year ended December 31, 2009. The net interest margin increased to 3.08% in the current year, as compared to 2.46% a year ago. The increase in the net interest rate spread and net interest margin was due to the decreased cost of funds on deposit liabilities, including particularly our short-term CDs, resulting from historically low short-term interest rates.

Provision for Loan Losses – The Company recorded a provision for loan losses of $631,000 during the year ended December 31, 2010, as compared to $2.4 million during the prior year. The $1.8 million reduction was due to the aforementioned decline in non-performing loan activity during 2010 as compared to the prior year as well as a decline in our outstanding loans receivable. During the year ended December 31, 2010, the Bank incurred charge-offs totaling $1.1 million consisting of $400,000 for one multi-family construction loan, $361,000 for one non-residential loan, $292,000 for twelve single family residential loans, $40,000 for five credit card receivables, and $1,000 for one commercial loan, offset by recoveries totaling $18,000. The provision during the current year was determined by management's internal analysis of the allowance for loan losses. 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 $506,000 to $1.3 million for the year ended December 31, 2010 compared to $797,000 for the year ended December 31, 2009. The Company recognized net gains of $99,000 on the sale and write-down of real estate owned during the year ended December 31, 2010, compared to a $414,000 loss in the prior year period. Other fee income increased by $51,000 primarily due to increased accounts receivable financings while rental income increased by $123,000 as all available branch office space in both the Schererville and Dyer offices was leased during 2010. Losses on real estate held for development declined by $13,000 to $20,000 for the current period. These increases were offset by reduced gains on the sale of loans of $97,000 due to lower origination volumes, a $63,000 reduction in deposit fee income primarily due to lower overdraft fee income and a $16,000 decline in loan fee income due to a reduction in loan refinance activity.

Non-Interest Expense – Non-interest expense decreased by $87,000, to $5.0 million for the year ended December 31, 2010 compared to $5.1 million for the year ended December 31, 2009 due to a $125,000 reduction in occupancy expenses impacted by both real estate tax appeal reductions and lower than projected real estate taxes for the Company's Schererville office, a $116,000 reduction in professional fees primarily due to a decline in legal fees and a $55,000 reduction in federal deposit insurance premiums, due in part, to the $84,000 special insurance assessment incurred during the 2009 period. These declines were offset in part by a $118,000 increase in staffing costs due to increases in compensation and benefits and a $90,000 increase in data processing expenses primarily due to expiration of contract renewal credits received in the prior year as well as with general increases in data processing service costs.

Income Taxes - The Company recorded an income tax expense of $176,000 for the year ended December 31, 2010, as compared to an income tax benefit of $1.1 million for the year ended December 31, 2009. The income tax benefit for 2009 was primarily due to the increased loan loss provision as well as losses incurred on real estate owned activity.

Comparison of the Results of Operations for the Years Ended December 31, 2009 and 2008

General – The Company recorded a net loss totaling $1.6 million for the year ended December 31, 2009. Including preferred stock dividends of $159,000, the net loss available for common shareholders was $1.8 million, or ($1.81) per basic and diluted share. This compares to a net loss of $280,000 for the year ended December 31, 2008, or ($0.29) per diluted share, during which there were no preferred stock dividends paid. The 2009 period loss of $1.6 million was attributable to a $1.9 million increase in the provision for loan losses and a $493,000 increase in non-interest expenses offset in part by an increased tax benefit of $881,000. Provision for loan losses amounted to $2.4 million during 2009 compared to $535,000 during 2008, due in part to a higher level and weak real estate market for non-performing loans and net charge-offs.

Interest income - Total interest income decreased by $1.1 million, or 11.1%, to $8.4 million for the year ended December 31, 2009, from $9.5 million for 2008. This decrease was the result of a decline in the average yield earned on interest-earning assets to 5.18% for the year ended December 31, 2009, as compared to 6.06% for the year ended December 31, 2008, offset in part by a $6.4 million increase in the average balance of interest-earning assets to $162.3 million for the year ended December 31, 2009, as compared to $155.9 million for the year ended December 31, 2008. The decrease in the average yield of interest-earning assets reflected the impact of lower short and long-term interest rates, as compared to the 2008 period. The increase in the average balance of interest-earning assets was due to increases in the average balance of interest-bearing deposits and mortgage backed securities offset in part by a decrease in loans receivable.

Interest income on loans receivable decreased $1.0 million, to $8.1 million for the year ending December 31, 2009, as compared to the 2008 period. The decrease in interest income on loans was the result of a 50 basis point decline in the average yield to 5.66% for the year ended December 31, 2009, from 6.16% for the year ended December 31, 2008, as well as a $5.1 million decrease in the average balance of loans outstanding to $143.9 million for the year ended December 31, 2009, as compared to $149.0 million for the year ended December 31, 2008. The decrease in the average yield on loans receivable reflected the impact of lower yielding new originations and purchases, as well

as an increase in the Company's level of nonperforming loans. The decrease in the average balance was due to lower volumes of 2009 period originations and purchases held for the portfolio offset by higher principal repayments and loan sales. The Company sold $7.3 million in long-term fixed rate mortgage loans originated at historically low interest rates in an effort to reduce interest rate risk.

Interest income on mortgage-backed securities increased $105,000 to $190,000 for the year ended December 31, 2009, due to a $2.9 million increase in the average balance in the portfolio. The average balance increased due to purchases of $3.5 million during the 2009 period. Interest income on investment securities decreased $39,000, to $20,000 for the year ended December 31, 2009, as compared to the 2008 period. The decrease in interest income on investment securities was the result of a $708,000 decrease in the average balance of investment securities resulting from maturities and early call redemptions within the portfolio. Interest income on interest bearing deposits decreased by $32,000 to $5,000 for the year ended December 31, 2009, from $37,000 for the year ended December 31, 2008. The decrease in interest income was the result of a historical decline in overnight rates resulting in an average yield of 0.04% for the year ended December 31, 2009, from 1.81% for the year ended December 31, 2008. The average balance for interest bearing deposits for the year ended December 31, 2009 was $11.3 million compared to an average balance of $2.0 million for the same period in 2008. The increase in the average balance was due in part to various factors including the decrease in net loans receivable, the increase in deposits, as well as the proceeds received from the preferred stock issuance in the 2009 period. Dividend income on FHLB of Indianapolis stock decreased by one-half to $47,000 for the year ended December 31, 2009, as compared to the prior year. The decrease in dividend income was the result of a decrease in the average yield to 2.37% for the year ended December 31, 2009, from 4.88% for the year ended December 31, 2008.

Interest Expense – Total interest expense decreased by $1.2 million, or 21.3%, to $4.4 million for the year ended December 31, 2009, as compared to the 2008 period. The cost of interest-bearing liabilities decreased 80 basis points to 2.66% for the year ended December 31, 2009, as compared to 3.46% for the 2008 period, due to a continual decline in short-term interest rates, which enabled management to lower the rate on maturing certificates of deposit. Partially offsetting this decrease was a $4.1 million increase in the average balance of interest-bearing liabilities to $165.8 million for the year ended December 31, 2009, as compared to $161.7 million for the 2008 period. The average balance of deposits outstanding increased by $13.5 million, while the average balance of borrowings outstanding declined by $9.4 million.

Interest expense on deposits decreased by $786,000, or 21.0%, to $3.0 million for the year ended December 31, 2009, as compared with the 2008 period, as a result of an 87 basis point decrease in the average cost of deposits to 2.16% for the year ended December 31, 2009 from 3.03% for 2008, offset in part by a $13.5 million increase in the average balance of deposits outstanding. The decrease in the average cost of deposits was primarily impacted by a 99 basis point decrease on certificates of deposits to an average rate of 2.97% during 2009, as compared to an average rate of 3.96% for 2008.

Interest expense on borrowings decreased by $405,000, or 21.9%, to $1.4 million for the year ended December 31, 2009, as compared with the 2008 period as a result of a $9.4 million decrease in the average balance of borrowings to $28.8 million for the year ended December 31, 2009, from $38.2 million for the year ended December 31, 2008. Partially offsetting this decline was a 17 basis point increase in the average cost of borrowed funds, to 5.01% for the year ended December 31, 2009 compared to 4.84% for the year ended December 31, 2008. Interest expense on FHLB of Indianapolis advances decreased by $372,000 to $1.1 million for the year ended December 31, 2009, as compared with the 2008 period as a result of an $8.8 million decrease in the average balance outstanding to $23.8 million for the year ended December 31, 2009, from $32.6 million for the year ended December 31, 2008, offset in part by a 9 basis point increase in the average cost of these advances to 4.57% compared to 4.48% for the 2008 period. Interest expense on other borrowings decreased by $33,000, totaling $357,000 for the year ended December 31, 2009, as compared to the 2008 period.

Net Interest Income - As a result of the above changes in interest income and interest expense, net interest income increased $139,000, or 3.6%, to $4.0 million for the year ended December 31, 2009, as compared to the 2008 period. The net interest rate spread decreased to 2.52% during the 2009 period, as compared to 2.60% for the year ended December 31, 2008. The net interest margin decreased to 2.46% in the 2009 period, as compared to 2.47% a year ago. The decrease in the net interest rate spread and net interest margin was due to the decreased asset yields resulting from historically low short-term rates on overnight funds as well as increased non-performing loans.

Provision for Loan Losses – The Company recorded a provision for loan losses of $2.4 million during the year ended December 31, 2009, as compared to $535,000 during the 2008 period due to the increase in both non-performing loans discussed above and loan charge-offs, which were severely impacted by distressed economic conditions in both the local and national economy. During the year ended December 31, 2009, the Bank incurred charge-offs totaling $1.1 million relating to $509,000 in eight single family residential loans, $339,000 in one commercial loan, $147,000 in two multi family loans, $59,000 in one single family construction loan, $38,000 in one

land loan, and $20,000 in six credit card receivables, offset by recoveries totaling $160,000 primarily related to a $90,000 recovery on a secured consumer loan partially charged-off in September 2007.

Non-Interest Income – Non-interest income increased by $23,000 to $797,000 for the year ended December 31, 2009 compared to $774,000 for the year ended December 31, 2008. The increase in non-interest income is attributable to gains recorded on the sale of loans into the secondary market in the amount of $112,000 during the year ended December 31, 2009 which did not occur in the 2008 period as well as decreased losses from the sale and write-down of both real estate owned and real estate held for development in the amount of $95,000. Offsetting these increases was a decline in fee income of $157,000, primarily related to the Company's accounts receivable program, which declined in average volume during the year, a reduction of $17,000 in rental income due to vacant office space and a decline in net gains of $12,000 from the sale of securities and other assets that occurred during the year ended December 31, 2008.

Non-Interest Expense – Non-interest expense increased by $493,000, or 10.6%, to $5.1 million for the year ended December 31, 2009 compared to $4.6 million for the year ended December 31, 2008 due to a $208,000 increase in federal deposit insurance premiums resulting from both an increase in regular premium rates as well as the $84,000 special assessment incurred during the second quarter of 2009, a $146,000 increase in occupancy and equipment expenses relating to the October 2008 opening of the Schererville branch office, a $70,000 increase in other operating expenses primarily due to increases in real estate owned expenses, a $42,000 increase in data processing expenses due in part to the additional branch office, and a $33,000 increase in professional and legal fees primarily related to the handling of non-performing loans.

