AMB Financial Corp.

7880 Wicker Ave.
St. John, Indiana 46373

Financial Report
For the Three Months Ended
March 31, 2020

Note: This report is intended to be read in conjunction with our Annual Report to Stockholders for the year ended December 31, 2019, copies of which are included on this website. This report is dated March 31, 2020 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	March 31, 2020 (unaudited)	December 31, 2019 (audited)
Cash and amounts due from depository institutions	$ 2,183,560	$ 1,886,373
Interest-bearing deposits	18,864,583	18,241,353
Total cash and cash equivalents	21,048,143	20,127,726
Mortgage backed securities, available for sale, at fair value	8,283,400	8,244,821
Stock in Federal Home Loan Bank of Indianapolis, at cost	1,372,000	1,372,000
Loans held for sale	3,245,983	924,170
Loans receivable (net of allowance for loan losses: $2,193,000 at March 31, 2020 and $2,150,000 at December 31, 2019)	184,136,908	181,025,719
Other real estate owned	1,055,974	1,217,567
Accrued interest receivable	687,406	709,546
Office properties and equipment- net	9,510,131	9,596,876
Bank owned life insurance	3,858,027	3,840,169
Prepaid expenses and other assets	1,376,470	1,519,612
Total assets	$ 234,574,442	$ 228,578,206
Liabilities and Stockholders' Equity		
Liabilities		
Deposits	$ 198,912,131	$ 193,294,379
Borrowed money	10,172,947	10,172,947
Junior subordinated debentures	3,093,000	3,093,000
Other liabilities	2,337,266	2,338,422
Total liabilities	$ 214,515,344	$ 208,898,748
Stockholders' Equity		
Common Stock, $.01 par value; authorized 1,900,000 shares; 1,683,641 shares issued and 965,352 outstanding at March 31, 2020 and 965,352 outstanding at December 31, 2019	$ 16,837	$ 16,837
Additional paid-in capital	11,683,606	11,665,843
Retained earnings	16,272,057	16,022,234
Accumulated other comprehensive income (loss), net of tax	156,454	44,400
Treasury stock, at cost (718,289 shares outstanding at March 31, 2020 and 718,289 shares outstanding at December 31, 2019)	(8,069,856)	(8,069,856)
Total stockholders' equity	$ 20,059,098	$ 19,679,458
Total liabilities and stockholders' equity	$ 234,574,442	$ 228,578,206

See accompanying notes to audited consolidated financial statements.

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

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Interest income		
Interest on Loans	2,176,125	$ 2,148,926
Interest on mortgage-backed securities	46,291	36,328
Interest on interest-bearing deposits	53,387	104,066
Dividends on Federal Home Loan Bank stock	8,533	22,065
Total interest income	$ 2,284,336	$ 2,311,385
Interest expense		
Interest on deposits	534,616	$ 553,121
Interest on borrowings	81,454	91,676
Total interest expense	$ 616,070	$ 644,797
Net interest income	$ 1,668,266	$ 1,666,588
Provision for loan losses	30,503	-
Net interest income after provision for loan losses	$ 1,637,763	$ 1,666,588
Non-interest income:		
Loan fees and service charges	118,859	$ 91,154
Deposit related fees	76,845	77,594
Other fee income	23,226	26,642
Rental Income	78,028	101,176
Gain on sale of loans	122,762	65,353
Net (loss) gain on sale of other real estate owned	-	10,829
Increase in cash surrender value of life insurance	17,858	23,166
Benefit from bank-owned life insurance	-	-
Other income	56,673	5,059
Total non-interest income	$ 494,251	$ 400,973
Non-interest expense:		
Staffing costs	$ 981,503	$ 976,363
Advertising	38,316	48,807
Occupancy and equipment expense	223,037	207,248
Data processing	205,601	174,916
Professional fees	65,308	66,452
Federal deposit insurance premiums	39,288	46,804
Insurance expense	23,861	23,495
Other operating expenses	219,333	204,700
Total non-interest expense	$ 1,796,247	$ 1,748,785
Income before income taxes	$ 335,767	$ 318,776
Income tax expense	85,944	83,553
Net income available to common shareholders	249,823	235,223
Earnings per common share:		
Basic	$ 0.26	$ 0.24
Diluted	$ 0.26	$ 0.24

See accompanying notes to audited consolidated financial statements.

