2009 Annual Report

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President's Message
To Our Stockholders:

In 2010, American Savings, FSB (the Bank), the wholly owned subsidiary of AMB Financial Corp. (the Company), celebrates its 100 year anniversary of serving the communities of Northwest Indiana. Over the past 100 years, we have not strayed from our mission. Starting out in 1910 as The First Polish Building and Loan Association, the Bank continues to provide quality housing solutions to its community through an array of products and services. During the Bank's 100 year history it has overcome numerous economic obstacles and has taken advantage of various financial opportunities. The economic and financial problems plaguing the banking industry and our local and national economies today only highlight the Bank's overall strength and ability to return benefit to the stakeholders of the organization by remaining an independent community bank serving the financial needs of individuals and small business located in Northwest Indiana.

The asset base of the Company increased by $7.4 million in 2009 totaling $187.5 million at December 31, 2009. This increase in assets is primarily attributed to increases of $14.6 million in cash and cash equivalents and $2.3 million in mortgage-backed securities. Loans receivable contributed to the Bank's increased cash position through a decline of $12.8 million in fiscal year 2009. Part of the decline in loans receivable stems from a conscious decision from management to sell $7.3 million in loans into the secondary market in an effort to control interest rate risk in today's low interest long term fixed rate environment.

The growth in assets was aided by strong deposit growth of $14.1 million in 2009 totaling $143.3 million at December 31, 2009, which enabled us to increase our cash position. Additionally, as a result of this growth, we were able to reduce our Federal Home Loan Bank borrowings by $7.7 million during 2009 to $21.0 million at December 31, 2009. Although the Bank could have chosen to invest excess cash into additional mortgage-backed securities, the low interest rate environment dictated that only a small portion of excess cash be placed in these investments. By paying off the maximum amount of these borrowings in 2009, we were able to significantly reduce our interest expense.

In 2009 the Company increased its annual provision for loan losses by $1.9 million to $2.4 million in order to address the volatile conditions in the economy that have increased nonperforming assets in the industry. This proactive and prudent contribution to the provision for loan losses resulted in a net loss of $1.6 million before preferred dividend payments. Also negatively affecting earnings was an increase in FDIC insurance costs, including the FDIC imposed five basis point emergency special assessment on insured depository institutions. As bank failures increased at an alarming rate in 2009, the FDIC increased the Bank's federal deposit insurance premiums by $208,000 to $311,000. Partially offsetting these items was a $139,000 increase in the net interest income before the provision for loan losses. This increase is attributed to the reductions in interest rate expense related to deposits and borrowings.

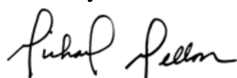
The Bank continues to remain well-capitalized by regulatory standards. Total capital to risk-weighted assets at December 31, 2009 was $16.2 million or 13.09%, which is well above the 10.00% regulatory requirement for the well-capitalized designation. Tier 1 (core) capital to adjusted total assets was $15.3 million or 8.25% and well above the 5.00% regulatory requirement for the well-capitalized designation. On January 30, 2009, we were accepted into the Troubled Asset Relief Program's Capital Purchase Program, the Company sold and the United States Department of the Treasury purchased 3,674 shares of the Company's Fixed Rate Cumulative Perpetual Preferred Stock, Series A having a liquidation preference of $1,000 per share, and a warrant to purchase up to 184 shares of Company Fixed Rate Cumulative Preferred Stock, Series B, having a liquidation preference of $1,000 per share.

The new Schererville office of the Bank completed its first full year of serving the community in 2009. The Schererville office contributed to the overall deposit growth of the organization. Total deposits for the office totaled $7.3 million as of December 31, 2009. It is expected that core deposits will continue to increase for the Schererville office in 2010, and these new deposits will aid in reducing the overall cost of funds for the Bank. The new branch, as expected for the first year, increased non-interest expense relating to occupancy and equipment expense by $146,000 during 2009. This expense is expected to be offset by rental income generated from the additional floors of office space in the Schererville branch. At this time, I am pleased to report that all rental space in the Schererville office is currently under lease or is in the final stages of negotiation. Management expects to receive rental income on all Schererville office space after the final build out for office space is complete prior to the end of the second quarter.

As we begin 2010, we are extremely optimistic about the opportunities before us. As the economy begins to recover, we recognize that full recovery will take time and will continue to present hurdles to success along the way. However, we are confident that we are poised to overcome the obstacles still inherent in the industry. We intend to reduce nonperforming assets through our problem asset mitigation plan. As problem loans work their way into real estate owned and are eventually sold, our hope is to book some recoveries along the way. Also, the Company will continue to control interest rate risk by attempting to extend our deposit maturities. Certificate of deposit maturities between 36 and 60 months increased by $4.3 million to $4.6 million in 2009. At the same time, the Company may continue to sell loans into the secondary market while this low interest rate environment exists.

Although we do not know what the next 100 years will bring to the banking industry, we are quite confident that the Company is poised to capitalize on the opportunities in the marketplace as they present themselves. We thank you for your support today and in the future.

Sincerely,



Michael Mellon
President / CEO

SELECTED CONSOLIDATED FINANCIAL INFORMATION
(Dollars in thousands)

	At December 31,				
	2009	2008	2007	2006	2005
SELECTED FINANCIAL DATA:					
Total assets	187,540	180,092	174,754	182,282	170,466
Loans receivable, net	138,044	150,834	148,025	150,701	140,035
Investment securities and interest-bearing deposits	16,583	3,913	3,849	10,433	9,367
Mortgage-backed securities	5,859	3,609	858	1,252	1,664
Trading securities	-	-	307	339	329
Deposits	143,346	129,213	118,882	124,858	127,435
Borrowed funds	22,987	30,883	35,913	34,318	21,012
Guaranteed preferred beneficial interest in junior subordinated debt	3,000	3,000	3,000	5,000	5,000
Preferred Stock	3,708	-	-	-	-
Stockholders' equity including preferred stock	14,878	12,950	13,453	14,661	14,145

	At or for the Year Ended December 31,				
	2009	2008	2007	2006	2005
SELECTED FINANCIAL RATIOS AND OTHER DATA:					
Return on average assets (1)	-0.87%	-0.16%	0.03%	0.37%	0.53%
Return on average stockholders' equity (2)	-10.38	-2.12	0.34	4.48	6.20
Return on average common equity (3)	-14.56	-2.12	0.34	4.48	6.20
Average stockholders' equity to average assets	8.40	7.36	8.01	8.28	8.54
Stockholders' equity to total assets	7.93	7.19	7.70	8.04	8.30
Interest rate spread during the period	2.52	2.60	2.31	2.69	3.02
Net interest margin	2.46	2.47	2.29	2.69	3.05
Operating expenses to average assets	2.76	2.59	2.61	2.63	2.86
Efficiency ratio (4)	107.23	101.17	97.42	82.52	80.22
Non-performing assets to total assets	5.58	3.76	1.91	2.06	1.24
Allowance for loan losses to non-performing loans	34.20	16.02	28.46	25.65	50.80
Allowance for loan losses to loans receivable, net (5)	1.66	0.56	0.50	0.45	0.53
Ratio of average interest-earning assets to average interest-bearing liabilities	.98x	.96x	.99x	1.00x	1.01x
Number of full service offices	4	4	3	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,				
	2009	**2008**	**2007**	**2006**	**2005**
SELECTED OPERATING DATA:					
Total interest income	$8,399	$9,452	$10,037	$10,027	$8,585
Total interest expense	4,407	5,599	6,442	5,807	4,149
Net interest income	3,992	3,853	3,595	4,220	4,436
Provision for loan losses	2,425	535	133	248	275
Net interest income after provision for loan losses	1,567	3,318	3,462	3,972	4,161
Non-interest income:					
Fees and service charges	912	1,069	978	1,139	1,122
Rental income	91	108	148	139	138
Gain on sale of securities	-	24	-	-	32
Unrealized (loss) gain on trading securities	-	(36)	(33)	10	(51)
Gain on sale of other assets	-	24	18	39	345
Loss on write-down and sale of other real estate owned	(414)	(131)	(88)	(79)	(4)
Loss from limited partnership	(36)	(36)	(45)	(41)	(72)
(Loss) income from real estate held for development	(33)	(411)	34	51	-
Gain on sale of loans	112	-	18	-	-
Increase in cash surrender value of life insurance	135	131	126	123	118
Other	30	32	23	23	55
Total non interest income	797	774	1,161	1,404	1,683
Non interest expense:					
Compensation and benefits	2,147	2,114	2,256	2,327	2,348
Advertising	162	201	165	250	180
Office occupancy and equipment expenses	695	549	438	428	428
Data processing	487	445	504	476	660
Federal deposit insurance premiums	311	104	16	16	16
Professional fees	409	376	401	306	243
Other	924	853	853	806	765
Total non-interest expense	5,135	4,642	4,633	4,609	4,640
(Loss) income before income taxes	(2,771)	(550)	(10)	767	1,204
Income tax (benefit) provision	(1,151)	(270)	(58)	119	344
Net (loss) income	(1,620)	(280)	48	648	860
Preferred stock dividend	159	0	0	0	0
Net (loss) income available to common shareholders	(1,779)	(280)	48	648	860
Basic (loss) earnings per common share	($1.81)	($0.29)	$0.05	$0.64	$0.90
Diluted (loss) earnings per common share	($1.81)	($0.29)	$0.05	$0.64	$0.85

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

General. AMB Financial Corp. (the "Company") is the thrift 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 its main office at 8230 Hohman Avenue, Munster, Indiana, as well as 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, construction, multi-family, 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, 2009 and should not be read to cover any subsequent 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 current economic crisis on financial institutions, the lending market and our regulatory agencies;
- the impact of current and future restrictions and requirements on institutions like us which have accepted funds from the UST under its Capital Purchase Program ("CPP");

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

The list of important factors stated above is not exclusive. We do not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by or on behalf of 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 U.S. Treasury Department's website at http://ustreas.gov/initiatives/eesa/.

