AMB Financial Corp.
7880 Wicker Ave.
St. John, Indiana 46373

Financial Report
For The Three and Nine Months Ended
September 30, 2018

Note: This report is intended to be read in conjunction with our Annual Report to Stockholders for the year ended December 31, 2017, copies of which are included on this website. This report is dated September 30, 2018 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.

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

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AMB Financial Corp. and Subsidiaries
Consolidated Balance Sheets

	September 30, 2018 (unaudited)	December 31, 2017 (audited)
Assets		
Cash and amounts due from depository institutions	$ 2,130,565	$ 1,920,212
Interest-bearing deposits	13,690,858	18,015,343
Total cash and cash equivalents	15,821,423	19,935,555
Mortgage backed securities, available for sale, at fair value	3,975,347	3,158,984
Stock in Federal Home Loan Bank of Indianapolis, at cost	1,372,000	949,700
Loans held for sale	55,000	748,849
Loans receivable (net of allowance for loan losses: $2,070,582 at September 30, 2018 and $1,957,133 at December 31, 2017)	180,625,145	168,760,014
Other real estate owned	137,350	137,350
Investment in limited partnership	301,170	329,070
Accrued interest receivable	677,291	624,003
Office properties and equipment- net	9,561,253	9,717,281
Bank owned life insurance	4,291,067	4,232,804
Prepaid expenses and other assets	1,360,533	1,539,741
Total assets	$ 218,177,579	$ 210,133,351
Liabilities and Stockholders' Equity		
Liabilities		
Deposits	$ 184,169,727	$ 180,240,077
Borrowed money	10,486,900	7,006,934
Junior subordinated debentures	3,093,000	3,093,000
Other liabilities	2,312,378	2,626,656
Total liabilities	$ 200,062,005	$ 192,966,667
Stockholders' Equity		
Common Stock, $.01 par value; authorized 1,900,000 shares; 1,683,641 shares issued and 984,068 outstanding at September 30, 2018 and 981,638 outstanding at December 31, 2017	$ 16,837	$ 16,837
Additional paid-in capital	11,592,281	11,564,353
Retained earnings	14,307,514	13,373,981
Accumulated other comprehensive income (loss), net of tax	(67,080)	(27,644)
Treasury stock, at cost (699,573 shares outstanding at September 30, 2018 and 702,003 shares outstanding at December 31, 2017)	(7,733,978)	(7,760,843)
Total stockholders' equity	$ 18,115,574	$ 17,166,684
Total liabilities and stockholders' equity	$ 218,177,579	$ 210,133,351

See accompanying notes to audited consolidated financial statements.

AMB Financial Corp. and Subsidiaries
Consolidated Statements of Income
(unaudited)

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Interest income				
Interest on Loans	$ 2,186,328	$ 1,927,273	$ 6,274,197	$ 5,630,079
Interest on mortgage-backed securities	17,948	16,244	46,763	52,769
Interest on interest-bearing deposits	24,755	63,648	100,730	134,560
Dividends on Federal Home Loan Bank stock	13,353	10,173	39,352	30,189
Total interest income	$ 2,242,384	$ 2,017,338	$ 6,461,042	$ 5,847,597
Interest expense				
Interest on deposits	$ 426,470	$ 273,956	$ 1,076,200	$ 738,883
Interest on borrow ings	73,607	69,403	203,635	204,992
Total interest expense	$ 500,077	$ 343,359	$ 1,279,835	$ 943,875
Net interest income	$ 1,742,307	$ 1,673,979	$ 5,181,207	$ 4,903,722
Provision for loan losses	35,000	11,000	125,000	11,000
Net interest income after provision for loan losses	$ 1,707,307	$ 1,662,979	$ 5,056,207	$ 4,892,722
Non-interest income:				
Loan fees and service charges	$ 133,722	$ 125,097	$ 348,545	$ 349,475
Deposit related fees	69,368	68,253	217,303	205,819
Other fee income	22,619	19,820	67,572	58,888
Rental Income	78,555	85,103	259,903	281,325
Gain on sale of loans	91,796	100,624	225,866	264,870
Net gain on sale of other real estate ow ned, net of w ritedow ns	21,106	(590)	21,106	(12,440)
Loss from limited partnership	(9,300)	(9,300)	(27,900)	(27,900)
Increase in cash surrender value of life insurance	20,025	21,512	58,263	63,647
Gain on the sale of other assets	-	6,000	-	6,000
Other income	32,759	45,605	75,027	83,023
Total non-interest income	$ 460,650	$ 462,124	$ 1,245,685	$ 1,272,707
Non-interest expense:				
Staffing costs	$ 940,175	$ 883,165	$ 2,795,993	$ 2,603,743
Advertising	79,632	54,723	167,318	198,520
Occupancy and equipment expense	205,682	176,396	602,976	505,569
Data processing	168,817	168,465	506,917	484,092
Professional fees	61,445	92,253	198,342	242,223
Federal deposit insurance premiums	33,286	28,182	105,987	86,768
Insurance expense	28,924	28,309	84,462	82,518
Other operating expenses	186,283	184,426	572,766	556,117
Total non-interest expense	$ 1,704,244	$ 1,615,919	$ 5,034,761	$ 4,759,550
Income before income taxes	$ 463,713	$ 509,184	$ 1,267,131	$ 1,405,879
Income tax expense	123,248	190,401	333,599	526,691
Net income available to common shareholders	340,465	318,783	933,532	879,188
Earnings per common share:				
Basic	$ 0.35	$ 0.33	$ 0.95	$ 0.90
Diluted	$ 0.35	$ 0.33	$ 0.95	$ 0.90

See accompanying notes to audited consolidated financial statements.

AMB Financial Corp. and Subsidiaries
Consolidated Statements of Comprehensive Income
(unaudited)

	Nine Months Ended September 30,	
	2018	2017
Net income	$ 933,532	$ 879,188
Other comprehensive (loss) income, net of tax:		
Unrealized gains on securities		
available for sale--		
Unrealized holding (loss) gain arising during the period	(39,436)	12,127
Other comprehensive income, net of tax	(39,436)	12,127
Total comprehensive income	$ 894,096	$ 891,315

See accompanying notes to audited consolidated financial statements

AMB Financial Corp. and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity
For the Nine Months Ended September 30, 2018 and 2017
(unaudited)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at December 31, 2016	$ 16,837	$ 11,533,912	$ 12,436,828	$ (15,428)	$ (7,760,843)	$ 16,211,306
Net income			879,188			879,188
Other comprehensive income, net of tax				12,127		12,127
Cash dividends declared on common shares ($.15 per share)			(147,246)			(147,246)
Stock-based compensation expense		12,326				12,326.00
Balance at September 30, 2017	$ 16,837	$ 11,546,238	$ 13,168,770	$ (3,301)	$ (7,760,843)	$ 16,967,701

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at December 31, 2017	$ 16,837	$ 11,564,353	$ 13,373,981	$ (27,644)	$ (7,760,843)	$ 17,166,684
Net income			933,532			933,532
Other comprehensive income, net of tax				(39,436)		(39,436)
Treasury stock issued					26,865	26,865
Stock-based compensation expense		27,929				27,929
Balance at September 30, 2018	$ 16,837	$ 11,592,282	$ 14,307,513	$ (67,080)	$ (7,733,978)	$ 18,115,574

See accompanying notes to audited consolidated financial statements.

