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

Financial Report
For the Three Months Ended
March 31, 2023

Note: This report is intended to be read in conjunction with our Annual Report to Stockholders for the year ended December 31, 2022, copies of which are included on this website. This report is dated March 31, 2023 and should not be read to cover any subsequent periods. We specifically disclaim any obligation to update this report even if the contents thereof should become misleading.

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

AMB FINANCIAL CORP.
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AMB Financial Corp. and Subsidiaries
Consolidated Balance Sheets

	March 31, 2023 (unaudited)	December 31, 2022 (audited)
Assets		
Cash and amounts due from depository institutions	$ 2,797,853	$ 2,177,520
Interest-bearing deposits	20,059,883	25,938,760
Total cash and cash equivalents	22,857,736	28,116,280
Investment Securities, available for sale, at fair value	15,720,607	14,425,364
Stock in Federal Home Loan Bank of Indianapolis, at cost	3,094,600	2,683,000
Loans held for sale	1,404,000	-
Loans receivable (net of allowance for loan losses) $2,954,798 at March 31, 2023 and $2,658,879 at December 31, 2022)	265,701,834	263,711,885
Accrued interest receivable	1,187,622	1,138,534
Office properties and equipment- net	9,523,810	9,565,585
Bank owned life insurance	3,012,376	2,997,609
Prepaid expenses and other assets (Restated)	2,193,884	2,180,836
Total assets (Restated)	$ 324,696,469	$ 324,819,093
Liabilities and Stockholders' Equity		
Liabilities		
Deposits	$ 281,111,624	$ 291,735,883
Borrowed money	10,000,000	-
Junior subordinated debentures	3,093,000	3,093,000
Other liabilities (restated)	3,084,759	2,812,809
Total liabilities (Restated)	$ 297,289,383	$ 297,641,692
Stockholders' Equity		
Common Stock, $.01 par value; authorized 1,900,000 shares; 1,683,641 shares issued and 901,065 outstanding at March 31, 2023 and 916,065 outstanding at December 31, 2022	$ 16,837	$ 16,837
Additional paid-in capital	11,906,998	11,878,666
Retained earnings (Restated)	25,872,371	25,632,641
Accumulated other comprehensive income (loss), net of tax	(902,835)	(1,201,209)
Treasury stock, at cost (782,576 shares outstanding at March 31, 2023 and 767,576 shares outstanding at December 31, 2022)	(9,486,285)	(9,149,534)
Total stockholders' equity (Restated)	$ 27,407,086	$ 27,177,401
Total liabilities and stockholders' equity (Restated)	$ 324,696,469	$ 324,819,093

See accompanying notes to audited consolidated financial statements.

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

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Interest income		
Interest on Loans	3,566,690	2,400,570
Interest on other securities	96,364	40,711
Interest on interest-bearing deposits	241,343	25,172
Dividends on Federal Home Loan Bank stock	45,055	20,369
Total interest income	$ 3,949,452	$ 2,486,822
Interest expense		
Interest on deposits	$ 1,186,741	$ 201,365
Interest on borrowings	52,376	50,931
Total interest expense	$ 1,239,117	$ 252,296
Net interest income	$ 2,710,335	$ 2,234,526
Provision for loan losses	(8,134)	-
Net interest income after provision for loan losses	$ 2,718,469	$ 2,234,526
Non-interest income:		
Loan fees and service charges	$ 175,489	$ 144,662
Deposit related fees	98,233	78,579
Other fee income	20,755	6,308
Rental Income	79,989	103,715
Gain on sale of loans	60,513	73,229
Net loss on sale of other real estate owned	-	(3,341)
Increase in cash surrender value of life insurance	14,767	18,037
Other income	89,878	13,916
Total non-interest income	$ 539,624	$ 435,105
Non-interest expense:		
Staffing costs	$ 1,258,346	$ 1,133,135
Advertising	81,322	43,933
Occupancy and equipment expense	255,776	249,663
Data processing	263,580	256,415
Professional fees	56,599	35,923
Federal deposit insurance premiums	73,774	36,893
Insurance expense	16,674	25,094
Other operating expenses	182,195	181,648
Total non-interest expense	$ 2,188,266	$ 1,962,704
Income before income taxes	$ 1,069,827	$ 706,927
Income tax expense	267,554	171,739
Net income available to common shareholders	$ 802,273	$ 535,188
Earnings per common share:		
Basic	$ 0.88	$ 0.58
Diluted	$ 0.87	$ 0.58

See accompanying notes to audited consolidated financial statements.

