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

Financial Report
For The Three and Nine Months Ended
September 30, 2019

Note: This report is intended to be read in conjunction with our Annual Report to Stockholders for the year ended December 31, 2018, copies of which are included on this website. This report is dated September 30, 2019 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

Assets	September 30, 2019 (unaudited)	December 31, 2018 (audited)
Cash and amounts due from depository institutions	$ 1,837,006	$ 2,017,311
Interest-bearing deposits	20,789,090	26,598,024
Total cash and cash equivalents	22,626,096	28,615,335
Mortgage backed securities, available for sale, at fair value	7,859,511	4,798,786
Stock in Federal Home Loan Bank of Indianapolis, at cost	1,372,000	1,372,000
Loans held for sale	-	824,728
Loans receivable (net of allowance for loan losses: $1,992,622 at September 30, 2019 and $1,990,574 at December 31, 2018)	177,714,253	174,711,535
Other real estate owned	1,196,817	151,379
Accrued interest receivable	684,274	683,752
Office properties and equipment- net	9,646,450	9,516,894
Bank owned life insurance	4,367,667	4,305,588
Prepaid expenses and other assets	1,338,889	1,597,911
Total assets	$ 226,805,957	$ 226,577,908
Liabilities and Stockholders' Equity		
Liabilities		
Deposits	$ 191,778,741	$ 192,551,877
Borrowed money	10,335,019	10,335,019
Junior subordinated debentures	3,093,000	3,093,000
Other liabilities	2,400,487	2,080,966
Total liabilities	$ 207,607,247	$ 208,060,862
Stockholders' Equity		
Common Stock, $.01 par value; authorized 1,900,000 shares; 1,683,641 shares issued and 967,402 outstanding at September 30, 2019 and 984,068 outstanding at December 31, 2018	$ 16,837	$ 16,837
Additional paid-in capital	11,638,110	11,610,546
Retained earnings	15,522,652	14,673,158
Accumulated other comprehensive income (loss), net of tax	54,207	(49,517)
Treasury stock, at cost (716,239 shares outstanding at September 30, 2019 and 699,573 shares outstanding at December 31, 2018)	(8,033,096)	(7,733,978)
Total stockholders' equity	$ 19,198,710	$ 18,517,046
Total liabilities and stockholders' equity	$ 226,805,957	$ 226,577,908

See accompanying notes to audited consolidated financial statements.

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

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Interest income				
Interest on Loans	2,205,585	$ 2,186,328	6,600,337	$ 6,274,197
Interest on mortgage-backed securities	46,463	17,948	128,645	46,763
Interest on interest-bearing deposits	86,361	24,755	251,896	100,730
Dividends on Federal Home Loan Bank stock	19,020	13,353	59,898	39,352
Total interest income	$ 2,357,429	$ 2,242,384	$ 7,040,776	$ 6,461,042
Interest expense				
Interest on deposits	633,496	$ 426,470	$ 1,752,955	$ 1,076,200
Interest on borrow ings	90,302	73,607	272,907	203,635
Total interest expense	$ 723,798	$ 500,077	$ 2,025,862	$ 1,279,835
Net interest income	$ 1,633,631	$ 1,742,307	$ 5,014,914	$ 5,181,207
Provision for loan losses	50,000	35,000	70,000	125,000
Net interest income after provision for loan losses	$ 1,583,631	$ 1,707,307	$ 4,944,914	$ 5,056,207
Non-interest income:				
Loan fees and service charges	126,158	$ 133,722	$ 340,908	$ 348,545
Deposit related fees	75,186	69,368	235,417	217,303
Other fee income	20,377	22,619	67,768	67,572
Rental Income	115,335	78,555	290,578	259,903
Gain on sale of loans	193,060	91,796	387,284	225,866
Net (loss) gain on sale of other real estate ow ned, net of w ritedow ns	(1,082)	21,106	9,747	21,106
Increase in cash surrender value of life insurance	19,637	20,025	62,079	58,263
Other income	63,716	23,459	96,851	47,127
Total non-interest income	$ 612,387	$ 460,650	$ 1,490,632	$ 1,245,685
Non-interest expense:				
Staffing costs	$ 958,977	$ 940,175	$ 2,903,378	$ 2,795,993
Advertising	84,441	79,632	185,967	167,318
Occupancy and equipment expense	197,802	205,682	591,078	602,976
Data processing	187,922	168,817	542,491	506,917
Professional fees	62,148	61,445	183,284	198,342
Federal deposit insurance premiums	-	33,286	77,325	105,987
Insurance expense	28,021	28,924	78,420	84,462
Other operating expenses	296,508	186,283	725,254	572,766
Total non-interest expense	$ 1,815,819	$ 1,704,244	$ 5,287,197	$ 5,034,761
Income before income taxes	$ 380,199	$ 463,713	$ 1,148,349	$ 1,267,131
Income tax expense	101,431	123,248	298,855	333,599
Net income available to common shareholders	278,768	340,465	849,494	933,532
Earnings per common share:				
Basic	$ 0.29	$ 0.35	$ 0.87	$ 0.95
Diluted	$ 0.29	$ 0.35	$ 0.87	$ 0.95

See accompanying notes to audited consolidated financial statements.

