

**AMB Financial Corp.
8230 Hohman Avenue
Munster, Indiana 46321-1578
(219) 836-5870**

**Supplemental Financial Report For The Year
Ended December 31, 2010**

Note: This report is intended to be read in conjunction with our Annual Report to Stockholders for the year ended December 31, 2010 and proxy statement for our 2011 Annual Meeting of Stockholders, copies of which are included on this website. This report is dated December 31, 2010 and should not be read to cover any subsequent periods. We specifically disclaim any obligation to update this report even if the contents thereof should become inaccurate or misleading.

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

FORWARD-LOOKING STATEMENTS

AMB Financial Corp. (“AMB Financial”), and its wholly-owned subsidiary, American Savings, FSB (“American Savings”), may from time to time make written or oral “forward-looking statements.” These forward-looking statements may be included in this Supplemental Financial Report, in AMB Financial’s reports to shareholders and in other communications to our stockholders.

These forward-looking statements include statements about our beliefs, plans, objectives, goals, expectations, anticipations, estimates and intentions, that are subject to significant risks and uncertainties, and are subject to change based on various factors, some of which are beyond our control. The words “may,” “could,” “should,” “would,” “believe,” “anticipate,” “estimate,” “expect,” “intend,” “plan” and similar expressions are intended to identify forward-looking statements. The following factors, among others, could cause our financial performance to differ materially from the plans, objectives, expectations, estimates and intentions expressed in the forward-looking statements:

- the current condition of the United States economy in general and in our local economy (including unemployment) in which we conduct operations;
- the effects of, and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Federal Reserve Board and the United States Treasury (“UST”);
- our ability to manage and reduce our non-performing assets;
- our ability to repay our holding company debt, including our \$3 million of trust preferred stock and \$2 million of holding company notes, when due;
- the impact of new laws and regulations resulting from the recent economic crisis on financial institutions, the lending market and our regulatory agencies;
- the impact of current and future restrictions and requirements on institutions like us which have accepted funds from the UST under its Capital Purchase Program (“CPP”);
- the impact of new regulators resulting from the pending change in the regulation of the Company and the Bank from the Office of Thrift Supervision to the Federal Reserve System and the Office of the Comptroller of the Currency;
- future deposit premium levels which may continue to rise;
- the impact of the possible receivership or nationalization of other banking institutions;
- future loan underwriting and consumer protection requirements including those issued by the Consumer Financial Protection Bureau;
- inflation, interest rate, market and monetary fluctuations and its impact on our interest rate sensitive balance sheet;
- the decline in loan demand and real estate values within our local market;
- our ability to redeem our \$3.7 million of preferred stock and \$184,000 of warrant preferred stock issued to the UST under its CPP before the dividend on the preferred stock increases to 9% on January 30, 2014;
- the future financial strength, dividend level and activities of the FHLB of Indianapolis in which we own stock and from which we borrow money;
- the impact of any new government foreclosure relief and loan modification programs;
- the timely development of and acceptance of our new products and services and the perceived overall value of these products and services by users, including the features, pricing and quality thereof compared to competitors’ products and services;
- the willingness of users to substitute our products and services for products and services of our competitors;
- our ability to reinvest our cash flows in today’s very low interest rate environment;
- our success in gaining regulatory approval of our products and services, when required;

- the impact of changes in financial services' laws and regulations (including laws concerning taxes, banking, securities and insurance);
- the impact of technological changes;
- competition from other financial service providers in the Company's market area;
- the success of our new executives in managing our business operations;
- the success of our loan restructuring and work out arrangements;
- our ability to accurately estimate the value of our assets and the appropriate level of our allowance for loan losses;
- our ability to lease space in our branch facilities when vacancies occur;
- our ability to support the additional overhead expense resulting from our recent branch expansion; and
- future changes in consumer spending and saving habits.

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

Status as Non-Reporting Company

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

Description of Business

AMB Financial was formed in 1993 by American Savings under the laws of Delaware for the purpose of becoming a savings and loan holding company. American Savings, headquartered in Munster, Indiana, is a federally chartered savings bank. In March 1996, American Savings converted to the stock form of organization through the sale and issuance of 1,686,169 (split adjusted) shares of its common stock to AMB Financial. The principal asset of AMB Financial is the outstanding stock of American Savings. AMB Financial presently has no separate operations and its business consists only of the business of American Savings. References in this report to "we", "us" and "our" refer to AMB Financial and/or American Savings as the context requires.

We are a community-based financial institution that offers a variety of selected financial services to meet the needs of the community we serve. We attract deposits from the general public and use such deposits to originate and purchase one- to four-family residential mortgages and, to a lesser extent, non-residential real estate, home equity, multi-family real estate, commercial business, land, construction and other loans. We also invest in mortgage-backed securities, investment securities consisting primarily of U.S. government obligations, various types of short-term liquid assets and account receivables. See "- Lending Activities" and "- Investment Activities." We also, in the recent past, have engaged in a limited amount of real estate development activities in cooperation with a local builder.

We serve the financial needs of families and local businesses in our primary market area, northwest Lake County, Indiana, through our main office located in Munster, Indiana and three branch offices located in the communities of Dyer, Hammond and Schererville, Indiana.

Our deposits are insured up to applicable limits by the Federal Deposit Insurance Corporation (the "FDIC"). At December 31, 2010, we had total assets of \$181.3 million, deposits of \$147.9 million and stockholders' equity, including preferred stock, of \$15.1 million or 8.31% of total assets.

Our executive office is located at 8230 Hohman Avenue, Munster, Indiana 46321-1578 and our telephone number at that address is (219) 836-5870.

Lending Activities

Our principal lending activity is originating and, to a lesser extent, purchasing first mortgage loans secured by owner-occupied one- to four-family residential properties located in our primary market areas. We also originate and purchase non-residential real estate, home equity, multi-family real estate, commercial business, construction, land, and other loans. In addition to increasing the yield and/or the interest rate sensitivity of our portfolio, these non-one- to four-family loans allow us to provide more comprehensive financial services to families and community businesses in our primary market area.

Management believes the current recessionary economy and declining real estate values have had an adverse impact on operations. As such, management believes that the Company's construction loans, non-owner occupied loans, purchased loans located outside our market area, and consumer loans, as well as the real estate it owns, may be particularly vulnerable to adverse changes in the economy.

Loan Portfolio Composition. The following table sets forth information concerning the composition of our loan portfolio in dollar amounts and in percentages (before deductions for loans in process, net deferred yield adjustments and allowances for losses) as of the dates indicated.

	December 31,									
	2010		2009		2008		2007		2006	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in Thousands)									
Real Estate Loans:										
One- to four-family	\$ 90,750	62.22%	\$ 95,713	67.78%	\$ 106,051	69.36%	\$ 103,103	68.29%	\$ 105,223	67.08%
Multi-family	6,170	4.50	5,335	3.78	5,688	3.72	6,210	4.11	8,319	5.30
Non-residential	19,819	14.46	19,701	13.95	16,026	10.48	18,173	12.03	18,190	11.60
Construction	3,767	2.75	4,232	2.99	6,609	4.32	8,512	5.64	6,424	4.09
Land	<u>2,378</u>	<u>1.73</u>	<u>2,538</u>	<u>1.80</u>	<u>4,082</u>	<u>2.67</u>	<u>4,663</u>	<u>3.09</u>	<u>8,480</u>	<u>5.41</u>
Total real estate loans	<u>122,884</u>	<u>89.66</u>	<u>127,519</u>	<u>90.30</u>	<u>138,456</u>	<u>90.55</u>	<u>140,661</u>	<u>93.16</u>	<u>146,636</u>	<u>93.48</u>
Other Loans:										
Consumer Loans:										
Deposit account	95	0.07	125	0.09	15	0.01	123	0.08	126	0.08
Credit Card	519	0.38	584	0.41	579	0.38	551	0.37	449	0.28
Line of credit ⁽¹⁾	7,357	5.37	6,534	4.62	6,521	4.27	4,842	3.21	5,523	3.52
Other	<u>1,311</u>	<u>0.96</u>	<u>1,081</u>	<u>0.77</u>	<u>1,068</u>	<u>0.70</u>	<u>1,029</u>	<u>0.68</u>	<u>1,189</u>	<u>0.76</u>
Total consumer loans	<u>9,282</u>	<u>6.78</u>	<u>8,324</u>	<u>5.89</u>	<u>8,183</u>	<u>5.36</u>	<u>6,545</u>	<u>4.34</u>	<u>7,287</u>	<u>4.64</u>
Commercial business loans	<u>4,882</u>	<u>3.56</u>	<u>5,376</u>	<u>3.81</u>	<u>6,259</u>	<u>4.09</u>	<u>3,777</u>	<u>2.50</u>	<u>2,943</u>	<u>1.88</u>
Total loans receivable	<u>137,048</u>	<u>100.00%</u>	<u>141,219</u>	<u>100.00%</u>	<u>152,898</u>	<u>100.00%</u>	<u>150,983</u>	<u>100.00%</u>	<u>156,866</u>	<u>100.00%</u>
Less:										
Loans in process	1,586		721		1,212		2,198		5,394	
Net deferred yield adjustments	166		124		(3)		22		85	
Allowance for losses	<u>1,885</u>		<u>2,330</u>		<u>855</u>		<u>738</u>		<u>686</u>	
Total loans receivable, net	<u>\$ 133,411</u>		<u>\$ 138,044</u>		<u>\$ 150,834</u>		<u>\$ 148,025</u>		<u>\$ 150,701</u>	

⁽¹⁾ Substantially all of which are secured by residential real estate.

The following table illustrates the scheduled maturities of the loan portfolio at December 31, 2010. The table does not reflect the effects of amortization or prepayments.

