

UNITED STATES DEPARTMENT OF THE TREASURY
1500 PENNSYLVANIA AVENUE, NW
WASHINGTON, D.C. 20220

Dear Ladies and Gentlemen:

The company set forth on the signature page hereto (the "*Company*") intends to issue in a private placement the number of shares of a series of its preferred stock set forth on Schedule A hereto (the "*Preferred Shares*") and a warrant to purchase the number of shares of a series of its preferred stock set forth on Schedule A hereto (the "*Warrant*" and, together with the Preferred Shares, the "*Purchased Securities*") and the United States Department of the Treasury (the "*Investor*") intends to purchase from the Company the Purchased Securities.

The purpose of this letter agreement is to confirm the terms and conditions of the purchase by the Investor of the Purchased Securities. Except to the extent supplemented or superseded by the terms set forth herein or in the Schedules hereto, the provisions contained in the Securities Purchase Agreement – Standard Terms attached hereto as Exhibit A (the "*Securities Purchase Agreement*") are incorporated by reference herein. Terms that are defined in the Securities Purchase Agreement are used in this letter agreement as so defined. In the event of any inconsistency between this letter agreement and the Securities Purchase Agreement, the terms of this letter agreement shall govern.

Each of the Company and the Investor hereby confirms its agreement with the other party with respect to the issuance by the Company of the Purchased Securities and the purchase by the Investor of the Purchased Securities pursuant to this letter agreement and the Securities Purchase Agreement on the terms specified on Schedule A hereto.

This letter agreement (including the Schedules hereto), the Securities Purchase Agreement (including the Annexes thereto), the Disclosure Schedules and the Warrant constitute the entire agreement, and supersede all other prior agreements, understandings, representations and warranties, both written and oral, between the parties, with respect to the subject matter hereof. This letter agreement constitutes the "Letter Agreement" referred to in the Securities Purchase Agreement.

This letter agreement may be executed in any number of separate counterparts, each such counterpart being deemed to be an original instrument, and all such counterparts will together constitute the same agreement. Executed signature pages to this letter agreement may be delivered by facsimile and such facsimiles will be deemed as sufficient as if actual signature pages had been delivered.

* * *

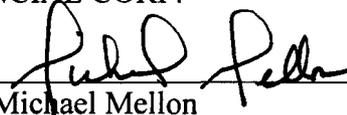
UST Sequence No. 515

In witness whereof, this letter agreement has been duly executed and delivered by the duly authorized representatives of the parties hereto as of the date written below.

UNITED STATES DEPARTMENT OF THE TREASURY

By: _____
Name:
Title:

AMB FINANCIAL CORP.

By:  _____
Michael Mellon
President and Chief Executive Officer

Date: January 30, 2009

In witness whereof, this letter agreement has been duly executed and delivered by the duly authorized representatives of the parties hereto as of the date written below.

UNITED STATES DEPARTMENT OF THE TREASURY

By: 
Name: Neel Kashkari
Title: **Interim Assistant Secretary
For Financial Stability**

AMB FINANCIAL CORP.

By: _____
Michael Mellon
President and Chief Executive Officer

Date: January 30, 2009

EXHIBIT A
(Non-Exchange-Traded QFIs, excluding S Corps
and Mutual Organizations)

SECURITIES PURCHASE AGREEMENT
STANDARD TERMS

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SECURITIES PURCHASE AGREEMENT – STANDARD TERMS

Recitals:

WHEREAS, the United States Department of the Treasury (the “*Investor*”) may from time to time agree to purchase shares of preferred stock and warrants from eligible financial institutions which elect to participate in the Troubled Asset Relief Program Capital Purchase Program (“*CPP*”);

WHEREAS, an eligible financial institution electing to participate in the CPP and issue securities to the Investor (referred to herein as the “*Company*”) shall enter into a letter agreement (the “*Letter Agreement*”) with the Investor which incorporates this Securities Purchase Agreement – Standard Terms;

WHEREAS, the Company agrees to expand the flow of credit to U.S. consumers and businesses on competitive terms to promote the sustained growth and vitality of the U.S. economy;

WHEREAS, the Company agrees to work diligently, under existing programs, to modify the terms of residential mortgages as appropriate to strengthen the health of the U.S. housing market;

WHEREAS, the Company intends to issue in a private placement the number of shares of the series of its Preferred Stock (“*Preferred Stock*”) set forth on Schedule A to the Letter Agreement (the “*Preferred Shares*”) and a warrant to purchase the number of shares of the series of its Preferred Stock (“*Warrant Preferred Stock*”) set forth on Schedule A to the Letter Agreement (the “*Warrant*” and, together with the Preferred Shares, the “*Purchased Securities*”) and the Investor intends to purchase (the “*Purchase*”) from the Company the Purchased Securities; and

WHEREAS, the Purchase will be governed by this Securities Purchase Agreement – Standard Terms and the Letter Agreement, including the schedules thereto (the “*Schedules*”), specifying additional terms of the Purchase. This Securities Purchase Agreement – Standard Terms (including the Annexes hereto) and the Letter Agreement (including the Schedules thereto) are together referred to as this “*Agreement*”. All references in this Securities Purchase Agreement – Standard Terms to “*Schedules*” are to the Schedules attached to the Letter Agreement.

NOW, THEREFORE, in consideration of the premises, and of the representations, warranties, covenants and agreements set forth herein, the parties agree as follows:

Article I Purchase; Closing

1.1 Purchase. On the terms and subject to the conditions set forth in this Agreement, the Company agrees to sell to the Investor, and the Investor agrees to purchase from the Company, at the Closing (as hereinafter defined), the Purchased Securities for the price set forth on Schedule A (the “*Purchase Price*”).

1.2 Closing.

(a) On the terms and subject to the conditions set forth in this Agreement, the closing of the Purchase (the “*Closing*”) will take place at the location specified in Schedule A, at the time and on the date set forth in Schedule A or as soon as practicable thereafter, or at such other place, time and date as shall be agreed between the Company and the Investor. The time and date on which the Closing occurs is referred to in this Agreement as the “*Closing Date*”.

(b) Subject to the fulfillment or waiver of the conditions to the Closing in this Section 1.2, at the Closing the Company will deliver the Preferred Shares and the Warrant, in each case as evidenced by one or more certificates dated the Closing Date and bearing appropriate legends as hereinafter provided for, in exchange for payment in full of the Purchase Price by wire transfer of immediately available United States funds to a bank account designated by the Company on Schedule A.

(c) The respective obligations of each of the Investor and the Company to consummate the Purchase are subject to the fulfillment (or waiver by the Investor and the Company, as applicable) prior to the Closing of the conditions that (i) any approvals or authorizations of all United States and other governmental, regulatory or judicial authorities (collectively, “*Governmental Entities*”) required for the consummation of the Purchase shall have been obtained or made in form and substance reasonably satisfactory to each party and shall be in full force and effect and all waiting periods required by United States and other applicable law, if any, shall have expired and (ii) no provision of any applicable United States or other law and no judgment, injunction, order or decree of any Governmental Entity shall prohibit the purchase and sale of the Purchased Securities as contemplated by this Agreement.

(d) The obligation of the Investor to consummate the Purchase is also subject to the fulfillment (or waiver by the Investor) at or prior to the Closing of each of the following conditions:

(i) (A) the representations and warranties of the Company set forth in (x) Section 2.2(g) of this Agreement shall be true and correct in all respects as though made on and as of the Closing Date, (y) Sections 2.2(a) through (f) shall be true and correct in all material respects as though made on and as of the Closing Date (other than representations and warranties that by their terms speak as of another date, which representations and warranties shall be true and correct in all material respects as of such other date) and (z) Sections 2.2(h) through (v) (disregarding all qualifications or limitations set forth in such representations and warranties as to “materiality”, “Company Material Adverse Effect” and words of similar import) shall be true and correct as though made on and as of the Closing Date (other than representations and warranties that by their terms speak as of another date, which representations and warranties shall be true and correct as of such other date), except to the extent that the failure of such representations and warranties referred to in this Section 1.2(d)(i)(A)(z) to be so true and correct, individually or in the aggregate, does not have and would not reasonably be expected to have a Company Material Adverse Effect and (B) the Company shall have

performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing;

(ii) the Investor shall have received a certificate signed on behalf of the Company by a senior executive officer certifying to the effect that the conditions set forth in Section 1.2(d)(i) have been satisfied;

(iii) the Company shall have duly adopted and filed with the Secretary of State of its jurisdiction of organization or other applicable Governmental Entity the amendments to its certificate or articles of incorporation, articles of association, or similar organizational document (“*Charter*”) in substantially the forms attached hereto as Annex A and Annex B (the “*Certificates of Designations*”) and such filing shall have been accepted;

(iv) (A) the Company shall have effected such changes to its compensation, bonus, incentive and other benefit plans, arrangements and agreements (including golden parachute, severance and employment agreements) (collectively, “*Benefit Plans*”) with respect to its Senior Executive Officers (and to the extent necessary for such changes to be legally enforceable, each of its Senior Executive Officers shall have duly consented in writing to such changes), as may be necessary, during the period that the Investor owns any debt or equity securities of the Company acquired pursuant to this Agreement or the Warrant, in order to comply with Section 111(b) of the Emergency Economic Stabilization Act of 2008 (“*EESA*”) as implemented by guidance or regulation thereunder that has been issued and is in effect as of the Closing Date, and (B) the Investor shall have received a certificate signed on behalf of the Company by a senior executive officer certifying to the effect that the condition set forth in Section 1.2(d)(iv)(A) has been satisfied;

(v) each of the Company’s Senior Executive Officers shall have delivered to the Investor a written waiver in the form attached hereto as Annex C releasing the Investor from any claims that such Senior Executive Officers may otherwise have as a result of the issuance, on or prior to the Closing Date, of any regulations which require the modification of, and the agreement of the Company hereunder to modify, the terms of any Benefit Plans with respect to its Senior Executive Officers to eliminate any provisions of such Benefit Plans that would not be in compliance with the requirements of Section 111(b) of the EESA as implemented by guidance or regulation thereunder that has been issued and is in effect as of the Closing Date;

(vi) the Company shall have delivered to the Investor a written opinion from counsel to the Company (which may be internal counsel), addressed to the Investor and dated as of the Closing Date, in substantially the form attached hereto as Annex D;

(vii) the Company shall have delivered certificates in proper form or, with the prior consent of the Investor, evidence of shares in book-entry form, evidencing the Preferred Shares to Investor or its designee(s); and

(viii) the Company shall have duly executed the Warrant in substantially the form attached hereto as Annex E and delivered such executed Warrant to the Investor or its designee(s).

1.3 Interpretation. When a reference is made in this Agreement to “Recitals,” “Articles,” “Sections,” or “Annexes” such reference shall be to a Recital, Article or Section of, or Annex to, this Securities Purchase Agreement – Standard Terms, and a reference to “Schedules” shall be to a Schedule to the Letter Agreement, in each case, unless otherwise indicated. The terms defined in the singular have a comparable meaning when used in the plural, and vice versa. References to “herein”, “hereof”, “hereunder” and the like refer to this Agreement as a whole and not to any particular section or provision, unless the context requires otherwise. The table of contents and headings contained in this Agreement are for reference purposes only and are not part of this Agreement. Whenever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed followed by the words “without limitation.” No rule of construction against the draftsman shall be applied in connection with the interpretation or enforcement of this Agreement, as this Agreement is the product of negotiation between sophisticated parties advised by counsel. All references to “\$” or “dollars” mean the lawful currency of the United States of America. Except as expressly stated in this Agreement, all references to any statute, rule or regulation are to the statute, rule or regulation as amended, modified, supplemented or replaced from time to time (and, in the case of statutes, include any rules and regulations promulgated under the statute) and to any section of any statute, rule or regulation include any successor to the section. References to a “*business day*” shall mean any day except Saturday, Sunday and any day on which banking institutions in the State of New York generally are authorized or required by law or other governmental actions to close.

Article II Representations and Warranties

2.1 Disclosure.

(a) On or prior to the Signing Date, the Company delivered to the Investor a schedule (“*Disclosure Schedule*”) setting forth, among other things, items the disclosure of which is necessary or appropriate either in response to an express disclosure requirement contained in a provision hereof or as an exception to one or more representations or warranties contained in Section 2.2.

(b) “*Company Material Adverse Effect*” means a material adverse effect on (i) the business, results of operation or financial condition of the Company and its consolidated subsidiaries taken as a whole; *provided, however*, that Company Material Adverse Effect shall not be deemed to include the effects of (A) changes after the date of the Letter Agreement (the “*Signing Date*”) in general business, economic or market conditions (including changes generally in prevailing interest rates, credit availability and liquidity, currency exchange rates and price levels or trading volumes in the United States or foreign securities or credit markets), or any outbreak or escalation of hostilities, declared or undeclared acts of war or terrorism, in

each case generally affecting the industries in which the Company and its subsidiaries operate, (B) changes or proposed changes after the Signing Date in generally accepted accounting principles in the United States (“GAAP”) or regulatory accounting requirements, or authoritative interpretations thereof, or (C) changes or proposed changes after the Signing Date in securities, banking and other laws of general applicability or related policies or interpretations of Governmental Entities (in the case of each of these clauses (A), (B) and (C), other than changes or occurrences to the extent that such changes or occurrences have or would reasonably be expected to have a materially disproportionate adverse effect on the Company and its consolidated subsidiaries taken as a whole relative to comparable U.S. banking or financial services organizations); or (ii) the ability of the Company to consummate the Purchase and other transactions contemplated by this Agreement and the Warrant and perform its obligations hereunder or thereunder on a timely basis.

(c) “*Previously Disclosed*” means information set forth on the Disclosure Schedule, provided, however, that disclosure in any section of such Disclosure Schedule shall apply only to the indicated section of this Agreement except to the extent that it is reasonably apparent from the face of such disclosure that such disclosure is relevant to another section of this Agreement.

2.2 Representations and Warranties of the Company. Except as Previously Disclosed, the Company represents and warrants to the Investor that as of the Signing Date and as of the Closing Date (or such other date specified herein):

(a) Organization, Authority and Significant Subsidiaries. The Company has been duly incorporated and is validly existing and in good standing under the laws of its jurisdiction of organization, with the necessary power and authority to own its properties and conduct its business in all material respects as currently conducted, and except as has not, individually or in the aggregate, had and would not reasonably be expected to have a Company Material Adverse Effect, has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties or conducts any business so as to require such qualification; each subsidiary of the Company that would be considered a “significant subsidiary” within the meaning of Rule 1-02(w) of Regulation S-X under the Securities Act of 1933 (the “*Securities Act*”), has been duly organized and is validly existing in good standing under the laws of its jurisdiction of organization. The Charter and bylaws of the Company, copies of which have been provided to the Investor prior to the Signing Date, are true, complete and correct copies of such documents as in full force and effect as of the Signing Date.

(b) Capitalization. The authorized capital stock of the Company, and the outstanding capital stock of the Company (including securities convertible into, or exercisable or exchangeable for, capital stock of the Company) as of the most recent fiscal month-end preceding the Signing Date (the “*Capitalization Date*”) is set forth on Schedule B. The outstanding shares of capital stock of the Company have been duly authorized and are validly issued and outstanding, fully paid and nonassessable, and subject to no preemptive rights (and were not issued in violation of any preemptive rights). As of the Signing Date, the Company does not have outstanding any securities or other obligations providing the holder the right to

acquire its Common Stock (“*Common Stock*”) that is not reserved for issuance as specified on Schedule B, and the Company has not made any other commitment to authorize, issue or sell any Common Stock. Since the Capitalization Date, the Company has not issued any shares of Common Stock, other than (i) shares issued upon the exercise of stock options or delivered under other equity-based awards or other convertible securities or warrants which were issued and outstanding on the Capitalization Date and disclosed on Schedule B and (ii) shares disclosed on Schedule B. Each holder of 5% or more of any class of capital stock of the Company and such holder’s primary address are set forth on Schedule B.

(c) Preferred Shares. The Preferred Shares have been duly and validly authorized, and, when issued and delivered pursuant to this Agreement, such Preferred Shares will be duly and validly issued and fully paid and non-assessable, will not be issued in violation of any preemptive rights, and will rank *pari passu* with or senior to all other series or classes of Preferred Stock, whether or not issued or outstanding, with respect to the payment of dividends and the distribution of assets in the event of any dissolution, liquidation or winding up of the Company.

(d) The Warrant and Warrant Shares. The Warrant has been duly authorized and, when executed and delivered as contemplated hereby, will constitute a valid and legally binding obligation of the Company enforceable against the Company in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors’ rights generally and general equitable principles, regardless of whether such enforceability is considered in a proceeding at law or in equity (“*Bankruptcy Exceptions*”). The shares of Warrant Preferred Stock issuable upon exercise of the Warrant (the “*Warrant Shares*”) have been duly authorized and reserved for issuance upon exercise of the Warrant and when so issued in accordance with the terms of the Warrant will be validly issued, fully paid and non-assessable, and will rank *pari passu* with or senior to all other series or classes of Preferred Stock, whether or not issued or outstanding, with respect to the payment of dividends and the distribution of assets in the event of any dissolution, liquidation or winding up of the Company.

(e) Authorization, Enforceability.

(i) The Company has the corporate power and authority to execute and deliver this Agreement and the Warrant and to carry out its obligations hereunder and thereunder (which includes the issuance of the Preferred Shares, Warrant and Warrant Shares). The execution, delivery and performance by the Company of this Agreement and the Warrant and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action on the part of the Company and its stockholders, and no further approval or authorization is required on the part of the Company. This Agreement is a valid and binding obligation of the Company enforceable against the Company in accordance with its terms, subject to the Bankruptcy Exceptions.

(ii) The execution, delivery and performance by the Company of this Agreement and the Warrant and the consummation of the transactions contemplated hereby and thereby and compliance by the Company with the provisions hereof and thereof, will not (A) violate, conflict with, or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration of, or result in the creation of, any lien, security interest, charge or encumbrance upon any of the properties or assets of the Company or any subsidiary of the Company (each a “*Company Subsidiary*” and, collectively, the “*Company Subsidiaries*”) under any of the terms, conditions or provisions of (i) its organizational documents or (ii) any note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument or obligation to which the Company or any Company Subsidiary is a party or by which it or any Company Subsidiary may be bound, or to which the Company or any Company Subsidiary or any of the properties or assets of the Company or any Company Subsidiary may be subject, or (B) subject to compliance with the statutes and regulations referred to in the next paragraph, violate any statute, rule or regulation or any judgment, ruling, order, writ, injunction or decree applicable to the Company or any Company Subsidiary or any of their respective properties or assets except, in the case of clauses (A)(ii) and (B), for those occurrences that, individually or in the aggregate, have not had and would not reasonably be expected to have a Company Material Adverse Effect.

(iii) Other than the filing of the Certificates of Designations with the Secretary of State of its jurisdiction of organization or other applicable Governmental Entity, such filings and approvals as are required to be made or obtained under any state “blue sky” laws and such as have been made or obtained, no notice to, filing with, exemption or review by, or authorization, consent or approval of, any Governmental Entity is required to be made or obtained by the Company in connection with the consummation by the Company of the Purchase except for any such notices, filings, exemptions, reviews, authorizations, consents and approvals the failure of which to make or obtain would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

(f) Anti-takeover Provisions and Rights Plan. The Board of Directors of the Company (the “*Board of Directors*”) has taken all necessary action to ensure that the transactions contemplated by this Agreement and the Warrant and the consummation of the transactions contemplated hereby and thereby, including the exercise of the Warrant in accordance with its terms, will be exempt from any anti-takeover or similar provisions of the Company’s Charter and bylaws, and any other provisions of any applicable “moratorium”, “control share”, “fair price”, “interested stockholder” or other anti-takeover laws and regulations of any jurisdiction.

(g) No Company Material Adverse Effect. Since the last day of the last completed fiscal period for which financial statements are included in the Company Financial Statements (as defined below), no fact, circumstance, event, change, occurrence, condition or development

has occurred that, individually or in the aggregate, has had or would reasonably be expected to have a Company Material Adverse Effect.

(h) Company Financial Statements. The Company has Previously Disclosed each of the consolidated financial statements of the Company and its consolidated subsidiaries for each of the last three completed fiscal years of the Company (which shall be audited to the extent audited financial statements are available prior to the Signing Date) and each completed quarterly period since the last completed fiscal year (collectively the “*Company Financial Statements*”). The Company Financial Statements present fairly in all material respects the consolidated financial position of the Company and its consolidated subsidiaries as of the dates indicated therein and the consolidated results of their operations for the periods specified therein; and except as stated therein, such financial statements (A) were prepared in conformity with GAAP applied on a consistent basis (except as may be noted therein) and (B) have been prepared from, and are in accordance with, the books and records of the Company and the Company Subsidiaries.

(i) Reports.

(i) Since December 31, 2006, the Company and each Company Subsidiary has filed all reports, registrations, documents, filings, statements and submissions, together with any amendments thereto, that it was required to file with any Governmental Entity (the foregoing, collectively, the “*Company Reports*”) and has paid all fees and assessments due and payable in connection therewith, except, in each case, as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect. As of their respective dates of filing, the Company Reports complied in all material respects with all statutes and applicable rules and regulations of the applicable Governmental Entities.

(ii) The records, systems, controls, data and information of the Company and the Company Subsidiaries are recorded, stored, maintained and operated under means (including any electronic, mechanical or photographic process, whether computerized or not) that are under the exclusive ownership and direct control of the Company or the Company Subsidiaries or their accountants (including all means of access thereto and therefrom), except for any non-exclusive ownership and non-direct control that would not reasonably be expected to have a material adverse effect on the system of internal accounting controls described below in this Section 2.2(i)(ii). The Company (A) has implemented and maintains adequate disclosure controls and procedures to ensure that material information relating to the Company, including the consolidated Company Subsidiaries, is made known to the chief executive officer and the chief financial officer of the Company by others within those entities, and (B) has disclosed, based on its most recent evaluation prior to the Signing Date, to the Company’s outside auditors and the audit committee of the Board of Directors (x) any significant deficiencies and material weaknesses in the design or operation of internal controls that are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information and (y) any fraud, whether or not material, that involves management or

other employees who have a significant role in the Company's internal controls over financial reporting.

(j) No Undisclosed Liabilities. Neither the Company nor any of the Company Subsidiaries has any liabilities or obligations of any nature (absolute, accrued, contingent or otherwise) which are not properly reflected or reserved against in the Company Financial Statements to the extent required to be so reflected or reserved against in accordance with GAAP, except for (A) liabilities that have arisen since the last fiscal year end in the ordinary and usual course of business and consistent with past practice and (B) liabilities that, individually or in the aggregate, have not had and would not reasonably be expected to have a Company Material Adverse Effect.

(k) Offering of Securities. Neither the Company nor any person acting on its behalf has taken any action (including any offering of any securities of the Company under circumstances which would require the integration of such offering with the offering of any of the Purchased Securities under the Securities Act, and the rules and regulations of the Securities and Exchange Commission (the "SEC") promulgated thereunder), which might subject the offering, issuance or sale of any of the Purchased Securities to Investor pursuant to this Agreement to the registration requirements of the Securities Act.

(l) Litigation and Other Proceedings. Except (i) as set forth on Schedule C or (ii) as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, there is no (A) pending or, to the knowledge of the Company, threatened, claim, action, suit, investigation or proceeding, against the Company or any Company Subsidiary or to which any of their assets are subject nor is the Company or any Company Subsidiary subject to any order, judgment or decree or (B) unresolved violation, criticism or exception by any Governmental Entity with respect to any report or relating to any examinations or inspections of the Company or any Company Subsidiaries.

(m) Compliance with Laws. Except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, the Company and the Company Subsidiaries have all permits, licenses, franchises, authorizations, orders and approvals of, and have made all filings, applications and registrations with, Governmental Entities that are required in order to permit them to own or lease their properties and assets and to carry on their business as presently conducted and that are material to the business of the Company or such Company Subsidiary. Except as set forth on Schedule D, the Company and the Company Subsidiaries have complied in all respects and are not in default or violation of, and none of them is, to the knowledge of the Company, under investigation with respect to or, to the knowledge of the Company, have been threatened to be charged with or given notice of any violation of, any applicable domestic (federal, state or local) or foreign law, statute, ordinance, license, rule, regulation, policy or guideline, order, demand, writ, injunction, decree or judgment of any Governmental Entity, other than such noncompliance, defaults or violations that would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect. Except for statutory or regulatory restrictions of general application or as set forth on Schedule D, no Governmental Entity has placed any restriction on the business or properties of

the Company or any Company Subsidiary that would, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

(n) Employee Benefit Matters. Except as would not reasonably be expected to have, either individually or in the aggregate, a Company Material Adverse Effect: (A) each “employee benefit plan” (within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”)) providing benefits to any current or former employee, officer or director of the Company or any member of its “Controlled Group” (defined as any organization which is a member of a controlled group of corporations within the meaning of Section 414 of the Internal Revenue Code of 1986, as amended (the “Code”)) that is sponsored, maintained or contributed to by the Company or any member of its Controlled Group and for which the Company or any member of its Controlled Group would have any liability, whether actual or contingent (each, a “Plan”) has been maintained in compliance with its terms and with the requirements of all applicable statutes, rules and regulations, including ERISA and the Code; (B) with respect to each Plan subject to Title IV of ERISA (including, for purposes of this clause (B), any plan subject to Title IV of ERISA that the Company or any member of its Controlled Group previously maintained or contributed to in the six years prior to the Signing Date), (1) no “reportable event” (within the meaning of Section 4043(c) of ERISA), other than a reportable event for which the notice period referred to in Section 4043(c) of ERISA has been waived, has occurred in the three years prior to the Signing Date or is reasonably expected to occur, (2) no “accumulated funding deficiency” (within the meaning of Section 302 of ERISA or Section 412 of the Code), whether or not waived, has occurred in the three years prior to the Signing Date or is reasonably expected to occur, (3) the fair market value of the assets under each Plan exceeds the present value of all benefits accrued under such Plan (determined based on the assumptions used to fund such Plan) and (4) neither the Company nor any member of its Controlled Group has incurred in the six years prior to the Signing Date, or reasonably expects to incur, any liability under Title IV of ERISA (other than contributions to the Plan or premiums to the PBGC in the ordinary course and without default) in respect of a Plan (including any Plan that is a “multiemployer plan”, within the meaning of Section 4001(c)(3) of ERISA); and (C) each Plan that is intended to be qualified under Section 401(a) of the Code has received a favorable determination letter from the Internal Revenue Service with respect to its qualified status that has not been revoked, or such a determination letter has been timely applied for but not received by the Signing Date, and nothing has occurred, whether by action or by failure to act, which could reasonably be expected to cause the loss, revocation or denial of such qualified status or favorable determination letter.

(o) Taxes. Except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, (i) the Company and the Company Subsidiaries have filed all federal, state, local and foreign income and franchise Tax returns required to be filed through the Signing Date, subject to permitted extensions, and have paid all Taxes due thereon, and (ii) no Tax deficiency has been determined adversely to the Company or any of the Company Subsidiaries, nor does the Company have any knowledge of any Tax deficiencies. “Tax” or “Taxes” means any federal, state, local or foreign income, gross receipts, property, sales, use, license, excise, franchise, employment, payroll, withholding, alternative or add on minimum, ad valorem, transfer or excise tax, or any other tax, custom, duty,

governmental fee or other like assessment or charge of any kind whatsoever, together with any interest or penalty, imposed by any Governmental Entity.

(p) Properties and Leases. Except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, the Company and the Company Subsidiaries have good and marketable title to all real properties and all other properties and assets owned by them, in each case free from liens, encumbrances, claims and defects that would affect the value thereof or interfere with the use made or to be made thereof by them. Except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, the Company and the Company Subsidiaries hold all leased real or personal property under valid and enforceable leases with no exceptions that would interfere with the use made or to be made thereof by them.

(q) Environmental Liability. Except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect:

(i) there is no legal, administrative, or other proceeding, claim or action of any nature seeking to impose, or that would reasonably be expected to result in the imposition of, on the Company or any Company Subsidiary, any liability relating to the release of hazardous substances as defined under any local, state or federal environmental statute, regulation or ordinance, including the Comprehensive Environmental Response, Compensation and Liability Act of 1980, pending or, to the Company's knowledge, threatened against the Company or any Company Subsidiary;

(ii) to the Company's knowledge, there is no reasonable basis for any such proceeding, claim or action; and

(iii) neither the Company nor any Company Subsidiary is subject to any agreement, order, judgment or decree by or with any court, Governmental Entity or third party imposing any such environmental liability.

(r) Risk Management Instruments. Except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, all derivative instruments, including, swaps, caps, floors and option agreements, whether entered into for the Company's own account, or for the account of one or more of the Company Subsidiaries or its or their customers, were entered into (i) only in the ordinary course of business, (ii) in accordance with prudent practices and in all material respects with all applicable laws, rules, regulations and regulatory policies and (iii) with counterparties believed to be financially responsible at the time; and each of such instruments constitutes the valid and legally binding obligation of the Company or one of the Company Subsidiaries, enforceable in accordance with its terms, except as may be limited by the Bankruptcy Exceptions. Neither the Company or the Company Subsidiaries, nor, to the knowledge of the Company, any other party thereto, is in breach of any of its obligations under any such agreement or arrangement other than such breaches that would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

(s) Agreements with Regulatory Agencies. Except as set forth on Schedule E, neither the Company nor any Company Subsidiary is subject to any material cease-and-desist or other similar order or enforcement action issued by, or is a party to any material written agreement, consent agreement or memorandum of understanding with, or is a party to any commitment letter or similar undertaking to, or is subject to any capital directive by, or since December 31, 2006, has adopted any board resolutions at the request of, any Governmental Entity (other than the Appropriate Federal Banking Agencies with jurisdiction over the Company and the Company Subsidiaries) that currently restricts in any material respect the conduct of its business or that in any material manner relates to its capital adequacy, its liquidity and funding policies and practices, its ability to pay dividends, its credit, risk management or compliance policies or procedures, its internal controls, its management or its operations or business (each item in this sentence, a “*Regulatory Agreement*”), nor has the Company or any Company Subsidiary been advised since December 31, 2006 by any such Governmental Entity that it is considering issuing, initiating, ordering, or requesting any such Regulatory Agreement. The Company and each Company Subsidiary are in compliance in all material respects with each Regulatory Agreement to which it is party or subject, and neither the Company nor any Company Subsidiary has received any notice from any Governmental Entity indicating that either the Company or any Company Subsidiary is not in compliance in all material respects with any such Regulatory Agreement. “*Appropriate Federal Banking Agency*” means the “appropriate Federal banking agency” with respect to the Company or such Company Subsidiaries, as applicable, as defined in Section 3(q) of the Federal Deposit Insurance Act (12 U.S.C. Section 1813(q)).

(t) Insurance. The Company and the Company Subsidiaries are insured with reputable insurers against such risks and in such amounts as the management of the Company reasonably has determined to be prudent and consistent with industry practice. The Company and the Company Subsidiaries are in material compliance with their insurance policies and are not in default under any of the material terms thereof, each such policy is outstanding and in full force and effect, all premiums and other payments due under any material policy have been paid, and all claims thereunder have been filed in due and timely fashion, except, in each case, as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

(u) Intellectual Property. Except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, (i) the Company and each Company Subsidiary owns or otherwise has the right to use, all intellectual property rights, including all trademarks, trade dress, trade names, service marks, domain names, patents, inventions, trade secrets, know-how, works of authorship and copyrights therein, that are used in the conduct of their existing businesses and all rights relating to the plans, design and specifications of any of its branch facilities (“*Proprietary Rights*”) free and clear of all liens and any claims of ownership by current or former employees, contractors, designers or others and (ii) neither the Company nor any of the Company Subsidiaries is materially infringing, diluting, misappropriating or violating, nor has the Company or any of the Company Subsidiaries received any written (or, to the knowledge of the Company, oral) communications alleging that any of them has materially infringed, diluted, misappropriated or violated, any of the Proprietary Rights owned by any other person. Except as would not, individually or in the aggregate, reasonably be

expected to have a Company Material Adverse Effect, to the Company's knowledge, no other person is infringing, diluting, misappropriating or violating, nor has the Company or any of the Company Subsidiaries sent any written communications since January 1, 2006 alleging that any person has infringed, diluted, misappropriated or violated, any of the Proprietary Rights owned by the Company and the Company Subsidiaries.

(v) Brokers and Finders. No broker, finder or investment banker is entitled to any financial advisory, brokerage, finder's or other fee or commission in connection with this Agreement or the Warrant or the transactions contemplated hereby or thereby based upon arrangements made by or on behalf of the Company or any Company Subsidiary for which the Investor could have any liability.

Article III Covenants

3.1 Commercially Reasonable Efforts. Subject to the terms and conditions of this Agreement, each of the parties will use its commercially reasonable efforts in good faith to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or desirable, or advisable under applicable laws, so as to permit consummation of the Purchase as promptly as practicable and otherwise to enable consummation of the transactions contemplated hereby and shall use commercially reasonable efforts to cooperate with the other party to that end.

3.2 Expenses. Unless otherwise provided in this Agreement or the Warrant, each of the parties hereto will bear and pay all costs and expenses incurred by it or on its behalf in connection with the transactions contemplated under this Agreement and the Warrant, including fees and expenses of its own financial or other consultants, investment bankers, accountants and counsel.

3.3 Sufficiency of Authorized Warrant Preferred Stock; Exchange Listing.

(a) During the period from the Closing Date until the date on which the Warrant has been fully exercised, the Company shall at all times have reserved for issuance, free of preemptive or similar rights, a sufficient number of authorized and unissued Warrant Shares to effectuate such exercise.

(b) If the Company lists its Common Stock on any national securities exchange, the Company shall, if requested by the Investor, promptly use its reasonable best efforts to cause the Preferred Shares and Warrant Shares to be approved for listing on a national securities exchange as promptly as practicable following such request.

3.4 Certain Notifications Until Closing. From the Signing Date until the Closing, the Company shall promptly notify the Investor of (i) any fact, event or circumstance of which it is aware and which would reasonably be expected to cause any representation or warranty of the Company contained in this Agreement to be untrue or inaccurate in any material respect or to

cause any covenant or agreement of the Company contained in this Agreement not to be complied with or satisfied in any material respect and (ii) except as Previously Disclosed, any fact, circumstance, event, change, occurrence, condition or development of which the Company is aware and which, individually or in the aggregate, has had or would reasonably be expected to have a Company Material Adverse Effect; *provided, however*, that delivery of any notice pursuant to this Section 3.4 shall not limit or affect any rights of or remedies available to the Investor; *provided, further*, that a failure to comply with this Section 3.4 shall not constitute a breach of this Agreement or the failure of any condition set forth in Section 1.2 to be satisfied unless the underlying Company Material Adverse Effect or material breach would independently result in the failure of a condition set forth in Section 1.2 to be satisfied.

3.5 Access, Information and Confidentiality.

(a) From the Signing Date until the date when the Investor holds an amount of Preferred Shares having an aggregate liquidation value of less than 10% of the Purchase Price, the Company will permit the Investor and its agents, consultants, contractors and advisors (x) acting through the Appropriate Federal Banking Agency, or otherwise to the extent necessary to evaluate, manage, or transfer its investment in the Company, to examine the corporate books and make copies thereof and to discuss the affairs, finances and accounts of the Company and the Company Subsidiaries with the principal officers of the Company, all upon reasonable notice and at such reasonable times and as often as the Investor may reasonably request and (y) to review any information material to the Investor's investment in the Company provided by the Company to its Appropriate Federal Banking Agency. Any investigation pursuant to this Section 3.5 shall be conducted during normal business hours and in such manner as not to interfere unreasonably with the conduct of the business of the Company, and nothing herein shall require the Company or any Company Subsidiary to disclose any information to the Investor to the extent (i) prohibited by applicable law or regulation, or (ii) that such disclosure would reasonably be expected to cause a violation of any agreement to which the Company or any Company Subsidiary is a party or would cause a risk of a loss of privilege to the Company or any Company Subsidiary (*provided* that the Company shall use commercially reasonable efforts to make appropriate substitute disclosure arrangements under circumstances where the restrictions in this clause (ii) apply).

(b) From the Signing Date until the date on which all of the Preferred Shares and Warrant Shares have been redeemed in whole, the Company will deliver, or will cause to be delivered, to the Investor:

(i) as soon as available after the end of each fiscal year of the Company, and in any event within 90 days thereafter, a consolidated balance sheet of the Company as of the end of such fiscal year, and consolidated statements of income, retained earnings and cash flows of the Company for such year, in each case prepared in accordance with GAAP and setting forth in each case in comparative form the figures for the previous fiscal year of the Company, and which shall be audited to the extent audited financial statements are available; and

(ii) as soon as available after the end of the first, second and third quarterly periods in each fiscal year of the Company, a copy of any quarterly reports provided to other stockholders of the Company or Company management.

(c) The Investor will use reasonable best efforts to hold, and will use reasonable best efforts to cause its agents, consultants, contractors and advisors to hold, in confidence all non-public records, books, contracts, instruments, computer data and other data and information (collectively, “*Information*”) concerning the Company furnished or made available to it by the Company or its representatives pursuant to this Agreement (except to the extent that such information can be shown to have been (i) previously known by such party on a non-confidential basis, (ii) in the public domain through no fault of such party or (iii) later lawfully acquired from other sources by the party to which it was furnished (and without violation of any other confidentiality obligation)); *provided* that nothing herein shall prevent the Investor from disclosing any Information to the extent required by applicable laws or regulations or by any subpoena or similar legal process.

(d) The Investor’s information rights pursuant to Section 3.5(b) may be assigned by the Investor to a transferee or assignee of the Purchased Securities or the Warrant Shares or with a liquidation preference or, in the case of the Warrant, the liquidation preference of the underlying shares of Warrant Preferred Stock, no less than an amount equal to 2% of the initial aggregate liquidation preference of the Preferred Shares.

Article IV **Additional Agreements**

4.1 Purchase for Investment. The Investor acknowledges that the Purchased Securities and the Warrant Shares have not been registered under the Securities Act or under any state securities laws. The Investor (a) is acquiring the Purchased Securities pursuant to an exemption from registration under the Securities Act solely for investment with no present intention to distribute them to any person in violation of the Securities Act or any applicable U.S. state securities laws, (b) will not sell or otherwise dispose of any of the Purchased Securities or the Warrant Shares, except in compliance with the registration requirements or exemption provisions of the Securities Act and any applicable U.S. state securities laws, and (c) has such knowledge and experience in financial and business matters and in investments of this type that it is capable of evaluating the merits and risks of the Purchase and of making an informed investment decision.

4.2 Legends.

(a) The Investor agrees that all certificates or other instruments representing the Warrant will bear a legend substantially to the following effect:

“THE SECURITIES REPRESENTED BY THIS INSTRUMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE TRANSFERRED, SOLD

OR OTHERWISE DISPOSED OF EXCEPT WHILE A REGISTRATION STATEMENT RELATING THERETO IS IN EFFECT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT OR SUCH LAWS.

THIS INSTRUMENT IS ISSUED SUBJECT TO THE RESTRICTIONS ON TRANSFER AND OTHER PROVISIONS OF A SECURITIES PURCHASE AGREEMENT BETWEEN THE ISSUER OF THESE SECURITIES AND THE INVESTOR REFERRED TO THEREIN, A COPY OF WHICH IS ON FILE WITH THE ISSUER. THE SECURITIES REPRESENTED BY THIS INSTRUMENT MAY NOT BE SOLD OR OTHERWISE TRANSFERRED EXCEPT IN COMPLIANCE WITH SAID AGREEMENT. ANY SALE OR OTHER TRANSFER NOT IN COMPLIANCE WITH SAID AGREEMENT WILL BE VOID.”

(b) In addition, the Investor agrees that all certificates or other instruments representing the Preferred Shares and the Warrant Shares will bear a legend substantially to the following effect:

“THE SECURITIES REPRESENTED BY THIS INSTRUMENT ARE NOT SAVINGS ACCOUNTS, DEPOSITS OR OTHER OBLIGATIONS OF A BANK AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY.

THE SECURITIES REPRESENTED BY THIS INSTRUMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE TRANSFERRED, SOLD OR OTHERWISE DISPOSED OF EXCEPT WHILE A REGISTRATION STATEMENT RELATING THERETO IS IN EFFECT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT OR SUCH LAWS. EACH PURCHASER OF THE SECURITIES REPRESENTED BY THIS INSTRUMENT IS NOTIFIED THAT THE SELLER MAY BE RELYING ON THE EXEMPTION FROM SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. ANY TRANSFEREE OF THE SECURITIES REPRESENTED BY THIS INSTRUMENT BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), (2) AGREES THAT IT WILL NOT OFFER, SELL OR OTHERWISE TRANSFER THE SECURITIES REPRESENTED BY THIS INSTRUMENT EXCEPT (A) PURSUANT TO A REGISTRATION STATEMENT WHICH IS THEN EFFECTIVE UNDER THE SECURITIES ACT, (B) FOR SO LONG AS THE SECURITIES REPRESENTED BY THIS INSTRUMENT ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER

TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (C) TO THE ISSUER OR (D) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THE SECURITIES REPRESENTED BY THIS INSTRUMENT ARE TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THIS INSTRUMENT IS ISSUED SUBJECT TO THE RESTRICTIONS ON TRANSFER AND OTHER PROVISIONS OF A SECURITIES PURCHASE AGREEMENT BETWEEN THE ISSUER OF THESE SECURITIES AND THE INVESTOR REFERRED TO THEREIN, A COPY OF WHICH IS ON FILE WITH THE ISSUER. THE SECURITIES REPRESENTED BY THIS INSTRUMENT MAY NOT BE SOLD OR OTHERWISE TRANSFERRED EXCEPT IN COMPLIANCE WITH SAID AGREEMENT. ANY SALE OR OTHER TRANSFER NOT IN COMPLIANCE WITH SAID AGREEMENT WILL BE VOID.”

(c) In the event that any Purchased Securities or Warrant Shares (i) become registered under the Securities Act or (ii) are eligible to be transferred without restriction in accordance with Rule 144 or another exemption from registration under the Securities Act (other than Rule 144A), the Company shall issue new certificates or other instruments representing such Purchased Securities or Warrant Shares, which shall not contain the applicable legends in Sections 4.2(a) and (b) above; *provided* that the Investor surrenders to the Company the previously issued certificates or other instruments.

4.3 Certain Transactions. The Company will not merge or consolidate with, or sell, transfer or lease all or substantially all of its property or assets to, any other party unless the successor, transferee or lessee party (or its ultimate parent entity), as the case may be (if not the Company), expressly assumes the due and punctual performance and observance of each and every covenant, agreement and condition of this Agreement to be performed and observed by the Company.

4.4 Transfer of Purchased Securities and Warrant Shares; Restrictions on Exercise of the Warrant. Subject to compliance with applicable securities laws, the Investor shall be permitted to transfer, sell, assign or otherwise dispose of (“*Transfer*”) all or a portion of the Purchased Securities or Warrant Shares at any time, and the Company shall take all steps as may be reasonably requested by the Investor to facilitate the Transfer of the Purchased Securities and the Warrant Shares; *provided* that the Investor shall not Transfer any Purchased Securities or Warrant Shares if such transfer would require the Company to be subject to the periodic reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934 (the “*Exchange Act*”). In furtherance of the foregoing, the Company shall provide reasonable cooperation to facilitate any Transfers of the Purchased Securities or Warrant Shares, including, as is reasonable under the circumstances, by furnishing such information concerning the Company and its business as a proposed transferee may reasonably request (including such information as is required by Section 4.5(k)) and making management of the Company

reasonably available to respond to questions of a proposed transferee in accordance with customary practice, subject in all cases to the proposed transferee agreeing to a customary confidentiality agreement.

4.5 Registration Rights.

(a) Unless and until the Company becomes subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, the Company shall have no obligation to comply with the provisions of this Section 4.5 (other than Section 4.5(b)(iv)-(vi)); *provided* that the Company covenants and agrees that it shall comply with this Section 4.5 as soon as practicable after the date that it becomes subject to such reporting requirements.

(b) Registration.

(i) Subject to the terms and conditions of this Agreement, the Company covenants and agrees that as promptly as practicable after the date that the Company becomes subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act (and in any event no later than 30 days thereafter), the Company shall prepare and file with the SEC a Shelf Registration Statement covering all Registrable Securities (or otherwise designate an existing Shelf Registration Statement filed with the SEC to cover the Registrable Securities), and, to the extent the Shelf Registration Statement has not theretofore been declared effective or is not automatically effective upon such filing, the Company shall use reasonable best efforts to cause such Shelf Registration Statement to be declared or become effective and to keep such Shelf Registration Statement continuously effective and in compliance with the Securities Act and usable for resale of such Registrable Securities for a period from the date of its initial effectiveness until such time as there are no Registrable Securities remaining (including by refiling such Shelf Registration Statement (or a new Shelf Registration Statement) if the initial Shelf Registration Statement expires). Notwithstanding the foregoing, if the Company is not eligible to file a registration statement on Form S-3, then the Company shall not be obligated to file a Shelf Registration Statement unless and until requested to do so in writing by the Investor.

(ii) Any registration pursuant to Section 4.5(b)(i) shall be effected by means of a shelf registration on an appropriate form under Rule 415 under the Securities Act (a “*Shelf Registration Statement*”). If the Investor or any other Holder intends to distribute any Registrable Securities by means of an underwritten offering it shall promptly so advise the Company and the Company shall take all reasonable steps to facilitate such distribution, including the actions required pursuant to Section 4.5(d); *provided* that the Company shall not be required to facilitate an underwritten offering of Registrable Securities unless the expected gross proceeds from such offering exceed (i) 2% of the initial aggregate liquidation preference of the Preferred Shares if such initial aggregate liquidation preference is less than \$2 billion and (ii) \$200 million if the initial aggregate liquidation preference of the Preferred Shares is equal to or greater than \$2 billion. The lead underwriters in any such distribution shall be selected by the Holders of a majority

of the Registrable Securities to be distributed; *provided* that to the extent appropriate and permitted under applicable law, such Holders shall consider the qualifications of any broker-dealer Affiliate of the Company in selecting the lead underwriters in any such distribution.

(iii) The Company shall not be required to effect a registration (including a resale of Registrable Securities from an effective Shelf Registration Statement) or an underwritten offering pursuant to Section 4.5(b): (A) with respect to securities that are not Registrable Securities; or (B) if the Company has notified the Investor and all other Holders that in the good faith judgment of the Board of Directors, it would be materially detrimental to the Company or its securityholders for such registration or underwritten offering to be effected at such time, in which event the Company shall have the right to defer such registration for a period of not more than 45 days after receipt of the request of the Investor or any other Holder; *provided* that such right to delay a registration or underwritten offering shall be exercised by the Company (1) only if the Company has generally exercised (or is concurrently exercising) similar black-out rights against holders of similar securities that have registration rights and (2) not more than three times in any 12-month period and not more than 90 days in the aggregate in any 12-month period.