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

	Three Months Ended March 31,	
	2023	2022
Net income	$ 802,273	$ 535,188
Other comprehensive gain (loss) income, net of tax:		
Unrealized gains on securities		
available for sale--		
Unrealized holding gain (loss) arising during the period	298,374	(407,270)
Other comprehensive income (loss), net of tax	298,374	(407,270)
Total comprehensive income	$ 1,100,647	$ 127,918

See accompanying notes to audited consolidated financial statements.

AMB Financial Corp. and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity
For the Three Months Ended March 31, 2023 and 2022
(unaudited)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at December 31, 2021	$ 16,837	$11,753,929	$22,595,100	$ 15,984	$ (8,963,685)	$25,418,165
Net income			535,188			535,188
Other comprehensive income - Net				(407,270)		(407,270)
Stock-based compensation expense		29,884				29,884
Balance at March 31, 2022	$ 16,837	$11,783,813	$23,130,288	$ (391,286)	$ (8,963,685)	$25,575,967
Balance at December 31, 2022	$ 16,837	$11,878,666	$25,632,641	$ (1,201,209)	$ (9,149,534)	$27,177,401
Net income			802,273			802,273
Other comprehensive loss, Net				298,374		298,374
Stock-based compensation expense		28,332				28,332
CECL implementation, Net (Restated)			(516,934)			(516,934)
Cash dividends declared on common shares ($0.05 per share)			(45,609)			(45,609)
Repurchase of 15,000 common shares retired as Treasury stock					(336,751)	(336,751)
Balance at March 31, 2023 (Restated)	$ 16,837	$11,906,998	$25,872,371	$ (902,835)	$ (9,486,285)	$27,407,086

See accompanying notes to audited consolidated financial statements.

AMB Financial Corp. and Subsidiaries

Consolidated Statements of Cash Flows

(unaudited)

	Three Months Ended March 31, 2023	2022
	(unaudited)	
Cash flows from operating activities:		
Net income	$ 802,273	$ 535,188
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	122,014	115,537
Amortization of premiums and accretion of discounts	53,743	29,824
Proceeds from sale of loans originated for sale	5,744,768	9,484,496
Loans originated for sale	(5,709,074)	(9,442,100)
Gain on sale of loans	(60,513)	(73,229)
Loss on sale of other real estate owned	-	3,341
Provision for loan losses	(8,134)	-
Stock based compensation expense	28,333	29,884
Net change in:		
Cash surrender value of life insurance	(14,767)	(18,037)
Net deferred loan fees	(15,737)	(28,077)
Prepaid and deferred income taxes (Restated)	124,727	51,147
Accrued interest receivable	(49,088)	27,376
Other assets (Restated)	(131,190)	14,580
Other liabilites (Restated)	326,109	(315,388)
Net cash provided by (for) operating activities (Restated)	1,213,464	414,542
Cash flows from investing activities:		
Proceeds from the repayment of investment securities	477,183	464,505
Purchase of securities	(1,563,720)	(1,515,991)
Net increase in loans	(3,370,078)	639,344
Proceeds from sale of other real estate owned	-	14,709
Property and equipment expenditures, net	(80,239)	(32,877)
(Redemption) Purchase of Federal Home Loan Bank stock	(411,600)	10,400
Net cash used for investing activities	(4,948,454)	(419,910)
Cash flows from financing activities:		
Net (decrease) increase in deposits	(10,890,994)	22,735,860
Proceeds from borrowed funds	10,000,000	-
Net increase in advance payments by borrowers for taxes and insurance	266,735	275,853
Dividends paid on common stock	(45,609)	-
Other equity adjustments (Restated)	(516,935)	-
Share repurchase program common stock	(336,751)	-
Net cash provided by financing activities (Restated)	(1,523,554)	23,011,713
Net change in cash and cash equivalents	(5,258,544)	23,006,345
Cash and cash equivalents at beginning of period	28,116,280	45,758,366
Cash and cash equivalents at end of period	$ 22,857,736	$ 68,764,711
Supplemental disclosure of cash flow information:		
Interest paid	$ 1,289,959	$ 251,456
Income taxes paid	240,000	-

