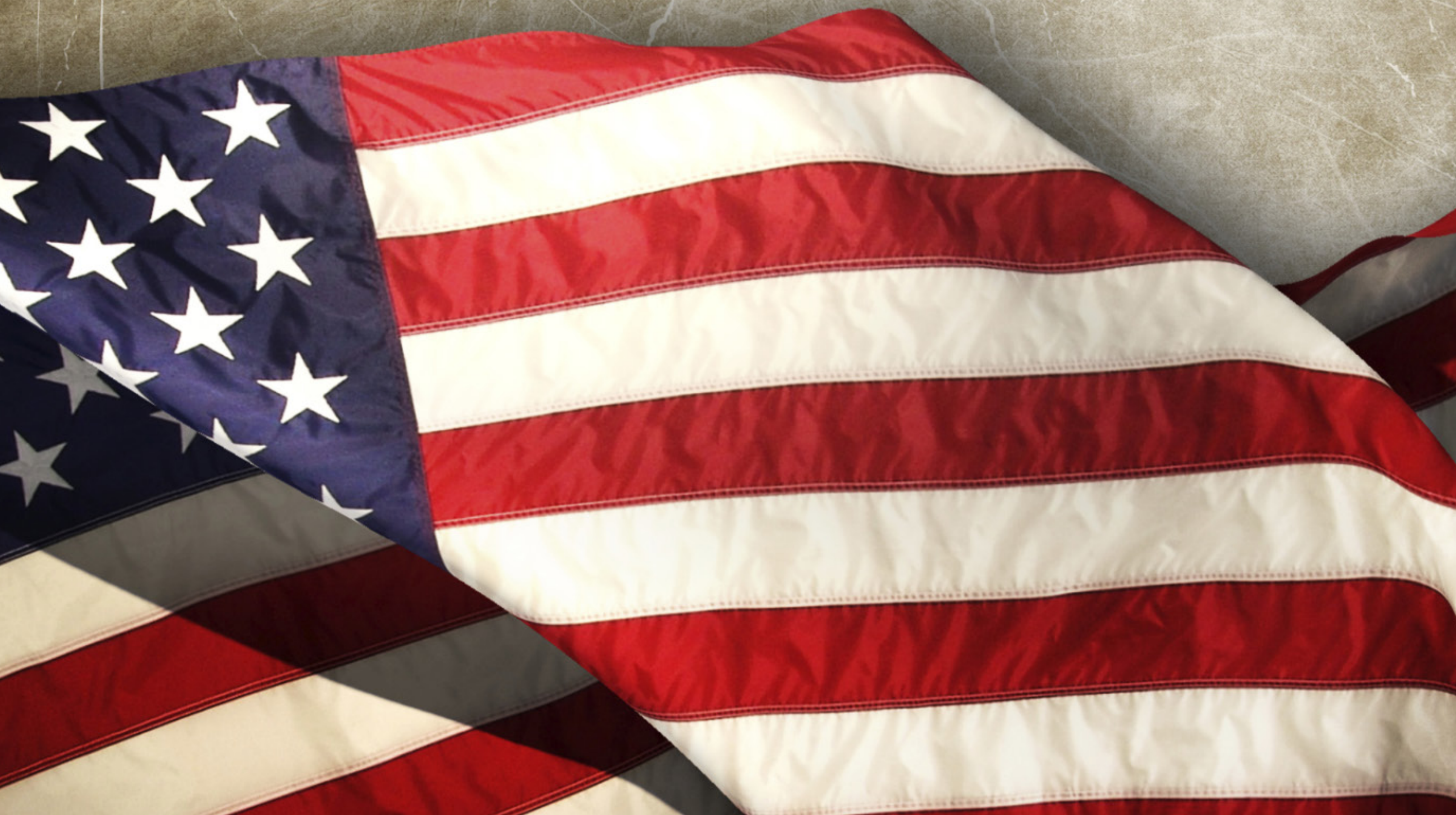
AMB

Financial Corp.

2023 Annual Report



President's Message
To Our Stockholders:

On behalf of AMB Financial Corp. (the Company), and its wholly owned subsidiary, American Community Bank of Indiana (the Bank or American Community Bank), I am pleased to present our 2023 annual financial report.

Financial highlights:

- Net income available to common shareholders totaled $2.2 million for 2023 as compared to $3.2 million for 2022, representing a decrease of $988 thousand, or 31.1%.
- Diluted earnings per share available to common shareholders totaled $2.41 per share for the year ended December 31, 2023, compared to $3.42 per share for 2022.
- Total assets of the Company increased $27.6 million to $352.4 million at December 31, 2023, from $324.8 million at December 31, 2022.
- Net loans receivable increased $31.4 million to $295.1 million at December 31, 2023, from $263.7 million at December 31, 2022.
- Deposits increased $8.7 million to $300.4 million at December 31, 2023, from $291.7 million at December 31, 2022.
- Non-accrual loans and classified substandard assets increased $1.8 million to $2.2 million at December 31, 2023, from $404 thousand at December 31, 2022. As of December 31, 2023, and 2022, the Company did not hold any other real estate
- The book value per common share outstanding at December 31, 2023, was $31.69.
- The Bank's Tier 1 leverage capital ratio, risked-based common equity Tier 1 capital ratio, Tier 1 capital ratio, and risk-based total capital ratios of 9.22%, 10.33%, 10.33%, and 11.58%, respectively, at December 31, 2023, exceeded all regulatory requirements and categorize the Bank as well capitalized under applicable regulations.

Our financial performance and stock performance are available on our website at https://www.acbanker.com. I urge you to visit our site to view this information and utilize its other services.

The entire staff of the Bank and the Company appreciate your commitment and support.

Sincerely,

Michael Mellon
President / CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General. AMB Financial Corp. (the "Company") is the bank holding company for American Community Bank of Indiana, (the "Bank") a State of Indiana chartered commercial bank. Collectively, the Company and the Bank are referred to herein as the "Company."

The Company's primary market area consists of the northwest portion of Lake County, Indiana. Business is conducted from our main office at 7880 Wicker Avenue, St. John, Indiana, as well as our four full-service banking offices located in Munster, Dyer, Hammond, and Crown Point, Indiana. The Bank is a community-oriented institution whose business consists primarily of accepting deposits from customers within its market area and investing those funds in mortgage loans secured by residential and non-residential real estate as well as non-real estate commercial and consumer loans. The Company also invests in mortgage-backed and other investment securities.

The Company's results of operations are primarily dependent on net interest income, which is the difference between the interest income on its interest-earning assets, such as loans and securities, and the interest expense on its interest-bearing liabilities, such as deposits and borrowings, and to a lesser degree, non-interest income and non-interest expense. Net interest income depends upon the volume of interest-earning assets and interest-bearing liabilities and the interest rate earned or paid on them, respectively. When the Company’s non-performing assets increase, our volume of interest-earning assets declines, adversely impacting net interest income. Non-interest income primarily consists of fees on deposits and loan products, increase in cash surrender value of life insurance, rental income, income or losses from other real estate owned operations, and gains on the sale of loans. The Company's non-interest expenses primarily consist of employee compensation and benefits, professional and legal fees, occupancy and equipment expenses, data processing service fees, federal deposit insurance premiums, and other operating expenses.

The Company's results of operations are also affected by general economic conditions, the monetary and fiscal policies of Federal agencies, and the policies of agencies that regulate financial institutions. Future changes in applicable laws, regulations, or government policies, which are likely, may have a material impact on the Company. Lending activities are influenced by the demand for real estate loans and other types of loans, competition among lenders, the general level of real estate values, the level of interest rates, and the availability of funds. Deposit flows and costs of funds are influenced by prevailing market interest rates, account maturities, and the levels of personal income and savings in the Company's market area.

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 year ended December 31, 2023, and should not be read to cover any other periods.

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 Annual 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 that 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 their 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 for 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 credit losses;
- future changes in consumer spending and saving habits; and
- our ability to lease space in our branch facilities when vacancies occur

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.

Operating Strategy. The Company's mission is to maintain its focus as an independent, community-oriented financial institution focused on serving customers in its primary market area. The Board of Directors has sought to accomplish this mission through an operating strategy designed to maintain capital in excess of regulatory requirements, and to manage, to the extent practical, the Company's loan delinquencies and vulnerability to changes in interest rates. The key components of the Company's operating strategy are to: (i) focus its lending operations on the origination of loans secured by one-to-four family residential real estate; (ii) supplement its one-to-four family residential lending activities with non-residential, home equity, multi-family, construction, and business loans in our market area; (iii) augment its lending activities with investments in mortgage-backed and other securities; (iv) emphasize adjustable-rate and/or short and medium duration assets when market conditions permit; (v) build and maintain its regular savings, transaction and money market accounts; and (vi) increase, at a managed pace, to the extent practicable, the volume of the Company's assets and liabilities.

Financial Condition. Total assets of the Company were $352.4 million on December 31, 2023, an increase of $27.6 million, from $324.8 million on December 31, 2022.

Cash and cash equivalents, which consist primarily of interest-earning deposits, totaled $23.0 million on December 31, 2023, a decrease of $5.1 million, from $28.1 million on December 31, 2022. 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.

Investment securities, available for sale, decreased $425 thousand to $14.0 million on December 31, 2023, from $14.4 million on December 31, 2022. The decrease was the result of repayments of $2.1 million, offset, in part, by new purchases of $1.5 million. The Company recorded an unrealized loss on available-for-sale investment securities of $1.3 million on December 31, 2023, compared to a $1.5 million unrealized loss on December 31, 2022. The change was due to a decrease in market rates. These amounts are included as part of the carrying cost of investment securities, available for sale, at each respective period.

The Bank is a member of the FHLBI and had a $3.4 million investment in stock of the FHLBI on December 31, 2023, a $747 thousand increase from the $2.7 million on December 31, 2022. 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 $295.1 million on December 31, 2023, a $31.4 million increase from the $263.7 million balance on December 31, 2022. Loans held for sale totaled $292 thousand on December 31, 2023, a $292 thousand increase from the $0 balance on December 31, 2022. The Company originated $25.3 million of loans held for sale which were subsequently sold during the twelve months ended December 31, 2023, as compared to $21.2 million during the prior year period. The increase in loan sales is primarily due to the customer demand for mortgages remaining through the recent rate hikes. Loans originated for sale are fixed-rate, single-family mortgage loans, which are sold to manage interest rate risk and generate fee income.

The allowance for credit losses ("ACL") is an estimate of the expected credit losses on the loans held for investment. Loan losses are charged against the ACL when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the ACL.

The ACL methodology consists of measuring loans on a collective (pool) basis when similar characteristics exist. The Company has identified five loan portfolio segments and measures the ACL using the Scaled CECL Allowance for Losses Estimator ("SCALE") method. The loan portfolios are construction and land real estate, commercial real estate, residential real estate, commercial, and other consumer loans. The SCALE method uses publicly available data from Schedule RI-C of the Call Report to derive the initial proxy expected lifetime loss rates. This proxy expected lifetime loss rates are then adjusted for bank-specific facts and circumstances to arrive at the final ACL estimate that adequately reflects the Bank's loss history and credit risk within the loan portfolio.

The qualitative factors applied to each loan portfolio consist of the impact of other internal and external qualitative and credit market factors as assessed by management through a detailed loan review, ACL analysis, and credit discussions.

The impact of the above listed internal and external qualitative and credit market risk factors is assessed within predetermined ranges to adjust the ACL totals calculated. In addition to the pooled analysis performed for the majority of the Company's loan balances, the Company also reviews loans that have collateral dependency or nonperforming status which requires a specific review of that loan, per the Company's individually analyzed CECL calculations.

Prior to the implementation of ASU 2016-13 (CECL) on January 1, 2023, the allowance for credit losses was subject to the guidance included in ASC 310 and ASC 450. Under that guidance, the Company was required to use an incurred loss methodology to estimate credit losses that were estimated to be incurred in the loan portfolio and that could ultimately materialize into confirmed losses in the form of charge-offs. The incurred loss methodology was a backward-looking approach to loss recognition and was based on the concept of a triggering event having taken place, causing a loss to be inherent within the portfolio. Additionally, loans that were identified as impaired under the definition of ASC 310, were required to be assessed on an individual basis. The allowance for credit losses and resulting provision expense levels for comparative periods presented were estimated in accordance with these requirements.