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

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Net income	$ 849,494	$ 933,532
Other comprehensive (loss) income, net of tax:		
Unrealized gains on securities		
available for sale--		
Unrealized holding gain (loss) arising during the period	103,724	(39,436)
Other comprehensive income (loss), net of tax	103,724	(39,436)
Total comprehensive income	$ 953,218	$ 894,096

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, 2019 and 2018
(unaudited)

	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 (loss), net of tax				(39,436)		(39,436)
Vesting of 2,430 share of Restricted Stock Issued from Treasury Stock		(26,865)			26,865	-
Stock-based compensation expense		54,793				54,793
Balance at September 30, 2018	$ 16,837	$ 11,592,281	$ 14,307,513	$ (67,080)	$ (7,733,978)	$ 18,115,573
Balance at December 31, 2018	$ 16,837	$ 11,610,546	$ 14,673,158	$ (49,517)	$ (7,733,978)	$ 18,517,046
Net income			849,494			849,494
Other comprehensive income, net of tax				103,724		103,724
Vesting of 2,430 share of Restricted Stock Issued from Treasury Stock		(27,229)			27,229	-
Stock-based compensation expense		54,793				54,793
Common sharees repurchased - Retired as Treasury stock					(326,347)	(326,347)
Balance at September 30, 2019	$ 16,837	$ 11,638,110	$ 15,522,652	$ 54,207	$ (8,033,096)	$ 19,198,710

See accompanying notes to audited consolidated financial statements.

AMB Financial Corp. and Subsidiaries

Consolidated Statements of Cash Flows

	Nine Months Ended September 30, 2019	2018
	(unaudited)	
Cash flows from operating activities:		
Net income	$ 849,494	$ 933,532
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	301,181	358,763
Amortization of premiums and accretion of discounts	(93,709)	23,844
Proceeds from sale of loans originated for sale	19,451,793	12,401,220
Loans originated for sale	(19,193,422)	(12,255,304)
Gain on sale of loans	(387,284)	(225,866)
Gain on sale of other real estate owned	(9,747)	(21,106)
Provision for loan losses	70,000	125,000
Stock based compensation expense	54,793	54,794
Net change in:		
Increase in cash surrender value of life insurance	(62,079)	(58,263)
Increase in deferred yield adjustments on loans	42,822	49,457
Increase in prepaid and deferred income taxes	(248,429)	(359,280)
Increase in accrued interest receivable	(520)	(53,288)
Decrease in other assets	379,802	353,620
Increase (decrease) in other liabilites	518,014	(34,567)
Net cash provided by (for) operating activities	1,672,709	1,292,556
Cash flows from investing activities:		
Purchase of mortgage-backed securities	(3,999,916)	(1,504,586)
Proceeds from repayments of mortgage-backed securities	1,167,463	611,085
Change in loans held for sale	824,728	693,849
Net increase in loans	(4,730,722)	(12,215,245)
Real estate owned expenditures	(11,108)	-
Proceeds from sale of other real estate owned	590,598	196,763
Purchase of Federal Home Loan Bank stock	-	(422,300)
Property and equipment expenditures, net	(430,737)	(202,735)
Net cash used for investing activities	(6,589,694)	(12,843,169)
Cash flows from financing activities:		
Net increase in deposits	(1,154,373)	3,691,393
Net increase (decrease) in borrowed money	-	3,479,966
Net (decrease) in advance payments by borrowers for taxes and insurance	381,237	238,257
Issuence of restricted shares on common stock	27,229	26,865
Share repurchase program common stock	(326,347)	26,865
Net cash provided by financing activities	(1,072,254)	7,463,346
Net change in cash and cash equivalents	(5,989,239)	(4,087,267)
Cash and cash equivalents at beginning of period	28,615,335	19,935,555
Cash and cash equivalents at end of period	$ 22,626,096	$ 15,848,288
Supplemental disclosure of cash flow information:		
Interest paid	$ 2,025,534	$ 1,288,533
Income taxes paid	135,000	90,000
Transfer of loans to other real estate owned	1,629,209	175,657

See accompanying notes to audited consolidated financial statements.

