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

Financial Report
For the Three Months Ended
March 31, 2021

Note: This report is intended to be read in conjunction with our Annual Report to Stockholders for the year ended December 31, 2020, copies of which are included on this website. This report is dated March 31, 2021 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

	March 31, 2021	December 31, 2020
Assets		
Cash and amounts due from depository institutions	$ 2,590,842	$ 2,441,616
Interest-bearing deposits	35,563,481	45,564,965
Total cash and cash equivalents	38,154,323	48,006,581
Mortgage backed securities, available for sale, at fair value	5,496,675	5,715,467
Stock in Federal Home Loan Bank of Indianapolis, at cost	1,576,500	1,372,000
Loans held for sale	2,487,900	1,982,198
Loans receivable (net of allowance for loan losses) $2,488,393 at March 31, 2021 and $2,475,000 at December 31, 2020)	208,651,416	187,856,884
Other real estate owned	927,449	1,277,449
Accrued interest receivable	701,067	717,061
Office properties and equipment- net	9,447,901	9,445,691
Bank owned life insurance	3,841,151	3,823,587
Prepaid expenses and other assets	1,951,205	2,075,259
Total assets	$ 273,235,587	$ 262,272,177
Liabilities and Stockholders' Equity		
Liabilities		
Deposits	$ 233,641,203	$ 223,473,352
Borrowed money	10,000,000	10,000,000
Junior subordinated debentures	3,093,000	3,093,000
Other liabilities	2,952,834	3,053,006
Total liabilities	$ 249,687,037	$ 239,619,358
Stockholders' Equity		
Common Stock, $.01 par value; authorized 1,900,000 shares; 1,683,641 shares issued and 967,712 outstanding at March 31, 2021 and 967,712 outstanding at December 31, 2020	$ 16,837	$ 16,837
Additional paid-in capital	11,728,156	11,710,394
Retained earnings	19,718,292	18,814,451
Accumulated other comprehensive income (loss), net of tax	128,618	154,490
Treasury stock, at cost (715,929 shares outstanding at March 31, 2021 and 715,929 shares outstanding at December 31, 2020)	(8,043,353)	(8,043,353)
Total stockholders' equity	$ 23,548,550	$ 22,652,819
Total liabilities and stockholders' equity	$ 273,235,587	$ 262,272,177

See accompanying notes to audited consolidated financial statements.

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

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Interest income		
Interest on Loans	2,371,668	$ 2,234,768
Interest on mortgage-backed securities	25,594	46,291
Interest on interest-bearing deposits	10,288	53,387
Dividends on Federal Home Loan Bank stock	8,795	8,532
Total interest income	$ 2,416,345	$ 2,342,978
Interest expense		
Interest on deposits	$ 318,744	$ 534,616
Interest on borrowings	66,576	81,454
Total interest expense	$ 385,320	$ 616,070
Net interest income	$ 2,031,025	$ 1,726,908
Provision for loan losses	-	30,503
Net interest income after provision for loan losses	$ 2,031,025	$ 1,696,405
Non-interest income:		
Loan fees and service charges	$ 62,716	$ 60,217
Deposit related fees	72,243	76,845
Other fee income	21,378	23,226
Rental Income	91,232	78,028
Gain on sale of loans	845,127	122,762
Net (loss) gain on sale of other real estate owned	9,505	-
Increase in cash surrender value of life insurance	17,565	17,858
Other income	21,435	56,673
Total non-interest income	$ 1,141,201	$ 435,609
Non-interest expense:		
Staffing costs	$ 1,104,986	$ 981,503
Advertising	40,968	38,316
Occupancy and equipment expense	237,862	223,037
Data processing	215,568	205,601
Professional fees	83,943	65,308
Federal deposit insurance premiums	27,859	39,288
Insurance expense	21,460	23,861
Other operating expenses	231,475	219,333
Total non-interest expense	$ 1,964,121	$ 1,796,247
Income before income taxes	$ 1,208,105	$ 335,767
Income tax expense	304,264	85,944
Net income available to common shareholders	903,841	249,823
Earnings per common share:		
Basic	$ 0.93	$ 0.26
Diluted	$ 0.93	$ 0.26

See accompanying notes to audited consolidated financial statements.