The allowance for credit losses totaled $3.3 million on December 31, 2023, representing a $676 thousand increase as compared to December 31, 2022’s allowance for loan losses balance of $2.7 million. The Bank’s allowance for credit losses to total loans was 1.12% on December 31, 2023, as compared to 1.00% on December 31, 2022. Management believes that the allowance for credit losses is adequate to meet probable credit losses in the portfolio. While management uses available information to recognize losses on credits, future additions to the allowance may be necessary based on changes in information and economic conditions.

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, which 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 increased $1.8 million to $2.2 million on December 31, 2023, as compared to December 31, 2022.

Non-Performing Loans. Non-performing loans, which consist primarily of those nonaccrual loans that are past due ninety days or more as well as loans less than ninety days past due for which the collectability of principal and interest is in doubt, totaled $2.2 million, or 0.73% of total loans receivable at December 31, 2023, compared to $404 thousand, or 0.15% of total loans receivable at December 31, 2022.

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 December 31, 2023, and December 31, 2022.

The ratio of allowance for credit losses to classified and criticized loans was 154.7% on December 31, 2023, compared to 658.6% on December 31, 2022.

Other real estate owned, which is classified as substandard, totaled $0 on December 31, 2023, and December 31, 2022. 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.

Office properties and equipment totaled $9.4 million on December 31, 2023, a $126 thousand decrease from the balance on December 31, 2022. The decrease represents depreciation totaling $494 thousand, offset, in part, by additions of $368 thousand.

Bank-owned life insurance increased $58 thousand to $3.1 million on December 31, 2023. The change represents a $58 thousand 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 increased $414 thousand to $2.6 million on December 31, 2023.

Total deposits increased $8.7 million to $300.4 million on December 31, 2023. The increase in deposits during the period was due to a $25.4 million increase in certificates of deposit and a $3.8 million increase in demand deposits and NOW accounts, offset, in part, by a $10.4 million decrease in passbook deposits and a $10.1 million decrease in money market accounts. At December 31, 2023, the Bank's core deposits (passbook, checking, and money market accounts) comprised $219.8 million, or 73.1% of deposits, compared to $236.6 million, or 81.1% of deposits, on December 31, 2022. 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 $17.0 million on December 31, 2023, as compared to $0 on December 31, 2022. During the current period, the Company borrowed a $17.0 million advance from the FHLBI.

The Company's trust preferred subordinated debentures remained unchanged totaling $3.1 million on December 31, 2023. The interest rate payable on the debentures adjusts quarterly to the three-month SOFR plus 1.65% and was 7.30% on December 31, 2023. These debentures have a contractual maturity date of June 15, 2037, and the Company has the right to redeem the debentures, in whole or in part, on any interest payment date.

Other liabilities increased $452 thousand totaling $3.3 million on December 31, 2023, as compared to December 31, 2022.

Total stockholders' equity increased $1.5 million to $28.7 million, or 8.13% of total assets on December 31, 2023, compared to $27.2 million, or 8.37% of total assets, on December 31, 2022. The increase in stockholders' equity was attributable to $2.2 million of net income for the twelve months ended December 31, 2023, a $63 thousand increase in paid-in-capital, cash dividends of $210 thousand paid to common shareholders, a $250 thousand decrease in the unrealized loss on available for sale securities, net of tax, and a $288 thousand increase in treasury stock. The number of common shares outstanding on December 31, 2023, totaled 904,276 as compared to 916,065 at December 31, 2022. During the twelve months ended December 31, 2023, the Company repurchased 15,000 common shares at an average cost of $22.45 per share. The shares were retired as treasury stock. The book value per common share outstanding on December 31, 2023, was $31.69. 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 9.22%, 10.33%, 10.33%, and 11.58%, respectively, at December 31, 2023, exceeded all regulatory requirements and categorize the Bank as well capitalized under applicable regulations.

Comparison of the Results of Operations for the Twelve Months Ended December 31, 2023, and December 31, 2022

General. Net income for the twelve months ended December 31, 2023, was $2.2 million, or $2.41 per diluted common share, a decrease of $988 thousand, compared to $3.2 million, or $3.42 per diluted common share, for the same period in 2022. The decrease in the current twelve month net income compared to the prior year was the result of a $964 thousand decrease in net interest income, an increase of $285 thousand in the provision for credit losses, an increase of $193 thousand in non-interest expense, and an $89 thousand decrease in non-interest income offset against decreased income tax expense of $258 thousand.

Interest Income. Total interest income increased $4.5 million to $16.9 million for the twelve months ended December 31, 2023, from the prior year as the result of a $16.0 million increase in the average balance of interest-earning assets outstanding and a 121 basis point increase in the weighted average yield on interest-earning assets to 5.38%.

Interest income on loans receivable increased $3.9 million to $15.5 million for the twelve months ended December 31, 2023, as compared to the prior year as the result of a $33.6 million increase in the average balance of loans outstanding and an 84 basis point increase in the average yield to 5.57%. Interest income on investment securities increased $150 thousand to $398 thousand for the twelve months ended December 31, 2023, compared to the prior year. The average outstanding balance of mortgage-backed securities increased by $3.2 million, and the average yield increased 64 basis points to 2.75%. The average outstanding balance of other investment securities increased by $343 thousand, and the average yield decreased by 17 basis points to 1.38%. Interest income on interest-bearing deposits increased $272 thousand to $741 thousand for the twelve months ended December 31, 2023, compared to the prior year as the result of a 333 basis point increase in the average yield to 4.57%, offset, in part, by a $21.5 million decrease in the average balance outstanding. Dividend income on FHLBI stock increased $119 thousand to $232 thousand for the twelve months ended December 31, 2023, compared to the prior year due to a $399 thousand increase in the average balance outstanding and a 331 basis point increase in the average yield to 7.51%.

Interest Expense. Total interest expense increased $5.2 million to $7.0 million for the twelve months ended December 31, 2023, compared to the prior year as the result of a $10.4 million increase in the average balance of interest-bearing liabilities outstanding and a 177 basis point increase in the average cost to 2.40%.

Interest expense on deposits increased $4.9 million to $6.6 million for the twelve months ended December 31, 2023, compared to the prior year as the result of a $9.8 million increase in the average balance of deposits outstanding and a 170 basis point increase in the average cost of deposits to 2.31%.

Interest expense on borrowings increased $204 thousand to $387 for the twelve months ended December 31, 2023, compared to the prior year as the result of an increase of 411 basis points in the average cost of borrowings to 6.11%, offset against a $4.1 million decrease in the average balance of borrowings outstanding.

Net Interest Income. As a result of the above changes in interest income and interest expense, net interest income decreased $679 thousand for the twelve months ended December 31, 2023, compared to the prior year twelve months ended December 31, 2022. The net interest rate spread decreased 64 basis points to 2.89% for the twelve months ended December 31, 2023, while the net interest margin, expressed as a percentage of average earning assets, decreased 40 basis points to 3.14% for the current year.

Provision for Credit Losses. The Company recorded a $274 thousand provision for credit losses for the twelve months ended December 31, 2023, as compared to the $11 thousand release for the prior year. The provision for credit losses is a function of the allowance for credit loss methodology used to determine the appropriate level of the allowance for inherent credit losses after adjusting for charge-offs and recoveries. Credit losses are charged-off against the allowance when it is believed that the credit balance, or a portion of the credit 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 $80 thousand for the twelve months ended December 31, 2023, compared to net recoveries of $100 thousand for the prior year ended December 31, 2022.

Non-Interest Income. Non-interest income decreased $89 thousand to $2.1 million for the twelve months ended December 31, 2023, compared to the prior year due primarily to a $216 thousand decrease related to BOLI retirement, a $73 thousand decrease in rental income, and a $12 thousand decrease in increase in cash value of insurance. These decreases were offset, in part, by a $91 thousand gain on sale of loans, a $53 thousand increase in loan fees and service charges, a $38 thousand increase in deposit related fees, and a $21 thousand increase in other income.

Non-Interest Expense. Non-interest expense increased $193 thousand to $8.8 million for the twelve months ended December 31, 2023, compared to prior year primarily as the result of a $104 thousand increase in staffing compensation expenses, a $64 thousand increase in advertising expenses, a $42 thousand increase in FDIC insurance expense, and a $33 thousand increase in occupancy expenses. These increases were offset, in part, by a $51 thousand decrease in professional fees.

Income Taxes. The Company recorded income tax expense of $724 thousand for the twelve months ended December 31, 2023, resulting in an effective tax rate of 24.9%, compared to income tax expense of $983 thousand, for an effective income tax rate of 23.6%, for the prior year. The decrease in the current twelve months income tax expense was impacted by a $1.2 million decrease in net income before income taxes as compared to the prior year's period.

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

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

Yield Analysis

(Dollars in thousands)

	Twelve Months Ended December 31, 2023			Twelve Months Ended December 31, 2022		
	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost
Assets:						
Interest-Earning Assets:						
Loans receivable	$277,841	$15,484	5.57%	$244,226	$11,553	4.73%
Investment securities	3,330	46	1.38	2,987	46	1.55
Mortgage-backed securities	12,801	352	2.75	9,580	202	2.11
Interest-bearing deposits	16,196	741	4.57	37,744	469	1.24
FHLBI stock	3,084	232	7.51	2,685	113	4.20
Total interest-earning assets	313,252	16,854	5.38	297,222	12,383	4.17
Non interest-earning assets	12,635			15,622		
Total assets	325,887			312,844		
Liabilities and Stockholders' Equity:						
Interest-Bearing Liabilities:						
Passbook accounts	31,413	16	0.05%	38,633	19	0.05%
Demand accounts	187,127	4,509	2.41	183,685	1,254	0.68
Certificate accounts	68,347	2,111	3.09	54,724	416	0.76
Total deposits	286,888	6,636	2.31	277,042	1,689	0.61
Borrowings	6,340	387	6.11	10,484	183	2.00
Total interest-bearing liabilities	293,228	7,023	2.40	282,853	1,872	0.64
Non-interest-bearing liabilities	4,996			4,472		
Total liabilities	298,224			286,769		
Stockholders' equity	27,663			26,075		
Total liabilities and stockholders' equity	$325,887			$312,844		
Net interest income / interest rate spread		$9,831	2.89%		$10,510	3.53%
Net interest margin			3.14%			3.54%

Qualitative and Quantitative Disclosure of Market Risk

The principal objectives of the Company's interest rate risk management activities are to: (i) define an acceptable level of risk based on the Company's business focus, economic and regulatory operating environment, capital and liquidity requirements, and performance objectives; (ii) quantify and monitor the amount of interest rate risk inherent in its asset/liability structure; and (iii) modify the Company's asset/liability structure, as necessary, to manage interest rate risk and net interest margins in changing rate environments. Management seeks to achieve these objectives through an analysis of the value of the Company's fair value of equity under different interest rate scenarios and the ratio of interest rate sensitive assets to interest rate sensitive liabilities within specified maturities or repricing periods. The Company does not currently engage in the use of off-balance sheet derivative instruments to control interest rate risk and management does not intend to engage in such activity in the immediate future.

Notwithstanding the Company's interest rate risk management activities, the potential for changing interest rates is an uncertainty that could have an adverse effect on the earnings and net asset value of the Company. When interest-bearing liabilities mature or reprice more quickly than interest-earning assets in a given period, a significant increase in market interest rates could adversely affect net interest income. Similarly, through the prepayment of higher rate long-term loans as well as the rapid repricing of our liquid assets, falling interest rates could result in a decrease in net interest income and net asset value. Also, changes in interest rates usually have an impact on the value of the Company's financial assets. Finally, a flattening or inversion of the "yield curve" (i.e., a narrowing of the spread between long- and short-term interest rates), could adversely impact net interest income to the extent that the Company's assets have a longer average term than its liabilities.

In managing the Company's asset/liability position, the Board and management attempt to manage the Company's interest rate risk while enhancing net interest margins. However, the Board of Directors generally believes that the increased net interest income resulting from a mismatch in the maturity of the Company's asset and liability portfolios can, during periods of declining or stable interest rates and periods in which there is a substantial positive difference between long- and short-term interest rates (i.e., a "positively sloped yield curve"), provide high enough returns to justify the increased exposure to sudden and unexpected increases in interest rates. As a result, the Company's results of operations and net portfolio values remain significantly vulnerable to increases in interest rates and to fluctuations in the difference between long- and short-term interest rates.

Presented below, as of December 31, 2023, and 2022, is an analysis of the Bank's interest rate risk as measured by changes in fair value of equity for parallel shifts in the yield curve in basis point increments for both the short and long end of the yield curve.