See accompanying notes to audited consolidated financial statements.

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

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Net income available to common shareholders	$ 802,273	$ 535,188
Weighted average common shares outstanding for basic computation	910,732	923,053
Basic income per common share	$ 0.88	$ 0.58
Weighted average common shares outstanding for basic computation	910,732	923,053
Common stock equivalents due to dilutive effect of restricted stock	6,411	6,242
Weighted average common shares and equivalents outstanding for diluted computation	917,143	929,295
Diluted income per common share	$ 0.87	$ 0.58

AMB Financial Corp
And Subsidiaries

Status as Non-Reporting Company. We are not subject to the reporting requirements of Section 13 of the Securities Exchange Act of 1934 and accordingly this report has not been prepared in accordance with applicable Securities Exchange Commission rules. This report is intended to cover the three month period ended March 31, 2023 and should not be read to cover any other periods.

Notes to Consolidated Financial Statements. The accompanying unaudited consolidated financial statements have been prepared based on accounting principles generally accepted in the United States of America and in the opinion of management contain all adjustments (all of which are normal and recurring in nature) necessary for a fair presentation. The results of operations for the three months ended March 31, 2023 are not necessarily indicative of the results expected for the year ending December 31, 2023. The March 31, 2023 consolidated financial statements should be read in conjunction with the consolidated financial statements and notes for the year ended December 31, 2022 included in the Company's Annual Report. The Company's consolidated statement of condition as of December 31, 2022 has been derived from the Company's audited consolidated statement of condition as of that date.

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

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

Earnings per Share. Earnings per share for the three month periods ended March 31, 2023 and 2022 were determined by dividing net income available to common shareholders for the periods by the weighted average number of both basic and diluted shares of common stock, as well as common stock equivalents outstanding.

Reclassifications. Certain 2022 items or amounts may have been reclassified or restated to conform to the 2023 presentation.

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

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

- The current condition of the United States economy in general and in our local economy (including unemployment) in which we conduct operations;
- the effects of, and changes in, trade, monetary and fiscal policies, and laws, including interest rate policies of the Federal Reserve Board and the United States Treasury (“UST”);
- our ability to manage and reduce our non-performing assets;
- our ability to repay our holding company debt, including our $3 million of trust preferred stock, when due;
- the impact of new laws and regulations on financial institutions, the lending market, and our regulatory agencies;
- the impact of new regulations imposed by the Federal Reserve System, the Federal Deposit Insurance Corporation (“FDIC”) and the State of Indiana Department of Financial Institutions;
- future deposit premium levels;
- future loan underwriting and consumer protection requirements including those issued by the Consumer Financial Protection Bureau;
- inflation, interest rate, market and monetary fluctuations and its impact on our interest rate sensitive balance sheet;
- the future financial strength, dividend level and activities of the FHLB of Indianapolis in which we own stock and from which we borrow money;
- the timely development of and acceptance of our new products and services and the perceived overall value of these products and services by users, including the features, pricing and quality thereof compared to competitors’ products and services;
- the willingness of users to substitute our products and services for products and services of our competitors;
- our ability to reinvest our cash flows in today’s interest rate environment;
- our success in gaining regulatory approval of our products and services, when required;
- the impact of changes in financial services’ laws and regulations (including laws concerning taxes, banking, securities, and insurance);
- the impact of technological changes;
- competition from other financial service providers in the Company’s market area;
- the success of our executives in managing our business operations;
- the success of our loan restructuring and work out arrangements;
- our ability to accurately estimate the value of our assets and the appropriate level of our allowance for loan losses;
- future changes in consumer spending and saving habits;
- our ability to lease space in our branch facilities when vacancies occur; and
- the future impacts of the COVID-19 pandemic on the global economy and the Company’s business, results of operations and financial condition.