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

	Three Months Ended March 31,	
	2021	2020
Net income	$ 903,841	$ 249,823
Other comprehensive (loss) income, net of tax:		
Unrealized gains on securities		
available for sale--		
Unrealized holding (loss) gain arising during the period	(25,873)	112,054
Other comprehensive (loss) income, net of tax	(25,873)	112,054
Total comprehensive income	$ 877,968	$ 361,877

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, 2021 and 2020
(unaudited)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
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
Balance at December 31, 2020	$ 16,837	$11,710,394	$18,814,451	$ 154,490	$ (8,043,353)	$22,652,819
Net income			903,841			903,841
Other comprehensive income, net of tax				(25,872)		(25,872)
Stock-based compensation expense		17,762				17,762
Balance at March 31, 2021	$ 16,837	$11,728,156	$19,718,292	$ 128,618	$ (8,043,353)	$23,548,550

See accompanying notes to audited consolidated financial statements.

AMB Financial Corp. and Subsidiaries

Consolidated Statements of Cash Flows

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
	(unaudited)	
Cash flows from operating activities:		
Net income	$ 903,841	$ 249,823
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	108,629	107,929
Amortization of premiums and accretion of discounts	13,132	19,271
Proceeds from sale of loans originated for sale	34,275,127	7,430,821
Loans originated for sale	(33,615,685)	(7,346,650)
Gain on sale of loans	(845,127)	(122,762)
Gain on sale of other real estate owned	(9,505)	-
Provision for loan losses	-	30,503
Stock based compensation expense	17,759	17,763
Net change in:		
Increase in cash surrender value of life insurance	(17,564)	(17,858)
Increase in deferred yield adjustments on loans	633,630	17,754
Increase in prepaid and deferred income taxes	(333,733)	(166,721)
Decrease in accrued interest receivable	15,994	22,140
Decrease in other assets	326,464	199,196
Increase in other liabilites	220,821	102,253
Net cash provided by (for) operating activities	1,693,783	543,462
Cash flows from investing activities:		
Purchase of mortgage-backed securities	(500,000)	(500,000)
Proceeds from repayments of mortgage-backed securities	675,806	600,053
Change in loans held for sale	(505,702)	(2,321,813)
Net increase in loans	(21,428,162)	(3,159,446)
Real estate owned expenditures	-	(30,786)
Proceeds from sale of other real estate owned	359,505	192,379
Purchase of Federal Home Loan Bank stock	(204,500)	-
Property and equipment expenditures, net	(110,839)	(21,184)
Net cash used for investing activities	(21,713,892)	(5,240,797)
Cash flows from financing activities:		
Net increase in deposits	9,986,667	5,227,691
Net (decrease) in advance payments by borrowers for taxes and insurance	181,184	390,061
Net cash provided by financing activities	10,167,851	5,617,752
Net change in cash and cash equivalents	(9,852,258)	920,417
Cash and cash equivalents at beginning of period	48,006,581	20,127,726
Cash and cash equivalents at end of period	$ 38,154,323	$ 21,048,143
Supplemental disclosure of cash flow information:		
Interest paid	$ 385,139	$ 614,489
Income taxes paid	-	-
Transfer of loans to other real estate owned	-	-

See accompanying notes to audited consolidated financial statements.