On January 1, 2009, the FDIC substantially raised insurance premiums on insured depository institutions. Additionally, on May 22, 2009, the FDIC issued a final rule imposing a 5 basis point special assessment on each insured institution's assets minus Tier 1 capital as of June 30, 2009. Based upon this FDIC rule, the Company accrued $84,000 for this special assessment as of June 30, 2009 and paid the assessment to the FDIC on September 30, 2009. During 2009, the FDIC Board initiated the Deposit Insurance Fund restoration plan that required banks to prepay, on Dec. 30, 2009, their estimated quarterly risk-based assessments for the fourth quarter of 2009 and for all of 2010, 2011 and 2012. Under the plan, banks would be assessed through 2010 according to the risk-based premium schedule adopted earlier this year.

Income Taxes - The Company recorded an income tax benefit of $1.2 million for the year ended December 31, 2009, as compared to a benefit of $270,000 for the year ended December 31, 2008. These tax benefits were generated by the net loss recorded during both years.

Qualitative and Quantitative Disclosure of Market Risk

The principal objectives of the Company's interest rate risk management activities are to: (i) define an acceptable level of risk based on the Company's business focus, economic and regulatory operating environment, capital and liquidity requirements, and performance objectives; (ii) quantify and monitor the amount of interest rate risk inherent in its asset/liability structure; and (iii) modify the Company's asset/liability structure, as necessary, to manage interest rate risk and net interest margins in changing rate environments. Management seeks to achieve these objectives through an analysis of the value of the Company's net portfolio value ("NPV") under different interest rate scenarios and the ratio of interest rate sensitive assets to interest rate sensitive liabilities within specified maturities or repricing periods. The Company does not currently engage in the use of off-balance sheet derivative instruments to control interest rate risk and management does not intend to engage in such activity in the immediate future.

Notwithstanding the Company's interest rate risk management activities, the potential for changing interest rates is an uncertainty that could have an adverse effect on the earnings and net asset value of the Company. When interest-bearing liabilities mature or reprice more quickly than interest-earning assets in a given period, a significant increase in market interest rates could adversely affect net interest income. Similarly, through the prepayment of higher rate long-term loans as well as the rapid repricing of our liquid assets, falling interest rates could result in a decrease in net interest income and net asset value. Also, changes in interest rates usually have an impact on the value of the Company's financial assets. Finally, a flattening or inversion of the "yield curve" (i.e., a narrowing of the spread between long- and short-term interest rates), could adversely impact net interest income to the extent that the Company's assets have a longer average term than its liabilities.

In managing the Company's asset/liability position, the Board and management attempt to manage the Company's interest rate risk while enhancing net interest margins. However, the Board of Directors generally believes that the increased net interest income resulting from a mismatch in the maturity of the Company's asset and liability portfolios can, during periods of declining or stable interest rates and periods in which there is a substantial positive difference between long- and short-term interest rates (i.e., a "positively sloped yield curve"), provide high enough returns to justify the increased exposure to sudden and unexpected increases in interest rates. As a result, the Company's

results of operations and net portfolio values remain significantly vulnerable to increases in interest rates and to fluctuations in the difference between long- and short-term interest rates. In particular, our net interest margin has been adversely affected by the recent flat and inverted yield curve interest rate environment.

Presented below, as of December 31, 2010 and 2009, is an analysis of the Bank's interest rate risk as measured by changes in NPV for instantaneous and sustained parallel shifts in the yield curve in basis point increments, up to 300 basis points and down to 100 basis points in 2010 and 2009, respectively. As illustrated in the table, the Bank's NPV is more sensitive to rising rates than declining rates. Such difference in sensitivity occurs in part because, as rates rise, borrowers do not prepay fixed rate loans as quickly as they do when interest rates are declining. Also, the interest the Bank would pay on its deposits in the event of a rate increase would increase more rapidly than the yield on its assets because the Bank's deposits generally have shorter periods to repricing.

NET PORTFOLIO BALANCES
Year Ended December 31,

Assumed Change in Interest Rates	2010			2009		
(Basis Points)	$ Amount	$ Change	% Change	$ Amount	$ Change	% Change
	(dollars in thousands)					
+300	21,238	(4,432)	(17)	18,914	(5,297)	(22)
+200	23,185	(2,485)	(10)	21,006	(3,205)	(13)
+100	24,805	(865)	(3)	22,849	(1,362)	(6)
+ 50	25,369	(301)	(1)	23,618	(593)	(2)
0	25,670	-	-	24,211	-	-
- 50	25,686	16	0	24,625	414	2
-100	26,018	348	1	24,822	611	3

Certain assumptions utilized by the OTS in assessing the interest rate risk of thrift institutions were employed in preparing the preceding table. These assumptions relate to interest rates, loan prepayment rates, deposit decay rates, and the market values of certain assets under the various interest rate scenarios. It was also assumed that delinquency rates would not change in connection with changes in interest rates although there can be no assurance that this will be the case. Even if interest rates change in the designated amounts, there can be no assurance that the Bank's assets and liabilities would perform as set forth above. In addition, an increase or decrease in U.S. Treasury rates in the designated amounts, accompanied by a change in the shape of the Treasury yield curve, would significantly change the results set forth.

Other types of market risk, such as foreign currency exchange risk and commodity price risk, do not arise in the normal course of the Company's business activities.

Liquidity and Capital Resources

The Company's primary sources of funds are deposits, borrowings, principal and interest payments on loans and securities and, to a lesser extent, proceeds from the sale of loans and securities. While maturities and scheduled amortization of loans and securities provide a relatively predictable flow of funds, other sources of funds such as loan prepayments and deposit inflows are less predictable due to the effects of changes in interest rates, economic conditions and competition.

The primary investing activities of the Company are the origination of loans for investment and sale, the purchase of real estate loans and the purchase of mortgage-backed securities. During the years ended December 31, 2010 and 2009, the Company's loans originated for investment totaled $38.3 million and $38.1 million, respectively while loans originated for sale totaled $1.2 million and $7.3 million, respectively. Purchased loans totaled $900,000 and $2.3 million, for the years ended December 31, 2010 and 2009, respectively. Purchases of mortgage-backed securities available for sale totaled $1.5 million and $3.5 million for the years ended December 31, 2010 and 2009, respectively.

These activities were funded primarily by principal repayments on loans, proceeds from loan sales and mortgage-backed security repayments. During the years ended December 31, 2010 and 2009, principal repayments on loans totaled $41.3 million and $46.6 million, respectively while proceeds from the sale of loans totaled $1.2 million and $7.4 million, respectively. Principal repayments on mortgage-backed securities available for sale totaled $2.1 million and $1.3 million, for the years ended December 31, 2010 and 2009, respectively.

The Company experienced a net increase in deposits (including the effect of interest credited) of $4.6 million, during the year ended December 31, 2010, as compared to a net increase in deposits of $14.1 million during 2009. Borrowings generally consist of advances from the FHLB of Indianapolis. There were no new borrowings during 2010 compared to $2.0 million in 2009. Borrowings of $10.6 million and $9.9 million were repaid in 2010 and 2009, respectively.

The Company may borrow funds from the FHLB of Indianapolis subject to certain limitations. At December 31, 2010, based on the level of qualifying collateral available to secure advances, the Company had an unused borrowing capacity of $46.3 million.

The Company's most liquid assets are cash and cash equivalents, which include highly liquid short-term investments, such as overnight deposits, that are readily convertible to known amounts of cash. The level of these assets is dependent on the Company's operating, financing and investing activities during any given period. At December 31, 2010 and 2009, cash and cash equivalents totaled $17.5 million and $18.4 million, respectively, as management continues to maintain liquidity rather than deploy those funds into other investments in the current low interest rate environment.

At December 31, 2010, the Company had outstanding loan origination commitments of $1.1 million. Undisbursed loans in process totaled $1.6 million at year-end. The Company has approved, but unused, home equity lines of credit of approximately $5.5 million at December 31, 2010. In addition, the Company has approved, but unused, equity lines of credit on various construction and commercial projects of approximately $3.2 at December 31, 2010, as well as approved, but unused, credit card lines of credit of approximately $1.5 million. The Company anticipates that it will have sufficient funds available to meet its current loan originations and other commitments. Certificates of deposit scheduled to mature in one year or less from December 31, 2010 totaled $53.2 million. Based on the Company's most recent experience and pricing strategy, management believes that a significant portion of such deposits will remain with the Company.

The OTS capital regulations require savings institutions to meet two minimum capital standards: a 4% leverage (core capital) ratio and an 8% risk-based capital ratio. The Bank satisfied these minimum capital standards at December 31, 2010, with a leverage capital ratio of 9.12% and a total risk-based capital ratio of 14.64%. In determining the amount of risk-weighted assets for purposes of the risk-based capital requirement, a savings institution must compute its risk-based assets by multiplying its assets and certain off-balance sheet items by risk-weights, which range from 0% for cash and obligations issued by the United States Government or its agencies, to 100% for consumer and commercial loans, as assigned by the OTS capital regulations. These capital requirements, which are applicable to the Bank only, do not consider additional capital held at the Company level, and require certain adjustments to stockholder's equity to arrive at the various regulatory capital amounts.

The Bank may not declare or pay cash dividends on, or repurchase any of its shares of common stock if the effect thereof would cause equity to be reduced below applicable regulatory capital requirements, or the amount required to be maintained for the liquidation account established in connection with the Conversion. The Bank did not pay dividends to the Company for the years ended December 31, 2010 and 2009 respectively.

AMB Financial Corp (“AMB”) is the Holding Company of the Bank. The primary source of cash inflows for AMB is through dividend income derived from the Bank and to a lesser extent, income tax reimbursement payments from the Bank, the sale of real estate held for development and real estate owned. The primary cash outflows are related to borrowed funds, junior subordinated debentures, dividend payments on preferred stock, and operating expenses such as legal and administrative expenses. During 2010, AMB recorded cash inflows of $361,000 and cash outflows of $736,000 resulting in a decline of $375,000 to cash and cash equivalents. These amounts totaled $1.7 million at December 31, 2010, as compared to $2.1 million at December 31, 2009.

Unlike the Bank, the Company is not subject to OTS regulatory restrictions on the payment of dividends to its shareholders; however, it is subject to the requirements of Delaware law. Delaware law generally limits dividends to an amount equal to the excess of the net assets of the Company (the amount by which total assets exceed total liabilities) over its statutory capital, or if there is no such excess, to its profits for the current and/or immediately preceding fiscal year.

As a result of the Company's participation in the Trouble Asset Relief Program's Capital Purchase Program, substantial restrictions have been imposed on the Company's ability to pay dividends to its stockholders. The CPP imposes 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. As a result, the Company's ability to pay dividends, and/or make stock repurchases will be subject to significant restrictions for as long as the CPP preferred shares remain outstanding. The CPP subjects the Company to executive compensation limitations included in the Emergency Economic Stabilization Act of 2008.