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

Financial Condition. Total assets of the Company were $324.7 million on March 31, 2023, a decrease of $0.1 million, from $324.8 million on December 31, 2022.

Cash and cash equivalents, which consist primarily of interest-earning deposits, totaled $22.8 million on March 31, 2023, a decrease of $5.3 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, increased $1.3 million to $15.7 million on March 31, 2023, from $14.4 million on December 31, 2022. The increase was the result of new purchases of $1.6 million, offset, in part, by repayments of $0.5 million. The Company recorded an unrealized loss on available for sale investment securities of $1.2 million on March 31, 2023 compared to a $1.5 million unrealized loss on December 31, 2022. The change was due to a decrease in market interest 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 $3.1 million investment in stock of the FHLBI on March 31, 2023, a $0.4 million 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 $265.7 million on March 31, 2023, a $2.0 million increase from the $263.7 million balance on December 31, 2022. Loans held for sale totaled $1.4 million on March 31, 2023, a $1.4 million increase from the $0 balance on December 31, 2022. The Company originated $5.7 million of loans held for sale which were subsequently sold during the three month period ended March 31, 2023, as compared to $9.4 million during the prior year period. The decrease in loan sales is primarily due to the increase in loan interest rates which has reduced refinancing activity. Loans originated for sale are fixed-rate, single-family mortgage loans, which are sold to manage interest rate risk and generate fee income.

On January 1, 2023, the Company adopted ASU 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASC 326). This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities, and some off -balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses.

In addition, CECL made changes to the accounting for available for sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available for sale debt securities if management does not intend to sell and does not believe that it is more likely than not, they will be required to sell.

The Company adopted ASC 326 and all related subsequent amendments effective January 1, 2023 for all financial assets measured at amortized cost and off-balance sheet credit exposures. The transition adjustment upon the adoption of CECL on January 1, 2023 included an increase in the allowance for credit losses on loans of $272,000, which is presented as a reduction to net loans outstanding, and an increase in the allowance for credit losses on unfunded loan commitments of $415,000, which is recorded within other liabilities. The Company recorded a net decrease to retained earnings of $517,000 as of January 1, 2023 for the cumulative effect of adopting CECL, which reflects the transition adjustments noted above, net of the applicable deferred tax assets recorded. Results for reporting periods beginning after January 1, 2023 are presented under CECL while prior period amounts continue to be reported in accordance with previously applicable accounting standards.

The Company adopted ASC 326 for debt securities for which other-than-temporary impairment had been recognized prior to January 1, 2023. As of December 31, 2022, the Company did not have any other-than-temporarily impaired investment securities. Therefore, upon adoption of ASC 326, the Company determined that an allowance for credit losses on available for sale securities was not required.

The Company elected not to measure an allowance for credit losses for accrued interest receivable and instead elected to reverse interest income on loans or securities that are placed on nonaccrual status, which is generally when the instrument is 90 days past due, or earlier if the Company believes the collection of interest is doubtful. The Company has concluded that this policy results in the timely reversal of uncollectible interest.

The allowance for credit losses is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Accrued interest receivable is excluded from the estimate of credit losses.

The allowance for credit losses represents management's estimate of lifetime credit losses inherent in loans as of the balance sheet date. The allowance for credit losses is estimated by management using relevant available information, from both internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts.