AMB Financial Corp. and Subsidiaries

Consolidated Statements of Cash Flows

	Nine Months Ended September 30, 2018	2017
	(unaudited)	
Cash flows from operating activities:		
Net income	$ 933,532	$ 879,188
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	358,763	287,002
Amortization of premiums and accretion of discounts	23,844	35,215
Gain on sale of other assets	-	(6,000)
Proceeds from sale of loans originated for sale	12,401,220	11,699,556
Loans originated for sale	(12,255,304)	(11,513,495)
Gain on sale of loans	(225,866)	(264,870)
(Gain) loss on sale of other real estate owned	(21,106)	12,440
Provision for loan losses	125,000	11,000
Loss from limited partnership	27,900	27,900
Net change in:		
Increase in cash surrender value of life insurance	(58,263)	(63,647)
Increase in deferred yield adjustments on loans	49,457	13,037
Increase in prepaid and deferred income taxes	(359,280)	(433,044)
Increase in accrued interest receivable	(53,288)	(34,221)
Decrease in other assets	325,720	412,441
(Decrease) increase in other liabilites	(7,702)	706,872
Net cash provided by operating activities	1,264,627	1,769,374
Cash flows from investing activities:		
Purchase of mortgage-backed securities	(1,504,586)	-
Proceeds from repayments of mortgage-backed securities	611,085	794,235
Change in loans held for sale	693,849	-
Net increase in loans	(12,215,245)	(3,958,307)
Proceeds from sale of other real estate owned	196,763	28,660
Purchase of Federal Home Loan Bank stock	(422,300)	-
Property and equipment expenditures, net	(202,735)	(1,512,501)
Net cash used for investing activities	(12,843,169)	(4,647,913)
Cash flows from financing activities:		
Net increase in deposits	3,691,393	76,033
Net increase (decrease) in borrowed money	3,479,966	(82,766)
Net (decrease) in advance payments by borrowers for taxes and insurance	238,257	218,814
Dividends paid on common stock	-	(147,246)
Equity plan paid-in-capital	54,794	12,326
Net cash provided by financing activities	7,464,410	77,161
Net change in cash and cash equivalents	(4,114,132)	(2,801,378)
Cash and cash equivalents at beginning of period	19,935,555	19,435,830
Cash and cash equivalents at end of period	$ 15,821,423	$ 16,634,452
Supplemental disclosure of cash flow information:		
Interest paid	$ 1,288,533	$ 943,970
Income taxes paid	90,000	284,000
Transfer of loans to other real estate owned	175,657	27,450

See accompanying notes to audited consolidated financial statements.

AMB Financial Corp. and Subsidiaries
Earnings Per Share
(Unaudited)

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017
Net income available to common shareholders	$ 340,465	$ 318,783
Weighted average common shares outstanding for basic computation	983,249	981,638
Basic income per common share	$ 0.35	$ 0.33
Weighted average common shares outstanding for basic computation	983,249	981,638
Common stock equivalents due to dilutive effect of restricted stock	4,504	256
Weighted average common shares and equivalents outstanding for diluted computation	987,753	981,894
Diluted income per common share	$ 0.35	$ 0.33

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Net income available to common shareholders	$ 933,532	$ 879,188
Weighted average common shares outstanding for basic computation	982,181	981,638
Basic income per common share	$ 0.95	$ 0.90
Weighted average common shares outstanding for basic computation	982,181	981,638
Common stock equivalents due to dilutive effect of restricted stock	4,504	256
Weighted average common shares and equivalents outstanding for diluted computation	986,685	981,894
Diluted income per common share	$ 0.95	$ 0.90

AMB Financial Corp
And Subsidiaries

Status as Non-Reporting Company. We are not subject to the reporting requirements of Section 13 of the Securities Exchange Act of 1934 and accordingly this report has not been prepared in accordance with applicable Securities Exchange Commission rules. This report is intended to cover the nine month period ended September 30, 2018 and should not be read to cover any other periods.

Notes to Consolidated Financial Statements. 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 contain all adjustments (all of which are normal and recurring in nature) necessary for a fair presentation. The results of operations for the three and nine months ended September 30, 2018 are not necessarily indicative of the results expected for the year ending December 31, 2018. The September 30, 2018 consolidated financial statements should be read in conjunction with the consolidated financial statements and notes for the year ended December 31, 2017 included in the Company's Annual Report. The Company's consolidated statement of condition as of December 31, 2017 has been derived from the Company's audited consolidated statement of condition as of that date.

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that could have a material effect on the carrying value of certain assets and liabilities. These estimates and assumptions affect the amounts reported in the consolidated financial statements and the disclosures provided. The determination of the allowance for loan losses, valuations and impairments of investment securities, and the accounting for income tax expense are highly dependent on management's estimates and assumptions where changes in any of these could have a significant impact on the financial statements.

The consolidated financial statements include the accounts of AMB Financial Corp. (the "Company"), and its wholly-owned subsidiary, American Community Bank of Indiana (the "Bank").

Earnings per Share. Earnings per share for the three and nine month periods ended September 30, 2018 and 2017 were determined by dividing net income available to common shareholders for the periods by the weighted average number of both basic and diluted shares of common stock, as well as common stock equivalents outstanding.