Impact of Inflation and Changing Prices

The consolidated financial statements and related data presented herein have been prepared in accordance with GAAP, which require the measurement of financial position and operating results in terms of historical dollars without considering the changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased cost of the Company's operations. Unlike industrial companies, nearly all of the assets and liabilities of the Company are monetary in nature. As a result, interest rates have a greater impact on the Company's performance than do the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the price of goods and services.

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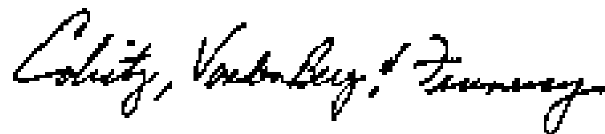
INDEPENDENT AUDITORS' REPORT

The Board of Directors
AMB Financial Corp.

We have audited the consolidated statements of financial condition of AMB Financial Corp. and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the three years in the period ending December 31, 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AMB Financial Corp. and subsidiaries at December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ending December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.



February 4, 2011
Palos Hills, Illinois

AMB FINANCIAL CORP.
AND SUBSIDIARIES

Consolidated Statements of Financial Condition

	December 31, 2010	December 31, 2009
Assets		
Cash and amounts due from depository institutions	$ 1,598,273	3,791,899
Interest-bearing deposits	15,897,383	14,617,942
Total cash and cash equivalents	17,495,656	18,409,841
Investment securities, available for sale, at fair value (note 2)	299,608	-
Mortgage-backed securities, available for sale, at fair value (note 3)	5,182,412	5,859,377
Loans receivable (net of allowance for loan losses: 2010 - $1,884,599; 2009 - $2,329,696) (note 4)	133,411,381	138,044,484
Real estate owned	2,095,696	3,646,612
Investment in limited partnership (note 6)	603,157	640,357
Stock in Federal Home Loan Bank of Indianapolis, at cost	1,799,900	1,965,100
Accrued interest receivable (note 7)	606,519	600,361
Office properties and equipment - net (note 8)	9,164,295	8,755,864
Real estate held for development (note 9)	148,000	168,000
Bank owned life insurance	4,132,094	4,005,592
Prepaid expenses and other assets (note 10)	6,347,525	5,444,522
Total assets	181,286,243	187,540,110
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits (note 11)	147,899,795	143,345,935
Borrowed money (note 12)	12,381,208	22,987,142
Junior subordinated debentures (note 13)	3,000,000	3,000,000
Advance payments by borrowers for taxes and insurance	534,869	613,031
Other liabilities (note 14)	2,402,366	2,715,819
Total liabilities	166,218,238	172,661,927
Stockholders' Equity:		
Preferred stock, $1,000 liquidation value, 100,000 shares authorized; Issued: 3,674 shares at December 31, 2010 and 2009	3,744,541	3,707,737
Common stock, $.01 par value: authorized 1,900,000 shares; 1,683,641 shares issued and 981,638 shares outstanding at December 31, 2010 and 2009	16,837	16,837
Additional paid-in capital	11,533,912	11,533,912
Retained earnings, substantially restricted	7,453,498	7,295,323
Accumulated other comprehensive income, net of tax	80,060	85,217
Treasury stock, at cost (702,003 shares at December 31, 2010 and 2009)	(7,760,843)	(7,760,843)
Total stockholders' equity (notes 18 and 19)	15,068,005	14,878,183
Commitments and contingencies (notes 20 and 21)		
Total liabilities and stockholders' equity	$ 181,286,243	187,540,110

See accompanying notes to consolidated financial statements.

AMB FINANCIAL CORP.
AND SUBSIDIARIES

Consolidated Statements of Income

	Years Ended December 31,		
	2010	2009	2008
Interest income:			
Interest on loans	$ 7,903,526	8,136,768	9,176,724
Interest on mortgage-backed securities	188,799	190,233	84,930
Interest on investment securities	6	20,167	58,888
Interest on interest-bearing deposits	34,685	4,999	37,107
Dividends on Federal Home Loan Bank stock	35,266	46,637	93,981
Total interest income	8,162,282	8,398,804	9,451,630
Interest expense:			
Interest on deposits (note 11)	2,156,273	2,961,115	3,747,177
Interest on borrowings (notes 12 and 13)	1,059,173	1,445,964	1,851,292
Total interest expense	3,215,446	4,407,079	5,598,469
Net interest income	4,946,836	3,991,725	3,853,161
Provision for loan losses (note 4)	631,000	2,425,000	535,000
Net interest income after provision for loan losses	4,315,836	1,566,725	3,318,161
Non-interest income:			
Loan fees and service charges	163,268	179,201	139,431
Deposit related fees	419,509	482,080	510,688
Other fee income	302,144	250,772	418,403
Rental income	214,122	91,382	107,701
Gain on sale of available for sale securities (note 2)	-	-	14,937
Loss on trading securities - net	-	-	(26,499)
Gain on sale of loans (note 5)	14,729	111,592	-
Gain (loss) on write-down and sale of real estate owned - net	98,556	(413,740)	(130,533)
Loss from limited partnership (note 6)	(37,200)	(35,672)	(36,100)
Loss from write-down and sales of real estate held for development (note 9)	(20,000)	(33,159)	(410,798)
Gain on sale of other assets	-	-	23,841
Increase in cash surrender value of life insurance	126,502	134,710	130,588
Other income	21,943	29,915	32,440
Total non-interest income	1,303,573	797,081	774,099
Non-interest expense:			
Staffing costs (notes 15 and 16)	2,265,565	2,147,378	2,114,150
Advertising	142,572	161,960	201,828
Occupancy and equipment expenses (note 8)	570,098	694,765	548,607
Data processing	576,780	486,758	444,989
Professional fees	292,777	408,990	375,719
Federal deposit insurance premiums	256,559	227,287	103,761
FDIC special assessment (note 23)	-	84,030	-
Insurance expense	312,561	258,405	202,078
Other	630,992	665,363	651,039
Total non-interest expense	5,047,904	5,134,936	4,642,171
Income (loss) before income tax expense (benefit)	571,505	(2,771,130)	(549,911)
Income tax expense (benefit) (note 17)	176,266	(1,151,004)	(269,546)
Net income (loss)	395,239	(1,620,126)	280,365
Preferred stock dividends	200,260	158,539	-
Net income (loss) available to common shareholders	$ 194,979	(1,778,665)	(280,365)
Earnings (loss) per common share -			
Basic	$ .20	(1.81)	(.29)
Diluted	$ .20	(1.81)	(.29)

See accompanying notes to consolidated financial statements.

AMB FINANCIAL CORP.
AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

Three Years Ended December 31, 2010

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at December 31, 2007	$ -	16,862	11,530,669	9,653,588	12,228	(7,760,843)	13,452,504
Comprehensive loss:							
Net loss				(280,365)			(280,365)
Other comprehensive income, net of tax:							
Unrealized holding gain during the year					51,001		51,001
Reclassification adjustment of gains included in net loss					(8,962)		(8,962)
Total comprehensive loss							(238,326)
Employee benefit stock retired (2,528 shares)		(25)	25				-
Stock option compensation			1,755				1,755
Dividends declared on common stock ($.27 per share)				(265,498)			(265,498)
Balance at December 31, 2008	-	16,837	11,532,449	9,107,725	54,267	(7,760,843)	12,950,435
Comprehensive loss:							
Net loss				(1,620,126)			(1,620,126)
Other comprehensive income, net of tax:							
Unrealized holding gain during the year					30,950		30,950
Total comprehensive loss							(1,589,176)
Issuance of preferred stock	3,465,530						3,465,530
Issuance of preferred stock warrants	208,470						208,470
Other	33,737			(33,737)			-
Stock option compensation			1,463				1,463
Preferred stock dividends				(158,539)			(158,539)
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				395,239			395,239
Other comprehensive loss, net of tax:							
Unrealized holding loss during the year					(5,157)		(5,157)
Total comprehensive income							390,082
Other	36,804			(36,804)			-
Preferred stock dividends				(200,260)			(200,260)
Balance at December 31, 2010	$ 3,744,541	16,837	11,533,912	7,453,498	80,060	(7,760,843)	15,068,005

See accompanying notes to consolidated financial statements.

AMB FINANCIAL CORP.
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Years Ended December 31,		
	2010	2009	2008
Cash flows from operating activities:			
Net income (loss)	$ 395,239	(1,620,126)	(280,365)
Adjustments to reconcile net income (loss) to net cash from operating activities:			
Depreciation	361,440	348,016	224,652
Stock option compensation	-	1,463	1,755
Amortization of premiums and accretion of discounts	47,140	16,859	2,403
Gain on sale of available for sale securities	-	-	(14,937)
Proceeds from sale of loans held for sale	1,222,335	7,384,958	-
Origination of loans held for sale	(1,215,000)	(7,321,500)	-
Gain on sale of loans	(14,729)	(111,592)	-
Gain on sale of other assets	-	-	(23,841)
Net (gain) loss on sale and write-down of real estate owned	(98,556)	413,740	130,533
Provision for loan losses	631,000	2,425,000	535,000
Loss from limited partnership	37,200	35,672	36,100
Increase in cash surrender value of life insurance	(126,502)	(134,710)	(130,588)
Loss from write-down and sales of real estate held for development	20,000	33,159	410,798
Gain on sale of trading securities	-	-	(9,236)
Unrealized loss on trading securities	-	-	35,735
Proceeds from sale of trading securities	-	-	280,067
Increase (decrease) in net deferred yield adjustments on loans	42,310	127,486	(25,379)
Decrease (increase) in prepaid and deferred income taxes	228,115	(1,151,004)	(269,546)
(Increase) decrease in accrued interest receivable	(6,158)	119,331	21,580
Decrease in accrued interest payable	(24,596)	(15,656)	(18,988)
(Increase) decrease in purchased accounts receivable, net	(1,316,605)	(482,390)	2,148,054
Increase in deferred compensation	23,627	21,603	19,303
Other, net	(296,644)	(1,475,715)	434,707
Net cash provided (for) by operating activities	(90,384)	(1,385,406)	3,507,807
Cash flows from investing activities:			
Proceeds from sales of available for sale securities	-	-	214,376
Proceeds from maturities of investment securities	-	500,000	1,000,000
Purchase of investment securities	(300,000)	-	(4,917)
Purchase of mortgage-backed securities	(1,497,493)	(3,522,134)	(3,164,906)
Proceeds from repayments of mortgage-backed securities	2,119,116	1,319,227	492,923
Purchase of loans	(908,912)	(2,304,247)	(2,527,393)
Loan disbursements	(38,276,911)	(38,149,017)	(41,153,666)
Loan repayments	41,326,981	46,583,557	39,097,221
Loan participation sold	974,000	-	-
Real estate owned expenditures	(432,875)	-	-
Proceeds from sale of real estate owned	3,107,460	1,368,598	562,731
Proceeds from redemption of Federal Home Loan Bank stock	165,200	-	-
Purchase of Federal Home Loan Bank stock	-	-	(214,200)
Proceeds from sale of real estate held for development	-	1,047,671	383,089
Purchase of real estate held for development	-	(51,084)	(37,680)
Proceeds from sale of other assets	-	-	54,267
Property and equipment expenditures, net	(769,871)	(487,512)	(2,660,222)
Net cash provided by (for) investing activities	$ 5,506,695	6,305,059	(7,958,377)