The Company's loan loss estimation process includes procedures to appropriately consider the unique characteristics of its loan segments (real estate construction and land, real estate commercial, real estate residential, other commercial and other consumer loans). Credit loss assumptions are estimated using the SCALE methodology which was developed by the Federal Reserve to assist smaller community banks in calculating CECL compliant allowances for credit losses (ACLs) using proxy expected lifetime loss rates. This tool uses publicly available data from Schedule RI-C of the Call Report to derive the initial proxy expected lifetime loss rates. When using the SCALE method, certain qualitative factors are inherently built into the ACL lifetime loss rates of peer banks. As such, it is important to consider how such qualitative factors may be unique to the Company, so as not to double count these factors. The Company must use judgment to further adjust the proxy expected lifetime loss rates to reflect bank-specific facts and circumstances to arrive at their final ACLs estimate that adequately reflects their loss history and the credit risk in their portfolio.

The Company selected the SCALE method due to its asset size of less than $1 billion, the SCALE model is less complex than other models and the use of peer group data which will more accurately reflect ACL needs. The SCALE model is appropriate for the bank's size and the nature, scope, and risk of its lending and investing activities.

The allowance for credit losses totaled $2,954,798 on March 31, 2023, representing a $296,000 increase as compared to December 31, 2022. This ACL increase consisted of the initial CECL adoption of $272,000, recoveries during the current period totaling $32,000 and the March 31, 2023 CECL calculation which resulted in a negative provision of $8,000. The Bank's allowance for loan losses to total loans was 1.10% on March 31, 2023 as compared to 1.00% on December 31, 2022. Management believes that the allowance for credit losses is adequate to meet probable incurred loan losses in the portfolio. While management uses available information to recognize losses on loans, future additions to the ACL may be necessary based on changes in peer group information and loan portfolio conditions. In addition, both the FDIC and the Indiana Department of Financial Institutions, as an integral part of their examination process, will periodically review the Bank's ACL and may require the Bank to recognize additions to the ACL based upon their judgments about information available to them at the time of their examination.

The Company also adopted ASU 2022-02, "Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures" on January 1, 2023, the effective date of the guidance, on a prospective basis. ASU 2022-02 eliminated the accounting guidance for TDRs, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty.

The following table sets forth the activity in the ACL for the three months ended March 31, 2023 and 2022.

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Balance at beginning of period:	$2,658,879	$2,570,000
Charge-offs:		
Real Estate Construction / Land	-	-
Real Estate Commercial	-	-
Real Estate Residential	-	-
Non Real Estate Commercial	-	-
Other Consumer	-	-
Total charge-offs	-	-
Recoveries:		
Charge-offs:		
Real Estate Construction / Land	-	-
Real Estate Commercial	-	-
Real Estate Residential	32,054	17,084
Non Real Estate Commercial	-	-
Other Consumer	-	-
Total recoveries	32,054	17,084
Net recoveries (charge-offs)	32,054	17,084
Provisions for credit losses	263,815	-
Balance at end of period	$ 2,954,748	$ 2,587,084
Ratio of net recoveries during the period to average gross loans outstanding during the period	0.01%	0.01%
Ratio of net recoveries during the period to average non-performing loans during the period	6.20%	3.92%

Loans receivable are summarized as follows at the dates indicated:

	March 31, 2023	December 31, 2022
Mortgage loans:		
Real Estate Construction / Land	$ 31,697,341	$ 37,241,343
Real Estate Commercial	106,726,869	101,123,587
Real Estate Residential	89,792,077	89,220,708
Other Commercial	39,209,573	37,836,309
Other Consumer	1,230,722	948,817
Total loans	268,656,582	266,370,764
Less:		
Allowance for credit losses (ACL)	2,954,748	2,658,879
Loans receivable, net	$ 265,701,834	$ 263,711,885
ACL as a percentage of loans	1.10%	1.00%