	Real Estate												Total	
	One- to Four-Family		Non-residential and multi-family		Construction		Land		Consumer		Commercial Business			
	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate		
	(Dollars in Thousands)													
Due During the Period Ending December 31,														
2011	\$ 4,886	6.17%	\$ 5,930	6.70%	\$ 2,654	5.99%	\$ 1,801	4.83%	\$ 1,483	5.38%	\$ 2,520	5.65%	\$ 19,274	6.05%
2012 to 2013	4,938	6.38%	8,996	6.06%	504	6.38%	12	5.75%	659	6.22%	742	5.59%	15,851	6.15%
2014 to 2015	4,326	6.17%	5,995	6.21%	-	-%	242	5.99%	900	5.64%	795	4.38%	12,258	6.03%
2016 to 2020	13,027	5.63%	3,278	6.10%	-	-%	92	6.28%	2,102	4.13%	825	7.11%	19,324	5.61%
2021 and following	<u>63,573</u>	5.63%	<u>1,790</u>	6.27%	<u>609</u>	5.44%	<u>231</u>	6.72%	<u>4,139</u>	4.84%	<u>-</u>	-%	<u>70,342</u>	5.60%
Total	<u>\$ 90,750</u>	5.73%	<u>\$ 25,989</u>	6.26%	<u>\$ 3,767</u>	5.95%	<u>\$ 2,378</u>	5.19%	<u>\$ 9,283</u>	4.94%	<u>\$ 4,882</u>	5.68%	<u>\$ 137,049</u>	5.77%

As of December 31, 2010, the total amount of loans due which had predetermined interest rates was \$114.4 million. The total amount of loans which have floating or adjustable interest rates was \$22.6 million.

Under federal law, the aggregate amount of loans that the Bank is permitted to make to any one borrower is generally limited to 15% of unimpaired capital and surplus (25% if the security for such loan has a “readily marketable” value or 30% for certain residential development loans). At December 31, 2010, the Bank’s regulatory loan-to-one borrower limit was approximately \$2.7 million. As of December 31, 2010, the largest dollar amount of indebtedness owed to the Bank by one borrower or group of related borrowers totaled \$2.1 million, consisting of a loan secured by restaurant operations and two loans secured by single family dwelling units, all of which are located in Illinois. On the same date, these loans were performing in accordance with their repayment terms.

All of our lending is subject to our written underwriting standards and to loan origination procedures. Decisions on loan applications are made on the basis of detailed applications and property valuations by qualified independent appraisers.

Loans generated by the Bank are approved by Bank officers dependent on their individual level of approval authority and based on the type of collateral securing the loan under consideration. Officers may join together to approve individual loans in excess of their individual authority. Loans greater than \$1 million must be approved by the Board of Directors after review and preliminary approval by officers. The loan applications are designed primarily to determine the borrower’s ability to repay and the more significant items on the application are verified through use of credit reports, financial statements, tax returns and/or confirmations.

Generally, we require title insurance on our mortgage loans as well as fire and extended coverage casualty insurance in amounts at least equal to the principal amount of the loan or the value of improvements on the property, depending on the type of loan. We also require flood insurance to protect the property securing our interest when the property is located in a flood plain or otherwise deemed prudent by management.

One- to Four-Family Residential Real Estate Lending. At December 31, 2010, \$90.7 million, or 66.2% of our loan portfolio consisted of permanent loans on one- to four-family residences. At that date, our average outstanding residential loan balance was \$107,000 and our largest outstanding residential loan had a principal balance of \$735,000. The majority of the residential loans we originate are secured by properties located in our market area. However, we have purchased a number of one- to four-family residential loans secured by properties located out of our market area during prior years and occasionally make loans out of our area. See “Originations, Sales and Purchases of Loans.”

We originate fixed rate loans secured by one- to four-family residential real estate as a result of continued consumer demand. We monitor the volume and rate of our fixed rate loans to ensure compliance with our asset/liability management policy. At December 31, 2010, we had, \$27.2 million of fixed-rate residential loans with less than 10 years to contractual maturity, \$19.9 million of fixed-rate residential loans with remaining contractual maturities between 10 and 20 years and \$43.6 million of fixed-rate residential loans with remaining contractual maturities in excess of 20 years in its portfolio. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Asset/Liability Management” in our Annual Report to Stockholders for the year ended December 31, 2010 filed on this website (the “Annual Report”).

In addition, we originate (subject to consumer demand) and acquire adjustable rate mortgage and balloon loans to reduce our exposure to changes in interest rates. We retain and service all adjustable rate mortgage loans we originate. We make such loans at rates, terms and points determined in accordance with market and competitive factors. Our current one- to four-family residential adjustable rate mortgages are fully amortizing loans with contractual maturities of up to 30 years. The interest rates on the adjustable rate mortgages we originate are generally subject to adjustment at three-year intervals based on a margin over the Three Year Treasury Securities Constant Maturity Index. Decreases or increases in the interest rate of our adjustable rate mortgages are generally limited to 5% above or below the initial interest rate over the life of the loan. Our adjustable rate mortgages are not convertible into fixed-rate loans, do not contain prepayment penalties and do not

produce negative amortization. We may purchase adjustable rate mortgage loans from other lenders provided the borrowers meet our underwriting standards. At December 31, 2010, the total balance of one- to four-family adjustable rate mortgages was \$16.7 million.

We evaluate both the borrower's ability to make principal, interest and escrow payments and the value of the property that will secure the loan. We originate residential mortgage loans with loan-to-value ratios of up to 95%. On mortgage loans exceeding an 80% loan-to-value ratio at the time of origination, we will generally require private mortgage insurance in an amount intended to reduce our exposure to 80% or less of the appraised value of the underlying property.

As of December 31, 2010, we had 16 one- to four-family residential mortgage loans having an aggregate balance of \$9.7 million with current balances in excess of \$417,000, the 2010 Freddie Mac conforming loan amount. Our delinquency experience on our loans in excess of this maximum has been similar to our experience on other residential loans.

Our residential mortgage loans customarily include due-on-sale clauses giving us the right to declare the loan immediately due and payable in the event that, among other things, the borrower sells or otherwise disposes of the property subject to the mortgage and the loan is not repaid.

Non-Residential and Multi-Family Real Estate Lending. We both originate and purchase permanent non-residential and multi-family real estate loans. We have increased these types of loans in recent years in accordance with our asset/liability management policy. Most of our originated non-residential and multi-family loans are located in our primary market area while our purchased loans are located throughout the United States. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Asset/Liability Management" in our Annual Report filed on this website.

The multi-family loan portfolio includes loans secured by five or more unit residential buildings located primarily in our primary market area. Our non-residential real estate loan portfolio consists of loans on a variety of non-residential properties including restaurants, hotel/motels, retail facilities, and small office buildings.

We originate and purchase both adjustable-and fixed-rate non-residential and multi-family real estate loans. Rates on our adjustable-rate non-residential and multi-family real estate loans generally adjust in a manner consistent with our one- to four-family residential adjustable rate mortgages. Non-residential and multi-family real estate loans are generally underwritten in amounts of up to 80% of the appraised value of the underlying property and normally have terms of up to 25 years.

Appraisals on properties securing non-residential and multi-family real estate loans originated by us are performed by a qualified independent appraiser at the time the loan is made. In addition, our underwriting procedures generally require verification of the borrower's credit history, income and financial statements, banking relationships, accompanying analysis references and income/debt coverage projections for the property. Personal guarantees are generally obtained for non-residential and multi-family real estate loans.

The table below sets forth by type of security property the estimated number, loan amount and outstanding balance of our non-residential and multi-family real estate loans at December 31, 2010.

	Number of Loans	Original Loan Amount	Outstanding Principal Balance
		(Dollars in Thousands)	
Multi-family.....	20	\$ 8,359	\$ 6,170
Office.....	10	2,612	2,074
Retail.....	9	4,568	4,135
Commercial building.....	27	8,299	7,194
Restaurants.....	8	2,805	2,409
Hotel.....	5	4,874	3,777
Other.....	1	240	230
Total.....	80	\$ 31,757	\$ 25,987

At December 31, 2010, our largest multi-family and largest nonresidential real estate loans totaled \$863,000 and \$1.6 million, and consisted of a loan on a 28-unit town home complex located in Northwest Indiana and a loan on a Harley Davidson retail showroom located in Northwest Indiana, respectively. As of December 31, 2010, both of these loans were performing in accordance with their terms.

Non-residential and multi-family real estate loans generally present a higher level of risk than loans secured by one- to four-family residences. This greater risk is due to several factors, including the concentration of principal in a limited number of loans and borrowers, the effects of general economic conditions (including today’s economic environment and real estate market weakness) on income producing properties and the increased difficulty of evaluating and monitoring these types of loans. Furthermore, the repayment of loans secured by non-residential and multi-family residential real estate is typically dependent upon the successful operation of the related real estate project. If the cash flow from the project is reduced (for example, if leases are not obtained or renewed), the borrower’s ability to repay the loan may be impaired. At December 31, 2010, we had one multi-family loan totaling \$260,000 and one nonresidential loans totaling \$806,000 which were 90 days or more delinquent.

Additionally, we participate with other lenders in loans to finance multi-family housing and non-residential real estate loans. At December 31, 2010, we were involved in eleven participation loans with an outstanding balance of \$6.5 million, representing the portion we own.

Construction Lending. We make construction loans to individuals for the construction of their primary or secondary residences and loans to builders or developers for the construction of single-family and multi-family properties.

Loans to individuals for the construction of their residences typically run for six months. The borrower pays interest only during the construction period. Residential construction loans are generally underwritten pursuant to the same guidelines used for originating permanent residential loans. Subject to future market conditions, we intend to continue construction lending activities to persons intending to be owner occupants.

We also make loans to builders and developers “on speculation” to finance the construction of residential property where an independent appraisal shows that a ready market exists for the property as completed. Such loans generally have adjustable interest rates based upon the prime rate with terms from six months to one year. The proceeds of the loan are advanced during construction based upon the percentage of completion as determined by an inspection. The loan amount normally does not exceed 80% of projected completed value for

homes that have been pre-sold to the ultimate occupant. For loans to builders for the construction of homes not pre-sold, which may carry a higher risk, the loan-to value ratio is generally limited to 75%. Whether we are willing to provide permanent takeout financing to the purchaser of the home is determined independently of the construction loan by a separate underwriting process. At December 31, 2010, we had one construction loan totaling \$515,000 secured by one- to four-family residential property built on speculation. We consider construction loans to properties built as speculation to be particularly vulnerable to adverse economic conditions such as today's economic crisis.

We will also originate construction financing on non-residential and multi-family real estate. However, there were no loans of this type outstanding as of December 31, 2010. Additionally, we participate with other lenders in loans to developers and builders to finance multi-family housing and commercial property construction. At December 31, 2010, we were involved in two out-of-state participation construction loans with an outstanding balance of \$1.2 million (includes \$158,000 in undisbursed loan proceeds) to construct commercial properties.

