

Ambanc Financial Services, Inc.



AMBANC FINANCIAL SERVICES, INC.

BOARD OF DIRECTORS 2018

Martin E. Sell Chairman of the Board

John R. Oathout

John M. Belmonte

Patricia A. Frankenstein

Todd M. Nehls

AMERICAN BANK

BOARD OF DIRECTORS 2018

Martin E. Sell Chairman of the Board

John R. Oathout

Rhonda M. Steiner

Mark E. Holsapple

Todd M. Nehls

Kenneth L. O'Connell

Michael S. Horak

Jason C. Smelcer

AMERICAN BANK OFFICERS



John R. Oathout, President & Chief Executive Officer;
Mark Holsapple, Executive Vice President &
Chief Credit Officer; Jamie Henning, Senior Vice President;
Patricia Frankenstein, Executive Vice President &
Chief Operations Officer

March, 2019

Dear Shareholder:

The annual meeting of Ambanc Financial Services, Inc. will be held at 2 pm on Tuesday, April 2, 2019 at American Bank of Beaver Dam. I would encourage you to attend to get the latest updates on your corporation. I'm also pleased to provide you with this 2018 Annual Report for your review.

In late 2017, we conducted a strategic planning session which identified critical strategic initiatives. Ambanc Financial Services completed those initiatives in 2018 to begin a transformation that will create a lasting change in operations and culture.

Our vision for the future is for an economically efficient bank which is proficient in sales management and customer service skills. We will keep current in the latest uses of technology advances that impact our customer experience and efficiencies in a meaningful way.

Some highlights of 2018 included:

- The American National Bank received regulatory approval in early 2018 to complete the transition from a nationally-chartered bank to a state-chartered institution; the bank is now known as American Bank with a similar logo and branding.
- American Bank's Trust Department was closed in March, 2018. Historically, the level of profitability and efficiency of our small trust department was not beneficial to the overall bank.
- American Bank successfully completed a merger with The Necedah Bank at the end of August. This strategic move is providing efficiencies and additional products and tools to our customers and employees in the Necedah area.

The 2018 Annual Report for Ambanc Financial Services, Inc. reflects the strategic transitions that we accomplished in 2018. The total one-time expenses for the changes made were \$407,291. We believe the transitions made in 2018 have positioned the bank for continued strength, efficiency and increased profitability in 2019 and beyond.

Shareholders will be asked to vote on five Ambanc Financial Services, Inc. Directors. Those on the ballot for re-election include: Martin E. Sell, John R. Oathout, Patricia A. Frankenstein, John M. Belmonte and Todd M. Nehls.

Thank you for your continued support of Ambanc Financial Ser-



John R. Oathout
President and Chief Executive Officer, American Bank

Ambanc Financial Services, Inc.

Consolidated Balance Sheets

Assets	2018	2017
Cash and due from banks	\$4,011,742	\$3,395,579
Federal funds sold	<u>\$15,077,000</u>	<u>\$4,396,000</u>
Cash and cash equivalents	\$19,088,742	\$7,791,579
Certificates of deposit in banks	\$17,079,919	\$10,081,144
Available-for-sale securities	\$12,889,255	\$14,215,383
Investments in restricted stock	\$184,800	\$383,600
Loans, net of allowance for loan losses	\$109,483,409	\$115,895,455
Interest receivable	\$406,056	\$455,296
Premises and equipment, net	\$2,264,813	\$2,449,812
Foreclosed assets	\$117,502	\$384,251
Deferred taxes	\$71,856	\$427,561
Other assets	<u>\$532,142</u>	<u>\$515,069</u>
Total assets	<u>\$162,118,494</u>	<u>\$152,599,150</u>
Liabilities and Stockholders' Equity		
Liabilities		
Deposits	\$143,471,535	\$134,620,415
Borrowings	\$3,481,317	\$2,000,000
Interest payable	\$120,014	\$95,158
Accrued expenses & other liabilities	<u>\$153,963</u>	<u>\$217,672</u>
Total liabilities	<u>\$147,226,829</u>	<u>\$136,933,245</u>
Stockholders' Equity		
Common stock, \$20 par value, 250,000 shares authorized, 200,000 shares issued	\$4,000,000	\$4,000,000
Surplus	\$1,886,638	\$1,886,638
Retained earnings	\$14,555,336	\$14,312,495
Unearned employee stock ownership plan shares	(\$1,496,388)	(\$835,373)
Accumulated other comprehensive loss	(\$13,767)	(\$31,940)
Treasury stock, at cost (50,955 shares in 2018 & 46,826 shares in 2017)	<u>(\$4,040,154)</u>	<u>(\$3,665,915)</u>
Total stockholders' equity	<u>\$14,891,665</u>	<u>\$15,665,905</u>
Total liabilities and stockholders' equity	<u>\$162,118,494</u>	<u>\$152,599,150</u>
Additional Assets	2018	2017
Managed investments*	\$36,398,038	\$41,398,038
Serviced assets^	\$78,199,196	\$85,579,639
Total assets	\$162,118,494	\$152,599,150
Total Managed Assets	\$276,715,728	\$279,576,827

*Managed investments are the assets in our Brokerage Department

Ambanc Financial Services, Inc.