(iv) If during any period when an effective Shelf Registration Statement is not available, the Company proposes to register any of its equity securities, other than a registration pursuant to Section 4.5(b)(i) or a Special Registration, and the registration form to be filed may be used for the registration or qualification for distribution of Registrable Securities, the Company will give prompt written notice to the Investor and all other Holders of its intention to effect such a registration (but in no event less than ten days prior to the anticipated filing date) and will include in such registration all Registrable Securities with respect to which the Company has received written requests for inclusion therein within ten business days after the date of the Company's notice (a "*Piggyback Registration*"). Any such person that has made such a written request may withdraw its Registrable Securities from such Piggyback Registration by giving written notice to the Company and the managing underwriter, if any, on or before the fifth business day prior to the planned effective date of such Piggyback Registration. The Company may terminate or withdraw any registration under this Section 4.5(b)(iv) prior to the effectiveness of such registration, whether or not Investor or any other Holders have elected to include Registrable Securities in such registration.

(v) If the registration referred to in Section 4.5(b)(iv) is proposed to be underwritten, the Company will so advise Investor and all other Holders as a part of the written notice given pursuant to Section 4.5(b)(iv). In such event, the right of Investor and all other Holders to registration pursuant to Section 4.5(b) will be conditioned upon such persons' participation in such underwriting and the inclusion of such person's Registrable Securities in the underwriting if such securities are of the same class of securities as the securities to be offered in the underwritten offering, and each such person will (together with the Company and the other persons distributing their securities through such underwriting) enter into an underwriting agreement in customary form with

the underwriter or underwriters selected for such underwriting by the Company; *provided* that the Investor (as opposed to other Holders) shall not be required to indemnify any person in connection with any registration. If any participating person disapproves of the terms of the underwriting, such person may elect to withdraw therefrom by written notice to the Company, the managing underwriters and the Investor (if the Investor is participating in the underwriting).

(vi) If either (x) the Company grants “piggyback” registration rights to one or more third parties to include their securities in an underwritten offering under the Shelf Registration Statement pursuant to Section 4.5(b)(ii) or (y) a Piggyback Registration under Section 4.5(b)(iv) relates to an underwritten offering on behalf of the Company, and in either case the managing underwriters advise the Company that in their reasonable opinion the number of securities requested to be included in such offering exceeds the number which can be sold without adversely affecting the marketability of such offering (including an adverse effect on the per share offering price), the Company will include in such offering only such number of securities that in the reasonable opinion of such managing underwriters can be sold without adversely affecting the marketability of the offering (including an adverse effect on the per share offering price), which securities will be so included in the following order of priority: (A) first, in the case of a Piggyback Registration under Section 4.5(b)(iv), the securities the Company proposes to sell, (B) then the Registrable Securities of the Investor and all other Holders who have requested inclusion of Registrable Securities pursuant to Section 4.5(b)(ii) or Section 4.5(b)(iv), as applicable, *pro rata* on the basis of the aggregate number of such securities or shares owned by each such person and (C) lastly, any other securities of the Company that have been requested to be so included, subject to the terms of this Agreement; *provided, however,* that if the Company has, prior to the Signing Date, entered into an agreement with respect to its securities that is inconsistent with the order of priority contemplated hereby then it shall apply the order of priority in such conflicting agreement to the extent that it would otherwise result in a breach under such agreement.

(c) Expenses of Registration. All Registration Expenses incurred in connection with any registration, qualification or compliance hereunder shall be borne by the Company. All Selling Expenses incurred in connection with any registrations hereunder shall be borne by the holders of the securities so registered *pro rata* on the basis of the aggregate offering or sale price of the securities so registered.

(d) Obligations of the Company. Whenever required to effect the registration of any Registrable Securities or facilitate the distribution of Registrable Securities pursuant to an effective Shelf Registration Statement, the Company shall, as expeditiously as reasonably practicable:

(i) Prepare and file with the SEC a prospectus supplement or post-effective amendment with respect to a proposed offering of Registrable Securities pursuant to an effective registration statement, subject to Section 4.5(d), keep such registration

statement effective and keep such prospectus supplement current until the securities described therein are no longer Registrable Securities.

(ii) Prepare and file with the SEC such amendments and supplements to the applicable registration statement and the prospectus or prospectus supplement used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement.

(iii) Furnish to the Holders and any underwriters such number of copies of the applicable registration statement and each such amendment and supplement thereto (including in each case all exhibits) and of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned or to be distributed by them.

(iv) Use its reasonable best efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders or any managing underwriter(s), to keep such registration or qualification in effect for so long as such registration statement remains in effect, and to take any other action which may be reasonably necessary to enable such seller to consummate the disposition in such jurisdictions of the securities owned by such Holder; *provided* that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

(v) Notify each Holder of Registrable Securities at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the applicable prospectus, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing.

(vi) Give written notice to the Holders:

(A) when any registration statement filed pursuant to Section 4.5(a) or any amendment thereto has been filed with the SEC (except for any amendment effected by the filing of a document with the SEC pursuant to the Exchange Act) and when such registration statement or any post-effective amendment thereto has become effective;

(B) of any request by the SEC for amendments or supplements to any registration statement or the prospectus included therein or for additional information;

(C) of the issuance by the SEC of any stop order suspending the effectiveness of any registration statement or the initiation of any proceedings for that purpose;

(D) of the receipt by the Company or its legal counsel of any notification with respect to the suspension of the qualification of the applicable Registrable Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose;

(E) of the happening of any event that requires the Company to make changes in any effective registration statement or the prospectus related to the registration statement in order to make the statements therein not misleading (which notice shall be accompanied by an instruction to suspend the use of the prospectus until the requisite changes have been made); and

(F) if at any time the representations and warranties of the Company contained in any underwriting agreement contemplated by Section 4.5(d)(x) cease to be true and correct.

(vii) Use its reasonable best efforts to prevent the issuance or obtain the withdrawal of any order suspending the effectiveness of any registration statement referred to in Section 4.5(d)(vi)(C) at the earliest practicable time.

(viii) Upon the occurrence of any event contemplated by Section 4.5(d)(v) or 4.5(d)(vi)(E), promptly prepare a post-effective amendment to such registration statement or a supplement to the related prospectus or file any other required document so that, as thereafter delivered to the Holders and any underwriters, the prospectus will not contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. If the Company notifies the Holders in accordance with Section 4.5(d)(vi)(E) to suspend the use of the prospectus until the requisite changes to the prospectus have been made, then the Holders and any underwriters shall suspend use of such prospectus and use their reasonable best efforts to return to the Company all copies of such prospectus (at the Company's expense) other than permanent file copies then in such Holders' or underwriters' possession. The total number of days that any such suspension may be in effect in any 12-month period shall not exceed 90 days.

(ix) Use reasonable best efforts to procure the cooperation of the Company's transfer agent in settling any offering or sale of Registrable Securities, including with respect to the transfer of physical stock certificates into book-entry form in accordance with any procedures reasonably requested by the Holders or any managing underwriter(s).

(x) If an underwritten offering is requested pursuant to Section 4.5(b)(ii), enter into an underwriting agreement in customary form, scope and substance and take all

such other actions reasonably requested by the Holders of a majority of the Registrable Securities being sold in connection therewith or by the managing underwriter(s), if any, to expedite or facilitate the underwritten disposition of such Registrable Securities, and in connection therewith in any underwritten offering (including making members of management and executives of the Company available to participate in “road shows”, similar sales events and other marketing activities), (A) make such representations and warranties to the Holders that are selling stockholders and the managing underwriter(s), if any, with respect to the business of the Company and its subsidiaries, and the Shelf Registration Statement, prospectus and documents, if any, incorporated or deemed to be incorporated by reference therein, in each case, in customary form, substance and scope, and, if true, confirm the same if and when requested, (B) use its reasonable best efforts to furnish the underwriters with opinions of counsel to the Company, addressed to the managing underwriter(s), if any, covering the matters customarily covered in such opinions requested in underwritten offerings, (C) use its reasonable best efforts to obtain “cold comfort” letters from the independent certified public accountants of the Company (and, if necessary, any other independent certified public accountants of any business acquired by the Company for which financial statements and financial data are included in the Shelf Registration Statement) who have certified the financial statements included in such Shelf Registration Statement, addressed to each of the managing underwriter(s), if any, such letters to be in customary form and covering matters of the type customarily covered in “cold comfort” letters, (D) if an underwriting agreement is entered into, the same shall contain indemnification provisions and procedures customary in underwritten offerings (provided that the Investor shall not be obligated to provide any indemnity), and (E) deliver such documents and certificates as may be reasonably requested by the Holders of a majority of the Registrable Securities being sold in connection therewith, their counsel and the managing underwriter(s), if any, to evidence the continued validity of the representations and warranties made pursuant to clause (i) above and to evidence compliance with any customary conditions contained in the underwriting agreement or other agreement entered into by the Company.

(xi) Make available for inspection by a representative of Holders that are selling stockholders, the managing underwriter(s), if any, and any attorneys or accountants retained by such Holders or managing underwriter(s), at the offices where normally kept, during reasonable business hours, financial and other records, pertinent corporate documents and properties of the Company, and cause the officers, directors and employees of the Company to supply all information in each case reasonably requested (and of the type customarily provided in connection with due diligence conducted in connection with a registered public offering of securities) by any such representative, managing underwriter(s), attorney or accountant in connection with such Shelf Registration Statement.

(xii) Use reasonable best efforts to cause all such Registrable Securities to be listed on each national securities exchange on which similar securities issued by the Company are then listed or, if no similar securities issued by the Company are then listed on any national securities exchange, use its reasonable best efforts to cause all such

Registrable Securities to be listed on such securities exchange as the Investor may designate.

(xiii) If requested by Holders of a majority of the Registrable Securities being registered and/or sold in connection therewith, or the managing underwriter(s), if any, promptly include in a prospectus supplement or amendment such information as the Holders of a majority of the Registrable Securities being registered and/or sold in connection therewith or managing underwriter(s), if any, may reasonably request in order to permit the intended method of distribution of such securities and make all required filings of such prospectus supplement or such amendment as soon as practicable after the Company has received such request.

(xiv) Timely provide to its security holders earning statements satisfying the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder.

(e) Suspension of Sales. Upon receipt of written notice from the Company that a registration statement, prospectus or prospectus supplement contains or may contain an untrue statement of a material fact or omits or may omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that circumstances exist that make inadvisable use of such registration statement, prospectus or prospectus supplement, the Investor and each Holder of Registrable Securities shall forthwith discontinue disposition of Registrable Securities until the Investor and/or Holder has received copies of a supplemented or amended prospectus or prospectus supplement, or until the Investor and/or such Holder is advised in writing by the Company that the use of the prospectus and, if applicable, prospectus supplement may be resumed, and, if so directed by the Company, the Investor and/or such Holder shall deliver to the Company (at the Company's expense) all copies, other than permanent file copies then in the Investor and/or such Holder's possession, of the prospectus and, if applicable, prospectus supplement covering such Registrable Securities current at the time of receipt of such notice. The total number of days that any such suspension may be in effect in any 12-month period shall not exceed 90 days.

(f) Termination of Registration Rights. A Holder's registration rights as to any securities held by such Holder (and its Affiliates, partners, members and former members) shall not be available unless such securities are Registrable Securities.

(g) Furnishing Information.

(i) Neither the Investor nor any Holder shall use any free writing prospectus (as defined in Rule 405) in connection with the sale of Registrable Securities without the prior written consent of the Company.

(ii) It shall be a condition precedent to the obligations of the Company to take any action pursuant to Section 4.5(d) that Investor and/or the selling Holders and the underwriters, if any, shall furnish to the Company such information regarding themselves, the Registrable Securities held by them and the intended method of

disposition of such securities as shall be required to effect the registered offering of their Registrable Securities.

(h) Indemnification.

(i) The Company agrees to indemnify each Holder and, if a Holder is a person other than an individual, such Holder's officers, directors, employees, agents, representatives and Affiliates, and each Person, if any, that controls a Holder within the meaning of the Securities Act (each, an "Indemnitee"), against any and all losses, claims, damages, actions, liabilities, costs and expenses (including reasonable fees, expenses and disbursements of attorneys and other professionals incurred in connection with investigating, defending, settling, compromising or paying any such losses, claims, damages, actions, liabilities, costs and expenses), joint or several, arising out of or based upon any untrue statement or alleged untrue statement of material fact contained in any registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto or any documents incorporated therein by reference or contained in any free writing prospectus (as such term is defined in Rule 405) prepared by the Company or authorized by it in writing for use by such Holder (or any amendment or supplement thereto); or any omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; *provided*, that the Company shall not be liable to such Indemnitee in any such case to the extent that any such loss, claim, damage, liability (or action or proceeding in respect thereof) or expense arises out of or is based upon (A) an untrue statement or omission made in such registration statement, including any such preliminary prospectus or final prospectus contained therein or any such amendments or supplements thereto or contained in any free writing prospectus (as such term is defined in Rule 405) prepared by the Company or authorized by it in writing for use by such Holder (or any amendment or supplement thereto), in reliance upon and in conformity with information regarding such Indemnitee or its plan of distribution or ownership interests which was furnished in writing to the Company by such Indemnitee for use in connection with such registration statement, including any such preliminary prospectus or final prospectus contained therein or any such amendments or supplements thereto, or (B) offers or sales effected by or on behalf of such Indemnitee "by means of" (as defined in Rule 159A) a "free writing prospectus" (as defined in Rule 405) that was not authorized in writing by the Company.

(ii) If the indemnification provided for in Section 4.5(h)(i) is unavailable to an Indemnitee with respect to any losses, claims, damages, actions, liabilities, costs or expenses referred to therein or is insufficient to hold the Indemnitee harmless as contemplated therein, then the Company, in lieu of indemnifying such Indemnitee, shall contribute to the amount paid or payable by such Indemnitee as a result of such losses, claims, damages, actions, liabilities, costs or expenses in such proportion as is appropriate to reflect the relative fault of the Indemnitee, on the one hand, and the Company, on the other hand, in connection with the statements or omissions which resulted in such losses, claims, damages, actions, liabilities, costs or expenses as well as any other relevant

equitable considerations. The relative fault of the Company, on the one hand, and of the Indemnitee, on the other hand, shall be determined by reference to, among other factors, whether the untrue statement of a material fact or omission to state a material fact relates to information supplied by the Company or by the Indemnitee and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission; the Company and each Holder agree that it would not be just and equitable if contribution pursuant to this Section 4.5(h)(ii) were determined by *pro rata* allocation or by any other method of allocation that does not take account of the equitable considerations referred to in Section 4.5(h)(i). No Indemnitee guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from the Company if the Company was not guilty of such fraudulent misrepresentation.

(i) Assignment of Registration Rights. The rights of the Investor to registration of Registrable Securities pursuant to Section 4.5(b) may be assigned by the Investor to a transferee or assignee of Registrable Securities with a liquidation preference or, in the case of the Warrant, the liquidation preference of the underlying shares of Warrant Preferred Stock, no less than an amount equal to (i) 2% of the initial aggregate liquidation preference of the Preferred Shares if such initial aggregate liquidation preference is less than \$2 billion and (ii) \$200 million if the initial aggregate liquidation preference of the Preferred Shares is equal to or greater than \$2 billion; *provided, however*, the transferor shall, within ten days after such transfer, furnish to the Company written notice of the name and address of such transferee or assignee and the number and type of Registrable Securities that are being assigned.

(j) Clear Market. With respect to any underwritten offering of Registrable Securities by the Investor or other Holders pursuant to this Section 4.5, the Company agrees not to effect (other than pursuant to such registration or pursuant to a Special Registration) any public sale or distribution, or to file any Shelf Registration Statement (other than such registration or a Special Registration) covering any preferred stock of the Company or any securities convertible into or exchangeable or exercisable for preferred stock of the Company, during the period not to exceed ten days prior and 60 days following the effective date of such offering or such longer period up to 90 days as may be requested by the managing underwriter for such underwritten offering. The Company also agrees to cause such of its directors and senior executive officers to execute and deliver customary lock-up agreements in such form and for such time period up to 90 days as may be requested by the managing underwriter. "*Special Registration*" means the registration of (A) equity securities and/or options or other rights in respect thereof solely registered on Form S-4 or Form S-8 (or successor form) or (B) shares of equity securities and/or options or other rights in respect thereof to be offered to directors, members of management, employees, consultants, customers, lenders or vendors of the Company or Company Subsidiaries or in connection with dividend reinvestment plans.

(k) Rule 144; Rule 144A. With a view to making available to the Investor and Holders the benefits of certain rules and regulations of the SEC which may permit the sale of the Registrable Securities to the public without registration, the Company agrees to use its reasonable best efforts to:

(i) make and keep public information available, as those terms are understood and defined in Rule 144(c)(1) or any similar or analogous rule promulgated under the Securities Act, at all times after the Signing Date;

(ii) (A) file with the SEC, in a timely manner, all reports and other documents required of the Company under the Exchange Act, and (B) if at any time the Company is not required to file such reports, make available, upon the request of any Holder, such information necessary to permit sales pursuant to Rule 144A (including the information required by Rule 144A(d)(4) under the Securities Act);

(iii) so long as the Investor or a Holder owns any Registrable Securities, furnish to the Investor or such Holder forthwith upon request: a written statement by the Company as to its compliance with the reporting requirements of Rule 144 under the Securities Act, and of the Exchange Act; a copy of the most recent annual or quarterly report of the Company; and such other reports and documents as the Investor or Holder may reasonably request in availing itself of any rule or regulation of the SEC allowing it to sell any such securities to the public without registration; and

(iv) take such further action as any Holder may reasonably request, all to the extent required from time to time to enable such Holder to sell Registrable Securities without registration under the Securities Act.

(l) As used in this Section 4.5, the following terms shall have the following respective meanings:

(i) “*Holder*” means the Investor and any other holder of Registrable Securities to whom the registration rights conferred by this Agreement have been transferred in compliance with Section 4.5(h) hereof.

(ii) “*Holders’ Counsel*” means one counsel for the selling Holders chosen by Holders holding a majority interest in the Registrable Securities being registered.

(iii) “*Register*,” “*registered*,” and “*registration*” shall refer to a registration effected by preparing and (A) filing a registration statement or amendment thereto in compliance with the Securities Act and applicable rules and regulations thereunder, and the declaration or ordering of effectiveness of such registration statement or amendment thereto or (B) filing a prospectus and/or prospectus supplement in respect of an appropriate effective registration statement on Form S-3.

(iv) “*Registrable Securities*” means (A) all Preferred Shares, (B) the Warrant (subject to Section 4.5(q)) and (C) any equity securities issued or issuable directly or indirectly with respect to the securities referred to in the foregoing clauses (A) or (B) by way of conversion, exercise or exchange thereof, including the Warrant Shares, or share dividend or share split or in connection with a combination of shares, recapitalization, reclassification, merger, amalgamation, arrangement, consolidation or other

reorganization, *provided* that, once issued, such securities will not be Registrable Securities when (1) they are sold pursuant to an effective registration statement under the Securities Act, (2) except as provided below in Section 4.5(p), they may be sold pursuant to Rule 144 without limitation thereunder on volume or manner of sale, (3) they shall have ceased to be outstanding or (4) they have been sold in a private transaction in which the transferor's rights under this Agreement are not assigned to the transferee of the securities. No Registrable Securities may be registered under more than one registration statement at any one time.

(v) “*Registration Expenses*” mean all expenses incurred by the Company in effecting any registration pursuant to this Agreement (whether or not any registration or prospectus becomes effective or final) or otherwise complying with its obligations under this Section 4.5, including all registration, filing and listing fees, printing expenses, fees and disbursements of counsel for the Company, blue sky fees and expenses, expenses incurred in connection with any “road show”, the reasonable fees and disbursements of Holders’ Counsel, and expenses of the Company’s independent accountants in connection with any regular or special reviews or audits incident to or required by any such registration, but shall not include Selling Expenses.

(vi) “*Rule 144*”, “*Rule 144A*”, “*Rule 159A*”, “*Rule 405*” and “*Rule 415*” mean, in each case, such rule promulgated under the Securities Act (or any successor provision), as the same shall be amended from time to time.

(vii) “*Selling Expenses*” mean all discounts, selling commissions and stock transfer taxes applicable to the sale of Registrable Securities and fees and disbursements of counsel for any Holder (other than the fees and disbursements of Holders’ Counsel included in Registration Expenses).

(m) At any time, any holder of Securities (including any Holder) may elect to forfeit its rights set forth in this Section 4.5 from that date forward; *provided*, that a Holder forfeiting such rights shall nonetheless be entitled to participate under Section 4.5(b)(iv) – (vi) in any Pending Underwritten Offering to the same extent that such Holder would have been entitled to if the holder had not withdrawn; and *provided, further*, that no such forfeiture shall terminate a Holder’s rights or obligations under Section 4.5(g) with respect to any prior registration or Pending Underwritten Offering. “*Pending Underwritten Offering*” means, with respect to any Holder forfeiting its rights pursuant to this Section 4.5(m), any underwritten offering of Registrable Securities in which such Holder has advised the Company of its intent to register its Registrable Securities either pursuant to Section 4.5(b)(ii) or 4.5(b)(iv) prior to the date of such Holder’s forfeiture.

(n) Specific Performance. The parties hereto acknowledge that there would be no adequate remedy at law if the Company fails to perform any of its obligations under this Section 4.5 and that the Investor and the Holders from time to time may be irreparably harmed by any such failure, and accordingly agree that the Investor and such Holders, in addition to any other remedy to which they may be entitled at law or in equity, to the fullest extent permitted and

enforceable under applicable law shall be entitled to compel specific performance of the obligations of the Company under this Section 4.5 in accordance with the terms and conditions of this Section 4.5.

(o) No Inconsistent Agreements. The Company shall not, on or after the Signing Date, enter into any agreement with respect to its securities that may impair the rights granted to the Investor and the Holders under this Section 4.5 or that otherwise conflicts with the provisions hereof in any manner that may impair the rights granted to the Investor and the Holders under this Section 4.5. In the event the Company has, prior to the Signing Date, entered into any agreement with respect to its securities that is inconsistent with the rights granted to the Investor and the Holders under this Section 4.5 (including agreements that are inconsistent with the order of priority contemplated by Section 4.5(b)(vi)) or that may otherwise conflict with the provisions hereof, the Company shall use its reasonable best efforts to amend such agreements to ensure they are consistent with the provisions of this Section 4.5.

(p) Certain Offerings by the Investor. In the case of any securities held by the Investor that cease to be Registrable Securities solely by reason of clause (2) in the definition of “Registrable Securities,” the provisions of Sections 4.5(b)(ii), clauses (iv), (ix) and (x)-(xii) of Section 4.5(d), Section 4.5(h) and Section 4.5(j) shall continue to apply until such securities otherwise cease to be Registrable Securities. In any such case, an “underwritten” offering or other disposition shall include any distribution of such securities on behalf of the Investor by one or more broker-dealers, an “underwriting agreement” shall include any purchase agreement entered into by such broker-dealers, and any “registration statement” or “prospectus” shall include any offering document approved by the Company and used in connection with such distribution.

(q) Registered Sales of the Warrant. The Holders agree to sell the Warrant or any portion thereof under the Shelf Registration Statement only beginning 30 days after notifying the Company of any such sale, during which 30-day period the Investor and all Holders of the Warrant shall take reasonable steps to agree to revisions to the Warrant to permit a public distribution of the Warrant, including entering into a warrant agreement and appointing a warrant agent.

4.6 Depository Shares. Upon request by the Investor at any time following the Closing Date, the Company shall promptly enter into a depository arrangement, pursuant to customary agreements reasonably satisfactory to the Investor and with a depository reasonably acceptable to the Investor, pursuant to which the Preferred Shares or the Warrant Shares may be deposited and depository shares, each representing a fraction of a Preferred Share or Warrant Share, as applicable, as specified by the Investor, may be issued. From and after the execution of any such depository arrangement, and the deposit of any Preferred Shares or Warrant Shares, as applicable, pursuant thereto, the depository shares issued pursuant thereto shall be deemed “Preferred Shares”, “Warrant Shares” and, as applicable, “Registrable Securities” for purposes of this Agreement.

4.7 Restriction on Dividends and Repurchases.

(a) Prior to the earlier of (x) the third anniversary of the Closing Date and (y) the date on which all of the Preferred Shares and Warrant Shares have been redeemed in whole or the Investor has transferred all of the Preferred Shares and Warrant Shares to third parties which are not Affiliates of the Investor, neither the Company nor any Company Subsidiary shall, without the consent of the Investor, declare or pay any dividend or make any distribution on capital stock or other equity securities of any kind of the Company or any Company Subsidiary (other than (i) regular quarterly cash dividends of not more than the amount of the last quarterly cash dividend per share declared or, if lower, announced to its holders of Common Stock an intention to declare, on the Common Stock prior to November 17, 2008, as adjusted for any stock split, stock dividend, reverse stock split, reclassification or similar transaction, (ii) dividends payable solely in shares of Common Stock, (iii) regular dividends on shares of preferred stock in accordance with the terms thereof and which are permitted under the terms of the Preferred Shares and the Warrant Shares, (iv) dividends or distributions by any wholly-owned Company Subsidiary or (v) dividends or distributions by any Company Subsidiary required pursuant to binding contractual agreements entered into prior to November 17, 2008).

(b) During the period beginning on the third anniversary of the Closing Date and ending on the earlier of (i) the tenth anniversary of the Closing Date and (ii) the date on which all of the Preferred Shares and Warrant Shares have been redeemed in whole or the Investor has transferred all of the Preferred Shares and Warrant Shares to third parties which are not Affiliates of the Investor, neither the Company nor any Company Subsidiary shall, without the consent of the Investor, (A) pay any per share dividend or distribution on capital stock or other equity securities of any kind of the Company at a per annum rate that is in excess of 103% of the aggregate per share dividends and distributions for the immediately prior fiscal year (other than regular dividends on shares of preferred stock in accordance with the terms thereof and which are permitted under the terms of the Preferred Shares and the Warrant Shares); *provided* that no increase in the aggregate amount of dividends or distributions on Common Stock shall be permitted as a result of any dividends or distributions paid in shares of Common Stock, any stock split or any similar transaction or (B) pay aggregate dividends or distributions on capital stock or other equity securities of any kind of any Company Subsidiary that is in excess of 103% of the aggregate dividends and distributions paid for the immediately prior fiscal year (other than in the case of this clause (B), (1) regular dividends on shares of preferred stock in accordance with the terms thereof and which are permitted under the terms of the Preferred Shares and the Warrant Shares, (2) dividends or distributions by any wholly-owned Company Subsidiary, (3) dividends or distributions by any Company Subsidiary required pursuant to binding contractual agreements entered into prior to November 17, 2008) or (4) dividends or distributions on newly issued shares of capital stock for cash or other property.

(c) Prior to the earlier of (x) the tenth anniversary of the Closing Date and (y) the date on which all of the Preferred Shares and Warrant Shares have been redeemed in whole or the Investor has transferred all of the Preferred Shares and Warrant Shares to third parties which are not Affiliates of the Investor, neither the Company nor any Company Subsidiary shall, without the consent of the Investor, redeem, purchase or acquire any shares of Common Stock or other capital stock or other equity securities of any kind of the Company or any Company Subsidiary, or any trust preferred securities issued by the Company or any Affiliate of the Company, other

than (i) redemptions, purchases or other acquisitions of the Preferred Shares and Warrant Shares, (ii) in connection with the administration of any employee benefit plan in the ordinary course of business and consistent with past practice, (iii) the acquisition by the Company or any of the Company Subsidiaries of record ownership in Junior Stock or Parity Stock for the beneficial ownership of any other persons (other than the Company or any other Company Subsidiary), including as trustees or custodians, (iv) the exchange or conversion of Junior Stock for or into other Junior Stock or of Parity Stock or trust preferred securities for or into other Parity Stock (with the same or lesser aggregate liquidation amount) or Junior Stock, in each case set forth in this clause (iv), solely to the extent required pursuant to binding contractual agreements entered into prior to the Signing Date or any subsequent agreement for the accelerated exercise, settlement or exchange thereof for Common Stock (clauses (ii) and (iii), collectively, the “*Permitted Repurchases*”), (v) redemptions of securities held by the Company or any wholly-owned Company Subsidiary or (vi) redemptions, purchases or other acquisitions of capital stock or other equity securities of any kind of any Company Subsidiary required pursuant to binding contractual agreements entered into prior to November 17, 2008.

(d) Until such time as the Investor ceases to own any Preferred Shares or Warrant Shares, the Company shall not repurchase any Preferred Shares or Warrant Shares from any holder thereof, whether by means of open market purchase, negotiated transaction, or otherwise, other than Permitted Repurchases, unless it offers to repurchase a ratable portion of the Preferred Shares or Warrant Shares, as the case may be, then held by the Investor on the same terms and conditions.

(e) During the period beginning on the tenth anniversary of the Closing and ending on the date on which all of the Preferred Shares and Warrant Shares have been redeemed in whole or the Investor has transferred all of the Preferred Shares and Warrant Shares to third parties which are not Affiliates of the Investor, neither the Company nor any Company Subsidiary shall, without the consent of the Investor, (i) declare or pay any dividend or make any distribution on capital stock or other equity securities of any kind of the Company or any Company Subsidiary; or (ii) redeem, purchase or acquire any shares of Common Stock or other capital stock or other equity securities of any kind of the Company or any Company Subsidiary, or any trust preferred securities issued by the Company or any Affiliate of the Company, other than (A) redemptions, purchases or other acquisitions of the Preferred Shares and Warrant Shares, (B) regular dividends on shares of preferred stock in accordance with the terms thereof and which are permitted under the terms of the Preferred Shares and the Warrant Shares, or (C) dividends or distributions by any wholly-owned Company Subsidiary.

(f) “*Junior Stock*” means Common Stock and any other class or series of stock of the Company the terms of which expressly provide that it ranks junior to the Preferred Shares as to dividend rights and/or as to rights on liquidation, dissolution or winding up of the Company. “*Parity Stock*” means any class or series of stock of the Company the terms of which do not expressly provide that such class or series will rank senior or junior to the Preferred Shares as to dividend rights and/or as to rights on liquidation, dissolution or winding up of the Company (in each case without regard to whether dividends accrue cumulatively or non-cumulatively).

4.8 Executive Compensation. Until such time as the Investor ceases to own any debt or equity securities of the Company acquired pursuant to this Agreement or the Warrant, the Company shall take all necessary action to ensure that its Benefit Plans with respect to its Senior Executive Officers comply in all respects with Section 111(b) of the EESA as implemented by any guidance or regulation thereunder that has been issued and is in effect as of the Closing Date, and shall not adopt any new Benefit Plan with respect to its Senior Executive Officers that does not comply therewith. “*Senior Executive Officers*” means the Company's "senior executive officers" as defined in subsection 111(b)(3) of the EESA and regulations issued thereunder, including the rules set forth in 31 C.F.R. Part 30.

4.9 Related Party Transactions. Until such time as the Investor ceases to own any Purchased Securities or Warrant Shares, the Company and the Company Subsidiaries shall not enter into transactions with Affiliates or related persons (within the meaning of Item 404 under the SEC's Regulation S-K) unless (i) such transactions are on terms no less favorable to the Company and the Company Subsidiaries than could be obtained from an unaffiliated third party, and (ii) have been approved by the audit committee of the Board of Directors or comparable body of independent directors of the Company.

4.10 Bank and Thrift Holding Company Status. If the Company is a Bank Holding Company or a Savings and Loan Holding Company on the Signing Date, then the Company shall maintain its status as a Bank Holding Company or Savings and Loan Holding Company, as the case may be, for as long as the Investor owns any Purchased Securities or Warrant Shares. The Company shall redeem all Purchased Securities and Warrant Shares held by the Investor prior to terminating its status as a Bank Holding Company or Savings and Loan Holding Company, as applicable. “*Bank Holding Company*” means a company registered as such with the Board of Governors of the Federal Reserve System (the “*Federal Reserve*”) pursuant to 12 U.S.C. §1842 and the regulations of the Federal Reserve promulgated thereunder. “*Savings and Loan Holding Company*” means a company registered as such with the Office of Thrift Supervision pursuant to 12 U.S.C. §1467(a) and the regulations of the Office of Thrift Supervision promulgated thereunder.

4.11 Predominantly Financial. For as long as the Investor owns any Purchased Securities or Warrant Shares, the Company, to the extent it is not itself an insured depository institution, agrees to remain predominantly engaged in financial activities. A company is predominantly engaged in financial activities if the annual gross revenues derived by the company and all subsidiaries of the company (excluding revenues derived from subsidiary depository institutions), on a consolidated basis, from engaging in activities that are financial in nature or are incidental to a financial activity under subsection (k) of Section 4 of the Bank Holding Company Act of 1956 (12 U.S.C. 1843(k)) represent at least 85 percent of the consolidated annual gross revenues of the company.

Article V Miscellaneous

5.1 Termination. This Agreement may be terminated at any time prior to the Closing:

(a) by either the Investor or the Company if the Closing shall not have occurred by the 30th calendar day following the Signing Date; *provided, however*, that in the event the Closing has not occurred by such 30th calendar day, the parties will consult in good faith to determine whether to extend the term of this Agreement, it being understood that the parties shall be required to consult only until the fifth day after such 30th calendar day and not be under any obligation to extend the term of this Agreement thereafter; *provided, further*, that the right to terminate this Agreement under this Section 5.1(a) shall not be available to any party whose breach of any representation or warranty or failure to perform any obligation under this Agreement shall have caused or resulted in the failure of the Closing to occur on or prior to such date; or

(b) by either the Investor or the Company in the event that any Governmental Entity shall have issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement and such order, decree, ruling or other action shall have become final and nonappealable; or

(c) by the mutual written consent of the Investor and the Company.

In the event of termination of this Agreement as provided in this Section 5.1, this Agreement shall forthwith become void and there shall be no liability on the part of either party hereto except that nothing herein shall relieve either party from liability for any breach of this Agreement.

5.2 Survival of Representations and Warranties. All covenants and agreements, other than those which by their terms apply in whole or in part after the Closing, shall terminate as of the Closing. The representations and warranties of the Company made herein or in any certificates delivered in connection with the Closing shall survive the Closing without limitation.

5.3 Amendment. No amendment of any provision of this Agreement will be effective unless made in writing and signed by an officer or a duly authorized representative of each party; *provided* that the Investor may unilaterally amend any provision of this Agreement to the extent required to comply with any changes after the Signing Date in applicable federal statutes. No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative of any rights or remedies provided by law.

5.4 Waiver of Conditions. The conditions to each party's obligation to consummate the Purchase are for the sole benefit of such party and may be waived by such party in whole or in part to the extent permitted by applicable law. No waiver will be effective unless it is in a writing signed by a duly authorized officer of the waiving party that makes express reference to the provision or provisions subject to such waiver.

5.5 Governing Law: Submission to Jurisdiction, Etc. This Agreement will be governed by and construed in accordance with the federal law of the United States if and to

the extent such law is applicable, and otherwise in accordance with the laws of the State of New York applicable to contracts made and to be performed entirely within such State. Each of the parties hereto agrees (a) to submit to the exclusive jurisdiction and venue of the United States District Court for the District of Columbia and the United States Court of Federal Claims for any and all civil actions, suits or proceedings arising out of or relating to this Agreement or the Warrant or the transactions contemplated hereby or thereby, and (b) that notice may be served upon (i) the Company at the address and in the manner set forth for notices to the Company in Section 5.6 and (ii) the Investor in accordance with federal law. To the extent permitted by applicable law, each of the parties hereto hereby unconditionally waives trial by jury in any civil legal action or proceeding relating to this Agreement or the Warrant or the transactions contemplated hereby or thereby.

5.6 Notices. Any notice, request, instruction or other document to be given hereunder by any party to the other will be in writing and will be deemed to have been duly given (a) on the date of delivery if delivered personally, or by facsimile, upon confirmation of receipt, or (b) on the second business day following the date of dispatch if delivered by a recognized next day courier service. All notices to the Company shall be delivered as set forth in Schedule A, or pursuant to such other instruction as may be designated in writing by the Company to the Investor. All notices to the Investor shall be delivered as set forth below, or pursuant to such other instructions as may be designated in writing by the Investor to the Company.

If to the Investor:

United States Department of the Treasury
1500 Pennsylvania Avenue, NW, Room 2312
Washington, D.C. 20220
Attention: Assistant General Counsel (Banking and Finance)
Facsimile: (202) 622-1974

5.7 Definitions

(a) When a reference is made in this Agreement to a subsidiary of a person, the term “*subsidiary*” means any corporation, partnership, joint venture, limited liability company or other entity (x) of which such person or a subsidiary of such person is a general partner or (y) of which a majority of the voting securities or other voting interests, or a majority of the securities or other interests of which having by their terms ordinary voting power to elect a majority of the board of directors or persons performing similar functions with respect to such entity, is directly or indirectly owned by such person and/or one or more subsidiaries thereof.

(b) The term “*Affiliate*” means, with respect to any person, any person directly or indirectly controlling, controlled by or under common control with, such other person. For purposes of this definition, “*control*” (including, with correlative meanings, the terms “*controlled by*” and “*under common control with*”) when used with respect to any person, means the possession, directly or indirectly, of the power to cause the direction of management and/or

policies of such person, whether through the ownership of voting securities by contract or otherwise.

(c) The terms “*knowledge of the Company*” or “*Company’s knowledge*” mean the actual knowledge after reasonable and due inquiry of the “*officers*” (as such term is defined in Rule 3b-2 under the Exchange Act, but excluding any Vice President or Secretary) of the Company.

5.8 Assignment. Neither this Agreement nor any right, remedy, obligation nor liability arising hereunder or by reason hereof shall be assignable by any party hereto without the prior written consent of the other party, and any attempt to assign any right, remedy, obligation or liability hereunder without such consent shall be void, except (a) an assignment, in the case of a merger, consolidation, statutory share exchange or similar transaction that requires the approval of the Company’s stockholders (a “*Business Combination*”) where such party is not the surviving entity, or a sale of substantially all of its assets, to the entity which is the survivor of such Business Combination or the purchaser in such sale and (b) as provided in Sections 3.5 and 4.5.

5.9 Severability. If any provision of this Agreement or the Warrant, or the application thereof to any person or circumstance, is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof, or the application of such provision to persons or circumstances other than those as to which it has been held invalid or unenforceable, will remain in full force and effect and shall in no way be affected, impaired or invalidated thereby, so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination, the parties shall negotiate in good faith in an effort to agree upon a suitable and equitable substitute provision to effect the original intent of the parties.

5.10 No Third Party Beneficiaries. Nothing contained in this Agreement, expressed or implied, is intended to confer upon any person or entity other than the Company and the Investor any benefit, right or remedies, except that the provisions of Section 4.5 shall inure to the benefit of the persons referred to in that Section.

* * *

FORM OF CERTIFICATE OF DESIGNATIONS FOR PREFERRED STOCK

[SEE ATTACHED]

FORM OF [CERTIFICATE OF DESIGNATIONS]

OF

FIXED RATE CUMULATIVE PERPETUAL PREFERRED STOCK, SERIES [●]

OF

[●]

[*Insert name of Issuer*], a [corporation/bank/banking association] organized and existing under the laws of the [*Insert jurisdiction of organization*] (the “Issuer”), in accordance with the provisions of Section[s] [●] of the [*Insert applicable statute*] thereof, does hereby certify:

The board of directors of the Issuer (the “Board of Directors”) or an applicable committee of the Board of Directors, in accordance with the [[certificate of incorporation/articles of association] and bylaws] of the Issuer and applicable law, adopted the following resolution on [●] creating a series of [●] shares of Preferred Stock of the Issuer designated as “Fixed Rate Cumulative Perpetual Preferred Stock, Series [●]”.

RESOLVED, that pursuant to the provisions of the [[certificate of incorporation/articles of association] and the bylaws] of the Issuer and applicable law, a series of Preferred Stock, par value \$[●] per share, of the Issuer be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, preferences and relative, participating, optional or other rights, and the qualifications, limitations and restrictions thereof, of the shares of such series, are as follows:

Part 1. Designation and Number of Shares. There is hereby created out of the authorized and unissued shares of preferred stock of the Issuer a series of preferred stock designated as the “Fixed Rate Cumulative Perpetual Preferred Stock, Series [●]” (the “Designated Preferred Stock”). The authorized number of shares of Designated Preferred Stock shall be [●].

Part 2. Standard Provisions. The Standard Provisions contained in Schedule A attached hereto are incorporated herein by reference in their entirety and shall be deemed to be a part of this [Certificate of Designations] to the same extent as if such provisions had been set forth in full herein.

Part 3. Definitions. The following terms are used in this [Certificate of Designations] (including the Standard Provisions in Schedule A hereto) as defined below:

(a) “Common Stock” means the common stock, par value \$[●] per share, of the Issuer.

(b) “Dividend Payment Date” means February 15, May 15, August 15 and November 15 of each year.

(c) “Junior Stock” means the Common Stock, ***[Insert titles of any existing Junior Stock]*** and any other class or series of stock of the Issuer the terms of which expressly provide that it ranks junior to Designated Preferred Stock as to dividend rights and/or as to rights on liquidation, dissolution or winding up of the Issuer.

(d) “Liquidation Amount” means \$[1,000]¹ per share of Designated Preferred Stock.

(e) “Minimum Amount” means \$***[Insert \$ amount equal to 25% of the aggregate value of the Designated Preferred Stock issued on the Original Issue Date]***.

(f) “Parity Stock” means any class or series of stock of the Issuer (other than Designated Preferred Stock) the terms of which do not expressly provide that such class or series will rank senior or junior to Designated Preferred Stock as to dividend rights and/or as to rights on liquidation, dissolution or winding up of the Issuer (in each case without regard to whether dividends accrue cumulatively or non-cumulatively). Without limiting the foregoing, Parity Stock shall include the Issuer’s ***[Insert title(s) of existing classes or series of Parity Stock]***.

(g) “Signing Date” means ***[Insert date of applicable securities purchase agreement]***.

Part. 4. Certain Voting Matters. ***[To be inserted if the Charter provides for voting in proportion to liquidation preferences:*** Whether the vote or consent of the holders of a plurality, majority or other portion of the shares of Designated Preferred Stock and any Voting Parity Stock has been cast or given on any matter on which the holders of shares of Designated Preferred Stock are entitled to vote shall be determined by the Issuer by reference to the specified liquidation amount of the shares voted or covered by the consent as if the Issuer were liquidated on the record date for such vote or consent, if any, or, in the absence of a record date, on the date for such vote or consent. For purposes of determining the voting rights of the holders of Designated Preferred Stock under Section 7 of the Standard Provisions forming part of this [Certificate of Designations], each holder will be entitled to one vote for each \$1,000 of liquidation preference to which such holder’s shares are entitled.] ***[To be inserted if the Charter does not provide for voting in proportion to liquidation preferences:*** Holders of shares of Designated Preferred Stock will be entitled to one vote for each such share on any matter on which holders of Designated Preferred Stock are entitled to vote, including any action by written consent.]

[Remainder of Page Intentionally Left Blank]

¹ If Issuer desires to issue shares with a higher dollar amount liquidation preference, liquidation preference references will be modified accordingly. In such case (in accordance with Section 4.6 of the Securities Purchase Agreement), the issuer will be required to enter into a deposit agreement.

IN WITNESS WHEREOF, ***[Insert name of Issuer]*** has caused this [Certificate of Designations] to be signed by [●], its [●], this [●] day of [●].

[Insert name of Issuer]

By: _____

Name:

Title:

STANDARD PROVISIONS

Section 1. General Matters. Each share of Designated Preferred Stock shall be identical in all respects to every other share of Designated Preferred Stock. The Designated Preferred Stock shall be perpetual, subject to the provisions of Section 5 of these Standard Provisions that form a part of the Certificate of Designations. The Designated Preferred Stock shall rank equally with Parity Stock and shall rank senior to Junior Stock with respect to the payment of dividends and the distribution of assets in the event of any dissolution, liquidation or winding up of the Issuer.

Section 2. Standard Definitions. As used herein with respect to Designated Preferred Stock:

(a) “Applicable Dividend Rate” means (i) during the period from the Original Issue Date to, but excluding, the first day of the first Dividend Period commencing on or after the fifth anniversary of the Original Issue Date, 5% per annum and (ii) from and after the first day of the first Dividend Period commencing on or after the fifth anniversary of the Original Issue Date, 9% per annum.

(b) “Appropriate Federal Banking Agency” means the “appropriate Federal banking agency” with respect to the Issuer as defined in Section 3(q) of the Federal Deposit Insurance Act (12 U.S.C. Section 1813(q)), or any successor provision.

(c) “Business Combination” means a merger, consolidation, statutory share exchange or similar transaction that requires the approval of the Issuer’s stockholders.

(d) “Business Day” means any day except Saturday, Sunday and any day on which banking institutions in the State of New York generally are authorized or required by law or other governmental actions to close.

(e) “Bylaws” means the bylaws of the Issuer, as they may be amended from time to time.

(f) “Certificate of Designations” means the Certificate of Designations or comparable instrument relating to the Designated Preferred Stock, of which these Standard Provisions form a part, as it may be amended from time to time.

(g) “Charter” means the Issuer’s certificate or articles of incorporation, articles of association, or similar organizational document.

(h) “Dividend Period” has the meaning set forth in Section 3(a).

(i) “Dividend Record Date” has the meaning set forth in Section 3(a).

(j) “Liquidation Preference” has the meaning set forth in Section 4(a).

(k) “Original Issue Date” means the date on which shares of Designated Preferred Stock are first issued.

(l) “Preferred Director” has the meaning set forth in Section 7(b).

(m) “Preferred Stock” means any and all series of preferred stock of the Issuer, including the Designated Preferred Stock.

(n) “Qualified Equity Offering” means the sale and issuance for cash by the Issuer to persons other than the Issuer or any of its subsidiaries after the Original Issue Date of shares of perpetual Preferred Stock, Common Stock or any combination of such stock, that, in each case, qualify as and may be included in Tier 1 capital of the Issuer at the time of issuance under the applicable risk-based capital guidelines of the Issuer’s Appropriate Federal Banking Agency (other than any such sales and issuances made pursuant to agreements or arrangements entered into, or pursuant to financing plans which were publicly announced, on or prior to November 17, 2008).

(o) “Standard Provisions” mean these Standard Provisions that form a part of the Certificate of Designations relating to the Designated Preferred Stock.

(p) “Successor Preferred Stock” has the meaning set forth in Section 5(a).

(q) “Voting Parity Stock” means, with regard to any matter as to which the holders of Designated Preferred Stock are entitled to vote as specified in Sections 7(a) and 7(b) of these Standard Provisions that form a part of the Certificate of Designations, any and all series of Parity Stock upon which like voting rights have been conferred and are exercisable with respect to such matter.

Section 3. Dividends.