Reclassifications. Certain 2017 items or amounts may have been reclassified or restated in order to conform to the 2018 presentation.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements. The Company and the Bank may from time to time make written or oral "forward-looking statements." These forward-looking statements may be included in this Financial Report, which are made in good faith by us. These forward-looking statements include statements about our beliefs, plans, objectives, goals, expectations, anticipations, estimates and intentions, which are subject to significant risks and uncertainties, and are subject to change based on various factors, some of which are beyond our control. The words "may," "could," "should," "would," "believe," "anticipate," "estimate," "expect," "intend," "plan" and similar expressions are intended to identify forward-looking statements. The following factors, among others, could cause our financial performance to differ materially from the plans, objectives, expectations, estimates and intentions expressed in the forward-looking statements:

- the current condition of the United States economy in general and in our local economy (including unemployment) in which we conduct operations;
- the effects of, and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Federal Reserve Board and the United States Treasury ("UST");
- our ability to manage and reduce our non-performing assets;
- our ability to repay our holding company debt, including our $3 million of trust preferred stock, when due;
- the impact of new laws and regulations resulting from the recent economic crisis on financial institutions, the lending market and our regulatory agencies;
- the impact of new regulations imposed by the Federal Reserve System, the Federal Deposit Insurance Corporation ("FDIC") and the State of Indiana Department of Financial Institutions;
- future deposit premium levels which may rise;
- future loan underwriting and consumer protection requirements including those issued by the Consumer Financial Protection Bureau;
- inflation, interest rate, market and monetary fluctuations and its impact on our interest rate sensitive balance sheet;
- the decline in loan demand and real estate values within our local market;
- the future financial strength, dividend level and activities of the FHLB of Indianapolis in which we own stock and from which we borrow money;
- the impact of any new government foreclosure relief and loan modification programs;
- the timely development of and acceptance of our new products and services and the perceived overall value of these products and services by users, including the features, pricing and quality thereof compared to competitors' products and services;
- the willingness of users to substitute our products and services for products and services of our competitors;
- our ability to reinvest our cash flows in today's very low interest rate environment;
- our success in gaining regulatory approval of our products and services, when required;
- the impact of changes in financial services' laws and regulations (including laws concerning taxes, banking, securities and insurance);
- the impact of technological changes;
- competition from other financial service providers in the Company's market area;
- the success of our executives in managing our business operations;
- the success of our loan restructuring and work out arrangements;
- our ability to accurately estimate the value of our assets and the appropriate level of our allowance for loan losses;
- our ability to lease space in our branch facilities when vacancies occur; and
- future changes in consumer spending and saving habits.

Financial Condition. Total assets of the Company were $218.2 million at September 30, 2018, an increase of $8.1million, from $210.1 million at December 31, 2017. Mortgage-backed securities increased $0.8 million, stock in the FHLBI increased $0.4 million and loans receivable increased $11.8 million. The aforementioned increases were primarily funded by a $4.1 million decrease in cash equivalents, a $3.9 million increase in deposits and a $3.5 million increase in borrowings.

Cash and cash equivalents, which consist primarily of interest-earning deposits, totaled $15.8 million at September 30, 2018, a decrease of $4.1 million, from $19.9 million at December 31, 2017. Cash and cash equivalents can fluctuate significantly on a day-to-day basis due to cash demands, customer deposit levels and loan and investment activity.

Mortgage-backed securities, available for sale, increased $0.8 million to $4.0 million at September 30, 2018, from $3.2 million at December 31, 2017. The increase was the result of new purchases of $1.5 million, offset, in part, by repayments of $0.6 million. The Company recorded an unrealized loss on available for sale mortgage-backed securities of $88,000 at September 30, 2018 compared to a $35,000 unrealized loss at December 31, 2017. These amounts are included as part of the carrying cost of mortgage-backed securities, available for sale, at each respective period.

The Bank is a member of the FHLBI and had a $1.4 million investment in stock of the FHLBI at September 30, 2018 as compared to $0.9 million at December 31, 2018. The $0.4 million increase is due to increased borrowing from the FHLBI. Members are required to own a certain amount of stock based on the level of borrowings and other factors. The investment is carried at par value, as there is not an active market for FHLBI stock.

Net loans receivable totaled $180.6 million at September 30, 2018, an $11.8 million increase from the $168.8 million balance at December 31, 2017. The Company originated $12.3 million of loans held for sale which were subsequently sold during the nine month period ended September 30, 2018, as compared to $11.5 million during the prior year period. Loans originated for sale are fixed-rate, single-family mortgage loans, which are sold in an effort to manage interest rate risk and generate fee income.

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 appropriate to absorb management's estimate of probable incurred losses inherent in the loan portfolio. The provision for loan losses is based upon management's quarterly review of the loan portfolio. The purpose of the review is to assess loan quality, identify impaired loans, analyze delinquencies, ascertain loan growth, evaluate potential charge-offs and recoveries, and assess general economic conditions in the markets that the Company serves. To determine the appropriate level for the allowance for loan losses, management applies historical loss percentages to performing residential real estate, nonresidential real estate, consumer, and commercial business loan balances. In addition, nonperforming loans are evaluated for current collateral deficiencies. When such loans are found to have collateral deficiencies, the deficiency is charged-off to the allowance for loan losses. Management evaluates the results of the allowance for loan losses by applying the historical and subjective loss factors to the current loan balances and identifying any required collateral deficiency reserves for the period. Based upon this analysis, management will record any required loan loss provisions to establish the appropriate level for the allowance for loan losses.

The allowance for loan losses totaled $2.1 million at September 30, 2018, representing a $140,000 increase as compared to December 31, 2017. The Bank's allowance for loan losses to total loans was 1.13% at September 30, 2018 as compared to 1.13% at December 31, 2017. Management believes that the allowance for loan losses is adequate to meet probable incurred loan losses in the portfolio. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in information and economic conditions. In addition, both the FDIC and the Indiana Department of Financial Institutions, as an integral part of their examination process, will periodically review the Bank's allowance for loan losses and may require the Bank to recognize additions to the loan loss allowance based upon their judgments about information available to them at the time of their examination.

The following table sets forth the activity in the allowance for loan losses for the nine months ended September 30, 2018 and 2017.

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Balance at beginning of period:	$1,931,057	$1,957,133
Charge-offs:		
One- to four family	7,920	-
Multi-family	-	-
Non-residential	-	-
Land	-	-
Home Equity Lines of Credit	27,158	-
Consumer	-	31,935
Commercial business	-	-
Total charge-offs	35,078	31,935
Recoveries:		
One- to four family	44,807	12,963
Multi-family	-	-
Non-residential	-	-
Land	-	-
Consumer	-	7,408
Commercial business	4,796	4,460
Total recoveries	49,603	24,831
Net recoveries (charge-offs)	14,525	(7,104)
Provisions for loan losses	125,000	11,000
Balance at end of period	$2,070,582	$1,961,029
Ratio of net recoveries (charge-offs) during the period to average gross loans outstanding during the period	0.01%	0.00%
Ratio of net recoveries (charge-offs) during the period to average non-performing loans during the period	0.52%	(0.34)%

Loans receivable are summarized as follows at the dates indicated:

	September 30, 2018	December 31, 2017
Mortgage loans:		
One-to-four family	$ 66,341,587	$ 66,295,151
Multi-family	6,244,386	6,028,028
Non-residential	62,990,781	54,156,538
Construction	10,758,394	8,725,317
Land	8,768,395	8,822,081
Equity lines of credit	9,635,139	9,241,291
Consumer	767,299	693,318
Commercial business loans	17,645,905	17,136,049
Total loans	183,151,886	171,097,773
Less:		
Net deferred yield adjustments	456,159	406,702
Allowance for loan losses	2,070,582	1,931,057
Loans receivable, net	$ 180,625,145	$ 168,760,014

Criticized and Classified Assets. The following table sets forth the amounts and categories of non-performing assets and other criticized and classified assets, on the dates indicated.