Consolidated Statements of Operations

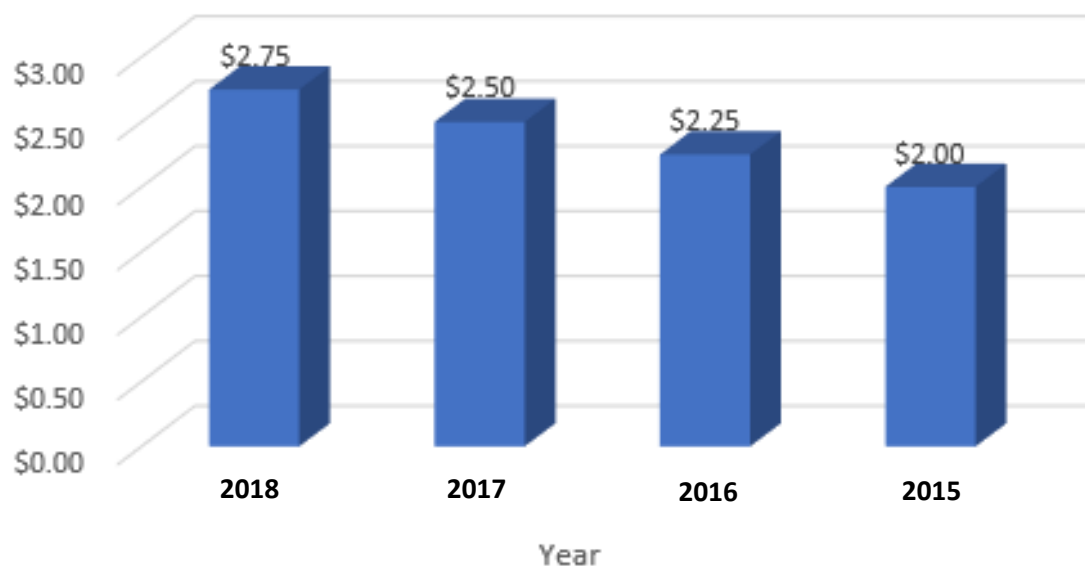
	2018	2017
Interest Income		
Loans, including fees	\$5,304,315	\$5,371,312
Securities	\$497,755	\$312,666
Other	<u>\$227,114</u>	<u>\$104,843</u>
Total interest income	<u>\$6,029,184</u>	<u>\$5,788,821</u>
Interest Expense		
Deposits	\$381,794	\$327,139
Other borrowings	<u>\$42,134</u>	<u>\$62,973</u>
Total interest expense	<u>\$423,928</u>	<u>\$390,112</u>
Net Interest Income	\$5,605,256	\$5,398,709
Provision for Loan Losses	<u>\$132,484</u>	<u>\$51,030</u>
Net Interest Income After Provision for Loan Losses	<u>\$5,472,772</u>	<u>\$5,347,679</u>
Non-Interest Income		
Service fees	\$898,968	\$979,448
Gain on sale of securities	\$803	\$6,084
Other	<u>\$29,987</u>	<u>\$88,807</u>
Total non-interest income	<u>\$929,758</u>	<u>\$1,074,339</u>
Non-Interest Expenses		
Compensation and employee benefits	\$2,835,007	\$2,862,266
Data processing	\$600,632	\$655,858
Occupancy and equipment expenses	\$634,926	\$561,292
Directors' fees	\$216,865	\$182,300
Professional and legal fees	\$263,178	\$210,222
Foreclosed asset expenses	\$125,112	\$144,849
Other	<u>\$844,091</u>	<u>\$867,926</u>
Total non-interest expenses	<u>\$5,519,811</u>	<u>\$5,484,713</u>
Income Before Income Taxes	\$882,719	\$937,305
Income Tax Expense	<u>\$229,568</u>	<u>\$389,743</u>
Net Income	<u>\$653,151</u>	<u>\$547,562</u>
Earnings per share	\$4.38	\$3.57

Ambanc Financial Services, Inc.

Consolidated Statements of Changes in Stockholders' Equity

Stockholders' Equity	2018	2017
Beginning balance	\$15,665,905	\$15,534,053
Net income	\$653,151	\$547,562
Dividends paid	(\$410,310)	(\$383,355)
Common shares committed to be released under the ESOP	\$37,500	\$100,000
Stock-based compensation	\$0	\$180,009
Unearned ESOP shares	(\$698,515)	\$0
Purchase of treasury stock	(\$374,239)	(\$382,755)
Other comprehensive income	\$18,173	\$70,391
Ending Equity	<u>\$14,891,665</u>	<u>\$15,665,905</u>

Dividends





2018: A Year of Excitement at American Bank!

1. After months of work and dedication, American Bank became an official 'Blue Zones Approved Worksite.'
2. Local elementary schools received books for use in their libraries from the bank.
3. American Bank welcomed its Necedah Office with a customer appreciation celebration where raffles benefited Necedah Food Pantry.
4. After construction during most of the summer months, American Bank officially opened American Bank Square - a community green space behind its downtown Beaver Dam office.





1. The American National Bank officially becomes American Bank in April, 2018.
2. When tragedy struck Beaver Dam in April, 2018, employees held a 'baby shower' for an expectant mother who lost her gifts in an apartment fire.
3. American Bank employees taught children about savings during Teach Children to Save Day.
4. Each December, American Bank employees help with The Salvation Army's Red Kettle Campaign.
5. In August, American Bank welcomed The Necedah Bank with a customer appreciation celebration!