(a) Rate. Holders of Designated Preferred Stock shall be entitled to receive, on each share of Designated Preferred Stock if, as and when declared by the Board of Directors or any duly authorized committee of the Board of Directors, but only out of assets legally available therefor, cumulative cash dividends with respect to each Dividend Period (as defined below) at a rate per annum equal to the Applicable Dividend Rate on (i) the Liquidation Amount per share of Designated Preferred Stock and (ii) the amount of accrued and unpaid dividends for any prior Dividend Period on such share of Designated Preferred Stock, if any. Such dividends shall begin to accrue and be cumulative from the Original Issue Date, shall compound on each subsequent Dividend Payment Date (*i.e.*, no dividends shall accrue on other dividends unless and until the first Dividend Payment Date for such other dividends has passed without such other dividends having been paid on such date) and shall be payable quarterly in arrears on each Dividend Payment Date, commencing with the first such Dividend Payment Date to occur at least 20 calendar days after the Original Issue Date. In the event that any Dividend Payment Date would otherwise fall on a day that is not a Business Day, the dividend payment due on that date will be postponed to the next day that is a Business Day and no additional dividends will accrue as a result of that postponement. The period from and including any Dividend Payment Date to, but excluding, the next Dividend Payment Date is a “Dividend Period”, provided that the initial

Dividend Period shall be the period from and including the Original Issue Date to, but excluding, the next Dividend Payment Date.

Dividends that are payable on Designated Preferred Stock in respect of any Dividend Period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. The amount of dividends payable on Designated Preferred Stock on any date prior to the end of a Dividend Period, and for the initial Dividend Period, shall be computed on the basis of a 360-day year consisting of twelve 30-day months, and actual days elapsed over a 30-day month.

Dividends that are payable on Designated Preferred Stock on any Dividend Payment Date will be payable to holders of record of Designated Preferred Stock as they appear on the stock register of the Issuer on the applicable record date, which shall be the 15th calendar day immediately preceding such Dividend Payment Date or such other record date fixed by the Board of Directors or any duly authorized committee of the Board of Directors that is not more than 60 nor less than 10 days prior to such Dividend Payment Date (each, a “Dividend Record Date”). Any such day that is a Dividend Record Date shall be a Dividend Record Date whether or not such day is a Business Day.

Holders of Designated Preferred Stock shall not be entitled to any dividends, whether payable in cash, securities or other property, other than dividends (if any) declared and payable on Designated Preferred Stock as specified in this Section 3 (subject to the other provisions of the Certificate of Designations).

(b) Priority of Dividends. So long as any share of Designated Preferred Stock remains outstanding, no dividend or distribution shall be declared or paid on the Common Stock or any other shares of Junior Stock (other than dividends payable solely in shares of Common Stock) or Parity Stock, subject to the immediately following paragraph in the case of Parity Stock, and no Common Stock, Junior Stock or Parity Stock shall be, directly or indirectly, purchased, redeemed or otherwise acquired for consideration by the Issuer or any of its subsidiaries unless all accrued and unpaid dividends for all past Dividend Periods, including the latest completed Dividend Period (including, if applicable as provided in Section 3(a) above, dividends on such amount), on all outstanding shares of Designated Preferred Stock have been or are contemporaneously declared and paid in full (or have been declared and a sum sufficient for the payment thereof has been set aside for the benefit of the holders of shares of Designated Preferred Stock on the applicable record date). The foregoing limitation shall not apply to (i) redemptions, purchases or other acquisitions of shares of Common Stock or other Junior Stock in connection with the administration of any employee benefit plan in the ordinary course of business and consistent with past practice; (ii) the acquisition by the Issuer or any of its subsidiaries of record ownership in Junior Stock or Parity Stock for the beneficial ownership of any other persons (other than the Issuer or any of its subsidiaries), including as trustees or custodians; and (iii) the exchange or conversion of Junior Stock for or into other Junior Stock or of Parity Stock for or into other Parity Stock (with the same or lesser aggregate liquidation amount) or Junior Stock, in each case, solely to the extent required pursuant to binding contractual agreements entered into prior to the Signing Date or any subsequent agreement for the accelerated exercise, settlement or exchange thereof for Common Stock.

When dividends are not paid (or declared and a sum sufficient for payment thereof set aside for the benefit of the holders thereof on the applicable record date) on any Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within a Dividend Period related to such Dividend Payment Date) in full upon Designated Preferred Stock and any shares of Parity Stock, all dividends declared on Designated Preferred Stock and all such Parity Stock and payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) shall be declared *pro rata* so that the respective amounts of such dividends declared shall bear the same ratio to each other as all accrued and unpaid dividends per share on the shares of Designated Preferred Stock (including, if applicable as provided in Section 3(a) above, dividends on such amount) and all Parity Stock payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) (subject to their having been declared by the Board of Directors or a duly authorized committee of the Board of Directors out of legally available funds and including, in the case of Parity Stock that bears cumulative dividends, all accrued but unpaid dividends) bear to each other. If the Board of Directors or a duly authorized committee of the Board of Directors determines not to pay any dividend or a full dividend on a Dividend Payment Date, the Issuer will provide written notice to the holders of Designated Preferred Stock prior to such Dividend Payment Date.

Subject to the foregoing, and not otherwise, such dividends (payable in cash, securities or other property) as may be determined by the Board of Directors or any duly authorized committee of the Board of Directors may be declared and paid on any securities, including Common Stock and other Junior Stock, from time to time out of any funds legally available for such payment, and holders of Designated Preferred Stock shall not be entitled to participate in any such dividends.

Section 4. Liquidation Rights.

(a) Voluntary or Involuntary Liquidation. In the event of any liquidation, dissolution or winding up of the affairs of the Issuer, whether voluntary or involuntary, holders of Designated Preferred Stock shall be entitled to receive for each share of Designated Preferred Stock, out of the assets of the Issuer or proceeds thereof (whether capital or surplus) available for distribution to stockholders of the Issuer, subject to the rights of any creditors of the Issuer, before any distribution of such assets or proceeds is made to or set aside for the holders of Common Stock and any other stock of the Issuer ranking junior to Designated Preferred Stock as to such distribution, payment in full in an amount equal to the sum of (i) the Liquidation Amount per share and (ii) the amount of any accrued and unpaid dividends (including, if applicable as provided in Section 3(a) above, dividends on such amount), whether or not declared, to the date of payment (such amounts collectively, the "Liquidation Preference").

(b) Partial Payment. If in any distribution described in Section 4(a) above the assets of the Issuer or proceeds thereof are not sufficient to pay in full the amounts payable with respect to all outstanding shares of Designated Preferred Stock and the corresponding amounts payable with respect of any other stock of the Issuer ranking equally with Designated Preferred Stock as

to such distribution, holders of Designated Preferred Stock and the holders of such other stock shall share ratably in any such distribution in proportion to the full respective distributions to which they are entitled.

(c) Residual Distributions. If the Liquidation Preference has been paid in full to all holders of Designated Preferred Stock and the corresponding amounts payable with respect of any other stock of the Issuer ranking equally with Designated Preferred Stock as to such distribution has been paid in full, the holders of other stock of the Issuer shall be entitled to receive all remaining assets of the Issuer (or proceeds thereof) according to their respective rights and preferences.

(d) Merger, Consolidation and Sale of Assets Not Liquidation. For purposes of this Section 4, the merger or consolidation of the Issuer with any other corporation or other entity, including a merger or consolidation in which the holders of Designated Preferred Stock receive cash, securities or other property for their shares, or the sale, lease or exchange (for cash, securities or other property) of all or substantially all of the assets of the Issuer, shall not constitute a liquidation, dissolution or winding up of the Issuer.

Section 5. Redemption.

(a) Optional Redemption. Except as provided below, the Designated Preferred Stock may not be redeemed prior to the first Dividend Payment Date falling on or after the third anniversary of the Original Issue Date. On or after the first Dividend Payment Date falling on or after the third anniversary of the Original Issue Date, the Issuer, at its option, subject to the approval of the Appropriate Federal Banking Agency, may redeem, in whole or in part, at any time and from time to time, out of funds legally available therefor, the shares of Designated Preferred Stock at the time outstanding, upon notice given as provided in Section 5(c) below, at a redemption price equal to the sum of (i) the Liquidation Amount per share and (ii) except as otherwise provided below, any accrued and unpaid dividends (including, if applicable as provided in Section 3(a) above, dividends on such amount) (regardless of whether any dividends are actually declared) to, but excluding, the date fixed for redemption.

Notwithstanding the foregoing, prior to the first Dividend Payment Date falling on or after the third anniversary of the Original Issue Date, the Issuer, at its option, subject to the approval of the Appropriate Federal Banking Agency, may redeem, in whole or in part, at any time and from time to time, the shares of Designated Preferred Stock at the time outstanding, upon notice given as provided in Section 5(c) below, at a redemption price equal to the sum of (i) the Liquidation Amount per share and (ii) except as otherwise provided below, any accrued and unpaid dividends (including, if applicable as provided in Section 3(a) above, dividends on such amount) (regardless of whether any dividends are actually declared) to, but excluding, the date fixed for redemption; *provided* that (x) the Issuer (or any successor by Business Combination) has received aggregate gross proceeds of not less than the Minimum Amount (plus the “Minimum Amount” as defined in the relevant certificate of designations for each other outstanding series of preferred stock of such successor that was originally issued to the United States Department of the Treasury (the “Successor Preferred Stock”) in connection with the Troubled Asset Relief Program Capital Purchase Program) from one or more Qualified Equity Offerings (including Qualified Equity Offerings of such successor), and (y) the aggregate

redemption price of the Designated Preferred Stock (and any Successor Preferred Stock) redeemed pursuant to this paragraph may not exceed the aggregate net cash proceeds received by the Issuer (or any successor by Business Combination) from such Qualified Equity Offerings (including Qualified Equity Offerings of such successor).

The redemption price for any shares of Designated Preferred Stock shall be payable on the redemption date to the holder of such shares against surrender of the certificate(s) evidencing such shares to the Issuer or its agent. Any declared but unpaid dividends payable on a redemption date that occurs subsequent to the Dividend Record Date for a Dividend Period shall not be paid to the holder entitled to receive the redemption price on the redemption date, but rather shall be paid to the holder of record of the redeemed shares on such Dividend Record Date relating to the Dividend Payment Date as provided in Section 3 above.

(b) No Sinking Fund. The Designated Preferred Stock will not be subject to any mandatory redemption, sinking fund or other similar provisions. Holders of Designated Preferred Stock will have no right to require redemption or repurchase of any shares of Designated Preferred Stock.

(c) Notice of Redemption. Notice of every redemption of shares of Designated Preferred Stock shall be given by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses appearing on the books of the Issuer. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this Subsection shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Designated Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Designated Preferred Stock. Notwithstanding the foregoing, if shares of Designated Preferred Stock are issued in book-entry form through The Depository Trust Company or any other similar facility, notice of redemption may be given to the holders of Designated Preferred Stock at such time and in any manner permitted by such facility. Each notice of redemption given to a holder shall state: (1) the redemption date; (2) the number of shares of Designated Preferred Stock to be redeemed and, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (3) the redemption price; and (4) the place or places where certificates for such shares are to be surrendered for payment of the redemption price.

(d) Partial Redemption. In case of any redemption of part of the shares of Designated Preferred Stock at the time outstanding, the shares to be redeemed shall be selected either *pro rata* or in such other manner as the Board of Directors or a duly authorized committee thereof may determine to be fair and equitable. Subject to the provisions hereof, the Board of Directors or a duly authorized committee thereof shall have full power and authority to prescribe the terms and conditions upon which shares of Designated Preferred Stock shall be redeemed from time to time. If fewer than all the shares represented by any certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without charge to the holder thereof.

(e) Effectiveness of Redemption. If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption

have been deposited by the Issuer, in trust for the *pro rata* benefit of the holders of the shares called for redemption, with a bank or trust company doing business in the Borough of Manhattan, The City of New York, and having a capital and surplus of at least \$500 million and selected by the Board of Directors, so as to be and continue to be available solely therefor, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date dividends shall cease to accrue on all shares so called for redemption, all shares so called for redemption shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption from such bank or trust company, without interest. Any funds unclaimed at the end of three years from the redemption date shall, to the extent permitted by law, be released to the Issuer, after which time the holders of the shares so called for redemption shall look only to the Issuer for payment of the redemption price of such shares.

(f) Status of Redeemed Shares. Shares of Designated Preferred Stock that are redeemed, repurchased or otherwise acquired by the Issuer shall revert to authorized but unissued shares of Preferred Stock (*provided* that any such cancelled shares of Designated Preferred Stock may be reissued only as shares of any series of Preferred Stock other than Designated Preferred Stock).

Section 6. Conversion. Holders of Designated Preferred Stock shares shall have no right to exchange or convert such shares into any other securities.

Section 7. Voting Rights.

(a) General. The holders of Designated Preferred Stock shall not have any voting rights except as set forth below or as otherwise from time to time required by law.

(b) Preferred Stock Directors. Whenever, at any time or times, dividends payable on the shares of Designated Preferred Stock have not been paid for an aggregate of six quarterly Dividend Periods or more, whether or not consecutive, the authorized number of directors of the Issuer shall automatically be increased by two and the holders of the Designated Preferred Stock shall have the right, with holders of shares of any one or more other classes or series of Voting Parity Stock outstanding at the time, voting together as a class, to elect two directors (hereinafter the “Preferred Directors” and each a “Preferred Director”) to fill such newly created directorships at the Issuer’s next annual meeting of stockholders (or at a special meeting called for that purpose prior to such next annual meeting) and at each subsequent annual meeting of stockholders until all accrued and unpaid dividends for all past Dividend Periods, including the latest completed Dividend Period (including, if applicable as provided in Section 3(a) above, dividends on such amount), on all outstanding shares of Designated Preferred Stock have been declared and paid in full at which time such right shall terminate with respect to the Designated Preferred Stock, except as herein or by law expressly provided, subject to reversion in the event of each and every subsequent default of the character above mentioned; *provided* that it shall be a qualification for election for any Preferred Director that the election of such Preferred Director shall not cause the Issuer to violate any corporate governance requirements of any securities exchange or other trading facility on which securities of the Issuer may then be listed or traded that listed or traded companies must have a majority of independent directors. Upon any

termination of the right of the holders of shares of Designated Preferred Stock and Voting Parity Stock as a class to vote for directors as provided above, the Preferred Directors shall cease to be qualified as directors, the term of office of all Preferred Directors then in office shall terminate immediately and the authorized number of directors shall be reduced by the number of Preferred Directors elected pursuant hereto. Any Preferred Director may be removed at any time, with or without cause, and any vacancy created thereby may be filled, only by the affirmative vote of the holders a majority of the shares of Designated Preferred Stock at the time outstanding voting separately as a class together with the holders of shares of Voting Parity Stock, to the extent the voting rights of such holders described above are then exercisable. If the office of any Preferred Director becomes vacant for any reason other than removal from office as aforesaid, the remaining Preferred Director may choose a successor who shall hold office for the unexpired term in respect of which such vacancy occurred.

(c) Class Voting Rights as to Particular Matters. So long as any shares of Designated Preferred Stock are outstanding, in addition to any other vote or consent of stockholders required by law or by the Charter, the vote or consent of the holders of at least 66 2/3% of the shares of Designated Preferred Stock at the time outstanding, voting as a separate class, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:

(i) Authorization of Senior Stock. Any amendment or alteration of the Certificate of Designations for the Designated Preferred Stock or the Charter to authorize or create or increase the authorized amount of, or any issuance of, any shares of, or any securities convertible into or exchangeable or exercisable for shares of, any class or series of capital stock of the Issuer ranking senior to Designated Preferred Stock with respect to either or both the payment of dividends and/or the distribution of assets on any liquidation, dissolution or winding up of the Issuer;

(ii) Amendment of Designated Preferred Stock. Any amendment, alteration or repeal of any provision of the Certificate of Designations for the Designated Preferred Stock or the Charter (including, unless no vote on such merger or consolidation is required by Section 7(c)(iii) below, any amendment, alteration or repeal by means of a merger, consolidation or otherwise) so as to adversely affect the rights, preferences, privileges or voting powers of the Designated Preferred Stock; or

(iii) Share Exchanges, Reclassifications, Mergers and Consolidations. Any consummation of a binding share exchange or reclassification involving the Designated Preferred Stock, or of a merger or consolidation of the Issuer with another corporation or other entity, unless in each case (x) the shares of Designated Preferred Stock remain outstanding or, in the case of any such merger or consolidation with respect to which the Issuer is not the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (y) such shares remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, and limitations and restrictions thereof, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers, and limitations and restrictions

thereof, of Designated Preferred Stock immediately prior to such consummation, taken as a whole;

provided, however, that for all purposes of this Section 7(c), any increase in the amount of the authorized Preferred Stock, including any increase in the authorized amount of Designated Preferred Stock necessary to satisfy preemptive or similar rights granted by the Issuer to other persons prior to the Signing Date, or the creation and issuance, or an increase in the authorized or issued amount, whether pursuant to preemptive or similar rights or otherwise, of any other series of Preferred Stock, or any securities convertible into or exchangeable or exercisable for any other series of Preferred Stock, ranking equally with and/or junior to Designated Preferred Stock with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and the distribution of assets upon liquidation, dissolution or winding up of the Issuer will not be deemed to adversely affect the rights, preferences, privileges or voting powers, and shall not require the affirmative vote or consent of, the holders of outstanding shares of the Designated Preferred Stock.

(d) Changes after Provision for Redemption. No vote or consent of the holders of Designated Preferred Stock shall be required pursuant to Section 7(c) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Section, all outstanding shares of the Designated Preferred Stock shall have been redeemed, or shall have been called for redemption upon proper notice and sufficient funds shall have been deposited in trust for such redemption, in each case pursuant to Section 5 above.

(e) Procedures for Voting and Consents. The rules and procedures for calling and conducting any meeting of the holders of Designated Preferred Stock (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules of the Board of Directors or any duly authorized committee of the Board of Directors, in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Charter, the Bylaws, and applicable law and the rules of any national securities exchange or other trading facility on which Designated Preferred Stock is listed or traded at the time.

Section 8. Record Holders. To the fullest extent permitted by applicable law, the Issuer and the transfer agent for Designated Preferred Stock may deem and treat the record holder of any share of Designated Preferred Stock as the true and lawful owner thereof for all purposes, and neither the Issuer nor such transfer agent shall be affected by any notice to the contrary.

Section 9. Notices. All notices or communications in respect of Designated Preferred Stock shall be sufficiently given if given in writing and delivered in person or by first class mail, postage prepaid, or if given in such other manner as may be permitted in this Certificate of Designations, in the Charter or Bylaws or by applicable law. Notwithstanding the foregoing, if shares of Designated Preferred Stock are issued in book-entry form through The Depository Trust Company or any similar facility, such notices may be given to the holders of Designated Preferred Stock in any manner permitted by such facility.

Section 10. No Preemptive Rights. No share of Designated Preferred Stock shall have any rights of preemption whatsoever as to any securities of the Issuer, or any warrants, rights or options issued or granted with respect thereto, regardless of how such securities, or such warrants, rights or options, may be designated, issued or granted.

Section 11. Replacement Certificates. The Issuer shall replace any mutilated certificate at the holder's expense upon surrender of that certificate to the Issuer. The Issuer shall replace certificates that become destroyed, stolen or lost at the holder's expense upon delivery to the Issuer of reasonably satisfactory evidence that the certificate has been destroyed, stolen or lost, together with any indemnity that may be reasonably required by the Issuer.

Section 12. Other Rights. The shares of Designated Preferred Stock shall not have any rights, preferences, privileges or voting powers or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Charter or as provided by applicable law.

**FORM OF CERTIFICATE OF DESIGNATIONS
FOR WARRANT PREFERRED STOCK**

[SEE ATTACHED]

FORM OF [CERTIFICATE OF DESIGNATIONS]

OF

FIXED RATE CUMULATIVE PERPETUAL PREFERRED STOCK, SERIES [●]

OF

[●]

[*Insert name of Issuer*], a [corporation/bank/banking association] organized and existing under the laws of the [*Insert jurisdiction of organization*] (the “Issuer”), in accordance with the provisions of Section[s] [●] of the [*Insert applicable statute*] thereof, does hereby certify:

The board of directors of the Issuer (the “Board of Directors”) or an applicable committee of the Board of Directors, in accordance with the [[certificate of incorporation/articles of association] and bylaws] of the Issuer and applicable law, adopted the following resolution on [●] creating a series of [●] shares of Preferred Stock of the Issuer designated as “Fixed Rate Cumulative Perpetual Preferred Stock, Series [●]”.

RESOLVED, that pursuant to the provisions of the [[certificate of incorporation/articles of association] and the bylaws] of the Issuer and applicable law, a series of Preferred Stock, par value \$[●] per share, of the Issuer be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, preferences and relative, participating, optional or other rights, and the qualifications, limitations and restrictions thereof, of the shares of such series, are as follows:

Part 1. Designation and Number of Shares. There is hereby created out of the authorized and unissued shares of preferred stock of the Issuer a series of preferred stock designated as the “Fixed Rate Cumulative Perpetual Preferred Stock, Series [●]” (the “Designated Preferred Stock”). The authorized number of shares of Designated Preferred Stock shall be [●].

Part 2. Standard Provisions. The Standard Provisions contained in Schedule A attached hereto are incorporated herein by reference in their entirety and shall be deemed to be a part of this [Certificate of Designations] to the same extent as if such provisions had been set forth in full herein.

Part 3. Definitions. The following terms are used in this [Certificate of Designations] (including the Standard Provisions in Schedule A hereto) as defined below:

(a) “Common Stock” means the common stock, par value \$[●] per share, of the Issuer.

(b) “Dividend Payment Date” means February 15, May 15, August 15 and November 15 of each year.

(c) “Junior Stock” means the Common Stock, ***[Insert titles of any existing Junior Stock]*** and any other class or series of stock of the Issuer the terms of which expressly provide that it ranks junior to Designated Preferred Stock as to dividend rights and/or as to rights on liquidation, dissolution or winding up of the Issuer.

(d) “Liquidation Amount” means \$[1,000]¹ per share of Designated Preferred Stock.

(e) “Minimum Amount” means \$***[Insert \$ amount equal to 25% of the aggregate value of the Designated Preferred Stock issued on the Original Issue Date]***.

(f) “Parity Stock” means any class or series of stock of the Issuer (other than Designated Preferred Stock) the terms of which do not expressly provide that such class or series will rank senior or junior to Designated Preferred Stock as to dividend rights and/or as to rights on liquidation, dissolution or winding up of the Issuer (in each case without regard to whether dividends accrue cumulatively or non-cumulatively). Without limiting the foregoing, Parity Stock shall include the Issuer’s UST Preferred Stock [and] ***[Insert title(s) of any other classes or series of Parity Stock]***.

(g) “Signing Date” means ***[Insert date of applicable securities purchase agreement]***.

(h) “UST Preferred Stock” means the Issuer’s Fixed Rate Cumulative Perpetual Preferred Stock, Series [●].

Part. 4. Certain Voting Matters. ***[To be inserted if the Charter provides for voting in proportion to liquidation preferences:*** Whether the vote or consent of the holders of a plurality, majority or other portion of the shares of Designated Preferred Stock and any Voting Parity Stock has been cast or given on any matter on which the holders of shares of Designated Preferred Stock are entitled to vote shall be determined by the Issuer by reference to the specified liquidation amount of the shares voted or covered by the consent as if the Issuer were liquidated on the record date for such vote or consent, if any, or, in the absence of a record date, on the date for such vote or consent. For purposes of determining the voting rights of the holders of Designated Preferred Stock under Section 7 of the Standard Provisions forming part of this [Certificate of Designations], each holder will be entitled to one vote for each \$1,000 of liquidation preference to which such holder’s shares are entitled.] ***[To be inserted if the Charter does not provide for voting in proportion to liquidation preferences:*** Holders of shares of Designated Preferred Stock will be entitled to one vote for each such share on any matter on which holders of Designated Preferred Stock are entitled to vote, including any action by written consent.]

[Remainder of Page Intentionally Left Blank]

¹ If Issuer desires to issue shares with a higher dollar amount liquidation preference, liquidation preference references will be modified accordingly. In such case (in accordance with Section 4.6 of the Securities Purchase Agreement), the issuer will be required to enter into a deposit agreement.

IN WITNESS WHEREOF, ***[Insert name of Issuer]*** has caused this [Certificate of Designations] to be signed by [●], its [●], this [●] day of [●].

[Insert name of Issuer]

By: _____

Name:

Title:

STANDARD PROVISIONS

Section 1. General Matters. Each share of Designated Preferred Stock shall be identical in all respects to every other share of Designated Preferred Stock. The Designated Preferred Stock shall be perpetual, subject to the provisions of Section 5 of these Standard Provisions that form a part of the Certificate of Designations. The Designated Preferred Stock shall rank equally with Parity Stock and shall rank senior to Junior Stock with respect to the payment of dividends and the distribution of assets in the event of any dissolution, liquidation or winding up of the Issuer.

Section 2. Standard Definitions. As used herein with respect to Designated Preferred Stock:

(a) “Appropriate Federal Banking Agency” means the “appropriate Federal banking agency” with respect to the Issuer as defined in Section 3(q) of the Federal Deposit Insurance Act (12 U.S.C. Section 1813(q)), or any successor provision.

(b) “Business Combination” means a merger, consolidation, statutory share exchange or similar transaction that requires the approval of the Issuer’s stockholders.

(c) “Business Day” means any day except Saturday, Sunday and any day on which banking institutions in the State of New York generally are authorized or required by law or other governmental actions to close.

(d) “Bylaws” means the bylaws of the Issuer, as they may be amended from time to time.

(e) “Certificate of Designations” means the Certificate of Designations or comparable instrument relating to the Designated Preferred Stock, of which these Standard Provisions form a part, as it may be amended from time to time.

(f) “Charter” means the Issuer’s certificate or articles of incorporation, articles of association, or similar organizational document.

(g) “Dividend Period” has the meaning set forth in Section 3(a).

(h) “Dividend Record Date” has the meaning set forth in Section 3(a).

(i) “Liquidation Preference” has the meaning set forth in Section 4(a).

(j) “Original Issue Date” means the date on which shares of Designated Preferred Stock are first issued.

(k) “Preferred Director” has the meaning set forth in Section 7(b).

(l) “Preferred Stock” means any and all series of preferred stock of the Issuer, including the Designated Preferred Stock.

(m) “Qualified Equity Offering” means the sale and issuance for cash by the Issuer to persons other than the Issuer or any of its subsidiaries after the Original Issue Date of shares of perpetual Preferred Stock, Common Stock or any combination of such stock, that, in each case, qualify as and may be included in Tier 1 capital of the Issuer at the time of issuance under the applicable risk-based capital guidelines of the Issuer’s Appropriate Federal Banking Agency (other than any such sales and issuances made pursuant to agreements or arrangements entered into, or pursuant to financing plans which were publicly announced, on or prior to November 17, 2008).

(n) “Standard Provisions” mean these Standard Provisions that form a part of the Certificate of Designations relating to the Designated Preferred Stock.

(o) “Successor Preferred Stock” has the meaning set forth in Section 5(a).

(p) “Voting Parity Stock” means, with regard to any matter as to which the holders of Designated Preferred Stock are entitled to vote as specified in Sections 7(a) and 7(b) of these Standard Provisions that form a part of the Certificate of Designations, any and all series of Parity Stock upon which like voting rights have been conferred and are exercisable with respect to such matter.

Section 3. Dividends.

(a) Rate. Holders of Designated Preferred Stock shall be entitled to receive, on each share of Designated Preferred Stock if, as and when declared by the Board of Directors or any duly authorized committee of the Board of Directors, but only out of assets legally available therefor, cumulative cash dividends with respect to each Dividend Period (as defined below) at a per annum rate of 9.0% on (i) the Liquidation Amount per share of Designated Preferred Stock and (ii) the amount of accrued and unpaid dividends for any prior Dividend Period on such share of Designated Preferred Stock, if any. Such dividends shall begin to accrue and be cumulative from the Original Issue Date, shall compound on each subsequent Dividend Payment Date (*i.e.*, no dividends shall accrue on other dividends unless and until the first Dividend Payment Date for such other dividends has passed without such other dividends having been paid on such date) and shall be payable quarterly in arrears on each Dividend Payment Date, commencing with the first such Dividend Payment Date to occur at least 20 calendar days after the Original Issue Date. In the event that any Dividend Payment Date would otherwise fall on a day that is not a Business Day, the dividend payment due on that date will be postponed to the next day that is a Business Day and no additional dividends will accrue as a result of that postponement. The period from and including any Dividend Payment Date to, but excluding, the next Dividend Payment Date is a “Dividend Period”, provided that the initial Dividend Period shall be the period from and including the Original Issue Date to, but excluding, the next Dividend Payment Date.

Dividends that are payable on Designated Preferred Stock in respect of any Dividend Period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. The amount of dividends payable on Designated Preferred Stock on any date prior to the end of a

Dividend Period, and for the initial Dividend Period, shall be computed on the basis of a 360-day year consisting of twelve 30-day months, and actual days elapsed over a 30-day month.

Dividends that are payable on Designated Preferred Stock on any Dividend Payment Date will be payable to holders of record of Designated Preferred Stock as they appear on the stock register of the Issuer on the applicable record date, which shall be the 15th calendar day immediately preceding such Dividend Payment Date or such other record date fixed by the Board of Directors or any duly authorized committee of the Board of Directors that is not more than 60 nor less than 10 days prior to such Dividend Payment Date (each, a “Dividend Record Date”). Any such day that is a Dividend Record Date shall be a Dividend Record Date whether or not such day is a Business Day.

Holders of Designated Preferred Stock shall not be entitled to any dividends, whether payable in cash, securities or other property, other than dividends (if any) declared and payable on Designated Preferred Stock as specified in this Section 3 (subject to the other provisions of the Certificate of Designations).

(b) Priority of Dividends. So long as any share of Designated Preferred Stock remains outstanding, no dividend or distribution shall be declared or paid on the Common Stock or any other shares of Junior Stock (other than dividends payable solely in shares of Common Stock) or Parity Stock, subject to the immediately following paragraph in the case of Parity Stock, and no Common Stock, Junior Stock or Parity Stock shall be, directly or indirectly, purchased, redeemed or otherwise acquired for consideration by the Issuer or any of its subsidiaries unless all accrued and unpaid dividends for all past Dividend Periods, including the latest completed Dividend Period (including, if applicable as provided in Section 3(a) above, dividends on such amount), on all outstanding shares of Designated Preferred Stock have been or are contemporaneously declared and paid in full (or have been declared and a sum sufficient for the payment thereof has been set aside for the benefit of the holders of shares of Designated Preferred Stock on the applicable record date). The foregoing limitation shall not apply to (i) redemptions, purchases or other acquisitions of shares of Common Stock or other Junior Stock in connection with the administration of any employee benefit plan in the ordinary course of business and consistent with past practice; (ii) the acquisition by the Issuer or any of its subsidiaries of record ownership in Junior Stock or Parity Stock for the beneficial ownership of any other persons (other than the Issuer or any of its subsidiaries), including as trustees or custodians; and (iii) the exchange or conversion of Junior Stock for or into other Junior Stock or of Parity Stock for or into other Parity Stock (with the same or lesser aggregate liquidation amount) or Junior Stock, in each case, solely to the extent required pursuant to binding contractual agreements entered into prior to the Signing Date or any subsequent agreement for the accelerated exercise, settlement or exchange thereof for Common Stock.

When dividends are not paid (or declared and a sum sufficient for payment thereof set aside for the benefit of the holders thereof on the applicable record date) on any Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within a Dividend Period related to such Dividend Payment Date) in full upon Designated Preferred Stock and any shares of Parity Stock, all dividends declared on Designated Preferred Stock and all such Parity Stock and payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend

payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) shall be declared *pro rata* so that the respective amounts of such dividends declared shall bear the same ratio to each other as all accrued and unpaid dividends per share on the shares of Designated Preferred Stock (including, if applicable as provided in Section 3(a) above, dividends on such amount) and all Parity Stock payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) (subject to their having been declared by the Board of Directors or a duly authorized committee of the Board of Directors out of legally available funds and including, in the case of Parity Stock that bears cumulative dividends, all accrued but unpaid dividends) bear to each other. If the Board of Directors or a duly authorized committee of the Board of Directors determines not to pay any dividend or a full dividend on a Dividend Payment Date, the Issuer will provide written notice to the holders of Designated Preferred Stock prior to such Dividend Payment Date.

Subject to the foregoing, and not otherwise, such dividends (payable in cash, securities or other property) as may be determined by the Board of Directors or any duly authorized committee of the Board of Directors may be declared and paid on any securities, including Common Stock and other Junior Stock, from time to time out of any funds legally available for such payment, and holders of Designated Preferred Stock shall not be entitled to participate in any such dividends.

Section 4. Liquidation Rights.

(a) Voluntary or Involuntary Liquidation. In the event of any liquidation, dissolution or winding up of the affairs of the Issuer, whether voluntary or involuntary, holders of Designated Preferred Stock shall be entitled to receive for each share of Designated Preferred Stock, out of the assets of the Issuer or proceeds thereof (whether capital or surplus) available for distribution to stockholders of the Issuer, subject to the rights of any creditors of the Issuer, before any distribution of such assets or proceeds is made to or set aside for the holders of Common Stock and any other stock of the Issuer ranking junior to Designated Preferred Stock as to such distribution, payment in full in an amount equal to the sum of (i) the Liquidation Amount per share and (ii) the amount of any accrued and unpaid dividends (including, if applicable as provided in Section 3(a) above, dividends on such amount), whether or not declared, to the date of payment (such amounts collectively, the “Liquidation Preference”).

(b) Partial Payment. If in any distribution described in Section 4(a) above the assets of the Issuer or proceeds thereof are not sufficient to pay in full the amounts payable with respect to all outstanding shares of Designated Preferred Stock and the corresponding amounts payable with respect of any other stock of the Issuer ranking equally with Designated Preferred Stock as to such distribution, holders of Designated Preferred Stock and the holders of such other stock shall share ratably in any such distribution in proportion to the full respective distributions to which they are entitled.

(c) Residual Distributions. If the Liquidation Preference has been paid in full to all holders of Designated Preferred Stock and the corresponding amounts payable with respect of any other stock of the Issuer ranking equally with Designated Preferred Stock as to such

distribution has been paid in full, the holders of other stock of the Issuer shall be entitled to receive all remaining assets of the Issuer (or proceeds thereof) according to their respective rights and preferences.

(d) Merger, Consolidation and Sale of Assets Not Liquidation. For purposes of this Section 4, the merger or consolidation of the Issuer with any other corporation or other entity, including a merger or consolidation in which the holders of Designated Preferred Stock receive cash, securities or other property for their shares, or the sale, lease or exchange (for cash, securities or other property) of all or substantially all of the assets of the Issuer, shall not constitute a liquidation, dissolution or winding up of the Issuer.

Section 5. Redemption.

(a) Optional Redemption. Except as provided below, the Designated Preferred Stock may not be redeemed prior to the later of (i) first Dividend Payment Date falling on or after the third anniversary of the Original Issue Date; and (ii) the date on which all outstanding shares of UST Preferred Stock have been redeemed, repurchased or otherwise acquired by the Issuer. On or after the first Dividend Payment Date falling on or after the third anniversary of the Original Issue Date, the Issuer, at its option, subject to the approval of the Appropriate Federal Banking Agency, may redeem, in whole or in part, at any time and from time to time, out of funds legally available therefor, the shares of Designated Preferred Stock at the time outstanding, upon notice given as provided in Section 5(c) below, at a redemption price equal to the sum of (i) the Liquidation Amount per share and (ii) except as otherwise provided below, any accrued and unpaid dividends (including, if applicable as provided in Section 3(a) above, dividends on such amount) (regardless of whether any dividends are actually declared) to, but excluding, the date fixed for redemption.

Notwithstanding the foregoing, prior to the first Dividend Payment Date falling on or after the third anniversary of the Original Issue Date, the Issuer, at its option, subject to the approval of the Appropriate Federal Banking Agency and subject to the requirement that all outstanding shares of UST Preferred Stock shall previously have been redeemed, repurchased or otherwise acquired by the Issuer, may redeem, in whole or in part, at any time and from time to time, the shares of Designated Preferred Stock at the time outstanding, upon notice given as provided in Section 5(c) below, at a redemption price equal to the sum of (i) the Liquidation Amount per share and (ii) except as otherwise provided below, any accrued and unpaid dividends (including, if applicable as provided in Section 3(a) above, dividends on such amount) (regardless of whether any dividends are actually declared) to, but excluding, the date fixed for redemption; *provided* that (x) the Issuer (or any successor by Business Combination) has received aggregate gross proceeds of not less than the Minimum Amount (plus the “Minimum Amount” as defined in the relevant certificate of designations for each other outstanding series of preferred stock of such successor that was originally issued to the United States Department of the Treasury (the “Successor Preferred Stock”) in connection with the Troubled Asset Relief Program Capital Purchase Program) from one or more Qualified Equity Offerings (including Qualified Equity Offerings of such successor), and (y) the aggregate redemption price of the Designated Preferred Stock (and any Successor Preferred Stock) redeemed pursuant to this paragraph may not exceed the aggregate net cash proceeds received by the Issuer (or any

successor by Business Combination) from such Qualified Equity Offerings (including Qualified Equity Offerings of such successor).

The redemption price for any shares of Designated Preferred Stock shall be payable on the redemption date to the holder of such shares against surrender of the certificate(s) evidencing such shares to the Issuer or its agent. Any declared but unpaid dividends payable on a redemption date that occurs subsequent to the Dividend Record Date for a Dividend Period shall not be paid to the holder entitled to receive the redemption price on the redemption date, but rather shall be paid to the holder of record of the redeemed shares on such Dividend Record Date relating to the Dividend Payment Date as provided in Section 3 above.

(b) No Sinking Fund. The Designated Preferred Stock will not be subject to any mandatory redemption, sinking fund or other similar provisions. Holders of Designated Preferred Stock will have no right to require redemption or repurchase of any shares of Designated Preferred Stock.

(c) Notice of Redemption. Notice of every redemption of shares of Designated Preferred Stock shall be given by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses appearing on the books of the Issuer. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this Subsection shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Designated Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Designated Preferred Stock. Notwithstanding the foregoing, if shares of Designated Preferred Stock are issued in book-entry form through The Depository Trust Company or any other similar facility, notice of redemption may be given to the holders of Designated Preferred Stock at such time and in any manner permitted by such facility. Each notice of redemption given to a holder shall state: (1) the redemption date; (2) the number of shares of Designated Preferred Stock to be redeemed and, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (3) the redemption price; and (4) the place or places where certificates for such shares are to be surrendered for payment of the redemption price.

(d) Partial Redemption. In case of any redemption of part of the shares of Designated Preferred Stock at the time outstanding, the shares to be redeemed shall be selected either *pro rata* or in such other manner as the Board of Directors or a duly authorized committee thereof may determine to be fair and equitable. Subject to the provisions hereof, the Board of Directors or a duly authorized committee thereof shall have full power and authority to prescribe the terms and conditions upon which shares of Designated Preferred Stock shall be redeemed from time to time. If fewer than all the shares represented by any certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without charge to the holder thereof.

(e) Effectiveness of Redemption. If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been deposited by the Issuer, in trust for the *pro rata* benefit of the holders of the shares called for redemption, with a bank or trust company doing business in the Borough of

Manhattan, The City of New York, and having a capital and surplus of at least \$500 million and selected by the Board of Directors, so as to be and continue to be available solely therefor, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date dividends shall cease to accrue on all shares so called for redemption, all shares so called for redemption shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption from such bank or trust company, without interest. Any funds unclaimed at the end of three years from the redemption date shall, to the extent permitted by law, be released to the Issuer, after which time the holders of the shares so called for redemption shall look only to the Issuer for payment of the redemption price of such shares.

(f) Status of Redeemed Shares. Shares of Designated Preferred Stock that are redeemed, repurchased or otherwise acquired by the Issuer shall revert to authorized but unissued shares of Preferred Stock (*provided* that any such cancelled shares of Designated Preferred Stock may be reissued only as shares of any series of Preferred Stock other than Designated Preferred Stock).

Section 6. Conversion. Holders of Designated Preferred Stock shares shall have no right to exchange or convert such shares into any other securities.

Section 7. Voting Rights.

(a) General. The holders of Designated Preferred Stock shall not have any voting rights except as set forth below or as otherwise from time to time required by law.

(b) Preferred Stock Directors. Whenever, at any time or times, dividends payable on the shares of Designated Preferred Stock have not been paid for an aggregate of six quarterly Dividend Periods or more, whether or not consecutive, the authorized number of directors of the Issuer shall automatically be increased by two and the holders of the Designated Preferred Stock shall have the right, with holders of shares of any one or more other classes or series of Voting Parity Stock outstanding at the time, voting together as a class, to elect two directors (hereinafter the “Preferred Directors” and each a “Preferred Director”) to fill such newly created directorships at the Issuer’s next annual meeting of stockholders (or at a special meeting called for that purpose prior to such next annual meeting) and at each subsequent annual meeting of stockholders until all accrued and unpaid dividends for all past Dividend Periods, including the latest completed Dividend Period (including, if applicable as provided in Section 3(a) above, dividends on such amount), on all outstanding shares of Designated Preferred Stock have been declared and paid in full at which time such right shall terminate with respect to the Designated Preferred Stock, except as herein or by law expressly provided, subject to revesting in the event of each and every subsequent default of the character above mentioned; *provided* that it shall be a qualification for election for any Preferred Director that the election of such Preferred Director shall not cause the Issuer to violate any corporate governance requirements of any securities exchange or other trading facility on which securities of the Issuer may then be listed or traded that listed or traded companies must have a majority of independent directors. Upon any termination of the right of the holders of shares of Designated Preferred Stock and Voting Parity Stock as a class to vote for directors as provided above, the Preferred Directors shall cease to be

qualified as directors, the term of office of all Preferred Directors then in office shall terminate immediately and the authorized number of directors shall be reduced by the number of Preferred Directors elected pursuant hereto. Any Preferred Director may be removed at any time, with or without cause, and any vacancy created thereby may be filled, only by the affirmative vote of the holders a majority of the shares of Designated Preferred Stock at the time outstanding voting separately as a class together with the holders of shares of Voting Parity Stock, to the extent the voting rights of such holders described above are then exercisable. If the office of any Preferred Director becomes vacant for any reason other than removal from office as aforesaid, the remaining Preferred Director may choose a successor who shall hold office for the unexpired term in respect of which such vacancy occurred.

(c) Class Voting Rights as to Particular Matters. So long as any shares of Designated Preferred Stock are outstanding, in addition to any other vote or consent of stockholders required by law or by the Charter, the vote or consent of the holders of at least 66 2/3% of the shares of Designated Preferred Stock at the time outstanding, voting as a separate class, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:

(i) Authorization of Senior Stock. Any amendment or alteration of the Certificate of Designations for the Designated Preferred Stock or the Charter to authorize or create or increase the authorized amount of, or any issuance of, any shares of, or any securities convertible into or exchangeable or exercisable for shares of, any class or series of capital stock of the Issuer ranking senior to Designated Preferred Stock with respect to either or both the payment of dividends and/or the distribution of assets on any liquidation, dissolution or winding up of the Issuer;

(ii) Amendment of Designated Preferred Stock. Any amendment, alteration or repeal of any provision of the Certificate of Designations for the Designated Preferred Stock or the Charter (including, unless no vote on such merger or consolidation is required by Section 7(c)(iii) below, any amendment, alteration or repeal by means of a merger, consolidation or otherwise) so as to adversely affect the rights, preferences, privileges or voting powers of the Designated Preferred Stock; or

(iii) Share Exchanges, Reclassifications, Mergers and Consolidations. Any consummation of a binding share exchange or reclassification involving the Designated Preferred Stock, or of a merger or consolidation of the Issuer with another corporation or other entity, unless in each case (x) the shares of Designated Preferred Stock remain outstanding or, in the case of any such merger or consolidation with respect to which the Issuer is not the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (y) such shares remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, and limitations and restrictions thereof, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of Designated Preferred Stock immediately prior to such consummation, taken as a whole;

provided, however, that for all purposes of this Section 7(c), any increase in the amount of the authorized Preferred Stock, including any increase in the authorized amount of Designated Preferred Stock necessary to satisfy preemptive or similar rights granted by the Issuer to other persons prior to the Signing Date, or the creation and issuance, or an increase in the authorized or issued amount, whether pursuant to preemptive or similar rights or otherwise, of any other series of Preferred Stock, or any securities convertible into or exchangeable or exercisable for any other series of Preferred Stock, ranking equally with and/or junior to Designated Preferred Stock with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and the distribution of assets upon liquidation, dissolution or winding up of the Issuer will not be deemed to adversely affect the rights, preferences, privileges or voting powers, and shall not require the affirmative vote or consent of, the holders of outstanding shares of the Designated Preferred Stock.

(d) Changes after Provision for Redemption. No vote or consent of the holders of Designated Preferred Stock shall be required pursuant to Section 7(c) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Section, all outstanding shares of the Designated Preferred Stock shall have been redeemed, or shall have been called for redemption upon proper notice and sufficient funds shall have been deposited in trust for such redemption, in each case pursuant to Section 5 above.

(e) Procedures for Voting and Consents. The rules and procedures for calling and conducting any meeting of the holders of Designated Preferred Stock (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules of the Board of Directors or any duly authorized committee of the Board of Directors, in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Charter, the Bylaws, and applicable law and the rules of any national securities exchange or other trading facility on which Designated Preferred Stock is listed or traded at the time.

Section 8. Record Holders. To the fullest extent permitted by applicable law, the Issuer and the transfer agent for Designated Preferred Stock may deem and treat the record holder of any share of Designated Preferred Stock as the true and lawful owner thereof for all purposes, and neither the Issuer nor such transfer agent shall be affected by any notice to the contrary.

Section 9. Notices. All notices or communications in respect of Designated Preferred Stock shall be sufficiently given if given in writing and delivered in person or by first class mail, postage prepaid, or if given in such other manner as may be permitted in this Certificate of Designations, in the Charter or Bylaws or by applicable law. Notwithstanding the foregoing, if shares of Designated Preferred Stock are issued in book-entry form through The Depository Trust Company or any similar facility, such notices may be given to the holders of Designated Preferred Stock in any manner permitted by such facility.

Section 10. No Preemptive Rights. No share of Designated Preferred Stock shall have any rights of preemption whatsoever as to any securities of the Issuer, or any warrants, rights or options issued or granted with respect thereto, regardless of how such securities, or such warrants, rights or options, may be designated, issued or granted.

Section 11. Replacement Certificates. The Issuer shall replace any mutilated certificate at the holder's expense upon surrender of that certificate to the Issuer. The Issuer shall replace certificates that become destroyed, stolen or lost at the holder's expense upon delivery to the Issuer of reasonably satisfactory evidence that the certificate has been destroyed, stolen or lost, together with any indemnity that may be reasonably required by the Issuer.

Section 12. Other Rights. The shares of Designated Preferred Stock shall not have any rights, preferences, privileges or voting powers or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Charter or as provided by applicable law.

FORM OF WAIVER

In consideration for the benefits I will receive as a result of my employer's participation in the United States Department of the Treasury's TARP Capital Purchase Program, I hereby voluntarily waive any claim against the United States or my employer for any changes to my compensation or benefits that are required to comply with the regulation issued by the Department of the Treasury as published in the Federal Register on October 20, 2008.