(Continued)

AMB FINANCIAL CORP.
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Years Ended December 31,		
	2010	2009	2008
Cash flows from financing activities:			
Net increase in deposits	$ 4,553,860	14,133,315	10,331,073
Proceeds from borrowed money	-	2,000,000	32,300,000
Repayment of borrowed money	(10,605,934)	(9,895,994)	(37,329,883)
Repayment of notes payable	-	(72,186)	(134,344)
(Decrease) increase in advance payments by borrowers for taxes and insurance	(78,162)	9,530	414,276
Proceeds from issuance of preferred stock	-	3,674,000	-
Dividends paid on preferred stock	(200,260)	(158,539)	-
Dividends paid on common stock	-	-	(265,498)
Net cash provided (for) by financing activities	(6,330,496)	9,690,126	5,315,624
Net change in cash and cash equivalents	(914,185)	14,609,779	865,054
Cash and cash equivalents at beginning of year	18,409,841	3,800,062	2,935,008
Cash and cash equivalents at end of year	$ 17,495,656	18,409,841	3,800,062
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest	$ 3,240,042	4,422,735	5,617,457
Income taxes	-	-	-
Non-cash investing activities:			
Transfer of loans to real estate owned	$ 967,418	4,106,626	1,265,176

See accompanying notes to consolidated financial statements.

1) Summary of Significant Accounting Policies

AMB Financial Corp. (the "Company") is a Delaware corporation incorporated on November 23, 1993 for the purpose of becoming the holding company for American Savings, FSB (the "Bank"). On March 29, 1996, the Bank converted from a mutual to a stock form of ownership, and the Company completed its initial public offering, and, with a portion of the net proceeds acquired all of the issued and outstanding capital stock of the Bank (the "Conversion"). The Company is headquartered in Munster, Indiana. The Bank is a federal savings bank offering a full range of financial services to customers who are primarily located in northwest Indiana and the south and southwest Chicagoland area. The Bank is principally engaged in the business of attracting deposits from the general public and using such deposits to originate residential and commercial mortgage loans as well as other types of consumer and commercial loans.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company, and its wholly owned subsidiary, American Savings, FSB. The Bank has two inactive subsidiaries: NIFCO, Inc. and the wholly owned subsidiary of NIFCO, Inc., Ridge Management, Inc. Significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Statement of Cash Flows

For purposes of reporting cash flows, the Company has defined cash and cash equivalents to include cash on hand, amounts due from depository institutions, interest-bearing deposits in other financial institutions and federal funds sold.

Industry Segments

The Company operates principally in the banking industry through its subsidiary bank. As such, substantially all of the Company's revenues, net income, identifiable assets and capital expenditures are related to banking operations.

Investment Securities and Mortgage-Backed Securities, Available for Sale

Investment securities and mortgage-backed securities available for sale are recorded in accordance with Accounting Standards Codification (ASC) 320-10 “Investments – Debt and Equity Securities” (ASC 320-10). This statement requires the use of fair value accounting for securities available for sale or trading and retains the use of the amortized cost method for investments the Company has the positive intent and ability to hold to maturity.

ASC 320-10 requires the classification of debt and equity securities into one of three categories: held to maturity, available for sale, or trading. Held to maturity securities are measured at amortized cost. Unrealized gains and losses on trading securities are included in income. Unrealized gains and losses on available for sale securities are excluded from income and reported net of taxes as a separate component of stockholders' equity.

The Company has currently designated all of its investment securities and mortgage-backed securities as available for sale and has recorded these investments at their current fair values. Unrealized gains and losses are recorded in a valuation account which is included, net of income taxes, as a separate component of stockholders' equity. Gains and losses on the sale of securities are determined using the specific identification method and are reflected in earnings when realized.

Loans Receivable and Related Fees

Loans are stated at the principal amount outstanding, net of loans in process, deferred yield adjustment and the allowance for losses. Interest on loans is credited to income as earned and accrued only if deemed collectible. Loans are placed on nonaccrual status when, in the opinion of management, the full timely collection of principal or interest is in doubt. As a general rule, the accrual of interest is discontinued when principal or interest payments become 90 days past due or earlier if conditions warrant. When a loan is placed on nonaccrual status, previously accrued but unpaid interest is charged against current income.

Loan origination fees and certain direct loan origination costs are deferred and amortized as an adjustment of the related loan's yield. The Company accretes these amounts over the contractual life of the related loans. Remaining deferred loan fees and costs are reflected in interest income upon sale or repayment of the loan.

Allowance for Loan Losses

The Company maintains an allowance for losses on loans at a level management believes is sufficient to absorb credit losses inherent in the loan portfolio. The allowance for losses on loans represents the Company's estimate of probable incurred losses in the loan portfolio at the date of each statement of condition and is based on the review of available and relevant information.

One component of the allowance for losses on loans consists of allocations for probable inherent but undetected losses within various pools of loans with similar characteristics pursuant to ASC 450-10, "Contingencies". This component is based in part on certain loss factors applied to various loan pools as stratified by the Company. In determining the appropriate loss factors for these loan pools, management considers historical charge-offs and recoveries; levels of and trends in delinquencies, impaired loans and other classified loans; volume and type of lending and current and anticipated economic conditions.

The second component of the allowance for losses on loans consists of allocations for probable losses that have been identified related to specific borrowing relationships pursuant to ASC 310-10, "Receivables". This component consists of expected losses resulting in specific credit allocations for individual loans not considered within the above mentioned loan pools. The analysis on each loan involves a high degree of judgment in estimating the amount of the loss associated with the loan, including the estimation of the amount and timing of future cash flows and collateral values.

Loan losses are charged-off against the allowance, while recoveries of amounts previously charged-off are credited to the allowance. The Company assesses the adequacy of the allowance for losses on loans on a quarterly basis and adjusts the allowance for losses on loans by recording a provision for losses on loans in an amount sufficient to maintain the allowance at a level deemed appropriate by management. The evaluation of the adequacy of the allowance for losses on loans is inherently subjective, as it requires estimates that are susceptible to significant revision, as more information becomes available or as future events occur. To the extent that actual outcomes differ from management estimates, an additional provision for losses on loans could be required which could adversely affect earnings or the Company's financial position in future periods. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the allowance for losses on loans for the Bank and the carrying value of its other non-performing loans, based on information available to them at the time of their examinations. Any of these agencies could require the Bank to make additional provisions for losses on loans.

1) Summary of Significant Accounting Policies (continued)

Real Estate Owned

Real estate owned primarily includes properties acquired through foreclosure or deed in lieu of foreclosure. At foreclosure, real estate owned is recorded at the lower of the amount of the loan balance or the fair value of the real estate, less the cost to sell, through a charge to the allowance for loan losses, if necessary. Subsequent write-downs required by changes in estimated fair value or disposal expenses are charged to noninterest income. Carrying costs of these properties, net of related income, and gains or losses on the sale of their disposition are also included in current operations as other noninterest expense.

Investment in Limited Partnership

The investment in limited partnership is recorded using the equity method of accounting. The operations of the property tends to generate an aggregate net loss before income taxes, but contributes income tax credits, which lowers the Company's effective tax rate. The Company evaluates the recoverability of the carrying value on a regular basis. Losses due to impairment are recorded when it is determined that the investment no longer has the ability to recover its carrying amount.

Office Properties and Equipment

Land is carried at cost. Depreciation of office properties and equipment is accumulated on the straight line basis over estimated lives of the various assets. Useful lives are 25 to 49 years for office properties and 3 to 10 years for furniture, fixtures and equipment.

Real Estate Held for Development

Real estate properties held for development are carried at the lower of cost, including capitalized construction costs, or net realizable value. Gains and losses on individual properties are based on cash received less the cost of each individual lot. Subsequent write-downs required by changes in estimated fair value or disposal expenses are charged to noninterest income. Carrying costs of these properties, net of related income, and gains or losses on the sale of their disposition are also included in current operations as other noninterest expense.

Bank Owned Life Insurance

The Bank has purchased life insurance policies on certain of its employees. Bank owned life insurance is recorded at its cash surrender value, or the amount that can be realized.

Mortgage Servicing Rights

The Company generally retains the right to service mortgage loans sold to others. The cost allocated to mortgage servicing rights has been recognized as a separate asset and is being amortized in proportion to and over the period of estimated net servicing income, using a method that approximates a level yield and taking into consideration prepayment of the underlying loans. Mortgage servicing rights are periodically evaluated for impairment based on the fair value of those rights. Fair values are estimated using discounted cash flows based on current market rates of interest. The carrying value of the Company's mortgage servicing rights, in relation to estimated servicing values, and the related amortization is reviewed by management on a quarterly basis. See Note 5 for a discussion of the current year impact on financial position and results of operations.

Income Taxes

The Company files a consolidated federal income tax return with the Bank. The provision for federal and state taxes on income is based on earnings reported in the financial statements. Deferred income taxes arise from the recognition of certain items of income and expense for tax purposes in years different from those in which they are recognized in the consolidated financial statements. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases, computed using enacted rates.

1) Summary of Significant Accounting Policies (continued)

Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted average number of shares outstanding for the period. Stock options are regarded as future common stock and are considered in the earnings per share calculations and are the only other adjustments made in computing diluted earnings per share.

Weighted average shares used in calculating earnings per share are summarized below.

		Years Ended December 31,		
		2010	2009	2008
Weighted average number of common shares outstanding used in basic EPS calculation		981,638	981,638	981,638
Add common stock equivalents for shares issuable under Stock Option Plans		-	-	-
Weighted average number of shares outstanding adjusted for common stock equivalents		981,638	981,638	981,638
Net income (loss) available to common shareholders	$	194,979	(1,778,665)	(280,365)
Basic earnings (loss) per common share	$	.20	(1.81)	(.29)
Diluted earnings (loss) per common share	$	.20	(1.81)	(.29)

Stock Option Plans

The Company accounts for its stock options in accordance with ASC 718-10, “Compensation - Stock Based Compensation” (ASC 718-10). ASC 718-10 addresses all forms of share-based payment awards, including shares under employee stock purchase plans, stock options, restricted stock and stock appreciation rights. ASC 718-10 requires all share-based payments to be recognized as expense, based upon their fair values, in the financial statements over the requisite service period of the awards.

2) Investment Securities, Available for Sale

The amortized cost and fair value of investment securities available for sale are as follows:

December 31, 2010	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
FNMA Step-Up Note	$ 300,000	-	392	299,608
Weighted average interest rate on debt securities	0.75%			

The contractual maturity of the above investment is December 30, 2013.