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

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018
Net income available to common shareholders	$ 278,768	$ 340,465
Weighted average common shares outstanding for basic computation	967,187	983,249
Basic income per common share	$ 0.29	$ 0.35
Weighted average common shares outstanding for basic computation	967,187	983,249
Common stock equivalents due to dilutive effect of restricted stock	3,307	4,504
Weighted average common shares and equivalents outstanding for diluted computation	970,494	987,753
Diluted income per common share	$ 0.29	$ 0.35

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Net income available to common shareholders	$ 849,494	$ 933,532
Weighted average common shares outstanding for basic computation	973,231	982,181
Basic income per common share	$ 0.87	$ 0.95
Weighted average common shares outstanding for basic computation	973,231	982,181
Common stock equivalents due to dilutive effect of restricted stock	3,307	4,504
Weighted average common shares and equivalents outstanding for diluted computation	976,538	986,685
Diluted income per common share	$ 0.87	$ 0.95

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, 2019 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, 2019 are not necessarily indicative of the results expected for the year ending December 31, 2019. The September 30, 2019 consolidated financial statements should be read in conjunction with the consolidated financial statements and notes for the year ended December 31, 2018 included in the Company's Annual Report. The Company's consolidated statement of condition as of December 31, 2018 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, 2019 and 2018 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 2018 items or amounts may have been reclassified or restated in order to conform to the 2019 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 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 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 $226.8 million at September 30, 2019, an increase of $0.2 million, from $226.6 million at December 31, 2018. The increase was primarily due to a $6.0 million decline in cash and cash equivalents which was impacted by a $3.0 million increase in mortgage-backed securities, a $2.1 million increase in loans receivable and a $0.7 million decline in customer deposits.

Cash and cash equivalents, which consist primarily of interest-earning deposits, totaled $22.6 million at September 30, 2019, a decrease of $6.0 million, from $28.6 million at December 31, 2018. 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 $3.0 million to $7.8 million at September 30, 2019, from $4.8 million at December 31, 2018. The increase was the result of new purchases of $4.0 million, offset, in part, by principal repayments of $1.1 million. The Company recorded an unrealized gain on available for sale mortgage-backed securities of $70,000 at September 30, 2019 compared to a $64,000 unrealized loss at December 31, 2018. 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, 2019 and December 31, 2018. 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 $177.7 million at September 30, 2019, a $3.0 million increase from the $174.7 million balance at December 31, 2018. The Company originated $19.2 million of loans held for sale which were subsequently sold during the nine month period ended September 30, 2019, as compared to $12.3 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 $2.0 million at September 30, 2019, representing a $2,000 increase as compared to December 31, 2018. The Bank's allowance for loan losses to total loans was 1.11% at September 30, 2019 as compared to 1.13% at December 31, 2018. 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, 2019 and 2018.

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Balance at beginning of period:	$1,990,574	$1,931,057
Charge-offs:		
One- to four family	12,102	7,920
Multi-family	-	-
Non-residential	-	-
Land	-	-
Construction	1,485	-
Home Equity Lines of Credit	92,003	27,158
Consumer	-	-
Commercial business	-	-
Total charge-offs	105,590	35,078
Recoveries:		
One- to four family	37,566	44,807
Multi-family	-	-
Non-residential	-	-
Land	-	-
Consumer	-	-
Commercial business	72	4,796
Total recoveries	37,638	49,603
Net (charge-offs) recoveries	(67,952)	14,525
Provisions for loan losses	70,000	125,000
Balance at end of period	$1,992,622	$2,070,582
Ratio of net (charge-offs) recoveries during the period to average gross loans outstanding during the period	(0.04)%	0.01%
Ratio of net (charge-offs) recoveries during the period to average non-performing loans during the period	(3.30)%	0.52%

Loans receivable are summarized as follows at the dates indicated:

	September 30, 2019	December 31, 2018
Mortgage loans:		
One-to-four family	$ 61,222,046	$ 64,544,007
Multi-family	5,800,673	6,190,946
Non-residential	68,720,496	62,158,867
Construction	10,341,824	10,477,557
Land	10,275,004	7,278,765
Equity lines of credit	10,046,005	9,617,544
Consumer	889,818	962,404
Commercial business loans	12,411,009	15,472,019
Total loans	179,706,875	176,702,109
Less:		
Allowance for loan losses	1,992,622	1,990,574
Loans receivable, net	$ 177,714,253	$ 174,711,535
Allowance for loan losses as a percentage of loans	1.11%	1.13%

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, 2019	December 31, 2018
Substandard non-accruing loans:		
One- to four-family	$ 2,027,424	$ 1,543,751
Multi-family	343,712	-
Non-residential	399,246	168,214
Construction	-	358,806
Equity lines of credit	81,552	369,322
Other consumer	3,486	5,145
Total substandard non-accruing loans	$ 2,855,420	$ 2,445,238
Total loans receivable	$ 179,706,875	$ 176,702,109
Total non-accrual / loans receivable	1.59%	1.38%
Substandard – accruing loans		
Non-residential	$ 568,845	$ 566,514
Total substandard – accruing loans	$ 568,845	$ 566,514
Total loans receivable	$ 179,706,875	$ 176,702,109
Total substandard accruing / loans receivable	0.32%	0.32%
Total classified loans	$ 3,424,265	$ 3,011,752
Total loans receivable	$ 179,706,875	$ 176,702,109
Total classified loans / loans receivable	1.91%	1.70%
Substandard other real estate owned:		
One- to four-family	$ 1,026,967	$ 14,029
Land	$ 169,850	$ 137,350
Total substandard other real estate owned	$ 1,196,817	$ 151,379
Total classified assets	$ 4,621,082	$ 3,163,131
Total assets	$ 226,805,957	$ 226,577,908
Total classified assets / total assets	2.04%	1.40%