I acknowledge that this regulation may require modification of the compensation, bonus, incentive and other benefit plans, arrangements, policies and agreements (including so-called "golden parachute" agreements) that I have with my employer or in which I participate as they relate to the period the United States holds any equity or debt securities of my employer acquired through the TARP Capital Purchase Program.

This waiver includes all claims I may have under the laws of the United States or any state related to the requirements imposed by the aforementioned regulation, including without limitation a claim for any compensation or other payments I would otherwise receive, any challenge to the process by which this regulation was adopted and any tort or constitutional claim about the effect of these regulations on my employment relationship.

FORM OF OPINION

- (a) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the state of its incorporation.
- (b) The Preferred Shares have been duly and validly authorized, and, when issued and delivered pursuant to the Agreement, the Preferred Shares will be duly and validly issued and fully paid and non-assessable, will not be issued in violation of any preemptive rights, and will rank *pari passu* with or senior to all other series or classes of Preferred Stock issued on the Closing Date with respect to the payment of dividends and the distribution of assets in the event of any dissolution, liquidation or winding up of the Company.
- (c) The Warrant has been duly authorized and, when executed and delivered as contemplated by the Agreement, will constitute a valid and legally binding obligation of the Company enforceable against the Company in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and general equitable principles, regardless of whether such enforceability is considered in a proceeding at law or in equity.
- (d) The shares of Warrant Preferred Stock issuable upon exercise of the Warrant have been duly authorized and reserved for issuance upon exercise of the Warrant and when so issued in accordance with the terms of the Warrant will be validly issued, fully paid and non-assessable, and will rank *pari passu* with or senior to all other series or classes of Preferred Stock, whether or not issued or outstanding, with respect to the payment of dividends and the distribution of assets in the event of any dissolution, liquidation or winding up of the Company.
- (e) The Company has the corporate power and authority to execute and deliver the Agreement and the Warrant and to carry out its obligations thereunder (which includes the issuance of the Preferred Shares, Warrant and Warrant Shares).
- (f) The execution, delivery and performance by the Company of the Agreement and the Warrant and the consummation of the transactions contemplated thereby have been duly authorized by all necessary corporate action on the part of the Company and its stockholders, and no further approval or authorization is required on the part of the Company.
- (g) The Agreement is a valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and general equitable principles, regardless of whether such enforceability is considered in a proceeding at law or in equity; *provided, however*, such counsel need express no opinion with respect to Section 4.5(h) or the severability provisions of the Agreement insofar as Section 4.5(h) is concerned.

ANNEX E

FORM OF WARRANT

[SEE ATTACHED]

FORM OF WARRANT TO PURCHASE PREFERRED STOCK

THE SECURITIES REPRESENTED BY THIS INSTRUMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE TRANSFERRED, SOLD OR OTHERWISE DISPOSED OF EXCEPT WHILE A REGISTRATION STATEMENT RELATING THERETO IS IN EFFECT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT OR SUCH LAWS. THIS INSTRUMENT IS ISSUED SUBJECT TO THE RESTRICTIONS ON TRANSFER AND OTHER PROVISIONS OF A SECURITIES PURCHASE AGREEMENT BETWEEN THE ISSUER OF THESE SECURITIES AND THE INVESTOR REFERRED TO THEREIN, A COPY OF WHICH IS ON FILE WITH THE ISSUER. THE SECURITIES REPRESENTED BY THIS INSTRUMENT MAY NOT BE SOLD OR OTHERWISE TRANSFERRED EXCEPT IN COMPLIANCE WITH SAID AGREEMENT. ANY SALE OR OTHER TRANSFER NOT IN COMPLIANCE WITH SAID AGREEMENT WILL BE VOID.

**WARRANT
to purchase**

Shares of Preferred Stock

of _____

Issue Date: _____

1. Definitions. Unless the context otherwise requires, when used herein the following terms shall have the meanings indicated.

“*Board of Directors*” means the board of directors of the Company, including any duly authorized committee thereof.

“*business day*” means any day except Saturday, Sunday and any day on which banking institutions in the State of New York generally are authorized or required by law or other governmental actions to close.

“*Charter*” means, with respect to any Person, its certificate or articles of incorporation, articles of association, or similar organizational document.

“*Company*” means the Person whose name, corporate or other organizational form and jurisdiction of organization is set forth in Item 1 of Schedule A hereto.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations promulgated thereunder.

“*Exercise Price*” means the amount set forth in Item 2 of Schedule A hereto.

“*Expiration Time*” has the meaning set forth in Section 3.

“*Issue Date*” means the date set forth in Item 3 of Schedule A hereto.

“*Liquidation Amount*” means the amount set forth in Item 4 of Schedule A hereto.

“*Original Warrantholder*” means the United States Department of the Treasury. Any actions specified to be taken by the Original Warrantholder hereunder may only be taken by such Person and not by any other Warrantholder.

“*Person*” has the meaning given to it in Section 3(a)(9) of the Exchange Act and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act.

“*Preferred Stock*” means the series of perpetual preferred stock set forth in Item 5 of Schedule A hereto.

“*Purchase Agreement*” means the Securities Purchase Agreement – Standard Terms incorporated into the Letter Agreement, dated as of the date set forth in Item 6 of Schedule A hereto, as amended from time to time, between the Company and the United States Department of the Treasury (the “*Letter Agreement*”), including all annexes and schedules thereto.

“*Regulatory Approvals*” with respect to the Warrantholder, means, to the extent applicable and required to permit the Warrantholder to exercise this Warrant for shares of Preferred Stock and to own such Preferred Stock without the Warrantholder being in violation of applicable law, rule or regulation, the receipt of any necessary approvals and authorizations of, filings and registrations with, notifications to, or expiration or termination of any applicable waiting period under, the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations thereunder.

“*SEC*” means the U.S. Securities and Exchange Commission.

“*Securities Act*” means the Securities Act of 1933, as amended, or any successor statute, and the rules and regulations promulgated thereunder.

“*Shares*” has the meaning set forth in Section 2.

“*Warrantholder*” has the meaning set forth in Section 2.

“*Warrant*” means this Warrant, issued pursuant to the Purchase Agreement.

2. Number of Shares; Exercise Price. This certifies that, for value received, the United States Department of the Treasury or its permitted assigns (the “*Warrantholder*”) is entitled, upon the terms and subject to the conditions hereinafter set forth, to acquire from the

Company, in whole or in part, after the receipt of all applicable Regulatory Approvals, if any, up to an aggregate of the number of fully paid and nonassessable shares of Preferred Stock set forth in Item 7 of Schedule A hereto (the “*Shares*”), at a purchase price per share of Preferred Stock equal to the Exercise Price.

3. Exercise of Warrant; Term. Subject to Section 2, to the extent permitted by applicable laws and regulations, the right to purchase the Shares represented by this Warrant is exercisable, in whole or in part by the Warrantholder, at any time or from time to time after the execution and delivery of this Warrant by the Company on the date hereof, but in no event later than 5:00 p.m., New York City time on the tenth anniversary of the Issue Date (the “*Expiration Time*”), by (A) the surrender of this Warrant and Notice of Exercise annexed hereto, duly completed and executed on behalf of the Warrantholder, at the principal executive office of the Company located at the address set forth in Item 8 of Schedule A hereto (or such other office or agency of the Company in the United States as it may designate by notice in writing to the Warrantholder at the address of the Warrantholder appearing on the books of the Company), and (B) payment of the Exercise Price for the Shares thereby purchased, by having the Company withhold, from the shares of Preferred Stock that would otherwise be delivered to the Warrantholder upon such exercise, shares of Preferred Stock issuable upon exercise of the Warrant with an aggregate Liquidation Amount equal in value to the aggregate Exercise Price as to which this Warrant is so exercised.

If the Warrantholder does not exercise this Warrant in its entirety, the Warrantholder will be entitled to receive from the Company within a reasonable time, and in any event not exceeding three business days, a new warrant in substantially identical form for the purchase of that number of Shares equal to the difference between the number of Shares subject to this Warrant and the number of Shares as to which this Warrant is so exercised. Notwithstanding anything in this Warrant to the contrary, the Warrantholder hereby acknowledges and agrees that its exercise of this Warrant for Shares is subject to the condition that the Warrantholder will have first received any applicable Regulatory Approvals.

4. Issuance of Shares; Authorization. Certificates for Shares issued upon exercise of this Warrant will be issued in such name or names as the Warrantholder may designate and will be delivered to such named Person or Persons within a reasonable time, not to exceed three business days after the date on which this Warrant has been duly exercised in accordance with the terms of this Warrant. The Company hereby represents and warrants that any Shares issued upon the exercise of this Warrant in accordance with the provisions of Section 3 will be duly and validly authorized and issued, fully paid and nonassessable and free from all taxes, liens and charges (other than liens or charges created by the Warrantholder, income and franchise taxes incurred in connection with the exercise of the Warrant or taxes in respect of any transfer occurring contemporaneously therewith). The Company agrees that the Shares so issued will be deemed to have been issued to the Warrantholder as of the close of business on the date on which this Warrant and payment of the Exercise Price are delivered to the Company in accordance with the terms of this Warrant, notwithstanding that the stock transfer books of the Company may then be closed or certificates representing such Shares may not be actually delivered on such date. The Company will at all times reserve and keep available, out of its authorized but unissued preferred stock, solely for the purpose of providing for the exercise of this Warrant, the aggregate number of shares of Preferred Stock then issuable upon exercise of this Warrant at any

time. The Company will use reasonable best efforts to ensure that the Shares may be issued without violation of any applicable law or regulation or of any requirement of any securities exchange on which the Shares are listed or traded.

5. No Rights as Stockholders; Transfer Books. This Warrant does not entitle the Warrantholder to any voting rights or other rights as a stockholder of the Company prior to the date of exercise hereof. The Company will at no time close its transfer books against transfer of this Warrant in any manner which interferes with the timely exercise of this Warrant.

6. Charges, Taxes and Expenses. Issuance of certificates for Shares to the Warrantholder upon the exercise of this Warrant shall be made without charge to the Warrantholder for any issue or transfer tax or other incidental expense in respect of the issuance of such certificates, all of which taxes and expenses shall be paid by the Company.

7. Transfer/Assignment.

(A) Subject to compliance with clause (B) of this Section 7, this Warrant and all rights hereunder are transferable, in whole or in part, upon the books of the Company by the registered holder hereof in person or by duly authorized attorney, and a new warrant shall be made and delivered by the Company, of the same tenor and date as this Warrant but registered in the name of one or more transferees, upon surrender of this Warrant, duly endorsed, to the office or agency of the Company described in Section 3. All expenses (other than stock transfer taxes) and other charges payable in connection with the preparation, execution and delivery of the new warrants pursuant to this Section 7 shall be paid by the Company.

(B) The transfer of the Warrant and the Shares issued upon exercise of the Warrant are subject to the restrictions set forth in Section 4.4 of the Purchase Agreement. If and for so long as required by the Purchase Agreement, this Warrant shall contain the legends as set forth in Section 4.2(a) of the Purchase Agreement.

8. Exchange and Registry of Warrant. This Warrant is exchangeable, upon the surrender hereof by the Warrantholder to the Company, for a new warrant or warrants of like tenor and representing the right to purchase the same aggregate number of Shares. The Company shall maintain a registry showing the name and address of the Warrantholder as the registered holder of this Warrant. This Warrant may be surrendered for exchange or exercise in accordance with its terms, at the office of the Company, and the Company shall be entitled to rely in all respects, prior to written notice to the contrary, upon such registry.

9. Loss, Theft, Destruction or Mutilation of Warrant. Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant, and in the case of any such loss, theft or destruction, upon receipt of a bond, indemnity or security reasonably satisfactory to the Company, or, in the case of any such mutilation, upon surrender and cancellation of this Warrant, the Company shall make and deliver, in lieu of such lost, stolen, destroyed or mutilated Warrant, a new Warrant of like tenor and representing the right to purchase the same aggregate number of Shares as provided for in such lost, stolen, destroyed or mutilated Warrant.

10. Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a business day, then such action may be taken or such right may be exercised on the next succeeding day that is a business day.

11. Rule 144 Information. The Company covenants that it will use its reasonable best efforts to timely file all reports and other documents required to be filed by it under the Securities Act and the Exchange Act and the rules and regulations promulgated by the SEC thereunder (or, if the Company is not required to file such reports, it will, upon the request of any Warrantholder, make publicly available such information as necessary to permit sales pursuant to Rule 144 under the Securities Act), and it will use reasonable best efforts to take such further action as any Warrantholder may reasonably request, in each case to the extent required from time to time to enable such holder to, if permitted by the terms of this Warrant and the Purchase Agreement, sell this Warrant without registration under the Securities Act within the limitation of the exemptions provided by (A) Rule 144 under the Securities Act, as such rule may be amended from time to time, or (B) any successor rule or regulation hereafter adopted by the SEC. Upon the written request of any Warrantholder, the Company will deliver to such Warrantholder a written statement that it has complied with such requirements.

12. Adjustments and Other Rights. For so long as the Original Warrantholder holds this Warrant or any portion thereof, if any event occurs that, in the good faith judgment of the Board of Directors of the Company, would require adjustment of the Exercise Price or number of Shares into which this Warrant is exercisable in order to fairly and adequately protect the purchase rights of the Warrants in accordance with the essential intent and principles of the Purchase Agreement and this Warrant, then the Board of Directors shall make such adjustments in the application of such provisions, in accordance with such essential intent and principles, as shall be reasonably necessary, in the good faith opinion of the Board of Directors, to protect such purchase rights as aforesaid.

Whenever the Exercise Price or the number of Shares into which this Warrant is exercisable shall be adjusted as provided in this Section 12, the Company shall forthwith file at the principal office of the Company a statement showing in reasonable detail the facts requiring such adjustment and the Exercise Price that shall be in effect and the number of Shares into which this Warrant shall be exercisable after such adjustment, and the Company shall also cause a copy of such statement to be sent by mail, first class postage prepaid, to each Warrantholder at the address appearing in the Company's records.

13. No Impairment. The Company will not, by amendment of its Charter or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of this Warrant and in taking of all such action as may be necessary or appropriate in order to protect the rights of the Warrantholder.

14. Governing Law. This Warrant will be governed by and construed in accordance with the federal law of the United States if and to the extent such law is applicable, and otherwise in accordance with the laws of the State of New York applicable to contracts made and

to be performed entirely within such State. Each of the Company and the Warrantholder agrees (a) to submit to the exclusive jurisdiction and venue of the United States District Court for the District of Columbia for any civil action, suit or proceeding arising out of or relating to this Warrant or the transactions contemplated hereby, and (b) that notice may be served upon the Company at the address in Section 17 below and upon the Warrantholder at the address for the Warrantholder set forth in the registry maintained by the Company pursuant to Section 8 hereof. To the extent permitted by applicable law, each of the Company and the Warrantholder hereby unconditionally waives trial by jury in any civil legal action or proceeding relating to the Warrant or the transactions contemplated hereby or thereby.

15. Binding Effect. This Warrant shall be binding upon any successors or assigns of the Company.

16. Amendments. This Warrant may be amended and the observance of any term of this Warrant may be waived only with the written consent of the Company and the Warrantholder.

17. Notices. Any notice, request, instruction or other document to be given hereunder by any party to the other will be in writing and will be deemed to have been duly given (a) on the date of delivery if delivered personally, or by facsimile, upon confirmation of receipt, or (b) on the second business day following the date of dispatch if delivered by a recognized next day courier service. All notices hereunder shall be delivered as set forth in Item 9 of Schedule A hereto, or pursuant to such other instructions as may be designated in writing by the party to receive such notice.

18. Entire Agreement. This Warrant, the forms attached hereto and Schedule A hereto (the terms of which are incorporated by reference herein), and the Letter Agreement (including all documents incorporated therein), contain the entire agreement between the parties with respect to the subject matter hereof and supersede all prior and contemporaneous arrangements or undertakings with respect thereto.

[Remainder of page intentionally left blank]

[Form of Notice of Exercise]

Date: _____

TO: [Company]

RE: Election to Purchase Preferred Stock

The undersigned, pursuant to the provisions set forth in the attached Warrant, hereby agrees to subscribe for and purchase such number of shares of Preferred Stock covered by the Warrant such that after giving effect to an exercise pursuant to Section 3(B) of the Warrant, the undersigned will receive the net number of shares of Preferred Stock set forth below. The undersigned, in accordance with Section 3 of the Warrant, hereby agrees to pay the aggregate Exercise Price for such shares of Preferred Stock in the manner set forth in Section 3(B) of the Warrant.

Number of Shares of Preferred Stock:¹ _____

The undersigned agrees that it is exercising the attached Warrant in full and that, upon receipt by the undersigned of the number of shares of Preferred Stock set forth above, such Warrant shall be deemed to be cancelled and surrendered to the Company.

Holder: _____
By: _____
Name: _____
Title: _____

1. Number of shares to be received by the undersigned upon exercise of the attached Warrant pursuant to Section 3(B) thereof.

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed by a duly authorized officer.

Dated: _____

COMPANY: _____

By: _____

Name:

Title:

Attest:

By: _____

Name:

Title:

[Signature Page to Warrant]

SCHEDULE A

Item 1

Name:

Corporate or other organizational form:

Jurisdiction of organization:

Item 2

Exercise Price:²

Item 3

Issue Date:

Item 4

Liquidation Amount:

Item 5

Series of Perpetual Preferred Stock:

Item 6

Date of Letter Agreement between the Company and the United States Department of the Treasury:

Item 7

Number of shares of Preferred Stock:³

Item 8

Company's address:

Item 9

Notice information:

² \$0.01 per share or such greater amount as the Charter may require as the par value of the Preferred Stock.

³ The initial number of shares of Preferred Stock for which this Warrant is exercisable shall include the number of shares required to effect the cashless exercise pursuant to Section 3(B) of this Warrant (e.g., such number of shares of Preferred Stock having an aggregate Liquidation Amount equal in value to the aggregate Exercise Price) such that, following exercise of this Warrant and payment of the Exercise Price in accordance with such Section 3(B), the net number of shares of Preferred Stock delivered to the Warrantholder (and rounded to the nearest whole share) would have an aggregate Liquidation Amount equal to 5% of the aggregate amount invested by the United States Department of the Treasury on the investment date.

ADDITIONAL TERMS AND CONDITIONS

Company Information:

Name of the Company: **AMB Financial Corp.**

Corporate or other organizational form: **C Corporation**

Jurisdiction of Organization: **Delaware**

Appropriate Federal Banking Agency: **Office of Thrift Supervision**

Notice Information: **Michael Mellon
AMB Financial Corp.
8230 Hohman Avenue
Munster, Indiana 46321**

Terms of the Purchase:

Series of Preferred Stock Purchased: **Fixed Rate Cumulative Perpetual Preferred Stock, Series A**

Per Share Liquidation Preference of Preferred Stock: **\$1,000**

Number of Shares of Preferred Stock Purchased: **3,674**

Dividend Payment Dates on the Preferred Stock: **February 15, May 15, August 15, November 15**

Series of Warrant Stock: **Fixed Rate Cumulative Perpetual Preferred Stock, Series B**

Number of Warrant Shares: **184.00184**

Number of Net Warrant Shares (after net settlement): **184**

Exercise Price of the Warrant: **\$0.01 per share**

Purchase Price: **\$3,674,000**

Closing:

Location of Closing: **Telephonic**

Time of Closing: **To be determined by the parties.**

Date of Closing: **January 30, 2009**

Wire Information for Closing: **ABA Number:
Bank:
Account Name:
Account Number:
Beneficiary:**

Contact for Confirmation of Wire Information: Steven A. Bohn; (p) 219-836-5870; (f) 219-836-5883;
steve@ambfinancial.com

CAPITALIZATION

Capitalization Date: December 31, 2008

Common Stock

Par value: **\$0.01**

Total Authorized: **1,900,000**

Outstanding: **981,638**

Subject to warrants, options, convertible securities, etc.: **37,500 Options available for future grants**

Reserved for benefit plans and other issuances: **25,694**

Remaining authorized but unissued: **855,168**

Shares issued after Capitalization Date (other than pursuant to warrants, options, convertible securities, etc. as set forth above): **0**

Preferred Stock

Par Value: **\$0.01**

Total Authorized: **100,000**

Outstanding (by series): **0**

Reserved for issuance: **3,674 shares of Fixed Rate Cumulative Perpetual Preferred Stock, Series A, and 184.00184 shares of Fixed Rate Cumulative Perpetual Preferred Stock, Series B reserved for issuance to Investor pursuant to this Letter Agreement**

Remaining authorized but unissued: **96,141.199816**

Holders of 5% or more of any class of capital stock

Tontine Financial Partners L.P., Tontine Management L.L.C. and Jeffrey L. Gendell

Primary Address

**237 Park Avenue
9th Floor
New York, New York 10017**

**AMB Financial Corp.
Employee Stock Ownership Plan**

**8230 Hohman Avenue
Munster, Indiana 46321**

Clement B. Knapp, Jr.

**8230 Hohman Avenue
Munster, Indiana 46321**

LITIGATION

List any exceptions to the representation and warranty in Section 2.2(l) of the Securities Purchase Agreement – Standard Terms.

If none, please so indicate by checking the box:

SCHEDULE D

COMPLIANCE WITH LAWS

List any exceptions to the representation and warranty in the second sentence of Section 2.2(m) of the Securities Purchase Agreement – Standard Terms.

If none, please so indicate by checking the box:

List any exceptions to the representation and warranty in the last sentence of Section 2.2(m) of the Securities Purchase Agreement – Standard Terms.

If none, please so indicate by checking the box:

REGULATORY AGREEMENTS

List any exceptions to the representation and warranty in Section 2.2(s) of the Securities Purchase Agreement – Standard Terms.

If none, please so indicate by checking the box:

SCHEDULE F

DISCLOSURE SCHEDULES

List any information required pursuant to Section 2.1(a) of the Securities Purchase Agreement – Standard Terms (including financial statements as required under Section 2.2(h)).

2.2(h) - Audited Financial Statements for the years ended December 31, 2005, 2006 and 2007 and unaudited Financial Statements for the quarters ended March 31, June 30 and September 30, 2008 are attached. The Company's Financial Statements for the year ended December 31, 2008 are not being provided as of the January 30, 2009 closing, because those statements have not been prepared or completed as of that date. They will be provided to Treasury as soon as reasonably possible.

[SEE ATTACHED]

Consolidated Financial Statements

INDEPENDENT AUDITORS' REPORT

The Board of Directors
AMB Financial Corp.

We have audited the consolidated statements of financial condition of AMB Financial Corp. and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the three years in the period ending December 31, 2005. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AMB Financial Corp. and subsidiaries at December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ending December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

/s/ Cobitz, VandenBerg & Fennessy

January 13, 2006

Palos Hills, Illinois

AMB FINANCIAL CORP.
AND SUBSIDIARIES

Consolidated Statements of Financial Condition

	December 31,	
	2005	2004
Assets		
Cash and amounts due from depository institutions	\$ 4,662,586	3,928,798
Interest-bearing deposits	4,376,425	4,423,977
Total cash and cash equivalents	9,039,011	8,352,775
Investment securities, available for sale, at fair value (note 2)	3,188,251	2,600,835
Trading securities (note 3)	329,045	514,953
Mortgage-backed securities, available for sale, at fair value (note 4)	1,664,278	2,286,235
Loans receivable (net of allowance for loan losses: 2005 - \$748,859; 2004 - \$715,979) (note 5)	140,034,877	129,342,486
Real estate owned	584,206	-
Investment in limited partnership (note 6)	797,948	869,698
Stock in Federal Home Loan Bank of Indianapolis, at cost	1,802,600	1,765,200
Accrued interest receivable (note 7)	706,561	632,612
Office properties and equipment - net (note 8)	2,391,489	2,432,409
Real estate held for development (note 9)	1,352,611	-
Bank owned life insurance	3,491,606	3,373,112
Prepaid expenses and other assets (note 10)	5,083,393	4,923,360
	<u>170,465,876</u>	<u>157,093,675</u>
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits (note 11)	127,434,994	115,658,741
Borrowed money (note 12)	21,011,756	18,953,995
Junior subordinated debentures (note 13)	5,000,000	5,000,000
Note payable	480,476	620,910
Advance payments by borrowers for taxes and insurance	-	1,309,515
Other liabilities (note 14)	2,394,018	2,141,097
Total liabilities	<u>156,321,244</u>	<u>143,684,258</u>
Stockholders' Equity:		
Preferred stock, \$.01 par value: authorized 100,000 shares; none outstanding	-	-
Common stock, \$.01 par value: authorized 1,900,000 shares; 1,686,169 shares issued and 984,648 shares outstanding at December 31, 2005 and 985,761 shares outstanding at December 31, 2004	16,862	16,862

Additional paid-in capital	11,391,083	11,227,535
Retained earnings, substantially restricted	10,021,965	9,458,798
Accumulated other comprehensive income, net of income taxes	(18,870)	5,185
Treasury stock, at cost (701,521 and 700,408 shares at December 31, 2005 and 2004)	(7,266,408)	(7,209,033)
Common stock acquired by Employee Stock Ownership Plan	—	(89,930)
Total stockholders' equity (notes 18 and 19)	<u>14,144,632</u>	<u>13,409,417</u>
Commitments and contingencies (notes 20 and 21)		
Total liabilities and stockholders' equity	<u>\$ 170,465,876</u>	<u>157,093,675</u>

See accompanying notes to consolidated financial statements.

AMB FINANCIAL CORP.
AND SUBSIDIARIES

Consolidated Statements of Income

	Years Ended December 31,		
	2005	2004	2003
Interest income:			
Interest on loans	\$ 8,152,121	7,541,266	7,687,977
Interest on mortgage-backed securities	90,049	123,039	173,820
Interest on investment securities	114,952	80,687	200,850
Interest on interest-bearing deposits	148,977	67,644	87,700
Dividends on Federal Home Loan Bank stock	78,545	74,646	84,646
Total interest income	<u>8,584,644</u>	<u>7,887,282</u>	<u>8,234,993</u>
Interest expense:			
Interest on deposits	2,800,411	2,269,027	2,664,347
Interest on borrowings	1,348,978	1,164,386	1,239,182
Total interest expense	<u>4,149,389</u>	<u>3,433,413</u>	<u>3,903,529</u>
Net interest income	4,435,255	4,453,869	4,331,464
Provision for loan losses (note 5)	274,845	189,198	213,604
Net interest income after provision for loan losses	<u>4,160,410</u>	<u>4,264,671</u>	<u>4,117,860</u>
Non-interest income:			
Loan fees and service charges	173,487	178,609	243,964
Deposit related fees	574,782	474,634	567,039
Other fee income	374,052	293,140	369,931
Rental income	138,413	137,053	76,822
Unrealized (loss) gain on trading securities - net	(50,993)	27,494	130,209
Gain on sale of trading securities	42,821	6,876	21,082
(Loss) gain on sale of investment securities	(11,269)	-	28,937
Gain on sale of other assets (note 10)	345,166	-	-
Gain from life insurance proceeds	-	26,678	-
(Loss) gain on sale of real estate owned	(4,189)	14,445	24,047
Loss from limited partnership (note 6)	(71,750)	(82,300)	(90,602)
Increase in cash surrender value of life insurance	118,494	134,608	151,427
Loan loss settlement	-	-	92,261
Other income	54,025	28,637	56,544
Total non-interest income	<u>1,683,039</u>	<u>1,239,874</u>	<u>1,671,661</u>
Non-interest expense:			
Staffing costs (notes 15 and 16)	2,348,057	2,184,709	1,959,331
Advertising	180,168	133,286	109,688
Occupancy and equipment expenses (note 8)	427,937	411,421	471,210

Data processing	659,849	558,225	520,771
Professional fees	242,779	250,856	248,002
Federal deposit insurance premiums	16,331	17,261	18,119
Other	764,917	718,304	709,103
Total non-interest expense	<u>4,640,038</u>	<u>4,274,062</u>	<u>4,036,224</u>
Income before income taxes	1,203,411	1,230,483	1,753,297
Income taxes (note 17)	<u>343,669</u>	<u>349,849</u>	<u>571,042</u>
Net income	<u>\$ 859,742</u>	<u>880,634</u>	<u>1,182,255</u>
Earnings per share -			
Basic	\$.90	.94	1.31
Diluted	\$.85	.87	1.18

See accompanying notes to consolidated financial statements.

AMB FINANCIAL CORP.
AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

Three Years Ended December 31, 2005

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Common Stock Acquired by ESOP	Total
Balance at December 31, 2002	\$ 16,862	10,932,458	9,922,705	149,543	(8,905,958)	(269,790)	11,845,820
Comprehensive income:							
Net income			1,182,255				1,182,255
Other comprehensive income, net of tax:							
Unrealized holding loss during the year				(60,894)			(60,894)
Less: Reclassification adjustment of gains included in net income				(34,582)			(34,582)
Total comprehensive income			1,182,255	(95,476)			1,086,779
Purchase of treasury stock (37,625 shares)					(457,240)		(457,240)
Appreciation in fair value of shares charged to expense for ESOP plan		132,525					132,525
Contribution to fund ESOP loan						89,930	89,930
Dividends declared on common stock (\$.196 per share)			(177,153)				(177,153)
25% stock dividend, including impact of fractional shares		1,899	(1,921,017)		1,918,066		(1,052)
Balance at December 31, 2003	16,862	11,066,882	9,006,790	54,067	(7,445,132)	(179,860)	12,519,609
Comprehensive income:							
Net income			880,634				880,634
Other comprehensive income, net of tax:							
Unrealized holding loss during the year				(48,882)			(48,882)
Total comprehensive income		880,634	(48,882)			831,752	
Purchase of treasury stock (5,100 shares)					(74,269)		(74,269)
Exercise of 60,179 stock options, and reissuance of treasury stock			(204,454)		310,368		105,914
Repurchase of 10,537 stock options		(108,215)					(108,215)
Tax benefit related to stock options exercised		91,568					91,568
Appreciation in fair value of shares charged to expense for ESOP plan		177,300					177,300

Contribution to fund ESOP loan					89,930	89,930
Dividends declared on common stock (\$.24 per share)			(224,172)			(224,172)
Balance at December 31, 2004	<u>16,862</u>	<u>11,227,535</u>	<u>9,458,798</u>	<u>5,185</u>	<u>(7,209,033)</u>	<u>(89,930)</u>
Comprehensive income:						
Net income			859,742			859,742
Other comprehensive income, net of tax:						
Unrealized holding loss during the year				(30,816)		(30,816)
Add: Reclassification adjustment of losses included in net income				<u>6,761</u>		<u>6,761</u>
Total comprehensive income			859,742	(24,055)		835,687
Purchase of treasury stock (11,618 shares)					(166,187)	(166,187)
Exercise of 10,505 stock options, and reissuance of treasury stock			(37,378)		108,812	71,434
Tax benefit related to stock options exercised		27,839				27,839
Appreciation in fair value of shares charged to expense for ESOP plan		135,709				135,709
Contribution to fund ESOP loan					89,930	89,930
Dividends declared on common stock (\$.27 per share)			(259,197)			(259,197)
Balance at December 31, 2005	<u>\$ 16,862</u>	<u>11,391,083</u>	<u>10,021,965</u>	<u>(18,870)</u>	<u>(7,266,408)</u>	<u>—</u>

See accompanying notes to consolidated financial statements.

AMB FINANCIAL CORP.
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Years Ended December 31,		
	2005	2004	2003
Cash flows from operating activities:			
Net income	\$ 859,742	880,634	1,182,255
Items not requiring (providing) cash:			
Depreciation	204,650	229,479	210,455
Amortization of cost of stock benefit plans	89,930	89,930	89,930
Amortization of premiums and accretion of discounts	22,193	26,291	29,962
Federal Home Loan Bank stock dividend	(37,400)	(78,000)	(62,800)
Net gains on sale of securities	(31,552)	(6,876)	(50,019)
Gain on sale of other assets	(345,166)	—	—
Net loss (gain) on sale of real estate owned	4,189	(14,445)	(24,047)
Provision for loan losses	274,845	189,198	213,604
Loss from limited partnership	71,750	82,300	90,602
Increase in cash surrender value of life insurance	(118,494)	(134,608)	(151,427)
Gain from life insurance proceeds	—	(26,678)	—
Unrealized loss (gain) on trading securities	50,993	(27,494)	(130,209)
Proceeds from sale or redemption of trading securities	177,736	17,845	219,957
Purchase of trading account securities	—	—	(1,166)
Decrease in net deferred yield adjustments on loans	59,656	62,280	74,997
(Increase) decrease in prepaid and deferred taxes	343,669	(381,511)	211,834
(Increase) decrease in accrued interest receivable	(73,949)	(11,545)	82,860
Increase (decrease) in accrued interest payable	5,567	2,410	(19,124)
(Increase) decrease in purchased accounts receivable	(432,120)	(1,000,483)	1,515,128
Increase (decrease) in deferred compensation	70,666	(3,677)	82,029
Other, net	247,672	(67,974)	416,346
Net cash provided by (for) operating activities	<u>1,444,577</u>	<u>(172,924)</u>	<u>3,981,167</u>
Cash flows from investing activities:			
Proceeds from sales of investment securities	988,800	—	1,198,074
Proceeds from maturities of investment securities	400,000	1,950,000	4,500,000
Purchase of investment securities	(2,011,304)	(2,444,433)	(2,185,124)
Proceeds from sales of mortgage-backed securities	2,316	—	—
Proceeds from repayments of mortgage-backed securities	581,176	802,409	1,732,082
Purchase of mortgage-backed securities	—	—	(2,300,651)
Purchase of loans	(11,843,519)	(13,655,632)	(11,133,952)
Loan disbursements	(41,755,779)	(35,221,104)	(40,863,047)
Loan repayments	41,927,037	39,057,564	45,755,092
Proceeds from sale of real estate owned	104,248	508,516	191,055
Purchase of real estate held for development	(1,352,611)	—	—
Proceeds from sale of other assets	360,166	—	—

Proceeds from life insurance policy	—	102,321	—
Property and equipment expenditures, net	<u>(163,730)</u>	<u>(108,004)</u>	<u>(338,814)</u>
Net cash provided for investing activities	<u>\$ (12,763,200)</u>	<u>(9,008,363)</u>	<u>(3,445,285)</u>

(Continued)

AMB FINANCIAL CORP.
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Years Ended December 31,		
	2005	2004	2003
Cash flows from financing activities:			
Net increase (decrease) in deposits	\$ 11,776,253	7,324,417	(996,657)
Proceeds from borrowed money	5,242,761	5,000,000	1,000,000
Repayment of borrowed money	(3,185,000)	(2,175,719)	(5,167,185)
Repayment of notes payable	(140,434)	(148,683)	(157,450)
(Decrease) increase in advance payments by borrowers for taxes and insurance	(1,334,771)	600,000	303,142
Proceeds from exercise of stock options	71,434	105,914	—
Repurchase of stock options	—	(108,215)	—
Purchase of treasury stock	(166,187)	(74,269)	(457,240)
Dividends paid on common stock	(259,197)	(224,172)	(178,205)
	<u>12,004,859</u>	<u>10,299,273</u>	<u>(5,653,595)</u>
Net cash provided by (for) financing activities			
Net change in cash and cash equivalents	686,236	1,117,986	(5,117,713)
Cash and cash equivalents at beginning of year	8,352,775	7,234,789	12,352,502
	<u>9,039,011</u>	<u>8,352,775</u>	<u>7,234,789</u>
Cash and cash equivalents at end of year			
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest	\$ 4,143,822	3,431,003	3,922,653
Income taxes	—	731,000	359,208
Non-cash investing activities:			
Transfer of loans to real estate owned	\$ 687,334	434,034	62,811

See accompanying notes to consolidated financial statements.

AMB FINANCIAL CORP.
AND SUBSIDIARIES

Notes to Consolidated Financial Statements

1) Summary of Significant Accounting Policies

AMB Financial Corp. (the "Company") is a Delaware corporation incorporated on November 23, 1993 for the purpose of becoming the savings and loan holding company for American Savings, FSB (the "Bank"). On March 29, 1996, the Bank converted from a mutual to a stock form of ownership, and the Company completed its initial public offering, and, with a portion of the net proceeds acquired all of the issued and outstanding capital stock of the Bank (the "Conversion").

Principles of Consolidation

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Statement of Cash Flows

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

Industry Segments

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

Investment Securities and Mortgage-Backed Securities, Available for Sale

Investment securities and mortgage-backed securities available for sale are recorded in accordance with Statement of Financial Accounting Standards ("SFAS") No. 115 "Accounting for Certain Investments in Debt and Equity Securities". SFAS No. 115 requires the use of fair value accounting for securities available for sale or trading and retains the use of the amortized cost method for investments the Company has the positive intent and ability to hold to maturity.

SFAS No. 115 requires the classification of debt and equity securities into one of three categories: held to maturity,

available for sale, or trading. Held to maturity securities are measured at amortized cost. Unrealized gains and losses on trading securities are included in income. Unrealized gains and losses on available for sale securities are excluded from income and reported net of taxes as a separate component of stockholders' equity.

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

1) Summary of Significant Accounting Policies (continued)

Trading Securities

Trading account securities are recorded at fair value. Realized and unrealized gains and losses on trading account securities are reflected in non-interest income in the consolidated statements of income.

Loans Receivable and Related Fees

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

Loan origination fees and certain direct loan origination costs are being deferred in accordance with SFAS No. 91 "Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases". This statement requires that loan origination fees and direct loan origination costs for a completed loan be netted and then deferred and amortized into interest income as an adjustment of yield over the contractual life of the loan.

The Company has adopted the provisions of SFAS No. 114 "Accounting by Creditors for Impairment of a Loan" and SFAS No. 118 "Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosures". These statements apply to all loans that are identified for evaluation except for large groups of smaller-balance homogeneous loans that are collectively evaluated for impairment. These loans include, but are not limited to, credit card, residential mortgage and consumer installment loans. Of the remaining loans which are evaluated for impairment, management has determined that there were no material amounts of loans which met the definition of an impaired loan during the years ended December 31, 2005 and 2004 and no loans to be evaluated for impairment at December 31, 2005.

Allowance for Loan Losses

The determination of the allowance for loan losses involves material estimates that are susceptible to significant change in the near term. The allowance for loan losses is maintained at a level adequate to provide for losses through charges to operating expense. The allowance is based upon past loss experience and other factors which, in management's judgement, deserve current recognition in estimating losses. Such other factors considered by management include growth and composition of the loan portfolio, the relationship of the allowance for losses to outstanding loans and economic conditions.

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

Real Estate Owned

Real estate acquired through foreclosure or deed in lieu of foreclosure is carried at the lower of fair value minus

estimated costs to sell or the related loan balance at the date of foreclosure. Valuations are periodically performed by management and an allowance for loss is established by a charge to operations if the carrying value of a property exceeds its fair value minus estimated costs to sell.

Real Estate Held for Development

Real estate properties held for development are carried at the lower of cost, including capitalized construction costs, or net realizable value. Gains and losses on individual properties are based on cash received less the cost of each individual lot.

1) Summary of Significant Accounting Policies (continued)Office Properties and Equipment

Land is carried at cost. Depreciation of office properties and equipment is accumulated on the straight line basis over estimated lives of the various assets. Useful lives are 25 to 40 years for office properties and 3 to 10 years for furniture, fixtures and equipment.

Investment in Limited Partnership

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

Income Taxes

The Company files a consolidated federal income tax return with the Bank. The provision for federal and state taxes on income is based on earnings reported in the financial statements. Deferred income taxes arise from the recognition of certain items of income and expense for tax purposes in years different from those in which they are recognized in the consolidated financial statements. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income for the period that includes the enactment date.

Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted average number of shares outstanding for the period. ESOP shares not committed to be released are not considered to be outstanding. Stock options are regarded as future common stock and are considered in the earnings per share calculations and are the only other adjustments made in computing diluted earnings per share.

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

	<u>Years Ended December 31,</u>		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
Weighted average number of common shares outstanding used in basic EPS calculation	976,570	974,218	954,485
Reduction for common shares not yet released by Employee Stock Ownership Plan	<u>(16,734)</u>	<u>(33,470)</u>	<u>(50,202)</u>
Total weighted average common shares outstanding for basic computation	959,836	940,748	904,283
Add common stock equivalents for shares issuable under Stock Option Plans	<u>53,168</u>	<u>66,960</u>	<u>100,611</u>

Weighted average number of shares outstanding adjusted for common stock equivalents	<u>1,013,004</u>	<u>1,007,708</u>	<u>1,004,894</u>
Net income	\$ 859,742	880,634	1,182,255
Basic earnings per share	\$.90	.94	1.31
Diluted earnings per share	\$.85	.87	1.18

1) Summary of Significant Accounting Policies (continued)Stock Option Plans

The Company accounts for stock options using the intrinsic value method under the provisions of Accounting Principles Board (“APB”) Opinion No. 25 and provides pro forma net income and pro forma earnings per share disclosures for employee stock option grants as if the fair value based method, defined in SFAS No. 123, “Accounting for Stock Based Compensation”, had been applied. Had the Company determined compensation cost based on the fair value at the grant date for its stock options under SFAS No. 123, the Company’s net income would have been reduced to the pro forma amounts indicated below:

	<u>Years Ended December 31,</u>		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
Net income, as reported	\$ 859,742	880,634	1,182,255
Deduct: Total stock based employee compensation expense determined under the fair value based method, net of related tax effects	<u>73,792</u>	<u>-</u>	<u>-</u>
Pro forma net income	<u>\$ 785,950</u>	<u>880,634</u>	<u>1,182,255</u>
Diluted earnings per share, as reported	.85	.87	1.18
Pro forma diluted earnings per share	.78	.87	1.18

In December 2004, the FASB issued SFAS 123(R), “Share-Based Payment”, which is a revision of SFAS No. 123, supersedes APB 25 and amends SFAS No. 95 “Statement of Cash Flows”. SFAS No. 123(R) requires that stock option awards, as well as other equity based compensation, be recognized as compensation expense in the income statement based on their fair values determined at the date of grant. The Company will adopt the fair value method of expense recognition as of January 1, 2006, in accordance with SFAS No. 123(R). The Company intends to use the “modified prospective” method, which recognizes compensation cost (a) based on the requirements of SFAS No. 123(R) for all share-based payments granted after the effective date, and (b) based on the requirements of SFAS No. 123 for all awards granted to employees prior to the effective date of SFAS No. 123(R) that remain unvested on the effective date.

2) Investment Securities, Available for Sale

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

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Gross Fair Value</u>
<u>December 31, 2005</u>				
United States Government and agency obligations	\$ 3,022,871	2,995	21,341	3,004,525
Marketable equity securities	<u>177,988</u>	<u>5,738</u>	<u>—</u>	<u>183,726</u>
	<u>\$ 3,200,859</u>	<u>8,733</u>	<u>21,341</u>	<u>3,188,251</u>
Weighted average interest rate on debt securities	<u>4.81%</u>			
<u>December 31, 2004</u>				
United States Government and agency obligations	\$ 2,433,460	2,491	17,263	2,418,688
Marketable equity securities	<u>171,010</u>	<u>11,137</u>	<u>—</u>	<u>182,147</u>
	<u>\$ 2,604,470</u>	<u>13,628</u>	<u>17,263</u>	<u>2,600,835</u>
Weighted average interest rate on debt securities	<u>3.10%</u>			

The contractual maturity of the above investments is summarized as follows:

<u>Term to Maturity</u>	<u>December 31, 2005</u>		<u>December 31, 2004</u>	
	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
Due in one year or less	\$ 500,000	493,863	398,201	396,938
Due after one year through five years	2,000,889	1,998,000	1,500,000	1,484,000
Due after five years through ten years	521,982	512,662	535,259	537,750
Marketable equity securities	<u>177,988</u>	<u>183,726</u>	<u>171,010</u>	<u>182,147</u>
	<u>\$ 3,200,859</u>	<u>3,188,251</u>	<u>2,604,470</u>	<u>2,600,835</u>

Proceeds from sales of investment securities, available for sale during the year ended December 31, 2005 were \$988,800 with gross losses of \$11,200 realized on those sales. There were no sales of investment securities,

available for sale during the year ended December 31, 2004. Proceeds from sales of investment securities, available for sale during the year ended December 31, 2003 were \$1,198,074 with gross gains of \$29,697 and gross losses of \$760 realized on those sales. The change in net unrealized gains and losses during the current year of \$8,973, net of the tax effect of \$3,589, resulted in a \$5,384 charge to stockholders' equity.

3) Trading Securities

Trading securities are accounted for at their current fair values. Trading securities at December 31, 2005 consists of equity securities (common stock with a carrying value of \$329,045). Approximately \$327,000 of the common stock investment at December 31, 2005 is pledged as collateral for a revolving line of credit as discussed in Note 12. Trading securities at December 31, 2004 also consists of equity securities (common stock with a carrying value of \$514,953). The adjustment of these securities to their current fair values has resulted in a net unrealized loss of \$50,993 for the year ended December 31, 2005 and a net unrealized gain of \$27,494 and \$130,209 for the years ended December 31, 2004 and 2003. Proceeds from sales of trading securities during the years ended December 31, 2005, 2004 and 2003 were \$177,736, \$17,845 and \$119,957 with gross gains of \$42,821, \$6,876 and \$21,082 realized on those sales.

4) Mortgage-Backed Securities, Available for Sale

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

	Gross Amortized Cost	Unrealized Gains	Gross Unrealized Losses	Fair Value
<u>December 31, 2005</u>				
Participation Certificates:				
FHLMC - Fixed rate	\$ 764,552	10,222	18,784	755,990
FNMA - Adjustable rate	15,277	—	41	15,236
FNMA - Fixed rate	607,221	—	15,503	591,718
GNMA - Fixed rate	49,586	4,501	—	54,087
Collateralized Mortgage Obligations:				
FNMA - Fixed rate	<u>246,484</u>	<u>763</u>	<u>—</u>	<u>247,247</u>
	<u>\$ 1,683,120</u>	<u>15,486</u>	<u>34,328</u>	<u>1,664,278</u>
Weighted average interest rate	<u>4.92%</u>			

December 31, 2004

Participation Certificates:				
FHLMC - Fixed rate	\$ 1,052,104	22,507	10,550	1,064,061
FNMA - Adjustable rate	17,429	-	29	17,400
FNMA - Fixed rate	874,397	153	11,648	862,902
GNMA - Fixed rate	83,545	8,723	—	92,268
Collateralized Mortgage Obligations:				
FNMA - Fixed rate	<u>246,484</u>	<u>3,120</u>	<u>—</u>	<u>249,604</u>
	<u>\$ 2,273,959</u>	<u>34,503</u>	<u>22,227</u>	<u>2,286,235</u>

Weighted average interest rate 5.02%

Proceeds from the sale of mortgage-backed securities, available for sale during the year ended December 31, 2005 were \$2,316 with gross losses of \$69 realized on those sales. There were no sales of mortgage-backed securities available for sale during the years ended December 31, 2004 and 2003. The change in net unrealized gains and losses during the current year of \$31,118, net of the tax effect of \$12,447, resulted in a \$18,671 charge to stockholders' equity.