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

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Net income available to common shareholders	$ 903,841	$ 249,823
Weighted average common shares outstanding for basic computation	967,712	965,352
Basic income per common share	$ 0.93	$ 0.26
Weighted average common shares outstanding for basic computation	967,712	965,352
Common stock equivalents due to dilutive effect of restricted stock	4,978	5,126
Weighted average common shares and equivalents outstanding for diluted computation	972,690	970,478
Diluted income per common share	$ 0.93	$ 0.26

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, 2021 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, 2021 are not necessarily indicative of the results expected for the year ending December 31, 2021. The March 31, 2021 consolidated financial statements should be read in conjunction with the consolidated financial statements and notes for the year ended December 31, 2020 included in the Company's Annual Report. The Company's consolidated statement of condition as of December 31, 2020 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, 2021 and 2020 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 2020 items or amounts may have been reclassified or restated to conform to the 2021 presentation.

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

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

- The current condition of the United States economy in general and in our local economy (including unemployment) in which we conduct operations;
- the effects of, and changes in, trade, monetary and fiscal policies, and laws, including interest rate policies of the Federal Reserve Board and the United States Treasury ("UST");
- our ability to manage and reduce our non-performing assets;
- our ability to repay our holding company debt, including our $3 million of trust preferred stock, when due;
- the impact of new laws and regulations on financial institutions, the lending market, and our regulatory agencies;
- the impact of new regulations imposed by the Federal Reserve System, the Federal Deposit Insurance Corporation ("FDIC") and the State of Indiana Department of Financial Institutions;
- future deposit premium levels;
- 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 future financial strength, dividend level and activities of the FHLB of Indianapolis in which we own stock and from which we borrow money;
- 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 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 because 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.

The Board of Governors of the Federal Reserve System (FRB), the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA), the Office of the Comptroller of the Currency (OCC), the Consumer Financial Protection Bureau (CFPB), and the State Banking Regulators (hereafter, the agencies) provided guidance to financial institutions to work with borrowers affected by the COVID-19. The Company has established a loan deferral program to provide temporary relief for borrowers who are experiencing short-term financial or operational problems because of COVID-19. At March 31, 2021, eligible loan modifications made under Section 4013, Temporary Relief from Troubled Debt Restructurings, of the 2020 Coronavirus Aid, Relief, and Economic Security Act totaled $4.8 million and consisted of 4 loans. The Company is communicating with impacted customers to determine if such borrowers are still experiencing short-term financial or operational problems because of COVID-19 and if further relief will be needed. Loans with deferrals granted due to COVID-19 are not reported as past due per regulatory guidance.

The list of important factors stated above is not exclusive. We do not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by or on behalf of the Company or the Bank.

Financial Condition. Total assets of the Company were $273.2 million on March 31, 2021, an increase of $10.9 million, from $262.3 million on December 31, 2020. The change was primarily due to an $9.8 million decrease in cash and cash equivalents, a $20.8 million increase in loans receivable and a $0.5 million increase in loans held for sale.

Cash and cash equivalents, which consist primarily of interest-earning deposits, totaled $38.1 million on March 31, 2021, a decrease of $9.8 million, from $48.0 million on December 31, 2020. 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, decreased $0.2 million to $5.5 million on March 31, 2021, from $5.7 million on December 31, 2020. The decrease was the result of principal repayments totaling $0.7 million, offset, in part, by new purchases of $0.5 million and a $30,000 decrease in the unrealized gain on available for sale mortgage-backed securities. The Company recorded an unrealized gain on available for sale mortgage-backed securities of $181,000 on March 31, 2021 compared to a $211,000 unrealized gain on December 31, 2020. 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 $1.6 million investment in stock of the FHLBI on March 31, 2021, a $0.2 million increase from the $1.4 million on December 31, 2020. Members are required to own a certain amount of stock based on the level of borrowings, participation in the FHLBI mortgage purchase program, and other factors. The investment is carried at par value, as there is not an active market for FHLBI stock.