	September 30, 2018	December 31, 2017
Substandard non-accruing loans:		
One- to four-family	$ 1,598,451	$ 1,901,909
Non-residential	316,786	63,191
Construction	358,806	358,806
Land	-	144,047
Equity lines of credit	384,458	83,040
Other consumer	5,757	7,768
Total substandard non-accruing loans	$ 2,664,258	$ 2,558,761
Total loans receivable	$ 183,151,886	$ 171,097,773
Total non-accrual / loans receivable	1.45%	1.50%
Substandard – accruing loans		
One- to four-family	$ -	$ 310,764
Non-residential	576,158	625,643
Total substandard – accruing loans	$ 576,158	$ 936,407
Total loans receivable	$ 183,151,886	$ 171,097,773
Total substandard accruing / loans receivable	0.31%	0.55%
Total classified loans	$ 3,240,416	$ 3,495,168
Total loans receivable	$ 183,151,886	$ 171,097,773
Total classified loans / loans receivable	1.77%	2.04%
Substandard other real estate owned:		
Land	$ 137,350	$ 137,350
Total substandard other real estate owned	$ 137,350	$ 137,350
Total classified assets	$ 3,377,766	$ 3,632,518
Total assets	$ 213,737,599	$ 210,133,351
Total classified assets / total assets	1.58%	1.73%

Non-Performing Assets, Impaired Loans and Allowance for Loan Losses.

The following tables present the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method for the dates indicated:

Allowance for Loan Losses

	At September, 2018			At December 31, 2017		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
One-to-four family	$ 30,409	$ 657,073	$ 687,482	$ 31,527	$ 739,208	$ 770,735
Multi-family	-	35,606	35,606	-	51,751	51,751
Non-residential	114,201	722,304	836,505	-	627,246	627,246
Construction	-	142,087	142,087	-	120,398	120,398
Land	-	89,131	89,131	-	93,997	93,997
Equity lines of credit	14,890	69,134	84,024	-	67,834	67,834
Other consumer	-	20,999	20,999	-	17,411	17,411
Commercial business loans	-	174,748	174,748	-	181,685	181,685
Total	$ 159,500	$ 1,911,082	$ 2,070,582	$ 31,527	$ 1,899,530	$ 1,931,057

Loan Balances

	At September, 2018			At December 31, 2017		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
One-to-four family	$ 2,100,990	$ 64,240,597	$ 66,341,587	$ 2,131,066	$ 64,164,085	$ 66,295,151
Multi-family	-	6,244,386	6,244,386	-	6,028,028	6,028,028
Non-residential	316,786	62,673,995	62,990,781	63,191	54,093,347	54,156,538
Construction	358,806	10,399,588	10,758,394	358,806	8,366,511	8,725,317
Land	-	8,768,395	8,768,395	144,048	8,678,033	8,822,081
Equity lines of credit	384,458	9,250,681	9,635,139	83,040	9,158,251	9,241,291
Other consumer	5,757	761,542	767,299	7,768	685,550	693,318
Commercial business loans	-	17,645,905	17,645,905	-	17,136,049	17,136,049
Total	$ 3,166,797	$ 179,985,089	$ 183,151,886	$ 2,787,919	$ 168,309,854	$ 171,097,773

Impaired loans, which consist of the Company's non-accrual loans and troubled debt restructured loans, were as follows:

	September 30, 2018	December 31, 2017
Period end loans with allocated allowance for loan losses	$ 502,539	$ 229,158
Period end loans with no allocated allowance for loan losses	2,387,990	2,558,761
Total	$ 2,890,529	$ 2,787,919
Valuation reserve relating to impaired loans	$ 159,500	$ 31,527

The following table presents loans individually evaluated for impairment by class of loans as of the dates indicated:

	At September 30, 2018		At December 31, 2017	
	Unpaid Principal Balance	Allowance for Loan Losses Allocated	Unpaid Principal Balance	Allowance for Loan Losses Allocated
With an allowance recorded:				
One-to-four family	$ 226,271	$ 30,409	$ 229,158	$ 31,527
Non-residential	261,378	114,201	-	-
Equity lines of credit	14,890	14,890	-	-
With no related allowance recorded:				
One-to-four family	1,598,451	-	1,901,909	-
Non-residential	55,408	-	63,191	-
Construction	358,806	-	358,806	-
Land	-	-	144,047	-
Equity lines of credit	369,568	-	83,040	-
Other consumer	5,757	-	7,768	-
Total	$ 2,890,529	$ 159,500	$ 2,787,919	$ 31,527

Nonaccrual loans are summarized as follows:

	September 30, 2018	December 31, 2017
One-to-four family	$ 1,598,451	$ 1,901,909
Non-residential	316,786	63,191
Construction	358,806	358,806
Land	-	144,047
Equity lines of credit	384,458	83,040
Other consumer	5,757	7,768
Total	$ 2,664,258	$ 2,558,761

The following tables present the aging of the recorded investment in past due loans.

	September 30, 2018				
	30 - 89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Loans Not Past Due	Total
One-to-four family	$ 911,277	$ 1,482,438	$ 2,393,715	$ 63,947,872	$ 66,341,587
Multi-family	-	-	-	6,244,386	6,244,386
Non-residential	396,109	55,408	451,517	62,539,264	62,990,781
Construction	-	358,806	358,806	10,399,588	10,758,394
Land	-	-	-	8,768,395	8,768,395
Equity lines of credit	81,490	302,967	384,457	9,250,682	9,635,139
Other consumer	7,947	14,689	22,636	744,663	767,299
Commercial business loans	83,450	-	83,450	17,562,455	17,645,905
Total	$ 1,480,273	$ 2,214,308	$ 3,694,581	$ 179,457,305	$ 183,151,886

	December 31, 2017				
	30 - 89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Loans Not Past Due	Total
One-to-four family	$ 927,723	$ 1,661,564	$ 2,589,287	$ 63,705,864	$ 66,295,151
Multi-family	-	-	-	6,028,028	6,028,028
Non-residential	156,212	63,191	219,403	53,937,135	54,156,538
Construction	-	358,806	358,806	8,366,511	8,725,317
Land	-	-	-	8,822,081	8,822,081
Equity lines of credit	326,338	1,669	328,007	8,913,284	9,241,291
Other consumer	17,380	7,768	25,148	668,170	693,318
Commercial business loans	26,364	-	26,364	17,109,685	17,136,049
Total	$ 1,454,017	$ 2,092,998	$ 3,547,015	$ 167,550,758	$ 171,097,773

The Company has allocated $30,409 and $31,527 of loan loss reserves to customers whose loan terms have been modified in troubled debt restructurings as of September 30, 2018 and December 31, 2017, respectively.