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 30, 2019			At December 31, 2018		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
One-to-four family	$ 44,751	$ 459,364	$ 504,115	$ 29,573	$ 568,813	$ 598,386
Multi-family	-	41,574	41,574	-	43,857	43,857
Non-residential	-	933,442	933,442	-	837,620	837,620
Construction	-	173,815	173,815	-	152,864	152,864
Land	-	81,570	81,570	-	79,426	79,426
Equity lines of credit	-	103,217	103,217	-	82,809	82,809
Other consumer	-	22,518	22,518	-	24,120	24,120
Commercial business loans	-	132,371	132,371	-	171,492	171,492
Total	$ 44,751	$ 1,947,871	$ 1,992,622	$ 29,573	$ 1,961,001	$ 1,990,574

	Loan Balances					
	At September 30, 2019			At December 31, 2018		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
One-to-four family	$ 2,484,394	$ 58,737,652	$ 61,222,046	$ 1,768,390	$ 62,775,617	$ 64,544,007
Multi-family	343,712	5,456,961	5,800,673	-	6,190,945	6,190,946
Non-residential	399,246	68,321,250	68,720,496	168,214	61,990,653	62,158,867
Construction	-	10,341,824	10,341,824	358,806	10,118,751	10,477,557
Land	-	10,275,004	10,275,004	-	7,278,765	7,278,765
Equity lines of credit	81,552	9,964,453	10,046,005	369,322	9,248,222	9,617,544
Other consumer	3,486	886,332	889,818	5,145	957,259	962,404
Commercial business loans	-	12,411,009	12,411,009	-	15,472,019	15,472,019
Total	$ 3,312,390	$ 176,394,485	$ 179,706,875	$ 2,669,877	$ 174,032,231	$ 176,702,109

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

	September 30, 2019	December 31, 2018
Period end loans with allocated allowance for loan losses	$ 456,970	$ 224,639
Period end loans with no allocated allowance for loan losses	2,855,420	2,445,238
Total	$ 3,312,390	$ 2,669,877
Valuation reserve relating to impaired loans	$ 44,751	$ 29,573

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

	At September 30, 2019		At December 31, 2018	
	Unpaid Principal Balance	Allowance for Loan Losses Allocated	Unpaid Principal Balance	Allowance for Loan Losses Allocated
With an allowance recorded:				
One-to-four family	$ 456,970	$ 44,751	$ 224,639	$ 29,573
With no related allowance recorded:				
One-to-four family	2,027,424	-	1,543,751	-
Multi-family	343,712	-	-	-
Non-residential	399,246	-	168,214	-
Construction	-	-	358,806	-
Equity lines of credit	81,552	-	369,322	-
Other consumer	3,486	-	5,145	-
Total	$ 3,312,390	$ 44,751	$ 2,669,877	$ 29,573

Nonaccrual loans are summarized as follows:

	September 30, 2019	December 31, 2018
One-to-four family	$ 2,027,424	$ 1,543,751
Multi-family	343,712	-
Non-residential	399,246	168,214
Construction	-	358,806
Equity lines of credit	81,552	369,322
Other consumer	3,486	5,145
Total	$ 2,855,420	$ 2,445,238

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

	September 30, 2019				
	30 - 89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Loans Not Past Due	Total
One-to-four family	$ 674,221	$ 1,652,652	$ 2,326,873	$ 58,895,173	$ 61,222,046
Multi-family	-	60,000	60,000	5,740,673	5,800,673
Non-residential	666,791	208,581	875,372	67,845,124	68,720,496
Construction	-	-	-	10,341,824	10,341,824
Land	118,440	-	118,440	10,156,564	10,275,004
Equity lines of credit	81,490	62	81,552	9,964,453	10,046,005
Other consumer	102,347	3,486	105,833	783,985	889,818
Commercial business loans	1,520,678	-	1,520,678	10,890,331	12,411,009
Total	$ 3,163,967	$ 1,924,781	$ 5,088,748	$ 174,618,127	$ 179,706,875

	December 31, 2018				
	30 - 89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Loans Not Past Due	Total
One-to-four family	$ 1,139,248	$ 1,344,592	$ 2,483,840	$ 62,060,167	$ 64,544,007
Multi-family	-	-	-	6,190,946	6,190,946
Non-residential	692,967	168,214	861,181	61,297,686	62,158,867
Construction	-	358,806	358,806	10,118,751	10,477,557
Land	-	-	-	7,278,765	7,278,765
Equity lines of credit	194,176	215,139	409,315	9,208,229	9,617,544
Other consumer	85,778	5,145	90,923	871,481	962,404
Commercial business loans	113,086	-	113,086	15,358,933	15,472,019
Total	$ 2,225,255	$ 2,091,896	$ 4,317,151	$ 172,384,958	$ 176,702,109

The Company has allocated $44,751 and $29,573 of loan loss reserves to customers whose loan terms have been modified in troubled debt restructurings as of September 30, 2019 and December 31, 2018, respectively.