Fair Value of Equity (Unaudited)

		At December 31, 2023				At December 31, 2022			
		Fair Value of Equity /		Change		Fair Value of Equity /		Change	
Rate Shock	Rate Shift Type	Fair Value of Total Assets	Fair Value of Equity $	$	%	Fair Value of Total Assets	Fair Value of Equity $	$	%
			(dollars in thousands)				(dollars in thousands)		
+400/+400 bp	Instantaneous	1.51%	4,528	(22,535)	(83.27)	9.83%	28,124	(22,739)	(44.71)
+300/+300 bp	12 Months	3.75%	11,490	(15,573)	(57.54)	12.08%	35,273	(15,590)	(30.65)
+200/+200 bp	12 Months	5.54%	17,432	(9,631)	(35.59)	13.79%	41,369	(9,494)	(18.67)
+100/+100 bp	12 Months	6.99%	22,557	(4,506)	(16.65)	15.04%	46,294	(4,569)	(8.98)
Unchanged		8.19%	27,063			16.12%	50,863		
-100/-100 bp	12 Months	9.70%	33,026	5,963	22.03	16.00%	51,686	823	1.62
-200/-200 bp	12 Months	10.87%	38,056	10,993	40.62	14.71%	48,219	(2,644)	(5.20)

Certain assumptions in assessing interest rate risk were employed in preparing the preceding table. These assumptions relate to interest rates, loan prepayment rates, deposit decay rates, and the market values of certain assets under the various interest rate scenarios. Even if interest rates change in the designated amounts, there can be no assurance that the Bank's assets and liabilities would perform as set forth above. In addition, an increase or decrease in U.S. Treasury rates in the designated amounts, accompanied by a change in the shape of the Treasury yield curve, would significantly change the results set forth. Other types of market risk, such as foreign currency exchange risk and commodity price risk, do not arise in the normal course of the Company's business activities.

Liquidity.

The Company's primary sources of funds are deposits, borrowings, principal and interest payments on loans and investment securities, and proceeds from the sale of loans. While maturities and scheduled amortization of loans and securities provide a relatively predictable flow of funds, other sources of funds such as loan prepayments and deposit inflows are less predictable because of changes in interest rates, economic conditions, and competition.

The primary investing activities of the Company are the origination of loans for investment in the portfolio and for sale, and the purchase of investment securities. The Company experienced a net increase in loans of $31.4 million during the year ended December 31, 2023, compared to a net increase in loans of $51.2 million during 2022. The Company experienced a net decrease in investment securities of $425 thousand during the year ended December 31, 2023, compared to a net increase in investment securities of $4.0 million during 2022.

The net increase was funded primarily from cash and amounts due from depository institutions, principal repayments on investment securities, and net increases in deposits and borrowings. The Company experienced a net decrease in cash and amounts due from depository institutions deposits of $5.1 million during the year ended December 31, 2023, compared to a net decrease in cash and amounts due from depository institutions of $17.7 million during 2022. Proceeds from the repayment of investment securities totaled $2.1 million and $1.9 million, respectively for the years ended December 31, 2023, and 2022. The Company experienced a net increase in deposits of $8.7 million during the year ended December 31, 2023, compared to a net increase in deposits of $40.2 million during 2022. Borrowings consist of advances from the FHLBI and other entities. New borrowings totaled $17.0 million during 2023, and none for 2022. Total borrowings repaid totaled none in 2023 and $5 million in 2022.

The Company may borrow funds from the FHLBI subject to certain limitations. At December 31, 2023, based on the level of qualifying collateral available to secure advances, the Company had an unused borrowing capacity of $60.3 million. At December 31, 2023, the Company also had available $4.0 million of unsecured overnight federal funds borrowing capability from third party sources. In addition, the Company had available a $5.0 million line of credit with the FHLBI.

The Company's most liquid assets are cash and cash equivalents, which include highly liquid short-term investments, such as overnight deposits, that are readily convertible to known amounts of cash. The level of these assets is dependent on the Company's operating, financing, and investing activities during any given period. At December 31, 2023, and 2022, cash and cash equivalents totaled $23.0 million and $28.1 million, respectively.

The Company had unused construction and commercial lines of credit of $31.9 million, unused home equity lines of credit of $19.0 million, and has issued outstanding letters of credit on behalf of third parties totaling approximately $4.8 million at December 31, 2023. The Company anticipates that it will have sufficient funds available to meet its current loan originations and other commitments.

Certificates of deposit scheduled to mature in one year or less from December 31, 2023, totaled $70.7 million. Based on the Company's most recent experience and pricing strategy, management believes that a significant portion of such deposits will remain with the Company.

AMB Financial Corp ("AMB") is the Holding Company of the Bank. The primary source of cash inflows for AMB is through dividend income derived from the Bank and to a lesser extent, income tax reimbursement payments from the Bank. The primary cash outflows are related to repayment of borrowed funds, income taxes, interest on borrowings, common stock repurchases, and operating expenses such as legal and administrative expenses. During 2023, AMB recorded cash inflows of $0.9 million and cash outflows of $0.9 million resulting in a decrease of $30 thousand to cash and cash equivalents. During 2022, AMB recorded cash inflows of $0.8 million and cash outflows of $0.6 million resulting in an increase of $232 thousand to cash and cash equivalents. Cash and cash equivalents totaled $2.0 million at both December 31, 2023, and 2022.

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. The capital conservation buffer requirement was fully phased in on January 1, 2019. The final rule maintains the continued exemption of consolidated capital requirements for bank holding companies, such as the Company.

The Bank may not declare or pay cash dividends on or repurchase any of its shares of common stock if the effect thereof would cause equity to be reduced below applicable regulatory capital requirements. The Bank declared and paid a cash dividend to the Company totaling $760 thousand during 2023 and 2022.

Impact of Inflation and Changing Prices

The consolidated financial statements and related data presented herein have been prepared in accordance with GAAP, which requires the measurement of financial position and operating results in terms of historical dollars without considering the changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased cost of the Company's operations. Unlike industrial companies, nearly all the assets and liabilities of the Company are monetary in nature. As a result, interest rates have a greater impact on the Company's performance than do the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the price of goods and services.

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Independent Auditor's Report

To the Audit Committee and the Board of Directors
AMB Financial Corp. and Subsidiary

Opinion

We have audited the consolidated financial statements of AMB Financial Corp. and its wholly owned subsidiary, American Community Bank of Indiana (the "Company"), which comprise the consolidated balance sheet as of December 31, 2023 and 2022 and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Consolidated Financial Statements* section of our report. We are required to be independent of the Company and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As described in Note 2 to the consolidated financial statements, the Company adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*, as of January 1, 2023. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

To the Audit Committee and the Board of Directors
AMB Financial Corp. and Subsidiary

Auditor's Responsibilities for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Plante & Moran, PLLC

February 2, 2024

Consolidated Balance Sheet

December 31, 2023 and 2022

	2023	2022
Assets		
Cash and amounts due from depository institutions	$ 2,152,085	$ 2,177,520
Interest-bearing deposits in other depository institutions	20,888,428	25,938,760
Total cash and cash equivalents	23,040,513	28,116,280
Investment securities - Available for sale (Note 3)	14,000,063	14,425,364
Federal Home Loan Bank of Indianapolis stock	3,429,800	2,683,000
Loans held for sale (Note 5)	291,510	-
Loans receivable - Net of allowance for credit losses of $3,334,523 and $2,658,879 as of December 31, 2023 and 2022, respectively (Note 4)	295,133,664	263,711,885
Office properties and equipment - Net (Note 6)	9,439,691	9,565,585
Accrued interest receivable	1,458,443	1,138,534
Bank-owned life insurance	3,055,639	2,997,609
Prepaid expenses and other assets	2,595,225	2,180,836
Total assets	**$ 352,444,548**	**$ 324,819,093**
Liabilities and Stockholders' Equity		
Liabilities		
Deposits (Note 7)	$ 300,430,908	$ 291,735,883
Borrowed funds (Note 8)	17,000,000	-
Junior subordinated debentures (Note 9)	3,093,000	3,093,000
Other liabilities	3,264,617	2,812,809
Total liabilities	323,788,525	297,641,692
Stockholders' Equity		
Common stock - Voting - $0.01 par value - Authorized - 1,900,000 shares Issued - 1,683,641 shares Outstanding - 904,276 and 916,065 shares at December 31, 2023 and 2022, respectively	16,837	16,837
Additional paid-in capital	11,942,058	11,878,666
Retained earnings	27,095,269	25,632,641
Accumulated other comprehensive loss - Net	(950,774)	(1,201,209)
Treasury stock - 779,365 and 767,576 shares at December 31, 2023 and 2022, respectively	(9,447,367)	(9,149,534)
Total stockholders' equity	28,656,023	27,177,401
Total liabilities and stockholders' equity	**$ 352,444,548**	**$ 324,819,093**

See notes to consolidated financial statements.

Consolidated Statement of Income

Years Ended December 31, 2023 and 2022

	2023	2022
Interest and Dividend Income		
Interest on loans	$ 15,484,281	$ 11,553,030
Interest on investment securities	397,549	248,091
Interest on interest-bearing deposits in other depository institutions	740,767	468,837
Dividends on Federal Home Loan Bank stock	231,628	112,846
Total interest and dividend income	16,854,225	12,382,804
Interest Expense		
Interest on deposits	6,636,108	1,688,970
Interest on borrowings	387,051	183,456
Total interest expense	7,023,159	1,872,426
Net Interest Income	9,831,066	10,510,378
Provision for Credit Losses	273,989	(11,028)
Net Interest Income after Provision for Credit Losses	9,557,077	10,521,406
Noninterest Income (Loss)		
Loan fees and service charges	651,917	598,460
Deposit-related fees	383,645	345,673
Other fee income	64,850	57,076
Rental income	290,535	363,644
Gain on sale of loans	376,478	285,577
Loss on sale of other real estate owned - Net	-	(3,341)
Increase in cash surrender value of bank-owned life insurance	58,030	70,681
Benefit from bank-owned life insurance	-	182,624
Other income	289,006	303,316
Total noninterest income	2,114,461	2,203,710
Noninterest Expense		
Salaries and employee benefits	4,848,692	4,744,616
Occupancy and equipment	996,200	963,425
Data processing	1,045,939	1,049,391
Professional fees	266,503	317,028
Advertising	413,538	349,051
Federal deposit insurance premiums	245,786	203,837
Insurance	92,608	96,550
Other operating expenses	848,427	840,984
Total noninterest expense	8,757,693	8,564,882
Income - Before income taxes	2,913,845	4,160,234
Income Tax Expense (Note 12)	724,475	982,543
Net Income	**$ 2,189,370**	**$ 3,177,691**
Earnings per common share - Basic	$ 2.42	$ 3.45
Earnings per common share - Diluted	$ 2.41	$ 3.42

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Years Ended December 31, 2023 and 2022

	2023	2022
Net Income	$ 2,189,370	$ 3,177,691
Other Comprehensive Income (Loss) - Unrealized gains (losses) on securities available for sale arising during the period - Net of tax	250,435	(1,217,193)
Comprehensive Income	**$ 2,439,805**	**$ 1,960,498**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Stockholders' Equity