The following table presents loans classified as troubled debt restructurings.

	September 30, 2018	December 31, 2017
One-to-four family	$ 226,271	$ 229,158
Trouble debt restructured loans - accrual loans	$ 226,271	$ 229,158

Risk Classification of Loans. The Company's policies, consistent with regulatory guidelines, provide for the classification of loans and other assets that are considered to be of lesser quality as substandard, doubtful, or criticized assets designated as special mention.

A substandard asset is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Assets so classified must have a well-defined weakness, or weaknesses, that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected. Risk rating guidance clarifies that a loan with a well-defined weakness does not have to present a probability of default for the loan to be rated substandard, and that an individual loan's loss potential does not have to be distinct for the loan to be rated substandard. An asset classified doubtful has all the weaknesses inherent in one classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. Assets classified as loss are those considered uncollectible and of such little value that their continuance as assets is not warranted; such balances are promptly charged-off as required by applicable federal regulations. A special mention asset has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the institution's credit position at some future date. Special mention assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification.

Based on a review of the Company's classified assets, loans classified substandard as well as other real estate owned decreased $0.2 million to $3.4 million at September 30, 2018.

Non-Performing Loans. Non-performing loans, which consist primarily of those nonaccrual loans which are past due ninety days or more as well as loans less than ninety days past due for which the collectability of principal and interest is in doubt totaled $2.7 million, or 1.45% of total loans receivable at September 30, 2018, compared to $2.6 million, or 1.50% of total loans receivable at December 31, 2017.

Potential Problem Loans. The Company defines potential problem loans as performing loans rated substandard, which do not meet the definition of a non-performing loan. The Company does not necessarily expect to realize losses on potential problem loans, but does recognize that potential problem loans carry a higher probability of default and require additional attention by management. As part of its loan review process, the Company evaluates a borrower's financial condition as well as the underlying collateral's cash flows in order to determine the appropriate loan grade/classification. The Company reviews nonresidential real estate loans, commercial business loans and multiple non-owner occupied single-family loans made to the same borrower to determine if these loans should be classified. As a result of these reviews, loans totaling $576,000 were classified as performing substandard at September 30, 2018, compared to $936,000 at December 31, 2017.

The ratio of allowance for loan losses to classified and criticized loans was 63.9% at September 30, 2018, compared to 55.2% at December 31, 2017.

Other real estate owned, which is classified substandard, totaled $137,000 at September 30, 2018 as compared to $137,000 at December 31, 2017. Other real estate owned properties are initially recorded at fair value less estimated cost to sell at acquisition, establishing a new cost basis. If fair value declines subsequent to foreclosure, a valuation allowance is recorded through expense. There can be no assurance whether, when, and at what price the Company will be able to sell the remaining inventory of other real estate owned properties.

There also can be no assurance that we will not experience increases in our non-performing assets or that the value of our current non-performing assets will not further decline. It is not clear how serious an effect the economy will have on the Company's loan volume, credit quality and deposit flows. However, management believes that the Company's non-owner occupied loans, purchased loans, and consumer loans, as well as the other real estate it owns, may be particularly sensitive to adverse economic conditions.

The Company's investment in a limited partnership decreased $28,000 to $301,000 at September 30, 2018, from $329,000 at December 31, 2017. The decrease represents the Company's share of the operating losses generated by the partnership, which manages an investment in an affordable housing apartment development.

Office properties and equipment totaled $9.5 million at September 30, 2018, a $156,000 decrease from the balance at December 31, 2017. The decrease represents normal depreciation of $359,000, offset, in part, by additions totaling $203,000.

Bank owned life insurance increased $58,000 to $4.3 million at September 30, 2018. The change represents an increase in the cash surrender value of the life insurance policies purchased in connection with deferred compensation plans utilized by directors and officers of the Company.

Prepaid expenses and other assets decreased $179,000 to $1.4 million at September 30, 2018. Included in prepaid expenses and other assets is a $396,000 net deferred tax asset.

Total deposits increased $3.9 million to $184.2 million at September 30, 2018. The increase in deposits during the period was due to a $2.2 million increase in demand (checking) deposits accounts and a $4.2 million increase in certificates of deposit accounts, offset, in part, by a $1.6 million decrease in passbook deposits and a $0.9 million decrease in money market accounts. At September 30, 2018, the Bank's core deposits (passbook, checking and money market accounts) comprised $116.8 million, or 63.4% of deposits, compared to $117.1 million, or 65.00% of deposits, at December 31, 2017. The majority of the Bank's deposits are derived from core client sources, relating to long-term relationships with local individuals, businesses and municipal entities. The Company does not utilize brokered deposits.

Borrowed money, which consisted of FHLBI advances, increased $3.5 million to $10.5 million at September 30, 2018. Borrowings from the FHLBI at September 30, 2018 totaled $10.5 million with a weighted average rate of 2.32% and a weighted term to maturity of 3.7 years. The increase in borrowed money was due to a new $5.0 million long-term advance, offset, in part, by a $1.5 million repayment of other borrowed money.

The Company's trust preferred subordinated debentures remained unchanged totaling $3.1 million at September 30, 2018. The interest rate payable on the debentures adjusts quarterly to the three month LIBOR plus 1.65% and was 3.98% at September 30, 2018. These debentures have a contractual maturity date of June 15, 2037 and the Company has the right to redeem the debentures, in whole or in part, on any interest payment date.

Other liabilities decreased $0.3 million totaling $2.3 million at September 30, 2018, compared to $2.6 million at December 31, 2017.