The following table presents loans classified as troubled debt restructurings.

	September 30, 2019	December 31, 2018
One-to-four family	$ 456,970	$ 224,639
Trouble debt restructured loans - accrual loans	$ 456,970	$ 224,639

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 increased $1.5 million to $4.6 million at September 30, 2019. During the quarter ended September 30, 2019, a borrower relationship totaling $1,775,000 was moved to substandard. The loans are secured by three-unit residential condominium totaling $1,180,000, a multi-family residential property totaling $344,000 and a non-residential property totaling $251,000.

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 $2.8 million, or 1.59% of total loans receivable at September 30, 2019, compared to $2.4 million, or 1.38% of total loans receivable at December 31, 2018.

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 $569,000 were classified as performing substandard at September 30, 2019, compared to $567,000 at December 31, 2018.

The ratio of allowance for loan losses to classified and criticized loans was 58.19% at September 30, 2019, compared to 66.09% at December 31, 2018.

Other real estate owned, which is classified substandard, totaled $1.2 million at September 30, 2019 as compared to $151,000 at December 31, 2018. Other real estate owned at September 30, 2019 consists of three single family residential properties totaling $1.0 million and three vacant residential building lots totaling $170,000. 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.

Office properties and equipment totaled $9.6 million at September 30, 2019, a $130,000 increase from the balance at December 31, 2018. The increase represents additions totaling $431,000, offset, in part, by normal depreciation of $301,000. The increase in fixed asset additions was primarily due to remodeling costs associated with the Company's branch office located in Hammond.

Bank owned life insurance increased $62,000 to $4.4 million at September 30, 2019. 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 $259,000 to $1.3 million at September 30, 2019. Included in prepaid expenses and other assets is a $230,000 net deferred tax asset.

Total deposits decreased $0.8 million to $191.8 million at September 30, 2019. The decrease in deposits during the period was due to a $2.5 million decrease in money market accounts, $0.4 million decrease in passbook deposits and a $0.1 million decline in certificates of deposit accounts, offset, in part, by a $2.2 million increase in checking deposits. At September 30, 2019, the Bank's core deposits (passbook, checking and money market accounts) comprised $124.8 million, or 65.1% of deposits, compared to $125.5 million, or 65.2% of deposits, at December 31, 2018. 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, totaled $10.3 million at September 30, 2019 and December 31, 2018. Borrowings from the FHLBI at September 30, 2019 had a weighted average rate of 2.25% and a weighted term to maturity of 2.8 years.

The Company's trust preferred subordinated debentures remained unchanged totaling $3.1 million at September 30, 2019. The interest rate payable on the debentures adjusts quarterly to the three month LIBOR plus 1.65% and was 3.77% at September 30, 2019. 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 increased $0.3 million totaling $2.4 million at September 30, 2019, compared to $2.1 million at December 31, 2018.

Total stockholders' equity increased $682,000 to $19.2 million, or 8.46% of total assets at September 30, 2019, compared to $18.5 million, or 8.17% of total assets, at December 31, 2018. The increase in stockholders' equity was attributable to $849,000 of net income for the nine month period ended September 30, 2019, a $28,000 increase in paid-in-capital and a $104,000 decrease in the unrealized loss on available for sale securities, net of tax, offset, in part, by a $299,000 increase in treasury stock. The number of common shares outstanding at September 30, 2019 was 967,402, a decrease of 16,666 shares as compared to the number of shares outstanding at December 31, 2018. During the nine month period ended September 30, 2019, the Company repurchased 19,096 common shares at an average cost of

$17.09 per share. The shares were retired as treasury stock. The book value per common share outstanding at September 30, 2019 was $19.85. 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 9.25%, 11.94%, 11.94% and 13.08%, respectively, at September 30, 2019 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, 2019 and September 30, 2018

General. Net income for the quarter ended September 30, 2019 was $279,000, or $0.29 per diluted common share, a decrease of $61,000 or 18.1%, compared to $340,000, or $0.35 per diluted common share, for the same period in 2018. The decrease in the current quarter net income compared to the prior year quarter was the result of a $109,000 decrease in net interest income, an $111,000 increase other non-interest expense and a $15,000 increase in the provision for loan losses, offset, in part, by a $152,000 increase in non-interest income and a $22,000 decrease in income tax expense.