5) Loans Receivable

Loans receivable are summarized as follows:

	December 31,	
	2005	2004
Mortgage loans:		
One-to-four family	\$ 92,809,163	87,606,849
Multi-family	8,956,007	7,319,556
Nonresidential	17,110,976	18,026,178
Construction	6,736,993	3,576,293
Land	6,891,401	5,197,171
	<u>132,504,540</u>	<u>121,726,047</u>
Total mortgage loans		
Other loans:		
Loans on deposit accounts	90,984	159,563
Equity lines of credit	6,208,239	5,330,182
Other consumer	2,706,919	1,779,097
	<u>9,006,142</u>	<u>7,268,842</u>
Total other loans		
Commercial business loans	<u>3,464,586</u>	<u>2,444,349</u>
Total loans receivable	<u>144,975,268</u>	<u>131,439,238</u>
Less:		
Loans in process	4,182,195	1,412,577
Net deferred yield adjustments	9,337	(31,804)
Allowance for loan losses	748,859	715,979
	<u>4,939,391</u>	<u>1,496,752</u>
Loans receivable, net	<u>\$ 140,034,877</u>	<u>129,342,486</u>
Weighted average interest rate	<u>6.34%</u>	<u>6.03%</u>

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

	Years Ended December 31,		
	2005	2004	2003
Balance, beginning of year	\$ 715,979	1,033,226	837,859
Provision for loan losses	274,845	189,198	213,604
Charge-offs	(249,265)	(541,315)	(22,976)
Recoveries	7,300	34,870	4,739
	<u>715,979</u>	<u>1,033,226</u>	<u>837,859</u>

Balance, end of year	\$	<u>748,859</u>	<u>715,979</u>	<u>1,033,226</u>
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Delinquent loans (loans having monthly payments past due ninety days or more and non-accruing) at December 31, 2005 and 2004 amounted to approximately \$1,474,000 and \$1,609,000, respectively. As of December 31, 2005 and 2004, the total investment in impaired loans was \$-0- and \$213,000, respectively. The impaired loans at these dates were subject to an allowance for credit losses of \$-0- and \$108,000, respectively, which is included in the above loan loss allowance.

For the years ended December 31, 2005 and 2004, gross interest income which would have been recorded had the non-accruing loans been current in accordance with their original terms amounted to approximately \$97,000 and \$81,000, respectively.

Loans to directors and executive officers aggregated approximately \$810,000 and \$767,000 at December 31, 2005 and 2004, respectively. Such loans are made on substantially the same terms as those for other loan customers.

6) Investment in Limited Partnership

The investment in limited partnership of \$797,948 and \$869,698 at December 31, 2005 and 2004 represents a 39.60% equity in Pedcor Investments 1997 - XXXI ("Pedcor"), a limited partnership organized to build, own and operate a 56 unit apartment complex. The Bank has recorded its equity in the losses of Pedcor in the amount of \$71,750, \$82,300 and \$90,602 for the years ended December 31, 2005, 2004 and 2003. Condensed financial statements for Pedcor are as follows:

Condensed Statements of Financial Condition

	<u>December 31,</u>	
	<u>2005</u>	<u>2004</u>
<u>Assets</u>		
Cash	\$ 10,540	3,118
Property and equipment	3,431,638	3,532,134
Land	112,000	112,000
Other	<u>55,278</u>	<u>45,119</u>
Total assets	<u><u>3,609,456</u></u>	<u><u>3,692,371</u></u>
<u>Liabilities</u>		
Notes payable - Bank	421,016	529,608
Notes payable - Other	2,104,324	2,254,352
Other liabilities	<u>303,849</u>	<u>262,505</u>
Total liabilities	<u><u>2,829,189</u></u>	<u><u>3,046,465</u></u>
Partners' capital	<u>780,267</u>	<u>645,906</u>
Total liabilities and partners' capital	<u><u>\$ 3,609,456</u></u>	<u><u>3,692,371</u></u>

	<u>Years Ended December 31,</u>		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
<u>Condensed statement of operations</u>			
Total revenues	\$ 242,033	223,089	254,475
Total expenses	<u>423,219</u>	<u>432,133</u>	<u>479,677</u>
Net loss	<u><u>\$ (181,186)</u></u>	<u><u>(209,044)</u></u>	<u><u>(225,202)</u></u>

7) Accrued Interest Receivable

Accrued interest receivable is summarized as follows:

	December 31,	
	2005	2004
Investment securities	\$ 52,215	37,138
Mortgage-backed securities	6,895	9,507
Loans receivable	808,167	699,643
Allowance for uncollected interest	<u>(160,716)</u>	<u>(113,676)</u>
	<u>\$ 706,561</u>	<u>632,612</u>

8) Office Properties and Equipment

Office properties and equipment are summarized as follows:

	December 31,	
	2005	2004
Cost:		
Land		
- Munster	\$ 40,669	40,669
Hammond	33,300	33,300
Dyer	300,000	300,000
Building		
- Munster	457,773	457,773
Hammond	319,985	317,828
Dyer	1,796,151	1,762,802
Furniture and equipment	<u>1,981,176</u>	<u>1,914,817</u>
	<u>4,929,054</u>	<u>4,827,189</u>
Less accumulated depreciation:		
Building		
- Munster	427,476	424,008
Hammond	275,904	268,040
Dyer	347,379	288,057
Furniture and equipment	<u>1,486,806</u>	<u>1,414,675</u>
	<u>2,537,565</u>	<u>2,394,780</u>
Net book value	<u>\$ 2,391,489</u>	<u>2,432,409</u>

Depreciation of office properties and equipment for the years ended December 31, 2005, 2004 and 2003 amounted to \$204,650, \$229,479 and \$210,455, respectively.

The Bank owns a three story office building in Dyer, Indiana, which is one-third utilized by the Bank as its branch office location. An additional one-third of the building is leased to a third party at a current annual lease rent of \$69,628. This lease commenced on June 1, 2002 and terminates May 31, 2007 subject to two five-year lease renewal options. One half of the remaining third of the building is being leased to a third-party at a current annual lease rent

of \$32,460. This lease commenced on October 1, 2003 and terminates September 30, 2009 subject to two six-year lease renewal options. The remainder of the building is being leased to a third-party at a current annual lease rent of \$36,441. This lease commenced on January 1, 2004 and terminates December 31, 2008 subject to two five-year lease renewal options.

9) Real Estate Held for Development

The Company has entered into an agreement with a local builder to acquire vacant lots and construct single family residences. Costs incurred as of December 31, 2005 to acquire eight land parcels and to begin construction on two lots amounted to \$1,352,611. Upon sale of each completed residence, before any profit distribution, the Company will receive a stipulated amount as interest on the funds that have been advanced. After payment of this amount, the Company is entitled to receive 30% of any remaining profit. There were no sales of any properties during the year ended December 31, 2005.

10) Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist of the following:

	December 31,	
	2005	2004
Prepaid insurance premiums	\$ 80,502	64,279
Prepaid pension cost	300,957	267,349
Prepaid statutory trust preferred fees	167,200	173,621
Prepaid income taxes	90,509	444,533
Other prepaid expenses	120,500	97,922
Deferred federal and state income tax asset - net (a)	368,170	313,939
Purchased accounts receivable (b)	2,790,117	2,607,997
Purchased accounts receivable, serviced by others	1,000,000	750,000
Miscellaneous (c)	165,438	203,720
	<u>\$ 5,083,393</u>	<u>4,923,360</u>

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

	December 31,	
	2005	2004
Deferred tax assets:		
Deferred compensation	\$ 345,524	317,258
Nondeductible incentive plan expense	6,957	6,957
Book allowance for loan losses	299,544	286,392
Allowance for uncollected interest	64,286	45,470
Unrealized loss on securities available for sale	12,580	-
	<u>728,891</u>	<u>656,077</u>
Deferred tax liabilities:		
Accelerated tax depreciation	44,552	40,613
Federal Home Loan Bank stock dividend	71,280	63,840
Pension expense	120,383	106,940
Unrealized gain on securities available for sale	—	3,456
Unrealized gain on trading account securities	48,283	68,680
Other	76,223	58,609
	<u>360,721</u>	<u>342,138</u>
Net deferred tax benefit	<u>\$ 368,170</u>	<u>313,939</u>

- (b) The Bank has entered into a program to purchase and manage the accounts receivable of credit-worthy merchants with required repurchase of delinquent accounts and with the merchant's repurchase obligation supported by a cash collateral reserve account. For each merchant, the Bank establishes a maximum amount of purchased receivables allowed to be outstanding at any one time. At December 31, 2005 and 2004, the unused amount was \$2,460,000 and \$2,567,000, respectively.

- (1) In March 2005, the shareholders of Intrieve Incorporated, the Bank's data processing provider, approved the sale and merger of Intrieve into Harland Financial Solutions Inc., a wholly owned subsidiary of John H. Harland Company. This transaction closed in April 2005. As a shareholder of Intrieve, the Bank received \$360,166 in cash on its \$15,000 investment, resulting in a gain of \$345,166.

11) Deposits

Deposit accounts are summarized as follows:

	December 31,	
	2005	2004
Passbook accounts	\$ 19,515,031	21,604,225
Demand deposits and NOW accounts	12,876,076	12,621,433
Money market accounts	12,958,922	14,879,626
	<u>45,350,029</u>	<u>49,105,284</u>
Certificates of deposit by interest rate:		
0.76 - 1.00%	—	773,949
1.01 - 2.00	1,183,986	14,249,174
2.01 - 3.00	21,223,717	37,430,445
3.01 - 4.00	41,254,761	9,870,784
4.01 - 5.00	18,422,501	3,934,263
5.01 - 6.00	—	252,953
6.01 - 7.00	—	41,889
	<u>82,084,965</u>	<u>66,553,457</u>
	<u>\$ 127,434,994</u>	<u>115,658,741</u>

The weighted average rate on deposit accounts at December 31, 2005 and 2004 was 2.79% and 2.03%, respectively.

The aggregate amount of certificates of deposit with a minimum denomination of \$100,000 was \$20,293,000 and \$14,228,000 at December 31, 2005 and 2004, respectively.

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

	December 31,	
	2005	2004
Within 12 months	\$ 62,649,330	44,894,330
12 months to 24 months	17,361,757	17,949,310
24 months to 36 months	1,072,797	3,246,649
36 months to 48 months	1,001,081	404,556
Over 48 months	—	58,612
	<u>\$ 82,084,965</u>	<u>66,553,457</u>

Interest expense on deposits consists of the following:

	Years Ended December 31,		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
Passbook accounts	\$ 252,244	261,513	279,357
NOW accounts	61,160	60,788	67,798
Money market accounts	370,977	364,548	301,881
Certificates of deposit	<u>2,116,030</u>	<u>1,582,178</u>	<u>2,015,311</u>
Total	<u>\$ 2,800,411</u>	<u>2,269,027</u>	<u>2,664,347</u>

12) Borrowed Money

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

<u>Maturity Date</u>	<u>Interest</u>	<u>December 31,</u>	
	<u>Rate</u>	<u>2005</u>	<u>2004</u>
April 13, 2005	1.90%	\$ —	1,000,000
August 24, 2005	5.11	—	2,000,000
January 23, 2006	4.73	2,000,000	2,000,000
May 1, 2006	2.83	2,000,000	2,000,000
August 23, 2006	5.32	1,000,000	1,000,000
December 18, 2006	2.93	1,000,000	1,000,000
March 28, 2007	4.37	2,000,000	—
April 13, 2007	4.18	1,000,000	—
July 1, 2008	4.13	2,000,000	—
August 25, 2008	3.84	2,000,000	2,000,000
May 15, 2009	5.93	421,016	529,608
August 16, 2010	5.99	1,500,000	1,500,000
September 20, 2010	5.95	1,000,000	1,000,000
December 20, 2010	4.98	2,000,000	2,000,000
March 22, 2011	4.09	500,000	500,000
July 15, 2015	5.91	635,869	646,989
November 16, 2020	6.71	1,712,110	1,777,398
		<u>\$ 20,768,995</u>	<u>18,953,995</u>
Weighted average interest rate		<u>4.67%</u>	<u>4.70%</u>

The Bank is required to maintain qualifying collateral for the Federal Home Loan Bank of Indianapolis representing approximately 170 percent of current Bank credit. At December 31, 2005, the Bank met this requirement. Assets which are eligible collateral for meeting the 170% coverage requirement include one-to-four family whole mortgage loans, government and agency securities including mortgage-backed securities insured or guaranteed by FHLMC, FNMA and GNMA, and high rated private mortgage-backed securities. The mortgage loans must not include participations, construction loans, loans which are not in the clear title of the institution, conventional mortgages with more than 30 years remaining to maturity, loans for more than 90% of the appraised value unless there is private or federal insurance, mortgages which are more than 60 days delinquent, or loans upon which any employee of the institution or the FHLB is personally liable.

Interest expense on FHLB advances amounted to \$987,546, \$899,497 and \$987,723 for the years ended December 31, 2005, 2004 and 2003, respectively.

The Company has entered into a revolving line of credit in the maximum amount of \$300,000. The loan will bear interest at one half percent under the Wall Street Journal prime rate. The Company may borrow up to 75% of the market value of the collateral security. At December 31, 2005, the Company pledged common stock with a market value of approximately \$327,000 as collateral securing this line of credit. The Company did borrow against this line

of credit during the current year and at December 31, 2005 had an outstanding balance against this line of credit of \$242,761. Interest expense incurred on this advance amounted to \$2,397 for the year ended December 31, 2005.

In connection with the Company's initial public offering, the Bank established an Employee Stock Ownership Plan (ESOP). The ESOP was funded by the proceeds from a loan from the Company. The loan carried an interest rate of 6.07% and was secured by the shares of the Company purchased with the loan proceeds. The Bank had committed to make contributions to the ESOP sufficient to allow the ESOP to fund the debt service requirements of the loan. At December 31, 2005, the balance of this loan had been fully repaid.

13) Guaranteed Preferred Beneficial Interest in Junior Subordinated Debentures

In March of 2002, the Company formed AMB Financial Statutory Trust I ("Trust"). The Trust is a statutory business trust and is wholly owned by the Company. The Trust issued \$5.0 million of Trust Preferred Capital Securities (the "Capital Securities") as a participant in a pooled trust preferred securities offering concurrent with the issuance of the Capital Securities, the Trust issued trust common securities to the Company in the aggregate liquidation value of \$155,000. The proceeds of the issuance of the Capital Securities and trust common securities were invested in the Company's junior subordinated debentures. The junior subordinated debentures are the sole assets of the Trust. The junior subordinated debentures and the trust preferred securities pay interest on a quarterly basis. The junior subordinated debentures and the securities bear interest at a rate of 3-month LIBOR plus 3.60%, mature on March 27, 2032 and are non-callable for five years and, after that period, the securities may be called at any quarterly interest payment date at par. Distributions on the Capital Securities are payable quarterly. Interest expense for the years ended December 31, 2005, 2004 and 2003 amounted to \$359,035, \$264,849 and \$251,338, respectively. The costs associated with the Capital Securities issuance have been capitalized and are being amortized over the estimated life of the securities.

14) Other Liabilities

Other liabilities include the following:

	December 31,	
	2005	2004
Accrued interest on deposits	\$ 8,942	6,891
Accrued interest on borrowings	43,072	39,556
Accrued bonus	96,475	110,065
Accrued audit and accounting fees	36,555	35,173
Accrued real estate and personal property taxes	84,991	166,513
Deferred compensation (see note 15)	863,810	793,144
Outstanding bank drafts	919,828	807,319
Miscellaneous accounts payable	340,345	182,436
	<u>\$ 2,394,018</u>	<u>2,141,097</u>

15) Benefit Plans

The Bank participates in an industry-wide, multi-employer, defined-benefit pension plan, which covers all full-time employees who have attained at least 21 years of age and completed one year of service. The Plan is administered by the Financial Institutions Retirement Fund. Calculations to determine full-funding status are made annually as of June 30. Contributions to the Plan for the Plan years ended June 30, 2005, 2004 and 2003 amounted to \$380,900, \$264,569 and \$190,459, respectively. Pension expense for the years ended December 31, 2005, 2004 and 2003 amounted to \$350,037, \$254,946 and \$171,324, respectively. Information regarding the Bank's share of assets and liabilities and plan benefit information of this plan is not available on an individual basis.

The Bank participates in the Financial Institutions Thrift Plan, which qualifies under Section 401(k) of the Internal Revenue Code and which covers substantially all employees. This plan calls for a discretionary contribution within specified limits and a matching Bank contribution equal to 25% of the first 6% of the employee contributions. Plan expense for the years ended December 31, 2005, 2004 and 2003 amounted to \$15,919, \$15,286 and \$13,632, respectively.

The Bank also has established two non-qualified 401(k) Plan for officers of the Bank. Both Plans provide participating officers the opportunity to defer up to 6% of their salary into a tax deferred accumulation for future retirement. In addition, the Bank has also established a Director Deferral Plan which provides participating directors with the opportunity to defer all or a portion of their fees over a predetermined period. All deferred non-qualified 401(k) Plan contributions and deferred director fees are credited with interest from the Bank at the rate of 10% per year. Interest credited by the Bank to the non-qualified plans and deferred director fees on accumulated funds was \$82,583, \$77,227 and \$75,499 for the years ended December 31, 2005, 2004 and 2003, respectively.

16) Director, Officer and Employee Plans

Stock Option Plan. In conjunction with the Conversion, the stockholders of the Company approved the AMB Financial Corp. 1996 Stock Option and Incentive Plan. This is an incentive stock option plan for the benefit of the directors, officers and employees of the Company and its affiliates. This Plan authorized grants of options to purchase 210,767 shares of common stock after adjustments of stock dividends and stock splits (original authorized number of shares was 112,412, equal to 10% of the total number of shares issued in the Conversion). On October 23, 1996, 187,573 options (after adjusting for the stock dividends) were granted at \$6.80 per share, exercisable at a rate of 20% per year commencing October 23, 1997, and expiring ten years from the date of grant.

At the shareholders' meeting on April 27, 2005, the shareholders approved the AMB Financial Corp. 2005 Stock Option Plan, which authorized 40,000 stock options to become available for grant. During 2005, options for 43,120 shares were granted (23,194 options from the 1996 Plan and 19,926 from the 2005 Plan) at \$13.25 per share exercisable over four years and expiring ten years from the date of grant. The per share weighted average fair value of stock options granted during 2005 was \$ 3.51 on the date of grant, using a Black-Scholes option pricing model with the following historical weighted average assumptions: expected dividend yield of 2.0%, risk-free interest rate of 3.85%, expected life of 10 years and volatility of 27%.

The following is an analysis of the stock option activity for each of the years in the three year period ended December 31, 2005 and the stock options outstanding at the end of the respective periods.

Options	Number of Options	Exercise Price	
		Per Share	Total
Outstanding at December 31, 2002	187,573	6.80	1,275,496
Granted	0		
Exercised	0		
Forfeited	0		
Outstanding at December 31, 2003	187,573	6.80	1,275,496
Granted	0		
Exercised	(70,716)	6.80	(480,869)
Forfeited	0		
Outstanding at December 31, 2004	116,857	6.80	794,627
Granted	43,120	13.25	571,340
Exercised	(10,505)	6.80	(71,434)
Forfeited	0		
Outstanding at December 31, 2005	149,472	\$ 6.80-13.25	\$ 1,294,533
Exercisable at December 31, 2005	125,496	\$ 6.80-13.25	\$ 976,852
Options available for future grants at December 31, 2005	20,074		

As of December 31, 2005, the weighted average exercise price for options outstanding was \$8.66 with a weighted average remaining contractual life of 3.25 years.

16) Director, Officer and Employee Plans (continued)

Employee Stock Ownership Plan. In conjunction with the Conversion, the Bank formed an Employee Stock Ownership Plan ("ESOP"). The ESOP covers substantially all employees with more than one year of employment and who have attained the age of 18. The ESOP borrowed \$899,300 from the Company and purchased 168,618 common shares issued in the Conversion. The Bank will make scheduled discretionary cash contributions to the ESOP sufficient to service the amount borrowed. In accordance with generally accepted accounting principles, the unpaid balance of the ESOP loan, which is comparable to unearned compensation, is reported as a reduction of stockholders' equity. Total contributions by the Bank to the ESOP which were used to fund principal and interest payments on the ESOP debt totaled \$90,946, \$92,997 and \$96,694 for the years ended December 31, 2005, 2004 and 2003, respectively.

Statement of Position No. 93-6, "Employers' Accounting for Employee Stock Ownership Plans" ("SOP 93-6") provides guidance for accounting for all ESOPs. SOP 93-6 requires that the issuance or sale of treasury shares to the ESOP be reported when the issuance or sale occurs and that compensation expense be recognized for shares committed to be released to directly compensate employees equal to the fair value of the shares committed. In addition, SOP 93-6 requires that leveraged ESOP debt and related interest expense be reflected in the employer's financial statements. Prior practice was to recognize compensation expense based on the amount of the employer's contributions to the ESOP. The application of SOP 93-6 results in fluctuations in compensation expense as a result of changes in the fair value of the Company's common stock; however, any such compensation expense fluctuations will result in an offsetting adjustment to additional paid-in capital. For the years ended December 31, 2005, 2004 and 2003, additional compensation expense of \$135,709, \$177,300 and \$132,525 was recognized as a result of implementation of this accounting principle.

17) Income Taxes

The Bank had qualified under provisions of the Internal Revenue Code, which permitted it to deduct from taxable income an allowance for bad debt, which differed from the provision for such losses charged to income. Accordingly, retained earnings at December 31, 2005 includes approximately \$1,950,000, for which no provision for income taxes has been made. If in the future this portion of retained earnings is distributed, or the Bank no longer qualifies as a bank for tax purposes, income taxes may be imposed at the then applicable rates.

The provision for income taxes consists of the following:

	Years Ended December 31,		
	2005	2004	2003
Current	\$ 381,864	135,887	520,942
Deferred	(38,195)	213,962	50,100
	<u>\$ 343,669</u>	<u>349,849</u>	<u>571,042</u>

A reconciliation of the statutory federal income tax rate to effective income tax rate is as follows:

	Years Ended December 31,		
	2005	2004	2003
Statutory federal income tax rate	34.0%	34.0%	34.0%
State income taxes	5.8	5.6	5.3
Low income housing credit	(11.6)	(11.4)	(7.9)
Cash surrender value of life insurance	(4.0)	(5.2)	(3.4)
ESOP expense	4.5	5.7	3.0
Other	(.1)	(.3)	1.6
Effective income tax rate	<u>28.6%</u>	<u>28.4%</u>	<u>32.6%</u>

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

	Years Ended December 31,		
	2005	2004	2003
Loan fees	\$ —	10,058	(6,655)
Federal Home Loan Bank stock dividend	7,440	30,240	33,600
Depreciation	3,939	9,415	53,077
Deferred compensation	(28,266)	1,470	(32,811)
Pension	13,443	5,000	8,142
Book loan loss provision (in excess of) less than tax deduction	(13,152)	126,898	(78,146)
Recapture of bad debt reserve	—	—	(19,082)
Unrealized gain on trading account securities	(20,397)	10,998	52,083
Other, net	(1,202)	19,883	39,892

\$ (38,195) 213,962 50,100

<u>December 31, 2004</u>			
Stockholders' equity	\$ 14,035,972	14,035,972	14,035,972
Unrealized gain on securities available for sale, net of taxes	(5,185)	(5,185)	(5,185)
General loss allowances	—	—	607,979
Direct equity investments	—	—	(15,000)
	<u>—</u>	<u>—</u>	<u>(15,000)</u>
Regulatory capital computed	<u>\$ 14,030,787</u>	<u>14,030,787</u>	<u>14,623,766</u>

19) Stockholders' Equity

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

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

Unlike the Bank, the Company is not subject to these regulatory restrictions on the payment of dividends to its stockholders. However, the Company's source of funds for future dividends may depend upon dividends received by the Company from the Bank.

20) Financial Instruments with Off-Balance Sheet Risk

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

Commitments to originate mortgage loans of \$1,507,900 at December 31, 2005 represent amounts which the Bank plans to fund within the normal commitment period of 60 to 90 days. Of this amount \$1,142,900 are fixed rate commitments with rates ranging from 5.75% to 7.125% and \$365,000 are in adjustable rate commitments. Because the credit worthiness of each customer is reviewed prior to extension of the commitment, the Bank adequately controls its credit risk on these commitments, as it does for loans recorded on the balance sheet. The Bank conducts all of its lending activities in the Northwest Indiana area. Management believes the Bank has a diversified loan portfolio and the concentration of lending activities in these local communities does not result in an acute dependency upon economic conditions of the lending region.

The Bank has approved, but unused, home equity lines of credit of approximately \$5,124,000 at December 31, 2005. Approval of lines of credit is based upon underwriting standards that generally do not allow total borrowings, including the line of credit, to exceed 75% of the estimated fair value of the customer's home. In addition, the Bank has approved but unused equity lines of credit on various construction and commercial projects of approximately \$1,439,000 at December 31, 2005. The Bank also has approved but unused credit card lines of credit of approximately \$1,448,000.

The Bank is currently participating with several local financial institutions in credit enhancement agreements with in-state municipalities to guarantee the repayment on municipal revenue bonds. The Bank has accepted credit risk on these various municipal projects in the amount of approximately \$960,000. These credit enhancements are in cooperation with the Federal Home Loan Bank of Indianapolis ("FHLB") and have pledging requirements as part of the qualifying collateral agreement with FHLB. Additionally, at December 31, 2005, the Bank had issued standby letters of credit totaling approximately \$382,000 to guarantee the performance of a customer to a third party.

21) Contingencies

The Bank is, from time to time, a party to certain lawsuits in the ordinary course of its business, wherein it enforces its security interest. Management, based upon discussions with legal counsel, believes that the Company and the Bank are not engaged in any legal proceedings of a material nature at the present time.

22) Subsequent Event

On January 25, 2006, the Company declared a quarterly cash dividend of \$.07 per share, totaling \$68,925, payable February 17, 2006 to shareholders of record as of February 3, 2006.

23) Disclosures About the Fair Value of Financial Instruments

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

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

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

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

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

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

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

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

The estimated fair value of the Company's financial instruments as of December 31, 2005 and 2004 are as follows:

	<u>December 31, 2005</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets:		
Cash and cash equivalents	\$ 9,039,011	9,039,011
Investment securities, available for sale	3,188,251	3,188,251
Trading securities	329,045	329,045
Mortgage-backed securities, available for sale	1,664,278	1,664,278
Loans receivable	140,034,877	139,251,000
Accrued interest receivable	706,561	706,561
Financial liabilities:		
Deposits	\$ 127,434,994	127,018,000
Borrowed money	21,011,756	21,115,000
Accrued interest payable	52,014	52,014

	December 31, 2004	
	Carrying Amount	Fair Value
Financial assets:		
Cash and cash equivalents	\$ 8,352,775	8,352,775
Investment securities, available for sale	2,600,835	2,600,835
Trading securities	514,953	514,953
Mortgage-backed securities, available for sale	2,286,235	2,286,235
Loans receivable	129,342,486	132,419,000
Accrued interest receivable	632,612	632,612
Financial liabilities:		
Deposits	\$ 115,658,741	115,523,000
Borrowed money	18,953,995	19,458,000
Accrued interest payable	46,447	46,447

24) Condensed Parent Company Only Financial Statements

The following condensed statement of financial condition, as of December 31, 2005 and 2004 and condensed statements of income and cash flows for the years ended December 31, 2005, 2004 and 2003 for AMB Financial Corp. should be read in conjunction with the consolidated financial statements and the notes thereto.

Condensed Statements of Financial Condition

	<u>December 31,</u>	
	<u>2005</u>	<u>2004</u>
Assets		
Cash and cash equivalents	\$ 183,122	3,263,077
Trading securities	329,045	514,953
Loans receivable	1,758,261	89,930
Real estate held for development	1,352,611	-
Investment in American Savings, FSB	14,694,221	13,522,813
Investment in AMB Financial Statutory Trust I	155,000	155,000
Prepaid expenses and other assets	<u>611,509</u>	<u>557,965</u>
 Total assets	 <u><u>19,083,769</u></u>	 <u><u>18,103,738</u></u>
 Liabilities and Stockholders' Equity		
Liabilities:		
Borrowed money	442,761	-
Junior subordinated debentures	5,155,000	5,155,000
Accrued taxes and other liabilities	<u>56,119</u>	<u>52,480</u>
 Total liabilities	 <u><u>5,653,880</u></u>	 <u><u>5,207,480</u></u>
 Stockholders' Equity:		
Common stock	16,862	16,862
Additional paid-in capital	10,657,470	10,629,631
Retained earnings	10,021,965	9,458,798
Treasury stock	<u>(7,266,408)</u>	<u>(7,209,033)</u>
 Total stockholders' equity	 <u><u>13,429,889</u></u>	 <u><u>12,896,258</u></u>
	 <u><u>\$ 19,083,769</u></u>	 <u><u>18,103,738</u></u>

Condensed Statements of Income

	<u>Years Ended December 31,</u>		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
Net interest expense	\$ (227,881)	(136,372)	(96,122)

Gain on sale of trading securities	42,821	6,876	21,082
Unrealized (loss) gain on trading securities	(50,993)	27,494	130,209
Other non-interest income	9,017	4,359	43,667
Non-interest expense	<u>(294,181)</u>	<u>(280,999)</u>	<u>(330,545)</u>
Net loss before income taxes and equity in earnings of subsidiaries	(521,217)	(378,642)	(231,709)
Benefit from income taxes	<u>209,551</u>	<u>153,442</u>	<u>87,882</u>
Net loss before equity in earnings of subsidiaries	(311,666)	(225,200)	(143,827)
Equity in earnings of subsidiaries	<u>1,171,408</u>	<u>1,105,834</u>	<u>1,326,082</u>
Net income	<u>\$ 859,742</u>	<u>880,634</u>	<u>1,182,255</u>

24) Condensed Parent Company Only Financial Statements (continued)Condensed Statements of Cash Flows

	<u>Years Ended December 31,</u>		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
Operating activities:			
Net income	\$ 859,742	880,634	1,182,255
Equity in earnings of subsidiaries	(1,171,408)	(1,105,834)	(1,326,082)
Amortization of premiums and accretion of discounts	—	11	2,018
Gain on sale of trading securities	(42,821)	(6,876)	(21,082)
Unrealized loss (gain) on trading securities held for trade	50,993	(27,494)	(130,209)
Proceeds from sale of trading securities	177,736	17,845	119,957
Proceeds from redemption of trading securities	—	—	100,000
Purchase of trading securities	—	—	(1,166)
Increase in deferred income on loans	9,512	—	—
(Increase) decrease in prepaid taxes and other assets	(25,705)	80,226	82,147
Increase in other liabilities	3,639	6,883	1,870
Net cash provided (for) by operating activities	<u>(138,312)</u>	<u>(154,605)</u>	<u>9,708</u>
Investing activities:			
Proceeds from maturities of investment securities	—	200,000	1,500,000
Purchase of investment securities	—	—	(700,063)
Loan disbursements	(1,767,773)	—	—
Loan repayments	89,930	89,930	89,930
Real estate held for development expenditures	(1,352,611)	—	—
Net cash provided (for) by investing activities	<u>(3,030,454)</u>	<u>289,930</u>	<u>889,867</u>
Financing activities:			
Proceeds from borrowed money	442,761	—	—
Proceeds from exercise of stock options	71,434	105,914	—
Repurchase of stock options	—	(108,215)	—
Purchase of treasury stock	(166,187)	(74,269)	(457,240)
Dividends paid on common stock	(259,197)	(224,172)	(178,205)
Net cash provided by (for) investing activities	<u>88,811</u>	<u>(300,742)</u>	<u>(635,445)</u>
Net (decrease) increase in cash and cash equivalents	(3,079,955)	(165,417)	264,130
Cash and cash equivalents at beginning of year	<u>3,263,077</u>	<u>3,428,494</u>	<u>3,164,364</u>
Cash and cash equivalents at end of year	<u>\$ 183,122</u>	<u>3,263,077</u>	<u>3,428,494</u>

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
AMB Financial Corp.

We have audited the consolidated statements of financial condition of AMB Financial Corp. and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the three years in the period ending December 31, 2006. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AMB Financial Corp. and subsidiaries at December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ending December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

/s/ Cobitz, VandenBerg & Fennessy

January 12, 2007
Palos Hills, Illinois

AMB FINANCIAL CORP.
AND SUBSIDIARIES

Consolidated Statements of Financial Condition

	December 31,	
	2006	2005
<u>Assets</u>		
Cash and amounts due from depository institutions	\$ 4,224,462	4,662,586
Interest-bearing deposits	5,503,380	4,376,425
Total cash and cash equivalents	9,727,842	9,039,011
Investment securities, available for sale, at fair value (note 2)	3,178,431	3,188,251
Trading securities (note 3)	339,275	329,045
Mortgage-backed securities, available for sale, at fair value (note 4)	1,252,251	1,664,278
Loans receivable (net of allowance for loan losses: 2006 - \$686,467; 2005 - \$748,859) (note 5)	150,701,080	140,034,877
Real estate owned	1,081,113	584,206
Investment in limited partnership (note 6)	757,129	797,948
Stock in Federal Home Loan Bank of Indianapolis, at cost	1,750,900	1,802,600
Accrued interest receivable (note 7)	796,354	706,561
Office properties and equipment - net (note 8)	2,856,432	2,391,489
Real estate held for development (note 9)	1,881,551	1,352,611
Bank owned life insurance	3,614,272	3,491,606
Prepaid expenses and other assets (note 10)	4,345,847	5,083,393
 Total assets	 182,282,477	 170,465,876
<u>Liabilities and Stockholders' Equity</u>		
<u>Liabilities:</u>		
Deposits (note 11)	124,858,001	127,434,994
Borrowed money (note 12)	34,317,589	21,011,756
Junior subordinated debentures (note 13)	5,000,000	5,000,000
Note payable	342,567	480,476
Advance payments by borrowers for taxes and insurance	-	401,967
Other liabilities (note 14)	2,701,185	2,394,018
Total liabilities	167,621,309	156,321,244
 <u>Stockholders' Equity:</u>		
Preferred stock, \$.01 par value: authorized 100,000 shares; none outstanding	-	-
Common stock, \$.01 par value: authorized 1,900,000 shares; 1,686,169 shares issued and 1,046,350 shares outstanding at December 31, 2006 and 984,648 shares outstanding at December 31, 2005	16,862	16,862
Additional paid-in capital	11,519,168	11,391,083
Retained earnings, substantially restricted	9,963,363	10,021,965

Accumulated other comprehensive loss, net of tax	(24,650)	(18,870)
Treasury stock, at cost (639,819 and 701,521 shares at December 31, 2006 and 2005)	(6,813,575)	(7,266,408)
Common stock acquired by Employee Stock Ownership Plan	<u>-</u>	<u>-</u>
Total stockholders' equity (notes 18 and 19)	<u>14,661,168</u>	<u>14,144,632</u>
Commitments and contingencies (notes 20 and 21)		
Total liabilities and stockholders' equity	<u>\$ 182,282,477</u>	<u>170,465,876</u>

See accompanying notes to consolidated financial statements.

AMB FINANCIAL CORP.
AND SUBSIDIARIES

Consolidated Statements of Income

	Years Ended December 31,		
	2006	2005	2004
Interest income:			
Interest on loans	\$ 9,553,222	8,152,121	7,541,266
Interest on mortgage-backed securities	69,566	90,049	123,039
Interest on investment securities	166,546	114,952	80,687
Interest on interest-bearing deposits	151,854	148,977	67,644
Dividends on Federal Home Loan Bank stock	85,875	78,545	74,646
	<u>10,027,063</u>	<u>8,584,644</u>	<u>7,887,282</u>
Interest expense:			
Interest on deposits	3,974,567	2,800,411	2,269,027
Interest on borrowings	1,832,504	1,348,978	1,164,386
Total interest expense	<u>5,807,071</u>	<u>4,149,389</u>	<u>3,433,413</u>
	4,219,992	4,435,255	4,453,869
Provision for loan losses (note 5)	248,146	274,845	189,198
Net interest income after provision for loan losses	<u>3,971,846</u>	<u>4,160,410</u>	<u>4,264,671</u>
Non-interest income:			
Loan fees and service charges	227,514	173,487	178,609
Deposit related fees	480,986	574,782	474,634
Other fee income	430,821	374,052	293,140
Rental income	139,086	138,413	137,053
Unrealized gain (loss) on trading securities - net	10,230	(50,993)	27,494
Gain on sale of trading securities	-	42,821	6,876
Loss on sale of investment securities	-	(11,269)	-
(Loss) gain on sale of real estate owned - net	(78,513)	(4,189)	14,445
Loss from limited partnership (note 6)	(40,819)	(71,750)	(82,300)
Income from real estate held for development	50,598	-	-
Gain on sale of other assets (note 10)	38,851	345,166	-
Gain from life insurance proceeds	-	-	26,678
Increase in cash surrender value of life insurance	122,666	118,494	134,608
Other income	23,318	54,025	28,637
Total non-interest income	<u>1,404,738</u>	<u>1,683,039</u>	<u>1,239,874</u>
Non-interest expense:			
Staffing costs (notes 15 and 16)	2,327,335	2,348,057	2,184,709
Advertising	250,282	180,168	133,286
Occupancy and equipment expenses (note 8)	428,362	427,937	411,421
Data processing	475,599	659,849	558,225
Professional fees	305,433	242,779	250,856

Federal deposit insurance premiums	16,028	16,331	17,261
Other	806,205	764,917	718,304
Total non-interest expense	<u>4,609,244</u>	<u>4,640,038</u>	<u>4,274,062</u>
Income before income taxes	767,340	1,203,411	1,230,483
Income taxes (note 17)	119,072	343,669	349,849
Net income	<u>\$ 648,268</u>	<u>859,742</u>	<u>880,634</u>
Earnings per share -			
Basic	\$.64	.90	.94
Diluted	\$.64	.85	.87

See accompanying notes to consolidated financial statements.

AMB FINANCIAL CORP.
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Consolidated Statements of Changes in Stockholders' Equity

Three Years Ended December 31, 2006

	Additional		Retained	Income	Accumulated		Common		
	Common	Paid-in			Other	Treasury		Stock	
						Stock			Capital
Balance at December 31, 2003	\$ 16,862	11,066,882	9,006,790	54,067	(7,445,132)	(179,860)	12,519,609		
Comprehensive income:									
Net income				880,634			880,634		
Other comprehensive loss, net of tax:									
Unrealized holding loss during the year						(48,882)	(48,882)		
Total comprehensive income				880,634	(48,882)		831,752		
Purchase of treasury stock (5,100 shares)						(74,269)	(74,269)		
Exercise of 70,716 stock options and reissuance of treasury stock			(204,454)		310,368		105,914		
Repurchase of 10,537 stock options			(108,215)				(108,215)		
Tax benefit related to stock options exercised			91,568				91,568		
Appreciation in fair value of shares charged to expense for ESOP plan			177,300				177,300		
Contribution to fund ESOP loan						89,930	89,930		
Dividends declared on common stock (\$.24 per share)				(224,172)			(224,172)		
Balance at December 31, 2004	16,862	11,227,535	9,458,798	5,185	(7,209,033)	(89,930)	13,409,417		
Comprehensive income:									
Net income				859,742			859,742		
Other comprehensive loss, net of tax:									
Unrealized holding loss during the year						(30,816)	(30,816)		
Add: Reclassification adjustment of losses included in net income					6,761		6,761		
Total comprehensive income				859,742	(24,055)		835,687		
Purchase of treasury stock (11,618 shares)						(166,187)	(166,187)		

Exercise of 10,505 stock options, and reissuance of treasury stock				(37,378)	108,812		71,434
Tax benefit related to stock options exercised			27,839				27,839
Appreciation in fair value of shares charged to expense for ESOP plan			135,709				135,709
Contribution to fund ESOP loan						89,930	89,930
Dividends declared on common stock (\$.27 per share)				(259,197)			(259,197)
Balance at December 31, 2005	<u>16,862</u>	<u>11,391,083</u>	<u>10,021,965</u>	<u>(18,870)</u>	<u>(7,266,408)</u>	<u>-</u>	<u>14,144,632</u>
Comprehensive income:							
Net income				648,268			648,268
Other comprehensive loss, net of tax:							
Unrealized holding loss during the year					(5,780)		(5,780)
Total comprehensive income				648,268	(5,780)		642,488
Purchase of treasury stock (28,001 shares)					(420,505)		(420,505)
Exercise of 106,352 stock options, and reissuance of treasury stock				(391,555)	873,338		481,783
Tax benefit related to stock options exercised			78,066				78,066
Stock option compensation		50,019				50,019	
Dividends declared on common stock (\$.31 per share)				(315,315)			(315,315)
Balance at December 31, 2006	<u>\$ 16,862</u>	<u>11,519,168</u>	<u>9,963,363</u>	<u>(24,650)</u>	<u>(6,813,575)</u>	<u>-</u>	<u>14,661,168</u>

See accompanying notes to consolidated financial statements.

AMB FINANCIAL CORP.
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Consolidated Statements of Cash Flows

	Years Ended December 31,		
	2006	2005	2004
Cash flows from operating activities:			
Net income	\$ 648,268	859,742	880,634
Items not requiring (providing) cash:			
Depreciation	200,411	204,650	229,479
Amortization of cost of stock benefit plans	-	89,930	89,930
Stock option compensation	50,019	-	-
Amortization of premiums and accretion of discounts	16,884	22,193	26,291
Federal Home Loan Bank stock dividend	-	(37,400)	(78,000)
Net gains on sale of securities	-	(31,552)	(6,876)
Gain on sale of other assets	(38,851)	(345,166)	-
Net loss (gain) on sale of real estate owned	78,513	4,189	(14,445)
Provision for loan losses	248,146	274,845	189,198
Loss from limited partnership	40,819	71,750	82,300
Increase in cash surrender value of life insurance	(122,666)	(118,494)	(134,608)
Income from real estate held for development	(50,598)	-	-
Gain from life insurance proceeds	-	-	(26,678)
Unrealized (gain) loss on trading securities	(10,230)	50,993	(27,494)
Proceeds from sale or redemption of trading securities	-	177,736	17,845
Decrease in net deferred yield adjustments on loans	101,303	59,656	62,280
(Increase) decrease in prepaid and deferred taxes	(210,928)	343,669	(381,511)
Increase in accrued interest receivable	(89,793)	(73,949)	(11,545)
Increase in accrued interest payable	37,054	5,567	2,410
Decrease (increase) in purchased accounts receivable	830,216	(432,120)	(1,000,483)
Increase (decrease) in deferred compensation	71,671	70,666	(3,677)
Other, net	371,803	247,672	(67,974)
Net cash provided by (for) operating activities	<u>2,172,041</u>	<u>1,444,577</u>	<u>(172,924)</u>
Cash flows from investing activities:			
Proceeds from sales of investment securities	-	-	988,800
Proceeds from maturities of investment securities	500,000	400,000	1,950,000
Purchase of investment securities	(507,965)	(2,011,304)	(2,444,433)
Proceeds from sales of mortgage-backed securities	-	2,316	-
Proceeds from repayments of mortgage-backed securities	403,294	581,176	802,409
Purchase of loans	(7,311,923)	(11,843,519)	(13,655,632)
Loan disbursements	(49,271,721)	(41,755,779)	(35,221,104)

Loan repayments	44,504,736	41,927,037	39,057,564
Proceeds from sale of real estate owned	489,396	104,248	508,516
Proceeds from redemption of Federal Home Loan Bank stock	101,700	-	-
Purchase of Federal Home Loan Bank stock	(50,000)	-	-
Proceeds from sale of real estate held for development	881,679	-	-
Purchase of real estate held for development	(1,360,021)	(1,352,611)	-
Proceeds from sale of other assets	38,851	360,166	-
Proceeds from life insurance policy	-	-	102,321
Property and equipment expenditures, net	<u>(665,354)</u>	<u>(163,730)</u>	<u>(108,004)</u>
Net cash provided for investing activities	<u>\$ (12,247,328)</u>	<u>(12,763,200)</u>	<u>(9,008,363)</u>

(Continued)

AMB FINANCIAL CORP.
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Consolidated Statements of Cash Flows

	Years Ended December 31,		
	2006	2005	2004
Cash flows from financing activities:			
Net (decrease) increase in deposits	\$ (2,576,993)	11,776,253	7,324,417
Proceeds from borrowed money	20,000,000	5,242,761	5,000,000
Repayment of borrowed money	(6,694,167)	(3,185,000)	(2,175,719)
Repayment of notes payable	(137,908)	(140,434)	(148,683)
Increase (decrease) in advance payments by borrowers for taxes and insurance	427,223	(1,334,771)	600,000
Proceeds from exercise of stock options	481,783	71,434	105,914
Repurchase of stock options	-	-	(108,215)
Purchase of treasury stock	(420,505)	(166,187)	(74,269)
Dividends paid on common stock	(315,315)	(259,197)	(224,172)
Net cash provided by financing activities	<u>10,764,118</u>	<u>12,004,859</u>	<u>10,299,273</u>
Net change in cash and cash equivalents	688,831	686,236	1,117,986
Cash and cash equivalents at beginning of year	<u>9,039,011</u>	<u>8,352,775</u>	<u>7,234,789</u>
Cash and cash equivalents at end of year	<u>\$ 9,727,842</u>	<u>9,039,011</u>	<u>8,352,775</u>
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest	\$ 5,770,017	4,143,822	3,431,003
Income taxes	330,000	-	731,000
Non-cash investing activities:			
Transfer of loans to real estate owned	\$ 1,063,256	687,334	434,034

See accompanying notes to consolidated financial statements.

AMB FINANCIAL CORP.
AND SUBSIDIARIES

Notes to Consolidated Financial Statements

1) Summary of Significant Accounting Policies

AMB Financial Corp. (the "Company") is a Delaware corporation incorporated on November 23, 1993 for the purpose of becoming the savings and loan holding company for American Savings, FSB (the "Bank"). On March 29, 1996, the Bank converted from a mutual to a stock form of ownership, and the Company completed its initial public offering, and, with a portion of the net proceeds acquired all of the issued and outstanding capital stock of the Bank (the "Conversion").

Principles of Consolidation

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Statement of Cash Flows

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

Industry Segments

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

Investment Securities and Mortgage-Backed Securities, Available for Sale

Investment securities and mortgage-backed securities available for sale are recorded in accordance with Statement of Financial Accounting Standards ("SFAS") No. 115 "Accounting for Certain Investments in Debt and Equity Securities". SFAS No. 115 requires the use of fair value accounting for securities available for sale or trading and retains the use of the amortized cost method for investments the Company has the positive intent and ability to hold to maturity.

SFAS No. 115 requires the classification of debt and equity securities into one of three categories: held to maturity, available for sale, or trading. Held to maturity securities are measured at amortized cost. Unrealized gains and losses on trading securities are included in income. Unrealized gains and losses on available for sale securities are excluded from income and reported net of taxes as a separate component of stockholders' equity.