Net loans receivable totaled $208.6 million on March 31, 2021, a $20.8 million increase from the $187.8 million balance on December 31, 2020. Loans held for sale totaled $2.5 million on March 31, 2021, a $0.5 million increase from the $2.0 million balance on December 31, 2020. The increase in loans was impacted by the Company’s participation in the Small Business Administration’s Paycheck Protection Program (SBA PPP). Section 1102 of the CARES Act temporarily adds a new product, titled the “Paycheck Protection Program,” to the U.S. Small Business Administration's (SBA's) 7(a) Loan Program. Section 1106 of the Act provides for forgiveness of up to the full principal amount of qualifying loans guaranteed under the Paycheck Protection Program. The Paycheck Protection Program and loan forgiveness was designed to provide a direct incentive for small businesses to keep their workers on the payroll due to disruptions caused by COVID-19. On March 31, 2021, SBA PPP net loans totaled $24.0 million, an $11.6 million increase from the $12.4 million balance at December 31, 2020. The Company originated $33.6 million of loans held for sale which were subsequently sold during the three month period ended March 31, 2021, as compared to $7.3 million during the prior year period. The increase in loan sales is due to the substantial decline in interest rates which has accelerated refinancing activity. 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 $2,488,000 on March 31, 2021, representing a $13,000 increase as compared to December 31, 2020. The Bank's allowance for loan losses to total loans was 1.18% on March 31, 2021 as compared to 1.30% on December 31, 2020. 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, 2021 and 2020.

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Balance at beginning of period:	$2,475,000	$2,150,000
Charge-offs:		
One- to four family	-	-
Multi-family	-	-
Non-residential	-	-
Land	-	-
Construction	-	-
Home Equity Lines of Credit	-	-
Consumer	-	-
Commercial business	-	-
Total charge-offs	-	-
Recoveries:		
One- to four family	12,529	10,901
Multi-family	-	-
Non-residential	-	-
Land	-	-
Consumer	812	1,467
Commercial business	52	129
Total recoveries	13,155	12,497
Net (charge-offs) recoveries	13,155	12,497
Provisions for loan losses	-	30,503
Balance at end of period	$2,488,393	$2,193,000
Ratio of net recoveries during the period to average gross loans outstanding during the period	0.01%	0.01%
Ratio of net recoveries during the period to average non-performing loans during the period	1.88%	0.43%

Loans receivable are summarized as follows at the dates indicated:

	March 31, 2021	December 31, 2020
Mortgage loans:		
One-to-four family	$ 54,746,991	$ 57,672,651
Multi-family	3,579,482	3,745,004
Non-residential	69,182,528	72,682,142
Construction	10,553,973	8,064,656
Land	13,160,350	9,126,512
Equity lines of credit	8,192,838	8,102,829
Consumer	1,108,569	957,344
Commercial business loans - SBA PPP	24,003,116	12,432,392
Commercial business loans	26,611,962	17,548,354
Total loans	211,139,809	190,331,884
Less:		
Allowance for loan losses	2,488,393	2,475,000
Loans receivable, net	$ 208,651,416	$ 187,856,884
Allowance for loan losses as a percentage of loans	1.18%	1.30%

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, 2021	December 31, 2020
Substandard non-accruing loans:		
One- to four-family	$ 341,421	$ 637,127
Non-residential	-	260,695
Equity lines of credit	81,490	81,490
Total substandard non-accruing loans	$ 422,911	$ 979,312
Total loans receivable	$ 211,139,809	$ 190,331,884
Total non-accrual / loans receivable	0.20%	0.51%
Substandard other real estate owned:		
One- to four-family	$ 909,399	$ 1,259,399
Land	$ 18,050	$ 18,050
Total substandard other real estate owned	$ 927,449	$ 1,277,449
Total classified assets	$ 1,350,360	$ 2,256,761
Total assets	$ 273,235,587	$ 262,272,177
Total classified assets / total assets	0.49%	0.86%