Interest Income. Total interest income increased $115,000, or 5.1%, to $2.2 million for the quarter ended September 30, 2019, from the prior year quarter as the result of an $13.3 million increase in the average balance of interest-earning assets outstanding, offset, in part, by an 8 basis point decrease in the weighted average yield on interest-earning assets to 4.55%.

Interest income on loans receivable increased $19,000, to $2.2 million for the quarter ended September 30, 2019, as compared to the prior year quarter as the result of a 10 basis point increase in the average yield to 4.87%, offset, in part by a $2.1 million decrease in the average balance of loans outstanding. The increase in the average yield earned reflects the impact of adjustable rate loans which repriced at higher rates as compared to the same period one year ago. The decrease in the average balance was due to originations between the periods which were outpaced by loan payoffs and repayments. Interest income on mortgage-backed securities increased $28,000 to $46,000 for the quarter ended September 30, 2019, compared to the prior year quarter as the result of a $4.2 million increase in the average outstanding balance of mortgage-backed securities and a 35 basis point increase in the average yield to 2.45%. Interest income on interest-bearing deposits increased $62,000 to $86,000 for the quarter ended September 30, 2019, compared to the prior year quarter as the result of an $11.0 million increase in the average outstanding balance and a 37 basis point increase in the average yield to 2.02%. Dividend income on FHLBI stock increased $6,000 to $19,000 for the quarter ended September 30, 2019, compared to the prior year quarter due to a $191,000 increase in the average balance outstanding and a 101 basis point increase in the average yield to 5.50%.

Interest Expense. Total interest expense increased $224,000, or 44.7%, to $724,000 for the quarter ended September 30, 2019, compared to the prior year quarter as the result of a $13.3 million increase in the average balance of interest-bearing liabilities outstanding and a 37 basis point increase in the average cost to 1.42%. The Federal Funds interest rate increased by 100 basis points throughout 2018. In connection with these rising interest rates, the Company's total cost of funds increased from the prior year period. During the most recent quarter ended September 30, 2019, The Federal Funds interest rate declined by 50 basis points. The impact of the recent decline in market rates does not have an immediate impact on the majority of deposit accounts, but rather will impact certificate of deposit rates upon their maturities.

Interest expense on deposits increased $207,000, or 48.5%, to $633,000 for the quarter ended September 30, 2019, compared to the prior year quarter as the result of a $11.1 million increase in the average balance of deposits outstanding and a 38 basis point increase in the average cost of deposits to 1.33%.

Interest expense on borrowings increased $17,000, or 22.7%, to $90,000 for the quarter ended September 30, 2019, compared to the prior year quarter end as the result of a $2.2 million increase in the average balance of borrowings outstanding and a 5 basis point increase in the average cost to 2.69%.

Net Interest Income. As a result of the above changes in interest income and interest expense, net interest income decreased $109,000 for the quarter ended September 30, 2019, compared to the prior year quarter ended September 30, 2018. The net interest rate spread decreased 45 basis points to 3.13% for the quarter ended September 30, 2019, while the net interest margin, expressed as a percentage of average earning assets, decreased 34 basis points to 3.26% for the quarter ended September 30, 2019.

Provision for Loan Losses. The Company recorded $50,000 in provision for loan losses for the quarter ended September 30, 2019, compared to $35,000 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 $17,000 for the quarter ended September 30, 2019, compared to net recoveries of $30,000 for the prior year quarter ended September 30, 2018.

Non-Interest Income. Non-interest income increased $152,000 to $612,000 for the quarter ended September 30, 2019, compared to prior year quarter due primarily to a $6,000 increase in deposit related fee income, a $37,000 increase in rental income due to the collection of delinquent rents, a $101,000 increase in gain on sale of loan income due to an increase in loan sale volume and a $40,000 increase in miscellaneous income, offset, in part, by a $7,000 decrease in loan fees and a $22,000 decrease in gains on the sale of other real estate owned.

Non-Interest Expense. Non-interest expense increased $111,000 to $1.8 million for the quarter ended September 30, 2019, compared to prior year quarter primarily as the result of a $19,000 increase in compensation expenses due to increases in salaries, health insurance and pension plan expenses, a $5,000 increase in advertising expenses, a $19,000 increase in data processing expenses and a $110,000 increase in other operating expenses due primarily to a $95,000 increase in other real estate owned expense, offset, in part an $8,000 decrease in occupancy expenses and a $33,000 decrease in deposit insurance expenses. The decrease in deposit insurance expense was the result of a FDIC small bank assessment credit totaling $33,000 applied during the recent quarter ended September 30, 2019.

Income Taxes. The Company recorded income tax expense of $101,000 for the quarter ended September 30, 2019, resulting in an effective tax rate of 26.7%, compared to income tax expense of $123,000, for an effective income tax rate of 26.6%, for the prior year quarter. The decrease in the current quarter income tax expense was impacted by an $83,000 decrease in net income before income taxes as compared to the prior year's period.