FDIC Transaction Account Guarantee Program. The Bank is participating in the Transaction Account Guarantee Program, which includes additional FDIC insurance coverage for its customers. Customers with noninterest-bearing deposit accounts, Lawyer's Trust Accounts, and NOW accounts paying interest at a rate of less than 0.50 percent will be fully insured by the FDIC regardless of the account balance, through June 30, 2010. Coverage under the Transaction Account Guarantee Program is in addition to and separate from the coverage available under the FDIC's

general deposit insurance rules, which was increased from $100,000 to $250,000 per depositor, through December 31, 2013.

Operating Strategy. The Company's basic 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 and 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.

Financial Condition. The total assets of the Company were $187.5 million at December 31, 2009, an increase of $7.4 million, or 4.1%, from $180.1 million at December 31, 2008. The increase in assets was primarily the result of increases in cash and cash equivalents offset by a decline in loans receivable. Asset growth was funded by a $14.1 million increase in deposits and proceeds totaling $3.7 million related to the sale of preferred stock. Partially offsetting these inflows was debt repayment totaling $7.9 million.

Cash and cash equivalents, primarily interest bearing deposits, totaled $18.4 million at December 31, 2009, as compared to $3.8 million at December 31, 2008. 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, were repaid as the remaining security, with a par value of $500,000, was called prior to its final maturity.

Mortgage-backed securities increased $2.3 million to $5.9 million at December 31, 2009, from $3.6 million at December 31, 2008. The increase was the result of purchases totaling $3.5 million, offset in part by repayments of $1.3 million. Purchases consisted of Fannie Mae and Freddie Mac, fixed rate, pass through securities. At December 31, 2009, the Company had an unrealized gain on available for sale mortgage-backed securities of $142,000 compared to a $78,000 unrealized gain at December 31, 2008.

Net loans receivable decreased $12.8 million, or 8.5%, to $138.0 million at December 31, 2009, from $150.8 million at December 31, 2008. Loan originations and purchases totaled $47.8 million during the year ended December 31, 2009, as compared to $43.7 million during the prior year period. Included in the 2009 total were $7.3 million of loans originated for sale and subsequently sold into the secondary market. 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 $54.0 million and $39.0 million for the years ended December 31, 2009 and 2008, respectively.

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

The allowance for loan losses totaled $2.3 million at December 31, 2009, an increase of $1.5 million from the $855,000 allowance at December 31, 2008. The Bank’s allowance for loan losses to net loans receivable was 1.66% at December 31, 2009, compared to 0.56% at December 31, 2008. 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, 2009. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in information and economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for losses. Such agencies may require the Bank to recognize additions to the allowance based on their judgments about information available to them at the time of their examination.

Non-performing loans totaled $6.8 million, or 4.82% of total loans receivable at December 31, 2009, compared to $5.3 million, or 3.49% of total loans receivable at December 31, 2008. The increase in non-performing loans during the current year was primarily due to the addition of two loans totaling $2.4 million. The first consists of a $1.2 million participation interest in a real estate development loan for the construction of nine residential condominium units located in Chicago, Illinois. The units are substantially completed, however, there have been no sales which has resulted in the borrower experiencing cash flow difficulties. During the third quarter of 2009, management filed a lawsuit against the lead lender and has retained legal counsel to actively pursue potential material violations of the participation agreement and the underlying loan documentation by the lead lender. The other loan was 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 current economic conditions in Michigan resulting in the inability to maintain debt service coverage. The Company, in conjunction with other loan participants, is attempting to restructure the loan agreement.

In addition to the two loans discussed above, non-performing loans at December 31, 2009, consisted of thirty-four single family mortgage loans totaling $3.7 million, of which six loans totaling $523,000 are located out of the Bank’s general lending area, one loan secured by an undeveloped lot totaling $17,000, one single family construction loan totaling $225,000, one second mortgage line of credit loan totaling $32,000, one non residential loan totaling $70,000, one multi-family residential loan totaling $245,000, two commercial non mortgage loans totaling $60,000, four consumer loans totaling $88,000, and three credit card receivables totaling $33,000. The ratio of allowance for loan losses to non-performing loans was 34.2% at December 31, 2009, compared to 16.0% at December 31, 2008.

Net real estate owned at December 31, 2009 totaled $3.6 million and includes twelve single family dwelling units totaling $1.9 million, six single family dwelling units in various stages of construction totaling $624,000, thirty three single family vacant land parcels totaling $921,000 of which twenty one parcels totaling $192,000 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 managements’ estimate of net realizable value. During 2009, the Company recorded a loss on the sale of real estate owned of $101,000 and write-downs in the value of real estate in the amount of $312,000 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 $36,000 to $640,000 at December 31, 2009, from $676,000 at December 31, 2008. 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, while generating housing tax credits to offset federal income tax liabilities.

Stock in the FHLB of Indianapolis remained unchanged totaling $2.0 million at December 31, 2009. 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 $8.8 million at December 31, 2009, as compared to $8.6 million at December 31, 2008. The Company incurred an additional $367,000 of construction build out costs for its office building located in Schererville, Indiana, which was opened to the public in October 2008. While the Bank utilizes a portion of the building as a full service branch office, the remainder of the building is being actively marketed for lease.

The Company’s investment in real estate development consists of two vacant lots valued at $168,000, which are currently listed for sale. During the year ended December 31, 2009, the Company sold the remaining two single family residences which had been constructed during prior periods as well as two additional vacant lots, realizing proceeds of $1.0 million, while recognizing a loss of $33,000.

Bank owned life insurance increased $135,000 to $4.0 million at December 31, 2009, as compared to $3.9 million at December 31, 2008. 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 $2.5 million to $5.4 million at December 31, 2009, as compared to $2.9 million at December 31, 2008. The increase was primarily due to a $1.0 million increase in the deferred tax asset, which totaled $1.9 million at December 31, 2009, the prepayment of three years of FDIC insurance premiums in the amount $840,000, and a $482,000 increase in the Company's purchased accounts receivable program, which involves the purchase and subsequent management of accounts receivable of credit-worthy business customers. The increase in the Company's deferred tax asset was primarily due to the current year net operating loss as well as the increase in the allowance for loan losses.

Deposits increased $14.1 million, or 10.9%, to $143.3 million at December 31, 2009, from $129.2 million at December 31, 2008. The increase in deposits was due to a $6.3 million increase in certificates of deposit, a $4.1 million increase in demand deposits and NOW accounts (checking), a $3.1 million increase in money market accounts, and a $626,000 increase in passbook accounts. At December 31, 2009, the Bank's non-certificate accounts (passbook, checking and money market accounts) comprised $54.7 million, or 38.2% of deposits, compared to $46.9 million, or 36.3% of deposits at December 31, 2008. Deposits at the Schererville branch office, which opened in October 2008, totaled $7.3 million at December 31, 2009 as compared to $3.8 million at December 31, 2008. Deposits in general increased due to successful marketing efforts as well as with the public's current preference towards FDIC insured products as compared to alternative investments, including equity markets, given the stock market turmoil's of recent years.

Borrowed money, which consisted primarily of FHLB of Indianapolis advances, decreased by $7.9 million, or 25.6%, to $23.0 million at December 31, 2009, as compared to $30.9 million at December 31, 2008. The Company was able to reduce borrowings due in part to the aforementioned increase in deposit balances. Borrowings from the FHLB of Indianapolis totaled $21.0 million at December 31, 2009, compared with $28.7 million at December 31, 2008. At December 31, 2009, the weighted average rate on the FHLB of Indianapolis borrowings was 4.49%, compared to 4.26% at December 31, 2008. The weighted term to maturity of the Company's FHLB of Indianapolis borrowings at December 31, 2009 was 1.4 years.