There were no sales of investment securities, available for sale during the years ended December 31, 2010 and 2009. Proceeds from sales of investment securities, available for sale during the year ended December 31, 2008 were $214,376 with gross gains of $14,937 realized on those sales. The change in net unrealized gains and losses during the current year of $392, net of the tax effect of $157, resulted in a $235 charge to stockholders' equity.

3) Mortgage-Backed Securities, Available for Sale

The amortized cost and fair value of mortgage-backed securities available for sale are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2010				
Participation Certificates:				
FHLMC - Fixed rate	$ 1,319,381	28,181	244	1,347,318
FNMA - Adjustable rate	28,686	506	-	29,192
FNMA - Fixed rate	3,574,355	104,363	3,771	3,674,947
GNMA - Fixed rate	126,164	4,791	-	130,955
	$ 5,048,586	137,841	4,015	5,182,412
Weighted average interest rate	4.41%			
December 31, 2009				
Participation Certificates:				
FHLMC - Fixed rate	$ 1,265,308	35,686	-	1,300,994
FNMA - Adjustable rate	30,996	138	-	31,134
FNMA - Fixed rate	4,262,726	102,590	-	4,365,316
GNMA - Fixed rate	158,319	3,614	-	161,933
	$ 5,717,349	142,028	-	5,859,377
Weighted average interest rate	4.43%			

There were no sales of mortgage-backed securities, available for sale during the years ended December 31, 2010, 2009 and 2008. The change in net unrealized gains and losses during the current year of $8,202, net of the tax effect of $3,280, resulted in a $4,922 charge to stockholders' equity.

4) Loans Receivable

Loans receivable are summarized as follows:

	December 31,	
	2010	2009
Mortgage loans:		
One-to-four family	$ 90,749,662	95,713,239
Multi-family	6,169,450	5,335,370
Nonresidential	19,819,300	19,701,167
Construction	3,767,237	4,231,627
Land	2,378,394	2,537,749
Total mortgage loans	122,884,043	127,519,152
Other loans:		
Loans on deposit accounts	95,178	125,445
Equity lines of credit	7,357,251	6,533,403
Other consumer	1,830,176	1,665,008
Total other loans	9,282,605	8,323,856
Commercial business loans	4,881,779	5,375,646
Total loans receivable	137,048,427	141,218,654
Less:		
Loans in process	1,586,176	720,513
Net deferred yield adjustments	166,271	123,961
Allowance for loan losses	1,884,599	2,329,696
Loans receivable, net	$ 133,411,381	138,044,484
Weighted average interest rate	5.68%	5.93%

Activity in the allowance for loan losses is summarized as follows:

	Years Ended December 31,		
	2010	2009	2008
Balance, beginning of year	$ 2,329,696	855,330	737,886
Provision for loan losses	631,000	2,425,000	535,000
Charge-offs	(1,094,382)	(1,110,713)	(425,092)
Recoveries	18,285	160,079	7,536
Balance, end of year	$ 1,884,599	2,329,696	855,330

For the years ended December 31, 2010 and 2009, gross interest income which would have been recorded had the non-accruing loans been current in accordance with their original terms amounted to approximately $298,000 and $317,000, respectively.

Loans to directors and executive officers aggregated $1,388,000 and $1,720,000 at December 31, 2010 and 2009, respectively. Such loans are made on substantially the same terms as those for other loan customers.

4) Loans Receivable (continued)

The following table presents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method as of December 31, 2010:

	Allowance for Loan Losses		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
One-to-four family	$ 551,836	488,812	1,040,648
Multi-family	53,839	146,452	200,291
Nonresidential	25,564	219,894	245,458
Construction	50,308	11,210	61,518
Land	50,832	40,578	91,410
Loans on deposit accounts	-	-	-
Equity lines of credit	12,448	24,085	36,533
Other consumer	20,982	45,603	66,585
Commercial business loans	19,046	123,110	142,156
	$ 784,855	1,099,744	1,884,599

	Loan Balances		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
One-to-four family	$ 2,965,130	87,784,532	90,749,662
Multi-family	260,626	5,908,824	6,169,450
Nonresidential	805,863	19,013,437	19,819,300
Construction	647,190	3,120,047	3,767,237
Land	174,077	2,204,317	2,378,394
Loans on deposit accounts	-	95,178	95,178
Equity lines of credit	39,861	7,317,390	7,357,251
Other consumer	27,058	1,803,118	1,830,176
Commercial business loans	25,115	4,856,664	4,881,779
	$ 4,944,920	132,103,507	137,048,427

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

	December 31,	
	2010	2009
Year end loans with allocated allowance for loan losses	$ 4,210,557	5,848,437
Year end loans with no allocated allowance for loan losses	734,363	962,781
	$ 4,944,920	6,811,218
Valuation reserve relating to impaired loans	$ 784,855	1,432,140

4) Loans Receivable (continued)

The following table presents loans individually evaluated for impairment by class of loans as of December 31, 2010:

	Unpaid Principal Balance	Allowance for Loan Losses Allocated
With an allowance recorded:		
One-to-four family	$ 2,256,611	551,836
Multi-family	260,626	53,839
Nonresidential	805,863	25,564
Construction	647,190	50,308
Land	174,077	50,832
Equity lines of credit	14,017	12,448
Other consumer	27,058	20,982
Commercial business loans	25,115	19,046
With no related allowance recorded:		
One-to-four family	734,363	-
Total	$ 4,944,920	784,855

The Company has no loans past due over ninety days and still accruing. The following table presents the recorded investment in nonaccrual loans by class of loans as of December 31, 2010:

One-to-four family	$ 2,965,130
Multi-family	260,626
Nonresidential	805,863
Construction	647,190
Land	174,077
Equity lines of credit	39,861
Other consumer	27,058
Commercial business loans	25,115
Total	$ 4,944,920

4) Loans Receivable (continued)

The following table presents the aging of the recorded investment in past due loans as of December 31, 2010 by class of loans:

	30 - 89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Loans Not Past Due	Total
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
Loans on deposit accounts	-	-	-	95,178	95,178
Equity lines of credit	6,433	39,861	46,294	7,310,957	7,357,251
Other consumer	41,352	27,058	68,410	1,761,766	1,830,176
Commercial business loans	152,368	25,115	177,483	4,704,296	4,881,779
	$ 2,298,079	4,944,920	7,242,999	129,805,428	137,048,427

Troubled Debt Restructuring:

The Company has allocated $159,634 and $148,901 of loan loss reserves to customers whose loan terms have been modified in troubled debt restructurings as of December 31, 2010 and 2009. The Company does not lend any additional amounts to customers with outstanding loans that are classified as troubled debt restructurings.

Credit Quality Indicators:

The Company categorizes loans into risk categories based on related information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information and current economic trends, among other factors. This analysis is performed on a quarterly basis. The Company uses the following definitions for risk weightings:

Special Mention – Loans classified as special mention have a potential weakness that deserves management’s close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects of the loan or of the institution’s credit position at some future date.

Substandard – Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful – Loans classified as doubtful have the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass rated loans. The Company analyzes every impaired loan for classification purposes. As of December 31, 2010, and based on the most recent analysis performed, the risk category of loans by class of loans is as follows:

	Pass	Special Mention	Substandard	Doubtful
One-to-four family	$ -	-	2,965,130	-
Multi-family	-	-	260,626	-
Nonresidential	-	-	805,863	-
Construction	-	-	447,190	200,000
Land	-	-	174,077	-
Equity lines of credit	-	-	39,861	-
Other consumer	-	-	27,058	-
Commercial business loans	-	-	25,115	-
	$ -	-	4,744,920	200,000

5) Loans Receivable, Held for Sale

The Bank will, from time to time, sell loans to the Federal Home Loan Bank of Indianapolis ("FHLB"). As such, the Bank may designate a portion of the loan portfolio to be classified as held for sale. During the years ended December 31, 2010, 2009 and 2008, the Bank sold first mortgage loans totaling $1,215,000, $7,321,500 and $-0- to the FHLB. The Company retains the servicing on loans sold to FHLB. Proceeds from the sale of loans during the years ended December 31, 2010, 2009 and 2008 were $1,222,335, $7,384,958 and $-0- with gains of $7,335, $63,458 and $-0- realized on those sales. In addition, the Company recorded a gain of $7,394, $48,134 and $-0- for the years ended December 31, 2010, 2009 and 2008 on loan sales from the establishment of a mortgage servicing right asset. During the years ended December 31, 2010, 2009 and 2008, the Company amortized $14,310, $7,936 and $3,869 of mortgage servicing rights against current servicing fee income.

As of December 31, 2010, there were no loans classified in this portfolio. Loans held for sale are valued at the lower of cost or fair value. Loans serviced for the FHLB amounted to $6,717,453 and $7,517,680 at December 31, 2010 and 2009.

6) Investment in Limited Partnership

The investment in limited partnership of $603,157 and $640,357 at December 31, 2010 and 2009 represents a 39.60% equity in Pedcor Investments 1997 - XXXI ("Pedcor"), a limited partnership organized to build, own and operate a 56 unit apartment complex. The Bank has recorded its equity in the losses of Pedcor, as well as additional write downs in the amount of $37,200, $35,672 and $36,100 for the years ended December 31, 2010, 2009 and 2008. Condensed financial statements for Pedcor are as follows:

Condensed Statements of Financial Condition	December 31, 2010	December 31, 2009
Assets		
Cash	$ 39,806	36,434
Property and equipment	2,932,715	3,033,191
Land	112,000	112,000
Other	140,639	123,005
Total assets	3,225,160	3,304,630
Liabilities and Partner's Capital		
Notes payable - Other	1,192,032	1,204,792
Other liabilities	573,565	610,226
Total liabilities	1,765,597	1,815,018
Partners' capital	1,459,563	1,489,612
Total liabilities and partners' capital	$ 3,225,160	3,304,630

Condensed Statements of Operations	Years Ended December 31, 2010	2009	2008
Total revenues	$ 303,694	282,926	300,489
Total expenses	333,743	349,331	393,184
Net loss	$ (30,049)	(66,405)	(92,695)

7) Accrued Interest Receivable

Accrued interest receivable is summarized as follows:

	December 31, 2010	December 31, 2009
Investment securities	$ 8,326	9,906
Mortgage-backed securities	18,565	21,124
Loans receivable	1,076,435	930,991
Allowance for uncollected interest	(496,807)	(361,660)
Total accrued interest receivable	$ 606,519	600,361

8) Office Properties and Equipment

Office properties and equipment are summarized as follows:

		December 31,	
		2010	2009
Cost:			
Land -	Munster	$ 40,669	40,669
	Hammond	33,300	33,300
	Dyer	300,000	300,000
	Schererville	417,595	417,595
Building -	Munster	643,691	632,551
	Hammond	172,746	167,846
	Dyer	1,917,505	1,802,207
	Schererville	6,650,833	6,114,413
Furniture and equipment		1,856,111	1,796,903
		12,032,450	11,305,484
Less accumulated depreciation:			
Building -	Munster	606,306	604,287
	Hammond	144,977	142,091
	Dyer	598,216	544,672
	Schererville	284,256	150,448
Furniture and equipment		1,234,400	1,108,122
		2,868,155	2,549,620
Net book value		$ 9,164,295	8,755,864

Depreciation of office properties and equipment for the years ended December 31, 2010, 2009 and 2008 amounted to $361,440, $348,016 and $224,652, respectively.