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

	Three Months Ended March 31,	
	2020	2019
Net income	$ 249,823	$ 235,223
Other comprehensive (loss) income, net of tax:		
Unrealized gains on securities		
available for sale--		
Unrealized holding gain (loss) arising during the period	112,054	43,976
Other comprehensive income (loss), net of tax	112,054	43,976
Total comprehensive income	$ 361,877	$ 279,199

See accompanying notes to audited consolidated financial statements

AMB Financial Corp. and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity
For the Three Months Ended March 31, 2020 and 2019
(unaudited)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at December 31, 2018	$ 16,837	$11,610,546	$14,673,158	$ (49,517)	$ (7,733,978)	$18,517,046
Net income			235,223			235,223
Other comprehensive (loss), net of tax				43,976		43,976
Stock-based compensation expense		18,265				18,265
Common sharees repurchased - Retired as Treasury stock					(26,025)	(26,025)
Balance at March 31, 2019	$ 16,837	$11,628,811	$14,908,381	$ (5,541)	$ (7,760,003)	$18,788,485
Balance at December 31, 2019	$ 16,837	$11,665,843	$16,022,234	$ 44,400	$ (8,069,856)	$19,679,458
Net income			249,823			249,823
Other comprehensive income, net of tax				112,054		112,054
Stock-based compensation expense		17,763				17,763
Balance at March 31, 2020	$ 16,837	$11,683,606	$16,272,057	$ 156,454	$ (8,069,856)	$20,059,098

See accompanying notes to audited consolidated financial statements.

AMB Financial Corp. and Subsidiaries

Consolidated Statements of Cash Flows

	Three Months Ended March 31, 2020	2019
	(unaudited)	
Cash flows from operating activities:		
Net income	$ 249,823	$ 235,223
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	107,929	98,738
Amortization of premiums and accretion of discounts	19,271	(45,370)
Proceeds from sale of loans originated for sale	7,430,821	3,521,655
Loans originated for sale	(7,346,650)	(3,474,600)
Gain on sale of loans	(122,762)	(65,353)
Gain on sale of other real estate owned	-	(10,829)
Provision for loan losses	30,503	-
Stock based compensation expense	17,764	18,265
Net change in:		
Increase in cash surrender value of life insurance	(17,858)	(23,166)
Increase in deferred yield adjustments on loans	17,754	8,914
Increase in prepaid and deferred income taxes	(166,721)	(140,905)
Increase in accrued interest receivable	22,140	(19,717)
Decrease in other assets	199,196	107,167
Increase in other liabilites	102,252	228,734
Net cash provided by (for) operating activities	543,462	438,756
Cash flows from investing activities:		
Purchase of mortgage-backed securities	(500,000)	(1,503,709)
Proceeds from repayments of mortgage-backed securities	600,053	257,268
Change in loans held for sale	(2,321,813)	695,128
Net increase in loans	(3,159,446)	(1,167,235)
Real estate owned expenditures	(30,786)	-
Proceeds from sale of other real estate owned	192,379	108,329
Property and equipment expenditures, net	(21,184)	(192,880)
Net cash used for investing activities	(5,240,797)	(1,803,099)
Cash flows from financing activities:		
Net increase in deposits	5,227,691	(10,377,730)
Net (decrease) in advance payments by borrowers for taxes and insurance	390,061	355,057
Share repurchase program common stock	-	(26,025)
Net cash provided by financing activities	5,617,752	(10,048,698)
Net change in cash and cash equivalents	920,417	(11,413,041)
Cash and cash equivalents at beginning of period	20,127,726	28,615,335
Cash and cash equivalents at end of period	$ 21,048,143	$ 17,202,294
Supplemental disclosure of cash flow information:		
Interest paid	$ 614,489	$ 646,046
Income taxes paid	-	-
Transfer of loans to other real estate owned	-	483,350

See accompanying notes to audited consolidated financial statements.