Total stockholders' equity of the Company increased by $1.9 million to $14.9 million, or 7.93% of total assets, at December 31, 2009, compared to $13.0 million, or 7.19% of total assets at December 31, 2008. The increase in stockholders' equity was the result of the aforementioned proceeds totaling $3.7 million regarding the preferred stock sale to the United States Treasury as well as an unrealized market value gain on available for sale securities during the year, net of tax, in the amount of $31,000. Offsetting these increases were a $1.6 million net loss for the year ended December 31, 2009 and preferred stock dividends paid to the United States Treasury totaling $159,000. The number of common shares outstanding at December 31, 2009 was 981,638 and the book value per common share (excluding book value relating to preferred stock) outstanding was $11.38. The Bank's tangible, core and risk-based capital percentages of 8.25%, 8.25% and 13.09%, respectively, at December 31, 2009 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)								
	2009			2008			2007		
	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)	143,875	8,137	5.66%	149,034	9,177	6.16%	146,047	9,497	6.50%
Mortgage-backed securities	4,790	190	3.97%	1,853	85	4.59%	1,015	46	4.53%
Investment securities	372	20	5.42%	1,080	59	5.46%	3,080	156	5.06%
Interest-bearing deposits	11,290	5	0.04%	2,043	37	1.81%	5,196	258	4.97%
FHLB stock	1,965	47	2.37%	1,928	94	4.88%	1,751	80	4.57%
Total interest-earning assets	162,292	8,399	5.18%	155,938	9,452	6.06%	157,089	10,037	6.39%
Non-interest earning assets	23,446			23,279			20,196		
Total assets	185,738			179,217			177,285		
Liabilities and Stockholders Equity:									
Interest-Bearing Liabilities									
Passbook accounts	17,299	74	0.43%	17,199	174	1.01%	17,542	186	1.06%
Demand and NOW accounts	32,671	297	0.91%	26,927	425	1.58%	23,498	372	1.58%
Certificate accounts	87,071	2,590	2.97%	79,399	3,148	3.96%	80,319	3,838	4.78%
Total deposits	137,041	2,961	2.16%	123,525	3,747	3.03%	121,359	4,396	3.62%
Borrowings	25,844	1,249	4.83%	35,218	1,649	4.68%	33,131	1,774	5.35%
Junior subordinated debentures	3,000	197	6.55%	3,000	203	6.77%	3,495	272	7.78%
Total interest-bearing liabilities	165,885	4,407	2.66%	161,743	5,599	3.46%	157,985	6,442	4.08%
Non-interest liabilities	4,244			4,279			5,104		
Total liabilities	170,129			166,022			163,089		
Stockholders equity	15,609			13,195			14,196		
Total liabilities and stockholders equity	185,738			179,217			177,285		
Net interest income / net interest rate spread		3,992	2.52%		3,853	2.60%		3,595	2.31%
Net interest-earning assets / net interest margin	(3,593)		2.46%	(5,805)		2.47%	(896)		2.29%
Ratio of interest-earning assets to interest bearing liabilities	.98x			.96x			.99x		

(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,								
		2009 Compared to 2008 Increase (Decrease) Due to				2008 Compared to 2007 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	$	(748)	(318)	26	(1,040)	(504)	194	(10)	(320)
Mortgage-backed securities		(11)	134	(18)	105	1	38	-	39
Investment securities		(1)	(39)	1	(39)	12	(101)	(8)	(97)
Interest-bearing deposit		(36)	167	(163)	(32)	(164)	(157)	100	(221)
FHLB Stock		(48)	2	(1)	(47)	5	8	1	14
Totals	$	(844)	(54)	(155)	(1,053)	(650)	(18)	83	(585)
Interest-bearing liabilities:									
Passbook accounts	$	(100)	1	(1)	(100)	(9)	(3)	-	(12)
Demand and Now accounts		(180)	90	(38)	(128)	(1)	54	-	53
Certificate accounts		(786)	304	(76)	(558)	(653)	(44)	7	(690)
Borrowed funds		53	(439)	(14)	(400)	(223)	112	(14)	(125)
Junior subordinated debentures		(6)	-	-	(6)	(35)	(39)	5	(69)
Totals	$	(1,019)	(44)	(129)	(1,192)	(921)	80	(2)	(843)
Net change in net interest income				$	139			$	258

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 current year loss of $1.6 million is 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 reflects the impact of continuing lower short and long-term interest rates, as compared to the same period one-year ago. 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 prior year. 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 reflects 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 new 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 current year. Interest income on investment securities decreased $39,000, to $20,000 for the year ended December 31, 2009, as compared to the prior year. 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. 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 prior year. 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 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 $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 prior year. 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 prior year, 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. As was the case during 2008, the majority of certificates of deposits that were scheduled to reprice during 2009 did so at relatively lower short-term rates.

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 prior year 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 prior year's 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 prior year. Interest expense on other borrowings decreased by $33,000, totaling $357,000 for the year ended December 31, 2009, 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 $139,000, or 3.6%, to $4.0 million for the year ended December 31, 2009, as compared to the prior year. The net interest rate spread decreased to 2.52% during the current year, as compared to 2.60% for the year ended

December 31, 2008. The net interest margin decreased to 2.46% in the current year, 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 prior year due to the increase in both non-performing loans discussed above and loan charge-offs, which have been severely impacted by slowing 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. The provision during the current year was determined by managements' internal analysis of the allowance for loan losses. Based upon managements' 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 $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 prior year 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 as the Company continues to actively market for lease its available 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. However, beginning January 1, 2011, the base rate would increase by 3 basis points. In view of today's adverse economic conditions, there can be no assurance that the FDIC will not further raise its premium rate or require additional special assessments. In addition, in view of our recent adverse operating results, there can be no assurance that we will not receive a ratings downgrade triggering an increase in our premium rate.

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

Comparison of the Results of Operations for the Years Ended December 31, 2008 and 2007

General – The Company recorded a net loss totaling $280,000 for the year ended December 31, 2008, as compared to net income totaling $48,000 for the year ended December 31, 2007. The diluted loss per share totaled ($0.29) for the year ended December 31, 2008, as compared to diluted earnings of $0.05 per share for the year ended December 31, 2007. The 2008 period loss is primarily attributable to a $411,000 loss incurred on the write down and sale of real estate held for development, holding costs totaling $107,000 consisting primarily of real estate tax expenses related to the properties, as well as increased provisions for loan losses totaling $402,000.

Interest income - Total interest income decreased by $585,000, or 5.8%, to $9.5 million for the year ended December 31, 2008, as compared to the year ended December 31, 2007. This decrease was the result of a $1.2

million decrease in the average balance of interest-earning assets to $155.9 million for the year ended December 31, 2008, as compared to $157.1 million for the year ended December 31, 2007, as well as a decrease in the average yield on interest-earning assets to 6.06% for the year ended December 31, 2008, as compared to 6.39% for the year ended December 31, 2007. The decrease in the average balance of interest-earning assets was primarily due to decreases in the average balance of interest-bearing deposits and investment securities offset by an increase in loans receivable.

Interest income on loans receivable decreased $321,000, to $9.2 million at December 31, 2008, as compared to the year ended December 31, 2007. The decrease in interest income on loans was the result of a 34 basis point decline in the average yield to 6.16% for the year ended December 31, 2008, from 6.50% for the year ended December 31, 2007, offset in part by a $3.0 million increase in the average balance of loans outstanding to $149.0 million for the year ended December 31, 2008, as compared to $146.0 million for the year ended December 31, 2007. The decrease in the average yield on loans receivable reflects the impact of lower yielding originations and purchases, interest rate reductions on adjustable rate loans, which are indexed to Prime, as well as an increase in the Company's level of nonperforming loans. The increase in the average balance was due to higher levels of originations and purchases exceeding principal repayments.

Interest income on mortgage-backed securities increased $39,000 totaling $85,000 at December 31, 2008, due to an $838,000 increase in the average balance in the portfolio. The average balance increased due to purchases of $3.2 million during the year ended December 31, 2008. Interest income on investment securities decreased $97,000, to $59,000 at December 31, 2008, as compared to the year ended December 31, 2007. The decrease in interest income on investment securities was the result of a $2.0 million decrease in the average balance of investment securities outstanding, which was partially offset by an increase in the average yield to 5.46% for the year ended December 31, 2008, from 5.06% for the year ended December 31, 2007. The decrease in the average balance was due primarily to maturities and sales of investment securities. Interest income on interest bearing deposits decreased by $220,000, to $37,000 at December 31, 2008, from $257,000 at December 31, 2007. The decrease in interest income was the result of a $3.2 million decrease in the average balance outstanding, as well as a decrease in the average yield to 1.81% for the year ended December 31, 2008, from 4.97% for the year ended December 31, 2007. The decrease in the average balance was due in part to fund loan originations and the construction of a new branch office. The decrease in the average yield was due to lower short-term interest rates paid on overnight deposits during the latter portion of 2008, as compared to 2007. Dividend income on FHLB of Indianapolis stock increased by $14,000, to $94,000 at December 31, 2008, as compared to the year ended December 31, 2007. The increase in dividend income was the result of an increase in the average yield to 4.88% for the year ended December 31, 2008, from 4.57% for the year ended December 31, 2007, and an average balance outstanding increase of $177,000 due to FHLB of Indianapolis stock purchase requirements.

Interest Expense - Total interest expense decreased by $843,000, or 13.1%, to $5.6 million for the year ended December 31, 2008, as compared to the year ended December 31, 2007. The cost of interest-bearing liabilities decreased 62 basis points to 3.46% for the year ended December 31, 2008, as compared to 4.08% for the year ended December 31, 2007, due primarily to declining short-term interest rates, which enabled management to lower the rate on maturing certificates of deposits and still remain competitive. Partially offsetting this decline was a $3.7 million increase in the outstanding average balance of interest-bearing liabilities to $161.7 million for the year ended December 31, 2008, as compared to $158.0 million for the year ended December 31, 2007. The increase in the average balance of interest-bearing liabilities was primarily due to a $1.6 million increase in the average outstanding balance of borrowings consisting primarily of FHLB of Indianapolis advances along with a $2.2 million increase in average deposit balances outstanding.