Total stockholders' equity increased $949,000 to $18.1 million, or 8.30% of total assets at September 30, 2018, compared to $17.2 million, or 8.17% of total assets, at December 31, 2017. The increase in stockholders' equity was attributable to $934,000 of net income for the nine month period ended September 30, 2018, a $28,000 increase in paid-in-capital, and a $26,000 decrease in treasury stock, offset, in part, by a $39,000 increase in the unrealized loss on available for sale securities, net of tax. The number of common shares outstanding at September 30, 2018 was 984,068, an increase of 2,430 shares as comparted to the number of shares outstanding at December 31, 2017. The book value per common share outstanding was $18.41. The Bank's Tier 1 leverage capital ratio, risked-based common equity Tier 1 capital ratio, risk-based Tier 1 capital ratio and risk-based total capital ratio percentages of 9.55%, 11.67%, 11.67% and 12.87%, respectively, at September 30, 2018 exceeded all regulatory requirements and categorize the Bank as well capitalized under applicable regulations.

Comparison of the Results of Operations for the Quarter Ended September 30, 2018 and September 30, 2017

General. Net income available to common shareholders for the quarter ended September 30, 2018 was $340,000, or $0.35 per diluted common share, an increase of $21,000 or 6.8%, compared to $319,000, or $0.32 per diluted common share, for the same period in 2017. The increase in the current quarter net income available to common shareholders compared to the prior year quarter was the result of a $68,000 increase in net interest income and a $67,000 decrease in income tax expense, offset, in part, by an $88,000 increase other non-interest expense, a $24,000 increase in the provision for loan losses and a $2,000 decrease in non-interest income.

Interest Income. Total interest income increased $225,000, or 11.2%, to $2.2 million for the quarter ended September 30, 2018, from the prior year quarter as the result of a $1.1 million increase in the average balance of interest-earning assets outstanding and a 44 basis point increase in the weighted average yield on interest-earning assets to 4.63%.

Interest income on loans receivable increased $259,000, to $2.1 million for the quarter ended September 30, 2018, as compared to the prior year quarter as the result of an $14.9 million increase in the average balance of loans outstanding and a 19 basis point increase in the average yield to 4.77%. The increase in the average balance was due to increased originations between the periods which outpaced loan payoffs and repayments. The increase in the average yield earned reflects the impact of adjustable rate loans which repriced at higher rates during the current period. Interest income on mortgage-backed securities increased $2,000 to $18,000 for the quarter ended September 30, 2018, compared to the prior year quarter as the result of a 28 basis point increase in the average yield to 2.10%, offset, in part, by a $0.2 million decrease in the average outstanding balance of mortgage-backed securities. Interest income on interest-bearing deposits decreased $39,000 to $25,000 for the quarter ended September 30, 2018, compared to the prior year quarter as the result of a $13.8 million decrease in the average outstanding balance, offset, in part, by a 37 basis point increase in the average yield to 1.65%. Dividend income on FHLBI stock increased $3,000 to $13,000 for the quarter ended September 30, 2018, compared to the prior year quarter due to a $231,000 increase in the average balance outstanding and a 24 basis point increase in the average yield to 4.49%.

Interest Expense. Total interest expense increased $157,000, or 45.6%, to $500,000 for the quarter ended September 30, 2018, compared to the prior year quarter as the result of a 33 basis point increase in the average cost to 1.05%, offset, in part, by a $1.2 million decrease in the average balance of interest-bearing liabilities outstanding.

Interest expense on deposits increased $153,000, or 55.7%, to $426,000 for the quarter ended September 30, 2018, compared to the prior year quarter as the result of a 35 basis point increase in the average cost of deposits to 0.95%, offset, in part, by a $357,000 decrease in the average balance of deposits outstanding.

Interest expense on borrowings increased $4,000, or 6.1%, to $74,000 for the quarter ended September 30, 2018, compared to the prior year quarter end as the result of a $0.9 million increase in the average balance of borrowings outstanding, offset, in part, by a 4 basis point decrease in the average cost to 2.64%.

Net Interest Income. As a result of the above changes in interest income and interest expense, net interest income increased $68,000 for the quarter ended September 30, 2018, compared to the prior year quarter ended September 30, 2017. The net interest rate spread increased 11 basis points to 3.58% for the quarter ended September 30, 2018, while the net interest margin, expressed as a percentage of average earning assets, increased 12 basis points to 3.60% for the quarter ended September 30, 2018.

Provision for Loan Losses. The Company recorded $35,000 in provision for loan losses for the quarter ended September 30, 2018, compared to $11,000 for the prior year quarter. The provision for loan losses is a function of the allowance for loan loss methodology used to determine the appropriate level of the allowance for inherent loan losses after adjusting for loan charge-offs and recoveries. Loan losses are charged-off against the allowance when it is believed that the loan balance, or a portion of the loan balance, is no longer realizable by the paying capacity of the borrower based on an evaluation of available cash resources and collateral value. Recoveries of amounts previously charged-off are credited to the allowance. The Company recorded net recoveries of $30,000 for the quarter ended September 30, 2018, compared to net charge-offs of $25,000 for the prior year quarter ended September 30, 2017.

Non-Interest Income. Non-interest income decreased $2,000 to $461,000 for the quarter ended September 30, 2018, compared to prior year quarter due primarily to a $7,000 decrease in rental income, a $9,000 decrease in gain on sale of loan income, a $6,000 decrease in gain on sale of other assets and a $13,000 decrease in other noninterest income, offset, in part, by a $22,000 increase in gains on the sale of other real estate owned and a $9,000 increase in loan fee income.

Non-Interest Expense. Non-interest expense increased $88,000 to $1.7 million for the quarter ended September 30, 2018, compared to prior year quarter primarily as the result of a $57,000 increase in compensation expenses due to additional personnel and annual salary increases, a $25,000 increase in advertising expenses due to certificate of deposit promotions, a $29,000 increase in occupancy expense due to increased depreciation expenses as well as the loss of common area expense reimbursement from vacated tenant space, offset, in part, by a $31,000 decrease in legal and professional expenses.

Income Taxes. The Company recorded income tax expense of $123,000 for the quarter ended September 30, 2018, resulting in an effective tax rate of 26.6%, compared to income tax expense of $190,000, for an effective income tax rate of 37.4%, for the prior year quarter. The decrease in the current quarter income tax expense was impacted by a $45,000 decrease in net income before income taxes as compared to the prior year's period as well as the new tax law signed into legislation which reduced the effective tax rate for the Company.

Analysis of Net Interest Income. Net interest income represents the difference between interest earned on interest-earning assets and interest paid on interest-bearing liabilities. Net interest income is affected by the relative amounts of interest-earning assets and interest-bearing liabilities, and the interest rates earned or paid on them.

The following table presents, for the periods indicated, the total dollar amounts of interest income from average interest-earning assets and the resultant yields, as well as the interest expense on average interest-bearing liabilities, expressed both in dollars and rates. No tax equivalent adjustments were made. All average balances were calculated using average daily balances and include non-accruing loans.