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

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Net income available to common shareholders	$ 249,823	$ 235,223
Weighted average common shares outstanding for basic computation	965,352	983,782
Basic income per common share	$ 0.26	$ 0.24
Weighted average common shares outstanding for basic computation	965,352	983,782
Common stock equivalents due to dilutive effect of restricted stock	5,126	3,629
Weighted average common shares and equivalents outstanding for diluted computation	970,478	987,411
Diluted income per common share	$ 0.26	$ 0.24

See accompanying notes to audited consolidated financial statements

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 three month period ended March 31, 2020 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 months ended March 31, 2020 are not necessarily indicative of the results expected for the year ending December 31, 2020. The March 31, 2020 consolidated financial statements should be read in conjunction with the consolidated financial statements and notes for the year ended December 31, 2019 included in the Company's Annual Report. The Company's consolidated statement of condition as of December 31, 2019 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 month periods ended March 31, 2020 and 2019 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 2019 items or amounts may have been reclassified or restated in order to conform to the 2020 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.

The COVID-19 pandemic has caused substantial disruption to the global, national and local economies which may have an adverse effect on the Company’s business and results of operations. The future impacts of the COVID-19 pandemic on the global economy and the Company’s business, results of operations and financial condition remains uncertain.

In March 2020, the World Health Organization declared novel coronavirus disease 2019 (COVID-19) as a global pandemic. The pandemic has resulted in governmental authorities implementing numerous measures attempting to contain the spread and impact of COVID-19 such as travel bans and restrictions, quarantines, shelter in place orders, and limitations on business activities, including in markets in which the Company and its clients are located or do business. The COVID-19 pandemic, and governmental responses to the pandemic, have negatively impacted the economy, creating significant volatility and disruption in financial markets, and increased unemployment levels.

Should current economic impacts persist or continue to deteriorate, this economic environment could have an adverse effect on our business and operations, including, but not limited to, decreased demand for the Company's products and services, protracted periods of lower interest rates, loss of income resulting from deferrals and fee waivers provided by the Company to its consumer and commercial borrowers, increased credit losses due to deterioration in the financial condition of our consumer and commercial borrowers, including declining asset and collateral values, which may result in increases in provision for credit losses and net charge-offs. The business operations of the Company may also be disrupted if significant portions of its workforce or those of vendors or third-party service providers are unable to work effectively, including because of illness, quarantines, government actions, restrictions in connection with the pandemic, and technology limitations and/or disruptions. The Company also faces an increased risk of litigation and governmental and regulatory scrutiny as a result of the effects of the pandemic on market and economic conditions and actions taken by governmental authorities in response to those conditions.

The extent to which the COVID-19 pandemic impacts the Company's business, results of operations, and financial condition, as well as its regulatory capital ratios, will depend on future developments, which are highly uncertain, including the scope and duration of the pandemic and actions taken by governmental authorities and other third parties in response to the pandemic. Moreover, the effects of the COVID-19 pandemic may heighten many of the other risks described in the section entitled "Forward Looking Statements" in our most recent Annual Report or any subsequent Quarterly Report including, but not limited to, financial market conditions, economic conditions, credit risk, interest rate risk and risk of security breaches.

Financial Condition. Total assets of the Company were $234.6 million at March 31, 2020, an increase of $6.0 million, from $228.6 million at December 31, 2019. The change was primarily due to a $5.4 million increase in loans receivable and held for sale loans. There was also a $5.6 million increase in customer deposits.