Interest expense on deposits decreased by $648,000, or 14.7%, to $3.7 million for the year ended December 31, 2008, as compared with the year ended December 31, 2007, as a result of a 59 basis point decrease in the average cost of deposits to 3.03% for the year ended December 31, 2008 from 3.62% for 2007, offset in part by a $2.2 million increase in the average balance of deposits outstanding. The decrease in the average cost of deposits was primarily impacted by an 82 basis point decrease on certificates of deposits to an average rate of 3.96% during 2008, as compared to an average rate of 4.78% for 2007. During 2008, the majority of certificates of deposits that were scheduled to reprice did so at relatively lower short-term rates.

Interest expense on borrowings decreased by $195,000, or 9.5%, to $1.9 million for the year ended December 31, 2008, as compared with the year ended December 31, 2007, as a result of a 75 basis point decline in the average cost of borrowed funds, to 4.84% for the year ended December 31, 2008 compared to 5.59% for the year ended December 31, 2007, offset by a $1.6 million increase in the average balance of borrowings to $38.2 million for the year ended December 31, 2008, from $36.6 million for the year ended December 31, 2007. Interest expense on FHLB of Indianapolis advances decreased by $191,000 to $1.5 million for the year ended December 31, 2008, as compared with the year ended December 31, 2007, as a result of a decrease of 79 basis points in the average cost of FHLB of Indianapolis advances to 4.48%, offset in part by a $1.3 million increase in the average balance to $32.6 million for

the year ended December 31, 2008, from $31.3 million for the year ended December 31, 2007. Interest expense on other borrowings decreased $4,000 to $391,000 for the year ended December 31, 2008, as compared to $395,000 for the prior year.

Net Interest Income - As a result of the above changes in interest income and interest expense, net interest income increased $258,000, or 7.2%, to $3.9 million for the year ended December 31, 2008, as compared to the year ended December 31, 2007. The net interest rate spread increased to 2.60% during the year ended December 31, 2008, as compared to 2.31% for the year ended December 31, 2007. The net interest margin also increased to 2.47% for the year ended December 31, 2008, as compared to 2.29% for the year ended December 31, 2007. The net interest rate spread and net interest margin increased between the periods primarily due to a decrease in the average cost of interest-bearing liabilities, which was favorably impacted by federal funds rate declines, which occurred throughout 2008.

Provision for Loan Losses - The Company recorded a provision for loan losses of $535,000 during the year ended December 31, 2009, as compared to $133,000 during the year ended December 31, 2007, due to the increase in non-performing loans previously discussed and loan charge-offs, which were impacted by severe slowing conditions in both the local and national economy. The recording of a $249,000 loan loss recovery favorably impacted the provision recorded for the year ended December 31, 2007. During the year ended December 31, 2008, the Bank's net charge-offs totaled $418,000 due primarily to losses incurred on single family and nonresidential loans as they were written down to current market values upon transfer into real estate owned. The provision during the year ended December 31, 2008, was primarily the result of managements' periodic assessment of the allowance for loan losses on loans. Based upon managements' 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 decreased by $387,000, to $774,000 for the year ended December 31, 2008, as compared to $1.2 million for the year ended December 31, 2007. The reduction was due in part to the recognition of the aforementioned $411,000 in losses from write-downs of real estate held for development and sales compared to $34,000 in gains for the year ended December 31, 2007, an increase of $42,000 in losses on the sale of real estate owned and, a $40,000 decline in rental income due to a vacancy at the Company's Dyer, Indiana branch office. Partially offsetting these was a $68,000 increase in other fee income primarily related to the Company's accounts receivable program due to increased volumes experienced during most of 2008 and an $18,000 increase in deposit fee income.

Non-Interest Expense - Non-interest expense increased by $9,000, to $4.6 million at December 31, 2008. Occupancy and equipment expenses increased by $111,000 primarily due to the opening of the new branch office in October 2008, an $87,000 increase in federal deposit insurance premiums due to the Bank fully utilizing its FDIC insurance credit in 2007, and a $37,000 increase in advertising expenses also related to the aforementioned new branch office. These increases were offset in part by a $142,000 decrease in compensation and benefit expenses, primarily in reduced pension costs, a $59,000 decline in data processing expense due in part to the contract renegotiation of the primary data processing vendor of the Bank, and $26,000 decline in professional and legal fees due to lower consulting expenses.

Income Taxes - The Company recorded an income tax benefit of $270,000 for the year ended December 31, 2008, as compared to an income tax benefit of $58,000 for the year ended December 31, 2007. The 2008 year's tax benefit was generated in part by the net loss incurred during the year as well as by favorable permanent tax adjustments relating to increases in cash value on Bank owned life insurance while the prior year's tax benefit was also generated in part by these favorable permanent tax adjustments as well as refunds generated from amending a prior year's state income tax return.

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, 2009 and 2008, 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 2009 and 2008, 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 (Basis Points)	2009 $ Amount	2009 $ Change	2009 % Change	2008 $ Amount	2008 $ Change	2008 % Change
	(dollars in thousands)					
+300	18,914	(5,297)	(22)	12,121	(5,011)	(29)
+200	21,006	(3,205)	(13)	14,941	(2,191)	(13)
+100	22,849	(1,362)	(6)	16,597	(535)	(3)
+ 50	23,618	(593)	(2)	16,970	(162)	(1)
0	24,211	-	-	17,132	-	-
- 50	24,625	414	2	17,019	(113)	(1)
-100	24,822	611	3	16,787	(345)	(2)

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 for investment and sale and the purchase of real estate and other loans and the purchase of mortgage-backed securities. During the years ended December 31, 2009 and 2008, the Company's loans originated for investment totaled $38.1 million and $41.2 million, respectively. Purchased loans totaled $2.3 million and $2.5 million, for the years ended December 31, 2009 and 2008, respectively. During the years ended December 31, 2009 and 2008, the Company's loans originated for sale totaled $7.3 million and $0, respectively. Purchases of mortgage-backed securities available for sale totaled $3.5 million and $3.2 million for the years ended December 31, 2009 and 2008, respectively.

These activities were funded primarily by principal repayments on loans and mortgage-backed securities and the sale of loans. During the years ended December 31, 2009 and 2008, principal repayments on loans totaled $46.6 million and $39.1 million, respectively. During the years ended December 31, 2009 and 2008, principal repayments on mortgage-backed securities available for sale totaled $1.3 million and $500,000, respectively. During the years ended December 31, 2009 and 2008, the proceeds from the sale of loans totaled $7.4 million and $0, respectively.

For the year ended December 31, 2009, the Company experienced a net increase in deposits (including the effect of interest credited) of $14.1 million, as compared to a net increase in deposits of $10.3 million during 2008. New borrowings, consisting primarily of FHLB of Indianapolis advances, totaled $2.0 million during 2009, compared to $32.3 million in 2008. Borrowings of $9.9 million and $37.3 million were repaid in fiscal 2009 and 2008, respectively. For the most part, we funded our operations during 2009 through the utilization of net deposit inflows as well as proceeds totaling $3.7 million related to the sale of the preferred stock.

The Company may borrow funds from the FHLB of Indianapolis subject to certain limitations. At December 31, 2009, based on the level of qualifying collateral available to secure advances, the Company's had an unused borrowing capacity of $35.0 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, 2009 and 2008, cash and cash equivalents totaled $18.4 million and $3.8 million, respectively, as management determined to increase liquidity rather than deploy those funds into other investments in the low interest rate environment.

At December 31, 2009, the Company had outstanding loan origination commitments of $1.1 million. Undisbursed loans in process totaled $721,000 at year-end. The Company has approved, but unused, home equity lines of credit of approximately $5.1 million at December 31, 2009. In addition, the Company has approved, but unused, equity lines of credit on various construction and commercial projects of approximately $3.3 at December 31, 2009, as well as approved, but unused, credit card lines of credit of approximately $1.6 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, 2009 totaled $60.5 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, 2009, with a leverage capital ratio of 8.25% and a total risk-based capital ratio of 13.09%. 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 paid $0 and

$439,000 in dividends to the Company for the years ended December 31, 2009 and 2008 respectively. 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 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. 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 CCP 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, 2009 and 2008, 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, 2009. 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, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ending December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

February 9, 2010
Palos Hills, Illinois

AMB FINANCIAL CORP.
AND SUBSIDIARIES

Consolidated Statements of Financial Condition

	December 31, 2009	December 31, 2008
Assets		
Cash and amounts due from depository institutions	$ 3,791,899	2,364,292
Interest-bearing deposits	14,617,942	1,435,770
Total cash and cash equivalents	18,409,841	3,800,062
Investment securities, available for sale, at fair value (note 2)	-	512,267
Mortgage-backed securities, available for sale, at fair value (note 3)	5,859,377	3,609,479
Loans receivable (net of allowance for loan losses: 2009 - $2,329,696; 2008 - $855,330) (note 4)	138,044,484	150,833,889
Real estate owned	3,646,612	1,322,324
Investment in limited partnership (note 6)	640,357	676,029
Stock in Federal Home Loan Bank of Indianapolis, at cost	1,965,100	1,965,100
Accrued interest receivable (note 7)	600,361	719,692
Office properties and equipment - net (note 8)	8,755,864	8,616,368
Real estate held for development (note 9)	168,000	1,197,746
Bank owned life insurance	4,005,592	3,870,882
Prepaid expenses and other assets (note 10)	5,444,522	2,968,571
Total assets	187,540,110	180,092,409
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits (note 11)	143,345,935	129,212,620
Borrowed money (note 12)	22,987,142	30,883,136
Junior subordinated debentures (note 13)	3,000,000	3,000,000
Note payable	-	72,186
Advance payments by borrowers for taxes and insurance	613,031	603,501
Other liabilities (note 14)	2,715,819	3,370,531
Total liabilities	172,661,927	167,141,974
Stockholders' Equity:		
Preferred stock, $1,000 liquidation value, 100,000 shares authorized; Issued: 3,647 shares at December 31, 2009 and 0 at December 31, 2008	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, 2009 and 2008	16,837	16,837
Additional paid-in capital	11,533,912	11,532,449
Retained earnings, substantially restricted	7,295,323	9,107,725
Accumulated other comprehensive income, net of tax	85,217	54,267
Treasury stock, at cost (702,003 shares at December 31, 2009 and 2008)	(7,760,843)	(7,760,843)
Total stockholders' equity (notes 18 and 19)	14,878,183	12,950,435
Commitments and contingencies (notes 20 and 21)		
Total liabilities and stockholders' equity	$ 187,540,110	180,092,409

See accompanying notes to consolidated financial statements.