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

1) Summary of Significant Accounting Policies (continued)Trading Securities

Trading account securities are recorded at fair value. Realized and unrealized gains and losses on trading account securities are reflected in non-interest income in the consolidated statements of income.

Loans Receivable and Related Fees

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

Loan origination fees and certain direct loan origination costs are being deferred in accordance with SFAS No. 91 "Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases". This statement requires that loan origination fees and direct loan origination costs for a completed loan be netted and then deferred and amortized into interest income as an adjustment of yield over the contractual life of the loan.

The Company has adopted the provisions of SFAS No. 114 "Accounting by Creditors for Impairment of a Loan" and SFAS No. 118 "Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosures". These statements apply to all loans that are identified for evaluation except for large groups of smaller-balance homogeneous loans that are collectively evaluated for impairment. These loans include, but are not limited to, credit card, residential mortgage and consumer installment loans. Of the remaining loans which are evaluated for impairment, management has determined that there were no material amounts of loans which met the definition of an impaired loan during the years ended December 31, 2006 and 2005 and no loans to be evaluated for impairment at December 31, 2006.

Allowance for Loan Losses

The determination of the allowance for loan losses involves material estimates that are susceptible to significant change in the near term. The allowance for loan losses is maintained at a level adequate to provide for losses through charges to operating expense. The allowance is based upon past loss experience and other factors which, in management's judgement, deserve current recognition in estimating losses. Such other factors considered by management include growth and composition of the loan portfolio, the relationship of the allowance for losses to outstanding loans and economic conditions.

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

Real Estate Owned

Real estate acquired through foreclosure or deed in lieu of foreclosure is carried at the lower of fair value minus estimated costs to sell or the related loan balance at the date of foreclosure. Valuations are periodically performed by management and an allowance for loss is established by a charge to operations if the carrying value of a property exceeds its fair value minus estimated costs to sell.

Real Estate Held for Development

Real estate properties held for development are carried at the lower of cost, including capitalized construction costs, or net realizable value. Gains and losses on individual properties are based on cash received less the cost of each individual lot.

1) Summary of Significant Accounting Policies (continued)Office Properties and Equipment

Land is carried at cost. Depreciation of office properties and equipment is accumulated on the straight line basis over estimated lives of the various assets. Useful lives are 25 to 40 years for office properties and 3 to 10 years for furniture, fixtures and equipment.

Investment in Limited Partnership

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

Income Taxes

The Company files a consolidated federal income tax return with the Bank. The provision for federal and state taxes on income is based on earnings reported in the financial statements. Deferred income taxes arise from the recognition of certain items of income and expense for tax purposes in years different from those in which they are recognized in the consolidated financial statements. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income for the period that includes the enactment date.

Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted average number of shares outstanding for the period. ESOP shares not committed to be released are not considered to be outstanding. Stock options are regarded as future common stock and are considered in the earnings per share calculations and are the only other adjustments made in computing diluted earnings per share.

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

	Years Ended December 31,		
	2006	2005	2004
Weighted average number of common shares outstanding used in basic EPS calculation	1,011,735	976,570	974,218
Reduction for common shares not yet released by Employee Stock Ownership Plan	-	(16,734)	(33,470)
Total weighted average common shares outstanding for basic computation	1,011,735	959,836	940,748

Add common stock equivalents for shares issuable under Stock Option Plans	<u>3,394</u>	<u>53,168</u>	<u>66,960</u>
Weighted average number of shares outstanding adjusted for common stock equivalents	<u>1,015,129</u>	<u>1,013,004</u>	<u>1,007,708</u>
Net income	\$ 648,268	859,742	880,634
Basic earnings per share	\$.64	.90	.94
Diluted earnings per share	\$.64	.85	.87

1) Summary of Significant Accounting Policies (continued)Stock Option Plans

Prior to January 1, 2006 the Company elected to account for stock options using the intrinsic value method under the provisions of Accounting Principles Board (“APB”) Opinion No. 25 and provided pro forma net income and pro forma earnings per share disclosures for employee stock option grants as if the fair value based method, defined in SFAS No. 123, “Accounting for Stock Based Compensation”, had been applied. Pursuant to the guidance in these pronouncements, the Company did not record compensation expense related to stock options.

On January 1, 2006, the Company adopted Statement of Financial Standards No. 123(R), “Share-Based Payments”. SFAS No. 123(R) requires that stock option awards, as well as other equity based compensation, be recognized as compensation expense in the income statement based on their fair values determined at the date of grant. The Company elected to apply SFAS No. 123(R) on a “modified prospective” method, which recognizes compensation cost (a) based on the requirements of SFAS No. 123(R) for all share-based payments granted after the effective date, and (b) based on the requirements of SFAS No. 123 for all awards granted to employees prior to the effective date of SFAS No. 123(R) that remain unvested on the effective date.

A summary of activity under the Company’s stock option plans for the three years ended December 31, 2006 is as follows:

	Years Ended December 31,		
	2006	2005	2004
Net income, as reported	\$ 648,268	859,742	880,634
Deduct: Total stock based employee compensation expense determined under the fair value based method, net of related tax effects	-	73,792	-
Pro forma net income	\$ 648,268	785,950	880,634
Diluted earnings per share, as reported	\$.64	.85	.87
Pro forma diluted earnings per share	\$.64	.78	.87

2) Investment Securities, Available for Sale

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<u>December 31, 2006</u>				
United States Government and agency obligations	\$ 3,008,385	2,085	21,900	2,988,570
Marketable equity securities	185,953	3,908	-	189,861
	<u>\$ 3,194,338</u>	<u>5,993</u>	<u>21,900</u>	<u>3,178,431</u>
Weighted average interest rate on debt securities	<u>5.16%</u>			
<u>December 31, 2005</u>				
United States Government and agency obligations	\$ 3,022,871	2,995	21,341	3,004,525
Marketable equity securities	177,988	5,738	-	183,726
	<u>\$ 3,200,859</u>	<u>8,733</u>	<u>21,341</u>	<u>3,188,251</u>
Weighted average interest rate on debt securities	<u>4.81%</u>			

The contractual maturity of the above investments is summarized as follows:

	<u>December 31, 2006</u>		<u>December 31, 2005</u>	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Term to Maturity				
Due in one year or less	\$ -	-	500,000	493,863
Due after one year through five years	1,998,000	2,508,385	2,486,485	2,000,889
Due after five years through ten years	500,000	502,085	521,982	512,662
Marketable equity securities	185,953	189,861	177,988	183,726
	<u>\$ 3,194,338</u>	<u>3,178,431</u>	<u>3,200,859</u>	<u>3,188,251</u>

There were no sales of investment securities, available for sale during the year ended December 31, 2006. Proceeds from sales of investment securities, available for sale during the year ended December 31, 2005 were \$988,800 with gross losses of \$11,200 realized on those sales. There were no sales of investment securities, available for sale during the year ended December 31, 2004. The change in net unrealized gains and losses during the current year of \$3,299, net of the tax effect of \$1,320, resulted in a \$1,979 charge to stockholders' equity.

3) Trading Securities

Trading securities are accounted for at their current fair values. Trading securities at December 31, 2006 consists of equity securities (common stock with a carrying value of \$339,275). These securities are pledged as collateral for a revolving line of credit as discussed in Note 12. Trading securities at December 31, 2005 also consists of equity securities (common stock with a carrying value of \$329,045). The adjustment of these securities to their current fair values has resulted in a net unrealized gain of \$10,230 for the year ended December 31, 2006, a net unrealized loss of \$50,993 for the year ended December 31, 2005 and a net unrealized gain of \$27,494 for the year ended December 31, 2004. There were no sales of trading securities during the year ended December 31, 2006. Proceeds from sales of trading securities during the years ended December 31, 2005 and 2004 were \$177,736 and \$17,845 with gross gains of \$42,821 and \$6,876 realized on those sales.

4) Mortgage-Backed Securities, Available for Sale

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

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
<u>December 31, 2006</u>				
Participation Certificates:				
FHLMC - Fixed rate	\$ 609,560	6,476	21,565	594,471
FNMA - Adjustable rate	10,051	-	27	10,024
FNMA - Fixed rate	480,480	-	13,452	467,028
GNMA - Fixed rate	39,757	2,960	-	42,717
Collateralized Mortgage Obligations:				
FNMA - Fixed rate	137,580	431	-	138,011
	<u>\$ 1,277,428</u>	<u>9,867</u>	<u>35,044</u>	<u>1,252,251</u>
Weighted average interest rate	<u>4.93%</u>			
<u>December 31, 2005</u>				
Participation Certificates:				
FHLMC - Fixed rate	\$ 764,552	10,222	18,784	755,990
FNMA - Adjustable rate	15,277	-	41	15,236
FNMA - Fixed rate	607,221	-	15,503	591,718
GNMA - Fixed rate	49,586	4,501	-	54,087
Collateralized Mortgage Obligations:				
FNMA - Fixed rate	246,484	763	-	247,247
	<u>\$ 1,683,120</u>	<u>15,486</u>	<u>34,328</u>	<u>1,664,278</u>
Weighted average interest rate	<u>4.92%</u>			

There were no sales of mortgage-backed securities, available for sale during the year ended December 31, 2006. Proceeds from the sale of mortgage-backed securities, available for sale during the year ended December 31, 2005 were \$2,316 with gross losses of \$69 realized on those sales. There were no sales of mortgage-backed securities available for sale during the year ended December 31, 2004. The change in net unrealized gains and losses during the current year of \$6,335, net of the tax effect of \$2,534, resulted in a \$3,801 charge to stockholders' equity.

5) Loans Receivable

Loans receivable are summarized as follows:

	<u>December 31,</u>	
	<u>2006</u>	<u>2005</u>
Mortgage loans:		
One-to-four family	\$ 105,222,934	92,809,163
Multi-family	8,319,235	8,956,007
Nonresidential	18,189,953	17,110,976
Construction	6,424,014	6,736,993
Land	8,480,119	6,891,401
Total mortgage loans	<u>146,636,255</u>	<u>132,504,540</u>
Other loans:		
Loans on deposit accounts	125,635	90,984
Equity lines of credit	5,523,545	6,208,239
Other consumer	1,638,576	2,706,919
Total other loans	<u>7,287,756</u>	<u>9,006,142</u>
Commercial business loans	2,942,843	3,464,586
Total loans receivable	<u>156,866,854</u>	<u>144,975,268</u>
Less:		
Loans in process	5,394,345	4,182,195
Net deferred yield adjustments	84,962	9,337
Allowance for loan losses	686,467	748,859
Loans receivable, net	<u>\$ 150,701,080</u>	<u>140,034,877</u>
Weighted average interest rate	<u>6.66%</u>	<u>6.34%</u>

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

	<u>Years Ended December 31,</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
Balance, beginning of year	\$ 748,859	715,979	1,033,226
Provision for loan losses	248,146	274,845	189,198
Charge-offs	(342,411)	(249,265)	(541,315)
Recoveries	31,873	7,300	34,870
Balance, end of year	<u>\$ 686,467</u>	<u>748,859</u>	<u>715,979</u>

Delinquent loans (loans having monthly payments past due ninety days or more and non-accruing) at December 31, 2006 and 2005 amounted to approximately \$2,676,000 and \$1,474,000, respectively.

For the years ended December 31, 2006 and 2005, gross interest income which would have been recorded had the non-accruing loans been current in accordance with their original terms amounted to approximately \$111,000 and \$97,000, respectively.

Loans to directors and executive officers aggregated approximately \$817,000 and \$810,000 at December 31, 2006 and 2005, respectively. Such loans are made on substantially the same terms as those for other loan customers.

6) Investment in Limited Partnership

The investment in limited partnership of \$957,129 and \$797,948 at December 31, 2006 and 2005 represents a 39.60% equity in Pedcor Investments 1997 - XXXI ("Pedcor"), a limited partnership organized to build, own and operate a 56 unit apartment complex. The Bank has recorded its equity in the losses of Pedcor in the amount of \$40,819, \$71,750 and \$82,300 for the years ended December 31, 2006, 2005 and 2004. Condensed financial statements for Pedcor are as follows:

Condensed Statements of Financial Condition

	<u>December 31,</u>	
	<u>2006</u>	<u>2005</u>
<u>Assets</u>		
Cash	\$ 53,542	10,540
Property and equipment	3,331,236	3,431,638
Land	112,000	112,000
Other	166,730	55,278
Total assets	<u>3,663,508</u>	<u>3,609,456</u>
<u>Liabilities</u>		
Notes payable - Bank	308,419	421,016
Notes payable - Other	2,045,747	2,104,324
Other liabilities	323,477	303,849
Total liabilities	<u>2,677,643</u>	<u>2,829,189</u>
Partners' capital	<u>985,865</u>	<u>780,267</u>
Total liabilities and partners' capital	<u>\$ 3,663,508</u>	<u>3,609,456</u>

	<u>Years Ended December 31,</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
<u>Condensed statement of operations</u>			
Total revenues	\$ 291,505	242,033	223,089
Total expenses	<u>394,582</u>	<u>423,219</u>	<u>432,133</u>
Net loss	<u>\$ (103,077)</u>	<u>(181,186)</u>	<u>(209,044)</u>

7) Accrued Interest Receivable

Accrued interest receivable is summarized as follows:

	December 31,	
	2006	2005
Investment securities	\$ 56,904	52,215
Mortgage-backed securities	5,251	6,895
Loans receivable	869,709	808,167
Allowance for uncollected interest	(135,510)	(160,716)
	<u>\$ 796,354</u>	<u>706,561</u>

8) Office Properties and Equipment

Office properties and equipment are summarized as follows:

	December 31,	
	2006	2005
Cost:		
Land - Munster	\$ 40,669	40,669
Hammond	33,300	33,300
Dyer	300,000	300,000
Schereville	380,345	-
Building - Munster	457,773	457,773
Hammond	319,985	319,985
Dyer	1,796,151	1,796,151
Branch construction in process	143,433	-
Furniture and equipment	<u>2,071,743</u>	<u>1,981,176</u>
	<u>5,543,399</u>	<u>4,929,054</u>
Less accumulated depreciation:		
Building - Munster	429,202	427,476
Hammond	283,010	275,904
Dyer	408,755	347,379
Furniture and equipment	<u>1,566,000</u>	<u>1,486,806</u>
	<u>2,686,967</u>	<u>2,537,565</u>
Net book value	<u>\$ 2,856,432</u>	<u>2,391,489</u>

Depreciation of office properties and equipment for the years ended December 31, 2006, 2005 and 2004 amounted to \$200,411, \$204,650 and \$229,479, respectively.

The Bank owns a three story office building in Dyer, Indiana, which is one-third utilized by the Bank as its branch office location. An additional one-third of the building is leased to a third party at a current annual lease rent of \$70,424. This lease commenced on June 1, 2002 and terminates May 31, 2007 subject to two five-year lease renewal options. One half of the remaining third of the building is being leased to a third-party at a current annual lease rent of \$32,831. This lease commenced on October 1, 2003 and terminates September 30, 2009 subject to two six-year lease renewal options. The remainder of the building is being leased to a third-party at a current annual lease rent of \$36,857. This lease commenced on January 1, 2004 and terminates December 31, 2008 subject to two five-year lease renewal options.

9) Real Estate Held for Development

The Company has entered into an agreement with a local builder to acquire vacant lots and construct single family residences. Costs incurred as of December 31, 2006 for the acquisition of seven land parcels and construction costs on several lots in various stages of completion amounted to \$1,881,551. Upon sale of each completed residence, before any profit distribution, the Company will receive a stipulated amount as interest on the funds that have been advanced. After payment of this amount, the Company is entitled to receive 30% of any remaining profit. There were two sales of properties during the year ended December 31, 2006 resulting in income recognition of \$50,598. At December 31, 2006, there were two completed properties listed for sale and two other properties close to completion that are anticipated to be marketed in early 2007.

10) Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist of the following:

	December 31,	
	2006	2005
Prepaid insurance premiums	\$ 89,534	80,502
Prepaid pension cost	277,573	300,957
Prepaid statutory trust preferred fees	160,780	167,200
Prepaid income taxes	337,264	90,509
Other prepaid expenses	70,814	120,500
Deferred federal and state income tax asset - net (a)	384,780	368,170
Purchased accounts receivable (b)	2,959,901	2,790,117
Purchased accounts receivable, serviced by others	-	1,000,000
Miscellaneous (c)	65,201	165,438
	<u>\$ 4,345,847</u>	<u>5,083,393</u>

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

	December 31,	
	2006	2005
Deferred tax assets:		
Deferred compensation	\$ 374,192	345,524
Nondeductible incentive plan expense	6,957	6,957
Book allowance for loan losses	274,587	299,544
Allowance for uncollected interest	71,280	64,286
Unrealized loss on securities available for sale	16,434	12,580
Total deferred tax assets	<u>743,450</u>	<u>728,891</u>
Deferred tax liabilities:		
Accelerated tax depreciation	43,844	44,552
Federal Home Loan Bank stock dividend	67,258	71,280
Pension expense	111,029	120,383
Unrealized gain on trading account securities	52,375	48,283
Other	84,164	76,223
Total deferred tax liabilities	<u>358,670</u>	<u>360,721</u>
Net deferred tax benefit	<u>\$ 384,780</u>	<u>368,170</u>

(b) The Bank has entered into a program to purchase and manage the accounts receivable of credit-worthy merchants

with required repurchase of delinquent accounts and with the merchant's repurchase obligation supported by a cash collateral reserve account. For each merchant, the Bank establishes a maximum amount of purchased receivables allowed to be outstanding at any one time. At December 31, 2006 and 2005, the unused amount was \$2,655,000 and \$2,460,000, respectively.

- (1) In March 2005, the shareholders of Intrieve Incorporated, the Bank's data processing provider, approved the sale and merger of Intrieve into Harland Financial Solutions Inc., a wholly owned subsidiary of John H. Harland Company. This transaction closed in April 2005. As a shareholder of Intrieve, the Bank received \$360,166 in cash on its \$15,000 investment, resulting in a gain of \$345,166. During the current year, the Bank received additional funds of \$38,851 from this investment which represents the net proceeds of amounts held back to cover expenses of the transaction.

11) Deposits

Deposit accounts are summarized as follows:

	December 31,	
	2006	2005
Passbook accounts	\$ 17,616,276	19,515,031
Demand deposits and NOW accounts	15,465,231	12,876,076
Money market accounts	10,852,290	12,958,922
	<u>43,933,797</u>	<u>45,350,029</u>
Certificates of deposit by interest rate:		
1.01 - 2.00%	297,703	1,183,986
2.01 - 3.00	1,989,515	21,223,717
3.01 - 4.00	14,421,201	41,254,761
4.01 - 5.00	34,932,869	18,422,501
5.01 - 6.00	29,282,916	-
	<u>80,924,204</u>	<u>82,084,965</u>
	<u>\$ 124,858,001</u>	<u>127,434,994</u>

The weighted average rate on deposit accounts at December 31, 2006 and 2005 was 3.49% and 2.79%, respectively.

The aggregate amount of certificates of deposit with a minimum denomination of \$100,000 was \$22,296,000 and \$20,293,000 at December 31, 2006 and 2005, respectively.

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

	December 31,	
	2006	2005
Within 12 months	\$ 73,033,334	62,649,330
12 months to 24 months	4,697,758	17,361,757
24 months to 36 months	2,327,437	1,072,797
36 months to 48 months	865,675	1,001,081
Total	<u>\$ 80,924,204</u>	<u>82,084,965</u>

Interest expense on deposits consists of the following:

	Years Ended December 31,		
	2006	2005	2004
Passbook accounts	\$ 231,534	252,244	261,513

NOW accounts	64,906	61,160	60,788
Money market accounts	368,782	370,977	364,548
Certificates of deposit	<u>3,309,345</u>	<u>2,116,030</u>	<u>1,582,178</u>
Total	<u>\$ 3,974,567</u>	<u>2,800,411</u>	<u>2,269,027</u>

12) Borrowed Money

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

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>December 31,</u>	
		<u>2006</u>	<u>2005</u>
January 23, 2006	4.73%\$	-	2,000,000
May 1, 2006	2.83	-	2,000,000
August 23, 2006	5.32	-	1,000,000
December 18, 2006	2.93	-	1,000,000
March 28, 2007	4.37	2,000,000	2,000,000
April 13, 2007	4.18	1,000,000	1,000,000
May 25, 2007	5.24	2,000,000	-
July 18, 2007	5.67	1,000,000	-
August 23, 2007	5.46	1,000,000	-
August 29, 2007	5.45	2,000,000	-
November 28, 2007	5.21	2,000,000	-
December 26, 2007	5.27	2,000,000	-
January 23, 2008	4.88	2,000,000	-
February 19, 2008	5.24	1,000,000	-
May 1, 2008	5.42	2,000,000	-
July 1, 2008	4.13	2,000,000	2,000,000
August 25, 2008	3.84	2,000,000	2,000,000
March 30, 2009	5.23	2,000,000	-
May 15, 2009	5.93	308,419	421,016
August 16, 2010	5.99	1,500,000	1,500,000
September 20, 2010	5.95	1,000,000	1,000,000
December 20, 2010	4.98	2,000,000	2,000,000
March 22, 2011	4.09	-	500,000
March 28, 2011	5.26	3,000,000	-
July 15, 2015	5.91	623,969	635,869
November 16, 2020	6.71	1,642,440	1,712,110
		<u>\$ 34,074,828</u>	<u>20,768,995</u>
Weighted average interest rate		<u>5.16%</u>	<u>4.67 %</u>

The Bank has adopted a collateral pledge agreement whereby the Bank has agreed to all times keep on hand, free of all other pledges, liens, and encumbrances, first mortgages with unpaid principal balances aggregating no less than 145% of the outstanding secured advances from the Federal Home Loan Bank of Indianapolis. At December 31, 2006, no securities were pledged for these borrowings.

Interest expense on FHLB advances amounted to \$1,360,285, \$987,546 and \$899,497 for the years ended December 31, 2006, 2005 and 2004, respectively.

The Company has entered into a revolving line of credit in the maximum amount of \$243,000. The loan will bear interest at one half percent under the Wall Street Journal prime rate. The Company may borrow up to 75% of the market value of the collateral security. At December 31, 2006, the Company pledged common stock with a market value of approximately \$339,000 as collateral securing this line of credit. At December 31, 2006 the Company had an outstanding balance against this line of credit of \$242,761. Interest expense incurred on this advance amounted to \$18,563 and \$2,397 for the years ended December 31, 2006 and 2005, respectively. The Company did not borrow against this line of credit during 2004.

13) Guaranteed Preferred Beneficial Interest in Junior Subordinated Debentures

In March of 2002, the Company formed AMB Financial Statutory Trust I ("Trust"). The Trust is a statutory business trust and is wholly owned by the Company. The Trust issued \$5.0 million of Trust Preferred Capital Securities (the "Capital Securities") as a participant in a pooled trust preferred securities offering concurrent with the issuance of the Capital Securities, the Trust issued trust common securities to the Company in the aggregate liquidation value of \$155,000. The proceeds of the issuance of the Capital Securities and trust common securities were invested in the Company's junior subordinated debentures. The junior subordinated debentures are the sole assets of the Trust. The junior subordinated debentures and the trust preferred securities pay interest on a quarterly basis. The junior subordinated debentures and the securities bear interest at a rate of 3-month LIBOR plus 3.60%, mature on March 27, 2032 and are non-callable for five years and, after that period, the securities may be called at any quarterly interest payment date at par. Distributions on the Capital Securities are payable quarterly. Interest expense for the years ended December 31, 2006, 2005 and 2004 amounted to \$453,656, \$359,035 and \$264,849, respectively. The costs associated with the Capital Securities issuance have been capitalized and are being amortized over the estimated life of the securities.

14) Other Liabilities

Other liabilities include the following:

	December 31,	
	2006	2005
Accrued interest on deposits	\$ 14,136	8,942
Accrued interest on borrowings	74,932	43,072
Accrued bonus	91,234	96,475
Accrued audit and accounting fees	39,010	36,555
Accrued real estate and personal property taxes	75,822	84,991
Deferred compensation (see note 15)	935,481	863,810
Outstanding bank drafts	1,162,197	919,828
Miscellaneous accounts payable	308,373	340,345
	<u>\$ 2,701,185</u>	<u>2,394,018</u>

15) Benefit Plans

The Bank participates in an industry-wide, multi-employer, defined-benefit pension plan, which covers all full-time employees who have attained at least 21 years of age and completed one year of service. The Plan is administered by the Financial Institutions Retirement Fund. Calculations to determine full-funding status are made annually as of June 30. Contributions to the Plan for the Plan years ended June 30, 2006, 2005 and 2004 amounted to \$383,246, \$380,900 and \$264,569, respectively. Pension expense for the years ended December 31, 2006, 2005 and 2004 amounted to \$407,735, \$350,037, and \$254,946, respectively. Information regarding the Bank's share of assets and liabilities and plan benefit information of this plan is not available on an individual basis.

The Bank participates in the Financial Institutions Thrift Plan, which qualifies under Section 401(k) of the Internal Revenue Code and which covers substantially all employees. This plan calls for a discretionary contribution within specified limits and a matching Bank contribution equal to 25% of the first 6% of the employee contributions. Plan

expense for the years ended December 31, 2006, 2005 and 2004 amounted to \$15,361, \$15,919 and \$15,286, respectively.

The Bank also has established three non-qualified 401(k) Plan for officers of the Bank. Both Plans provide participating officers the opportunity to defer up to 6% of their salary into a tax deferred accumulation for future retirement. In addition, the Bank has also established a Director Deferral Plan which provides participating directors with the opportunity to defer all or a portion of their fees over a predetermined period. All deferred non-qualified 401(k) Plan contributions and deferred director fees are credited with interest from the Bank at the rate of 10% per year. Interest credited by the Bank to the non-qualified plans and deferred director fees on accumulated funds was \$89,456, \$82,583 and \$77,227 for the years ended December 31, 2006, 2005 and 2004, respectively.

16) Director, Officer and Employee Plans

Stock Option Plan. In conjunction with the Conversion, the stockholders of the Company approved the AMB Financial Corp. 1996 Stock Option and Incentive Plan. This is an incentive stock option plan for the benefit of the directors, officers and employees of the Company and its affiliates. This Plan authorized grants of options to purchase 210,767 shares of common stock after adjustments of stock dividends and stock splits (original authorized number of shares was 112,412, equal to 10% of the total number of shares issued in the Conversion). On October 23, 1996, 187,573 options (after adjusting for the stock dividends) were granted at \$6.80 per share, exercisable at a rate of 20% per year commencing October 23, 1997, and expiring ten years from the date of grant.

At the shareholders' meeting on April 27, 2005, the shareholders approved the AMB Financial Corp. 2005 Stock Option Plan, which authorized 40,000 stock options to become available for grant. During 2005, options for 43,120 shares were granted (23,194 options from the 1996 Plan and 19,926 from the 2005 Plan) at \$13.25 per share exercisable over four years and expiring ten years from the date of grant. The per share weighted average fair value of stock options granted during 2005 was \$ 3.51 on the date of grant, using a Black-Scholes option pricing model with the following historical weighted average assumptions: expected dividend yield of 2.0%, risk-free interest rate of 3.85%, expected life of 10 years and volatility of 27%.

The following is an analysis of the stock option activity for each of the years in the three year period ended December 31, 2006 and the stock options outstanding at the end of the respective periods.

	Exercise Price		
	Number of Options	Per Share	Total
Outstanding at December 31, 2003	187,573	6.80	1,275,496
Granted	0		
Exercised	(70,716)	6.80	(480,869)
Forfeited	0		
Outstanding at December 31, 2004	116,857	6.80	794,627
Granted	43,120	13.25	571,340
Exercised	(10,505)	6.80	(71,434)
Forfeited	0		
Outstanding at December 31, 2005	149,472	6.80-13.25	1,294,533
Granted	0		
Exercised	(106,352)	6.80	(723,193)
Forfeited	(2,810)	13.25	(37,232)
Outstanding at December 31, 2006	40,310	\$ 13.25	\$ 534,108
Exercisable at December 31, 2006	35,478	\$ 13.25	\$ 470,083
Options available for future grants at December 31, 2006	22,884		

As of December 31, 2006, the weighted average exercise price for options outstanding was \$13.25 with a weighted average remaining contractual life of 8.25 years.

16) Director, Officer and Employee Plans (continued)

Employee Stock Ownership Plan. In conjunction with the Conversion, the Bank formed an Employee Stock Ownership Plan ("ESOP"). The ESOP covers substantially all employees with more than one year of employment and who have attained the age of 18. The ESOP borrowed \$899,300 from the Company and purchased 168,618 common shares issued in the Conversion. The Bank will make scheduled discretionary cash contributions to the ESOP sufficient to service the amount borrowed. In accordance with generally accepted accounting principles, the unpaid balance of the ESOP loan, which is comparable to unearned compensation, is reported as a reduction of stockholders' equity. Total contributions by the Bank to the ESOP which were used to fund principal and interest payments on the ESOP debt totaled \$90,946 and \$92,997 for the years ended December 31, 2005 and 2004, respectively. At December 31, 2005, the balance of this loan had been fully repaid.

Statement of Position No. 93-6, "Employers' Accounting for Employee Stock Ownership Plans" ("SOP 93-6") provides guidance for accounting for all ESOPs. SOP 93-6 requires that the issuance or sale of treasury shares to the ESOP be reported when the issuance or sale occurs and that compensation expense be recognized for shares committed to be released to directly compensate employees equal to the fair value of the shares committed. In addition, SOP 93-6 requires that leveraged ESOP debt and related interest expense be reflected in the employer's financial statements. Prior practice was to recognize compensation expense based on the amount of the employer's contributions to the ESOP. The application of SOP 93-6 results in fluctuations in compensation expense as a result of changes in the fair value of the Company's common stock; however, any such compensation expense fluctuations will result in an offsetting adjustment to additional paid-in capital. For the years ended December 31, 2005 and 2004, additional compensation expense of \$135,709 and \$177,300 was recognized as a result of implementation of this accounting principle.

17) Income Taxes

The Bank had qualified under provisions of the Internal Revenue Code, which permitted it to deduct from taxable income an allowance for bad debt, which differed from the provision for such losses charged to income. Accordingly, retained earnings at December 31, 2006 includes approximately \$1,950,000, for which no provision for income taxes has been made. If in the future this portion of retained earnings is distributed, or the Bank no longer qualifies as a bank for tax purposes, income taxes may be imposed at the then applicable rates.

The provision for income taxes consists of the following:

	Years Ended December 31,		
	2006	2005	2004
Current	\$ 131,828	381,864	135,887
Deferred	(12,756)	(38,195)	213,962
	<u>\$ 119,072</u>	<u>343,669</u>	<u>349,849</u>

A reconciliation of the statutory federal income tax rate to effective income tax rate is as follows:

	Years Ended December 31,		
	2006	2005	2004
Statutory federal income tax rate	34.0%	34.0%	34.0%
State income taxes	1.2	5.8	5.6
Low income housing credit	(18.2)	(11.6)	(11.4)
Cash surrender value of life insurance	(4.1)	(4.0)	(5.2)
Employee benefit plan expense	1.7	4.5	5.7
Other	.9	(.1)	(.3)
Effective income tax rate	<u>15.5%</u>	<u>28.6%</u>	<u>28.4%</u>

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

	Years Ended December 31,		
	2006	2005	2004
Loan fees	\$ -	-	10,058
Federal Home Loan Bank stock dividend	-	7,440	30,240
Federal Home Loan Bank stock redemption	(4,022)	-	-
Depreciation	(708)	3,939	9,415
Deferred compensation	(28,668)	(28,266)	1,470
Pension	(9,354)	13,443	5,000
Book loan loss provision (in excess of less than tax deduction)	24,957	(13,152)	126,898
Unrealized gain on trading account securities	4,092	(20,397)	10,998

Other, net	<u>947</u>	<u>(1,202)</u>	<u>19,883</u>
	<u>\$ (12,756)</u>	<u>(38,195)</u>	<u>213,962</u>

18) Regulatory Capital Requirements

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

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios, set forth in the table below of the total risk-based, tangible and core capital, as defined in the regulations. Management believes, as of December 31, 2006, that the Bank meets all capital adequacy requirements to which it is subject.

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

At December 31, 2006 and 2005, the Bank's actual capital amounts and ratios, minimum amounts and ratios required for capital adequacy purposes and minimum amounts and ratios to meet the well-capitalized criteria under prompt corrective action provision, are as follows:

	Actual		For Capital Adequacy Purposes		To Be Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2006						
Tangible	\$15,574,894	8.74%	\$ 2,672,000	1.50%	N/A	N/A%
Core	15,574,894	8.74	5,344,000	3.00	8,907,000	5.00
Risk-based	16,261,361	14.93	8,712,000	8.00	10,891,000	10.00
December 31, 2005						
Tangible	\$15,427,834	9.26%	\$ 2,498,000	1.50%	N/A	N/A%
Core	15,427,834	9.26	4,996,000	3.00	8,327,000	5.00
Risk-based	16,176,693	15.85	8,165,000	8.00	10,206,000	10.00

	Tangible Capital	Core Capital	Risk-based Capital
December 31, 2006			
Stockholders' equity	\$ 15,550,244	15,550,244	15,550,244

Unrealized loss on securities available for sale, net of taxes	24,650	24,650	24,650
General loss allowances	-	-	686,467
Regulatory capital computed	<u>\$ 15,574,894</u>	<u>15,574,894</u>	<u>16,261,361</u>

December 31, 2005

Stockholders' equity	\$ 15,408,964	15,408,964	15,408,964
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Unrealized loss on securities available for sale, net of taxes	18,870	18,870	18,870
General loss allowances	-	-	748,859
Regulatory capital computed	<u>\$ 15,427,834</u>	<u>15,427,834</u>	<u>16,176,693</u>

19) Stockholders' Equity

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

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

Unlike the Bank, the Company is not subject to these regulatory restrictions on the payment of dividends to its stockholders. However, the Company's source of funds for future dividends may depend upon dividends received by the Company from the Bank.

20) Financial Instruments with Off-Balance Sheet Risk

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

Commitments to originate mortgage loans of \$3,209,500 at December 31, 2006 represent amounts which the Bank plans to fund within the normal commitment period of 60 to 90 days. Of this amount \$2,731,500 are fixed rate commitments with rates ranging from 6.25% to 8.25% and \$478,000 are in adjustable rate commitments. Because the credit worthiness of each customer is reviewed prior to extension of the commitment, the Bank adequately controls its credit risk on these commitments, as it does for loans recorded on the balance sheet. The Bank conducts all of its lending activities in the Northwest Indiana area. Management believes the Bank has a diversified loan portfolio and the concentration of lending activities in these local communities does not result in an acute dependency upon economic conditions of the lending region.

The Bank has approved, but unused, home equity lines of credit of approximately \$4,904,000 at December 31, 2006. Approval of lines of credit is based upon underwriting standards that generally do not allow total borrowings, including the line of credit, to exceed 75% of the estimated fair value of the customer's home. In addition, the Bank has approved but unused equity lines of credit on various construction and commercial projects of approximately \$1,440,000 at December 31, 2006. The Bank also has approved but unused credit card lines of credit of approximately \$1,782,000.

The Bank is currently participating with several local financial institutions in credit enhancement agreements with in-state municipalities to guarantee the repayment on municipal revenue bonds. The Bank has accepted credit risk on these various municipal projects in the amount of approximately \$942,000. These credit enhancements are in cooperation with the Federal Home Loan Bank of Indianapolis ("FHLB") and have pledging requirements as part of the qualifying collateral agreement with FHLB. Additionally, at December 31, 2006, the Bank had issued standby letters of credit totaling approximately \$95,000 to guarantee the performance of various customers to third parties.

21) Contingencies

The Bank is, from time to time, a party to certain lawsuits in the ordinary course of its business, wherein it enforces its security interest. Management, based upon discussions with legal counsel, believes that the Company and the Bank are not engaged in any legal proceedings of a material nature at the present time.

22) Subsequent Event

On January 24, 2007, the Company declared a quarterly cash dividend of \$.08 per share, totaling \$83,708, payable February 16, 2007 to shareholders of record as of February 2, 2007.

23) Disclosures About the Fair Value of Financial Instruments

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

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

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

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

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

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

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

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

The estimated fair value of the Company's financial instruments as of December 31, 2006 and 2005 are as follows:

	<u>December 31, 2005</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets:		
Cash and cash equivalents	\$ 9,727,842	\$ 9,727,842
Investment securities, available for sale	3,178,431	3,178,431
Trading securities	339,275	339,275
Mortgage-backed securities, available for sale	1,252,251	1,252,251
Loans receivable	150,701,080	150,667,000
Accrued interest receivable	796,354	796,354
Financial liabilities:		
Deposits	\$ 124,858,001	124,790,000

Borrowed money	34,317,589	34,587,000
Accrued interest payable	89,068	89,068

	<u>December 31, 2005</u>	
	<u>Carrying</u>	
	<u>Amount</u>	<u>Fair Value</u>
Financial assets:		
Cash and cash equivalents	\$ 9,039,011	9,039,011
Investment securities, available for sale	3,188,251	3,188,251
Trading securities	329,045	329,045
Mortgage-backed securities, available for sale	1,664,278	1,664,278
Loans receivable	140,034,877	139,251,000
Accrued interest receivable	706,561	706,561
Financial liabilities:		
Deposits	\$ 127,434,994	127,018,000
Borrowed money	21,011,756	21,115,000
Accrued interest payable	52,014	52,014

24) Condensed Parent Company Only Financial Statements

The following condensed statement of financial condition, as of December 31, 2006 and 2005 and condensed statements of income and cash flows for the years ended December 31, 2006, 2005 and 2004 for AMB Financial Corp. should be read in conjunction with the consolidated financial statements and the notes thereto.

Condensed Statements of Financial Condition

	<u>December 31,</u>	
	<u>2006</u>	<u>2005</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 347,843	183,122
Trading securities	339,275	329,045
Loans receivable	1,257,693	1,758,261
Real estate held for development	1,881,551	1,352,611
Investment in American Savings, FSB	14,841,281	14,694,221
Investment in AMB Financial Statutory Trust I	155,000	155,000
Prepaid expenses and other assets	605,820	611,509
Total assets	<u>19,428,463</u>	<u>19,083,769</u>
<u>Liabilities and Stockholders' Equity</u>		
<u>Liabilities:</u>		
Borrowed money	242,761	442,761
Junior subordinated debentures	5,155,000	5,155,000
Accrued taxes and other liabilities	78,497	56,119
Total liabilities	<u>5,476,258</u>	<u>5,653,880</u>
<u>Stockholders' Equity:</u>		
Common stock	16,862	16,862
Additional paid-in capital	10,785,555	10,657,470
Retained earnings	9,963,363	10,021,965
Treasury stock	(6,813,575)	(7,266,408)
Total stockholders' equity	<u>13,952,205</u>	<u>13,429,889</u>
	<u>\$ 19,428,463</u>	<u>19,083,769</u>

Condensed Statements of Income

	<u>Years Ended December 31,</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
Net interest expense	\$ (285,019)	(227,881)	(136,372)
Gain on sale of trading securities	-	42,821	6,876
Unrealized gain (loss) on trading securities	10,230	(50,993)	27,494

Income from real estate held for development	50,598	-	-
Other non-interest income	49,000	9,017	4,359
Non-interest expense	<u>(336,954)</u>	<u>(294,181)</u>	<u>(280,999)</u>
Net loss before income taxes and equity in earnings of subsidiaries	(512,145)	(521,217)	(378,642)
Benefit from income taxes	<u>213,353</u>	<u>209,551</u>	<u>153,442</u>
Net loss before equity in earnings of subsidiaries	(298,792)	(311,666)	(225,200)
Equity in earnings of subsidiaries	<u>947,060</u>	<u>1,171,408</u>	<u>1,105,834</u>
Net income	<u>\$ 648,268</u>	<u>859,742</u>	<u>880,634</u>

24) Condensed Parent Company Only Financial Statements (continued)Condensed Statements of Cash Flows

	Years Ended December 31,		
	2006	2005	2004
Operating activities:			
Net income	\$ 648,268	859,742	880,634
Equity in earnings of subsidiaries	(947,060)	(1,171,408)	(1,105,834)
Amortization of premiums and accretion of discounts	-	-	11
Stock option compensation	50,019	-	-
Gain on sale of trading securities	-	(42,821)	(6,876)
Unrealized (gain) loss on trading securities held for trade	(10,230)	50,993	(27,494)
Proceeds from sale of trading securities	-	177,736	17,845
(Decrease) increase in deferred income on loans	(6,595)	9,512	-
Income from real estate held for development	(50,598)	-	-
Decrease (increase) in prepaid taxes and other assets	83,755	(25,705)	80,226
Increase in other liabilities	22,378	3,639	6,883
Net cash provided for operating activities	<u>(210,063)</u>	<u>(138,312)</u>	<u>(154,605)</u>
Investing activities:			
Proceeds from maturities of investment securities	-	-	200,000
Proceeds from sale of real estate held for development	881,679	-	-
Purchase of real estate held for development	(1,360,021)	(1,352,611)	-
Loan disbursements	(37,837)	(1,767,773)	-
Loan repayments	545,000	89,930	89,930
Net cash provided by (for) investing activities	<u>28,821</u>	<u>(3,030,454)</u>	<u>289,930</u>
Financing activities:			
Proceeds from borrowed money	-	442,761	-
Repayment of borrowed money	(200,000)	-	-
Proceeds from exercise of stock options	481,783	71,434	105,914
Repurchase of stock options	-	-	(108,215)
Purchase of treasury stock	(420,505)	(166,187)	(74,269)
Dividends received from Bank	800,000	-	-
Dividends paid on common stock	(315,315)	(259,197)	(224,172)
Net cash provided by (for) investing activities	<u>345,963</u>	<u>88,811</u>	<u>(300,742)</u>
Net increase (decrease) in cash and cash equivalents	164,721	(3,079,955)	(165,417)
Cash and cash equivalents at beginning of year	183,122	3,263,077	3,428,494
Cash and cash equivalents at end of year	<u>\$ 347,843</u>	<u>183,122</u>	<u>3,263,077</u>

Cobitz, VandenBerg & Fennessy
CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITORS' REPORT

The Board of Directors
AMB Financial Corp.

We have audited the consolidated statements of financial condition of AMB Financial Corp. and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the three years in the period ending December 31, 2007. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AMB Financial Corp. and subsidiaries at December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ending December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.



February 15, 2008
Palos Hills, Illinois

AMB FINANCIAL CORP.
AND SUBSIDIARIES

Consolidated Statements of Financial Condition

	December 31,	
	2007	2006
<u>Assets</u>		
Cash and amounts due from depository institutions	\$ 2,555,155	4,224,462
Interest-bearing deposits	379,853	5,503,380
Total cash and cash equivalents	2,935,008	9,727,842
Investment securities, available for sale, at fair value (note 2)	1,718,634	3,178,431
Trading securities (note 3)	306,566	339,275
Mortgage-backed securities, available for sale, at fair value (note 4)	857,988	1,252,251
Loans receivable (net of allowance for loan losses: 2007 - \$737,886; 2006 - \$686,467) (note 5)	148,024,848	150,701,080
Real estate owned	750,412	1,081,113
Investment in limited partnership (note 7)	712,129	757,129
Stock in Federal Home Loan Bank of Indianapolis, at cost	1,750,900	1,750,900
Accrued interest receivable (note 8)	741,272	796,354
Office properties and equipment - net (note 9)	6,211,224	2,856,432
Real estate held for development (note 10)	1,953,953	1,881,551
Bank owned life insurance	3,740,294	3,614,272
Prepaid expenses and other assets (note 11)	5,050,438	4,345,847
	<u>174,753,666</u>	<u>182,282,477</u>
 <u>Liabilities and Stockholders' Equity</u>		
<u>Liabilities:</u>		
Deposits (note 12)	118,881,547	124,858,001
Borrowed money (note 13)	35,913,019	34,317,589
Junior subordinated debentures (note 14)	3,000,000	5,000,000
Note payable	206,530	342,567
Advance payments by borrowers for taxes and insurance	189,225	401,967
Other liabilities (note 15)	3,110,841	2,701,185
Total liabilities	<u>161,301,162</u>	<u>167,621,309</u>
 <u>Stockholders' Equity:</u>		
Preferred stock, \$.01 par value: authorized 100,000 shares; none outstanding	-	-
Common stock, \$.01 par value: authorized 1,900,000 shares; 1,686,169 shares issued and 984,166 shares outstanding at December 31, 2007 and 1,046,350 shares outstanding at December 31, 2006	16,862	16,862
Additional paid-in capital	11,530,669	11,519,168
Retained earnings, substantially restricted	9,653,588	9,963,363
Accumulated other comprehensive income (loss), net of tax	12,228	(24,650)
Treasury stock, at cost (702,003 and 639,819 shares at December 31, 2007 and 2006)	<u>(7,760,843)</u>	<u>(6,813,575)</u>

Total stockholders' equity (notes 19 and 20)	<u>13,452,504</u>	<u>14,661,168</u>
Commitments and contingencies (notes 21 and 22)		
Total liabilities and stockholders' equity	<u>\$ 174,753,666</u>	<u>182,282,477</u>

See accompanying notes to consolidated financial statements.

AMB FINANCIAL CORP.
AND SUBSIDIARIES

Consolidated Statements of Income

	Years Ended December 31,		
	2007	2006	2005
Interest income:			
Interest on loans	\$ 9,497,334	9,553,222	8,152,121
Interest on mortgage-backed securities	46,381	69,566	90,049
Interest on investment securities	156,275	166,546	114,952
Interest on interest-bearing deposits	257,548	151,854	148,977
Dividends on Federal Home Loan Bank stock	79,510	85,875	78,545
Total interest income	<u>10,037,048</u>	<u>10,027,063</u>	<u>8,584,644</u>
Interest expense:			
Interest on deposits	4,395,507	3,974,567	2,800,411
Interest on borrowings	2,046,183	1,832,504	1,348,978
Total interest expense	<u>6,441,690</u>	<u>5,807,071</u>	<u>4,149,389</u>
Net interest income	<u>3,595,358</u>	<u>4,219,992</u>	<u>4,435,255</u>
Provision for loan losses (note 5)	132,789	248,146	274,845
Net interest income after provision for loan losses	<u>3,462,569</u>	<u>3,971,846</u>	<u>4,160,410</u>
Non-interest income:			
Loan fees and service charges	135,903	227,514	173,487
Deposit related fees	492,026	480,986	574,782
Other fee income	350,023	430,821	374,052
Rental income	148,023	139,086	138,413
Unrealized (loss) gain on trading securities - net	(32,709)	10,230	(50,993)
Gain on sale of trading securities	-	-	42,821
Gain on sale of loans (note 6)	18,429	-	-
Loss on sale of investment securities	-	-	(11,269)
Loss on sale of real estate owned - net	(88,495)	(78,513)	(4,189)
Loss from limited partnership (note 7)	(45,000)	(40,819)	(71,750)
Income from real estate held for development	34,256	50,598	-
Gain on sale of other assets (note 11)	-	38,851	345,166
Increase in cash surrender value of life insurance	126,022	122,666	118,494
Other income	22,308	23,318	54,025
Total non-interest income	<u>1,160,786</u>	<u>1,404,738</u>	<u>1,683,039</u>
Non-interest expense:			
Staffing costs (notes 16 and 17)	2,256,050	2,327,335	2,348,057
Advertising	164,815	250,282	180,168
Occupancy and equipment expenses (note 9)	437,521	428,362	427,937
Data processing	503,783	475,599	659,849
Professional fees	401,563	305,433	242,779
Federal deposit insurance premiums	16,593	16,028	16,331
Other	852,874	806,205	764,917
Total non-interest expense	<u>4,633,199</u>	<u>4,609,244</u>	<u>4,640,038</u>
(Loss) income before income taxes	<u>(9,844)</u>	<u>767,340</u>	<u>1,203,411</u>

Provision for income taxes (benefit) (note 18)	<u>(58,284)</u>	<u>119,072</u>	<u>343,669</u>
Net income	<u>\$ 48,440</u>	<u>648,268</u>	<u>859,742</u>
Earnings per share -			
Basic	\$.05	.64	.90
Diluted	\$.05	.64	.85

See accompanying notes to consolidated financial statements.