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, 2021			At December 31, 2020		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
One-to-four family	$ 40,368	$ 499,720	$ 540,089	$ 41,381	$ 573,213	$ 614,594
Multi-family	-	29,234	29,234	-	33,212	33,212
Non-residential	-	1,128,229	1,128,229	-	1,232,701	1,232,701
Construction	-	155,678	155,678	-	121,620	121,620
Land	-	160,122	160,122	-	115,617	115,617
Equity lines of credit	-	96,639	96,639	-	100,686	100,686
Other consumer	-	30,991	30,991	-	25,191	25,191
Commercial business loans	-	347,414	347,414	-	231,379	231,379
Total	$ 40,368	$ 2,448,025	$ 2,488,393	$ 41,381	$ 2,433,619	$ 2,475,000

	Loan Balances					
	At March 31, 2021			At December 31, 2020		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
One-to-four family	$ 785,574	$ 53,961,417	$ 54,746,991	$ 1,083,751	$ 56,588,900	$ 57,672,651
Multi-family	-	3,579,482	3,579,482	-	3,745,004	3,745,004
Non-residential	-	69,182,528	69,182,528	260,695	72,421,447	72,682,142
Construction	-	10,553,973	10,553,973	-	8,064,656	8,064,656
Land	-	13,160,350	13,160,350	-	9,126,512	9,126,512
Equity lines of credit	81,490	8,111,348	8,192,838	81,490	8,021,339	8,102,829
Other consumer	-	1,108,569	1,108,569	-	957,344	957,344
Commercial business loans	-	50,615,078	50,615,078	-	29,980,746	29,980,746
Total	$ 867,064	$ 210,272,745	$ 211,139,809	$ 1,425,936	$ 188,905,948	$ 190,331,884

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

	March 31, 2021	December 31, 2020
Period end loans with allocated allowance for loan losses	$ 444,153	$ 446,624
Period end loans with no allocated allowance for loan losses	422,911	979,312
Total	$ 867,064	$ 1,425,936
Valuation reserve relating to impaired loans	$ 40,368	$ 41,381

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

	At March 31, 2021		At December 31, 2020	
	Unpaid Principal Balance	Allowance for Loan Losses Allocated	Unpaid Principal Balance	Allowance for Loan Losses Allocated
With an allowance recorded:				
One-to-four family	$ 444,153	$ 40,368	$ 446,624	$ 41,381
With no related allowance recorded:				
One-to-four family	341,421	-	637,127	-
Non-residential	-	-	260,695	-
Equity lines of credit	81,490	-	81,490	-
Total	$ 867,064	$ 40,368	$ 1,425,936	$ 41,381

Nonaccrual loans are summarized as follows:

	March 31, 2021	December 31, 2020
One-to-four family	$ 341,421	$ 637,127
Non-residential	-	260,695
Equity lines of credit	81,490	81,490
Total	$ 422,911	$ 979,312

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

	March 31, 2021					
	30 - 89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Loans Not Past Due	Total	Recorded Investment > 90 Days and Accruing
One-to-four family	$ 952,288	$ 152,694	$ 1,104,982	$ 53,642,009	$ 54,746,991	$ -
Multi-family	-	-	-	3,579,482	3,579,482	-
Non-residential	-	-	-	69,182,528	69,182,528	-
Construction	-	-	-	10,553,973	10,553,973	-
Land	-	-	-	13,160,350	13,160,350	-
Equity lines of credit	178,660	-	178,660	8,014,178	8,192,838	-
Other consumer	27,862	-	27,862	1,080,707	1,108,569	-
Commercial business loans	-	-	-	50,615,078	50,615,078	-
Total	$ 1,158,810	$ 152,694	$ 1,311,504	$ 209,828,305	$ 211,139,809	$ -

	December 31, 2020					
	30 - 89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Loans Not Past Due	Total	Recorded Investment > 90 Days and Accruing
One-to-four family	$ 587,606	$ 648,639	$ 1,236,245	$ 56,436,406	$ 57,672,651	$ 133,356
Multi-family	-	-	-	3,745,004	3,745,004	-
Non-residential	213,739	-	213,739	72,468,403	72,682,142	-
Construction	-	-	-	8,064,656	8,064,656	-
Land	-	98,932	98,932	9,027,580	9,126,512	98,932
Equity lines of credit	49,334	-	49,334	8,053,495	8,102,829	-
Other consumer	-	-	-	957,344	957,344	-
Commercial business loans	3,735	-	3,735	29,977,011	29,980,746	-
Total	$ 854,414	$ 747,571	$ 1,601,985	$ 188,729,899	$ 190,331,884	$ 232,288

The Company has allocated $40,368 and $41,381 of loan loss reserves to customers whose loan terms have been modified in troubled debt restructurings as of March 31, 2021 and December 31, 2020, respectively.