The Bank owns all of their office locations and currently leases office space to third-party tenants at both their Dyer and Schererville, Indiana offices. As of December 31, 2010, the Dyer, Indiana office location leased office space to third-party tenants at an annual rent of approximately $127,750 under lease agreements that terminate in 2013 - 2015. The Schererville, Indiana office location leased office space to third-party tenants at an annual rent of approximately $181,000 under lease agreements that terminate in 2015 - 2020.

9) Real Estate Held for Development

The Company had previously acquired, in connection with an agreement with a local builder, vacant lots on which to construct single family residences in St. John and Munster, Indiana. Costs incurred as of December 31, 2010 and 2009 for two vacant lots amounted to $171,065. Due to the slow down in the real estate market, the Company has decided not to build on the remaining vacant lots. During the years ended December 31, 2010 and 2009, the Company, based upon current market conditions, reduced the carrying amount of these vacant lots by $20,000 and $3,065, to a carrying value of $148,000 and $168,000, respectively. The Company sold two single-family residences and two vacant lots during the year ended December 31, 2009 realizing proceeds of $1,047,671 and recognizing a loss of $30,094. In addition to write-downs of $350,703 during the year ended December 31, 2008, the Company sold one single-family residence, resulting in a loss of $60,095.

10) Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist of the following:

	December 31, 2010	December 31, 2009
Prepaid insurance premiums	$ 110,492	100,805
Prepaid federal deposit insurance premiums (note 23)	603,842	840,450
Prepaid pension cost	96,980	72,252
Prepaid statutory trust preferred fees	135,100	141,520
Prepaid income taxes	180,281	232,130
Other prepaid expenses	133,375	100,028
Mortgage servicing rights	37,363	44,278
Deferred federal and state income tax asset - net (a)	1,715,905	1,888,734
Purchased accounts receivable - net (b)	3,285,099	1,968,494
Miscellaneous	49,088	55,831
	$ 6,347,525	5,444,522

(a) Significant components of the deferred tax assets and liabilities are as follows:

	December 31, 2010	December 31, 2009
Deferred tax assets:		
Deferred compensation	$ 414,637	405,186
Allowance for loan losses	753,840	937,505
Allowance for uncollected interest	198,723	144,664
Deferred interest and charges on modified loans	33,368	28,767
Real estate write-downs	90,616	150,913
Net operating loss and unused tax credits carryforward	537,897	543,442
Total deferred tax assets	2,029,081	2,210,477
Deferred tax liabilities:		
Accelerated tax depreciation	45,095	46,678
Federal Home Loan Bank stock dividend	61,604	67,258
Pension expense	38,792	28,901
Mortgage servicing rights	14,945	17,712
Unrealized gain on securities available for sale	53,374	56,811
Other	99,366	104,383
Total deferred tax liabilities	313,176	321,743
Net deferred tax asset	$ 1,715,905	1,888,734

The recoverability of the deferred tax asset, which is primarily due to the future deductibility of the allowance for loan losses and deferred compensation, as well as the utilization of net operating loss and unused tax credit carryforwards, is contingent upon future book income. The Company believes that future income will support this deferred tax asset and believes that no valuation allowance is necessary.

(b) The Bank has entered into a program to purchase and manage the accounts receivable of credit-worthy merchants with required repurchase of delinquent accounts and with the merchant's repurchase obligation supported by a cash collateral reserve account. For each merchant, the Bank establishes a maximum amount of purchased receivables allowed to be outstanding at any one time. At December 31, 2010 and 2009, the unused amount was approximately $1,376,000 and $2,217,000, respectively.

11) Deposits

Deposit accounts are summarized as follows:

	December 31, 2010	2009
Passbook accounts	$ 18,943,425	17,605,438
Demand deposits and NOW accounts	21,079,263	22,226,069
Money market accounts	14,208,534	14,892,923
	54,231,222	54,724,430
Certificates of deposit by interest rate:		
0.01 - 1.00%	13,307,543	7,914,426
1.01 - 2.00	40,160,611	29,962,139
2.01 - 3.00	33,490,634	28,399,225
3.01 - 4.00	5,455,140	15,894,920
4.01 - 5.00	1,043,482	4,491,071
5.01 - 6.00	211,163	1,959,724
	93,668,573	88,621,505
	$ 147,899,795	143,345,935

The weighted average rate on deposit accounts at December 31, 2010 and 2009 was 1.26% and 1.70%, respectively.

The aggregate amount of certificates of deposit with a minimum denomination of $100,000 was $33,035,000 and $28,955,000 at December 31, 2010 and 2009, respectively.

A summary of certificates of deposit by maturity is as follows:

	December 31, 2010	2009
Within 12 months	$ 53,233,952	60,455,286
12 months to 24 months	19,122,925	20,038,502
24 months to 36 months	8,479,009	3,511,497
36 months to 48 months	12,466,798	4,593,692
48 months to 60 months	365,889	22,528
Total	$ 93,668,573	88,621,505

Interest expense on deposits consists of the following:

	Years Ended December 31, 2010	2009	2008
Passbook accounts	$ 51,337	73,822	173,519
NOW accounts	117,604	103,234	113,520
Money market accounts	107,784	194,248	311,883
Certificates of deposit	1,879,548	2,589,811	3,148,255
Total	$ 2,156,273	2,961,115	3,747,177

12) Borrowed Money

Borrowed money consists of advances from the Federal Home Loan Bank of Indianapolis and is summarized as follows:

Maturity Date	Interest Rate	December 31, 2010	December 31, 2009
January 14, 2010	3.36%	$ -	6,000,000
August 16, 2010	5.99	-	1,500,000
September 20, 2010	5.95	-	1,000,000
December 20, 2010	4.98	-	2,000,000
March 28, 2011	5.26	3,000,000	3,000,000
May 2, 2011	3.54	3,000,000	3,000,000
December 20, 2011	3.90	1,250,000	1,250,000
December 20, 2012	4.03	1,250,000	1,250,000
July 15, 2015	5.91	567,437	583,035
November 16, 2020	6.71	1,313,771	1,404,107
		$ 10,381,208	20,987,142
Weighted average interest rate		4.67%	4.49%

The Bank has adopted a collateral pledge agreement whereby the Bank has agreed to all times keep on hand, free of all other pledges, liens, and encumbrances, first mortgages with unpaid principal balances aggregating no less than 150% of the outstanding secured advances from the Federal Home Loan Bank of Indianapolis. At December 31, 2010, no securities were pledged for these borrowings.

Interest expense on FHLB advances amounted to $702,673, $1,088,607 and $1,460,166 for the years ended December 31, 2010, 2009 and 2008, respectively.

The Company has borrowed $1,000,000 each from two individuals (one a related party individual and one a long-time customer of the Bank). The borrowings carry a fixed rate interest of 8.00% annually and mature March 31, 2013. The Company pledged its stock investment in the subsidiary Bank as collateral securing these advances. Interest expense incurred on these advances amounted to $160,000, $160,000 and $122,740 for the years ended December 31, 2010, 2009 and 2008, respectively.

13) Guaranteed Preferred Beneficial Interest in Junior Subordinated Debentures

In 2007, the Company issued $3,000,000 of junior subordinated debentures (2007 debentures) to AMB Financial Statutory Trust II. The 2007 debentures are the sole assets of this trust, which issued common securities to the Company and preferred capital securities to third-party investors. The 2007 debentures bear interest at a fixed rate of 6.55%, payable quarterly in arrears, for the first five years and then bear interest at a rate of 3-month LIBOR plus 1.65% thereafter. These debentures are non-callable for five years and, after that period, are redeemable at par plus accrued unpaid interest, in whole or in part, with the prior approval of the Office of Thrift Supervision. The 2007 debentures have a scheduled maturity date of June 15, 2037. Net interest expense for the years ended December 31, 2010, 2009 and 2008 amounted to $196,500, $196,500 and $196,500, respectively.

14) Other Liabilities

Other liabilities include the following:

		December 31,	
		2010	2009
Accrued interest on deposits	$	5,598	8,589
Accrued interest on borrowings		31,082	52,687
Accrued payroll		67,318	59,649
Accrued audit and accounting fees		37,775	42,400
Accrued real estate and personal property taxes		190,312	281,830
Deferred compensation (see note 15)		1,036,593	1,012,966
Outstanding bank drafts		714,096	953,139
Miscellaneous accounts payable		319,592	304,559
	$	2,402,366	2,715,819

15) Benefit Plans

The Bank participates in an industry-wide, multi-employer, defined-benefit pension plan, which covers all full-time employees who have attained at least 21 years of age and completed one year of service. The Plan is administered by the Pentegra Defined Benefit Plan for Financial Institutions Fund. Calculations to determine full-funding status are made annually as of June 30. Contributions to the Plan for the Plan years ended June 30, 2011, 2010 and 2009 amounted to $193,959, $119,948 and $127,940, respectively. Pension expense for the years ended December 31, 2010, 2009 and 2008 amounted to $173,830, $182,265, and $247,180, respectively. Information regarding the Bank's share of assets and liabilities and plan benefit information of this plan is not available on an individual basis.

The Bank participates in the Pentegra Thrift Plan, which qualifies under Section 401(k) of the Internal Revenue Code and which covers substantially all employees. This plan calls for a discretionary contribution within specified limits and a matching Bank contribution equal to 25% of the first 6% of the employee contributions. Plan expense for the years ended December 31, 2010, 2009 and 2008 amounted to $13,618, $12,004 and $13,208, respectively.

The Bank also has established three non-qualified 401(k) Plans providing participating officers of the Bank the opportunity to defer up to 6% of their salary into a tax deferred accumulation for future retirement. In addition, the Bank has also established a Director Deferral Plan. Generally, all deferred non-qualified 401(k) Plan contributions and deferred director fees are credited with interest from the Bank at the rate of 10% per year. However, since the Company is participating in the Troubled Asset Relief Program ("TARP" - see note 22), the Company is subject to certain executive compensation limitations. As a result, certain of executive officers are only allowed to receive reasonable earnings on salary deferrals made after the Company's receipt of TARP funds (February 11, 2009). The earnings on these contributions have been calculated at an average rate for 2010 and 2009 of 3.898% and 3.875%, respectively. Interest credited by the Bank to the non-qualified plans and deferred director fees on accumulated funds was $102,005, $100,039 and $98,103 for the years ended December 31, 2010, 2009 and 2008, respectively.

16) Director, Officer and Employee Plans

Stock Option Plan - The Company has stock option plans under which shares of Company common stock are reserved for the grant of both incentive and non-qualified stock options to directors, officers and employees. The dates the stock options are first exercisable and expire were determined by the Compensation Committee of the Company's Board of Directors at the time of grant. The exercise price of the stock options was equal to the fair value of the common stock on the grant date. All of the Company's options are fully vested.