AMB FINANCIAL CORP.
AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

Three Years Ended December 31, 2007

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Common Stock Acquired by ESOP	Total
Balance at December 31, 2004	\$ 16,862	11,227,535	9,458,798	5,185	(7,209,033)	(89,930)	13,409,417
Comprehensive income:							
Net income			859,742				859,742
Other comprehensive loss, net of tax:							
Unrealized holding loss during the year				(30,816)			(30,816)
Add: Reclassification adjustment of losses included in net income				6,761			6,761
Total comprehensive income			859,742	(24,055)			835,687
Purchase of treasury stock (11,618 shares)					(166,187)		(166,187)
Exercise of 10,505 stock options, and reissuance of treasury stock			(37,378)		108,812		71,434
Tax benefit related to stock options exercised		27,839					27,839
Appreciation in fair value of shares charged to expense for ESOP plan		135,709					135,709
Contribution to fund ESOP loan						89,930	89,930
Dividends declared on common stock (\$.27 per share)			(259,197)				(259,197)
Balance at December 31, 2005	16,862	11,391,083	10,021,965	(18,870)	(7,266,408)	-	14,144,632
Comprehensive income:							
Net income			648,268				648,268
Other comprehensive loss, net of tax:							
Unrealized holding loss during the year				(5,780)			(5,780)
Total comprehensive income			648,268	(5,780)			642,488
Purchase of treasury stock (28,001 shares)					(420,505)		(420,505)

Exercise of 106,352 stock options, and reissuance of treasury stock			(391,555)	873,338	481,783
Tax benefit related to stock options exercised	78,066				78,066
Stock option compensation	50,019				50,019
Dividends declared on common stock (\$.31 per share)			(315,315)		(315,315)
Balance at December 31, 2006	<u>16,862</u>	<u>11,519,168</u>	<u>9,963,363</u>	<u>(24,650)</u>	<u>(6,813,575)</u>
Comprehensive income:					
Net income			48,440		48,440
Other comprehensive income, net of tax:					
Unrealized holding gain during the year				36,878	36,878
Total comprehensive income			48,440	36,878	85,318
Purchase of treasury stock (62,184 shares)				(947,268)	(947,268)
Stock option compensation	11,501				11,501
Dividends declared on common stock (\$.35 per share)			(358,215)		(358,215)
Balance at December 31, 2007	<u>\$ 16,862</u>	<u>11,530,669</u>	<u>9,653,588</u>	<u>12,228</u>	<u>(7,760,843)</u>

See accompanying notes to consolidated financial statements.

AMB FINANCIAL CORP.
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Years Ended December 31,		
	2007	2006	2005
Cash flows from operating activities:			
Net income	\$ 48,440	648,268	859,742
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation	200,526	200,411	204,650
Amortization of cost of stock benefit plans	-	-	89,930
Stock option compensation	11,501	50,019	-
Amortization of premiums and accretion of discounts	13,743	16,884	22,193
Federal Home Loan Bank stock dividend	-	-	(37,400)
Net gains on sale of securities	-	-	(31,552)
Proceeds from sale of loans held for sale	1,389,664	-	-
Origination of loans held for sale	(1,379,711)	-	-
Gain on sale of loans	(18,429)	-	-
Gain on sale of other assets	-	(38,851)	(345,166)
Net loss on sale of real estate owned	88,495	78,513	4,189
Provision for loan losses	132,789	248,146	274,845
Loss from limited partnership	45,000	40,819	71,750
Increase in cash surrender value of life insurance	(126,022)	(122,666)	(118,494)
Income from real estate held for development	(34,256)	(50,598)	-
Unrealized loss (gain) on trading securities	32,709	(10,230)	50,993
Proceeds from sale or redemption of trading securities	-	-	177,736
(Decrease) increase in net deferred yield adjustments on loans	(63,108)	101,303	59,656
(Increase) decrease in prepaid and deferred taxes	(58,284)	(210,928)	343,669
Decrease (increase) in accrued interest receivable	55,082	(89,793)	(73,949)
Increase in accrued interest payable	6,852	37,054	5,567
(Increase) decrease in purchased accounts receivable	(704,257)	830,216	(432,120)
Increase in deferred compensation	36,579	71,671	70,666
Other, net	408,066	371,803	247,672
Net cash provided by operating activities	<u>85,379</u>	<u>2,172,041</u>	<u>1,444,577</u>
Cash flows from investing activities:			
Proceeds from sales of investment securities	-	-	988,800
Proceeds from maturities of investment securities	1,500,000	500,000	400,000
Purchase of investment securities	(8,569)	(507,965)	(2,011,304)
Proceeds from sales of mortgage-backed securities	-	-	2,316
Proceeds from repayments of mortgage-backed securities	410,349	403,294	581,176
Purchase of loans	(6,183,105)	(7,311,923)	(11,843,519)
Loan disbursements	(42,422,014)	(49,271,721)	(41,755,779)
Loan repayments	50,674,810	44,504,736	41,927,037
Proceeds from sale of real estate owned	779,066	489,396	104,248
Proceeds from redemption of Federal Home Loan Bank stock	-	101,700	-

Purchase of Federal Home Loan Bank stock	-	(50,000)	-
Proceeds from sale of real estate held for development	476,691	881,679	-
Purchase of real estate held for development	(514,837)	(1,360,021)	(1,352,611)
Proceeds from sale of other assets	-	38,851	360,166
Property and equipment expenditures, net	<u>(3,555,318)</u>	<u>(665,354)</u>	<u>(163,730)</u>
Net cash provided by (for) investing activities	<u>\$ 1,157,073</u>	<u>(12,247,328)</u>	<u>(12,763,200)</u>

(Continued)

AMB FINANCIAL CORP.
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Years Ended December 31,		
	2007	2006	2005
Cash flows from financing activities:			
Net (decrease) increase in deposits	\$ (5,976,454)	(2,576,993)	11,776,253
Proceeds from borrowed money	16,800,000	20,000,000	5,242,761
Repayment of borrowed money	(15,204,570)	(6,694,167)	(3,185,000)
Proceeds from issuance of capital trust securities	3,000,000	-	-
Repayment of capital trust securities	(5,000,000)	-	-
Repayment of notes payable	(136,037)	(137,908)	(140,434)
(Decrease) increase in advance payments by borrowers for taxes and insurance	(212,742)	427,223	(1,334,771)
Proceeds from exercise of stock options	-	481,783	71,434
Purchase of treasury stock	(947,268)	(420,505)	(166,187)
Dividends paid on common stock	(358,215)	(315,315)	(259,197)
Net cash provided (for) by financing activities	<u>(8,035,286)</u>	<u>10,764,118</u>	<u>12,004,859</u>
Net change in cash and cash equivalents	(6,792,834)	688,831	686,236
Cash and cash equivalents at beginning of year	<u>9,727,842</u>	<u>9,039,011</u>	<u>8,352,775</u>
Cash and cash equivalents at end of year	<u>\$ 2,935,008</u>	<u>9,727,842</u>	<u>9,039,011</u>
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest	\$ 6,434,838	5,770,017	4,143,822
Income taxes	-	330,000	-
Non-cash investing activities:			
Transfer of loans to real estate owned	\$ 536,860	1,063,256	687,334

See accompanying notes to consolidated financial statements.

AMB FINANCIAL CORP.
AND SUBSIDIARIES

Notes to Consolidated Financial Statements

1) Summary of Significant Accounting Policies

AMB Financial Corp. (the "Company") is a Delaware corporation incorporated on November 23, 1993 for the purpose of becoming the savings and loan holding company for American Savings, FSB (the "Bank"). On March 29, 1996, the Bank converted from a mutual to a stock form of ownership, and the Company completed its initial public offering, and, with a portion of the net proceeds acquired all of the issued and outstanding capital stock of the Bank (the "Conversion").

Principles of Consolidation

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

Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Statement of Cash Flows

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

Industry Segments

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

Investment Securities and Mortgage-Backed Securities, Available for Sale

Investment securities and mortgage-backed securities available for sale are recorded in accordance with Statement of Financial Accounting Standards ("SFAS") No. 115 "Accounting for Certain Investments in Debt and Equity Securities". SFAS No. 115 requires the use of fair value accounting for securities available for sale or trading and retains the use of the amortized cost method for investments the Company has the positive intent and ability to hold to maturity. SFAS No. 115 requires the classification of debt and equity securities into one of three categories: held to maturity, available for sale, or trading. Held to maturity securities are measured at amortized cost. Unrealized gains and losses on trading securities are included in income. Unrealized gains and losses on available for sale securities are excluded from income and reported net of taxes as a separate component of stockholders' equity.

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

Trading Securities

Trading account securities are recorded at fair value. Realized and unrealized gains and losses on trading account securities are reflected in non-interest income in the consolidated statements of income.

Summary of Significant Accounting Policies (continued)

Loans Receivable and Related Fees

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

Loan origination fees and certain direct loan origination costs are being deferred in accordance with SFAS No. 91 "Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases". This statement requires that loan origination fees and direct loan origination costs for a completed loan be netted and then deferred and amortized into interest income as an adjustment of yield over the contractual life of the loan.

The Company has adopted the provisions of SFAS No. 114 "Accounting by Creditors for Impairment of a Loan" and SFAS No. 118 "Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosures". These statements apply to all loans that are identified for evaluation except for large groups of smaller-balance homogeneous loans that are collectively evaluated for impairment. These loans include, but are not limited to, credit card, residential mortgage and consumer installment loans. Of the remaining loans which are evaluated for impairment, management has determined that there were loans totaling \$2,592,410 to be evaluated for impairment at December 31, 2007.

Allowance for Loan Losses

The determination of the allowance for loan losses involves material estimates that are susceptible to significant change in the near term. The allowance for loan losses is maintained at a level adequate to provide for losses through charges to operating expense. The allowance is based upon past loss experience and other factors which, in management's judgment, deserve current recognition in estimating losses. Such other factors considered by management include growth and composition of the loan portfolio, the relationship of the allowance for losses to outstanding loans and economic conditions.

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

Real Estate Owned

Real estate acquired through foreclosure or deed in lieu of foreclosure is carried at the lower of fair value minus estimated costs to sell or the related loan balance at the date of foreclosure. Valuations are periodically performed by management and an allowance for loss is established by a charge to operations if the carrying value of a property exceeds its fair value minus estimated costs to sell.

Real Estate Held for Development

Real estate properties held for development are carried at the lower of cost, including capitalized construction costs,

or net realizable value. Gains and losses on individual properties are based on cash received less the cost of each individual lot.

Office Properties and Equipment

Land is carried at cost. Depreciation of office properties and equipment is accumulated on the straight line basis over estimated lives of the various assets. Useful lives are 25 to 40 years for office properties and 3 to 10 years for furniture, fixtures and equipment.

Summary of Significant Accounting Policies (continued)Investment in Limited Partnership

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

Mortgage Servicing Rights

The Company generally retains the right to service mortgage loans sold to others. The cost allocated to mortgage servicing rights has been recognized as a separate asset and is being amortized in proportion to and over the period of estimated net servicing income, using a method that approximates a level yield and taking into consideration prepayment of the underlying loans. Mortgage servicing rights are periodically evaluated for impairment based on the fair value of those rights. Fair values are estimated using discounted cash flows based on current market rates of interest. The carrying value of the Company's mortgage serving rights, in relation to estimated servicing values, and the related amortization is reviewed by management on a quarterly basis. See Note 6 for a discussion of the current year impact on financial position and results of operations.

Income Taxes

The Company files a consolidated federal income tax return with the Bank. The provision for federal and state taxes on income is based on earnings reported in the financial statements. Deferred income taxes arise from the recognition of certain items of income and expense for tax purposes in years different from those in which they are recognized in the consolidated financial statements. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income for the period that includes the enactment date.

Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted average number of shares outstanding for the period. ESOP shares not committed to be released are not considered to be outstanding. Stock options are regarded as future common stock and are considered in the earnings per share calculations and are the only other adjustments made in computing diluted earnings per share.

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

	Years Ended December 31,		
	2007	2006	2005
Weighted average number of common shares outstanding used in basic EPS calculation	1,024,578	1,011,735	976,570
Reduction for common shares not yet released by Employee Stock Ownership Plan	-	-	(16,734)
Total weighted average common shares outstanding for basic computation	1,024,578	1,011,735	959,836

Add common stock equivalents for shares issuable under Stock Option Plans	<u>4,523</u>	<u>3,394</u>	<u>53,168</u>
Weighted average number of shares outstanding adjusted for common stock equivalents	<u>1,029,101</u>	<u>1,015,129</u>	<u>1,013,004</u>
Net income	\$ 48,440	648,268	859,742
Basic earnings per share	\$.05	.64	.90
Diluted earnings per share	\$.05	.64	.85

Summary of Significant Accounting Policies (continued)Stock Option Plans

Prior to January 1, 2006 the Company elected to account for stock options using the intrinsic value method under the provisions of Accounting Principles Board (“APB”) Opinion No. 25 and provided pro forma net income and pro forma earnings per share disclosures for employee stock option grants as if the fair value based method, defined in SFAS No. 123, “Accounting for Stock Based Compensation”, had been applied. Pursuant to the guidance in these pronouncements, the Company did not record compensation expense related to stock options.

On January 1, 2006, the Company adopted Statement of Financial Standards No. 123(R), “Share-Based Payments”. SFAS No. 123(R) requires that stock option awards, as well as other equity based compensation, be recognized as compensation expense in the income statement based on their fair values determined at the date of grant. The Company elected to apply SFAS No. 123(R) on a “modified prospective” method, which recognizes compensation cost (a) based on the requirements of SFAS No. 123(R) for all share-based payments granted after the effective date, and (b) based on the requirements of SFAS No. 123 for all awards granted to employees prior to the effective date of SFAS No. 123(R) that remain unvested on the effective date.

A summary of activity under the Company’s stock option plans for the three years ended December 31, 2007 is as follows:

	Years Ended December 31,		
	2007	2006	2005
Net income, as reported	\$ 48,440	648,268	859,742
Deduct: Total stock based employee compensation expense determined under the fair value based method, net of related tax effects	-	-	73,792
Pro forma net income	<u>\$ 48,440</u>	<u>648,268</u>	<u>785,950</u>
Diluted earnings per share, as reported	\$.05	.64	.85
Pro forma diluted earnings per share	\$.05	.64	.78

2) Investment Securities, Available for Sale

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

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
<u>December 31, 2007</u>				
United States Government and agency obligations	\$ 1,500,000	12,350	1,000	1,511,350
Marketable equity securities	<u>194,522</u>	<u>12,762</u>	<u>-</u>	<u>207,284</u>
Total	<u>\$ 1,694,522</u>	<u>25,112</u>	<u>1,000</u>	<u>1,718,634</u>

Weighted average interest rate on
debt securities 4.81%

December 31, 2006

United States Government and agency obligations	\$ 3,008,385	2,085	21,900	2,988,570
Marketable equity securities	<u>185,953</u>	<u>3,908</u>	<u>-</u>	<u>189,861</u>
Total	<u>\$ 3,194,338</u>	<u>5,993</u>	<u>21,900</u>	<u>3,178,431</u>

Weighted average interest rate on
debt securities 5.16%

The contractual maturity of the above investments is summarized as follows:

	<u>December 31, 2007</u>		<u>December 31, 2006</u>	
	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
<u>Term to Maturity</u>				
Due in one year or less	\$ 1,000,000	999,000	-	-
Due after one year through five years	-	-	2,508,385	2,486,485
Due after five years through ten years	500,000	512,350	500,000	502,085
Marketable equity securities	<u>194,522</u>	<u>207,284</u>	<u>185,953</u>	<u>189,861</u>
Total	<u>\$ 1,694,522</u>	<u>1,718,634</u>	<u>3,194,338</u>	<u>3,178,431</u>

There were no sales of investment securities, available for sale during the years ended December 31, 2007 and 2006. Proceeds from sales of investment securities, available for sale during the year ended December 31, 2005, were

\$988,800 with gross losses of \$11,200 realized on those sales. The change in net unrealized gains and losses during the current year of \$40,019, net of the tax effect of \$16,007, resulted in a \$24,012 credit to stockholders' equity.

3) Trading Securities

Trading securities are accounted for at their current fair values. Trading securities at December 31, 2007 consists of equity securities (common stock with a carrying value of \$306,566). These securities are pledged as collateral for a revolving line of credit as discussed in Note 13. Trading securities at December 31, 2006 also consists of equity securities (common stock with a carrying value of \$339,275). The adjustment of these securities to their current fair values has resulted in a net unrealized loss of \$32,709 for the year ended December 31, 2007, a net unrealized gain of \$10,230 for the year ended December 31, 2006, and a net unrealized loss of \$50,993 for the year ended December 31, 2005. There were no sales of trading securities during the years ended December 31, 2007 and 2006. Proceeds from sales of trading securities during the year ended December 31, 2005 were \$177,736 with gross gains of \$42,821 realized on those sales.

4) Mortgage-Backed Securities, Available for Sale

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

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
<u>December 31, 2007</u>				
Participation Certificates:				
FHLMC - Fixed rate	\$ 430,459	5,937	8,416	427,980
FNMA - Adjustable rate	131,999	5	1,311	130,693
FNMA - Fixed rate	219,183	-	3,428	215,755
GNMA - Fixed rate	33,140	3,143	-	36,283
Collateralized Mortgage Obligations:				
FNMA - Fixed rate	46,940	337	-	47,277
Total	<u>\$ 861,721</u>	<u>9,422</u>	<u>13,155</u>	<u>857,988</u>
Weighted average interest rate	<u>4.98%</u>			

December 31, 2006

Participation Certificates:				
FHLMC - Fixed rate	\$ 609,560	6,476	21,565	594,471
FNMA - Adjustable rate	10,051	-	27	10,024
FNMA - Fixed rate	480,480	-	13,452	467,028
GNMA - Fixed rate	39,757	2,960	-	42,717
Collateralized Mortgage Obligations:				
FNMA - Fixed rate	137,580	431	-	138,011
Total	<u>\$ 1,277,428</u>	<u>9,867</u>	<u>35,044</u>	<u>1,252,251</u>
Weighted average interest rate	<u>4.93%</u>			

There were no sales of mortgage-backed securities, available for sale during the years ended December 31, 2007 and 2006. Proceeds from the sale of mortgage-backed securities, available for sale during the year ended December 31, 2005 were \$2,316 with gross losses of \$69 realized on those sales. The change in net unrealized gains and losses during the current year of \$21,444, net of the tax effect of \$8,578, resulted in a \$12,866 credit to stockholders' equity.

5) Loans Receivable

	<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>
Mortgage loans:		
One-to-four family	\$ 103,102,577	105,222,934
Multi-family	6,210,287	8,319,235
Nonresidential	18,173,355	18,189,953
Construction	8,512,344	6,424,014
Land	<u>4,662,527</u>	<u>8,480,119</u>
Total mortgage loans	<u>140,661,090</u>	<u>146,636,255</u>
Other loans:		
Loans on deposit accounts	122,808	125,635
Equity lines of credit	4,842,500	5,523,545
Other consumer	<u>1,579,685</u>	<u>1,638,576</u>
Total other loans	<u>6,544,993</u>	<u>7,287,756</u>
Commercial business loans	<u>3,776,961</u>	<u>2,942,843</u>
Total loans receivable	<u>150,983,044</u>	<u>156,866,854</u>
Less:		
Loans in process	2,198,456	5,394,345
Net deferred yield adjustments	21,854	84,962
Allowance for loan losses	<u>737,886</u>	<u>686,467</u>
Loans receivable, net	<u>\$ 148,024,848</u>	<u>150,701,080</u>
Weighted average interest rate	<u>6.57%</u>	<u>6.66%</u>

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

	<u>Years Ended December 31,</u>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Balance, beginning of year	\$ 686,467	748,859	715,979
Provision for loan losses	132,789	248,146	274,845
Charge-offs	(331,348)	(342,411)	(249,265)
Recoveries	<u>249,978</u>	<u>31,873</u>	<u>7,300</u>
Balance, end of year	<u>\$ 737,886</u>	<u>686,467</u>	<u>748,859</u>

Delinquent loans (loans having monthly payments past due ninety days or more and non-accruing) at December 31, 2007 and 2006 amounted to approximately \$2,593,000 and \$2,676,000, respectively.

For the years ended December 31, 2007 and 2006, gross interest income, which would have been recorded had the non-accruing loans been current in accordance with their original terms, amounted to approximately \$121,000 and \$111,000, respectively.

Loans to directors and executive officers aggregated approximately \$1,616,000 and \$817,000 at December 31, 2007 and 2006, respectively. Such loans are made on substantially the same terms as those for other loan customers.

6) Loans Receivable, Held for Sale

The Bank will, from time to time, sell loans to the Federal Home Loan Bank of Indianapolis ("FHLB"). As such, the Bank may designate a portion of the loan portfolio to be classified as held for sale. During the year ended December 31, 2007, the Bank sold first mortgage loans totaling \$1,379,711 to the FHLB. The Company retains the servicing on loans sold to FHLB. Proceeds from the sale of loans during the year ended December 31, 2007 were \$1,389,664 with gains of \$9,953 realized on those sales. In addition, the Company recorded a gain of \$8,476 for the year ended December 31, 2007 on loan sales from the establishment of a mortgage servicing right asset. During the year ended December 31, 2007, the Company amortized \$526 of mortgage servicing rights against current servicing fee income.

As of December 31, 2007, there were no loans classified in this portfolio. Loans held for sale are valued at the lower of cost or fair value. At December 31, 2007, loans serviced for the FHLB amounted to \$1,374,009.

7) Investment in Limited Partnership

The investment in limited partnership of \$712,129 and \$757,129 at December 31, 2007 and 2006 represents a 39.60% equity in Pedcor Investments 1997 - XXXI ("Pedcor"), a limited partnership organized to build, own and operate a 56 unit apartment complex. The Bank has recorded its equity in the losses of Pedcor in the amount of \$45,000, \$40,819 and \$71,750 for the years ended December 31, 2007, 2006 and 2005. Condensed financial statements for Pedcor are as follows:

<u>Condensed Statements of Financial Condition</u>	December 31,		
	2007	2006	
<u>Assets</u>			
Cash	\$ 42,297	53,542	
Property and equipment	3,230,834	3,331,236	
Land	112,000	112,000	
Other	140,769	166,730	
Total assets	<u>3,525,900</u>	<u>3,663,508</u>	
<u>Liabilities and Partner's Capital</u>			
Notes payable - Bank	190,926	308,419	
Notes payable - Other	1,850,507	2,045,747	
Other liabilities	299,820	323,477	
Total liabilities	<u>2,341,253</u>	<u>2,677,643</u>	
Partners' capital	<u>1,184,647</u>	<u>985,865</u>	
Total liabilities and partners' capital	<u>\$ 3,525,900</u>	<u>3,663,508</u>	
<u>Condensed Statements of Operations</u>	Years Ended December 31,		
	2007	2006	2005
Total revenues	\$ 293,209	291,505	242,033
Total expenses	<u>397,039</u>	<u>394,582</u>	<u>423,219</u>

Net loss	<u>\$ (103,830)</u>	<u>(103,077)</u>	<u>(181,186)</u>
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8) Accrued Interest Receivable

Accrued interest receivable is summarized as follows:

	December 31,	
	2007	2006
Investment securities	\$ 37,056	56,904
Mortgage-backed securities	3,603	5,251
Loans receivable	907,063	869,709
Allowance for uncollected interest	(206,450)	(135,510)
Total accrued interest receivable	<u>\$ 741,272</u>	<u>796,354</u>

9) Office Properties and Equipment

Office properties and equipment are summarized as follows:

	December 31,	
	2007	2006
Cost:		
Land - Munster	\$ 40,669	40,669
Hammond	33,300	33,300
Dyer	300,000	300,000
Schereville	380,345	380,345
Building - Munster	457,773	457,773
Hammond	319,985	319,985
Dyer	1,803,735	1,796,151
Branch construction in process	3,602,403	143,433
Furniture and equipment	2,133,757	2,071,743
Total	<u>9,071,967</u>	<u>5,543,399</u>
Less accumulated depreciation:		
Building - Munster	430,525	429,202
Hammond	287,687	283,010
Dyer	463,757	408,755
Furniture and equipment	1,678,774	1,566,000
Total	<u>2,860,743</u>	<u>2,686,967</u>
Net book value	<u>\$ 6,211,224</u>	<u>2,856,432</u>

Depreciation of office properties and equipment for the years ended December 31, 2007, 2006 and 2005 amounted to \$200,526, \$200,411 and \$204,650, respectively.

The Bank owns a three-story office building in Dyer, Indiana, which is one-third utilized by the Bank as its branch office location. An additional one-third of the building is leased to a third party at a current annual lease rent of \$83,238. This lease terminates May 31, 2008 subject to a six month lease renewal option. One half of the remaining third of the building is being leased to a third-party at a current annual lease rent of \$34,855. This lease commenced on October 1, 2003 and terminates September 30, 2009 subject to two six-year lease renewal options. The remainder of the building is being leased to a third-party at a current annual lease rent of \$36,857. This lease commenced on January 1, 2004 and terminates December 31, 2008 subject to two five-year lease renewal options.

The Bank is currently constructing a three-story office building located in Schererville, Indiana, which will be partially utilized by the Bank as a full service branch office. The Bank will attempt to lease the remaining portion of the building. Construction of the banking facility is near completion and anticipated to be open to the public in June, 2008. Remaining costs to complete the construction project are anticipated to be approximately \$1,500,000.

10) Real Estate Held for Development

The Company has entered into an agreement with a local builder to acquire vacant lots and construct single family residences. Costs incurred as of December 31, 2007 for the acquisition of seven land parcels and construction costs on three completed residences amounted to \$1,953,953. Upon sale of each completed residence, before any profit distribution, the Company will receive a stipulated amount as interest on the funds that have been advanced. After

payment of this amount, the Company is entitled to receive 30% of any remaining profit. There was one sale during the year ended December 31, 2007 resulting in income recognition of \$34,256 and two sales during the year ended December 31, 2006 resulting in income recognition of \$50,598. At December 31, 2007, the completed properties have been listed for sale and are being actively marketed. Due to the recent slowdown in the housing industry, the Company has decided not to build on the remaining vacant lots and has listed them for sale.

11) Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist of the following:

	December 31,	
	2007	2006
Prepaid insurance premiums	\$ 64,729	89,534
Prepaid pension cost	220,936	277,573
Prepaid statutory trust preferred fees	154,360	160,780
Prepaid income taxes	290,103	337,264
Other prepaid expenses	83,178	70,814
Deferred federal and state income tax asset - net (a)	458,871	384,780
Purchased accounts receivable (b)	3,661,158	2,959,901
Miscellaneous (c)	117,103	65,201
	<u>117,103</u>	<u>65,201</u>
 Total	 \$ 5,050,438	 4,345,847
	<u>5,050,438</u>	<u>4,345,847</u>

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

	December 31,	
	2007	2006
Deferred tax assets:		
Deferred compensation	\$ 388,824	374,192
Nondeductible incentive plan expense	6,957	6,957
Book allowance for loan losses	296,354	274,587
Allowance for uncollected interest	82,580	71,280
Unrealized loss on securities available for sale	-	16,434
	<u>-</u>	<u>16,434</u>
 Total deferred tax assets	 774,715	 743,450
	<u>774,715</u>	<u>743,450</u>
Deferred tax liabilities:		
Accelerated tax depreciation	28,213	43,844
Federal Home Loan Bank stock dividend	67,258	67,258
Pension expense	88,374	111,029
Unrealized gain on trading account securities	39,291	52,375
Unrealized gain on securities available for sale	8,151	-
Other	84,557	84,164
	<u>84,557</u>	<u>84,164</u>
 Total deferred tax liabilities	 315,844	 358,670
	<u>315,844</u>	<u>358,670</u>
 Net deferred tax benefit	 \$ 458,871	 384,780
	<u>458,871</u>	<u>384,780</u>

(b) The Bank has entered into a program to purchase and manage the accounts receivable of credit-worthy merchants with required repurchase of delinquent accounts and with the merchant's repurchase obligation

supported by a cash collateral reserve account. For each merchant, the Bank establishes a maximum amount of purchased receivables allowed to be outstanding at any one time. At December 31, 2007 and 2006, the unused amount was \$1,951,000 and \$2,655,000, respectively.

- c) In March 2005, the shareholders of Intrieve Incorporated, the Bank's data processing provider, approved the sale and merger of Intrieve into Harland Financial Solutions Inc., a wholly owned subsidiary of John H. Harland Company. This transaction closed in April 2005. As a shareholder of Intrieve, the Bank received \$360,166 in cash on its \$15,000 investment, resulting in a gain of \$345,166 for the year ended December 31, 2005. During the year ended December 31, 2006, the Bank received additional funds of \$38,851 from this investment which represents the net proceeds of amounts held back to cover expenses of the transaction.

12) Deposits

Deposit accounts are summarized as follows:

	December 31,	
	2007	2006
Passbook accounts	\$ 16,928,984	17,616,276
Demand deposits and NOW accounts	13,332,751	15,465,231
Money market accounts	9,992,585	10,852,290
 Subtotal	 40,254,320	 43,933,797
 Certificates of deposit by interest rate:		
1.01- 2.00%	-	297,703
2.01- 3.00	566,706	1,989,515
3.01- 4.00	10,107,045	14,421,201
4.01- 5.00	39,148,903	34,932,869
5.01- 6.00	28,804,573	29,282,916
 Subtotal	 78,627,227	 80,924,204
 Total	 \$ 118,881,547	 124,858,001

The weighted average rate on deposit accounts at December 31, 2007 and 2006 was 3.58% and 3.49%, respectively.

The aggregate amount of certificates of deposit with a minimum denomination of \$100,000 was \$21,614,000 and \$22,296,000 at December 31, 2007 and 2006, respectively.

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

	December 31,	
	2007	2006
Within 12 months	\$ 67,630,655	73,033,334
12 months to 24 months	7,581,389	4,697,758
24 months to 36 months	2,582,338	2,327,437
36 months to 48 months	832,845	865,675
 Total	 \$ 78,627,227	 80,924,204

Interest expense on deposits consists of the following:

	Years Ended December 31,		
	2007	2006	2005
Passbook accounts	\$ 186,033	231,534	252,244
NOW accounts	66,110	64,906	61,160

Money market accounts	305,583	368,782	370,977
Certificates of deposit	<u>3,837,781</u>	<u>3,309,345</u>	<u>2,116,030</u>
Total	<u>\$ 4,395,507</u>	<u>3,974,567</u>	<u>2,800,411</u>

13) Borrowed Money

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

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>December 31,</u>	
		<u>2007</u>	<u>2006</u>
March 28, 2007	4.37%	\$ -	2,000,000
April 13, 2007	4.18	-	1,000,000
May 25, 2007	5.24	-	2,000,000
July 18, 2007	5.67	-	1,000,000
August 23, 2007	5.46	-	1,000,000
August 29, 2007	5.45	-	2,000,000
November 28, 2007	5.21	-	2,000,000
December 26, 2007	5.27	-	2,000,000
January 23, 2008	4.88	2,000,000	2,000,000
February 19, 2008	5.24	1,000,000	-
April 22, 2008	3.75*	1,000,000	-
May 1, 2008	5.42	2,000,000	-
May 27, 2008	3.75*	2,000,000	-
June 23, 2008	3.75*	2,000,000	-
July 1, 2008	4.13	2,000,000	2,000,000
July 18, 2008	5.35	2,000,000	-
August 25, 2008	3.84	2,000,000	2,000,000
March 30, 2009	5.23	2,000,000	2,000,000
May 15, 2009	5.93	190,926	308,419
August 24, 2009	5.02	1,000,000	-
August 31, 2009	4.90	2,000,000	-
August 16, 2010	5.99	1,500,000	1,500,000
September 20, 2010	5.95	1,000,000	1,000,000
December 20, 2010	4.98	2,000,000	2,000,000
March 28, 2011	5.26	3,000,000	3,000,000
December 20, 2011	3.90	1,250,000	-
December 20, 2012	4.03	1,250,000	-
July 15, 2015	5.91	611,236	623,969
November 16, 2020	6.71	1,568,096	1,642,440
Total		\$ 33,370,258	34,074,828
Weighted average interest rate		4.87%	5.16%

*Variable rate

The Bank has adopted a collateral pledge agreement whereby the Bank has agreed to at all times keep on hand, free of all other pledges, liens, and encumbrances, first mortgages with unpaid principal balances aggregating no less than 145% of the outstanding secured advances from the Federal Home Loan Bank of Indianapolis. At December 31, 2007, no securities were pledged for these borrowings.

Interest expense on FHLB advances amounted to \$1,650,852, \$1,360,285 and \$987,546 for the years ended December 31, 2007, 2006 and 2005, respectively.

13) Borrowed Money (continued)

The Company has entered into a revolving line of credit in the maximum amount of \$243,000. The loan bears interest at one half percent under the Wall Street Journal prime rate. At December 31, 2007, the Company pledged common stock with a market value of approximately \$307,000 as collateral securing this line of credit. At December 31, 2007, the Company had an outstanding balance against this line of credit of \$242,761. Interest expense incurred on this advance amounted to \$18,568, \$18,563 and \$2,397 for the years ended December 31, 2007, 2006 and 2005, respectively.

The Company has also entered into a non-revolving line of credit in the maximum amount of \$600,000. The loan bears interest at a fixed rate of 6.75%. At December 31, 2007, the Company pledged two real estate held for development properties with a market value of approximately \$980,000 as collateral securing this line of credit. The Company had an outstanding balance against this line of credit of \$300,000 as of December 31, 2007. Interest expense incurred on this advance amounted to \$3,206 for the year ended December 31, 2007.

In connection with the redemption of the junior subordinated debentures during 2007, the Company borrowed \$2,000,000 from a third-party lender at a variable rate of interest tied to the LIBOR index (6.28% at December 31, 2007). The Company pledged its stock investment in the subsidiary Bank as collateral securing this advance. Interest expense incurred on this advance amounted to \$101,820 for the year ended December 31, 2007.

14) Guaranteed Preferred Beneficial Interest in Junior Subordinated Debentures

In 2007, the Company issued \$3,000,000 of junior subordinated debentures (2007 debentures) to AMB Financial Statutory Trust II. The 2007 debentures are the sole assets of this trust, which issued common securities to the Company and preferred capital securities to third-party investors. The 2007 debentures bear interest at a fixed rate of 6.55%, payable quarterly in arrears, for the first five years and then bear interest at a rate of 3-month LIBOR plus 1.65% thereafter. These debentures are non-callable for five years and, after that period, are redeemable at par plus accrued unpaid interest, in whole or in part, with the prior approval of the Office of Thrift Supervision. The 2007 debentures have a scheduled maturity date of June 15, 2037. Interest expense for the year ended December 31, 2007 amounted to \$156,192.

On March 27, 2007, the Company exercised the early call on its previously issued \$5,000,000 of junior subordinated debentures (2002 debentures) issued to AMB Financial Statutory Trust I. The 2002 debentures were repaid with the proceeds of the 2007 debentures and the aforementioned \$2,000,000 advance from a third-party lender. Interest expense for the years ended December 31, 2007, 2006 and 2005 on the 2002 debentures amounted to \$115,545, \$453,656, and \$359,035, respectively.

15) Other Liabilities

Other liabilities include the following:

	December 31,	
	2007	2006
Accrued interest on deposits	\$ 13,564	14,136
Accrued interest on borrowings	82,356	74,932
Accrued payroll and bonus	36,138	120,642
Accrued audit and accounting fees	38,620	39,010
Accrued real estate and personal property taxes	179,416	75,822
Deferred compensation (see note 15)	972,060	935,481

Outstanding bank drafts	1,131,732	1,162,197
Miscellaneous accounts payable	<u>656,955</u>	<u>278,965</u>
Total	<u>\$ 3,110,841</u>	<u>2,701,185</u>

16) Benefit Plans

The Bank participates in an industry-wide, multi-employer, defined-benefit pension plan, which covers all full-time employees who have attained at least 21 years of age and completed one year of service. The Plan is administered by the Financial Institutions Retirement Fund. Calculations to determine full-funding status are made annually as of June 30. Contributions to the Plan for the Plan years ended June 30, 2008, 2007 and 2006 amounted to \$319,086, \$383,246 and \$380,900, respectively. Pension expense for the years ended December 31, 2007, 2006 and 2005 amounted to \$381,323, \$407,735, and \$350,037, respectively. Information regarding the Bank's share of assets and liabilities and plan benefit information of this plan is not available on an individual basis.

The Bank participates in the Financial Institutions Thrift Plan, which qualifies under Section 401(k) of the Internal Revenue Code and which covers substantially all employees. This plan calls for a discretionary contribution within specified limits and a matching Bank contribution equal to 25% of the first 6% of the employee contributions. Plan expense for the years ended December 31, 2007, 2006 and 2005 amounted to \$14,602, \$15,361 and \$15,919, respectively.

The Bank also has established three non-qualified 401(k) Plans providing participating officers of the Bank the opportunity to defer up to 6% of their salary into a tax deferred accumulation for future retirement. In addition, the Bank has also established a Director Deferral Plan. All deferred non-qualified 401(k) Plan contributions and deferred director fees are credited with interest from the Bank at the rate of 10% per year. Interest credited by the Bank to the non-qualified plans and deferred director fees on accumulated funds was \$95,801, \$89,456 and \$82,583 for the years ended December 31, 2007, 2006 and 2005, respectively.

17) Director, Officer and Employee Plans

Stock Option Plan - In conjunction with the Conversion, the stockholders of the Company approved the AMB Financial Corp. 1996 Stock Option and Incentive Plan. This is an incentive stock option plan for the benefit of the directors, officers and employees of the Company and its affiliates. This Plan authorized grants of options to purchase 210,767 shares of common stock after adjustments of stock dividends and stock splits (original authorized number of shares was 112,412, equal to 10% of the total number of shares issued in the Conversion). On October 23, 1996, 187,573 options (after adjusting for the stock dividends) were granted at \$6.80 per share, exercisable at a rate of 20% per year commencing October 23, 1997, and expiring ten years from the date of grant.

At the shareholders' meeting on April 27, 2005, the shareholders approved the AMB Financial Corp. 2005 Stock Option Plan, which authorized 40,000 stock options to become available for grant. During 2005, options for 43,120 shares were granted (23,194 options from the 1996 Plan and 19,926 from the 2005 Plan) at \$13.25 per share exercisable over four years and expiring ten years from the date of grant. The per share weighted average fair value of stock options granted during 2005 was \$ 3.51 on the date of grant, using a Black-Scholes option pricing model with the following historical weighted average assumptions: expected dividend yield of 2.0%, risk-free interest rate of 3.85%, expected life of 10 years and volatility of 27%.

The following is an analysis of the stock option activity for each of the years in the three year period ended December 31, 2007, and the stock options outstanding at the end of the respective periods.

<u>Options</u>	<u>Number of Options</u>	<u>Exercise Price</u>	
		<u>Per Share</u>	<u>Total</u>
Outstanding at December 31, 2004	116,857	\$ 6.80	794,627
Granted	43,120	13.25	571,340
Exercised	(10,505)	6.80	(71,434)
Forfeited	-		
Outstanding at December 31, 2005	149,472	6.80-13.25	1,294,533
Granted	-		
Exercised	(106,352)	6.80	(723,193)
Forfeited	(2,810)	13.25	(37,232)
Outstanding at December 31, 2006	40,310	13.25	534,108
Granted	-		
Exercised	-		
Forfeited	(2,810)	13.25	(37,232)
Outstanding at December 31, 2007	<u>37,500</u>	<u>\$ 13.25</u>	<u>\$ 496,875</u>
Exercisable at December 31, 2007	<u>36,500</u>	<u>\$ 13.25</u>	<u>\$ 483,625</u>
Options available for future grants at December 31, 2007	<u>25,694</u>		

As of December 31, 2007, the weighted average exercise price for options outstanding was \$13.25 with a weighted

average remaining contractual life of 7.25 years.

Employee Stock Option Plan ("ESOP") - The ESOP is a qualified deferred compensation plan funded by contributions from the Bank. Contributions to the ESOP are at the discretion of the Board of Directors and are used to purchase shares of the Company's common stock. All employees over the age of 18 meeting minimum service requirements are eligible to participate in the plan. Employee contributions are not permitted. Plan contributions charged to expense totaled \$50,000 for the year ended December 31, 2007. Eligible employees were vested in their proportionate share of this ESOP contribution at December 31, 2007.

18) Income Taxes

The Bank had qualified under provisions of the Internal Revenue Code, which permitted it to deduct from taxable income an allowance for bad debt, which differed from the provision for such losses charged to income. Accordingly, retained earnings at December 31, 2007 includes approximately \$1,950,000, for which no provision for income taxes has been made. If in the future this portion of retained earnings is distributed, or the Bank no longer qualifies as a bank for tax purposes, income taxes may be imposed at the then applicable rates.

The provision for income taxes consists of the following:

	Years Ended December 31,		
	2007	2006	2005
Current	\$ 40,392	131,828	381,864
Deferred	(98,676)	(12,756)	(38,195)
 Total	 \$ (58,284)	 119,072	 343,669

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

	Years Ended December 31,		
	2007	2006	2005
Federal Home Loan Bank stock dividend	\$ -	-	7,440
Federal Home Loan Bank stock redemption	-	(4,022)	-
Depreciation	(15,631)	(708)	3,939
Deferred compensation	(14,632)	(28,668)	(28,266)
Pension	(22,655)	(9,354)	13,443
Book loan loss provision (in excess of) less than tax deduction	(21,767)	24,957	(13,152)
Unrealized gain on trading account securities	(13,084)	4,092	(20,397)
Other, net	(10,907)	947	(1,202)
 Total	 \$ (98,676)	 (12,756)	 (38,195)

19) Regulatory Capital Requirements

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

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios, set forth in the table below of the total risk-based, tangible and core capital, as defined in the regulations. Management believes, as of December 31, 2007, that the Bank meets all capital adequacy requirements to which it is subject.

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

At December 31, 2007 and 2006, the Bank's actual capital amounts and ratios, minimum amounts and ratios required for capital adequacy purposes and minimum amounts and ratios to meet the well-capitalized criteria under prompt corrective action provision, are as follows:

	Actual		For Capital Adequacy Purposes		To Be Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<u>December 31, 2007</u>						
Tangible	\$15,153,994	8.86%	\$2,565,000	1.50%	\$ N/A	N/A%
Core	15,153,994	8.86	5,130,000	3.00	8,549,000	5.00
Risk-based	15,891,880	14.13	8,996,000	8.00	11,245,000	10.00
<u>December 31, 2006</u>						
Tangible	\$15,574,894	8.74%	\$2,672,000	1.50%	\$ N/A	N/A%
Core	15,574,894	8.74	5,344,000	3.00	8,907,000	5.00
Risk-based	16,261,361	14.93	8,712,000	8.00	10,891,000	10.00
			Tangible	Core	Risk-based	
			Capital	Capital	Capital	
<u>December 31, 2007</u>						
Stockholders' equity			\$ 15,167,017	15,167,017	15,167,017	
Unrealized gain on securities available for sale, net of taxes			(12,228)	(12,228)	(12,228)	

Retained mortgage servicing rights	(795)	(795)	(795)
General loss allowances	-	-	737,886
Regulatory capital computed	<u>\$ 15,153,994</u>	<u>15,153,994</u>	<u>15,891,880</u>

December 31, 2006

Stockholders' equity	\$ 15,550,244	15,550,244	15,550,244
Unrealized loss on securities available for sale, net of taxes	24,650	24,650	24,650
General loss allowances	-	-	686,467
Regulatory capital computed	<u>\$ 15,574,894</u>	<u>15,574,894</u>	<u>16,261,361</u>

20) Stockholders' Equity

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

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

Unlike the Bank, the Company is not subject to these regulatory restrictions on the payment of dividends to its stockholders. However, the Company's source of funds for future dividends may depend upon dividends received by the Company from the Bank.

21) Financial Instruments with Off-Balance Sheet Risk

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

Commitments to originate mortgage loans of \$1,796,500 at December 31, 2007 represent amounts which the Bank plans to fund within the normal commitment period of 60 to 90 days. The mortgage loan commitments are fixed rates ranging from 6.125% to 8.250%. Because the credit worthiness of each customer is reviewed prior to extension of the commitment, the Bank adequately controls its credit risk on these commitments, as it does for loans recorded on the balance sheet. The Bank conducts all of its lending activities in the Northwest Indiana area. Management believes the Bank has a diversified loan portfolio and the concentration of lending activities in these local communities does not result in an acute dependency upon economic conditions of the lending region.

The Bank has approved, but unused, home equity lines of credit of approximately \$5,510,000 at December 31, 2007. Approval of lines of credit is based upon underwriting standards that generally do not allow total borrowings, including the line of credit, to exceed 75% of the estimated fair value of the customer's home. In addition, the Bank has approved, but unused, equity lines of credit on various construction and commercial projects of approximately \$2,370,000 at December 31, 2007. The Bank also has approved but unused credit card lines of credit of approximately \$2,002,000.

The Bank is currently participating with several local financial institutions in credit enhancement agreements with in-state municipalities to guarantee the repayment on municipal revenue bonds. The Bank has accepted credit risk on these various municipal projects in the amount of approximately \$936,000. These credit enhancements are in cooperation with the Federal Home Loan Bank of Indianapolis ("FHLB") and have pledging requirements as part of the qualifying collateral agreement with FHLB. Additionally, at December 31, 2007, the Bank had issued standby letters of credit totaling approximately \$267,000 to guarantee the performance of various customers to third parties.