Cash and cash equivalents, which consist primarily of interest-earning deposits, totaled $21.0 million at March 31, 2020, an increase of $0.9 million, from $20.1 million at December 31, 2019. 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 $39,000 to $8.3 million at March 31, 2020, from $8.2 million at December 31, 2019. The increase was the result of new purchases of $0.5 million and a $95,000 increase in the unrealized gain on available for sale mortgage-backed securities, offset, in part, by principal repayments of $0.6 million. The Company recorded an unrealized gain on available for sale mortgage-backed securities of $158,000 at March 31, 2020 compared to a $63,000 unrealized gain at December 31, 2019. 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 March 31, 2020 and December 31, 2019. 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 $184.1 million at March 31, 2020, a $3.1 million increase from the $181.0 million balance at December 31, 2019. Loans held for sale totaled $3.2 million at March 31, 2020, a $2.3 million increase from the $0.9 million balance at December 31, 2019. The Company originated $7.3 million of loans held for sale which were subsequently sold during the three month period ended March 31, 2020, as compared to $3.5 million during the prior year period. Loans originated for sale are fixed-rate, single-family mortgage loans, which are sold 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 $2,193,000 at March 31, 2020, representing a $43,000 increase as compared to December 31, 2019. The Bank's allowance for loan losses to total loans was 1.18% at March 31, 2020 as compared to 1.17% at December 31, 2019. 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 three months ended March 31, 2020 and 2019.

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Balance at beginning of period:	$2,150,000	$1,990,574
Charge-offs:		
One- to four family	-	92,003
Multi-family	-	-
Non-residential	-	-
Land	-	-
Construction	-	-
Home Equity Lines of Credit	-	-
Consumer	-	-
Commercial business	-	-
Total charge-offs	-	92,003
Recoveries:		
One- to four family	10,901	11,754
Multi-family	-	-
Non-residential	-	-
Land	-	-
Consumer	1,467	-
Commercial business	129	72
Total recoveries	12,497	11,826
Net (charge-offs) recoveries	12,497	(80,177)
Provisions for loan losses	30,503	-
Balance at end of period	$2,193,000	$1,910,397
Ratio of net recoveries (charge-offs) during the period to average gross loans outstanding during the period	0.01%	(0.05)%
Ratio of net recoveries (charge-offs) during the period to average non-performing loans during the period	0.43%	(3.61)%

Loans receivable are summarized as follows at the dates indicated:

	March 31, 2020	December 31, 2019
Mortgage loans:		
One-to-four family	$ 62,190,332	$ 63,990,654
Multi-family	4,432,718	5,370,038
Non-residential	72,604,561	71,949,284
Construction	11,704,841	10,495,108
Land	8,622,816	8,193,394
Equity lines of credit	9,809,765	10,030,826
Consumer	1,062,863	818,734
Commercial business loans	15,902,012	12,327,681
Total loans	186,329,908	183,175,719
Less:		
Allowance for loan losses	2,193,000	2,150,000
Loans receivable, net	$ 184,136,908	$ 181,025,719
Allowance for loan losses as a percentage of loans	1.18%	1.17%

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.

	March 31, 2020	December 31, 2019
Substandard non-accruing loans:		
One- to four-family	$ 2,055,422	$ 1,998,377
Multi-family	332,262	334,761
Non-residential	589,586	386,917
Equity lines of credit	81,490	81,552
Other consumer	-	880
Total substandard non-accruing loans	$ 3,058,760	$ 2,802,487
Total loans receivable	$ 186,329,908	$ 183,175,719
Total non-accrual / loans receivable	1.64%	1.53%
Substandard – accruing loans		
Non-residential	$ -	$ 557,952
Total substandard – accruing loans	$ -	$ 557,952
Total loans receivable	$ 186,329,908	$ 183,175,719
Total substandard accruing / loans	0.00%	0.30%
Total classified loans	$ 3,058,760	$ 3,360,439
Total loans receivable	$ 186,329,908	$ 183,175,719
Total classified loans / loans receivable	1.64%	1.83%
Substandard other real estate owned:		
One- to four-family	$ 886,124	$ 1,047,717
Land	$ 169,850	$ 169,850
Total substandard other real estate	$ 1,055,974	$ 1,217,567
Total classified assets	$ 4,114,734	$ 4,578,006
Total assets	$ 234,574,442	$ 228,578,206
Total classified assets / total assets	1.75%	2.00%