AMB FINANCIAL CORP.
AND SUBSIDIARIES

Consolidated Statements of Income

	Years Ended December 31,		
	2009	2008	2007
Interest income:			
Interest on loans	$ 8,136,768	9,176,724	9,497,334
Interest on mortgage-backed securities	190,233	84,930	46,381
Interest on investment securities	20,167	58,888	156,275
Interest on interest-bearing deposits	4,999	37,107	257,548
Dividends on Federal Home Loan Bank stock	46,637	93,981	79,510
Total interest income	8,398,804	9,451,630	10,037,048
Interest expense:			
Interest on deposits (note 11)	2,961,115	3,747,177	4,395,507
Interest on borrowings (notes 12 and 13)	1,445,964	1,851,292	2,046,183
Total interest expense	4,407,079	5,598,469	6,441,690
Net interest income	3,991,725	3,853,161	3,595,358
Provision for loan losses (note 4)	2,425,000	535,000	132,789
Net interest income after provision for loan losses	1,566,725	3,318,161	3,462,569
Non-interest income:			
Loan fees and service charges	179,201	139,431	135,903
Deposit related fees	482,080	510,688	492,026
Other fee income	250,772	418,403	350,023
Rental income	91,382	107,701	148,023
Gain on sale of available for sale securities (note 2)	-	14,937	-
Loss on trading securities - net	-	(26,499)	(32,709)
Gain on sale of loans (note 5)	111,592	-	18,429
Loss on write-down and sale of real estate owned - net	(413,740)	(130,533)	(88,495)
Loss from limited partnership (note 6)	(35,672)	(36,100)	(45,000)
(Loss) income from write-down and sales of real estate held for development (note 9)	(33,159)	(410,798)	34,256
Gain on sale of other assets	-	23,841	-
Increase in cash surrender value of life insurance	134,710	130,588	126,022
Other income	29,915	32,440	22,308
Total non-interest income	797,081	774,099	1,160,786
Non-interest expense:			
Staffing costs (notes 15 and 16)	2,147,378	2,114,150	2,256,050
Advertising	161,960	201,828	164,815
Occupancy and equipment expenses (note 8)	694,765	548,607	437,521
Data processing	486,758	444,989	503,783
Professional fees	408,990	375,719	401,563
Federal deposit insurance premiums	227,287	103,761	16,593
FDIC special assessment (note 23)	84,030	-	-
Other	923,768	853,117	852,874
Total non-interest expense	5,134,936	4,642,171	4,633,199
Loss before income tax benefit	(2,771,130)	(549,911)	(9,844)
Income tax benefit (note 17)	(1,151,004)	(269,546)	(58,284)
Net (loss) income	(1,620,126)	(280,365)	48,440
Preferred stock dividends	158,539	-	-
Net (loss) income available to common shareholders	$ (1,778,665)	(280,365)	48,440
(Loss) earnings per common share -			
Basic	$ (1.81)	(.29)	.05
Diluted	$ (1.81)	(.29)	.05

See accompanying notes to consolidated financial statements.

AMB FINANCIAL CORP.
AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

Three Years Ended December 31, 2009

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at December 31, 2006	$ -	16,862	11,519,168	9,963,363	(24,650)	(6,813,575)	14,661,168
Comprehensive income:							
Net income				48,440			48,440
Other comprehensive income, net of tax:							
Unrealized holding gain during the year					36,878		36,878
Total comprehensive income							85,318
Purchase of treasury stock (62,184 shares)						(947,268)	(947,268)
Stock option compensation			11,501				11,501
Dividends declared on common stock ($.35 per share)				(358,215)			(358,215)
Balance at December 31, 2007	-	16,862	11,530,669	9,653,588	12,228	(7,760,843)	13,452,504
Comprehensive loss:							
Net loss				(280,365)			(280,365)
Other comprehensive income, net of tax:							
Unrealized holding gain during the year					51,001		51,001
Reclassification adjustment of gains included in net loss					(8,962)		(8,962)
Total comprehensive loss							(238,326)
Employee benefit stock retired (2,528 shares)		(25)	25				-
Stock option compensation			1,755				1,755
Dividends declared on common stock ($.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

See accompanying notes to consolidated financial statements.

AMB FINANCIAL CORP.
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Years Ended December 31,		
	2009	2008	2007
Cash flows from operating activities:			
Net (loss) income	$ (1,620,126)	(280,365)	48,440
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation	348,016	224,652	200,526
Stock option compensation	1,463	1,755	11,501
Amortization of premiums and accretion of discounts	16,859	2,403	13,743
Gain on sale of available for sale securities	-	(14,937)	-
Proceeds from sale of loans held for sale	7,384,958	-	1,389,664
Origination of loans held for sale	(7,321,500)	-	(1,379,711)
Gain on sale of loans	(111,592)	-	(18,429)
Gain on sale of other assets	-	(23,841)	-
Net loss on sale and write-down of real estate owned	413,740	130,533	88,495
Provision for loan losses	2,425,000	535,000	132,789
Loss from limited partnership	35,672	36,100	45,000
Increase in cash surrender value of life insurance	(134,710)	(130,588)	(126,022)
Loss (income) from write-down and sales of real estate held for development	33,159	410,798	(34,256)
Gain on sale of trading securities	-	(9,236)	-
Unrealized loss on trading securities	-	35,735	32,709
Proceeds from sale of trading securities	-	280,067	-
Increase (decrease) in net deferred yield adjustments on loans	127,486	(25,379)	(63,108)
Increase in prepaid and deferred income taxes	(1,151,004)	(269,546)	(58,284)
Decrease in accrued interest receivable	119,331	21,580	55,082
(Decrease) increase in accrued interest payable	(15,656)	(18,988)	6,852
(Increase) decrease in purchased accounts receivable	(482,390)	2,148,054	(704,257)
Increase in deferred compensation	21,603	19,303	36,579
Other, net	(1,475,715)	434,707	408,066
Net cash provided (for) by operating activities	(1,385,406)	3,507,807	85,379
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	1,500,000
Purchase of investment securities	-	(4,917)	(8,569)
Purchase of mortgage-backed securities	(3,522,134)	(3,164,906)	-
Proceeds from repayments of mortgage-backed securities	1,319,227	492,923	410,349
Purchase of loans	(2,304,247)	(2,527,393)	(6,183,105)
Loan disbursements	(38,149,017)	(41,153,666)	(42,422,014)
Loan repayments	46,583,557	39,097,221	50,674,810
Proceeds from sale of real estate owned	1,368,598	562,731	779,066
Purchase of Federal Home Loan Bank stock	-	(214,200)	-
Proceeds from sale of real estate held for development	1,047,671	383,089	476,691
Purchase of real estate held for development	(51,084)	(37,680)	(514,837)
Proceeds from sale of other assets	-	54,267	-
Property and equipment expenditures, net	(487,512)	(2,660,222)	(3,555,318)
Net cash provided by (for) investing activities	$ 6,305,059	(7,958,377)	1,157,073

(Continued)

AMB FINANCIAL CORP.
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Years Ended December 31,		
	2009	2008	2007
Cash flows from financing activities:			
Net increase (decrease) in deposits	$ 14,133,315	10,331,073	(5,976,454)
Proceeds from borrowed money	2,000,000	32,300,000	16,800,000
Repayment of borrowed money	(9,895,994)	(37,329,883)	(15,204,570)
Proceeds from issuance of capital trust securities	-	-	3,000,000
Repayment of capital trust securities	-	-	(5,000,000)
Repayment of notes payable	(72,186)	(134,344)	(136,037)
Increase (decrease) in advance payments by borrowers for taxes and insurance	9,530	414,276	(212,742)
Proceeds from issuance of preferred stock	3,674,000	-	-
Purchase of treasury stock	-	-	(947,268)
Dividends paid on preferred stock	(158,539)	-	-
Dividends paid on common stock	-	(265,498)	(358,215)
Net cash provided by (for) financing activities	9,690,126	5,315,624	(8,035,286)
Net change in cash and cash equivalents	14,609,779	865,054	(6,792,834)
Cash and cash equivalents at beginning of year	3,800,062	2,935,008	9,727,842
Cash and cash equivalents at end of year	$ 18,409,841	3,800,062	2,935,008
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest	$ 4,422,735	5,617,457	6,434,838
Income taxes	-	-	-
Non-cash investing activities:			
Transfer of loans to real estate owned	$ 4,106,626	1,265,176	536,860

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 Statement of Financial Accounting Standards ("SFAS") No. 115 "Accounting for Certain Investments in Debt and Equity Securities". SFAS No. 115 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.