22) Contingencies

The Bank is, from time to time, a party to certain lawsuits in the ordinary course of its business, wherein it enforces its security interest. The Bank is currently involved in litigation with Steve Tokarski, the successor personal representative of the Estate of John Wroblewski. The suit involves multiple claims, including an alleged conversion by the Bank of a restricted deposit account in the amount of \$155,000 to satisfy two delinquent loans as well as alleged negligence by the Bank in the cashing of two checks totaling approximately \$513,000. The suit claims that the Bank violated a Notice of Restriction placed on the deposit account by applying funds without proper written consents and that the Bank assisted an individual, presumably acting on behalf of John Wroblewski under a power of attorney, in misappropriating funds belonging to the Estate by cashing the checks mentioned above. The Bank intends to vigorously defend the litigation and counsel is of the opinion the Bank has strong legal and factual defenses which should permit the Bank to successfully defend the litigation. Legal counsel intends to file a Motion for Summary Judgment setting forth additional factual allegation establishing the Bank's right to apply the funds of the restricted deposit account to the then delinquent amount due the Bank. Counsel also believes that the claims are barred by the two-year statute of limitations since the Plaintiff filed the Complaint in June, 2007, more than two years after the May, 2005 withdrawal of funds or the June, 2003 presentation and cashing of checks discussed above. At this time, the outcome of this litigation is still in question, and the amount of potential loss, if any, cannot be estimated.

23) Subsequent Event

On January 23, 2008, the Company declared a quarterly cash dividend of \$.09 per share, totaling \$88,575, payable February 15, 2008 to shareholders of record as of February 1, 2008.

24) Disclosures About the Fair Value of Financial Instruments

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

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

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

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

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

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

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

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

The estimated fair value of the Company's financial instruments as of December 31, 2007 and 2006 are as follows:

	December 31, 2007	
	Carrying Amount	Fair Value
Financial assets:		
Cash and cash equivalents	\$ 2,935,008	2,935,008
Investment securities, available for sale	1,718,634	1,718,634
Trading securities	306,566	306,566
Mortgage-backed securities, available for sale	857,988	857,988
Loans receivable, gross	150,983,044	151,853,000
Accrued interest receivable	741,272	741,272
Financial liabilities:		
Deposits	\$ 118,881,547	119,574,000
Borrowed money	35,913,019	36,755,000
Accrued interest payable	95,920	95,920

	December 31, 2006	
	Carrying Amount	Fair Value
Financial assets:		
Cash and cash equivalents	\$ 9,727,842	9,727,842
Investment securities, available for sale	3,178,431	3,178,431
Trading securities	339,275	339,275
Mortgage-backed securities, available for sale	1,252,251	1,252,251
Loans receivable, gross	156,866,854	156,883,000
Accrued interest receivable	796,354	796,354
Financial liabilities:		
Deposits	\$ 124,858,001	124,790,000
Borrowed money	34,317,589	34,587,000
Accrued interest payable	89,068	89,068

25) Condensed Parent Company Only Financial Statements

The following condensed statement of financial condition, as of December 31, 2007 and 2006 and condensed statements of income and cash flows for the years ended December 31, 2007, 2006 and 2005 for AMB Financial Corp. should be read in conjunction with the consolidated financial statements and the notes thereto.

Condensed Statements of Financial Condition

	<u>Years Ended December 31,</u>	
	<u>2007</u>	<u>2006</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 22,989	347,843
Trading securities	306,566	339,275
Loans receivable	1,025,298	1,257,693
Real estate held for development	1,953,953	1,881,551
Investment in American Savings, FSB	14,421,176	14,841,281
Investment in AMB Financial Statutory Trust I	-	155,000
Investment in AMB Financial Statutory Trust II	93,000	-
Prepaid expenses and other assets	592,418	605,820
	<u>18,415,400</u>	<u>19,428,463</u>
<u>Liabilities and Stockholders' Equity</u>		
<u>Liabilities:</u>		
Borrowed money	2,542,761	242,761
Junior subordinated debentures	3,093,000	5,155,000
Accrued taxes and other liabilities	72,976	78,497
	<u>5,708,737</u>	<u>5,476,258</u>
<u>Stockholders' Equity:</u>		
Common stock	16,862	16,862
Additional paid-in capital	10,797,056	10,785,555
Retained earnings	9,653,588	9,963,363
Treasury stock	(7,760,843)	(6,813,575)
	<u>12,706,663</u>	<u>13,952,205</u>
Total liabilities and stockholders' equity	<u>\$ 18,415,400</u>	<u>19,428,463</u>

Condensed Statements of Income

	<u>Years Ended December 31,</u>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>

Net interest expense	\$	(263,269)	(285,019)	(227,881)
Gain on sale of trading securities		-	-	42,821
Unrealized (loss) gain on trading securities		(32,709)	10,230	(50,993)
Income from real estate held for development		34,256	50,598	-
Other non-interest income		3,939	49,000	9,017
Non-interest expense		<u>(298,473)</u>	<u>(336,954)</u>	<u>(294,181)</u>
Net loss before income taxes and equity in earnings of subsidiaries		(556,256)	(512,145)	(521,217)
Benefit from income taxes		<u>224,801</u>	<u>213,353</u>	<u>209,551</u>
Net loss before equity in earnings of subsidiaries		(331,455)	(298,792)	(311,666)
Equity in earnings of subsidiaries		<u>379,895</u>	<u>947,060</u>	<u>1,171,408</u>
Net income	\$	<u>48,440</u>	<u>648,268</u>	<u>859,742</u>

25) Condensed Parent Company Only Financial Statements (continued)Condensed Statements of Cash Flows

	Years Ended December 31,		
	2007	2006	2005
Operating activities:			
Net income	\$ 48,440	648,268	859,742
Equity in earnings of subsidiaries	(379,895)	(947,060)	(1,171,408)
Stock option compensation	11,501	50,019	-
Gain on sale of trading securities	-	-	(42,821)
Unrealized loss (gain) on trading securities held for trade	32,709	(10,230)	50,993
Proceeds from sale of trading securities	-	-	177,736
(Decrease) increase in deferred income on loans	(2,917)	(6,595)	9,512
Income from real estate held for development	(34,256)	(50,598)	-
Decrease (increase) in prepaid taxes and other assets	13,402	83,755	(25,705)
(Decrease) increase in other liabilities	(5,521)	22,378	3,639
Net cash provided for operating activities	(316,537)	(210,063)	(138,312)
Investing activities:			
Proceeds from sale of real estate held for development	476,691	881,679	-
Purchase of real estate held for development	(514,837)	(1,360,021)	(1,352,611)
Loan disbursements	(64,688)	(37,837)	(1,767,773)
Loan repayments	300,000	545,000	89,930
Net cash provided by (for) investing activities	197,166	28,821	(3,030,454)
Financing activities:			
Proceeds from borrowed money	2,300,000	-	442,761
Repayment of borrowed money	-	(200,000)	-
Proceeds from issuance of capital trust securities	3,000,000	-	-
Repayment of capital trust securities	(5,000,000)	-	-
Proceeds from exercise of stock options	-	481,783	71,434
Purchase of treasury stock	(947,268)	(420,505)	(166,187)
Dividends received from Bank	800,000	800,000	-
Dividends paid on common stock	(358,215)	(315,315)	(259,197)
Net cash provided (for) by investing activities	(205,483)	345,963	88,811
Net (decrease) increase in cash and cash equivalents	(324,854)	164,721	(3,079,955)

Cash and cash equivalents at beginning of year	<u>347,843</u>	<u>183,122</u>	<u>3,263,077</u>
Cash and cash equivalents at end of year	<u>\$ 22,989</u>	<u>347,843</u>	<u>183,122</u>

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**SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2008

OR

TRANSACTION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number **000-23182**

AMB Financial Corp.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation or
organization)

35-1905382

I.R.S. Employer
Identification
Number

8230 Hohman Avenue, Munster, Indiana

(Address of Principle executive offices)

46321-1578

(Zip Code)

Registrant telephone number, include are code: **(219) 836-5870**

Indicate by a check mark whether the issuer (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by a check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer (do not check if a smaller reporting company)

Smaller Reporting Company

Indicate by a check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of May 8, 2008 there were 984,166 shares of the Registrant's common stock issued and outstanding.

AMB FINANCIAL CORP.
AND SUBSIDIARIES

Consolidated Statements of Financial Condition

	March 31, 2008	December 31, 2007
	<u>unaudited</u>	
<u>Assets</u>		
Cash and amounts due from depository institutions	\$ 3,037,324	\$ 2,555,155
Interest-bearing deposits	3,801,312	379,853
Total cash and cash equivalents	6,838,636	2,935,008
Investment securities, available for sale, at fair value	1,732,427	1,718,634
Trading securities	312,996	306,566
Mortgage backed securities, available for sale, at fair value	715,460	857,988
Loans receivable (net of allowance for loan losses: \$777,657 at March 31, 2008 and \$737,886 at December 31, 2007)	151,397,876	148,024,848
Real estate owned	742,912	750,412
Investment in LTD Partnership	700,879	712,129
Stock in Federal Home Loan Bank of Indianapolis	1,965,100	1,750,900
Accrued interest receivable	723,824	741,272
Office properties and equipment- net	7,174,159	6,211,224
Real estate held for development	1,966,541	1,953,953
Bank owned life insurance	3,771,505	3,740,294
Prepaid expenses and other assets	5,317,824	5,050,438
	<u>\$ 183,360,139</u>	<u>\$ 174,753,666</u>
<u>Liabilities and Stockholders' Equity</u>		
<u>Liabilities</u>		
Deposits	\$ 122,197,909	\$ 118,881,547
Borrowed money	40,970,258	35,913,019
Guaranteed preferred beneficial interest in the Company's subordinated debentures	3,000,000	3,000,000
Notes Payable	206,530	206,530
Advance payments by borrowers for taxes and insurance	731,203	189,225
Other liabilities	2,787,186	3,110,841
Total liabilities	<u>\$ 169,893,086</u>	<u>\$ 161,301,162</u>
<u>Stockholders' Equity</u>		
Preferred stock, \$.01 par value; authorized 100,000 shares; none outstanding	\$ -	\$ -
Common Stock, \$.01 par value; authorized 1,900,000 shares; 1,686,169 shares issued		

and 984,166 shares outstanding at March 31, 2008 and December 31, 2007	16,862	16,862
Additional paid- in capital	11,531,108	11,530,669
Retained earnings, substantially restricted	9,653,958	9,653,588
Accumulated other comprehensive income, net of tax	25,968	12,228
Treasury stock, at cost (702,003 shares at March 31, 2008 and December 31, 2007)	<u>(7,760,843)</u>	<u>(7,760,843)</u>
Total stockholders' equity	<u>\$ 13,467,053</u>	<u>\$ 13,452,504</u>
Total liabilities and stockholders' equity	<u>\$ 183,360,139</u>	<u>\$ 174,753,666</u>

AMB FINANCIAL CORP.
AND SUBIDIARIES

Consolidated Statements of Earnings
(Unaudited)

	Three Months Ended March 31, <u>2008</u>	Three Months Ended March 31, <u>2007</u>
Interest income		
Loans	\$ 2,398,067	\$ 2,392,834
Mortgage-backed securities	8,520	14,040
Investment securities	26,133	43,638
Interest-bearing deposits	12,705	85,467
Dividends on FHLB stock	20,963	22,079
Total interest income	<u>\$ 2,466,388</u>	<u>\$ 2,558,058</u>
Interest expense		
Deposits	\$ 1,022,195	\$ 1,089,839
Borrowings	503,710	565,703
Total interest expense	<u>\$ 1,525,905</u>	<u>\$ 1,655,542</u>
Net interest income	\$ 940,483	\$ 902,516
Provision for loan losses	60,000	25,563
Net interest income after provision for loan losses	<u>\$ 880,483</u>	<u>\$ 876,953</u>
Non-interest income:		
Loan fees and service charges	\$ 46,686	\$ 34,778
Deposit related fees	119,236	107,743
Other fee income	118,130	93,167
Rental Income	38,953	34,959
Unrealized gain on trading securities	6,430	17,311
Loss from investment in limited partnership	(11,250)	(9,000)
Loss on the sale of real estate owned	0	(94,927)
Gain on sale of other assets	22,641	0
Increase in cash value of insurance	31,211	30,919
Other income	9,391	6,693
Total non-interest income	<u>\$ 381,428</u>	<u>\$ 221,643</u>
Non-interest expense:		
Staffing costs	\$ 555,555	\$ 565,084
Advertising	39,496	27,175
Occupancy and equipment expense	124,093	107,639
Data processing	114,043	125,117
Professional fees	97,844	84,311

Federal deposit insurance premiums	26,077	3,696
Other operating expenses	<u>177,990</u>	<u>183,382</u>
Total non-interest expense	<u>\$ 1,135,098</u>	<u>\$ 1,096,404</u>
Income before income taxes	\$ 126,813	\$ 2,192
Income tax expense (benefit)	<u>37,868</u>	<u>(13,874)</u>
Net income	<u>\$ 88,945</u>	<u>\$ 16,066</u>
Earnings per share- basic	\$ 0.09	\$ 0.02
Earnings per share- diluted	\$ 0.09	\$ 0.02

See accompanying notes to consolidated financial statements.

AMB FINANCIAL CORP.
AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity
(Unaudited)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
Balance at December 31, 2007	\$ 16,862	\$11,530,669	\$ 9,653,588	\$ 12,228	\$(7,760,843)	\$13,452,504
Comprehensive income:						
Net income			88,945			88,945
Other comprehensive income, net of income taxes:						
Unrealized holding gain during the period				13,740		13,740
Total comprehensive income			88,945	13,740		102,685
Purchase of treasury stock					-	0
Stock option compensation		439				439
Dividends declared on common stock (\$0.09 per share)			(88,575)			(88,575)
Balance at March 31, 2008	\$ 16,862	\$11,531,108	\$ 9,653,958	\$ 25,968	\$(7,760,843)	\$13,467,053

See accompanying notes to consolidated financial statements

AMB FINANCIAL CORP.
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	<u>Three Months Ended March 31,</u>	
	<u>2008</u>	<u>2007</u>
	(unaudited)	
Cash flows from operating activities:		
Net income	\$ 88,945	\$ 16,066
Adjustments to reconcile net income to net cash:		
Depreciation	48,406	51,202
Amortization of premiums and accretion of discounts	1,255	4,087
Provision for loan losses	60,000	25,563
Provision for REO losses	7,500	-
Increase in deferred compensation	4,709	16,561
Stock option compensation	439	2,875
Gain on sale of other assets	(22,640)	-
Loss on sale of real estate owned	-	94,927
Unrealized gain on trading securities	(6,430)	(17,311)
Loss from limited partnership	11,250	9,000
Increase in cash surrender value of life insurance	(31,211)	(30,919)
Decrease in deferred income on loans	(17,928)	(3,290)
Decrease (increase) in accrued interest receivable	17,448	(12,507)
Increase in accrued interest payable	10,508	9,374
(Increase) decrease in purchased accounts receivable	(448,030)	514,177
Decrease (increase) in current and deferred income taxes	187,887	(7,105)
Other, net	<u>(330,045)</u>	<u>(232,237)</u>
Net cash provided (for) by operating activities	<u>(417,937)</u>	<u>440,463</u>
Cash flows from investing activities:		
Purchase of investment securities	(2,162)	(2,035)
Proceeds from repayments of mortgage-backed Securities	152,544	109,069
Purchase of Federal Home Loan Stock	(214,200)	-
Purchase of loans	(1,142,381)	(1,405,600)
Loan disbursements	(14,591,260)	(7,052,514)
Loan repayments	12,318,541	12,369,236
Proceeds from sale of real estate held owned	-	432,635
Purchase of real estate held for development	(12,588)	(324,518)
Property and equipment expenditures, net	<u>(1,013,933)</u>	<u>(241,722)</u>
Net cash provided (for) by investing activities	<u>(4,505,439)</u>	<u>3,884,551</u>
Cash flows from financing activities:		

Net increase (decrease) in deposits	3,316,362	(169,501)
Proceeds from borrowed money	16,300,000	5,000,000
Repayment of borrowed money	(11,242,761)	(7,000,000)
Increase in advance payments by borrowers for taxes and insurance	541,978	519,374
Purchase of treasury stock	-	(88,862)
Dividends paid on common stock	<u>(88,575)</u>	<u>(83,708)</u>
Net cash provided by (for) financing activities	<u>8,827,004</u>	<u>(1,822,697)</u>
Net change in cash and cash equivalents	3,903,628	2,502,317
Cash and cash equivalents at beginning of period	<u>2,935,008</u>	<u>9,727,842</u>
Cash and cash equivalents at end of period	<u>\$ 6,838,636</u>	<u>\$ 12,230,159</u>
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	\$ 1,515,397	\$ 1,646,168
Income taxes	-	-
Non-cash investing activities:		
Transfer of loans to real estate owned	-	90,000

See accompanying notes to consolidated financial statements.

**AMB Financial Corp.
And Subsidiaries**

Notes to Consolidated Financial Statements

1. Statement of Information Furnished

The accompanying unaudited consolidated financial statements have been prepared in accordance with Form 10-Q instructions and Article 10 of Regulation S-K, and in the opinion of management contains all adjustments (all of which are normal and recurring in nature) necessary to present fairly the financial position as of March 31, 2008, the results of operations for the three months ended March 31, 2008 and 2007 and cash flows for the three months ended March 31, 2008 and 2007. These results have been determined on the basis of accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The attached consolidated statements are those of AMB Financial Corp. (the "Company") and its consolidated subsidiaries American Savings, FSB (the "Bank"), the Bank's wholly owned subsidiary NIFCO, Inc., and the wholly owned subsidiary of NIFCO, Inc., Ridge Management, Inc. The results of operations for the three month period ended March 31, 2008 is not necessarily indicative of the results to be expected for the full year.

2. Earnings Per Share

Earnings per share for the three month periods ended March 31, 2008 and 2007 were determined by dividing net income for the periods by the weighted average number of both basic and diluted shares of common stock, as well as common stock equivalents outstanding (see Exhibit 11 attached). Stock options are regarded as common stock equivalents and are considered in diluted earnings per share calculations. Common stock equivalents are computed using the treasury stock method.

3. Industry Segments

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

Impact of New Accounting Standards

The following does not constitute a comprehensive summary of all material changes or developments affecting the manner in which the Company keeps its books and records and performs its financial accounting responsibilities. It is intended only as a summary of some of the recent pronouncements made by the Financial Accounting Standards Board ("FASB"), which are of particular interest to financial institutions.

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**SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2008

OR

TRANSACTION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number **000-23182**

AMB Financial Corp.

(Exact name of registrant as specified in its charter)

Delaware	35-1905382
(State or other jurisdiction of incorporation or organization)	I.R.S. Employer Identification Number
8230 Hohman Avenue, Munster, Indiana	46321-1578
(Address of Principle executive offices)	(Zip Code)

Registrant telephone number, include area code: **(219) 836-5870**

Indicate by a check mark whether the issuer (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by a check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer (do not check if a smaller reporting company)

Smaller Reporting Company

Indicate by a check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes
No

As of July 31, 2008 there were 981,638 shares of the Registrant's common stock issued and outstanding.

AMB FINANCIAL CORP.
AND SUBSIDIARIES

Consolidated Statements of Financial Condition

	June 30, 2008	December 31, 2007
	<u>unaudited</u>	
<u>Assets</u>		
Cash and amounts due from depository institutions	\$ 2,860,062	\$ 2,555,155
Interest-bearing deposits	<u>5,627,355</u>	<u>379,853</u>
Total cash and cash equivalents	8,487,417	2,935,008
Investment securities, available for sale, at fair value	719,171	1,718,634
Trading securities	210,203	306,566
Mortgage backed securities, available for sale, at fair value	1,613,786	857,988
Loans receivable (net of allowance for loan losses: \$828,978 at June 30, 2008 and \$737,886 at December 31, 2007)	149,083,900	148,024,848
Real estate owned	619,406	750,412
Investment in LTD Partnership	689,629	712,129
Stock in Federal Home Loan Bank of Indianapolis	1,965,100	1,750,900
Accrued interest receivable	717,502	741,272
Office properties and equipment- net	7,708,938	6,211,224
Real estate held for development	1,671,399	1,953,953
Bank owned life insurance	3,804,228	3,740,294
Prepaid expenses and other assets	<u>4,492,876</u>	<u>5,050,438</u>
Total assets	<u>\$ 181,783,555</u>	<u>\$ 174,753,666</u>
<u>Liabilities and Stockholders' Equity</u>		
<u>Liabilities</u>		
Deposits	\$ 127,142,195	\$ 118,881,547
Borrowed money	34,847,425	35,913,019
Guaranteed preferred beneficial interest in the Company's subordinated debentures	3,000,000	3,000,000
Notes Payable	72,186	206,530
Advance payments by borrowers for taxes and insurance	1,154,712	189,225
Other liabilities	<u>2,447,808</u>	<u>3,110,841</u>
Total liabilities	<u>\$ 168,664,326</u>	<u>\$ 161,301,162</u>
<u>Stockholders' Equity</u>		
Preferred stock, \$.01 par value; authorized 100,000 shares; none outstanding	\$ -	\$ -

Common Stock, \$.01 par value; authorized 1,900,000 shares; 1,683,641 shares issued and 981,638 and 984,166 shares outstanding at June 30, 2008 and December 31, 2007	16,837	16,862
Additional paid- in capital	11,531,572	11,530,669
Retained earnings, substantially restricted	9,353,079	9,653,588
Accumulated other comprehensive (loss) income, net of tax	(21,416)	12,228
Treasury stock, at cost (702,003 shares at June 30, 2008 and December 31, 2007)	<u>(7,760,843)</u>	<u>(7,760,843)</u>
Total stockholders' equity	<u>\$ 13,119,229</u>	<u>\$ 13,452,504</u>
Total liabilities and stockholders' equity	<u>\$ 181,783,555</u>	<u>\$ 174,753,666</u>

AMB FINANCIAL CORP.
AND SUBIDIARIES

Consolidated Statements of Earnings
(Unaudited)

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
Interest income				
Loans	\$ 2,320,290	\$ 2,338,709	\$ 4,718,357	\$ 4,731,543
Mortgage-backed securities	17,627	12,413	26,147	26,453
Investment securities	14,824	44,368	40,957	88,006
Interest-bearing deposits	11,734	94,840	24,438	180,307
Dividends on FHLB stock	23,646	18,000	44,609	40,079
Total interest income	<u>\$ 2,388,121</u>	<u>\$ 2,508,330</u>	<u>\$ 4,854,508</u>	<u>\$ 5,066,388</u>
Interest expense				
Deposits	\$ 950,364	\$ 1,119,859	\$ 1,972,558	\$ 2,209,698
Borrowings	493,227	494,116	996,937	1,059,819
Total interest expense	<u>\$ 1,443,591</u>	<u>\$ 1,613,975</u>	<u>\$ 2,969,495</u>	<u>\$ 3,269,517</u>
Net interest income	\$ 944,530	\$ 894,355	\$ 1,885,013	\$ 1,796,871
Provision for loan losses	60,000	29,073	120,000	54,636
Net interest income after provision for loan losses	<u>\$ 884,530</u>	<u>\$ 865,282</u>	<u>\$ 1,765,013</u>	<u>\$ 1,742,235</u>
Non-interest income:				
Loan fees and service charges	\$ 31,071	\$ 33,110	\$ 77,757	\$ 67,888
Deposit related fees	129,389	122,676	248,625	230,419
Other fee income	105,583	74,450	223,712	167,617
Rental Income	32,077	36,095	71,030	71,054
Loss on sale of trading securities	(568)	0	(568)	0
Unrealized (loss) gain on trading securities	(43,924)	(7,441)	(37,494)	9,870
Loss from investment in limited partnership	(11,250)	(18,000)	(22,500)	(27,000)
(Loss) gain from real estate held for development	(318,054)	36,155	(318,054)	36,155
(Loss) gain on the sale of real estate owned	(80,019)	1,120	(87,519)	(93,807)
Gain on sale of other assets	1,200	3,162	23,841	3,162
Increase in cash value of insurance	32,723	31,407	63,934	62,326
Other income	11,427	3,871	20,818	10,564
Total non-interest income	<u>\$ (110,345)</u>	<u>\$ 316,605</u>	<u>\$ 263,582</u>	<u>\$ 538,248</u>
Non-interest expense:				
Staffing costs	\$ 549,260	\$ 569,195	\$ 1,104,815	\$ 1,134,279
Advertising	38,861	31,209	78,357	58,384

Occupancy and equipment expense	96,674	100,951	220,768	208,590
Data processing	118,890	131,071	232,933	256,188
Professional fees	110,884	97,754	208,727	182,065
Federal deposit insurance premiums	25,871	3,796	51,948	7,492
Other operating expenses	206,763	191,271	377,252	374,653
Total non-interest expense	<u>\$ 1,147,203</u>	<u>\$ 1,125,247</u>	<u>\$ 2,274,800</u>	<u>\$ 2,221,651</u>
(Loss) income before income taxes	\$ (373,018)	\$ 56,640	\$ (246,205)	\$ 58,832
Income tax (benefit) expense	<u>(160,714)</u>	<u>5,722</u>	<u>(122,846)</u>	<u>(8,152)</u>
Net (loss) income	<u>\$ (212,304)</u>	<u>\$ 50,918</u>	<u>\$ (123,359)</u>	<u>\$ 66,984</u>
(Loss) earnings per share- basic	\$ (0.22)	\$ 0.05	\$ (0.13)	\$ 0.06
(Loss) earnings per share- diluted	\$ (0.22)	\$ 0.05	\$ (0.13)	\$ 0.06

See accompanying notes to consolidated financial statements.

AMB FINANCIAL CORP.
AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity
(Unaudited)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at December 31, 2007	\$ 16,862	\$11,530,669	\$ 9,653,588	\$ 12,228	\$(7,760,843)	\$13,452,504
Comprehensive loss:						
Net loss			(123,359)			(123,359)
Other comprehensive loss, net of income taxes:						
Unrealized holding loss during the period				(33,644)		(33,644)
Total comprehensive loss			(123,359)	(33,644)		(157,003)
Employee benefit stock retired (2,528 shares)	(25)	25				-
Stock option compensation		878				878
Dividends declared on common stock (\$.09 per share)			(177,150)			(177,150)
Balance at June 30, 2008	\$ 16,837	\$11,531,572	\$ 9,353,079	\$ (21,416)	\$(7,760,843)	\$13,119,229

AMB FINANCIAL CORP.
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	(unaudited)		(unaudited)	
Cash flows from operating activities:				
Net (loss) income	\$ (212,304)	\$ 50,918	\$ (123,359)	\$ 66,984
Adjustments to reconcile net (loss) income to net cash:				
Depreciation	46,626	50,890	95,032	102,092
Amortization of premiums and accretion of discounts	12,490	4,164	13,745	8,251
Provision for loan losses	60,000	29,073	120,000	54,636
Proceeds from sale of loans held for sale	-	317,873	-	317,873
Origination of loans held for sale	-	(315,000)	-	(315,000)
Increase in deferred compensation	4,577	6,162	9,286	22,723
Stock option compensation	439	2,875	878	5,750
Gain on sale of other assets	(1,201)	(3,162)	(23,841)	(3,162)
Proceeds from sale of trading securities	58,301	-	58,301	-
Loss on sale of trading securities	568	-	568	-
Loss (gain) on sale of real estate owned	80,019	(1,120)	87,519	93,807
Unrealized loss (gain) on trading securities	43,924	7,441	37,494	(9,870)
Loss from limited partnership	11,250	18,000	22,500	27,000
Increase in cash surrender value of life insurance	(32,723)	(31,407)	(63,934)	(62,326)
Loss (income) from real estate held for development	318,054	(36,155)	318,054	(36,155)
Decrease in deferred income on loans	(2,595)	(56,185)	(20,523)	(59,475)
Decrease in accrued interest receivable	6,322	65,572	23,770	53,065
Increase (decrease) in accrued interest payable	(5,219)	(4,264)	5,289	5,110
Decrease (increase) in purchased accounts receivable	922,517	(138,459)	474,487	375,718
Decrease (increase) in current and deferred income taxes	(71,968)	5,722	115,919	(1,383)
Other, net	(332,747)	(200,519)	(662,792)	(432,756)
	<u>906,330</u>	<u>(227,581)</u>	<u>488,393</u>	<u>212,882</u>
Cash flows from investing activities:				
Purchase of investment securities	(2,068)	(2,232)	(4,230)	(4,267)
Proceeds from maturity and early redemption of investment securities	1,000,000	-	1,000,000	-
Purchase of mortgage-backed securities	(1,080,069)	-	(1,080,069)	-
Proceeds from repayments of mortgage-backed securities	105,603	117,598	258,147	226,667
Purchase of Federal Home Loan Bank stock	-	-	(214,200)	-

Purchase of loans	(1,224,000)	(1,003,000)	(2,366,381)	(2,408,600)
Loan disbursements	(7,270,120)	(12,481,862)	(21,861,380)	(19,534,376)
Loan repayments	10,478,145	15,575,691	22,796,686	27,944,927
Proceeds from sale of real estate held owned	316,033	241,118	316,033	673,753
Proceeds from sale of real estate held for development	-	464,773	-	464,773
Purchase of real estate held for development	(22,912)	(108,333)	(35,500)	(432,851)
Property and equipment expenditures, net	<u>(580,204)</u>	<u>(666,406)</u>	<u>(1,594,137)</u>	<u>(908,128)</u>
Net cash provided (for) by investing activities	<u>1,720,408</u>	<u>2,137,347</u>	<u>(2,785,031)</u>	<u>6,021,898</u>
Cash flows from financing activities:				
Net increase (decrease) in deposits	4,944,286	(2,381,631)	8,260,648	(2,551,132)
Proceeds from borrowed money	7,215,789	0	23,515,789	5,000,000
Repayment of borrowed money	(13,338,622)	(3,117,493)	(24,581,383)	(10,117,493)
Repayment of note payable	(134,344)	(136,067)	(134,344)	(136,067)
Increase in advance payments by borrowers for taxes and insurance	0	0	965,487	1,004,729
Purchase of treasury stock	-	(223,409)	-	(312,271)
Dividends paid on common stock	<u>(88,575)</u>	<u>(93,560)</u>	<u>(177,150)</u>	<u>(177,268)</u>
Net cash provided by (for) financing activities	<u>(977,957)</u>	<u>(5,466,805)</u>	<u>7,849,047</u>	<u>(7,289,502)</u>
Net change in cash and cash equivalents	1,648,781	(3,557,039)	5,552,409	(1,054,722)
Cash and cash equivalents at beginning of period	<u>6,838,636</u>	<u>12,230,159</u>	<u>2,935,008</u>	<u>9,727,842</u>
Cash and cash equivalents at end of period	<u>\$ 8,487,417</u>	<u>\$ 8,673,120</u>	<u>\$ 8,487,417</u>	<u>\$ 8,673,120</u>
Supplemental disclosure of cash flow information:				
Cash paid during the period for:				
Interest	\$ 1,448,809	\$ 1,618,239	\$ 2,964,206	\$ 3,264,407
Income taxes	-	-	-	-
Non-cash investing activities:				
Transfer of loans to real estate owned	272,546	-	272,546	90,000

See accompanying notes to consolidated financial statements.

**AMB Financial Corp.
And Subsidiaries**

Notes to Consolidated Financial Statements

1. Statement of Information Furnished

The accompanying unaudited consolidated financial statements have been prepared in accordance with Form 10-Q instructions and Article 10 of Regulation S-K, and in the opinion of management contains all adjustments (all of which are normal and recurring in nature) necessary to present fairly, and make not misleading the financial position as of June 30, 2008, the results of operations and cash flows for the three and six months ended June 30, 2008 and 2007. These results have been determined on the basis of accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The attached consolidated statements are those of AMB Financial Corp. (the "Company") and its consolidated subsidiaries American Savings, FSB (the "Bank"), the Bank's wholly owned subsidiary NIFCO, Inc., and the wholly owned subsidiary of NIFCO, Inc., Ridge Management, Inc. The results of operations for the six month period ended June 30, 2008 is not necessarily indicative of the results to be expected for the full year.

2. Earnings Per Share

Earnings per share for the three and six month periods ended June 30, 2008 and 2007 were determined by dividing net income for the periods by the weighted average number of both basic and diluted shares of common stock, as well as common stock equivalents outstanding (see Exhibit 11 attached). Stock options are regarded as common stock equivalents and are considered in diluted earnings per share calculations. Common stock equivalents are computed using the treasury stock method.

3. Industry Segments

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

Impact of New Accounting Standards

The following does not constitute a comprehensive summary of all material changes or developments affecting the manner in which the Company keeps its books and records and performs its financial accounting responsibilities. It is intended only as a summary of some of the recent pronouncements made by the Financial Accounting Standards Board ("FASB"), which are of particular interest to financial institutions.

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

**Financial Report For The Three
and Nine Months Ended September 30, 2008**

Note: This report is intended to be read in conjunction with our Annual Report for the year ended December 31, 2007. This report is dated September 30, 2008 and should not be read to cover any subsequent periods. We specifically disclaim any obligation to update this report even if the contents thereof should become misleading.

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**AMB FINANCIAL CORP.
AND SUBSIDIARIES**

Consolidated Statements of Financial Condition

	September 30, 2008 unaudited	December 31, 2007
<u>Assets</u>		
Cash and amounts due from depository institutions	\$ 2,417,799	\$ 2,555,155
Interest-bearing deposits	2,144,807	379,853
Total cash and cash equivalents	4,562,606	2,935,008
Investment securities, available for sale, at fair value	507,252	1,718,634
Trading securities	-	306,566
Mortgage backed securities, available for sale, at fair value	2,446,930	857,988
Loans receivable (net of allowance for loan losses: \$894,166 at September 30, 2008 and \$737,886 at December 31, 2007)	147,330,581	148,024,848
Real estate owned	1,142,602	750,412
Investment in LTD Partnership	678,379	712,129
Stock in Federal Home Loan Bank of Indianapolis	1,965,100	1,750,900
Accrued interest receivable	733,261	741,272
Office properties and equipment- net	8,352,027	6,211,224
Real estate held for development and sale	1,671,399	1,953,953
Bank owned life insurance	3,837,224	3,740,294
Prepaid expenses and other assets	5,204,806	5,050,438
Total assets	\$ 178,432,167	\$ 174,753,666
<u>Liabilities and Stockholders' Equity</u>		
<u>Liabilities</u>		
Deposits	\$ 124,173,515	\$ 118,881,547
Borrowed money	33,833,802	35,913,019
Guaranteed preferred beneficial interest in the Company's subordinated debentures	3,000,000	3,000,000
Notes Payable	72,186	206,530
Advance payments by borrowers for taxes and insurance	1,661,066	189,225
Other liabilities	2,725,633	3,110,841
Total liabilities	\$ 165,466,202	\$ 161,301,162
<u>Stockholders' Equity</u>		
Preferred stock, \$.01 par value; authorized 100,000 shares; none outstanding	\$ -	\$ -
Common Stock, \$.01 par value; authorized 1,900,000 shares; 1,683,641 shares issued and 981,638 and 984,166 shares outstanding at September 30, 2008 and December 31, 2007	16,837	16,862
Additional paid- in capital	11,532,010	11,530,669
Retained earnings, substantially restricted	9,187,648	9,653,588
Accumulated other comprehensive (loss) income, net of tax	(9,687)	12,228
Treasury stock, at cost (702,003 shares at September 30, 2008 and December 31, 2007)	(7,760,843)	(7,760,843)
Total stockholders' equity	\$ 12,965,965	\$ 13,452,504
Total liabilities and stockholders' equity	\$ 178,432,167	\$ 174,753,666

See accompanying notes to consolidated financial statements.

**AMB FINANCIAL CORP.
AND SUBSIDIARIES**

**Consolidated Statements of Earnings
(Unaudited)**

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Interest income				
Loans	\$ 2,265,226	\$ 2,389,210	\$ 6,983,583	\$ 7,120,753
Mortgage-backed securities	22,967	11,485	49,114	37,938
Investment securities	9,533	39,012	50,490	127,018
Interest-bearing deposits	11,490	51,137	35,929	231,444
Dividends on FHLB stock	29,614	18,071	74,222	58,150
Total interest income	<u>\$ 2,338,830</u>	<u>\$ 2,508,915</u>	<u>\$ 7,193,338</u>	<u>\$ 7,575,303</u>
Interest expense				
Deposits	\$ 914,198	\$ 1,097,494	\$ 2,886,757	\$ 3,307,182
Borrowings	436,051	488,271	1,432,987	1,548,090
Total interest expense	<u>\$ 1,350,249</u>	<u>\$ 1,585,765</u>	<u>\$ 4,319,744</u>	<u>\$ 4,855,282</u>
Net interest income	\$ 988,581	\$ 923,150	\$ 2,873,594	\$ 2,720,021
Provision for loan losses	345,000	31,698	465,000	86,334
Net interest income after provision for loan losses	<u>\$ 643,581</u>	<u>\$ 891,452</u>	<u>\$ 2,408,594</u>	<u>\$ 2,633,687</u>
Non-interest income:				
Loan fees and service charges	\$ 24,681	\$ 34,714	\$ 102,438	\$ 102,602
Deposit related fees	133,489	127,048	382,114	357,467
Other fee income	113,523	85,085	337,235	252,702
Rental income	18,204	38,232	89,235	109,286
Gain on sale of trading securities	9,804	-	9,236	-
Unrealized gain (loss) on trading securities	1,759	(7,908)	(35,735)	1,962
Loss from investment in limited partnership	(11,250)	(18,000)	(33,750)	(45,000)
(Loss) gain from real estate held for development and sale	-	(1,899)	(318,054)	34,256
Loss on sale of real estate owned	-	-	(87,519)	(93,807)
Gain on sale of available for sale securities	14,937	-	14,937	-
Gain on sale of other assets	-	15,267	23,841	18,429
Increase in cash value of insurance	32,996	32,368	96,930	94,694
Other income	6,669	7,228	27,486	17,792
Total non-interest income	<u>\$ 344,812</u>	<u>\$ 312,135</u>	<u>\$ 608,394</u>	<u>\$ 850,383</u>
Non-interest expense:				
Staffing costs	\$ 519,563	\$ 552,164	\$ 1,624,378	\$ 1,686,443
Advertising	45,080	49,926	123,438	108,310
Occupancy and equipment expense	114,476	108,682	335,243	317,272
Data processing	103,992	122,635	336,925	378,823
Professional fees	104,093	124,990	312,821	307,055
Federal deposit insurance premiums	25,890	3,617	77,838	11,109
Other operating expenses	224,584	245,728	601,836	620,381
Total non-interest expense	<u>\$ 1,137,678</u>	<u>\$ 1,207,742</u>	<u>\$ 3,412,479</u>	<u>\$ 3,429,393</u>
(Loss) income before income taxes	\$ (149,285)	\$ (4,155)	\$ (395,491)	\$ 54,677
Income tax (benefit) expense	(72,202)	(7,699)	(195,048)	(15,851)
Net (loss) income	<u>\$ (77,083)</u>	<u>\$ 3,544</u>	<u>\$ (200,443)</u>	<u>\$ 70,528</u>
(Loss) earnings per share- basic	\$ (0.08)	\$ -	\$ (0.20)	\$ 0.07
(Loss) earnings per share- diluted	\$ (0.08)	\$ -	\$ (0.20)	\$ 0.07

See accompanying notes to consolidated financial statements.

**Consolidated Statement of Changes in Stockholder's Equity
(Unaudited)**

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at December 31, 2007	\$ 16,862	\$ 11,530,669	\$ 9,653,588	\$ 12,228	\$ (7,760,843)	\$13,452,504
Comprehensive loss:						
Net loss			(200,443)			(200,443)
Other comprehensive loss, net of income taxes:						
Unrealized holding loss during the period				(12,953)		(12,953)
Reclassification adjustment of gains included in net income				(8,962)		(8,962)
Total comprehensive loss			(200,443)	(21,915)		(222,358)
Employee benefit stock retired (2,528 shares)	(25)	25				-
Stock option compensation		1,316				1,316
Dividends declared on common stock (\$.27 per share)			(265,497)			(265,497)
Balance at September 30, 2008	\$ 16,837	\$ 11,532,010	\$ 9,187,648	\$ (9,687)	\$ (7,760,843)	\$12,965,965

See accompanying notes to consolidated financial statements

AMB FINANCIAL CORP.
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Nine Months Ended September 30	
	2008	2007
	(unaudited)	
Cash flows from operating activities:		
Net (loss) income	\$ (200,443)	\$ 70,528
Adjustments to reconcile net (loss) income to net cash:		
Depreciation	140,426	153,111
Amortization of premiums and accretion of discounts	15,695	11,004
Provision for loan losses	465,000	86,334
Proceeds from sale of loans held for sale	-	1,389,953
Origination of loans held for sale	-	(1,380,000)
Increase in deferred compensation	14,252	29,568
Stock option compensation	1,316	8,625
Gain on sale of available for sale securities	(14,937)	0
Gain on sale of other assets	(23,841)	(18,429)
Proceeds from sale of trading securities	280,067	-
Gain on sale of trading securities	(9,236)	-
Loss on sale of real estate owned	87,519	93,807
Unrealized loss (gain) on trading securities	35,735	(1,962)
Loss from limited partnership	33,750	45,000
Increase in cash surrender value of life insurance	(96,930)	(94,694)
Loss (income) from real estate held for development and sale	318,054	(34,256)
Decrease in deferred income on loans	(28,303)	(22,796)
Decrease in accrued interest receivable	8,011	24,268
Decrease in accrued interest payable	(1,506)	(286)
Increase in purchased accounts receivable	(256,986)	(541,823)
Decrease in current and deferred income taxes	54,314	2,539
Other, net	(309,809)	922,661
	512,148	743,172
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of investment securities	(4,917)	(1,006,447)
Proceeds from sales of available for sale securities	214,377	-
Proceeds from maturity and early redemption of investment securities	1,000,000	1,500,000
Purchase of mortgage-backed securities	(1,968,400)	-
Proceeds from repayments of mortgage-backed securities	344,099	316,067
Purchase of Federal Home Loan Bank stock	(214,200)	-
Purchase of loans	(2,750,948)	(2,593,500)
Loan disbursements	(30,457,500)	(31,351,447)
Loan repayments	32,644,112	38,831,641
Proceeds from sale of real estate held owned	342,197	673,754
Proceeds from sale of real estate held for development	-	462,927
Purchase of real estate held for development	(35,500)	(479,986)
Property and equipment expenditures, net	(2,282,620)	(2,469,736)
	(3,169,300)	3,883,273
Net cash provided (for) by investing activities		
Cash flows from financing activities:		
Net increase (decrease) in deposits	5,291,968	(3,143,634)
Proceeds from borrowed money	28,300,000	19,000,000
Repayment of borrowed money	(30,379,217)	(23,130,226)
Repayment of note payable	(134,344)	(136,067)
Increase in advance payments by borrowers for taxes and insurance	1,471,840	1,315,724
Purchase of treasury stock	-	(420,421)
Dividends paid on common stock	(265,497)	(269,640)
	4,284,750	(6,784,264)
Net cash provided by (for) financing activities		
Net change in cash and cash equivalents	1,627,598	(2,157,819)
Cash and cash equivalents at beginning of period	2,935,008	9,727,842
Cash and cash equivalents at end of period	\$ 4,562,606	\$ 7,570,023
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	\$ 4,321,450	\$ 4,855,568
Income taxes	-	-
Non-cash investing activities:		
Transfer of loans to real estate owned	821,906	190,000

See accompanying notes to consolidated financial statements.

**Earnings Per Share
(Unaudited)**

	Three Months Ended <u>Sept. 30, 2008</u>	Three Months Ended <u>Sept. 30, 2007</u>
Net (loss) income	\$ <u>(77,083)</u>	<u>3,544</u>
Total weighted average common shares outstanding for basic computation	<u>981,638</u>	<u>1,021,864</u>
Basic (loss) earnings per share	\$ <u>(0.08)</u>	<u>\$ 0.00</u>
Total weighted average common shares outstanding for basic computation	981,638	1,021,864
Common stock equivalents due to dilutive effect of stock options	<u>0</u>	<u>4,408</u>
Total weighted average common shares and equivalents outstanding for diluted computation	<u>981,638</u>	<u>1,026,272</u>
Diluted (loss) earnings per share	\$ <u>(0.08)</u>	<u>\$ 0.00</u>
	Nine Months Ended <u>Sept. 30, 2008</u>	Nine Months Ended <u>Sept. 30, 2007</u>
Net (loss) income	\$ <u>(200,443)</u>	<u>70,528</u>
Total weighted average common shares outstanding for basic computation	<u>983,013</u>	<u>1,033,784</u>
Basic (loss) earnings per share	\$ <u>(0.20)</u>	<u>\$ 0.07</u>
Total weighted average common shares outstanding for basic computation	983,013	1,033,784
Common stock equivalents due to dilutive effect of stock options	<u>0</u>	<u>5,303</u>
Total weighted average common shares and equivalents outstanding for diluted computation	<u>983,013</u>	<u>1,039,087</u>
Diluted (loss) earnings per share	\$ <u>(0.20)</u>	<u>\$ 0.07</u>

See accompanying notes to consolidated financial statements.

**AMB Financial Corp.
And Subsidiaries**

Notes to Consolidated Financial Statements

Statement of Information Furnished

The accompanying unaudited consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the United States of America and in the opinion of management contains all adjustments (all of which are normal and recurring in nature) necessary to present fairly, and make not misleading the financial position as of September 30, 2008, the results of operations for the three and nine month periods ended September 30, 2008 and 2007 and cash flows for the nine months ended September 30, 2008 and 2007. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The attached consolidated statements are those of AMB Financial Corp. (the "Company") and its consolidated subsidiaries American Savings, FSB (the "Bank"), the Bank's wholly owned subsidiary NIFCO, Inc., and the wholly owned subsidiary of NIFCO, Inc., Ridge Management, Inc. The results of operations for the three and nine month period ended September 30, 2008 is not necessarily indicative of the results to be expected for the full year.

Earnings Per Share

Earnings per share for the three and nine month periods ended September 30, 2008 and 2007 were determined by dividing net income for the periods by the weighted average number of both basic and diluted shares of common stock, as well as common stock equivalents outstanding. Stock options are regarded as common stock equivalents and are considered in diluted earnings per share calculations. Common stock equivalents are computed using the treasury stock method.

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

This report in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere, contains, and other periodic reports and press releases of the Company may contain, certain forward-looking statements. Forward-looking statements, which are based on certain assumptions and describe future plans, strategies and expectations of the Company are generally identifiable by the words "believe, intend, anticipate, estimate, project, plan" or similar expressions. The Company's ability to predict results or the actual effect of future plans or strategies is inherently uncertain and actual results may differ from those predicted. Factors which could have a material adverse effect on the operations and future prospects of the Company and the subsidiaries include, but are not limited to changes in interest rates, general national and local economic conditions, our decision whether or not to seek and accept funds from the U.S. Treasury, legislative/regulatory changes, monetary and fiscal policies of the U.S. Government, including policies of the U.S. Treasury and the Federal Reserve Board, the quality or composition of the Company's loan or investment portfolios, demand for loans, deposits, and other products, deposit flows, cost and availability of borrowings,