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 March 31, 2020			At December 31, 2019		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
One-to-four family	$ 207,664	$ 444,979	$ 652,643	$ 209,467	$ 457,739	$ 667,206
Multi-family	-	27,652	27,652	-	33,616	33,616
Non-residential	-	976,060	976,060	14,791	965,738	980,529
Construction	-	153,363	153,363	-	135,365	135,365
Land	-	89,562	89,562	-	82,885	82,885
Equity lines of credit	-	98,582	98,582	-	101,483	101,483
Other consumer	-	29,971	29,971	-	21,743	21,743
Commercial business loans	-	165,167	165,167	-	127,173	127,173
Total	$ 207,664	$ 1,985,336	$ 2,193,000	$ 224,258	$ 1,925,742	$ 2,150,000

	Loan Balances					
	At March 31, 2020			At December 31, 2019		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
One-to-four family	$ 2,274,156	$ 59,916,176	$ 62,190,332	$ 2,218,291	$ 61,772,363	$ 63,990,654
Multi-family	332,262	4,100,456	4,432,718	334,761	5,035,277	5,370,038
Non-residential	589,586	72,014,975	72,604,561	386,917	71,562,367	71,949,284
Construction	-	11,704,841	11,704,841	-	10,495,108	10,495,108
Land	-	8,622,816	8,622,816	-	8,193,394	8,193,394
Equity lines of credit	81,490	9,728,275	9,809,765	81,552	9,949,274	10,030,826
Other consumer	-	1,062,863	1,062,863	880	817,854	818,734
Commercial business loans	-	15,902,012	15,902,012	-	12,327,681	12,327,681
Total	$ 3,277,494	$ 183,052,414	$ 186,329,908	$ 3,022,401	$ 180,153,318	$ 183,175,719

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

	March 31, 2020	December 31, 2019
Period end loans with allocated allowance for loan losses	$ 1,631,829	$ 1,879,007
Period end loans with no allocated allowance for loan losses	1,645,665	1,143,394
Total	$ 3,277,494	$ 3,022,402
Valuation reserve relating to impaired loans	$ 207,664	$ 224,258

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

	At March 31, 2020		At December 31, 2019	
	Unpaid Principal Balance	Allowance for Loan Losses Allocated	Unpaid Principal Balance	Allowance for Loan Losses Allocated
With an allowance recorded:				
One-to-four family	$ 1,631,829	$ 207,664	$ 1,635,007	$ 209,467
Non-residential	-	-	244,001	14,791
With no related allowance recorded:				
One-to-four family	642,327	-	583,285	-
Multi-family	332,262	-	334,761	-
Non-residential	589,587	-	142,916	-
Equity lines of credit	81,490	-	81,552	-
Other consumer	-	-	880	-
Total	$ 3,277,494	$ 207,664	$ 3,022,402	$ 224,258

Nonaccrual loans are summarized as follows:

	March 31, 2020	December 31, 2019
One-to-four family	$ 2,055,422	$ 1,998,377
Multi-family	332,262	334,761
Non-residential	589,586	386,917
Equity lines of credit	81,490	81,552
Other consumer	-	880
Total	$ 3,058,760	$ 2,802,487

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

	March 31, 2020				
	30 - 89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Loans Not Past Due	Total
One-to-four family	$ 1,007,269	$ 1,464,325	$ 2,471,594	$ 59,718,738	$ 62,190,332
Multi-family	272,262	60,000	332,262	4,100,456	4,432,718
Non-residential	83,150	589,586	672,736	71,931,825	72,604,561
Construction	-	-	-	11,704,841	11,704,841
Land	111,629	-	111,629	8,511,187	8,622,816
Equity lines of credit	81,490	-	81,490	9,728,275	9,809,765
Other consumer	1,255	-	1,255	1,061,608	1,062,863
Commercial business loans	17,583	-	17,583	15,884,429	15,902,012
Total	$ 1,574,638	$ 2,113,911	$ 3,688,549	$ 182,641,359	$ 186,329,908