Yield Analysis

(Dollars in thousands)

	Three Months Ended September 30, 2018			Three Months Ended September 30, 2017		
	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost
Assets:						
Interest-Earning Assets:						
Loans receivable	$183,010	$2,186	4.77%	$168,111	$1,927	4.58%
Mortgage-backed securities	3,417	18	2.10	3,567	16	1.82
Interest-bearing deposits	5,935	25	1.65	19,769	64	1.28
FHLBI stock	1,181	13	4.49	950	10	4.25
Total interest-earning assets	193,543	2,242	4.63	192,397	2,017	4.19
Non interest-earning assets	16,584			17,223		
Total assets	210,127			204,432		
Liabilities and Stockholders' Equity:						
Interest-Bearing Liabilities:						
Passbook accounts	27,675	3	0.05%	29,330	4	0.05%
Demand accounts	85,995	186	0.86	84,690	109	0.51
Certificate accounts	63,991	237	1.47	65,698	161	0.98
Total deposits	177,661	426	0.95	179,718	274	0.60
Borrowings	11,172	74	2.64	10,288	69	2.68
Total interest-bearing liabilities	188,833	500	1.05	190,006	343	0.72
Non-interest-bearing liabilities	3,342			2,863		
Total liabilities	192,175			192,869		
Stockholders' equity	17,952			16,810		
Total liabilities and stockholders' equity	$210,127			$209,679		
Net interest income / interest rate spread		$1,742	3.58%		$1,674	3.47%
Net interest margin			3.60%			3.48%

Comparison of the Results of Operations for the Nine Months Ended September 30, 2018 and September 30, 2017

General. Net income available to common shareholders for the nine months ended September 30, 2018 was $934,000, or $0.95 per diluted common share, an increase of $54,000 or 6.2%, compared to $879,000, or $0.90 per diluted common share, for the same period in 2017. The increase in the current nine months net income available to common shareholders compared to the prior year nine months was the result of a $277,000 increase in net interest income and a $193,000 decrease in income tax expense, offset, in part, by an $275,000 increase other non-interest expense, a $114,000 increase in the provision for loan losses and a $27,000 decrease in non-interest income.

Interest Income. Total interest income increased $613,000, or 10.5%, to $6.5 million for the nine months ended September 30, 2018, from the prior year nine months as the result of a $2.8 million increase in the average balance of interest-earning assets outstanding and a 37 basis point increase in the weighted average yield on interest-earning assets to 4.49%.

Interest income on loans receivable increased $644,000, to $6.3 million for the nine months ended September 30, 2018, as compared to the prior year nine months as the result of an $12.7 million increase in the average balance of loans outstanding and a 16 basis point increase in the average yield to 4.67%. The increase in the average balance was due to increased originations between the periods which outpaced loan payoffs and repayments. The increase in the average yield earned reflects the impact of adjustable rate loans which repriced at higher rates during the current period. Interest income on mortgage-backed securities decreased $6,000 to $47,000 for the nine months ended September 30, 2018, compared to the prior year nine months as the result of a $0.7 million decrease in the average outstanding balance of mortgage-backed securities, offset, in part, by a 16 basis point increase in the average yield to 1.99%. Interest income on interest-bearing deposits decreased $34,000 to $101,000 for the nine months ended September 30, 2018, compared to the prior year nine months as the result of a $9.3 million decrease in the average outstanding balance, offset, in part, by a 55 basis point increase in the average yield to 1.55%. Dividend income on FHLBI stock increased $9,000 to $39,000 for the nine months ended September 30, 2018, compared to the prior year nine months as the result of a $78,000 increase in the average balance outstanding and an 87 basis point increase in the average yield which was impacted by a $6,000 special dividend paid by the FHLBI during the current year.

Interest Expense. Total interest expense increased $336,000, or 35.6%, to $1.3 million for the nine months ended September 30, 2018, compared to the prior year nine months as the result of a $1.1 million increase in the average balance of interest-bearing liabilities outstanding and an 23 basis point increase in the average cost to 0.91%.

Interest expense on deposits increased $337,000, or 45.7%, to $1.1 million for the nine months ended September 30, 2018, compared to the prior year nine months as the result of an $1.0 million increase in the average balance of deposits outstanding and a 25 basis point increase in the average cost of deposits to 0.81%.

Interest expense on borrowings decreased $1,000, or 0.7%, to $204,000 for the nine months ended September 30, 2018, compared to the prior year nine months as the result of a 3 basis point decrease in the average cost to 2.62%, offset, in part, by a $0.1 million decrease in the average balance of borrowings outstanding.

Net Interest Income. As a result of the above changes in interest income and interest expense, net interest income increased $277,000 for the nine months ended September 30, 2018, compared to the prior year nine months ended September 30, 2017. The net interest rate spread increased 14 basis points to 3.58% for the nine months ended September 30, 2018, while the net interest margin, expressed as a percentage of average earning assets, increased 14 basis points to 3.60% for the nine months ended September 30, 2018.

Provision for Loan Losses. The Company recorded $125,000 in provision for loan losses for the nine months ended September 30, 2018, compared to $11,000 for the prior year nine months. The provision for loan losses is a function of the allowance for loan loss methodology used to determine the appropriate level of the allowance for inherent loan losses after adjusting for loan charge-offs and recoveries. Loan losses are charged-off against the allowance when it is believed that the loan balance, or a portion of the loan balance, is no longer realizable by the paying capacity of the borrower based on an evaluation of available cash resources and collateral value. Recoveries of amounts previously charged-off are credited to the allowance. The Company recorded net recoveries of $15,000 for the nine months ended September 30, 2018, compared to net charge-offs of $7,000 for the prior year nine months ended September 30, 2017.

Non-Interest Income. Non-interest income decreased $27,000 to $1.2 million for the nine months ended September 30, 2018, compared to prior year nine months due primarily to a $39,000 decrease in loan sale income, a $21,000 decrease in rental income due to a vacancy and also because the Company moved its corporate staff to a location which had been rented in the past and a $6,000 decrease in gain on the sale of other assets, offset, in part, by a $34,000 increase on gain on sale of other real estate owned, a $12,000 increase in deposit related fees and a $9,000 increase in other fee income.

Non-Interest Expense. Non-interest expense increased $275,000 to $5.0 million for the nine months ended September 30, 2018, compared to prior year nine months primarily as the result of a $192,000 increase in compensation expenses due to additional personnel and salary increases, a $97,000 increase in occupancy and equipment expenses primarily due to increased depreciation expenses, increased snow removal expenses as well as the loss of common area expense reimbursement from vacated tenant space, a $23,000 increase in data processing expenses, a $19,000 increase in deposit insurance due to an increase in the assessment base and a $17,000 increase in other operating expense, offset, in part, by a $31,000 decrease in advertising expenses which were higher in the prior year due to the opening an additional branch office and a $44,000 decrease in professional fees due to lower legal and compliance expenses.