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, 2019			Three Months Ended September 30, 2018		
	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost
Assets:						
Interest-Earning Assets:						
Loans receivable	$180,951	$2,206	4.87%	$183,010	$2,186	4.77%
Mortgage-backed securities	7,572	46	2.45	3,417	18	2.10
Interest-bearing deposits	16,962	86	2.02	5,935	25	1.65
FHLBI stock	1,372	19	5.50	1,181	13	4.49
Total interest-earning assets	206,857	2,357	4.55	193,543	2,242	4.63
Non interest-earning assets	17,648			16,584		
Total assets	224,505			210,127		
Liabilities and Stockholders' Equity:						
Interest-Bearing Liabilities:						
Passbook accounts	26,748	5	0.08%	27,675	3	0.05%
Demand accounts	96,342	266	1.10	85,995	186	0.86
Certificate accounts	65,685	362	2.19	63,991	237	1.47
Total deposits	188,775	633	1.33	177,661	426	0.95
Borrowings	13,428	90	2.69	11,172	74	2.64
Total interest-bearing liabilities	202,203	723	1.42	188,883	500	1.05
Non-interest-bearing liabilities	3,241			3,342		
Total liabilities	205,444			192,172		
Stockholders' equity	19,061			17,952		
Total liabilities and stockholders' equity	$224,505			$210,127		
Net interest income / interest rate spread		$1,634	3.13%		$1,742	3.58%
Net interest margin			3.26%			3.60%

Comparison of the Results of Operations for the Nine Months Ended September 30, 2019 and September 30, 2018

General. Net income for the nine months ended September 30, 2019 was $849,000, or $0.87 per diluted common share, a decrease of $84,000 or 9.0%, compared to $933,000, or $0.95 per diluted common share, for the same period in 2018. The decrease in the current nine months net income compared to the prior year nine months was the result of a $166,000 decrease in net interest income and a $253,000 increase other non-interest expense, offset, in part, by a $55,000 decrease in the provision for loan losses, a $245,000 increase in non-interest income and a $35,000 decrease in income tax expense.

Interest Income. Total interest income increased $581,000, or 9.0%, to $7.0 million for the nine months ended September 30, 2019, from the prior year nine months as the result of an $11.4 million increase in the average balance of interest-earning assets outstanding and a 12 basis point increase in the weighted average yield on interest-earning assets to 4.61%.

Interest income on loans receivable increased $326,000, to $6.6 million for the nine months ended September 30, 2019, as compared to the prior year nine months as the result of a 22 basis point increase in the average yield to 4.89% and a $1.0 million increase in the average balance of loans outstanding. The increase in the average yield earned reflects the impact of adjustable rate loans which repriced at higher rates since the prior period. The increase in the average balance was due to increased originations between the periods which outpaced loan payoffs and repayments. Interest income on mortgage-backed securities increased $82,000 to $129,000 for the nine months ended September 30, 2019, compared to the prior year nine months as the result of a $3.4 million increase in the average outstanding balance of mortgage-backed securities and a 63 basis point increase in the average yield to 2.62%. Interest income on interest-bearing deposits increased $151,000 to $252,000 for the nine months ended September 30, 2019, compared to the prior year nine months as the result of a $6.8 million increase in the average outstanding balance and a 63 basis point increase in the average yield to 2.18%. Dividend income on FHLBI stock increased $21,000 to $60,000 for the nine months ended September 30, 2019, compared to the prior year nine months due to a $344,000 increase in the average balance outstanding and a 72 basis point increase in the average yield to 5.84%.

Interest Expense. Total interest expense increased $746,000, or 58.3%, to $2.0 million for the nine months ended September 30, 2019, compared to the prior year nine months as the result of an $11.0 million increase in the average balance of interest-bearing liabilities outstanding and a 45 basis point increase in the average cost to 1.36%.

Interest expense on deposits increased $676,000, or 62.9%, to $1.7 million for the nine months ended September 30, 2019, compared to the prior year nine months as the result of an $8.0 million increase in the average balance of deposits outstanding and a 46 basis point increase in the average cost of deposits to 1.27%.

Interest expense on borrowings increased $70,000, or 34.0%, to $274,000 for the nine months ended September 30, 2019, compared to the prior year nine months end as the result of a $3.0 million increase in the average balance of borrowings outstanding and an 11 basis point increase in the average cost to 2.73%.

Net Interest Income. As a result of the above changes in interest income and interest expense, net interest income decreased $166,000 for the nine months ended September 30, 2019, compared to the prior year nine months ended September 30, 2018. The net interest rate spread decreased 33 basis points to 3.25% for the nine months ended September 30, 2019, while the net interest margin, expressed as a percentage of average earning assets, decreased 31 basis points to 3.29% for the nine months ended September 30, 2019.