	December 31, 2019				
	30 - 89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Loans Not Past Due	Total
One-to-four family	$ 1,103,493	$ 1,659,170	$ 2,762,663	$ 61,227,991	$ 63,990,654
Multi-family	-	60,000	60,000	5,310,038	5,370,038
Non-residential	89,112	760,868	849,980	71,099,304	71,949,284
Construction	-	-	-	10,495,108	10,495,108
Land	114,373	-	114,373	8,079,021	8,193,394
Equity lines of credit	856,926	62	856,988	9,173,838	10,030,826
Other consumer	258,227	880	259,107	559,627	818,734
Commercial business loans	1,492,253	-	1,492,253	10,835,428	12,327,681
Total	$ 3,914,384	$ 2,480,980	$ 6,395,364	$ 176,780,355	$ 183,175,719

The Company has allocated $42,339 and $44,142 of loan loss reserves to customers whose loan terms have been modified in troubled debt restructurings as of March 31, 2020 and December 31, 2019, respectively.

The following table presents loans classified as troubled debt restructurings.

	March 31, 2020	December 31, 2019
Trouble debt restructured loans - non-accrual loans	$ 233,095	$ 235,092
Trouble debt restructured loans - accrual loans	218,734	219,914
Total	$ 451,829	$ 455,006

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 $0.5 million to $4.1 million at March 31, 2020.

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 $3.1 million, or 1.64% of total loans receivable at March 31, 2020, compared to $2.8 million, or 1.53% of total loans receivable at December 31, 2019.

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 $0 were classified as performing substandard at March 31, 2020, compared to $558,000 at December 31, 2019. The loan totaling $558,000 was move from performing substandard to non-accrual substandard during the recent March 2020 quarter.

The ratio of allowance for loan losses to classified and criticized loans was 71.70% at March 31, 2020, compared to 63.98% at December 31, 2019.

Other real estate owned, which is classified substandard, totaled $1.1 million at March 31, 2020 as compared to $1.2 million at December 31, 2019. Other real estate owned at March 31, 2020 consists of two single family residential properties totaling $0.9 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 the fair value declines after 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 $9.5 million at March 31, 2020, an $87,000 decrease from the balance at December 31, 2019. The decrease represents normal depreciation of $108,000, offset, in part, by additions totaling $21,000.

Bank owned life insurance increased $18,000 to $3.9 million at March 31, 2020. 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 $143,000 to $1.3 million at March 31, 2020. Included in prepaid expenses and other assets is a $92,000 net deferred tax asset.

Total deposits increased $5.6 million to $198.9 million at March 31, 2020. The increase in deposits during the period was due to a $6.1 million increase in checking deposits and a $0.2 million increase in passbook deposits, offset, in part, by a $0.2 million decrease in money market accounts and a $0.5 million decrease in certificates of deposit accounts. At March 31, 2020, the Bank's core deposits (passbook, checking and money market accounts) comprised $135.2 million, or 67.9% of deposits, compared to $129.0 million, or 66.7% of deposits, at December 31, 2019. Most 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 $10.2 million at March 31, 2020 and December 31, 2019. Borrowings from the FHLBI at March 31, 2020 had a weighted average rate of 2.18% and a weighted term to maturity of 2.3 years.

The Company's trust preferred subordinated debentures remained unchanged totaling $3.1 million at March 31, 2020. The interest rate payable on the debentures adjusts quarterly to the three month LIBOR plus 1.65% and was 2.39% at March 31, 2020. 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 remained relatively unchanged totaling $2.3 million at March 31, 2020 and December 31, 2019.

Total stockholders' equity increased $380,000 to $20.1 million, or 8.55% of total assets at March 31, 2020, compared to $19.7 million, or 8.61% of total assets, at December 31, 2019. The increase in stockholders' equity was attributable to $250,000 of net income for the three month period ended March 31, 2020, an $18,000 increase in paid-in-capital and a $112,000 increase in the unrealized gain on available for sale securities, net of tax. The number of common shares outstanding at March 31, 2020 and December 31, 2019 remained unchanged at 965,352. The book value per common share outstanding at March 31, 2020 was $20.78. 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 9.15%, 11.64%, 11.64% and 12.85%, respectively, at March 31, 2020 exceeded all regulatory requirements and categorize the Bank as well capitalized under applicable regulations.