Years Ended December 31, 2023 and 2022

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss) - Net	Retained Earnings	Treasury Stock	Total
Balance - January 1, 2022	$ 16,837	$ 11,753,929	$ 15,984	$ 22,595,100	$ (8,963,685)	$ 25,418,165
Comprehensive income (loss):						
Net income	-	-	-	3,177,691	-	3,177,691
Other comprehensive loss - Net	-	-	(1,217,193)	-	-	(1,217,193)
Vesting of 3,211 shares of restricted stock - Issued from treasury stock	-	(37,922)	-	-	37,922	-
Stock-based compensation expense	-	162,659	-	-	-	162,659
Dividends declared $0.15 per share	-	-	-	(140,150)	-	(140,150)
Repurchase of 10,199 shares of common stock	-	-	-	-	(223,771)	(223,771)
Balance - December 31, 2022	16,837	11,878,666	(1,201,209)	25,632,641	(9,149,534)	27,177,401
Net impact of adoption of ASU No. 2016-13	-	-	-	(516,935)	-	(516,935)
Comprehensive income:						
Net income	-	-	-	2,189,370	-	2,189,370
Other comprehensive income - Net	-	-	250,435	-	-	250,435
Vesting of 3,211 shares of restricted stock - Issued from treasury stock	-	(38,917)	-	-	38,917	-
Stock-based compensation expense	-	102,309	-	-	-	102,309
Dividends declared $0.23 per share	-	-	-	(209,807)	-	(209,807)
Repurchase of 15,000 shares of common stock	-	-	-	-	(336,750)	(336,750)
Balance - December 31, 2023	**$ 16,837**	**$ 11,942,058**	**$ (950,774)**	**$ 27,095,269**	**$ (9,447,367)**	**$ 28,656,023**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Net income	$ 2,189,370	$ 3,177,691
Adjustments to reconcile net income to net cash and cash equivalents provided by operating activities:		
Depreciation	493,552	468,754
Accretion of discounts and amortization of premiums	(23,223)	309,440
Proceeds from sale of loans originated for sale	25,420,141	22,185,680
Loans originated for sale	(25,335,173)	(21,243,202)
Gain on sale of loans	(376,478)	(285,577)
Loss on sale of other real estate owned - Net	-	3,341
Provision for credit losses	273,989	(11,028)
Deferred tax (benefit) expense	(268,238)	52,059
Stock-based compensation expense	102,309	162,659
Net change in:		
Cash surrender value of life insurance	(58,030)	(70,681)
Net deferred loan fees	(22,725)	(7,657)
Accrued interest receivable	(319,909)	(389,037)
Prepaid and other assets	184,382	335,221
Other liabilities	123,997	(259,211)
Net cash and cash equivalents provided by operating activities	2,383,964	4,428,452
Cash Flows from Investing Activities		
Proceeds from the repayments of investment securities	2,148,854	1,914,040
Purchase of investment securities	(1,502,706)	(7,759,391)
Net decrease in loans	(32,139,889)	(51,287,868)
Proceeds from sale of other real estate owned	-	14,709
Office property and equipment expenditures - Net	(367,658)	(634,798)
(Purchase) repayment of FHLB stock - Net	(746,800)	10,400
Proceeds from life insurance policies	-	819,513
Net cash and cash equivalents used in investing activities	(32,608,199)	(56,923,395)
Cash Flows from Financing Activities		
Net increase in deposits	8,635,221	40,133,554
Proceeds from borrowed funds	54,000,000	-
Repayment of borrowed funds	(37,000,000)	(5,000,000)
Increase in advance payments by borrowers for taxes and insurance	59,804	83,224
Repurchase of treasury stock	(336,750)	(223,771)
Dividends paid	(209,807)	(140,150)
Net cash and cash equivalents provided by financing activities	25,148,468	34,852,857
Net Decrease in Cash and Cash Equivalents	(5,075,767)	(17,642,086)
Cash and Cash Equivalents - Beginning of year	28,116,280	45,758,366
Cash and Cash Equivalents - End of year	**$ 23,040,513**	**$ 28,116,280**
Supplemental Cash Flow Information		
Interest paid	$ 7,002,118	$ 1,871,608
Income taxes paid	876,000	815,000

See notes to consolidated financial statements.

Note 1 - Nature of Business

AMB Financial Corp. and Subsidiary (the "Company"), a Delaware corporation headquartered in St. John, Indiana, is the owner of all of the issued and outstanding capital stock of American Community Bank of Indiana (the "Bank"). The Bank is a State of Indiana commercial bank offering a full range of financial services to customers who are primarily located within northwest Indiana. The Bank is principally engaged in the business of attracting deposits from the general public and using such deposits to originate residential and commercial mortgage loans, as well as other types of consumer and commercial loans.

Note 2 - Significant Accounting Policies

Basis of Presentation and Consolidation

The consolidated financial statements (the "financial statements") include the accounts of the Company and its wholly owned subsidiary, the Bank. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses on loans.

Cash and Cash Equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash and balances due from depository institutions, interest-bearing deposits in other depository institutions, and federal funds sold that mature within 90 days.

Investment Securities

Debt securities that management has the positive intent and ability to hold to maturity are classified as held to maturity and reported at amortized cost. Securities bought and held principally for the purpose of selling in the near term are classified as trading securities and are reported at fair value, with unrealized gains and losses included in earnings. Securities not classified as held to maturity or trading are classified as available for sale and are reported at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income.

Purchase premiums and discounts are recognized in interest income using the interest method. For purchase premiums and discounts on equity securities and noncallable debt securities, the amounts are recognized into income over the term of the securities. For premiums on callable debt securities, the premium is amortized against income over the period until the earlier of the first call date or maturity.

Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Note 2 - Significant Accounting Policies (Continued)

The Company conducts periodic reviews of available-for-sale securities with declines in fair value below their cost to evaluate for potential impairment. In evaluating available-for-sale securities for potential impairment, management considers (1) the length of time and the extent to which the fair value has been less than amortized cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. If the Company determines that it is more likely than not that it will sell the security before recovery of its amortized cost basis, the Company will record an allowance for credit losses related to securities available-for-sale with an offsetting entry to the provision for credit losses on securities on the consolidated statement of income.

Prior to the adoption of ASU No. 2016-13 (CECL) on January 1, 2023, the Company evaluated its available-for-sale securities in accordance with the methodology specified in the preceding paragraph except that the credit portion of the impairment would reduce the amortized cost basis of the security.

Changes in unrealized gain or loss for equity securities with a readily determinable fair value are recorded through earnings. Equity securities without a readily determinable fair value are evaluated for impairment with any impairment recorded through earnings.

Federal Home Loan Bank Stock

The Bank, as a member of the Federal Home Loan Bank of Indianapolis (FHLB), is required to maintain an investment in the capital stock of the FHLB. No ready market exists for the stock, and it has no quoted market value. The stock is redeemable at par by the FHLB and is, therefore, carried at cost and periodically evaluated for impairment. Dividends are recorded in income on the dividend date.

Loans Held for Sale

Loans originated and intended for sale in the secondary market are carried at estimated fair value, as determined by outstanding commitments from investors. Net unrealized losses, if any, are recognized in a valuation allowance and charged to earnings.

Loans Receivable

The Bank primarily grants commercial and mortgage loans to customers. A substantial portion of the loan portfolio is represented by mortgage loans throughout the northwest Indiana area. The ability of the Bank's debtors to honor their contracts is dependent upon the general economic conditions in this area.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding unpaid principal balances adjusted for charge-offs, the allowance for credit losses, and any net deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment to the related loan's yield using the interest method. Loans are recorded net of $778,064 and $755,339 of net deferred fees as of December 31, 2023 and 2022, respectively.

The accrual of interest on loans is discontinued at the time the loan is 90 days delinquent unless the credit is well secured and in process of collection. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful. All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Loans are considered delinquent when customers fail to make their payments in accordance with the contractual loan agreement. If a loan matures and principal remains outstanding, the loan is considered delinquent until the loan is paid off or renewed.

Note 2 - Significant Accounting Policies (Continued)

Adoption of New Accounting Pronouncements

As of January 1, 2023, the Company adopted Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*, which superseded the current guidance on the allowance for loan losses. The ASU was issued to provide financial statement users with more useful information about the expected credit losses on financial instruments held by a reporting entity at each reporting date to enhance the decision making process. The current expected credit losses (CECL) model utilizes a lifetime expected credit loss measurement objective for the recognition of credit losses for loans at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. For available-for-sale securities where fair value is less than cost, credit-related impairment, if any, will be recognized in an allowance for credit losses and adjusted each period for changes in expected credit risk. This model replaces the multiple existing impairment models, which generally require that a loss be incurred before it is recognized. The CECL methodology also applies to credit exposures on off-balance-sheet loan commitments; financial guarantees not accounted for as insurance, including standby letters of credit; and other similar instruments not recognized as derivative financial instruments.

As a result of the adoption of the ASU, the Company recorded a reduction to retained earnings of $516,935 as of January 1, 2023 as a cumulative effect of change in accounting principle. The transition adjustment included an increase to the allowance for credit losses on loans of $271,948, the recording of the unfunded commitment liability of $414,552, and a corresponding increase in deferred tax assets of $169,567.

In March 2022, the FASB issued ASU No. 2022-02, *Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*. The amendments in this update eliminate the accounting guidance and related disclosures for TDRs by creditors in Subtopic 310-40, *Receivables - Troubled Debt Restructurings by Creditors*, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty and requiring an entity to disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20, *Financial Instruments - Credit Losses - Measured at Amortized Cost*. The amendments in this update are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years and are applied prospectively, except with respect to the recognition and measurement of TDRs, where an entity has the option to apply a modified retrospective transition method. Early adoption of the amendments in this update is permitted.

As of January 1, 2023, the Company adopted FASB ASU No. 2022-02, which superseded the current disclosure requirements for TDRs.

Allowance for Credit Losses on Loans

The allowance for credit losses (ACL) is an estimate of the expected credit losses on the loans held for investment. Loan losses are charged against the ACL when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the ACL.

The ACL methodology consists of measuring loans on a collective (pool) basis when similar characteristics exist. The Company has identified five loan portfolio segments and measures the ACL using the scaled CECL allowance for losses estimator (SCALE) method. The loan portfolios are construction and land real estate, commercial real estate, residential real estate, commercial, and other consumer loans. The SCALE method uses publicly available data from Schedule RI-C of the call report to derive the initial proxy expected lifetime loss rates. These proxy expected lifetime loss rates are then adjusted for bank-specific facts and circumstances to arrive at the final ACL estimate that adequately reflects the Bank's loss history and credit risk within the loan portfolio.

Note 2 - Significant Accounting Policies (Continued)

The qualitative factors considered for application to each loan portfolio consist of the impact of other internal and external qualitative and credit market factors as assessed by management through a detailed loan review, ACL analysis, and credit discussions. These internal and external qualitative and credit market factors include the following:

- Changes in lending policies and procedures, including changes in underwriting standards and collections, charge-offs, and recovery practices
- Changes in national, regional, and local conditions
- Changes in the nature and volume of the portfolio and terms of loans
- Changes in the experience, depth, and ability of lending management
- Changes in the volume and severity of past-due loans and other similar conditions
- Changes in the quality of the Bank's loan review system
- Changes in the value of underlying collateral for collateral dependent loans
- The existence and effect of any concentrations of credit and changes in the levels of such concentrations
- The effect of other external factors (i.e., competition, legal, and regulatory requirements) on the level of estimated credit

The impact of the above-listed internal and external qualitative and credit market risk factors is assessed within predetermined ranges to adjust the ACL totals calculated. In addition to the pooled analysis performed for the majority of the Company's loan balances, the Company also reviews loans that have collateral dependency or nonperforming status, which requires a specific review of that loan, per the Company's individually analyzed CECL calculations.

Prior to the implementation of ASU No. 2016-13 (CECL) on January 1, 2023, the allowance for credit losses was subject to the guidance included in ASC 310 and ASC 450. Under that guidance, the Company was required to use an incurred loss methodology to estimate credit losses that were estimated to be incurred in the loan portfolio and that could ultimately materialize into confirmed losses in the form of charge-offs. The incurred loss methodology was a backward-looking approach to loss recognition and based on the concept of a triggering event having taken place, causing a loss to be inherent within the portfolio. Additionally, loans that were identified as impaired under the definition of ASC 310, were required to be assessed on an individual basis. The allowance for credit losses and resulting provision expense levels for comparative periods presented were estimated in accordance with these requirements.

Under the incurred loss methodology, the allowance for loan losses consisted of specific, general, and unallocated components. The specific reserve relates to loans that are classified as impaired, and an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers all other loans and is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

Note 2 - Significant Accounting Policies (Continued)

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the fair value of the collateral, if the loan is collateral dependent.

A troubled debt restructuring (TDR) of a loan is undertaken to improve the likelihood that the loan will be repaid in full under the modified terms in accordance with a reasonable repayment schedule and is classified as impaired. All modified loans are evaluated to determine whether the loan should be reported as a troubled debt restructuring. A loan is a TDR when the Company, for economic or legal reasons related to the borrower's financial difficulties, grants a concession to the borrower by modifying or renewing a loan under terms that the Company would not otherwise consider. To make this determination, the Company must determine whether (a) the borrower is experiencing financial difficulties and (b) the Company granted the borrower a concession. This determination requires consideration of all of the facts and circumstances surrounding the modification. An overall general decline in the economy or some level of deterioration in a borrower's financial condition does not inherently mean the borrower is experiencing financial difficulties.

Some of the factors considered by management when determining whether a borrower is experiencing financial difficulties are (1) is the borrower currently in default on any of its debts; (2) has the borrower declared or is the borrower in the process of declaring bankruptcy; and (3) absent the current modification, would the borrower likely default.