Income Taxes. The Company recorded income tax expense of $334,000 for the nine months ended September 30, 2018, resulting in an effective tax rate of 26.3%, compared to income tax expense of $527,000, for an effective income tax rate of 37.5%, for the prior year nine months. The decrease in the current nine months income tax expense was impacted by a $139,000 decrease in net income before income taxes as compared to the prior year's period as well as the new tax law signed into legislation which reduced the effective tax rate for the Company.

The following table presents, for the periods indicated, the total dollar amounts of interest income from average interest-earning assets and the resultant yields, as well as the interest expense on average interest-bearing liabilities, expressed both in dollars and rates. No tax equivalent adjustments were made. All average balances were calculated using average daily balances and include non-accruing loans.

Yield Analysis

(Dollars in thousands)

	Nine Months Ended September 30, 2018			Nine Months Ended September 30, 2017		
	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost
Assets:						
Interest-Earning Assets:						
Loans receivable	$179,101	$6,274	4.67%	$166,432	$5,630	4.51%
Mortgage-backed securities	3,133	47	1.99	3,842	53	1.83
Interest-bearing deposits	8,679	101	1.55	17,931	135	1.00
FHLBI stock	1,028	39	5.12	950	30	4.25
Total interest-earning assets	191,941	6,461	4.49	189,155	5,848	4.12
Non interest-earning assets	16,638			17,082		
Total assets	208,579			206,237		
Liabilities and Stockholders' Equity:						
Interest-Bearing Liabilities:						
Passbook accounts	28,293	10	0.05%	28,756	11	0.05%
Demand accounts	85,645	465	0.73	80,918	258	0.43
Certificate accounts	63,201	601	1.27	66,477	470	0.95
Total deposits	177,139	1,076	0.81	176,151	739	0.56
Borrowings	10,427	204	2.62	10,315	205	2.65
Total interest-bearing liabilities	187,566	1,280	0.91	186,466	944	0.68
Non-interest-bearing liabilities	3,403			3,211		
Total liabilities	190,969			189,677		
Stockholders' equity	17,610			16,560		
Total liabilities and stockholders' equity	$208,579			$206,237		
Net interest income / interest rate spread		$5,181	3.58%		$4,904	3.44%
Net interest margin			3.60%			3.46%

Capital Standards.

As a state chartered commercial bank, the Bank's deposits are insured up to the applicable limits by the Federal Deposit Insurance Corporation ("FDIC"). The Bank is a member of the Federal Home Loan Bank ("FHLB") of Indianapolis, which is one of the twelve regional banks comprising the FHLB system. The Bank is regulated by the FDIC and the State of Indiana Department of Financial Institutions. The Holding Company is regulated and examined by the Board of Governors of the Federal Reserve System ("FRB"). Such regulation and supervision establishes a comprehensive framework of activities in which an institution can engage and is intended primarily for the protection of the insurance fund and depositors. The regulatory structure also gives the regulatory authorities extensive discretion in connection with their supervisory and enforcement activities. Any change in such regulation, whether by the FDIC, State of Indiana Department of Financial Institutions, the FRB or Congress could have a material impact on the Company and its operations.

In July 2013, federal bank regulatory agencies issued a final rule that revised the leverage and risk-based capital requirements and the method for calculating risk-weighted assets to make them consistent with agreements that were reached by the Basel Committee on Banking Supervision and certain provisions of the Dodd-Frank Act. Among other things, the rule establishes a Tier 1 leverage adequately capitalized ratio of 4.0% (well capitalized ratio of 5.00%), a risked-based common equity Tier 1 adequately capitalized ratio requirement of 4.50% (well capitalized ratio of 6.50%), a risked-based Tier 1 adequately capitalized capital ratio requirement of 6.00% (well capitalized ratio of 8.00%) and a risk-based total capital adequately capitalized ratio of 8.00% (well capitalized ratio of 10.00%). The final rule also required unrealized gains and losses on certain "available-for-sale" securities holdings to be included for purposes of calculating regulatory capital requirements unless a one-time opt-in or opt-out is exercised. The Bank elected to opt-out regarding the aforementioned. The rule limits a banking organization's capital distributions and certain discretionary bonus payments if the banking organization does not hold a "capital conservation buffer" consisting of 2.5% of common equity Tier 1 capital to risk-weighted assets in addition to the amount necessary to meet its minimum risk-based capital requirements.

This final rule became effective for the Bank on January 1, 2016. The capital conservation buffer requirement has a phase in period which began on January 1, 2016 and ending January 1, 2019, when the full capital conservation buffer requirement will be effective. The final rule maintains the continued exemption of consolidated capital requirements for bank holding companies, such as the Company.

At September 30, 2018, the Bank was in compliance with all of its capital requirements as follows

Well Capitalized Capital Requirement:	Amount	Percent of Average Assets
Tier 1 Leverage Ratio:		
Average Total Assets	$ 209,947,000	
Common Equity Tier 1 Capital	$ 20,059,524	9.55%
Common Equity Tier 1 Capital Requirement	10,497,350	5.00%
Excess	$ 9,562,174	4.55%
Risk-Based Common Equity Tier 1 Capital Ratio:		
Risk-Weighted Assets	$ 171,902,000	
Common Equity Tier 1 Capital	$ 20,059,524	11.67%
Common Equity Tier 1 Capital Requirement	11,173,630	6.50%
Excess	$ 8,885,894	5.17%
Risk-Based Tier 1 Capital Ratio:		
Risk-Weighted Assets	$ 171,902,000	
Common Equity Tier 1 Capital	$ 20,059,524	11.67%
Common Equity Tier 1 Capital Requirement	13,752,160	8.00%
Excess	$ 6,307,364	3.67%
Risk-Based Total Capital Ratio:		
Risk-Weighted Assets	$ 171,902,000	
Common Equity Tier 1 Capital	$ 20,059,524	
Includable Allowance for Loan Losses	2,071,000	
Total Tier 2 Risk-Based Capital	$ 22,130,524	12.87%
Total Risk-Based Capital Requirement	17,190,200	10.00%
Excess	$ 4,940,324	2.87%
Capital Conservation Buffer		4.87%
Transition Provisions for the Capital Conservation Buffer:		
Calendar Year 2018		1.88%
Calendar Year 2019 and Thereafter		2.50%

Legal Proceedings. At September 30, 2018, we were not involved in any legal proceedings or lawsuits that are not routine and incidental to our business.