Comparison of the Results of Operations for the Quarter Ended March 31, 2020 and March 31, 2019

General. Net income for the quarter ended March 31, 2020 was $250,000, or $0.26 per diluted common share, an increase of $15,000 or 6.2%, compared to $235,000, or $0.24 per diluted common share, for the same period in 2019. The increase in the current quarter net income compared to the prior year quarter was the result of a $2,000 increase in net interest income and a $93,000 increase in non-interest income, offset, in part, by a $31,000 increase in the provision for loan losses, a $47,000 increase other non-interest expense and a $2,000 increase in income tax expense.

Interest Income. Total interest income decreased $27,000, or 1.2%, to $2.3 million for the quarter ended March 31, 2020, from the prior year quarter as the result of a 30 basis point decrease in the weighted average yield on interest-earning assets to 4.26%, offset, in part, by a $11.0 million increase in the average balance of interest-earning assets outstanding.

Interest income on loans receivable increased $27,000, to $2.2 million for the quarter ended March 31, 2020, as compared to the prior year quarter as the result of a $8.4 million increase in the average balance of loans outstanding, offset, in part, by a 16 basis point decrease in the average yield to 4.67%. The increase in the average balance was due to originations between the periods exceeding loan payoffs and repayments. The decrease in the average yield earned reflects the impact of adjustable rate loans which repriced at lower rates as compared to the same period one year ago. Interest income on mortgage-backed securities increased $10,000 to $46,000 for the quarter ended March 31, 2020, compared to the prior year quarter as the result of a $2.9 million increase in the average outstanding balance of mortgage-backed securities, offset, in part, by a 47 basis point decrease in the average yield to 2.23%. Interest income on interest-bearing deposits decreased $51,000 to $53,000 for the quarter ended March 31, 2020, compared to the prior year quarter as the result of an $0.3 million decrease in the average outstanding balance and a 111 basis point decrease in the average yield to 1.18%. Dividend income on FHLBI stock decreased $14,000 to $9,000 for the quarter ended March 31, 2020, compared to the prior year quarter due to a 403 basis point decrease in the average yield to 2.49%.

Interest Expense. Total interest expense decreased $29,000, or 4.5%, to $616,000 for the quarter ended March 31, 2020, compared to the prior year quarter as the result of a 13 basis point decrease in the average cost to 1.19%, offset, in part, by a $9.6 million increase in the average balance of interest-bearing liabilities outstanding. The Federal Funds interest rate decreased by 150 basis points during March 2020. In connection with these declining interest rates, the Company's total cost of funds decreased from the prior year period.

Interest expense on deposits decreased $19,000, or 3.3%, to $535,000 for the quarter ended March 31, 2020, compared to the prior year quarter as the result of an 11 basis point decrease in the average cost of deposits to 1.10%, offset, in part, by a $9.8 million increase in the average balance of deposits outstanding.

Interest expense on borrowings decreased $10,000, or 11.2%, to $81,000 for the quarter ended March 31, 2020, compared to the prior year quarter end as the result of a $0.1 million decrease in the average balance of borrowings outstanding and a 31 basis point decrease in the average cost to 2.46%.

Net Interest Income. As a result of the above changes in interest income and interest expense, net interest income increased $2,000 for the quarter ended March 31, 2020, compared to the prior year quarter ended March 31, 2019. The net interest rate spread decreased 17 basis points to 3.07% for the quarter ended March 31, 2020, while the net interest margin, expressed as a percentage of average earning assets, decreased 17 basis points to 3.11% for the quarter ended March 31, 2020.

Provision for Loan Losses. The Company recorded $31,000 in provision for loan losses for the quarter ended March 31, 2020, compared to $0 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 $12,000 for the quarter ended March 31, 2020, compared to net charge-offs of $80,000 for the prior year quarter ended March 31, 2019.