Other Real Estate Owned

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at the fair value of the real estate, less estimated costs to sell, at the date of the foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management, and write-downs required by changes in estimated fair value are charged to earnings through a valuation allowance and reported in other noninterest expenses. Revenue and expenses from operations are also included in other noninterest expenses.

Office Properties and Equipment

Land is carried at cost. Buildings and equipment are carried at cost, less accumulated depreciation, computed on the straight-line method over the estimated useful lives of the assets. Construction in progress and related costs are capitalized and are not depreciated until placed into service. Useful lives are 25 to 49 years for office properties and 3 to 10 years for furniture, fixtures, and equipment.

Bank-owned Life Insurance

The Bank has purchased life insurance policies on certain of its key employees and directors. Bank-owned life insurance is recorded at its cash surrender value, or the amount that can be realized immediately upon liquidation of the policies.

Note 2 - Significant Accounting Policies (Continued)

Mortgage Servicing Rights

The Company generally retains the right to service mortgage loans sold to others. The mortgage servicing rights have been recognized as a separate asset and are being amortized into noninterest income in proportion to, and over the period of, the estimated future net servicing income using a method that approximates a level yield and taking into consideration prepayment of the underlying loans. Mortgage servicing rights are periodically evaluated for impairment based on the fair value of those rights. Fair values are estimated using discounted cash flows based on current market rates of interest. The carrying value of the Company's mortgage servicing rights, in relation to estimated servicing values, and the related amortization are reviewed by management on a quarterly basis. See Note 5 for a discussion of the current year's impact on the Company's financial position and results of operations.

Income Taxes

Deferred income tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the various temporary differences between the book and tax bases of the various balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws.

At December 31, 2023 and 2022, the Company evaluated tax positions taken for filing with the Internal Revenue Service and all state jurisdictions in which it operates. The Company believes that income tax filing positions will be sustained under examination and does not anticipate any adjustments that would result in a material adverse effect on the Company's financial condition, results of operations, or cash flows. Accordingly, the Company has not recorded any reserves or related accruals for interest and penalties for uncertain tax positions at December 31, 2023 and 2022.

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the consolidated balance sheet, such items, along with net income, are components of comprehensive income.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of the right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Off-balance-sheet Instruments

In the ordinary course of business, the Company has entered into commitments under commercial letters of credit and standby letters of credit. Such financial instruments are recorded when they are funded.

Stock Options

The Company measures the cost of employee services received in exchange for equity awards, including shares under employee stock purchase plans, stock options, restricted stock, and stock appreciation rights, based on the calculated grant-date fair value of the awards. The cost is recognized as compensation expense over the vesting period of the awards.

Note 2 - Significant Accounting Policies (Continued)

Treasury Stock

Common shares repurchased are recorded at cost. Cost of shares reissued is determined using the weighted-average method.

Earnings per Share

Basic earnings per share are computed by dividing net income by the weighted-average number of shares outstanding during each year. There was a weighted-average of 904,795 and 922,168 common shares outstanding for the years ended December 31, 2023 and 2022, respectively. Stock options and restricted stock awards are regarded as future common stock and are considered in the earnings per share calculations and are the only other adjustments made in computing diluted earnings per share. See Note 14 for further details.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including February 2, 2024, which is the date the financial statements were available to be issued.

Note 3 - Investment Securities - Available for Sale

The amortized cost and estimated fair value of investment securities, with gross unrealized gains and losses, are as follows:

	2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Mortgage-backed securities	$ 11,949,043	$ 8,377	$ (957,513)	$ 10,999,907
Municipal bonds	3,314,830	-	(314,674)	3,000,156
Total	$ 15,263,873	$ 8,377	$ (1,272,187)	$ 14,000,063

	2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Mortgage-backed securities	$ 12,544,418	$ 8,145	$ (1,064,331)	$ 11,488,232
Municipal bonds	3,342,380	-	(405,248)	2,937,132
Total	$ 15,886,798	$ 8,145	$ (1,469,579)	$ 14,425,364

As of December 31, 2023, all municipal bonds have a contractual maturity ranging from 5 years through 10 years.

At December 31, 2023 and 2022, there were no investment securities pledged for any purpose.

For the years ended December 31, 2023 and 2022, there were no sales of investment securities. Accordingly, there were no gross realized gains or losses on the sale of securities for the years ended December 31, 2023 and 2022.

Note 3 - Investment Securities - Available for Sale (Continued)

There were 71 and 70 investment securities in an unrealized loss position as of December 31, 2023 and 2022, respectively. Information pertaining to investment securities with gross unrealized losses at December 31, 2023 and 2022, aggregated by length of time that individual securities have been in a continuous loss position, is as follows:

2023	Less Than 12 Months		12 Months or Greater		Total	
	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value
Mortgage-backed securities	$ (12,850)	$ 1,564,916	$ (944,663)	$ 8,606,112	$ (957,513)	$ 10,171,028
Municipal bonds	-	-	(314,674)	3,000,156	(314,674)	3,000,156
Total	$ (12,850)	$ 1,564,916	$ (1,259,337)	$ 11,606,268	$ (1,272,187)	$ 13,171,184

2022	Less Than 12 Months		12 Months or Greater		Total	
	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value
Mortgage-backed securities	$ (426,218)	$ 7,867,352	$ (638,113)	$ 2,662,090	$ (1,064,331)	$ 10,529,442
Municipal bonds	-	-	(405,248)	2,937,132	(405,248)	2,937,132
Total	$ (426,218)	$ 7,867,352	$ (1,043,361)	$ 5,599,222	$ (1,469,579)	$ 13,466,574

There were no securities with identified credit losses at December 31, 2023 and 2022, respectively. Unrealized losses on investment securities have not been recognized into income because the issuers' bonds are of high credit quality, the Company has the intent and ability to hold the investment securities for the foreseeable future, and the declines in fair value are primarily due to increased market interest rates and market volatility. The fair value is expected to recover as the bonds approach their maturity dates.

Included in mortgage-backed securities are agency issued and government-sponsored enterprise issued mortgage-backed securities. Agency-issued securities are generally guaranteed by a U.S. government agency, such as the Government National Mortgage Association. Government-sponsored enterprises, such as the Federal Home Loan Mortgage Corporation or the Federal National Mortgage Association, have an implied guarantee by the U.S. government. The municipal bond portfolio consists of highly rated securities issued in the State of Indiana, which include credit enhancement insurance. All are rated A or better, all have made payments as agreed, and there is no other evidence of significant deterioration in the underlying issuers’ financial positions. The Company evaluated whether the unrealized losses in the investment portfolio were a result of credit losses or other factors and concluded the unrealized losses were the result of other market conditions, and, therefore, no credit losses were identified.

Note 4 - Loans and Allowance for Credit Losses

In conjunction with the adoption of ASC 326, the Bank made certain loan portfolio segment reclassifications to conform to the new allowance for credit losses methodology. Loans and these related reclassifications, are summarized as follows:

	Post-adoption December 31, 2023	The Effect of Adoption	Pre-adoption December 31, 2023	December 31, 2022
One-to-four family	$ -	$ (80,300,761)	$ 80,300,761	$ 78,449,031
Residential real estate	96,847,374	96,847,374	-	-
Multifamily	-	(4,200,367)	4,200,367	3,115,057
Nonresidential	-	(113,925,877)	113,925,877	98,008,530
Commercial real estate	118,126,244	118,126,244	-	-
Construction	-	(20,153,923)	20,153,923	22,143,463
Land	-	(21,245,746)	21,245,746	16,458,402
Construction and land - Real estate	40,126,712	40,126,712	-	-
Equity lines of credit	-	(16,546,613)	16,546,613	10,771,678
Other consumer	1,287,199	(6,402)	1,293,601	948,817
Commercial business loans	42,080,658	1,279,359	40,801,299	36,475,786
Total loans	298,468,187	-	298,468,187	266,370,764
Less allowance for credit losses	3,334,523	-	-	2,658,879
Net loans	$ 295,133,664	$ -	$ 298,468,187	$ 263,711,885
Allowance for credit losses as a percent of loans	1.12 %	- %	- %	1.00 %

In the ordinary course of business, the Company has granted loans to principal officers and directors and their affiliates amounting to approximately $1,446,000 and $1,285,000 as of the years ended December 31, 2023 and 2022, respectively. Such loans are made on substantially the same terms as those for other loan customers.

The Company's activity in the allowance for credit losses for the years ended December 31, 2023 and 2022, by loan segment, is summarized below:

	Year Ended December 31, 2023					
	Beginning Balance	Adoption of ASC 326	Charge-offs	Recoveries	Provision	Ending Balance
Allowance for credit losses:						
Residential real estate	$ 561,003	$ 276,497	$ -	$ 82,172	$ (61,995)	$ 857,677
Commercial real estate	1,356,526	(149,978)	(2,860)	2,860	240,597	1,447,145
Construction and land - Real estate	366,074	158,932	-	-	86,199	611,205
Other consumer	5,959	10,746	(2,592)	-	10,796	24,909
Commercial business loans	369,317	(24,249)	-	145	48,374	393,587
Total	$ 2,658,879	$ 271,948	$ (5,452)	$ 85,177	$ 323,971	$ 3,334,523

Note 4 - Loans and Allowance for Credit Losses (Continued)

	Year Ended December 31, 2022				
	Beginning Balance	Charge-offs	Recoveries	Provision	Ending Balance
Allowance for credit losses:					
One-to-four family	$ 443,139	$ -	$ 99,907	$ (75,778)	$ 467,268
Multifamily	29,620	-	-	(13,655)	15,965
Nonresidential	1,260,171	-	-	80,390	1,340,561
Construction	193,893	-	-	15,415	209,308
Land	141,332	-	-	15,434	156,766
Equity lines of credit	86,285	-	-	7,450	93,735
Other consumer	14,473	-	-	(8,514)	5,959
Commercial business loans	401,087	-	-	(31,770)	369,317
Total	$ 2,570,000	$ -	$ 99,907	$ (11,028)	$ 2,658,879

Collateral dependent loans individually evaluated for purposes of the ACL by collateral type were as follows at December 31, 2023:

	Real Estate	Other
Residential real estate	$ 907,905	$ -
Commercial real estate	231,545	-
Construction and land - Real estate	988,146	-
Other consumer	-	27,867
Total	$ 2,127,596	$ 27,867

The allowance for credit losses and loan balances for the year ended December 31, 2022, by loan segment, are as follows:

	Year Ended December 31, 2022		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Ending Balance
Ending allowance attributable to loans:			
One-to-four family	$ 24,022	$ 443,246	$ 467,268
Multifamily	-	15,965	15,965
Nonresidential	-	1,340,561	1,340,561
Construction	-	209,308	209,308
Land	-	156,766	156,766
Equity lines of credit	-	93,735	93,735
Other consumer	-	5,959	5,959
Commercial business loans	-	369,317	369,317
Total	$ 24,022	$ 2,634,857	$ 2,658,879

Note 4 - Loans and Allowance for Credit Losses (Continued)

	Year Ended December 31, 2022		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Ending Balance
Loans:			
One-to-four family	$ 480,238	$ 77,968,793	$ 78,449,031
Multifamily	-	3,115,057	3,115,057
Nonresidential	-	98,008,530	98,008,530
Construction	-	22,143,463	22,143,463
Land	-	16,458,402	16,458,402
Equity lines of credit	130,824	10,640,854	10,771,678
Other consumer	-	948,817	948,817
Commercial business loans	-	36,475,786	36,475,786
Total	$ 611,062	$ 265,759,702	$ 266,370,764

Credit Quality Disclosures

The Company categorized each loan into credit risk categories based on current financial information, overall debt service coverage, comparison against industry averages, collateral coverage, historical payment experience, and current economic trends. The Company uses the following definitions for credit risk ratings:

Pass

Credits not covered by the below definitions are pass credits, which are not considered to be adversely rated.

Watch

Loans classified as special mention, or watch credits, have a potential weakness or weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard

Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution may sustain some loss if the deficiencies are not corrected.