SFAS No. 115 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 being deferred in accordance with SFAS No. 91 "Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases". This statement requires that loan origination fees and direct loan origination costs for a completed loan be netted and then deferred and amortized into interest income as an adjustment of yield over the contractual life 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 Statement of Financial Accounting Standards No.5, Accounting for Contingencies (SFAS 5). 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 Statement of Financial Accounting Standards No. 114, Accounting by Creditors for Impairment of a Loan. 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,		
	2009	2008	2007
Weighted average number of common shares outstanding used in basic EPS calculation	981,638	981,638	1,024,578
Add common stock equivalents for shares issuable under Stock Option Plans	-	-	4,523
Weighted average number of shares outstanding adjusted for common stock equivalents	981,638	981,638	1,029,101
Net (loss) income available to common shareholders	$ (1,778,665)	(280,365)	48,440
Basic (loss) earnings per common share	$ (1.81)	(.29)	.05
Diluted (loss) earnings per common share	$ (1.81)	(.29)	.05

Stock Option Plans

The Company has adopted Statement of Financial Standards No. 123(R), “Share-Based Payments”. SFAS No. 123(R) requires that stock option awards, as well as other equity based compensation, be recognized as compensation expense in the income statement based on their fair values determined at the date of grant. The Company elected to apply SFAS No. 123(R) on a “modified prospective” method, which recognizes compensation cost (a) based on the requirements of SFAS No. 123(R) for all share-based payments granted after the effective date, and (b) based on the requirements of SFAS No. 123 for all awards granted to employees prior to the effective date of SFAS No. 123(R) that remain unvested on the effective date.

A summary of activity under the Company’s stock option plans for the three years ended December 31, 2009 is as follows:

	Years Ended December 31,		
	2009	2008	2007
Net (loss) income available to common shareholders, as reported	$ (1,778,665)	(280,365)	48,440
Deduct: Total stock based employee compensation expense determined under the fair value based method, net of related tax effects	-	-	-
Pro forma net (loss) income available to common shareholders	$ (1,778,665)	(280,365)	48,440
Diluted (loss) earnings per common share, as reported	$ (1.81)	(.29)	.05
Pro forma diluted (loss) earnings per common share	$ (1.81)	(.29)	.05

2) Investment Securities, Available for Sale

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2008				
United States Government and agency obligations	$ 500,000	12,267	-	512,267
Weighted average interest rate on debt securities	5.50%			

The contractual maturity of the above investment was September 25, 2013, however, this security was called at par on September 25, 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. There were no sales of investment securities, available for sale during the year ended December 31, 2007. The change in net unrealized gains and losses during the current year of $12,267, net of the tax effect of $4,907, resulted in a $7,360 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, 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%			
December 31, 2008				
Participation Certificates:				
FHLMC - Fixed rate	$ 1,454,644	33,605	-	1,488,249
FNMA - Adjustable rate	38,079	-	1,340	36,739
FNMA - Fixed rate	2,014,055	44,683	964	2,057,774
GNMA - Fixed rate	24,523	2,194	-	26,717
	$ 3,531,301	80,482	2,304	3,609,479
Weighted average interest rate	4.63%			

There were no sales of mortgage-backed securities, available for sale during the years ended December 31, 2009, 2008 and 2007. The change in net unrealized gains and losses during the current year of $63,850, net of the tax effect of $25,540, resulted in a $38,310 credit to stockholders' equity.

4) Loans Receivable

Loans receivable are summarized as follows:

	December 31,	
	2009	2008
Mortgage loans:		
One-to-four family	$ 95,713,239	106,051,525
Multi-family	5,335,370	5,687,945
Nonresidential	19,701,167	16,025,836
Construction	4,231,627	6,609,126
Land	2,537,749	4,081,821
Total mortgage loans	127,519,152	138,456,253
Other loans:		
Loans on deposit accounts	125,445	14,906
Equity lines of credit	6,533,403	6,521,119
Other consumer	1,665,008	1,647,009
Total other loans	8,323,856	8,183,034
Commercial business loans	5,375,646	6,258,705
Total loans receivable	141,218,654	152,897,992
Less:		
Loans in process	720,513	1,212,298
Net deferred yield adjustments	123,961	(3,525)
Allowance for loan losses	2,329,696	855,330
Loans receivable, net	$ 138,044,484	150,833,889
Weighted average interest rate	5.93%	6.04%

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

	Years Ended December 31,		
	2009	2008	2007
Balance, beginning of year	$ 855,330	737,886	686,467
Provision for loan losses	2,425,000	535,000	132,789
Charge-offs	(1,110,713)	(425,092)	(331,348)
Recoveries	160,079	7,536	249,978
Balance, end of year	$ 2,329,696	855,330	737,886

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

	December 31,	
	2009	2008
Year end loans with allocated allowance for loan losses	$ 5,848,437	1,417,970
Year end loans with no allocated allowance for loan losses	962,781	3,920,714
	$ 6,811,218	5,338,684
Valuation reserve relating to impaired loans	$ 1,432,140	443,711

For the years ended December 31, 2009 and 2008, gross interest income which would have been recorded had the non-accruing loans been current in accordance with their original terms amounted to approximately $317,000 and $236,000, respectively.

Loans to directors and executive officers aggregated $2,257,000 and $1,480,000 at December 31, 2009 and 2008, respectively. Such loans are made on substantially the same terms as those for other loan customers.

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, 2009, 2008 and 2007 the Bank sold first mortgage loans totaling $7,321,500 , $-0- and $1,379,711 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, 2009, 2008 and 2007 were $7,384,958, $-0- and $1,389,664 with gains of $63,458, $-0- and $9,953 realized on those sales. In addition, the Company recorded a gain of $48,134, $-0- and $8,476 for the years ended December 31, 2009, 2008 and 2007 on loan sales from the establishment of a mortgage servicing right asset. During the years ended December 31, 2009, 2008 and 2007, the Company amortized $7,936, $3,869 and $526 of mortgage servicing rights against current servicing fee income.

As of December 31, 2009, 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 $7,517,680 and $829,449 at December 31, 2009 and 2008.

6) Investment in Limited Partnership

The investment in limited partnership of $640,357 and $676,029 at December 31, 2009 and 2008 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 in the amount of $35,672, $36,100 and $45,000 for the years ended December 31, 2009, 2008 and 2007. Condensed financial statements for Pedcor are as follows:

Condensed Statements of Financial Condition	December 31, 2009	December 31, 2008
Assets		
Cash	$ 36,434	40,622
Property and equipment	3,033,190	3,133,764
Land	112,000	112,000
Other	123,005	145,970
Total assets	3,304,629	3,432,356
Liabilities and Partner’s Capital		
Notes payable - Bank	-	68,093
Notes payable - Other	1,192,033	1,289,699
Other liabilities	622,986	680,748
Total liabilities	1,815,019	2,038,540
Partners' capital	1,489,610	1,393,816
Total liabilities and partners' capital	$ 3,304,629	3,432,356

Condensed Statements of Operations	Years Ended December 31, 2009	2008	2007
Total revenues	$ 282,926	300,489	293,209
Total expenses	349,331	393,184	397,039
Net loss	$ (66,405)	(92,695)	(103,830)

7) Accrued Interest Receivable

Accrued interest receivable is summarized as follows:

	December 31, 2009	December 31, 2008
Investment securities	$ 9,906	27,092
Mortgage-backed securities	21,124	13,610
Loans receivable	930,991	945,725
Allowance for uncollected interest	(361,660)	(266,735)
	$ 600,361	719,692

8) Office Properties and Equipment

Office properties and equipment are summarized as follows:

		December 31,	
		2009	2008
Cost:			
Land - Munster	$	40,669	40,669
Hammond		33,300	33,300
Dyer		300,000	300,000
Schererville		417,595	417,595
Building - Munster		632,551	631,026
Hammond		167,846	167,846
Dyer		1,802,207	1,785,306
Schererville		6,114,413	5,747,628
Furniture and equipment		1,796,903	2,134,015
		11,305,484	11,257,385
Less accumulated depreciation:			
Building - Munster		604,287	602,683
Hammond		142,091	139,612
Dyer		544,672	493,831
Schererville		150,448	29,084
Furniture and equipment		1,108,122	1,375,807
		2,549,620	2,641,017
Net book value	$	8,755,864	8,616,368

Depreciation of office properties and equipment for the years ended December 31, 2009, 2008 and 2007 amounted to $348,016, $224,652 and $200,526, 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. The Dyer, Indiana office location leases one-half of the available office space to two third-part tenants at an annual rent of approximately $73,500 under lease agreements that terminate in 2014 - 2015. One-third of the office location remains vacant as the Bank continues to seek a new tenant. The Schererville, Indiana office location currently leases one-quarter of the first floor to a third-party tenant which commenced on February 1, 2009 and terminates on February 1, 2019. The annual lease rent is fixed at $18,486 for the first five years of the lease. The Bank has negotiated lease agreements for most of the remaining office space at this location and the prospective tenants will occupy these offices as soon as the build out is completed which is anticipated to occur by the end of the first quarter of 2010. The potential annual income associated with these leases is approximately $125,000 while the remaining cost of build out is expected to amount to $300,000.