The following table presents loans classified as troubled debt restructurings.

	March 31, 2021	December 31, 2020
Trouble debt restructured loans - non-accrual loans	$ -	$ -
Trouble debt restructured loans - accrual loans	444,153	446,624
Total	$ 444,153	$ 446,624

Risk Classification of Loans. The Company's policies, consistent with regulatory guidelines, provide for the classification of loans and other assets that are 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, based on 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 $0.9 million to $1.3 million on March 31, 2021 as compared to December 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 $423,000, or 0.20% of total loans receivable at March 31, 2021, compared to $979,000, or 0.51% of total loans receivable at December 31, 2020.

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 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, no potential problem loans were classified as performing substandard on March 31, 2021 and December 31, 2020.

The ratio of allowance for loan losses to classified and criticized loans was 588.4% on March 31, 2021, compared to 252.7% on December 31, 2020.

Other real estate owned, which is classified substandard, totaled $927,000 on March 31, 2021 as compared to $1.3 million on December 31, 2020. Other real estate owned on March 31, 2021 consists of one single family residential property totaling $909,000 and one vacant residential building lot totaling $18,000. 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 $9.4 million on March 31, 2021, a $2,000 increase from the balance on December 31, 2020. The increase represents additions totaling $111,000, offset, in part, by normal depreciation of $109,000.

Bank owned life insurance increased $18,000 to $3.8 million on March 31, 2021. The change represents an increase in the cash surrender value of the life insurance policies. The policies were purchased in connection with deferred compensation plans utilized by directors and officers of the Company.

Prepaid expenses and other assets decreased $124,000 to $1.9 million on March 31, 2021.

Total deposits increased $10.2 million to $233.6 million on March 31, 2021. The increase in deposits during the period was due to a $9.2 million increase in checking deposits, a $0.6 million increase in money market accounts and a $0.7 million increase in passbook deposits, offset, in part, by a $0.5 million decrease in certificates of deposit accounts. On March 31, 2021, the Bank's core deposits (passbook, checking and money market accounts) comprised $169.7 million, or 72.6% of deposits, compared to $159.1 million, or 71.2% of deposits, on December 31, 2020. 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 consists of FHLBI advances, totaled $10.0 million on March 31, 2021 and December 31, 2020. Borrowings from the FHLBI on March 31, 2021 had a weighted average rate of 2.10% and a weighted term to maturity of 1.3 years.

The Company's trust preferred subordinated debentures remained unchanged totaling $3.1 million on March 31, 2021. The interest rate payable on the debentures adjusts quarterly to the three month LIBOR plus 1.65% and was 1.83% on March 31, 2021. These debentures have a contractual maturity date of June 15, 2037 and the Company has the right to redeem the debentures, in whole or in part, on any interest payment date.

Other liabilities decreased $0.1 million totaling $2.9 million on March 31, 2021 as compared to December 31, 2020.