Doubtful

Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristics that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Note 4 - Loans and Allowance for Credit Losses (Continued)

The following table presents the amortized cost basis of loans by credit quality indicator, class of financing receivable, and year of origination for term loans at December 31, 2023:

	Term Loans Amortized Cost Basis by Origination Year							
	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Total
Residential real estate:								
Pass	$ 14,024,845	$ 27,558,703	$ 17,147,248	$ 6,650,138	$ 2,457,775	$ 11,382,666	$ 16,277,434	$ 95,498,809
Watch	177,808	-	-	-	-	262,852	-	440,660
Substandard	-	-	8,860	-	-	629,866	269,179	907,905
Total residential real estate	14,202,653	27,558,703	17,156,108	6,650,138	2,457,775	12,275,384	16,546,613	96,847,374
Commercial real estate:								
Pass	25,948,907	42,143,695	19,447,667	13,248,050	7,245,657	8,228,081	-	116,262,057
Watch	-	-	-	-	-	1,632,642	-	1,632,642
Substandard	-	-	-	231,545	-	-	-	231,545
Total commercial real estate	25,948,907	42,143,695	19,447,667	13,479,595	7,245,657	9,860,723	-	118,126,244
Construction and land - Real estate:								
Pass	24,399,407	10,215,321	3,055,580	886,322	191,171	75,155	-	38,822,956
Watch	267,451	-	48,159	-	-	-	-	315,610
Substandard	313,146	675,000	-	-	-	-	-	988,146
Total construction and land - Real estate	24,980,004	10,890,321	3,103,739	886,322	191,171	75,155	-	40,126,712
Other consumer:								
Pass	725,114	259,084	205,760	67,100	2,274	-	-	1,259,332
Substandard	-	-	27,867	-	-	-	-	27,867
Total other consumer	725,114	259,084	233,627	67,100	2,274	-	-	1,287,199
Commercial business loans:								
Pass	6,806,302	4,996,536	7,889,175	1,610,230	-	237,088	20,474,421	42,013,752
Watch	-	-	-	-	-	66,906	-	66,906
Total commercial business loans	6,806,302	4,996,536	7,889,175	1,610,230	-	303,994	20,474,421	42,080,658
Total loans	$ 72,662,980	$ 85,848,339	$ 47,830,316	$ 22,693,385	$ 9,896,877	$ 22,515,256	$ 37,021,034	$ 298,468,187

The Company's credit quality indicators, by loan segment, at December 31, 2022 are summarized below:

	December 31, 2022				
	Pass	Watch	Substandard	Doubtful	Ending Balance
One-to-four family	$ 77,772,500	$ 403,664	$ 272,867	$ -	$ 78,449,031
Multifamily	3,115,057	-	-	-	3,115,057
Nonresidential	94,814,958	3,193,572	-	-	98,008,530
Construction	21,876,012	267,451	-	-	22,143,463
Land	16,391,421	66,981	-	-	16,458,402
Equity lines of credit	10,634,316	6,538	130,824	-	10,771,678
Other consumer	948,817	-	-	-	948,817
Commercial business loans	35,535,997	939,789	-	-	36,475,786
Total	$ 261,089,078	$ 4,877,995	$ 403,691	$ -	$ 266,370,764

Note 4 - Loans and Allowance for Credit Losses (Continued)

Age Analysis of Past Due Loans

The Company's age analysis of past due loans at December 31, by loan segment and class, is summarized below:

	December 31, 2023						
	30-89 Days Past Due and Accruing	90 or More Days Past Due and Accruing	Total Past Due and Accruing	Current	Total Loans	Accruing Loans	Nonaccrual Loans
Residential real estate	$ 667,931	$ -	$ 667,931	$ 96,179,443	$ 96,847,374	$ 95,939,469	$ 907,905
Commercial real estate	-	-	-	118,126,244	118,126,244	117,894,699	231,545
Construction and land - Real estate	48,159	-	48,159	40,078,553	40,126,712	39,138,566	988,146
Other consumer	38,529	-	38,529	1,248,670	1,287,199	1,259,332	27,867
Commercial business loans	108,815	34,600	143,415	41,937,243	42,080,658	42,080,658	-
Total	$ 863,434	$ 34,600	$ 898,034	$ 297,570,153	$ 298,468,187	$ 296,312,724	$ 2,155,463

	December 31, 2022						
	30-89 Days Past Due and Accruing	90 or More Days Past Due and Accruing	Total Past Due and Accruing	Current	Total Loans	Accruing loans	Nonaccrual Loans
One-to-four family	$ 1,448,087	$ 256,093	$ 1,704,180	$ 76,744,851	$ 78,449,031	$ 78,176,163	$ 272,867
Multifamily	-	-	-	3,115,057	3,115,057	3,115,057	-
Nonresidential	231,444	-	231,444	97,777,086	98,008,530	98,008,530	-
Construction	-	-	-	22,143,463	22,143,463	22,143,463	-
Land	66,981	-	66,981	16,391,421	16,458,402	16,458,402	-
Equity lines of credit	113,354	-	113,354	10,658,324	10,771,678	10,640,854	130,824
Other consumer	56,973	-	56,973	891,844	948,817	948,817	-
Commercial business loans	130,485	34,600	165,085	36,310,701	36,475,786	36,475,786	-
Total	$ 2,047,324	$ 290,693	$ 2,338,017	$ 264,032,747	$ 266,370,764	$ 265,967,072	$ 403,691

Impaired Loans

Impaired loans, by loan segment and class, are as follows at December 31, 2022:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment for the Year	Interest Income Recognized for the Year
With no related allowance recorded:					
One-to-four family	$ 272,867	$ 815,415	$ -	$ 288,496	$ 14,856
Equity lines of credit	130,824	130,824	-	130,824	6,424
Total with no related allowance recorded	403,691	946,239	-	419,320	21,280
With an allowance recorded - One-to-four family	207,371	216,210	24,022	209,201	8,927
Total	$ 611,062	$ 1,162,449	$ 24,022	$ 628,521	$ 30,207

For the purpose of the disclosure above, recorded investment represents the borrower's unpaid principal balance less partial charge-offs to date.

Note 4 - Loans and Allowance for Credit Losses (Continued)

No additional funds are committed to be advanced in connection with impaired loans at December 31, 2022.

Nonaccrual Loans

The Company's loans on nonaccrual status at December 31, 2023 and 2022, by loan segment and class, are summarized below:

	2023			2022		
	Nonaccrual Loans with No ACL	Total Nonaccrual Loans	Interest Income Recognized During the Period on Nonaccrual Loans	Nonaccrual Loans with No ACL	Total Nonaccrual Loans	Interest Income Recognized During the Period on Nonaccrual Loans
Residential real estate	$ 907,905	$ 907,905	$ 30,121	$ 403,691	$ 403,691	$ 21,280
Commercial real estate	231,545	231,545	28,251	-	-	-
Construction and land - Real estate	988,146	988,146	-	-	-	-
Other consumer	27,867	27,867	39	-	-	-
Total	$ 2,155,463	$ 2,155,463	$ 58,411	$ 403,691	$ 403,691	$ 21,280

Troubled Debt Restructurings

A modification of a loan constitutes a troubled debt restructuring when a borrower is experiencing financial difficulty and the modification constitutes a concession. The Company offers various types of concessions when modifying a loan; however, forgiveness of principal is rarely granted.

There were no modifications on loans to borrowers experiencing financial difficulty during the years ended December 31, 2023 and 2022.

There were no loans modified as troubled debt restructurings within the previous 12 months that became 30 days or more past due during the years ended December 31, 2023 and 2022.

Note 5 - Loan Servicing

The Bank will, from time to time, sell loans to the Federal Home Loan Bank of Indianapolis. As such, the Bank may designate a portion of the loan portfolio to be classified as held for sale. There was $291,510 and $0 in loans classified as held for sale at December 31, 2023 and 2022, respectively. During the years ended December 31, 2023 and 2022, the Bank sold first mortgage loans approximating $25,000,000 and $21,900,000, respectively, to the FHLB and recognized gains of approximately $232,000 and $174,000, respectively, for the years then ended.

The Company retains the servicing on loans sold to the FHLB and recognized a gain of approximately $145,000 and $112,000 for the years ended December 31, 2023 and 2022, respectively, from the establishment of a mortgage servicing right asset. The carrying value of the Company's mortgage servicing rights was approximately $898,000 and $980,000 at December 31, 2023 and 2022, respectively, and included within prepaid expenses and other assets on the consolidated balance sheet. During the years ended December 31, 2023 and 2022, the Company amortized approximately $239,000 and $257,000, respectively, of mortgage servicing rights against current servicing fee income.

Note 5 - Loan Servicing (Continued)

Loans serviced for the FHLB amounted to approximately $200,064,000 and $191,391,000 at December 31, 2023 and 2022, respectively. The fair value of the mortgage servicing rights related to these loans was approximately $2,411,000 and $2,064,000 at December 31, 2023 and 2022, respectively. The fair value of these servicing rights was determined using a discount rate of 10.0 percent as of December 31, 2023 and 2022. Conditional prepayment rates (CPR) ranged from 9.00 percent to 21.30 percent and 8.52 percent to 16.32 percent as of December 31, 2023 and 2022, respectively.

Note 6 - Office Properties and Equipment

A summary of the cost and accumulated depreciation of office properties and equipment at December 31, 2023 and 2022 is as follows:

	2023	2022
Land	$ 1,166,364	$ 1,166,364
Buildings and building improvements	12,127,181	12,010,301
Furniture, fixtures, and equipment	2,825,664	2,668,214
Total cost	16,119,209	15,844,879
Accumulated depreciation	(6,679,518)	(6,279,294)
Net office properties and equipment	$ 9,439,691	$ 9,565,585

Depreciation expense for 2023 and 2022 totaled $493,552 and $468,754, respectively.

The Bank owns all of its office locations and currently leases office space to unrelated third-party tenants at its Dyer and Schererville, Indiana offices. As of December 31, 2023, the Dyer, Indiana office location leased office and parking space to third-party tenants at an annual rent of approximately $210,000 under lease agreements that terminate in 2024 and 2025. The Schererville, Indiana office location leased office and storage space to third-party tenants at an annual rent of approximately $78,000 under lease agreements that terminate in 2024.

Note 7 - Deposits

The following is a summary of the distribution of deposits at December 31, 2023 and 2022:

	2023	2022
Passbook accounts	$ 26,778,948	$ 36,873,549
Demand deposits and NOW accounts	185,535,042	181,728,312
Money market accounts	7,533,149	17,960,098
Certificates of deposit:		
Under $250,000	53,837,302	44,005,860
$250,000 and over	26,746,467	11,168,064
Total	$ 300,430,908	$ 291,735,883

At December 31, 2023, the scheduled maturities of time deposits are as follows:

Years Ending	Amount
2024	$ 70,694,904
2025	7,086,836
2026	2,731,747
2027	70,282
Total	$ 80,583,769

Note 7 - Deposits (Continued)

As of December 31, 2023 and 2022, deposit balances from officers and directors of the Company totaled approximately $2,227,000 and $1,621,000, respectively.

Note 8 - Borrowed Funds

The Company has advances from the Federal Home Loan Bank of Indianapolis totaling $17,000,000 and $0 at December 31, 2023 and 2022, respectively. The outstanding advances at December 31, 2023 are for $5,000,000 with an interest rate of 5.59 percent and for $12,000,000 with an interest rate of 5.76 percent. Both advances require monthly interest payments, mature in January 2024, and are secured by blanket mortgage collateral totaling $82,717,392. Subsequent to year end, the Company repaid the $12,000,000 advance and renewed the $5,000,000 advance at 5.56 percent. The Bank has adopted a collateral pledge agreement where the Bank has agreed to keep on hand at all times, free of all other pledges, liens, and encumbrances, first mortgages and qualifying second mortgages on one-to-four family, multifamily, and nonresidential real estate, with unpaid principal balances aggregating no less than 150 percent of the outstanding secured advances from the FHLB. The outstanding balance of the qualifying loans pledged as collateral to the FHLB at December 31, 2023 and 2022 was approximately $146,857,000 and $126,943,000, respectively. At December 31, 2023 and 2022, no securities were pledged for these borrowings.

At December 31, 2023, the Company had available $4,000,000 of unsecured overnight federal funds borrowing capability from third-party sources. In addition to the unsecured overnight federal funds, the Company maintains a $5,000,000 line of credit with the Federal Home Loan Bank of Indianapolis. There was no outstanding balance on these lines as of December 31, 2023 or 2022.