Provision for Loan Losses. The Company recorded $70,000 in provision for loan losses for the nine months ended September 30, 2019, compared to $125,000 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 charge-offs of $68,000 for the nine months ended September 30, 2019, compared to net recoveries of $15,000 for the prior year nine months ended September 30, 2018.

Non-Interest Income. Non-interest income increased $245,000 to $1.5 million for the nine months ended September 30, 2019, compared to prior year nine months due primarily to an $18,000 increase in deposit related fee income, a $31,000 increase in rental income due to the collection of delinquent rents, a $161,000 increase in gain on sale of loan income due to an increase in loan sale volume and a $50,000 increase in miscellaneous income, offset, in part, by an $8,000 decrease in loan fees and an $11,000 decrease in gains on the sale of other real estate owned.

Non-Interest Expense. Non-interest expense increased $252,000 to $5.3 million for the nine months ended September 30, 2019, compared to prior year nine months primarily as the result of a $107,000 increase in compensation expenses due to increases in salaries, health insurance and pension plan expenses, a $19,000 increase in advertising expenses, a 36,000 increase in data processing expenses, and a $152,000 increase in other operating expenses primarily due to a $151,000 increase in other real estate owned expenses, offset, in part, by a $12,000 decrease in occupancy expenses, a $15,000 decrease in professional expenses and a $29,000 decrease in deposit insurance expenses. The decrease in deposit insurance expense was the result of a FDIC small bank assessment credit totaling $33,000 applied during the recent nine months ended September 30, 2019.

Income Taxes. The Company recorded income tax expense of $299,000 for the nine months ended September 30, 2019, resulting in an effective tax rate of 26.0%, compared to income tax expense of $334,000, for an effective income tax rate of 26.3%, for the prior year nine months. The decrease in the current nine months income tax expense was impacted by a $119,000 decrease in net income before income taxes as compared to the prior year's period.

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, 2019			Nine Months Ended September 30, 2018		
	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost
Assets:						
Interest-Earning Assets:						
Loans receivable	$180,147	$6,600	4.89%	$179,101	$6,274	4.67%
Mortgage-backed securities	6,557	129	2.62	3,133	47	1.99
Interest-bearing deposits	15,461	252	2.18	8,679	101	1.55
FHLBI stock	1,372	60	5.84	1,028	39	5.12
Total interest-earning assets	203,537	7,041	4.61	191,941	6,461	4.49
Non interest-earning assets	17,193			16,638		
Total assets	220,730			208,579		
Liabilities and Stockholders' Equity:						
Interest-Bearing Liabilities:						
Passbook accounts	27,150	16	0.08%	28,293	10	0.05%
Demand accounts	92,339	710	1.03	85,645	465	0.73
Certificate accounts	65,647	1,026	2.09	63,201	601	1.27
Total deposits	185,136	1,752	1.27	177,139	1,076	0.81
Borrowings	13,428	274	2.73	10,427	204	2.62
Total interest-bearing liabilities	198,564	2,026	1.36	187,566	1,280	0.91
Non-interest-bearing liabilities	3,331			3,403		
Total liabilities	201,895			190,969		
Stockholders' equity	18,835			17,610		
Total liabilities and stockholders' equity	$220,730			$208,579		
Net interest income / interest rate spread		$5,015	3.25%		$5,181	3.58%
Net interest margin			3.29%			3.60%

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, 2019, 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	$ 224,332,000	
Common Equity Tier 1 Capital	$ 20,752,000	9.25%
Common Equity Tier 1 Capital Requirement	11,216,600	5.00%
Excess	$ 9,535,400	4.25%
Risk-Based Common Equity Tier 1 Capital Ratio:		
Risk-Weighted Assets	$ 173,870,000	
Common Equity Tier 1 Capital	$ 20,752,000	11.94%
Common Equity Tier 1 Capital Requirement	11,301,550	6.50%
Excess	$ 9,450,450	5.44%
Risk-Based Tier 1 Capital Ratio:		
Risk-Weighted Assets	$ 173,870,000	
Common Equity Tier 1 Capital	$ 20,752,000	11.94%
Common Equity Tier 1 Capital Requirement	13,909,600	8.00%
Excess	$ 6,842,400	3.94%
Risk-Based Total Capital Ratio:		
Risk-Weighted Assets	$ 173,870,000	
Common Equity Tier 1 Capital	$ 20,752,000	
Includable Allowance for Loan Losses	1,993,000	
Total Tier 2 Risk-Based Capital	$ 22,745,000	13.08%
Total Risk-Based Capital Requirement	17,387,000	10.00%
Excess	$ 5,358,000	3.08%
Capital Conservation Buffer - Actual		5.08%
Capital Conservation Buffer - Required		2.50%

Legal Proceedings. At September 30, 2019, we were not involved in any legal proceedings or lawsuits that are not routine and incidental to our business.