The following is an analysis of the stock option activity for each of the years in the three year period ended December 31, 2010 and the stock options outstanding at the end of the respective periods.

Options	Number of Options	Exercise Price Per Share	Exercise Price Total
Outstanding at December 31, 2007	37,500	$ 13.25	496,875
Granted	0		
Exercised	0		
Forfeited	0		
Outstanding at December 31, 2008	37,500	13.25	496,875
Granted	0		
Exercised	0		
Forfeited	0		
Outstanding at December 31, 2009	37,500	13.25	496,875
Granted	0		
Exercised	0		
Forfeited	0		
Outstanding at December 31, 2010	37,500	$ 13.25	$ 496,875
Exercisable at December 31, 2010	37,500	$ 13.25	$ 496,875
Options available for future grants at December 31, 2010	25,694		

At December 31, 2010, all of the Company's outstanding stock options were out-of-the-money. At December 31, 2010, the weighted average remaining contractual life of the Company's outstanding stock options was 4.25 years.

Employee Stock Option Plan ("ESOP") - The ESOP is a qualified deferred compensation plan funded by contributions from the Bank. Contributions to the ESOP are at the discretion of the Board of Directors and are used to purchase shares of the Company's common stock. All employees over the age of 18 meeting minimum service requirements are eligible to participate in the plan. Employee contributions are not permitted. Plan contributions charged to expense totaled $75,000, $25,000 and $50,000 for the years ended December 31, 2010, 2009 and 2008, respectively. Eligible employees were vested in their proportionate share of this ESOP contribution at December 31, 2010.

17) Income Taxes

The Bank had qualified under provisions of the Internal Revenue Code, which permitted it to deduct from taxable income an allowance for bad debt, which differed from the provision for such losses charged to income. Accordingly, retained earnings at December 31, 2010 includes approximately $1,950,000, for which no provision for income taxes has been made. If in the future this portion of retained earnings is distributed, or the Bank no longer qualifies as a bank for tax purposes, income taxes may be imposed at the then applicable rates.

The provision for income tax expense (benefit) consists of the following:

	Years Ended December 31,		
	2010	2009	2008
Current	$ -	(67,574)	125,547
Deferred	176,266	(1,083,430)	(395,093)
	$ 176,266	(1,151,004)	(269,546)

Deferred income tax component consists of the following tax effects of timing differences:

	Years Ended December 31,		
	2010	2009	2008
Depreciation	$ (1,583)	9,301	9,164
Deferred compensation	(9,451)	(8,641)	(7,721)
Prepaid pension	9,891	(11,777)	(47,696)
Allowance for loan losses	183,665	(583,373)	(57,778)
Allowance for uncollected interest	(54,059)	(47,188)	(14,896)
Deferred interest and charges on modified loans	(4,601)	(28,767)	-
Real estate write-downs	60,297	606	(151,519)
Capitalized mortgage servicing rights	(2,767)	16,080	(1,548)
FHLB stock redemption	(5,654)	-	-
Unrealized gain on trading account securities	-	-	(39,291)
NOL and unused tax credits carryforward	5,545	(447,874)	(95,568)
Other, net	(5,017)	18,203	11,760
	$ 176,266	(1,083,430)	(395,093)

18) Regulatory Capital Requirements

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum total requirements can initiate certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt correction action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to quantitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios, set forth in the table below of the total risk-based, tangible and core capital, as defined in the regulations. Management believes, as of December 31, 2010, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2010, the Bank, according to federal regulatory standards, is well-capitalized under the regulatory framework for prompt corrective action. To be categorized as adequately capitalized, the Bank must maintain minimum total risk-based, tangible, and core ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the institution's category.

At December 31, 2010 and 2009, the Bank's actual capital amounts and ratios, minimum amounts and ratios required for capital adequacy purposes and minimum amounts and ratios to meet the well-capitalized criteria under prompt corrective action provision, are as follows:

	Actual		For Capital Adequacy Purposes		To Be Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2010						
Total capital (to risk-weighted assets)	$ 17,474,738	14.64%	$ 9,551,000	8.0%	$ 11,939,000	10.0%
Tier I (core) capital (to risk-weighted assets)	16,374,993	13.72	4,775,000	4.0	7,163,000	6.0
Tier I (core) capital (to adjusted total assets)	16,374,993	9.12	7,178,000	4.0	8,973,000	5.0
Tangible capital (to adjusted total assets)	16,374,993	9.12	2,692,000	1.5	3,589,000	2.0
December 31, 2009						
Total capital (to risk-weighted assets)	$ 16,171,661	13.09%	$ 9,884,000	8.0%	$ 12,355,000	10.0%
Tier I (core) capital (to risk-weighted assets)	15,274,107	12.36	4,942,000	4.0	7,413,000	6.0
Tier I (core) capital (to adjusted total assets)	15,274,107	8.25	7,409,000	4.0	9,261,000	5.0
Tangible capital (to adjusted total assets)	15,274,107	8.25	2,778,000	1.5	3,704,000	2.0

	Risk-based Capital	Core Capital	Tangible Capital
December 31, 2010			
Stockholders' equity	$ 17,267,528	17,267,528	17,267,528
Unrealized gain on securities available for sale, net of taxes	(80,060)	(80,060)	(80,060)
Retained mortgage servicing rights	(3,736)	(3,736)	(3,736)
Disallowed deferred tax asset	(808,739)	(808,739)	(808,739)
General loan loss allowances	1,099,745	-	-
Regulatory capital computed	$ 17,474,738	16,374,993	16,374,993

18) Regulatory Capital Requirements (continued)

	Risk-based Capital	Core Capital	Tangible Capital
December 31, 2009			
Stockholders' equity	$ 16,586,732	16,586,732	16,586,732
Unrealized gain on securities available for sale, net of taxes	(85,217)	(85,217)	(85,217)
Retained mortgage servicing rights	(4,428)	(4,428)	(4,428)
Disallowed deferred tax asset	(1,222,980)	(1,222,980)	(1,222,980)
General loan loss allowances	897,554	-	-
Regulatory capital computed	$ 16,171,661	15,274,107	15,274,107

19) Stockholders' Equity

As part of the Conversion, the Bank established a liquidation account for the benefit of all eligible depositors who continue to maintain their deposit accounts in the Bank after conversion. In the unlikely event of a complete liquidation of the Bank, each eligible depositor will be entitled to receive a liquidation distribution from the liquidation account, in the proportionate amount of the then current adjusted balance for deposit accounts held, before distribution may be made with respect to the Bank's capital stock. The Bank may not declare or pay a cash dividend to the Company on, or repurchase any of, its capital stock if the effect thereof would cause the retained earnings of the Bank to be reduced below the amount required for the liquidation account. Except for such restrictions, the existence of the liquidation account does not restrict the use or application of retained earnings.

In addition, the Bank may not declare or pay cash dividends on or repurchase any of its shares of common stock if the effect thereof would cause stockholders' equity to be reduced below applicable regulatory capital maintenance requirements or if such declaration and payment would otherwise violate regulatory requirements.

As a result of the Company's participation in the Troubled Asset Relief Program's Capital Purchase Program, substantial restrictions have been imposed on the Company's ability to pay dividends to its stockholders. (see note 22).

20) Financial Instruments with Off-Balance Sheet Risk

The Bank is a party to various transactions with off-balance sheet risk in the normal course of business. These transactions are primarily commitments to originate loans and to extend credit on previously approved unused lines of credit. These financial instruments carry varying degrees of credit and interest-rate risk in excess of amounts recorded in the consolidated financial statements.

Commitments to originate mortgage loans of $1,080,000 at December 31, 2010 represent amounts which the Bank plans to fund within the normal commitment period of 60 to 90 days. The mortgage loan commitments are fixed rates ranging from 5.25% to 6.00%. Because the credit worthiness of each customer is reviewed prior to extension of the commitment, the Bank adequately controls its credit risk on these commitments, as it does for loans recorded on the balance sheet. The Bank conducts all of its lending activities in the Northwest Indiana area. Management believes the Bank has a diversified loan portfolio and the concentration of lending activities in these local communities does not result in an acute dependency upon economic conditions of the lending region.

The Bank has approved, but unused, home equity lines of credit of approximately $5,510,000 at December 31, 2010. Approval of lines of credit is based upon underwriting standards that generally do not allow total borrowings, including the line of credit, to exceed 75% of the estimated fair value of the customer's home. In addition, the Bank has approved but unused equity lines of credit on various construction and commercial projects of approximately $3,187,000 at December 31, 2010. The Bank also has approved but unused credit card lines of credit of approximately $1,511,000.

The Bank is currently participating with several local financial institutions in credit enhancement agreements with in-state municipalities to guarantee the repayment on municipal revenue bonds. The Bank has accepted credit risk on these various municipal projects in the amount of approximately $896,000. These credit enhancements are in cooperation with the Federal Home Loan Bank of Indianapolis ("FHLB") and have pledging requirements as part of the qualifying collateral agreement with FHLB. Additionally, at December 31, 2010, the Bank had issued standby letters of credit totaling approximately $90,000 to guarantee the performance of various customers to third parties.

21) Contingencies

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. The Bank is currently involved in litigation with Steve Tokarski, the successor personal representative of the Estate of John Wroblewski. The suit involves 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 claims 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, presumably 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 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. Counsel also believes that the claims are barred by the two-year statute of limitations since the Plaintiff filed the Complaint in June, 2007, more than two years after the May, 2005 withdrawal of funds or the June, 2003 presentation and cashing of checks discussed above. At this time, the outcome of this litigation is still in question, and the amount of potential loss, if any, cannot be estimated.

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 17, 2009 in the Superior Court of Lake County, Indiana (Case #450040904CT00148), involves an employee of ATT whom 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.

22) Capital Purchase Program

On January 30, 2009, pursuant to the Troubled Asset Relief Program's Capital Purchase Program ("CPP"), 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 will 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 will 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, the Company's 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.

Upon receipt of these funds, the Company infused $2,700,000 into the Bank. The intended use of these funds was to provide a stronger capital base and additional liquidity that could be utilized to increase lending and/or purchase agency mortgage-backed securities.

23) Federal Deposit Insurance Corporation (FDIC) Special Assessment

The Board of Directors of the FDIC imposed a five basis point emergency special assessment on insured depository institutions as of June 30, 2009. The assessment was calculated on a base of total assets less tier I capital and was payable on September 30, 2009. The FDIC also required insured institutions to prepay their estimated quarterly risk-based assessments for the fourth quarter of 2009 and for all of 2010, 2011 and 2012. No additional special assessments were imposed in 2010.

24) Disclosures About the Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents: For cash and interest-bearing deposits, the carrying amount is a reasonable estimate of fair value.

Investment securities: Fair values for securities held to maturity, available for sale or held for trade are based on quoted market prices as published in financial publications or on quotes from third-party brokers.

Mortgage-backed securities: Fair values for mortgage-backed securities are based on the lower of quotes received from various third-party brokers.