Note 9 - Guaranteed Preferred Beneficial Interest in Junior Subordinated Debentures

In 2007, the Company issued $3,000,000 of junior subordinated debentures (the "2007 debentures") to AMB Financial Statutory Trust II. The 2007 debentures are the sole assets of this trust, which issued common securities to the Company and preferred capital securities to third-party investors. The 2007 debentures bear interest at a fixed rate of 6.55 percent, payable quarterly in arrears, for the first five years and then bear interest at a rate of the three-month LIBOR plus 1.65 percent thereafter. These debentures are noncallable for five years and, after that period, are redeemable at par plus accrued unpaid interest, in whole or in part. The 2007 debentures have a scheduled maturity date of June 15, 2037. These debentures were repriced to LIBOR plus 1.65 percent on March 15, 2012. The three-month LIBOR interest index was replaced by the three-month SOFR in 2023, and the interest rate is the three-month SOFR plus 1.65 percent going forward. The interest rate in effect as of December 31, 2023 and 2022 is 7.30 percent and 6.42 percent, respectively.

The trust-preferred securities are issues that qualify and are treated by the Company as Tier I regulatory capital. The Company wholly owns all of the common securities of the trust. The trust-preferred securities issued by the trust rank equally with the common securities in right of payment except that, if an event of default under the indenture governing the debentures has occurred and is continuing, the preferred securities will rank senior to the common securities in right of payment.

At December 31, 2023, the Company is current on interest payments due to the holders of the junior subordinated debentures.

Note 10 - Employee Benefit Plans

The Bank participates in the Pentegra Defined Benefit Plan for Financial Institutions (the "Pentegra DB Plan"), a tax-qualified defined benefit pension plan. The Pentegra DB Plan's employer identification number is 13-5645888, and its plan number is 333. The Pentegra DB Plan operates as a multiemployer plan for accounting purposes and as a multiple-employer plan under the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code. There are no collective bargaining agreements in place that require contributions to the Pentegra DB Plan.

The Pentegra DB Plan is a single plan under Internal Revenue Code Section 413(c), and, as a result, all of the assets stand behind all of the liabilities. Accordingly, under the Pentegra DB Plan, contributions made by a participating employer may be used to provide benefits to participants of other participating employers.

Full-time employees of the Bank who had attained at least 21 years of age and completed one year of service were eligible to participate in the Pentegra DB Plan. Effective June 1, 2014, any employee hired on or after June 1, 2014 shall not become eligible to participate or to accrue benefits under the Pentegra DB Plan. In addition, eligible employees as of May 31, 2014 shall continue to participate in the Pentegra DB Plan under the plan provisions, as adopted and amended by the Bank.

Calculations to determine full-funding status of the Pentegra DB Plan are made annually by the third-party plan administrator as of June 30. As of July 1, 2023 and 2022, the MAP 21 funding target, which is defined as the market value of plan assets divided by the plan liabilities of the Bank's portion of the Pentegra DB Plan, was 124.26 percent and 135.46 percent, respectively. As of July 1, 2023 and 2022, the Pre-MAP 21 funding target was 105.43 percent and 92.09 percent, respectively.

Contributions to the Pentegra DB Plan paid by the Bank during the years ended December 31, 2023 and 2022 amounted to $462,152 and $500,000, respectively. The Bank's contributions to the Pentegra DB Plan are no more than 5 percent of the total contributions to the Pentegra DB Plan. Pension expense for the years ended December 31, 2023 and 2022 amounted to $481,076 and $479,439, respectively.

The Bank participates in the Pentegra Thrift Plan, which qualifies under Section 401(k) of the Internal Revenue Code and covers substantially all employees. This plan calls for a discretionary contribution within specified limits and a matching bank contribution. During 2023, the matching contribution was updated from 25 percent of the first 6 percent of the employee contributions to 50 percent of the first 6 percent of the employee contributions. Plan expense for the years ended December 31, 2023 and 2022 amounted to $48,635 and $34,236, respectively.

The Bank also has established three nonqualified 401(k) plans providing participating officers of the Bank the opportunity to defer up to 6 percent of their salaries into a tax deferred accumulation for future retirement. In addition, the Bank has also established a director deferral plan. Generally, all deferred nonqualified 401(k) plan contributions and deferred director fees are credited with interest from the Bank at the rate of 10 percent per year. Interest credited by the Bank to the nonqualified plans and deferred director fees on accumulated funds was $90,275 and $88,213 for the years ended December 31, 2023 and 2022, respectively. Total accumulation of funds for the nonqualified plans and deferred director fees were $917,319 and $890,762 as of December 31, 2023 and 2022, respectively.

Note 11 - Director, Officer, and Employee Plans

2017 Equity Incentive Plan

The Company's 2017 equity incentive plan (the "Incentive Plan") was adopted by the Company's board of directors on April 19, 2017 and approved by the Company's stockholders on April 19, 2017. The Incentive Plan permits the grant of equity awards for up to 98,000 shares of common stock. Awards granted under the Incentive Plan may be in the form of incentive stock options, nonqualified stock options, or restricted stock. Option awards are generally granted with an exercise price equal to the market price of the Company's common stock at the date of grant. There was approximately $45,000 and $68,000 of expense charged against income for incentive stock options and nonqualified stock options during 2023 and 2022, respectively. There was approximately $58,000 and $94,000 of expense charged against income for restricted stock during 2023 and 2022, respectively.

The fair value of each option awarded in 2017 was estimated on the date of grant using a Black-Scholes option valuation model that used the following weighted-average assumptions: (1) five years time to maturity, (2) 1.75 percent risk-free rate, (3) 0.94 percent dividend yield, and (4) 32.91 percent expected annual stock volatility. Expected volatilities are based on historical volatilities of the Company's common stock. The Company uses historical data to estimate option exercise and postvesting termination behavior. The expected term of options granted is based on historical data and represents the period of time that options granted are expected to be outstanding, which takes into account that the options are not transferable. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of the grant. The fair value of the incentive stock options and nonqualified stock options awarded during 2017 was $4.61.

On March 1, 2022, additional options were awarded under the 2017 equity incentive plan. The fair value of each option awarded in 2022 was estimated on the date of grant using a Black-Scholes option valuation model that used the following weighted-average assumptions: (1) five years time to maturity, (2) 1.02 percent risk-free rate, (3) 0.00 percent dividend yield, and (4) 29.30 percent expected annual stock volatility. Expected volatilities are based on historical volatilities of the Company's common stock. The Company uses historical data to estimate option exercise and postvesting termination behavior. The expected term of options granted is based on historical data and represents the period of time that options granted are expected to be outstanding, which takes into account that the options are not transferable. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of the grant. The fair value of the incentive stock options and nonqualified stock options awarded during 2022 was $6.90.

A summary of the Company's stock option activity for the years ended December 31, 2023 and 2022 is presented below:

Options	Number of Options	Weighted-average Exercise Price	Weighted-average Remaining Contractual Term (in Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2022	64,050	$ 16.00	5.58	$ 576,450.00
Granted	9,450	25.00	5.58	-
Outstanding at December 31, 2022	73,500	17.16	5.58	282,450.00
Outstanding at January 1, 2023	73,500	17.16	4.58	282,490.00
Outstanding at December 31, 2023	73,500	17.16	3.58	92,644.00

Note 11 - Director, Officer, and Employee Plans (Continued)

As of December 31, 2023 and 2022, there was approximately $89,000 and $162,000, respectively, in unrecognized compensation costs related to nonvested incentive stock options and nonqualified stock options under the Incentive Plan. The cost is expected to be recognized over a weighted-average period of 3.33 years.

Restricted stock awards are generally granted with an award price equal to the market price of the Company's common stock on the award date. Restricted stock awards have been issued with a 6- to 10-year vesting period. Forfeiture provisions exist for personnel who separate employment before the vesting period expires. Compensation expense related to restricted stock awards is recognized over the vesting period.

There were no stock awards granted during 2023 and 3,150 stock awards granted during 2022. During both 2023 and 2022, 3,211 stock awards were vested. There were no restricted stock awards forfeited during 2023 or 2022. There were 7,938 and 11,149 restricted stock awards outstanding at December 31, 2023 and 2022, respectively.

As of December 31, 2023 and 2022, there was approximately $104,000 and $152,000, respectively, in unrecognized compensation costs related to nonvested restricted stock awards under the Incentive Plan. The cost is expected to be recognized over a weighted-average period of 3.58 years.

Employee Stock Ownership Plan (ESOP)

The ESOP is a qualified deferred compensation plan funded by contributions from the Bank. Contributions to the ESOP are at the discretion of the board of directors and are used to purchase shares of the Company's common stock. All employees over the age of 18 meeting minimum service requirements are eligible to participate in the plan. Employee contributions are not permitted. Plan contributions charged to expense totaled $60,000 for both of the years ended December 31, 2023 and 2022. Eligible employees were vested in their proportionate shares of ESOP contributions at December 31, 2023.

Note 12 - Income Taxes

The details of the net deferred tax asset are as follows:

	2023	2022
Deferred tax assets:		
Deferred compensation for officers	$ 216,257	$ 210,326
Allowance for credit losses	829,329	663,390
Allowance for uncollected interest	93,295	90,519
Allowance for loss on mortgage loan sales	1,070	2,531
Deferred interest and charges on modified loans	10,041	12,059
Unrealized loss on available-for-sale securities	314,322	263,518
Other	105,522	17,188
Total deferred tax assets	1,569,836	1,259,531
Deferred tax liabilities:		
Accelerated tax depreciation	(642,467)	(624,152)
FHLB stock dividend	(20,211)	(20,275)
Prepaid pension expense	(57,471)	(62,375)
Mortgage servicing rights	(223,219)	(244,568)
Other	(117,285)	(118,020)
Total deferred tax liabilities	(1,060,653)	(1,069,390)
Net deferred tax asset	$ 509,183	$ 190,141

Note 12 - Income Taxes (Continued)

The allocation of income taxes between current and deferred portions is as follows:

	2023	2022
Current	$ 992,713	$ 930,484
Deferred	(268,238)	52,059
Total income tax expense	$ 724,475	$ 982,543

The allocation of income taxes between federal and state portions is as follows:

	2023	2022
Federal	$ 594,969	$ 793,448
State	129,506	189,095
Total	$ 724,475	$ 982,543

The reasons for the differences between the income tax expense at the federal statutory income tax rate and the recorded income tax expense are summarized as follows:

	2023	2022
Income before income taxes	$ 2,913,845	$ 4,160,234
Income tax expense at federal statutory rate	611,907	873,649
State income taxes - Net of federal income tax expense	112,795	164,329
Increase (decrease) resulting from permanent differences	1,164	(21,513)
Other	(1,391)	(33,922)
Total	$ 724,475	$ 982,543

Retained earnings at December 31, 2023 include approximately $1,950,000 of tax bad debt reserves for which no provision for income taxes has been recorded. This amount represents earnings legally appropriated to bad debt reserves and deducted for federal income tax purposes and is generally not available for payment of cash dividends by the Bank or other distributions to stockholders of the Bank. If in the future this amount, or a portion thereof, is used for certain purposes other than to absorb losses on bad debts, an income tax liability will be imposed on the amount so used at the then-current corporate income tax rate. If deferred taxes were required to be provided on this item, the amount of this deferred tax liability would be approximately $780,000.

Note 13 - Minimum Regulatory Capital Requirements

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of its assets, liabilities, and certain off-balance-sheet items, as calculated under regulatory accounting practices. The capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

The Bank may not declare or pay cash dividends on or repurchase any of its shares of common stock if the effect thereof would cause stockholders' equity to be reduced below applicable regulatory capital maintenance requirements or if such declaration and payment would otherwise violate regulatory requirements.

Note 13 - Minimum Regulatory Capital Requirements (Continued)

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the following table) of total, common, and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier 1 capital (as defined) to average assets (as defined). Management believes, as of December 31, 2023 and 2022, that the Bank met all capital adequacy requirements to which it is subject.

As of December 31, 2023, the Bank was categorized as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, an institution must maintain minimum total risk-based, common equity Tier 1 risk-based, Tier 1 risk-based, and Tier 1 leverage ratios, as set forth in the following table. There are no conditions or events since the notification that management believes have changed the Bank's category. At December 31, 2023, the Bank's average total assets were approximately $320,564,000, and its risk-weighted assets were approximately $263,237,000. The Bank's actual capital amounts and ratios as of December 31, 2023 and 2022 are also presented in the table.

This table does not include the 2.5 percent capital conservation buffer requirement. A bank with a capital conservation buffer greater than 2.5 percent of risk-weighted assets would not be restricted by payout limitations. However, if the 2.5 percent threshold is not met, the bank would be subject to increasing limitations on capital distributions and discretionary bonus payments to executive officers as the capital conservation buffer approaches zero.