Total stockholders' equity increased $0.9 million to $23.5 million, or 8.62% of total assets on March 31, 2021, compared to $22.6 million, or 8.64% of total assets, on December 31, 2020. The increase in stockholders' equity was attributable to $0.9 million of net income for the three month period ended March 31, 2021, an $18,000 increase in paid-in-capital and a $26,000 decrease in the unrealized gain on available for sale securities, net of tax. The number of common shares outstanding on March 31, 2021 and December 31, 2020 totaled 967,712. The book value per common share outstanding on March 31, 2021 was $24.33. 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 9.17%, 12.98%, 12.98% and 14.23%, respectively, at March 31, 2021 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, 2021 and March 31, 2020

General. Net income for the quarter ended March 31, 2021 was $904,000, or $0.93 per diluted common share, an increase of $654,000 or 261.8%, compared to $250,000, or $0.26 per diluted common share, for the same period in 2020. The increase in the current quarter net income compared to the prior year quarter was the result of a $304,000 increase in net interest income, a $30,000 decrease in the provision for loan losses and a $706,000 increase in non-interest income, offset, in part, by a $168,000 increase other non-interest expense and a $218,000 increase in income tax expense.

Interest Income. Total interest income increased $73,000, or 3.1%, to $2.4 million for the quarter ended March 31, 2021, from the prior year quarter as the result of a $35.9 million increase in the average balance of interest-earning assets outstanding, offset, in part, by a 49 basis point decrease in the weighted average yield on interest-earning assets to 3.88%.

Interest income on loans receivable increased $137,000, to $2.4 million for the quarter ended March 31, 2021, as compared to the prior year quarter as the result of a $14.0 million increase in the average balance of loans outstanding, offset, in part, by a 4 basis point decrease in the average yield to 4.75%. The yield was enhanced by SBA PPP fees earned of $201,000 for the quarter ended March 31, 2021. Interest income on mortgage-backed securities decreased $21,000 to $26,000 for the quarter ended March 31, 2021, compared to the prior year quarter as the result of a $3.0 million decrease in the average outstanding balance of mortgage-backed securities outstanding, offset, in part, by a 29 basis point increase in the average yield to 1.94%. Interest income on interest-bearing deposits decreased $43,000 to $10,000 for the quarter ended March 31, 2021, compared to the prior year quarter as the result of a 108 basis point decrease in the average yield to 0.10%, offset, in part, by a $24.8 million increase in the average outstanding balance. Dividend income on FHLBI stock remained unchanged totaling $8,000 for the quarter ended March 31, 2021, compared to the prior year quarter due to a $73,000 increase in the average balance outstanding, offset, in part, by a 1 basis point decrease in the average yield to 2.48%.

Interest Expense. Total interest expense decreased $231,000, or 37.5%, to $385,000 for the quarter ended March 31, 2021, compared to the prior year quarter as the result of a 54 basis point decrease in the average cost to 0.65%, offset, in part, by a $31.5 million increase in the average balance of interest-bearing liabilities outstanding.

Interest expense on deposits decreased $216,000, or 40.4%, to $319,000 for the quarter ended March 31, 2021, compared to the prior year quarter as the result of a 53 basis point decrease in the average cost of deposits to 0.57%, offset, in part, by a $31.7 million increase in the average balance of deposits outstanding.

Interest expense on borrowings decreased $15,000, or 18.3%, to $67,000 for the quarter ended March 31, 2021, compared to the prior year quarter end as the result of a $203,000 decrease in the average balance of borrowings outstanding and a 39 basis point decrease in the average cost to 2.16%.

Net Interest Income. As a result of the above changes in interest income and interest expense, net interest income increased $304,000 for the quarter ended March 31, 2021, compared to the prior year quarter ended March 31, 2020. The net interest rate spread increased 5 basis points to 3.23% for the quarter ended March 31, 2021, while the net interest margin, expressed as a percentage of average earning assets, increased 3 basis points to 3.25% for the quarter ended March 31, 2021.

Provision for Loan Losses. The Company recorded $0 in provision for loan losses for the quarter ended March 31, 2021, compared to $30,000 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 $13,000 for the quarter ended March 31, 2021, compared to net recoveries of $12,000 for the prior year quarter ended March 31, 2020.