Loans receivable: The fair values of fixed-rate one-to-four family residential mortgage loans are based on quoted market prices of similar loans sold in conjunction with securitization transactions. The fair values for other fixed and adjustable rate mortgage loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms and collateral to borrowers of similar credit quality.

Accrued interest receivable and payable: The carrying value of accrued interest receivable, net of the allowance for uncollected interest, and accrued interest payable approximates fair value due to the relatively short period of time between accrual and expected realization.

Deposit liabilities: The fair value of demand deposits, savings accounts and money market deposits is the amount payable on demand at the reporting date. The fair value of fixed maturity certificates of deposit is estimated by discounting the future cash flows using the rates currently offered for deposits of similar original maturities.

Borrowed money: Rates currently available to the Company for debt with similar terms and remaining maturities are used to estimate fair value of existing debt.

The estimated fair value of the Company's financial instruments as of December 31, 2010 and 2009 are as follows:

	December 31, 2010	
	Carrying Amount	Fair Value
Financial assets:		
Cash and cash equivalents	$ 17,495,656	17,495,656
Investment securities, available for sale	299,608	299,608
Mortgage-backed securities, available for sale	5,182,412	5,182,412
Loans receivable, gross	137,048,427	145,413,000
Accrued interest receivable	606,519	606,519
Financial liabilities:		
Deposits	$ 147,899,795	150,218,000
Borrowed money	12,381,208	12,948,000
Accrued interest payable	36,680	36,680

	December 31, 2009	
	Carrying Amount	Fair Value
Financial assets:		
Cash and cash equivalents	$ 18,409,841	18,409,841
Mortgage-backed securities, available for sale	5,859,377	5,859,377
Loans receivable, gross	141,218,654	148,235,000
Accrued interest receivable	600,361	600,361
Financial liabilities:		
Deposits	$ 143,345,935	144,931,000
Borrowed money	22,987,142	23,758,000
Accrued interest payable	61,276	61,276

25) Fair Value Measurements

The Company measures fair value according to ASC 820-10, "Fair Value Measurements and Disclosures", which establishes a fair value hierarchy that prioritizes the inputs used in valuation techniques, but not the valuation techniques themselves. ASC 820-10 defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." There are three levels of inputs into the fair value hierarchy (Level 1 being the highest priority and Level 3 being the lowest priority):

Level 1 – Unadjusted quoted prices for identical instruments in active markets;

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable; and

Level 3 – Instruments whose significant value drivers or assumptions are unobservable and that are significant to the fair value of the assets or liabilities.

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The following table sets for the Company's financial assets by level within the fair value hierarchy that were measured at fair value on a recurring basis at December 31, 2010 and 2009.

		Fair Value Measurements Using		
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2010				
Securities available for sale	$ 5,482,020	-	5,482,020	-
December 31, 2009				
Securities available for sale	$ 5,859,377	-	5,859,377	-

Securities available for sale are measured at fair value on a recurring basis. Level 2 securities are valued by a third party pricing service commonly used in the banking industry utilizing observable inputs. The pricing provider utilizes evaluated pricing models that vary based on asset class. These models incorporate available market information including quoted prices of securities with similar characteristics and, because many fixed-income securities do not trade on a daily basis, apply available information through processes such as benchmark curves, benchmarking of like securities, sector groupings and matrix pricing. Changes in the fair market value of the Company's available for sale securities are recorded in other comprehensive income.

25) Fair Value Measurements (continued)

The following table sets forth the Company's assets by level within the fair value hierarchy that were measured at fair value on a non-recurring basis at December 31, 2010 and 2009

		Fair Value Measurements Using		
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2010				
Impaired loans	$ 4,108,886	-	-	$ 4,108,886
Real estate owned	2,095,696	-	-	2,095,696
December 31, 2009				
Impaired loans	$ 5,307,160	-	-	$ 5,307,160
Real estate owned	3,646,612	-	-	3,646,612

Impaired loans, which are measured for impairment using the fair value of the collateral or discounted cash flows, had a carrying amount of $4,944,920 and $6,811,218 at December 31, 2010 and 2009. Impaired loans have an allowance allocation of approximately $836,000 and $1,504,000 at December 31, 2010 and 2009.

The fair value of the Company's real estate owned is determined using Level 3 inputs which include current and prior appraisals and estimated costs to sell. The decrease in fair value of real estate owned was $90,266 and $312,489 for the years ended December 31, 2010 and 2009 which was recorded directly as a charge to current earnings.

26) Condensed Parent Company Only Financial Statements

The following condensed statement of financial condition, as of December 31, 2010 and 2009 and condensed statements of income and cash flows for the years ended December 31, 2010, 2009 and 2008 for AMB Financial Corp. should be read in conjunction with the consolidated financial statements and the notes thereto.

Condensed Statements of Financial Condition

	December 31, 2010	December 31, 2009
Assets		
Cash and cash equivalents	$ 1,690,447	2,065,370
Real estate owned	331,697	353,850
Real estate held for development	148,000	168,000
Investment in American Savings, FSB	16,453,855	15,767,902
Investment in AMB Financial Statutory Trust II	93,000	93,000
Prepaid expenses and other assets	677,911	768,019
Total assets	19,394,910	19,216,141
Liabilities and Stockholders' Equity		
Liabilities:		
Borrowed money	2,000,000	2,000,000
Junior subordinated debentures	3,093,000	3,093,000
Accrued taxes and other liabilities	47,578	63,788
Total liabilities	5,140,578	5,156,788
Stockholders' Equity:		
Preferred stock	3,744,541	3,707,737
Common stock	16,837	16,837
Additional paid-in capital	10,800,299	10,800,299
Retained earnings	7,453,498	7,295,323
Treasury stock	(7,760,843)	(7,760,843)
Total stockholders' equity	14,254,332	14,059,353
Total liabilities and stockholders' equity	$ 19,394,910	19,216,141

Condensed Statements of Income

	Years Ended December 31, 2010	2009	2008
Net interest expense	$ (339,988)	(326,898)	(327,709)
Loss on trading securities - net	-	-	(26,499)
Loss from write-down and sales of real estate held for development	(20,000)	(33,159)	(410,798)
Other non-interest income	-	631	9,339
Non-interest expense	(121,406)	(220,860)	(340,181)
Net loss before income taxes and equity in earnings of subsidiaries	(481,394)	(580,286)	(1,095,848)
Benefit from income taxes	190,680	229,852	434,065
Net loss before equity in earnings of subsidiaries	(290,714)	(350,434)	(661,783)
Equity in earnings (loss) of subsidiaries	685,953	(1,269,692)	381,418
Net income (loss)	$ 395,239	(1,620,126)	(280,365)

26) Condensed Parent Company Only Financial Statements (continued)

Condensed Statements of Cash Flows

	Years Ended December 31,		
	2010	2009	2008
Operating activities:			
Net income (loss)	$ 395,239	(1,620,126)	(280,365)
Equity in (earnings) loss of subsidiaries	(685,953)	1,269,692	(381,418)
Stock option compensation	-	1,463	1,755
Gain on sale of trading securities	-	-	(9,236)
Unrealized loss on trading securities held for trade	-	-	35,735
Proceeds from sale of trading securities	-	-	280,067
Loss from write-down and sales of real estate held for development	20,000	33,159	410,798
Decrease (increase) in prepaid taxes and other assets	90,108	(153,541)	(22,060)
(Decrease) increase in other liabilities	(16,210)	(27,370)	18,182
Net cash provided (for) by operating activities	(196,816)	(496,723)	53,458
Investing activities:			
Proceeds from sale of real estate held for development	-	1,047,671	383,089
Purchase of real estate held for development	-	(51,084)	(37,680)
Loan disbursements	-	-	(54,702)
Loan repayments	-	332,750	393,400
Real estate owned expenditures	(36,180)	-	-
Proceeds from sale of real estate owned	58,333	-	-
Net cash provided by investing activities	22,153	1,329,337	684,107
Financing activities:			
Proceeds from borrowed money	-	-	2,000,000
Repayment of borrowed money	-	(228,667)	(2,314,094)
Proceeds from issuance of preferred stock	-	3,674,000	-
Capital infusion transferred to Bank	-	(2,674,000)	-
Dividends received from Bank	-	-	439,000
Dividends paid on preferred stock	(200,260)	(158,539)	-
Dividends paid on common stock	-	-	(265,498)
Net cash provided (for) by investing activities	(200,260)	612,794	(140,592)
Net (decrease) increase in cash and cash equivalents	(374,923)	1,445,408	596,973
Cash and cash equivalents at beginning of year	2,065,370	619,962	22,989
Cash and cash equivalents at end of year	$ 1,690,447	2,065,370	619,962

AMB Financial Corp.
Stockholder Information

Annual Meeting

Our annual meeting of stockholders will be held at 10:30 a.m. on April 27, 2011, at the Company's corporate office, located at 8230 Hohman Avenue, Munster, Indiana.

Stock Listing

The Company's stock is traded on the OTC Bulletin Board under the symbol "AMFC.OB".

Price Range of Common Stock and Dividends

The table below shows the range of high and low sale prices and common shareholder dividends paid in fiscal 2010.

Quarter Ended	High	Low	Dividends
March 31, 2010	$3.75	$1.10	$0.00
June 30, 2010	$6.00	$2.60	$0.00
September 30, 2010	$4.20	$2.14	$0.00
December 31, 2010	$7.20	$4.10	$0.00

See Note 19 of the Notes to the Consolidated Financial Statements for information regarding limitations of the Bank's ability to pay dividends to the Company.

As of December 31, 2010, the Company had 981,638 outstanding shares of common stock.

Shareholder General Inquiries

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Munster, Indiana 46321
(219) 836-5870

Transfer Agent

Registrar & Transfer Company
10 Commerce Drive
Cranford, New Jersey 07016
(800) 368-5948

AMB Financial Corp.
Corporate Information

Corporate Office

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Munster, IN 46321

Telephone (219) 836-5870
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Web site ambfinancial.com

Directors of the Board

Clement B. Knapp, Jr.
Chairman of the Board
Since 1977

Ronald W. Borto
Director since 1986

Thomas Corsiglia
Director since 2007

Donald L. Harle
Director since 1995

Michael Mellon
Director since 2004

Robert E. Tolley
Director since 1987

Louis A. Green
Director since 2008

Officers of AMB Financial Corp.

Michael Mellon
President, Chief Executive Officer

Steven Bohn
Chief Financial Officer, Vice President

Denise L. Knapp
Corporate Secretary

Robert Rossa
Vice President

Mohammad Saleem
Vice President

Ginger Watts
Vice President

Todd Williams
Vice President

Independent Auditors
Cobitz, VandenBerg & Fennessy
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Palos Hills, IL 60465

Corporate Counsel / Local
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Attorneys at Law
200 Russell Street
Hammond, IN 46320

Corporate Counsel / Washington DC
Luse Gorman Pomerenk & Schick, P.C.
5335 Wisconsin Avenue, N.W.
Suite 780
Washington, D.C. 20015

Annual and Other Reports

The Company's reports, including additional information regarding 2010, are posted on its website at ambfinancial.com.

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