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, 2009 for two vacant lots and as of December 31, 2008 for two completed single-family residences and four vacant lots amounted to $171,065 and $1,548,449. 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, 2009 and 2008, the Company, based upon current market conditions, reduced the carrying amount of these properties by $3,065 and $350,703, to a carrying value of $168,000 and $1,197,746, respectively. The Company sold two single-family residences and two vacant lots during the current year realizing proceeds of $1,047,671 and recognizing a loss of $30,094. The Company sold one single-family residence during the year ended December 31, 2008, resulting in a loss of $60,095. There was one sale during the year ended December 31, 2007 resulting in income recognition of $34,256.

10) Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist of the following:

	December 31, 2009	December 31, 2008
Prepaid insurance premiums	$ 100,805	92,391
Prepaid federal deposit insurance premiums (note 23)	840,450	3,671
Prepaid pension cost	72,252	101,696
Prepaid statutory trust preferred fees	141,520	147,940
Prepaid income taxes	232,130	164,556
Other prepaid expenses	100,028	86,216
Mortgage servicing rights	44,278	4,081
Deferred federal and state income tax asset - net (a)	1,888,734	825,937
Purchased accounts receivable (b)	1,968,494	1,486,104
Miscellaneous	55,831	55,979
	$ 5,444,522	2,968,571

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

	December 31, 2009	December 31, 2008
Deferred tax assets:		
Deferred compensation	$ 405,186	396,545
Allowance for loan losses	937,505	354,132
Allowance for uncollected interest	144,664	97,476
Deferred interest and charges on modified loans	28,767	-
Real estate write-downs	150,913	151,519
Net operating loss and unused tax credits carryforward	543,442	95,568
Other	-	10,000
Total deferred tax assets	2,210,477	1,105,240
Deferred tax liabilities:		
Accelerated tax depreciation	46,678	37,377
Federal Home Loan Bank stock dividend	67,258	67,258
Pension expense	28,901	40,678
Mortgage servicing rights	17,712	1,632
Unrealized gain on securities available for sale	56,811	36,178
Other	104,383	96,180
Total deferred tax liabilities	321,743	279,303
Net deferred tax asset	$ 1,888,734	825,937

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, 2009 and 2008, the unused amount was approximately $2,217,000 and $1,903,000, respectively.

11) Deposits

Deposit accounts are summarized as follows:

	December 31, 2009	December 31, 2008
Passbook accounts	$ 17,605,438	16,979,529
Demand deposits and NOW accounts	22,226,069	18,108,185
Money market accounts	14,892,923	11,819,906
	54,724,430	46,907,620
Certificates of deposit by interest rate:		
0.01 - 1.00%	7,914,426	-
1.01 - 2.00	29,962,139	11,133,392
2.01 - 3.00	28,399,225	12,048,306
3.01 - 4.00	15,894,920	39,175,248
4.01 - 5.00	4,491,071	15,748,375
5.01 - 6.00	1,959,724	4,199,679
	88,621,505	82,305,000
	$ 143,345,935	129,212,620

The weighted average rate on deposit accounts at December 31, 2009 and 2008 was 1.70% and 2.65%, respectively.

The aggregate amount of certificates of deposit with a minimum denomination of $100,000 was $28,955,000 and $24,792,000 at December 31, 2009 and 2008, respectively.

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

	December 31, 2009	December 31, 2008
Within 12 months	$ 60,455,286	62,576,330
12 months to 24 months	20,038,502	17,728,210
24 months to 36 months	3,511,497	1,682,276
36 months to 48 months	4,593,692	318,184
48 months to 60 months	22,528	-
Total	$ 88,621,505	82,305,000

Interest expense on deposits consists of the following:

	Years Ended December 31, 2009	2008	2007
Passbook accounts	$ 73,822	173,519	186,033
NOW accounts	103,234	113,520	66,110
Money market accounts	194,248	311,883	305,583
Certificates of deposit	2,589,811	3,148,255	3,837,781
Total	$ 2,961,115	3,747,177	4,395,507

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, 2009	2008
March 30, 2009	5.23%	$ -	2,000,000
April 29, 2009	0.65*	-	500,000
May 15, 2009	5.93	-	68,093
June 8, 2009	0.65*	-	1,000,000
June 15, 2009	0.65*	-	1,000,000
August 24, 2009	5.02	-	1,000,000
August 31, 2009	4.90	-	2,000,000
January 14, 2010	3.36	6,000,000	6,000,000
August 16, 2010	5.99	1,500,000	1,500,000
September 20, 2010	5.95	1,000,000	1,000,000
December 20, 2010	4.98	2,000,000	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	583,035	597,613
November 16, 2020	6.71	1,404,107	1,488,763
		$ 20,987,142	28,654,469
Weighted average interest rate		4.49%	4.26%

*Variable rate

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, 2009, no securities were pledged for these borrowings.

Interest expense on FHLB advances amounted to $1,088,607, $1,460,166 and $1,650,852 for the years ended December 31, 2009, 2008 and 2007, respectively.

12) Borrowed Money (continued)

The Company had entered into a revolving line of credit in the maximum amount of $243,000. The outstanding balance on this line of credit was repaid March 31, 2008. Interest expense incurred on this advance amounted to $-0-, $3,353 and $18,568 for the years ended December 31, 2009, 2008 and 2007, respectively.

The Company had also entered into a non-revolving line of credit in the maximum amount of $600,000. The outstanding balance on this line of credit as of the beginning of the year, in the amount of $228,667, was repaid on January 20, 2009. Interest expense incurred on this advance amounted to $857, $37,777 and $3,206 for the years ended December 31, 2009, 2008 and 2007, respectively.

In connection with the redemption of the junior subordinated debentures during 2007, the Company borrowed $2,000,000 from a third-party lender at a variable rate of interest tied to the LIBOR index. The Company pledged its stock investment in the subsidiary Bank as collateral securing this advance. This advance was repaid on March 28, 2008. Interest expense incurred on this advance amounted to $-0-, $24,664 and $101,820 for the years ended December 31, 2009, 2008 and 2007, respectively.

To repay the above $2,000,000 advance, the Company 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 and $122,740 for the years ended December 31, 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, 2009, 2008 and 2007 amounted to $196,500, $196,500 and $148,268, respectively.

On March 27, 2007, the Company exercised the early call on its previously issued $5,000,000 of junior subordinated debentures (2002 debentures) issued to AMB Financial Statutory Trust I. The 2002 debentures were repaid with the proceeds of the 2007 debentures and the aforementioned $2,000,000 advance from a third-party lender. Interest expense for the year ended December 31, 2007 on the 2002 debentures amounted to $115,545.

14) Other Liabilities

Other liabilities include the following:

	December 31, 2009	December 31, 2008
Accrued interest on deposits	$ 8,589	10,952
Accrued interest on borrowings	52,687	65,980
Accrued payroll	59,649	47,070
Accrued audit and accounting fees	42,400	34,690
Accrued real estate and personal property taxes	281,830	255,316
Deferred compensation (see note 15)	1,012,966	991,363
Outstanding bank drafts	953,139	754,760
Due county assessor's office for customer real estate taxes	-	886,339
Miscellaneous accounts payable	304,559	324,061
	$ 2,715,819	3,370,531

15) <u>Benefit Plans</u>

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, 2010, 2009 and 2008 amounted to $119,948, $127,940 and $319,086, respectively. Pension expense for the years ended December 31, 2009, 2008 and 2007 amounted to $182,265, $247,180, and $381,323, 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, 2009, 2008 and 2007 amounted to $12,004, $13,208 and $14,602, 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 2009 of 3.875%. Interest credited by the Bank to the non-qualified plans and deferred director fees on accumulated funds was $100,039, $98,103 and $95,801 for the years ended December 31, 2009, 2008 and 2007, respectively.

16) Director, Officer and Employee Plans

Stock Option Plan - At the shareholders' meeting on April 27, 2005, the shareholders approved the AMB Financial Corp. 2005 Stock Option Plan, which authorized 40,000 stock options to become available for grant. During 2005, options for 43,120 shares were granted (23,194 options from the 1996 Plan and 19,926 from the 2005 Plan) at $13.25 per share exercisable over four years and expiring ten years from the date of grant.

The following is an analysis of the stock option activity for each of the years in the three year period ended December 31, 2009 and the stock options outstanding at the end of the respective periods.

		Exercise Price	
Options	Number of Options	Per Share	Total
Outstanding at December 31, 2006	40,310	$ 13.25	$ 534,108
Granted	0		
Exercised	0		
Forfeited	(2,810)	13.25	(37,233)
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
Exercisable at December 31, 2009	37,500	$ 13.25	$ 496,875
Options available for future grants at December 31, 2009	25,694		

As of December 31, 2009, the weighted average exercise price for options outstanding was $13.25 with a weighted average remaining contractual life of 5.25 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 $25,000, $50,000 and $50,000 for the years ended December 31, 2009, 2008 and 2007, respectively. Eligible employees were vested in their proportionate share of this ESOP contribution at December 31, 2009.