	Actual		Minimum for Capital Adequacy Purposes		To be Well Capitalized Under Prompt Corrective Action Provisions	
(000s omitted)	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2023						
Common equity Tier 1 capital (to risk-weighted assets)	$ 30,526	10.33 %	$ 13,299	4.50 %	$ 19,210	6.50 %
Total risk-based capital (to risk-weighted assets)	34,220	11.58	23,643	8.00	29,554	10.00
Tier 1 capital (to risk-weighted assets)	30,526	10.33	17,732	6.00	23,643	8.00
Tier 1 capital (to average assets)	30,526	9.22	13,249	4.00	16,562	5.00
As of December 31, 2022						
Common equity Tier 1 capital (to risk-weighted assets)	29,271	11.12	11,846	4.50	17,110	6.50
Total risk-based capital (to risk-weighted assets)	31,930	12.13	21,059	8.00	26,324	10.00
Tier 1 capital (to risk-weighted assets)	29,271	11.12	15,794	6.00	21,059	8.00
Tier 1 capital (to adjusted total assets)	29,271	9.13	12,823	4.00	16,028	5.00

Note 14 - Earnings per Share

Earnings per share are based on the weighted-average number of common shares outstanding during the year. Basic and diluted earnings per share attributable to the Company's stockholders are as follows:

	2023	2022
Net income available to common stockholders	$ 2,189,370	$ 3,177,691
Weighted-average number of common shares outstanding used in basic EPS calculation	904,795	922,168
Basic earnings per common share	$ 2.42	$ 3.45
Weighted-average common shares and equivalents outstanding for diluted computation	908,928	928,201
Diluted earnings per common share	$ 2.41	$ 3.42

Note 15 - Financial Instruments with Off-balance-sheet Risk

The Bank is a party to various financial instruments with off-balance-sheet risk in the normal course of business. These instruments are primarily commitments to originate loans and to extend credit on previously approved unused lines of credit. These financial instruments carry varying degrees of credit and interest rate risk in excess of amounts recorded in the consolidated financial statements.

Commitments to originate mortgage loans of approximately $4,243,000 and $2,244,000 at December 31, 2023 and 2022, respectively, represent amounts that the Bank plans to fund within the normal commitment period of 60 to 90 days. These commitments are at fixed rates ranging from 3.99 percent to 9.38 percent and 6.13 percent to 6.63 percent at December 31, 2023 and 2022, respectively. Because the creditworthiness of each customer is reviewed prior to extension of a loan commitment, the Bank adequately controls its credit risk on loan commitments, as it does for loans recorded on the consolidated balance sheet.

The Bank has approved but unused home equity lines of credit of approximately $18,966,000 and $17,268,000 at December 31, 2023 and 2022, respectively. In addition, the Bank has approved but unused equity lines of credit on various construction and commercial projects of approximately $14,976,000 and $22,079,000 at December 31, 2023 and 2022, respectively. The Bank also has approved but unused business nonreal estate lines of credit of approximately $16,926,000 and $11,775,000 at December 31, 2023 and 2022, respectively.

The Bank has also issued outstanding letters of credit on behalf of third parties totaling approximately $4,789,000 and $3,014,000 at December 31, 2023 and 2022, respectively.

As described in Note 2, the Company adopted ASU No. 2016-13 on January 1, 2023, and, as part of the adoption, the Company now records a reserve for off-balance-sheet loan commitments, which was approximately $365,000 at December 31, 2023.

Note 16 - Contingencies

The Bank is, from time to time, a party to certain lawsuits in the ordinary course of its business, including where it enforces its loan security interest. Management believes that the Company and the Bank are not engaged in legal proceedings of a material nature at the present time.

Note 17 - Fair Value of Financial Instruments

The fair value of a financial instrument is the current amount that would be exchanged between willing parties, other than in a forced liquidation. Fair value is best determined based upon quoted market prices; however, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. Fair value accounting standards exclude certain financial instruments and all nonfinancial instruments from their disclosure requirements. Accordingly, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Company.

The following methods and assumptions were used by the Company in estimating fair value disclosures for financial instruments:

Cash and Amounts Due from Depository Institutions

The carrying amounts of cash and amounts due from depository institutions approximate fair value.

Interest-bearing Deposits in Other Depository Institutions

The carrying amounts of interest-bearing deposits in other depository institutions approximate fair value.

Investment Securities

Fair values for mortgage-backed securities are based on quoted market prices. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

Federal Home Loan Bank of Indianapolis Stock

The carrying value of the FHLB stock approximates fair value based on its redemption provisions.

Loans Held for Sale

Loans held for sale comprise residential mortgages and are priced based on outstanding commitments from investors.

Loans Receivable

For variable-rate loans that reprice frequently with no significant change in credit risk, fair values are based on carrying values. Fair values for other loans are estimated using discounted cash flow analyses that use interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Fair values of nonperforming loans are estimated using discounted cash flow analyses or underlying collateral values, where applicable.

Accrued Interest Receivable and Payable

The carrying amounts of accrued interest approximate fair value.

Deposits

The fair values disclosed for demand deposits are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). The carrying amounts of variable-rate, fixed-term money market accounts, and certificates of deposit approximate their fair values at the reporting date. Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits.

Note 17 - Fair Value of Financial Instruments (Continued)

Borrowed Funds

The fair values of the Company's other borrowings are estimated using discounted cash flow analyses based on the Company's current incremental borrowing rates for similar types of borrowing arrangements.

Junior Subordinated Debentures

For variable-rate junior subordinated debentures that reprice frequently, fair values are based on carrying values.

Other Financial Instruments

The fair value of other financial instruments, including loan commitments and unfunded letters of credit, based on discounted cash flow analyses, is not material.

The carrying amounts and estimated fair values of the Company's financial instruments as of December 31, 2023 and 2022 are as follows:

	2023		2022	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial Assets				
Cash and cash equivalents	$ 23,040,513	$ 23,040,513	$ 28,116,280	$ 28,116,280
Investment securities - Available for sale	14,000,063	14,000,063	14,425,364	14,425,364
Federal Home Loan Bank stock	3,429,800	3,429,800	2,683,000	2,683,000
Loans held for sale	291,510	291,510	-	-
Loans receivable - Net	295,133,664	273,183,490	263,711,885	257,237,879
Accrued interest receivable	1,458,443	1,458,443	1,138,534	1,138,534
Financial Liabilities				
Deposits	300,430,908	280,942,786	291,735,883	259,808,411
Borrowed funds	17,000,000	17,020,000	-	-
Junior subordinated debentures	3,093,000	3,093,000	3,093,000	3,093,000
Accrued interest payable	22,642	22,642	12,019	12,019

Note 18 - Fair Value Measurements

The Company measures fair value according to ASC 820-10, *Fair Value Measurements and Disclosures*, which establishes a fair value hierarchy that prioritizes the inputs used in valuation techniques but not the valuation techniques themselves. ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There are three levels of inputs into the fair value hierarchy (Level 1 being the highest priority and Level 3 being the lowest priority):

Level 1

Unadjusted quoted prices for identical instruments in active markets.

Level 2

Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Note 18 - Fair Value Measurements (Continued)

Level 3

Instruments whose significant value drivers or assumptions are unobservable and that are significant to the fair value of the assets.

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The following tables set forth the Company's financial assets by level within the fair value hierarchy that were measured at fair value on a recurring basis at December 31, 2023 and 2022:

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2023
December 31, 2023				
Investment securities:				
Mortgage-backed securities	$ -	$ 10,999,907	$ -	$ 10,999,907
Municipal bonds	-	3,000,156	-	3,000,156
Loans held for sale	-	291,510	-	291,510
Total assets	$ -	$ 14,291,573	$ -	$ 14,291,573

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2022
December 31, 2022				
Investment securities:				
Mortgage-backed securities	$ -	$ 11,488,232	$ -	$ 11,488,232
Municipal bonds	-	2,937,132	-	2,937,132
Total assets	$ -	$ 14,425,364	$ -	$ 14,425,364

Securities available for sale are measured at fair value on a recurring basis. Level 2 securities are valued by a third-party pricing service commonly used in the banking industry utilizing observable inputs. The pricing provider utilizes evaluated pricing models that vary based on asset class. These models incorporate available market information, including quoted prices of securities with similar characteristics, and, because many fixed-income securities do not trade on a daily basis, apply available information through processes such as benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing. Changes in the fair market value of the Company's available-for-sale securities are recorded in other comprehensive income.

The Company has elected the fair value option for loans held for sale. These loans are intended for sale, and the Company believes that fair value is the best indicator of the resolution of these loans. Interest income is recorded based on the contractual terms of the loan and in accordance with the Company's policy on loans held for investment. None of the loans held for sale as of December 31, 2023 were 90 days or more past due or on nonaccrual. The Company had no loans held for sale as of December 31, 2022.

Note 18 - Fair Value Measurements (Continued)

The following table sets forth the Company's assets by level within the fair value hierarchy that were measured at fair value on a nonrecurring basis at December 31, 2022:

	Assets Measured at Fair Value on a Nonrecurring Basis at December 31, 2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2022
Impaired loans	$ -	$ -	$ 587,040	$ 587,040

Loans for which it is probable that the Bank will not collect all principal and interest due according to contractual terms are measured for impairment. Allowable methods for determining the amount of impairment include estimating fair value using the fair value of the collateral for collateral-dependent loans. This method utilizes current independent appraisals or analyses to determine the market value of the collateral and then applies a discount factor to the value. Impaired loans that are collateral dependent are classified within Level 3 of the fair value hierarchy when impairment is determined using the fair value method.

Fair value measurements for impaired loans are performed pursuant to ASC 310-10, *Receivables*, and are measured on a nonrecurring basis. These impaired loans were carried at fair value, as estimated using current and prior appraisals, discounting factors, and other factors. These adjustments to the estimated fair value of impaired loans may result in increases or decreases to the provision for loan losses recorded in future earnings.

The numerical range of unobservable inputs for these Level 3 valuation assumptions is not meaningful to this presentation.

AMB Financial Corp.
Stockholder Information

Annual Meeting

Our annual meeting of stockholders will be held on April 17, 2024, at 11:00 a.m. Central time at the Company's corporate office located at 7880 Wicker Avenue, St. John, IN 46373.

Stock Listing

The Company's stock is quoted on the OTC Bulletin Board under the symbol "AMFC".

Price Range of Common Stock and Dividends

The table below shows the range of high and low sale prices and common shareholder dividends paid in 2023.

Quarter Ended	Low	High	Dividends
March 31, 2023	$20.82	$23.74	$0.05
June 30, 2023	$21.06	$22.60	$0.06
September 30, 2023	$18.89	$21.37	$0.06
December 31, 2023	$18.00	$19.93	$0.06

As of December 31, 2023, the Company had 904,276 outstanding shares of common stock.

Shareholder General Inquiries

Michael Mellon, President
AMB Financial Corp.
7880 Wicker Avenue, Suite 101
St. John, Indiana 46373
(219) 365-6700

Transfer Agent

Computershare Shareholder Services
211 Quality Circle, Suite 210
College Station TX 77845
(800) 368-5948

AMB Financial Corp.
Corporate Information

Corporate Office

AMB Financial Corp.
7880 Wicker Avenue
Suite 101
St. John, IN 46373

Telephone (219) 365-6700
Fax (219) 365-9106
Web site www.acbanker.com

Directors of the Board

Michael Mellon
Chairman of the Board
Director since 2004

Thomas Corsiglia
Director since 2007

Dana Dumezich
Director since 2019

Donald Harle
Director since 1995

Denise Knapp
Director since 2017

Michael Purcell
Director since 2012

Kenneth Reed
Director since 2017

Officers of AMB Financial Corp.

Michael Mellon
President, Chief Executive Officer

Joshua Van Kleek
Chief Financial Officer, Senior Vice President

Denise Knapp
Corporate Secretary

Mohammad Saleem
Senior Vice President

Brian Specht
Senior Vice President

Ginger Watts
Senior Vice President

Todd Williams
Senior Vice President

Independent Auditors
Plante & Moran, PLLC
10 S. Riverside Plaza, 9^{th} Floor
Chicago, IL 60606

Corporate Counsel / Local
Abrahamson, Reed & Bilse
8230 Hohman Ave.
Munster, IN 46321

Corporate Counsel / Washington DC
Luse Gorman, PC
5335 Wisconsin Avenue, N.W.
Suite 780
Washington, D.C. 20015

Annual and Other Reports

The Company’s reports, including additional information regarding 2023, are posted on its website at https://www.acbanker.com.

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AMB
FINANCIAL CORP.

7880 Wicker Avenue | St. John, Indiana 46373 | (219) 365-6700