Construction lending generally affords us an opportunity to receive interest at rates higher than those obtainable from residential lending and to receive higher origination and other loan fees. In addition, such loans are generally made for relatively short terms. Nevertheless, construction lending to persons other than owner-occupants generally involve a higher level of credit risk than one- to four-family residential lending due to the concentration of principal in a limited number of loans and borrowers and the effects of general economic conditions (including today's recession and weakness in real estate values) on construction projects, real estate developers and builders. In addition, the nature of these loans is such that they are more difficult to evaluate and monitor. Our risk of loss on a construction loan is dependent largely upon the accuracy of the initial estimate of the property's value upon completion of the project and the estimated cost (including interest) of the project. If the estimate of value proves to be inaccurate, we may be confronted, at or prior to the maturity of the loan, with a project with a value which is insufficient to assure full repayment and/or the possibility of having to make substantial investments to complete and sell the project. Because defaults in repayment may not occur during the construction period, it may be difficult to identify problem loans at an early stage.

Land Lending. Land loans, which include vacant land and developed lots, are made to various builders and developers with whom we have pre-existing relationships. All originated land loans are secured by land zoned for residential developments and located within our market area. Disbursements related to acquisition and development land loans are typically based on the construction cost estimate of an independent architect or engineer who inspects the project in connection with significant disbursement requests. At December 31, 2010, we had \$2.4 million in loans secured by land, representing 1.73% of our entire gross loan portfolio.

On occasion, we have participated with other lenders in loans to developers and builders to finance land acquisition and development. At December 31, 2010, we were not involved in any land acquisition and development participation loans.

Land lending generally affords us an opportunity to receive interest at rates higher than those obtainable from residential lending. In addition, land loans are limited to a maximum 75% loan-to-value and are made with adjustable rates of interest and for relatively short terms. Nevertheless, land lending is generally considered to involve a higher level of credit risk due to the fact that funds are advanced upon the security of the land, which is of uncertain value prior to its development. Because of the uncertainties inherent in estimating land development costs as well as the market value on the completed project and the effects of governmental regulation of real property, it is relatively difficult to evaluate accurately the total funds required to complete a development project and the related loan-to-value ratio. Finally, loans secured by land are very vulnerable to adverse economic conditions (including today's recession) as well as declines in real estate value.

Consumer Lending. We believe that offering consumer loan products helps to expand the customer base and to create stronger ties to the existing customer base. In addition, because consumer loans generally have

shorter terms to maturity and carry higher rates of interest than do residential mortgage loans, they can be valuable asset/liability management tools. For these reasons, we have been increasing our originations of consumer loans. We currently originate substantially all of our consumer loans in our market area. At December 31, 2010, our consumer loans totaled \$9.3 million representing 6.78% of the gross loan portfolio.

We offer a variety of secured consumer loans, including home equity lines of credit, home improvement loans, loans secured by savings deposits and automobile loans. Although we primarily originate consumer loans secured by real estate, deposits or other collateral, we also make unsecured personal loans.

Our home equity lines of credit are generally limited to \$100,000. We use the same underwriting standards for home equity lines of credit as we use for one- to four-family residential mortgage loans. However, because home equity lines of credit tend to involve higher average loan to values and less favorable debt service coverage ratios than one- to four-family loans, we believe that they carry a higher level of risk.

Home equity lines of credit are originated in amounts, which together with the amount of the first mortgage, generally do not exceed 80% of the appraised value of the property securing the loan. The interest rate for all home equity loans floats at a stated margin over the prime rate. At December 31, 2010, we had \$6.0 million of home equity lines of credit and \$5.5 million of additional funds committed, but undrawn, under such lines.

We also offer a Visa credit card program. At December 31, 2010, approximately 356 credit cards had an aggregate outstanding loan balance of \$520,000 and unused credit available of \$1.5 million. We presently charge a fixed rate on interest on credit card loans and no annual membership fee.

The terms of other types of consumer loans vary according to the type of collateral, length of contract, and creditworthiness of the borrower. The underwriting standards employed for consumer loans include a determination of the applicant's payment history on other debts and an assessment of the borrower's ability to meet payments on the proposed loan along with his existing obligations. In addition to the creditworthiness of the applicant, the underwriting process also includes a comparison of the value of the security, if any, in relation to the proposed loan amount. Unsecured personal loans are available to credit worthy borrowers for a variety of personal needs.

Consumer loans may entail greater risk than residential mortgage loans, particularly in the case of consumer loans, which are unsecured or secured by rapidly depreciable assets such as automobiles. In such cases, any repossessed collateral for defaulted consumer loans may not provide adequate sources of repayment for the outstanding loan balances as a result of the greater likelihood of damage, loss or depreciation. In addition, consumer loan collections are dependent on the borrower's continuing financial stability, and thus are more likely to be affected by adverse economic conditions (including today's recession) and personal circumstances. Furthermore, the application of various federal and state laws, including federal and state bankruptcy and insolvency laws, may limit the amount which can be recovered on such loans.

Commercial Business Lending. In order to increase the yield and interest rate sensitivity of our loan portfolio and to satisfy the demand for financial services in our primary market area, we actively originate and purchase commercial business loans.

During recent years, we have originated commercial business loans to businesses such as small retail operations, small manufacturing concerns and professional firms. Also included in commercial business loans as of December 31, 2010 were \$1.4 million of purchased loans the majority of which were made to borrowers located outside of our market area. Our commercial business loans generally include personal guarantees and are at least partially secured by business assets, such as accounts receivable, equipment, inventory and real estate.

However, the collateral securing the loans may depreciate over time, may be difficult to appraise and may fluctuate in value based on the success of the business.

Most of our commercial business loans have terms ranging from six months to five years and carry adjustable interest rates. The underwriting process for commercial business loans generally includes consideration of the borrower’s financial statements, tax returns, projections of future business operations and inspection of the subject collateral, if any.

For more than ten years, we have purchased seasoned commercial leases covering various types of office/commercial/medical equipment. As of December 31, 2010, the outstanding balance on these leases was \$1.4 million. In general, the leases are full-payout finance leases in which the lease payments effectively repay the lessor for the purchase price of the equipment, plus an acceptable yield. The selling institution continues to service the leases for us and provides limited recourse in the event of a default by the lessor. We have purchased these leases because they carry relatively high yields and have relatively short terms, consistent with our asset/liability management strategy.

The following table sets forth the Company’s commercial business loans as of December 31, 2010.

<u>TYPE</u>	<u>AMOUNT</u> (Dollars in Thousands)	<u>PERCENT OF PORTFOLIO</u>
Equipment leases	\$ 1,384	28.34%
Business equipment	953	19.53
Real estate	639	13.08
Accounts receivable	826	16.92
Other	<u>1,080</u>	<u>22.13</u>
Total	<u>4,882</u>	<u>100.00%</u>

Unlike residential mortgage loans, which are secured by real property whose value tends to be fairly easily ascertainable, commercial business loans are typically made on the primary basis of the borrower’s ability to make repayment from the cash flow of the borrower’s business. As a result, the availability of funds for the repayment of commercial business loans may be substantially dependent on the success of the business itself (which, in turn, may be dependent upon the general economic environment, including today’s recession). Moreover, if a commercial business loan is secured, it may be secured by assets which are more difficult to value and sell than residential real estate. For these reasons, commercial business loans generally carry a higher degree of credit risk than the residential loans. At December 31, 2010, the Company had \$25,000 of non performing commercial business loans.

The Bank also invests in commercial accounts receivables, which possess similar investment characteristics to commercial business loans. See “Accounts Receivable Investments.”

Originations, Purchases and Sales of Loans

We originate real estate and other loans through marketing efforts, our customer base, walk-in customers and referrals from real estate brokers and builders. In addition, we occasionally utilize the services of mortgage brokers. We do not pay commissions to employees for loan originations. We occasionally purchase loans from third parties to supplement loan production. We use the same underwriting standards in evaluating loan purchases as we do in originating loans. We will continue to evaluate loan purchase opportunities as they arise and make purchases in the future depending on market conditions. At December 31, 2010, approximately \$18.5 million of our loan portfolio represented loans that were purchased from others, including participations. We sell fixed rate one- to four-family loans in the secondary market in order to reduce interest rate risk. At December 31, 2010, we

serviced approximately \$6.7 million of loans held by others. Our ability to originate large dollar volumes of real estate loans may be substantially reduced or restricted in periods of rising interest rates or economic difficulties, with a resultant decrease in related fee income and operating earnings.

Delinquencies and Non-Performing Assets

Delinquency Procedures. When a borrower fails to make a required payment on a loan, we attempt to cause the delinquency to be cured by contacting the borrower. In the case of loans, a late notice is sent on all loans over 30 days delinquent. Another late notice along with any required demand letters as set forth in the loan contract are sent 60 days after the due date. Additional written and verbal contacts are made with the borrower between 45 and 90 days after the due date.

If the delinquency is not cured by the 90th day, the customer is normally provided 10 days written notice that the account will be referred to counsel for collection and foreclosure, if necessary. A drive-by appraisal is normally obtained at this time and a title search is ordered. A good faith effort by the borrower at this time will defer foreclosure for a reasonable length of time depending on individual circumstances. We may agree to accept a deed in lieu of foreclosure. If it becomes necessary to foreclose, the property is sold at public sale and we may bid on the property to protect its interest. The decision to foreclose is made by the Senior Loan Officer after discussion with the members of the Loan Committee.

Consumer loans are charged off if they remain delinquent for 120 days unless the borrower and lender agree on a payment plan. If terms of the plan are not met, they are then subject to charge off. Our procedure for repossession and sale of consumer collateral are subject to various requirements under Indiana consumer protection laws.

When we acquire real estate as a result of foreclosure or by deed in lieu of foreclosure it is classified real estate owned until it is sold. The real estate is recorded at the lower of cost or estimated fair value, less estimated selling costs, at the date of acquisition, and any write-down resulting therefrom is charged to the allowance for loan losses. Subsequent decreases in the value of the property are charged to operations through the creation of a valuation allowance. After acquisition, all costs incurred in maintaining the property are expensed. Costs relating to the development and improvement of the property, however, are capitalized to the extent of estimated fair value less estimated costs to sell.