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, 2009 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 benefit consists of the following:

	Years Ended December 31,		
	2009	2008	2007
Current	$ (67,574)	125,547	40,392
Deferred	(1,083,430)	(395,093)	(98,676)
	$ (1,151,004)	(269,546)	(58,284)

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

	Years Ended December 31,		
	2009	2008	2007
Depreciation	$ 9,301	9,164	(15,631)
Deferred compensation	(8,641)	(7,721)	(14,632)
Pension	(11,777)	(47,696)	(22,655)
Book loan loss provision in excess of tax deduction	(583,373)	(57,778)	(21,767)
Allowance for uncollected interest	(47,188)	(14,896)	(11,300)
Deferred interest and charges on modified loans	(28,767)	-	-
Real estate write-downs	606	(151,519)	-
Capitalized mortgage servicing rights	16,080	(1,548)	3,180
Unrealized gain on trading account securities	-	(39,291)	(13,084)
NOL and unused tax credits carryforward	(447,874)	(95,568)	-
Other, net	18,203	11,760	(2,787)
	$ (1,083,430)	(395,093)	(98,676)

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, 2009, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2009, 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, 2009 and 2008, 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, 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
December 31, 2008						
Total capital (to risk-weighted assets)	$ 15,952,129	12.92%	$ 9,874,000	8.0%	$ 12,342,000	10.0%
Tier I (core) capital (to risk-weighted assets)	15,096,799	12.23	4,937,000	4.0	7,405,000	6.0
Tier I (core) capital (to adjusted total assets)	15,096,799	8.50	7,103,000	4.0	8,878,000	5.0
Tangible capital (to adjusted total assets)	15,096,799	8.50	2,664,000	1.5	3,551,000	2.0

	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

18) Regulatory Capital Requirements (continued)

	Risk-based Capital	Core Capital	Tangible Capital
December 31, 2008			
Stockholders' equity	$ 15,151,474	15,151,474	15,151,474
Unrealized gain on securities available for sale, net of taxes	(54,267)	(54,267)	(54,267)
Retained mortgage servicing rights	(408)	(408)	(408)
General loan loss allowances	855,330	-	-
Regulatory capital computed	$ 15,952,129	15,096,799	15,096,799

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 Trouble 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 $1,066,200 at December 31, 2009 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 5.125% to 5.625%. 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 $5,112,000 at December 31, 2009. 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 $3,335,000 at December 31, 2009. The Bank also has approved but unused credit card lines of credit of approximately $1,641,000.

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 $906,000. 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, 2009, the Bank had issued standby letters of credit totaling approximately $110,000 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. Legal counsel intends to file a Motion for Summary Judgment setting forth additional factual allegation establishing the Bank's right to apply the funds of the restricted deposit account to the then delinquent amount due the Bank. 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.

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 has 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 issued a rule that 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 2009, and current assessment rates will be maintained through December 31, 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, 2009 and 2008 are as follows:

	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

	December 31, 2008	
	Carrying Amount	Fair Value
Financial assets:		
Cash and cash equivalents	$ 3,800,062	3,800,062
Investment securities, available for sale	512,267	512,267
Mortgage-backed securities, available for sale	3,609,479	3,609,479
Loans receivable, gross	152,897,992	156,859,000
Accrued interest receivable	719,692	719,692
Financial liabilities:		
Deposits	$ 129,212,620	131,137,000
Borrowed money	30,883,136	32,673,000
Accrued interest payable	76,932	76,932

25) Fair Value Measurements

Effective January 1, 2008, the Company adopted Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS 157) which defines and establishes a framework for measuring fair value, and expands fair value disclosure requirements. SFAS 157 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, 2009 and 2008.

		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, 2009				
Securities available for sale	$ 5,859,377	-	5,859,377	-
December 31, 2008				
Securities available for sale	$ 4,121,746	-	4,121,746	-

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, 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, 2009				
Impaired loans	$ 5,307,160	-	-	$ 5,307,160
Real estate owned	3,646,612	-	-	3,646,612
December 31, 2008				
Impaired loans	$ 4,894,973	-	-	$ 4,894,973

Impaired loans, which are measured for impairment using the fair value of the collateral or discounted cash flows, had a carrying amount of $6,811,218 and $5,338,684 at December 31, 2009 and 2008. Impaired loans have an allowance allocation of approximately $1,504,000 and $444,000 at December 31, 2009 and 2008.

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 $312,489 for the year ended December 31, 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, 2009 and 2008 and condensed statements of income and cash flows for the years ended December 31, 2009, 2008 and 2007 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, 2009	December 31, 2008
Assets		
Cash and cash equivalents	$ 2,065,370	619,962
Loans receivable	-	686,600
Real estate owned	353,850	-
Real estate held for development	168,000	1,197,746
Investment in American Savings, FSB	15,767,902	14,363,594
Investment in AMB Financial Statutory Trust II	93,000	93,000
Prepaid expenses and other assets	768,019	614,478
Total assets	19,216,141	17,575,380
Liabilities and Stockholders' Equity		
Liabilities:		
Borrowed money	2,000,000	2,228,667
Junior subordinated debentures	3,093,000	3,093,000
Accrued taxes and other liabilities	63,788	91,158
Total liabilities	5,156,788	5,412,825
Stockholders' Equity:		
Preferred stock	3,707,737	-
Common stock	16,837	16,837
Additional paid-in capital	10,800,299	10,798,836
Retained earnings	7,295,323	9,107,725
Treasury stock	(7,760,843)	(7,760,843)
Total stockholders' equity	14,059,353	12,162,555
Total liabilities and stockholders' equity	$ 19,216,141	17,575,380

Condensed Statements of Income

	Years Ended December 31, 2009	2008	2007
Net interest expense	$ (326,898)	(327,709)	(263,269)
Loss on trading securities - net	-	(26,499)	(32,709)
(Loss) income from write-down and sales of real estate held for development	(33,159)	(410,798)	34,256
Other non-interest income	631	9,339	3,939
Non-interest expense	(220,860)	(340,181)	(298,473)
Net loss before income taxes and equity in earnings of subsidiaries	(580,286)	(1,095,848)	(556,256)
Benefit from income taxes	229,852	434,065	224,801
Net loss before equity in earnings of subsidiaries	(350,434)	(661,783)	(331,455)
Equity in (loss) earnings of subsidiaries	(1,269,692)	381,418	379,895
Net (loss) income	$ (1,620,126)	(280,365)	48,440

Condensed Statements of Cash Flows

	Years Ended December 31,		
	2009	2008	2007
Operating activities:			
Net (loss) income	$ (1,620,126)	(280,365)	48,440
Equity in loss (earnings) of subsidiaries	1,269,692	(381,418)	(379,895)
Stock option compensation	1,463	1,755	11,501
Gain on sale of trading securities	-	(9,236)	-
Unrealized loss on trading securities held for trade	-	35,735	32,709
Proceeds from sale of trading securities	-	280,067	-
Decrease in deferred income on loans	-	-	(2,917)
Loss (income) from write-down and sales of real estate held for development	33,159	410,798	(34,256)
(Increase) decrease in prepaid taxes and other assets	(153,541)	(22,060)	13,402
(Decrease) increase in other liabilities	(27,370)	18,182	(5,521)
Net cash provided (for) by operating activities	(496,723)	53,458	(316,537)
Investing activities:			
Proceeds from sale of real estate held for development	1,047,671	383,089	476,691
Purchase of real estate held for development	(51,084)	(37,680)	(514,837)
Loan disbursements	-	(54,702)	(64,688)
Loan repayments	332,750	393,400	300,000
Net cash provided by investing activities	1,329,337	684,107	197,166
Financing activities:			
Proceeds from borrowed money	-	2,000,000	2,300,000
Repayment of borrowed money	(228,667)	(2,314,094)	-
Proceeds from issuance of capital trust securities	-	-	3,000,000
Repayment of capital trust securities	-	-	(5,000,000)
Proceeds from issuance of preferred stock	3,674,000	-	-
Capital infusion transferred to Bank	(2,674,000)	-	-
Purchase of treasury stock	-	-	(947,268)
Dividends received from Bank	-	439,000	800,000
Dividends paid on preferred stock	(158,539)	-	-
Dividends paid on common stock	-	(265,498)	(358,215)
Net cash provided by (for) investing activities	612,794	(140,592)	(205,483)
Net increase (decrease) in cash and cash equivalents	1,445,408	596,973	(324,854)
Cash and cash equivalents at beginning of year	619,962	22,989	347,843
Cash and cash equivalents at end of year	$ 2,065,370	619,962	22,989

AMB Financial Corp.
Stockholder Information

Annual Meeting

Our annual meeting of stockholders will be held at 10:30 a.m. on April 28, 2010, 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 dividends paid in fiscal 2009.

Quarter Ended	High	Low	Dividends
March 31, 2009	$3.90	$3.30	$0.00
June 30, 2009	$3.60	$2.36	$0.00
September 30, 2009	$3.60	$3.10	$0.00
December 31, 2009	$3.48	$1.25	$0.00

See Note 19 and Note 22 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, 2009, the Company had 981,638 outstanding shares of common stock.

Shareholder General Inquiries

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AMB Financial Corp.
Corporate Information

Corporate Office

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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 A. Bohn
Vice-President, Chief Financial Officer

Denise L. Knapp
Corporate Secretary

Robert B. Rossa
Vice President

Todd Williams
Vice President

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Annual and Other Reports

The Company's reports, including additional information regarding 2009, are posted on its website at ambfinancial.com.

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