Non-Interest Income. Non-interest income increased $706,000 to $1.1 million for the quarter ended March 31, 2021, compared to prior year quarter due primarily to a $722,000 increase in gain on sale of loan income due to increased volume, a $13,000 increase in rental income due to the collection of delinquent rents, and a $9,000 increase in gains on the sale of other real estate owned. These increases were offset, in part, by, a $35,000 decrease in other income.

Non-Interest Expense. Non-interest expense increased $168,000 to $2.0 million for the quarter ended March 31, 2021, compared to prior year quarter primarily as the result of a $123,000 increase in compensation expenses, a $15,000 increase in occupancy expenses, a $10,000 increase in data processing expenses, a $19,000 increase professional expenses and a $12,000 increase in other operating expenses. The increases were offset, in part, by a $11,000 decrease in FDIC insurance premium expense.

Income Taxes. The Company recorded income tax expense of $304,000 for the quarter ended March 31, 2021, resulting in an effective tax rate of 25.2%, compared to income tax expense of $86,000, for an effective income tax rate of 25.6%, for the prior year quarter. The increase in the current quarter income tax expense was impacted by a $872,000 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, 2021			Three Months Ended March 31, 2020		
	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost
Assets:						
Interest-Earning Assets:						
Loans receivable	$200,604	$2,372	4.75%	$186,583	$2,235	4.79%
Mortgage-backed securities	5,290	25	1.94	8,288	46	2.23
Interest-bearing deposits	42,895	10	0.10	18,126	53	1.18
FHLBI stock	1,445	9	2.48	1,372	9	2.49
Total interest-earning assets	250,234	2,416	3.88	214,369	2,343	4.37
Non interest-earning assets	17,260			16,758		
Total assets	267,494			231,127		
Liabilities and Stockholders' Equity:						
Interest-Bearing Liabilities:						
Passbook accounts	30,136	4	0.05%	26,828	3	0.05%
Demand accounts	132,177	78	0.24	103,477	187	0.72
Certificate accounts	64,155	237	1.50	64,413	345	2.15
Total deposits	226,468	319	0.57	194,718	535	1.10
Borrowings	13,093	66	2.07	13,296	81	2.46
Total interest-bearing liabilities	239,561	385	0.65	208,014	616	1.19
Non-interest-bearing liabilities	4,884			3,267		
Total liabilities	244,445			211,281		
Stockholders' equity	23,049			19,846		
Total liabilities and stockholders' equity	$267,494			$231,127		
Net interest income / interest rate spread		$2,031	3.23%		$1,727	3.18%
Net interest margin			3.25%			3.22%

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 establish 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, 2021, 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	$	267,331,000	
Common Equity Tier 1 Capital	$	24,514,000	9.17%
Common Equity Tier 1 Capital Requirement		13,366,550	5.00%
Excess	$	11,147,450	4.17%
Risk-Based Common Equity Tier 1 Capital Ratio:			
Risk-Weighted Assets	$	188,882,000	
Common Equity Tier 1 Capital	$	24,514,000	12.98%
Common Equity Tier 1 Capital Requirement		12,277,330	6.50%
Excess	$	12,236,670	6.48%
Risk-Based Tier 1 Capital Ratio:			
Risk-Weighted Assets	$	188,882,000	
Common Equity Tier 1 Capital	$	24,514,000	12.98%
Common Equity Tier 1 Capital Requirement		15,110,560	8.00%
Excess	$	9,403,440	4.98%
Risk-Based Total Capital Ratio:			
Risk-Weighted Assets	$	188,882,000	
Common Equity Tier 1 Capital	$	24,514,000	
Includable Allowance for Loan Losses		2,362,000	
Total Tier 2 Risk-Based Capital	$	26,876,000	14.23%
Total Risk-Based Capital Requirement		18,888,200	10.00%
Excess	$	7,987,800	4.23%
Capital Conservation Buffer - Actual			6.23%
Capital Conservation Buffer - Required			2.50%

Legal Proceedings. On March 31, 2021, we were not involved in any legal proceedings or lawsuits that are not routine and incidental to our business.