Loan Delinquencies. The following table sets forth loan delinquencies by type, amount and percentage of type at December 31, 2010.

	Loans Delinquent For:								
	30-89 Days			90 Days and Over			Total Delinquent Loans		
	Number	Amount	Percent of Loan Category	Number	Amount	Percent of Loan Category	Number	Amount	Percent of Loan Category
	(Dollars in Thousands)								
Real Estate:									
One- to four-family	17	\$2,072	2.28%	26	\$2,965	3.27%	43	\$5,037	5.55%
Multi-family	1	26	0.42%	1	261	4.23%	2	287	0.32%
Non-residential	-	-	-%	1	806	4.07%	1	806	0.89%
Construction	-	-	-%	1	647	17.18%	1	647	0.71%
Land	-	-	-%	3	174	7.32%	3	174	.19%
Equity lines of credit ..	1	6	0.08%	2	40	0.54%	3	46	0.05%
Other Consumer	6	41	2.24%	4	27	1.48%	10	68	0.07%
Commercial business .	<u>3</u>	<u>153</u>	3.13%	<u>2</u>	<u>25</u>	0.51%	<u>5</u>	<u>178</u>	0.20%
Total	<u>28</u>	<u>\$2,298</u>	1.68%	<u>40</u>	<u>\$4,945</u>	3.61%	<u>68</u>	<u>\$7,243</u>	7.98%

Classified Assets. Federal regulations provide for the classification of loans and other assets, such as debt and equity securities considered by the Office of Thrift Supervision (the “OTS”) to be of lesser quality, as “substandard,” “doubtful” or “loss.” An asset is considered “substandard” if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. “Substandard” assets include those characterized by the “distinct possibility” that the insured institution will sustain “some loss” if the deficiencies are not corrected. Assets classified as “doubtful” have all of the weaknesses inherent in those classified “substandard,” with the added characteristic that the weaknesses present make “collection or liquidation in full,” on the basis of currently existing facts, conditions, and values, “highly questionable and improbable.” Assets classified as “loss” are those considered “uncollectible” and of such little value that their continuance as assets without the establishment of a specific loss reserve is not warranted. Assets which do not currently expose the insured institution to sufficient risk to warrant classification in one of the aforementioned categories but possess weaknesses are placed on “special mention” by our management.

When an insured institution classifies problem assets as either substandard or doubtful, it may establish general allowances in an amount deemed prudent by management to cover probable accrued losses. General allowances represent loss allowances which have been established to cover probable accrued losses associated with lending activities, but which, unlike specific allowances, have not been allocated to particular problem assets. When an insured institution classifies problem assets as “loss,” it is required either to establish a specific allowance for losses equal to 100% of that portion of the asset so classified or to charge-off such amount. An institution’s determination as to the classification of its assets and the amount of its valuation allowances is subject to review by the regulatory authorities, who may order the establishment of additional general or specific loss allowances.

In connection with the filing of our periodic reports with the OTS and in accordance with our classification of assets policy, we regularly review the problem loans in our portfolio to determine whether any loans require classification in accordance with applicable regulations. On the basis of this review of our assets, at December 31, 2010, we had classified the following assets:

	One- to Four- Family	Multi- Family	Non- Residential	Land / Construction	Equity LOC/ Consumer	Commercial Business / Accts Receivable	Real Estate Owned	Total
	(In Thousands)							
Special Mention	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Substandard	2,965	261	806	621	67	25	2,096	6,841
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	200	-	-	-	200
	<u>\$ 2,965</u>	<u>261</u>	<u>\$ 806</u>	<u>\$ 821</u>	<u>\$ 67</u>	<u>\$ 25</u>	<u>\$ 2,096</u>	<u>\$7,041</u>

Our classified assets consist of the non-performing loans discussed herein. As of the date hereof, these asset classifications are consistent with those of the OTS.

Non-Performing Assets. The following table sets forth the amounts and categories of non-performing assets in our loan portfolio. Loans are reviewed quarterly and any loan whose collectibility is doubtful is placed on non-accrual status. Loans are placed on non-accrual status when either principal or interest is 90 days or more past due, unless, in the judgment of management, the loan is well collateralized and in the process of collection. Interest accrued and unpaid at the time a loan is placed on non-accrual status is charged against interest income. Subsequent payments are either applied to the outstanding principal balance or recorded as interest income, depending on the assessment of the ultimate collectibility of the loan. Troubled debt restructurings (which involved forgiving a portion of interest or principal on any loans or making loans at a rate materially less than that of market rates) are included as non-performing assets if since the restructuring, the borrower has not made timely payments for a period of six consecutive months. Foreclosed assets include assets acquired in settlement of loans. Except as noted, the loans and foreclosed asset amounts shown are stated without giving effect to the specific reserves which have been established against such assets. See “Loan Loss Reserve Analysis.”

	December 31,				
	2010	2009	2008	2007	2006
(Dollars in Thousands)					
Non-accruing loans:					
One- to four-family	\$ 2,965	\$ 3,687	\$ 3,212	\$ 1,679	\$ 1,142
Multi-family	261	245	379	350	—
Non-residential	806	1,259	-	260	339
Construction	647	1,390	579	231	1,108
Land	174	17	931	—	—
Equity lines of credit and other consumer	67	153	228	36	61
Commercial business	<u>25</u>	<u>60</u>	<u>10</u>	<u>37</u>	<u>26</u>
Total	<u>4,945</u>	<u>6,811</u>	<u>5,339</u>	<u>2,593</u>	<u>2,676</u>
Foreclosed assets:					
One- to four-family	1,202	1,899	494	—	678
Non-residential	203	203	235	403	403
Construction	-	624	288	—	—
Land	<u>691</u>	<u>921</u>	<u>305</u>	<u>347</u>	<u>—</u>
Total	<u>2,096</u>	<u>3,647</u>	<u>1,322</u>	<u>750</u>	<u>1,081</u>
Other assets:					
Accounts Receivable	<u>—</u>	<u>—</u>	<u>109</u>	<u>—</u>	<u>—</u>
Total	<u>—</u>	<u>—</u>	<u>109</u>	<u>—</u>	<u>—</u>
Total non-performing assets	<u>\$ 7,041</u>	<u>\$ 10,458</u>	<u>\$ 6,770</u>	<u>\$ 3,343</u>	<u>\$ 3,757</u>
Total as a percentage of total assets	3.88%	5.58%	3.76%	1.91%	2.06%

At December 31, 2010, there were no other loans or other assets that are not disclosed on the table or discussed above, where known information about the possible credit problems of borrowers caused us to have serious doubts as to the ability of the borrowers to comply with present loan repayment terms and which may result in disclosure of such loans in the future.

Allowance for Loan Losses. The allowance for loan losses is established through a provision for loan losses based on our evaluation of probable losses in our loan portfolio and changes in the nature and volume of our loan activity. Such evaluation, which includes a review of all loans for which full collectibility may not be reasonably assured, considers among other matters, the estimated fair value of the underlying collateral, economic conditions, historical loan loss experience and other factors that warrant recognition in providing for an adequate loan allowance. Although we believe we use the best information available to make such determinations, future adjustments to the allowance may be necessary, and net income could be significantly affected if circumstances differ substantially from the assumptions used in making the initial determinations. At December 31, 2010, we had an allowance for loan losses of \$1.9 million. The following table sets forth an analysis of the allowance for loan losses.

	December 31,				
	2010	2009	2008	2007	2006
(Dollars in Thousands)					
Balance at beginning of period:	\$ 2,330	\$ 855	\$ 738	\$ 686	\$ 749
Charge-offs:					
One- to four-family	292	509	224	27	26
Multi-family	—	146	—	—	—
Non-residential	362	—	104	—	268
Construction	400	59	44	—	—
Land	—	37	—	188	—
Equity lines of credit and other consumer	40	20	53	116	48
Commercial business	—	339	—	—	—
Total charge offs	<u>1,094</u>	<u>1,110</u>	<u>425</u>	<u>331</u>	<u>342</u>
Recoveries:					
One- to four- family	16	41	—	—	—
Multi-family	—	26	—	—	—
Non-residential	—	—	—	—	1
Equity lines of credit and other consumer	—	91	7	1	1
Commercial business	<u>2</u>	<u>2</u>	<u>—</u>	<u>249</u>	<u>29</u>
Total recoveries	<u>18</u>	<u>160</u>	<u>7</u>	<u>250</u>	<u>31</u>
Net charge-offs	(1,076)	(950)	(418)	(81)	(311)
Additions charged to operations	<u>631</u>	<u>2,425</u>	<u>535</u>	<u>133</u>	<u>248</u>
Balance at end of period	<u>\$ 1,885</u>	<u>\$ 2,330</u>	<u>\$ 855</u>	<u>\$ 738</u>	<u>\$ 686</u>
Ratio of net charge-offs during the period to average loans outstanding during the period	<u>0.77%</u>	<u>0.66%</u>	<u>0.28%</u>	<u>0.06%</u>	<u>0.21%</u>
Ratio of net charge-offs during the period to average non-performing assets	<u>18.99%</u>	<u>11.01%</u>	<u>8.63%</u>	<u>2.23%</u>	<u>10.73%</u>

The distribution of the allowance for losses on loans at the dates indicated is summarized as follows:

	December 31,														
	2010			2009			2008			2007			2006		
Amount of Loan Loss Allowance	Loan Amounts by Category	Percent of Loans in Each Category	Amount of Loan Loss Allowance	Loan Amounts by Category	Percent of Loans in Each Category	Amount of Loan Loss Allowance	Loan Amounts by Category	Percent of Loans in Each Category	Amount of Loan Loss Allowance	Loan Amounts by Category	Percent of Loans in Each Category	Amount of Loan Loss Allowance	Loan Amounts by Category	Percent of Loans in Each Category	
(Dollars in Thousands)															
One- to four-family	\$ 1,041	\$90,750	66.22%	\$ 1,119	\$95,713	67.78%	\$ 266	\$106,051	69.36%	\$ 169	\$103,103	68.29%	\$ 274	\$105,223	67.08%
Multi-family	200	6,170	4.50	105	5,335	3.78	150	5,688	3.72	19	6,210	4.11	25	8,319	5.30
Non-residential	246	19,819	14.46	355	19,701	13.95	48	16,026	10.48	161	18,173	12.04	104	18,190	11.60
Construction and land	153	6,145	4.48	432	6,770	4.79	160	10,691	6.99	144	13,175	8.73	122	14,904	9.50
Consumer/Equity line	103	9,282	6.77	124	8,324	5.89	96	8,183	5.36	94	6,545	4.33	65	7,287	4.64
Commercial business	142	4,882	3.57	150	5,376	3.81	63	6,259	4.09	76	3,777	2.50	28	2,943	1.88
Unallocated	—	—	—	45	—	—	72	—	—	75	—	—	68	—	—
Total	<u>\$ 1,885</u>	<u>\$137,048</u>	<u>100.00%</u>	<u>\$ 2,330</u>	<u>\$141,219</u>	<u>100.00%</u>	<u>\$ 855</u>	<u>\$152,898</u>	<u>100.00%</u>	<u>\$ 738</u>	<u>\$150,983</u>	<u>100.00%</u>	<u>\$ 686</u>	<u>\$156,866</u>	<u>100.00%</u>

Accounts Receivable Investments

Accounts receivable are secured by, among other activities, trucking, health care, government contracts, commercial, cleaning, architectural services and manufacturing. Our purchased accounts receivable are classified as “other assets.” Like commercial business loans, these assets are subject to the risk that the debtor is unable to obtain payment on the receivables and we are quite vulnerable to economic conditions including today’s recession. The Bank underwrites these assets both on the ability of the debtor to pay on the receivables as well as on the ability of the seller to repurchase the receivables although, under the terms of the purchase agreements, the sellers are in many cases not obligated to do so. In some cases, the Bank has acquired credit insurance on a portion of the receivables. At December 31, 2010 and 2009, the Company owned \$3.3 million and \$2.0 million, respectively, of accounts receivable. See “Note 10 of the Notes to Consolidated Financial Statements” in the Annual Report.

Investment Activities

In support of our asset/liability management policy, most of our investments have historically consisted of U.S. Government and agency securities with maturities of five years or less, mortgage backed securities and short term assets. We may also invest, to a limited degree, in municipal securities, mutual funds and equity securities of other financial companies. At December 31, 2010, we did not own any securities of a single issuer, which exceeded 10% of our retained earnings, other than U.S. government or federal agency obligations. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources” in the Annual Report.

Investment Securities. At December 31, 2010, investment securities totaled \$2.1 million, or 1.16% of total assets. Included in this amount is a \$1.8 million investment in Federal Home Loan Bank stock, which is required for membership in the Federal Home Loan Bank of Indianapolis.

The following table sets forth the composition of our investment securities at the dates indicated.

	December 31,					
	2010		2009		2008	
	Carry Value	% of Total	Carry Value	% of Total	Carry Value	% of Total
(Dollars in Thousands)						
Interest-bearing deposits.....	<u>\$15,897</u>		<u>\$14,618</u>		<u>\$1,436</u>	
Investment securities available for sale:						
U.S. government securities.....	300	100.00%	-	-%	512	100.00%
Government securities mutual fund.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments available for sale.....	<u>300</u>	<u>100.00</u>	<u>-</u>	<u>-</u>	<u>512</u>	<u>100.00</u>
Average remaining life of debt investment securities.....	2.0 years		-		2.1 years	
Stock in FHLB of Indianapolis.....	<u>\$ 1,800</u>		<u>\$ 1,965</u>		<u>\$ 1,965</u>	

The composition and maturities of the investment securities portfolio, excluding Federal Home Loan Bank stock, as of December 31, 2010 are indicated in the following table.

	Less Than 1 Year	1 to 5 Years	5 to 10 Years	Over 10 Years	Total Investment Securities	
	Carry Value	Carry Value	Carry Value	Carry Value	Carry Value	Fair Value
(Dollars in Thousands)						
U.S. government securities.....	\$ -	\$ 300	\$ -	\$ -	\$ 300	\$ 300
Total.....	<u>\$ -</u>	<u>\$ 300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300</u>	<u>\$ 300</u>
Weighted average yield.....		0.75%				0.75%

Mortgage-Backed Securities. We purchase mortgage-backed securities from time to time to supplement residential loan production. The type of securities purchased is based upon our asset/liability management strategy and balance sheet objectives. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Asset/Liability Management” in our Annual Report to Shareholders. Our mortgage-backed securities are held in the available for sale portfolio in order to retain investment flexibility and accordingly are included in our financial statements at fair value.

All of our mortgage-backed securities at December 31, 2010, are backed by federal agencies or government corporations. Accordingly, we believe that the mortgage-backed securities are generally resistant to credit problems.

The following table sets forth the composition of our mortgage-backed securities at the dates indicated.

	December 31,					
	2010		2009		2008	
	Carry Value	% of Total	Carry Value	% of Total	Carry Value	% of Total
(Dollars in Thousands)						
Mortgage-backed securities available for sale:						
Ginnie Mae	\$ 131	2.53%	\$ 162	2.76%	\$ 27	0.75%
Fannie Mae	3,704	71.48	4,396	75.03	2,094	58.02
Freddie Mac	1,347	25.99	1,301	22.21	1,488	41.23
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total mortgage-backed securities	<u>\$ 5,182</u>	<u>100.00%</u>	<u>\$ 5,859</u>	<u>100.00%</u>	<u>\$ 3,609</u>	<u>100.00%</u>

The following table shows mortgage-backed and related securities, purchase, sale and repayment activities for the periods indicated.

	Year Ended December 31,		
	2010	2009	2008
(Dollars in Thousands)			
<u>Purchases:</u>			
Adjustable-rate	\$ —	\$ —	\$ —
Fixed-rate	<u>1,497</u>	<u>3,522</u>	<u>3,165</u>
Total purchases	<u>1,497</u>	<u>3,522</u>	<u>3,165</u>
<u>Sales and Repayments:</u>			
Total sales	<u>—</u>	<u>—</u>	<u>—</u>
Principal repayments	<u>2,119</u>	<u>1,319</u>	<u>493</u>
Total additions (reductions)	<u>(622)</u>	<u>2,203</u>	<u>2,672</u>
Increase in other items, net	<u>(55)</u>	<u>47</u>	<u>79</u>
Net increase (decrease)	<u>\$ (677)</u>	<u>\$ 2,250</u>	<u>\$ 2,751</u>

The following table sets forth the contractual maturities of our mortgage-backed securities at December 31, 2010. These securities are anticipated to be repaid well in advance of their contractual maturities as a result of mortgage loan payments. The amounts set forth below represent principal balances only and do not include premiums, discounts and fair value adjustments.

	Due in				December 31, 2010	
	1 to 5	5 to 10	10 to 20	Over 20	Fixed	Adjustable
	Years	Years	Years	Years		
	(Dollars in Thousands)					
Ginnie Mae	\$ -	\$ 101	\$ 21	\$ -	\$ 122	\$ -
Fannie Mae	502	2,077	860	90	3,529	26
Freddie Mac	308	836	137	7	1,289	-
Total	<u>\$ 810</u>	<u>3,014</u>	<u>1,018</u>	<u>97</u>	<u>4,940</u>	<u>26</u>

Sources of Funds

Our primary sources of funds are deposits, borrowings, amortization and prepayment of loan principal, maturities of investment securities, short-term investments and funds provided from operations.

Deposits. American Savings offers a variety of deposit accounts having a wide range of interest rates and terms. The deposits consist of passbook accounts, demand and NOW accounts, and money market and certificate accounts. We rely primarily on advertising, competitive pricing policies and customer service to attract and retain these deposits.

The flow of deposits is influenced significantly by general economic conditions, changes in money market and prevailing interest rates and competition. The varieties of deposits we offer have allowed us to be competitive in obtaining funds and to respond with flexibility to changes in consumer demand. Like all depository institutions, we have become more susceptible to short-term fluctuations in deposit flows as customers have become more interest rate conscious. We manage the pricing of our deposits in keeping with our asset/liability management, profitability and growth objectives. Based on our experience, we believe that passbook, demand and NOW accounts at times are a somewhat more stable sources of deposits than certificates of deposit. However, our ability to attract and maintain these deposits, and the rates paid on these deposits, has been and will continue to be significantly affected by market conditions.

The following table sets forth the savings flows during the periods indicated.

	Year Ending December 31,		
	2010	2009	2008
	(Dollars in Thousands)		
Opening balance	\$ 143,346	\$ 129,213	\$ 118,882
Deposits	315,315	305,252	307,713
Withdrawals	(312,493)	(293,691)	(300,766)
Interest credited	<u>1,732</u>	<u>2,572</u>	<u>3,384</u>
Ending balance	<u>\$ 147,900</u>	<u>\$ 143,346</u>	<u>\$ 129,213</u>
Net increase	<u>\$ 4,554</u>	<u>\$ 14,133</u>	<u>\$ 10,331</u>
Percent increase	<u>3.18%</u>	<u>10.94%</u>	<u>8.69%</u>

The following table sets forth the dollar amount of savings deposits in the various types of deposit programs we offer as of the dates indicated.

	December 31,					
	2010		2009		2008	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
	(Dollars in Thousands)					
<u>Transactions and Savings Deposits:</u>						
Commercial Demand (0.00%) ⁽¹⁾	\$ 5,748	3.89%	\$ 7,468	5.21%	\$ 5,247	4.06%
Passbook Accounts (0.25%) ⁽¹⁾	18,493	12.50	17,605	12.28	16,979	13.14
NOW Accounts (0.35%) ⁽¹⁾	15,782	10.67	14,758	10.30	12,862	9.95
Money Market Accounts (0.52%) ⁽¹⁾	<u>14,208</u>	<u>9.61</u>	<u>14,893</u>	<u>10.39</u>	<u>11,820</u>	<u>9.15</u>
Total Non-Certificates	<u>54,231</u>	<u>36.67</u>	<u>54,724</u>	<u>38.18</u>	<u>46,908</u>	<u>36.30</u>
<u>Certificates:</u>						
0.01 – 1.00%	13,308	9.00	7,915	5.52	-	-
1.00 – 2.00%	40,161	27.15	29,962	20.90	11,134	8.62
2.01 – 3.00%	33,491	22.64	28,399	19.81	12,048	9.32
3.01 – 4.00%	5,455	3.69	15,895	11.09	39,175	30.32
4.01 – 5.00%	1,043	0.71	4,491	3.13	15,748	12.19
5.01 – 6.00%	<u>211</u>	<u>0.14</u>	<u>1,960</u>	<u>1.37</u>	<u>4,200</u>	<u>3.25</u>
Total Certificates	<u>93,669</u>	<u>63.33</u>	<u>88,622</u>	<u>61.82</u>	<u>82,305</u>	<u>63.70</u>
Total Deposits	<u>\$ 147,900</u>	<u>100.00%</u>	<u>\$ 143,346</u>	<u>100.00%</u>	<u>\$ 129,213</u>	<u>100.00%</u>

⁽¹⁾ Weighted average rates in effect at December 31, 2010

The following table shows rate and maturity information for our certificates of deposit as of December 31, 2010.