Non-Interest Income. Non-interest income increased $93,000 to $494,000 for the quarter ended March 31, 2020, compared to prior year quarter due primarily to a $28,000 increase in loan fees, a $57,000 increase in gain on sale of loan income due to increased volume and a $52,000 increase in other income, offset, in part, by a $23,000 decrease in rental income due to delinquent rents and an $11,000 decline in gains on the sale of other real estate owned.

Non-Interest Expense. Non-interest expense increased $47,000 to $1.8 million for the quarter ended March 31, 2020, compared to prior year quarter primarily as the result of a $5,000 increase in compensation expenses, a $16,000 increase in occupancy expenses, a $31,000 increase in data processing expenses and a $15,000 increase in other operating expenses, offset, in part, by a $10,000 decrease in advertising expenses and an $8,000 decrease in deposit insurance expenses.

Income Taxes. The Company recorded income tax expense of $86,000 for the quarter ended March 31, 2020, resulting in an effective tax rate of 25.6%, compared to income tax expense of $84,000, for an effective income tax rate of 26.2%, for the prior year quarter. The increase in the current quarter income tax expense was impacted by a $17,000 increase 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 March 31, 2020			Three Months Ended March 31, 2019		
	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost
Assets:						
Interest-Earning Assets:						
Loans receivable	$186,583	$2,176	4.67%	$178,209	$2,149	4.83%
Mortgage-backed securities	8,287	46	2.23	5,382	36	2.70
Interest-bearing deposits	18,127	53	1.18	18,449	104	2.29
FHLBI stock	1,372	9	2.49	1,372	22	6.52
Total interest-earning assets	214,369	2,284	4.26	203,412	2,311	4.56
Non interest-earning assets	16,758			16,565		
Total assets	231,127			219,977		
Liabilities and Stockholders' Equity:						
Interest-Bearing Liabilities:						
Passbook accounts	26,828	3	0.05%	27,436	5	0.08%
Demand accounts	103,477	187	0.72	91,559	226	1.00
Certificate accounts	64,413	345	2.15	65,969	322	1.98
Total deposits	194,718	535	1.10	184,964	553	1.21
Borrowings	13,296	81	2.46	13,428	92	2.77
Total interest-bearing liabilities	208,014	616	1.19	198,392	645	1.32
Non-interest-bearing liabilities	3,267			2,940		
Total liabilities	211,281			201,332		
Stockholders' equity	19,846			18,645		
Total liabilities and stockholders' equity	$231,127			$219,977		
Net interest income / interest rate spread		$1,668	3.07%		$1,666	3.24%
Net interest margin			3.11%			3.28%

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 and continues to maintain the exemption of consolidated capital requirements for bank holding companies, such as the Company.

At March 31, 2020, 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	$ 230,957,000	
Common Equity Tier 1 Capital	$ 21,131,000	9.15%
Common Equity Tier 1 Capital Requirement	11,547,850	5.00%
Excess	$ 9,583,150	4.15%
Risk-Based Common Equity Tier 1 Capital Ratio:		
Risk-Weighted Assets	$ 181,542,000	
Common Equity Tier 1 Capital	$ 21,131,000	11.64%
Common Equity Tier 1 Capital Requirement	11,800,230	6.50%
Excess	$ 9,330,770	5.14%
Risk-Based Tier 1 Capital Ratio:		
Risk-Weighted Assets	$ 181,542,000	
Common Equity Tier 1 Capital	$ 21,131,000	11.64%
Common Equity Tier 1 Capital Requirement	14,523,360	8.00%
Excess	$ 6,607,640	3.64%
Risk-Based Total Capital Ratio:		
Risk-Weighted Assets	$ 181,542,000	
Common Equity Tier 1 Capital	$ 21,131,000	
Includable Allowance for Loan Losses	2,193,000	
Total Tier 2 Risk-Based Capital	$ 23,324,000	12.85%
Total Risk-Based Capital Requirement	18,154,200	10.00%
Excess	$ 5,169,800	2.85%
Capital Conservation Buffer - Actual		4.85%
Capital Conservation Buffer - Required		2.50%

Legal Proceedings. At March 31, 2020, we were not involved in any legal proceedings or lawsuits that are not routine and incidental to our business.