(Dollars in Thousands)							
	0.01- 1.00%	1.01- 2.00%	2.01- 3.00%	3.01- 4.00%	4.01- 6.00%	Total	Percent of Total
Certificate account maturing in quarter ending:							
March 31, 2011.....	\$ 4,008	\$ 7,870	\$ 822	\$ 31	\$ 292	\$13,023	13.90%
June 30, 2011.....	3,186	5,355	2,293	106	28	10,968	11.71
September 30, 2011.....	2,464	6,379	4,812	413	715	14,783	15.78
December 31, 2011.....	1,974	7,522	4,867	26	72	14,461	15.44
March 31, 2012.....	1,581	5,068	4,410	37	51	11,147	11.90
June 30, 2012.....	42	1,798	138	-	-	1,978	2.11
September 30, 2012.....	50	2,459	1,030	72	54	3,665	3.91
December 31, 2012.....	-	1,628	586	108	12	2,334	2.49
March 31, 2013.....	-	334	693	-	-	1,027	1.10
June 30, 2013.....	-	26	869	538	-	1,433	1.53
September 30, 2013.....	-	4	1,775	1,408	30	3,217	3.43
December 31, 2013.....	2	207	2,089	502	-	2,800	2.99
Thereafter	-	1,511	9,107	2,215	-	12,833	13.71
Total.....	<u>\$13,307</u>	<u>\$40,161</u>	<u>\$33,491</u>	<u>\$ 5,456</u>	<u>\$ 1,254</u>	<u>\$93,669</u>	<u>100.00%</u>
Percent of total.....	<u>14.21%</u>	<u>42.88%</u>	<u>35.75%</u>	<u>5.82%</u>	<u>1.34%</u>	<u>100.00%</u>	

The following table indicates the amount of our certificates of deposit and other deposits by time remaining until maturity as of December 31, 2010.

	Maturity				Total
	3 Months or Less	Over 3 to 6 Months	Over 6 to 12 Months	Over 12 Months	
(Dollars in Thousands)					
Certificates of deposit less than \$100,000	\$ 7,975	\$ 8,295	\$ 19,767	\$ 24,598	\$ 60,635
Certificates of deposit of \$100,000 or more	<u>5,048</u>	<u>2,673</u>	<u>9,475</u>	<u>15,838</u>	<u>33,034</u>
Total certificates of deposit	<u>\$ 13,023</u>	<u>\$ 10,968</u>	<u>\$ 29,242</u>	<u>\$ 40,436</u>	<u>\$ 93,669</u>

Borrowings. We may obtain advances from the Federal Home Loan Bank of Indianapolis upon the security of our capital stock in the Federal Home Loan Bank of Indianapolis and certain of our mortgage loans. Such advances may be made pursuant to several different credit programs, each of which has its own interest rate and range of maturities. At December 31, 2010, we had \$10.4 million in Federal Home Loan Bank advances outstanding. From time to time during recent years we have utilized short-term borrowings, most of which had original maturities of 12 to 36 months, in order to fund loan demand. To the extent such borrowings are different than the average term to repricing of our deposits, they can change our interest rate risk profile. See “Management Discussion and Analysis - Asset/Liability Management” in the Annual Report. During the first quarter of 2007, the Company repaid its \$5.0 million trust preferred issue and replaced it with a new \$3.0 million trust preferred issue at a reduced rate

and borrowed an additional \$2.0 million that was scheduled to mature annually. During the first quarter of 2009, the Company replaced this \$2.0 million borrowing with a \$2.0 million borrowing having a term of five years

The following table sets forth certain information as to our borrowings, at or for the periods ended on the dates indicated.

	December 31,		
	2010	2009	2008
	(Dollars in Thousands)		
Federal Home Loan Bank advances:			
Average balance outstanding	\$ 14,346	\$ 23,832	\$ 32,604
Maximum amount outstanding at any month-end during the period	14,987	26,154	38,370
Balance outstanding at end of period.....	10,381	20,987	28,654
Weighted average interest rate during the period	4.90%	4.57%	4.48%
Weighted average interest rate at end of period.....	4.67%	4.49%	4.26%
Other borrowings:			
Average balance outstanding	\$ 2,000	\$ 2,012	\$ 2,614
Maximum amount outstanding at any month-end during the period	2,000	2,000	2,843
Balance outstanding at end of period.....	2,000	2,000	2,229
Weighted average interest rate during the period	8.00%	8.00%	7.21%
Weighted average interest rate at end of period.....	8.00%	8.00%	7.87%
Junior subordinated debentures:			
Average balance outstanding	\$ 3,000	\$ 3,000	\$ 3,000
Maximum amount outstanding at any month-end during the period	3,000	3,000	3,000
Balance outstanding at end of period.....	3,000	3,000	3,000
Weighted average interest rate during the period	6.55%	6.55%	6.55%
Weighted average interest rate at end of period.....	6.55%	6.55%	6.55%

Subsidiaries

AMB Financial Corp.'s only subsidiary is American Savings, FSB. American Savings has one wholly owned subsidiary service corporation, NIFCO, Inc., and one second tier subsidiary service corporation, Ridge Management, Inc. which is owned by NIFCO. NIFCO previously sold annuities and securities. As of December 31, 2003, the activities of NIFCO were effectively transferred to the Bank.

In the past, Ridge Management engaged in lending and investment activity, although it is currently essentially inactive. For the year ended December 31, 2010, Ridge Management had no activity.

We also own all of the common securities of AMB Financial Statutory Trust II, which was created in connection with the issuance in March 2007 of \$3.0 million of trust preferred securities.

Regulation

As a savings and loan holding company, AMB Financial Corp. is required to comply with the rules and regulations of the Office of Thrift Supervision and to file certain reports with and is subject to examination by the Office of Thrift Supervision. American Savings is a federally chartered savings and loan association, the deposits of which are federally insured by the FDIC and backed by the full faith and credit of the United States government. Accordingly, American Savings is subject to broad federal regulation and oversight extending to all of our operations. American Savings is a member of the Federal Home Loan Bank of Indianapolis and is subject to certain limited regulation by the Board of Governors of the Federal Reserve System. As the savings and loan holding company that has existed as a unitary savings and loan holding company prior to May 4, 1999, there is virtually no restriction on its activities.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”) made extensive changes in the regulation of federal savings banks such as American Savings, FSB. Under the Dodd-Frank Act, the Office of Thrift Supervision will be eliminated. Responsibility for the supervision and regulation of federal savings banks will be transferred to the Office of the Comptroller of the Currency, which is the agency that is currently primarily responsible for the regulation and supervision of national banks. The Office of the Comptroller of the Currency will assume responsibility for implementing and enforcing many of the laws and regulations applicable to federal savings banks. The transfer of regulatory functions will take place over a transition period of up to one year from the Dodd-Frank Act enactment date of July 21, 2010, subject to a possible six-month extension. At the same time, responsibility for the regulation and supervision of savings and loan holding companies, such as AMB Financial Corp., will be transferred to the Federal Reserve Board, which currently supervises bank holding companies. Additionally, the Dodd-Frank Act creates a new Consumer Financial Protection Bureau as an independent bureau of the Federal Reserve Board. The Consumer Financial Protection Bureau will assume responsibility for the implementation of the federal financial consumer protection and fair lending laws and regulations, a function currently assigned to prudential regulators, and will have authority to impose new requirements. However, institutions of less than \$10 billion in assets, such as American Savings, FSB, will continue to be examined for compliance with consumer protection and fair lending laws and regulations by, and be subject to the primary enforcement authority of, their prudential regulator rather than the Consumer Financial Protection Bureau.

Federal Regulation of Savings Associations. The Office of Thrift Supervision has extensive authority over the operations of savings associations. As part of this authority, we are required to file periodic reports with the Office of Thrift Supervision and are subject to periodic examinations by the Office of Thrift Supervision and the FDIC. When these examinations are conducted by the Office of Thrift Supervision and the FDIC, the examiners may require American Savings to provide for higher general or specific loan loss reserves.

The Office of Thrift Supervision also has extensive enforcement authority over all savings institutions and their holding companies, such as American Savings and AMB Financial, respectively. This enforcement authority includes, among other things, the ability to assess civil money penalties, to issue cease-and-desist or removal orders, and to initiate injunctive actions.

Our general permissible lending limit for loans-to-one-borrower is equal to the greater of \$500,000 or 15% of capital and surplus (except for loans fully secured by certain readily marketable collateral, in which case this limit is increased to 25% of capital and surplus). At December 31, 2010, our lending limit under this restriction was approximately \$2.7 million. At December 31, 2010, the Bank had no loans in excess of our loans-to-one-borrower limit.

The Comptroller of the Currency will assume the Office of Thrift Supervision’s authority under the Dodd-Frank Act regulatory restructuring.

Insurance of Deposit Accounts. American Savings, FSB's deposits are insured up to applicable limits by the Deposit Insurance Fund of the Federal Deposit Insurance Corporation.

Under the Federal Deposit Insurance Corporation's risk-based assessment system, insured institutions are assigned to one of four risk categories based on supervisory evaluations, regulatory capital levels and certain other factors, with less risky institutions paying lower assessments. An institution's assessment rate depends upon the category to which it is assigned, and certain adjustments specified by Federal Deposit Insurance Corporation regulations. Assessment rates currently range from seven to 77.5 basis points of assessable deposits. The Federal Deposit Insurance Corporation may adjust the scale uniformly, except that no adjustment can deviate more than three basis points from the base scale without notice and comment. No institution may pay a dividend if in default of the federal deposit insurance assessment.

The Dodd-Frank Act requires the Federal Deposit Insurance Corporation to revise its procedures to base its assessments upon total assets less tangible equity instead of deposits. The Federal Deposit Insurance Corporation recently finalized a rule that would implement that change, effective April 1, 2011. Among other things, the final rule changes the assessment range.

The Federal Deposit Insurance Corporation imposed on all insured institutions a special emergency assessment of five basis points of total assets minus Tier 1 capital (as of June 30, 2009), capped at ten basis points of an institution's deposit assessment base, in order to cover losses to the Deposit Insurance Fund. That special assessment was collected on September 30, 2009. The Federal Deposit Insurance Corporation provided for similar assessments during the final two quarters of 2009, if deemed necessary. In lieu of further special assessments, however, the Federal Deposit Insurance Corporation required insured institutions to prepay estimated quarterly risk-based assessments for the fourth quarter of 2009 through the fourth quarter of 2012. The estimated assessments, which included an assumed annual assessment base increase of 5%, were recorded as a prepaid expense asset as of December 30, 2009. As of December 31, 2009, and each quarter thereafter, a charge to earnings is recorded for each regular assessment with an offsetting credit to the prepaid asset.

Due to the recent difficult economic conditions, deposit insurance per account owner has been raised to \$250,000. That coverage was made permanent by the Dodd-Frank Act. In addition, the Federal Deposit Insurance Corporation adopted an optional Temporary Liquidity Guarantee Program by which, for a fee, noninterest-bearing transaction accounts would receive unlimited insurance coverage until June 30, 2010, subsequently extended to December 31, 2010, and certain senior unsecured debt issued by institutions and their holding companies between October 13, 2008 and October 31, 2009 would be guaranteed by the Federal Deposit Insurance Corporation through June 30, 2012, or in some cases, December 31, 2012. American Savings, FSB opted to participate in the unlimited noninterest-bearing transaction account coverage and opted not to participate in the unsecured debt guarantee program. The Dodd-Frank Act extended the unlimited coverage for certain noninterest-bearing transaction accounts from January 1, 2011 until December 31, 2012 without the opportunity for opt out.

In addition to the assessment for deposit insurance, institutions are required to make payments on bonds issued in the late 1980s by the Financing Corporation to recapitalize a predecessor deposit insurance fund. That payment is established quarterly and during the four quarters ended December 31, 2010 averaged 1.045 basis points of assessable deposits.

The Dodd-Frank Act increased the minimum target Deposit Insurance Fund ratio from 1.15% of estimated insured deposits to 1.35% of estimated insured deposits. The Federal Deposit Insurance Corporation must seek to achieve the 1.35% ratio by September 30, 2020. Insured institutions with assets

of \$10 billion or more are supposed to fund the increase. The Dodd-Frank Act eliminated the 1.5% maximum fund ratio, instead leaving it to the discretion of the Federal Deposit Insurance Corporation and the Federal Deposit Insurance Corporation has recently exercised that discretion by establishing a long range fund ratio of 2%.

The Federal Deposit Insurance Corporation has authority to increase insurance assessments. A significant increase in insurance premiums would likely have an adverse effect on the operating expenses and results of operations of American Savings, FSB. We cannot predict what insurance assessment rates will be in the future.

Insurance of deposits may be terminated by the Federal Deposit Insurance Corporation upon a finding that the institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or regulatory condition imposed in writing. We do not know of any practice, condition or violation that might lead to termination of deposit insurance.

U.S. Treasury's Troubled Asset Relief Program Capital Purchase Program. The Emergency Economic Stabilization Act of 2008 was enacted in October 2008 and provides the U.S. Secretary of the Treasury with broad authority to implement certain actions to help restore stability and liquidity to U.S. markets. One of the provisions resulting from the legislation is the Troubled Asset Relief Program Capital Purchase Program ("CPP"), which provides for direct equity investment in perpetual preferred stock by the U.S. Treasury Department in qualified financial institutions. The program is voluntary and requires an institution to comply with a number of restrictions and provisions, including limits on executive compensation, stock redemptions and declaration of dividends. The CPP provides for a minimum investment of one percent of total risk-weighted assets and a maximum investment equal to the lesser of three percent of total risk-weighted assets or \$25 billion. Participation in the program is not automatic and is subject to approval by the U.S. Treasury Department. On January 30, 2009, pursuant to the CPP, we sold and the United States Department of the Treasury purchased (i) 3,674 shares of Company Fixed Rate Cumulative Perpetual Preferred Stock, Series A, having a liquidation preference of \$1,000 per shares, and (ii) a 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 shares.

Regulatory Capital Requirements. Federally insured savings associations, such as American Savings, are required to maintain a minimum level of regulatory capital. The Office of Thrift Supervision has established capital standards, including a tangible capital requirement, a leverage ratio (or core capital) requirement and a risk-based capital requirement applicable to such savings associations.

The capital regulations require tangible capital of at least 1.5% of adjusted total assets (as defined by regulation). At December 31, 2010, American Savings had tangible capital of \$16.4 million, or 9.12% of adjusted total assets, which is approximately \$13.7 million above the minimum requirement of 1.5% of adjusted total assets in effect on that date.

The capital standards also require core capital equal to at least 3% to 4% of adjusted total assets, depending on an institution's supervisory rating. Core capital generally consists of tangible capital. At December 31, 2010, we had core capital equal to \$16.4 million, or 9.12% of adjusted total assets, which is \$9.2 million above the leverage ratio requirement of 4% as in effect on that date.

The Office of Thrift Supervision risk-based capital requirement requires savings associations to have total capital of at least 8% of risk-weighted assets. Total capital consists of core capital, as defined above, and supplementary capital. Supplementary capital consists of certain permanent and maturing capital instruments that do not qualify as core capital and general valuation loan and lease loss allowances

up to a maximum of 1.25% of risk-weighted assets. Supplementary capital may be used to satisfy the risk-based requirement only to the extent of core capital.

In determining the amount of risk-weighted assets, all assets, including certain off-balance sheet items, will be multiplied by a risk weight, ranging from 0% to 100%, based on the risk inherent in the type of asset. For example, the Office of Thrift Supervision has assigned a risk weight of 50% for prudently underwritten permanent one- to four-family first lien mortgage loans not more than 90 days delinquent and having a loan-to-value ratio of not more than 80% at origination, unless insured to such ratio by an insurer approved by Fannie Mae or Freddie Mac.

On December 31, 2010, we had total risk-based capital of approximately \$17.5 million, including \$16.4 million in core capital and \$1.1 million in qualifying supplementary capital, and risk-weighted assets of \$119.4 million, or total capital of 14.64% of risk-weighted assets. This amount was \$7.9 million above the 8% requirement in effect on that date. See Footnote #18 “Regulatory Capital Requirements” in the Annual Report for further details on the Bank’s regulatory capital requirements.

The Office of Thrift Supervision is authorized to impose capital requirements in excess of these standards on individual associations on a case-by-case basis. The Office of Thrift Supervision and the FDIC are authorized and, under certain circumstances required, to take certain actions against savings associations that fail to meet their capital requirements. The Office of Thrift Supervision is generally required to take action to restrict the activities of an “undercapitalized association” (generally defined to be one with less than either a 4% core capital ratio, a 4% core risk-based capital ratio or an 8% risk-based capital ratio). Any such association must submit a capital restoration plan and until such plan is approved by the Office of Thrift Supervision may not increase its assets, acquire another institution, establish a branch or engage in any new activities, and generally may not make capital distributions. The Office of Thrift Supervision is authorized to impose the additional restrictions that are applicable to significantly undercapitalized associations.

The Office of Thrift Supervision is also generally authorized to reclassify an association into a lower capital category and impose the restrictions applicable to such category if the institution is engaged in unsafe or unsound practices or is in an unsafe or unsound condition.

Savings and loan holding companies are not currently subject to specific regulatory capital requirements. The Dodd-Frank Act, however, requires the Federal Reserve Board to promulgate consolidated capital requirements for depository institution holding companies that are no less stringent, both quantitatively and in terms of components of capital, than those applicable to institutions themselves. Instruments such as cumulative preferred stock and trust preferred securities will no longer be includable as Tier 1 capital, as is currently the case with bank holding companies. Instruments issued by May 19, 2010 will be grandfathered for companies with consolidated assets of \$15 billion or less. There is a five-year transition period (from the July 21, 2010 effective date of the Dodd-Frank Act) before the capital requirements will apply to savings and loan holding companies.

The Dodd-Frank Act also extends the “source of strength” doctrine to savings and loan holding companies. The regulatory agencies must issue regulations requiring that all bank and savings and loan holding companies serve as a source of strength to their subsidiary depository institutions by providing capital, liquidity and other support in times of financial stress.

Limitations on Dividends and Other Capital Distributions. The Office of Thrift Supervision imposes various restrictions on savings associations with respect to their ability to make distributions of capital, which include dividends, stock redemptions or repurchases, cash-out mergers and other transactions charged to the capital account. The Office of Thrift Supervision also prohibits a savings association from declaring or paying any dividends or from repurchasing any of its stock if, as a result of

such action, the regulatory capital of the savings association would be reduced below the amount required to be maintained for the liquidation account established in connection with American Savings mutual to stock conversion.

American Savings may make a capital distribution without the prior approval of the Office of Thrift Supervision provided we notify the Office of Thrift Supervision at least 30 days before we declare the capital distribution and we meet the following requirements: (i) we have a regulatory rating in one of the two top examination categories, (ii) we are not of supervisory concern, and will remain adequately- or well-capitalized, as defined in the Office of Thrift Supervision prompt corrective action regulations, following the proposed distribution, and (iii) the distribution does not exceed our net income for the calendar year-to-date plus retained net income for the previous two calendar years (less any dividends previously paid). If we do not meet the above stated requirements, we must obtain the prior approval of the Office of Thrift Supervision before declaring any proposed distributions.

Qualified Thrift Lender Test. As a federal savings bank, American Savings must satisfy the qualified thrift lender, or “QTL,” test. This test requires that American Savings maintain at least 65% of its “portfolio assets” in “qualified thrift investments” (primarily residential mortgages and related investments, including mortgage-backed securities) in at least nine months of the most recent 12-month period.

A savings bank that fails the qualified thrift lender test must operate under specified restrictions set forth in the Home Owners’ Loan Act. The Dodd-Frank Act made non-compliance with the QTL Test potentially subject to agency enforcement action for a violation of law. At December 31, 2010, American Savings maintained 79.67% of its portfolio assets in qualified thrift investments and, therefore, satisfied the QTL test.

Community Reinvestment Act. Under the Community Reinvestment Act, every FDIC insured institution has a continuing and affirmative obligation, consistent with safe and sound banking practices, to help meet the credit needs of its entire community, including low- and moderate- income neighborhoods. The Community Reinvestment Act requires the Office of Thrift Supervision, in connection with its examination of American Savings, to assess the institution’s record of meeting the credit needs of our community and to take this record into account in our evaluation of certain applications, such as a merger or the establishment of a branch, by American Savings. An unsatisfactory rating may be used as the basis for the denial of an application by the Office of Thrift Supervision. American Savings was examined for Community Reinvestment Act compliance in March 2009 and received a rating of “satisfactory.”

Transactions with Affiliates. Generally, transactions between a savings association or its subsidiaries and its affiliates are required to be on terms as favorable to the association or subsidiary as transactions with non-affiliates. In addition, certain of these transactions, such as loans to an affiliate, are restricted to a percentage of the association’s capital. Affiliates of American Savings include AMB Financial and any company which is under common control with American Savings. In addition, a savings association may not lend to any affiliate engaged in activities not permissible for a bank holding company or acquire the securities of most affiliates. The Office of Thrift Supervision has the discretion to treat subsidiaries of savings associations as affiliates on a case by case basis.

Certain transactions with directors, officers or controlling persons are also subject to conflict of interest regulations enforced by the Office of Thrift Supervision. These conflict of interest regulations and other statutes also impose restrictions on loans to such persons and their related interests. Among other things, such loans must be made on terms substantially the same as for loans to unaffiliated individuals.

Holding Company Regulation. AMB Financial is a unitary savings and loan holding company subject to regulatory oversight by the Office of Thrift Supervision. AMB Financial is required to register and file reports with the Office of Thrift Supervision and is subject to regulation and examination by the Office of Thrift Supervision. In addition, the Office of Thrift Supervision has enforcement authority over AMB Financial and its non-savings association subsidiaries which also permits the Office of Thrift Supervision to restrict or prohibit activities that are determined to be a serious risk to the subsidiary savings association.

USA PATRIOT Act. The USA PATRIOT Act gives the federal government powers to address terrorist threats through enhanced domestic security measures, expanded surveillance powers, increased information sharing and broadened anti-money laundering requirements. The USA PATRIOT Act also requires the federal banking agencies to take into consideration the effectiveness of controls designed to combat money laundering activities in determining whether to approve a merger or other acquisition application of a member institution. Accordingly, if we engage in a merger or other acquisition, our controls designed to combat money laundering would be considered as part of the application process. The Company has established policies, procedures and systems designed to comply with these regulations.

Federal Reserve System. The Federal Reserve Board requires all depository institutions to maintain noninterest bearing reserves at specified levels against their transaction accounts (primarily checking, NOW and Super NOW checking accounts). At December 31, 2010, American Savings was in compliance with these reserve requirements.

Savings associations are authorized to borrow from the Federal Reserve Bank “discount window,” but Federal Reserve Board regulations require associations to exhaust other reasonable alternative sources of funds, including Federal Home Loan Bank borrowings, before borrowing from the Federal Reserve Bank.

Federal Home Loan Bank System. American Savings is a member of the Federal Home Loan Bank of Indianapolis, which is one of 12 regional Federal Home Loan Banks that administer the home financing credit function of savings associations. Each Federal Home Loan Bank serves as a reserve or central bank for its members within its assigned region. It makes loans to members (i.e., advances) in accordance with policies and procedures, established by the board of directors of the Federal Home Loan Bank, which are subject to the oversight of the Federal Housing Finance Board. All advances from the Federal Home Loan Bank are required to be fully secured by sufficient collateral as determined by the Federal Home Loan Bank. In addition, all long-term advances must be used for residential home financing.

As a member, American Savings is required to purchase and maintain a minimum amount of stock in the Federal Home Loan Bank of Indianapolis. At December 31, 2010, American Savings had \$1.8 million in Federal Home Loan Bank stock, which was in compliance with this requirement. In past years, American Savings has received substantial dividends on our Federal Home Loan Bank stock. In 2010, dividend income recorded totaled \$35,000, for an annualized rate of 1.81%, which constituted an \$11,000 decrease from the amount of dividends received in 2009.

Federal and State Taxation

Federal Taxation. Savings institutions that met certain definitional tests relating to the composition of assets and other conditions prescribed by the Internal Revenue Code of 1986, as amended, had been permitted to establish reserves for bad debts and to make annual additions which could, within specified formula limits, be taken as a deduction in computing taxable income for federal income tax purposes. The amount of the bad debt reserve deduction is now computed under the experience method.

In addition to the regular income tax, corporations, including savings institutions, generally are subject to a minimum tax. An alternative minimum tax is imposed at a minimum tax rate of 20% on alternative minimum taxable income, which is the sum of a corporation's regular taxable income (with certain adjustments) and tax preference items, less any available exemption. The alternative minimum tax is imposed to the extent it exceeds the corporation's regular income tax and net operating losses can offset no more than 90% of alternative minimum taxable income.

To the extent earnings appropriated to a savings institution's bad debt reserves for "qualifying real property loans" and deducted for federal income tax purposes exceed the allowable amount of such reserves computed under the experience method and to the extent of the institution's supplemental reserves for losses on loans, such excess may not, without adverse tax consequences, be utilized for the payment of cash dividends or other distributions to a shareholder (including distributions on redemption, dissolution or liquidation) or for any other purpose (except to absorb bad debt losses). As of December 31, 2010, American Savings' excess for tax purposes totaled approximately \$1.9 million.

We file consolidated federal income tax returns on a fiscal year basis using the accrual method of accounting.

Our federal income tax returns for the last three years are open to possible audit by the IRS. The 2009 return was audited by the IRS in January 2011 and no change in the reported tax was made. In our opinion, any examination of still open returns would not result in a deficiency, which could have a material adverse effect on our financial condition.

Indiana Taxation. The State of Indiana imposes an 8.5% financial institution tax on the net income of financial (including thrift) institutions. Taxable income for financial institution tax purposes will constitute federal taxable income before net operating loss deductions and special deductions, adjusted for certain items, including the addition of Indiana income taxes, tax exempt interest and bad debts. Other applicable Indiana taxes include sales, use and personal property taxes.

Delaware Taxation. As a company incorporated under Delaware state law, AMB Financial is exempt from Delaware corporate income tax but is required to file an annual report with, and pay an annual fee to, the State of Delaware. The Holding Company is also subject to an annual franchise tax imposed by the State of Delaware.

Competition

We face strong competition both in originating real estate loans and in attracting deposits. Competition in originating loans comes primarily from other savings institutions, credit unions, commercial banks, mortgage brokers and from online financial service providers. We compete for loans principally on the basis of the interest rates and loan fees we charge, the types of loans we originate and the quality of services we provide to borrowers.

We attract all of our deposits through our branch offices, primarily from the communities in which those branch offices are located; therefore, competition for those deposits is principally from other savings institutions, commercial banks, securities firms, money market and mutual funds and credit unions located in the same communities. Our ability to attract and retain deposits depends on our ability to provide an investment opportunity that satisfies the requirements of investors. We compete for these deposits by offering a variety of deposit accounts at competitive rates, convenient business hours and a customer oriented staff. As of June 30, 2010, the most recent date for which data are available according to the FDIC, our market share of savings deposits in the Lake County, Indiana was approximately 1.97%.

Employees

At December 31, 2010, we had a total of 42 employees, including 13 part-time employees. Our employees are not represented by any collective bargaining group. We consider employee relations to be good.

Legal Proceedings

The Bank is, from time to time, a party to certain lawsuits in the ordinary course of its business, wherein it enforces its security interest. In addition, as of December 31, 2010, we were involved in the following litigation:

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

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

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

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

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

Trevino vs. AMB Financial Corp. The Company is also involved in litigation with Juan Trevino for alleged injuries sustained on May 15, 2008 at one of the Company's locations. The suit filed April 2009 in the Superior Court of Lake County Indiana (Case #450040904CT00148), involves an employee of ATT who was on Bank premises on a service call and alleges the Company was at fault in causing the plaintiff to trip and fall, including failure to provide adequate lighting, failure to warn of known dangers, and failure to exercise reasonable care for the safety of its invitees. The Bank intends to vigorously defend the litigation and counsel is of the opinion the Bank has strong legal and factual defenses which should permit the Bank to successfully defend the litigation. The complaint seeks recovery of damages of an

unspecified amount. The Company maintains liability insurance coverage of \$5.0 million. At this time, the outcome of this litigation is still in question, and the amount of potential loss, if any, cannot be estimated.

At December 31, 2010, other than as described above, we were not involved in any legal proceedings that are not routine and incidental to our business.

Description of Property

We conduct business from our main office located in Munster, Indiana and branch offices. The following table sets forth information relating to each of our properties as of December 31, 2010.

Location	Year Acquired	Owned Or Leased	Total Approximate Square Footage	Book Value at December 31, 2010 (Dollars in Thousands)
Main Office:				
8230 Hohman Avenue Munster, Indiana	1963	Owned	8,400	\$ 78
Branch Offices:				
1001 Main Street Dyer, Indiana	2000	Owned ⁽¹⁾	16,000	\$ 1,619
4521 Hohman Avenue Hammond, Indiana	1983	Owned	1,600	\$ 61
7880 Wicker Avenue Schererville, Indiana	2007	Owned ⁽²⁾	24,000	\$ 6,784

(1) Our branch office occupies 5,300 square feet of this building. The balance of the property is available for lease purposes.

(2) Our branch office occupies 5,000 square feet of this building. The balance of the property is available for lease purposes.

We believe that current facilities are adequate to meet our present and foreseeable needs.