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

	March 31, 2023	December 31, 2022
Substandard non-accruing loans:		
Real Estate Construction / Land	$ -	$ -
Real Estate Commercial	231,469	-
Real Estate Residential	398,524	$ 403,691
Non Real Estate Commercial	-	-
Other Consumer	-	-
Total substandard non-accruing loans	$ 629,993	$ 403,691
Total loans receivable	$ 268,656,582	$ 266,370,764
Total non-accrual / loans receivable	0.23%	0.15%
Total classified loans	$ 629,993	$ 403,691
Total loans receivable	$ 268,656,582	$ 266,370,764
Total classified loans / loans receivable	0.23%	0.15%
Total classified assets	$ 629,993	$ 403,691
Total assets (Restated)	$ 324,696,469	$ 325,170,133
Total classified assets / total assets	0.19%	0.12%

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

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

	Allowance for Credit Losses					
	At March 31, 2023			At December 31, 2022		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
Real Estate Construction / Land	$ -	$ 446,850	$ 446,850	$ -	$ 366,074	$ 366,074
Real Estate Commercial	-	1,270,642	1,270,642	-	1,340,561	1,340,561
Real Estate Residential	-	856,176	856,176	24,022	536,981	561,003
Non Real Estate Commercial	-	357,877	357,877	-	385,282	385,282
Other Consumer	-	23,203	23,203	-	5,959	5,959
Total	$ -	$ 2,954,748	$ 2,954,748	$ 24,022	$ 2,634,857	$ 2,658,879

	Loan Balances					
	At March 31, 2023			At December 31, 2022		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
Real Estate Construction / Land	$ -	$ 31,697,341	$ 31,697,341	$ -	$ 37,241,343	$ 37,241,343
Real Estate Commercial	231,469	106,495,400	106,726,869	-	101,123,587	101,123,587
Real Estate Residential	398,524	89,393,553	89,792,077	611,062	88,609,646	89,220,708
Non Real Estate Commercial	-	39,209,573	39,209,573	-	37,836,309	37,836,309
Other Consumer	-	1,230,722	1,230,722	-	948,817	948,817
Total	$ 629,993	$ 268,026,589	$ 268,656,582	$ 611,062	$ 265,759,702	$ 266,370,764

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

	March 31, 2023	December 31, 2022
Period end loans with allocated allowance for credit losses	$ -	$ 207,371
Period end loans with no allocated allowance for credit losses	629,993	403,691
Total	$ 629,993	$ 611,062
Valuation reserve relating to impaired loans	$ -	$ 24,022

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

	At March 31, 2023			At December 31, 2022		
	Recorded Investment Balance	Unpaid Principal Balance	Allowance for Loan Losses Allocated	Recorded Investment Balance	Unpaid Principal Balance	Allowance for Loan Losses Allocated
With no related allowance recorded:						
Real Estate Construction / Land	$ -	$ -	$ -	$ -	$ -	$ -
Real Estate Commercial	231,469	231,722	-	-	-	-
Real Estate Residential	398,524	892,594	-	403,691	946,239	-
Non Real Estate Commercial	-	-	-	-	-	-
Other Consumer	-	-	-	-	-	-
Total with no related allowance recordec	629,993	1,124,316	-	403,691	946,239	-
With an allowance recorded:						
Real Estate Construction / Land	-	-	-	-	-	-
Real Estate Commercial	-	-	-	-	-	-
Real Estate Residential	-	-	-	207,371	216,210	24,022
Non Real Estate Commercial	-	-	-	-	-	-
Other Consumer	-	-	-	-	-	-
Total	$ 629,993	$ 1,124,316	$ -	$ 611,062	$ 1,162,449	$ 24,022

Nonaccrual loans are summarized as follows:

	March 31, 2023	December 31, 2022
Real Estate Construction / Land	$ -	$ -
Real Estate Commercial	231,469	-
Real Estate Residential	398,524	403,691
Non Real Estate Commercial	-	-
Other Consumer	-	-
Total	$ 629,993	$ 441,596

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

	March 31, 2023					
	30 - 89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Loans Not Past Due	Total	Recorded Investment > 90 Days and Accruing
Real Estate Construction / Land	$ 60,832	$ -	$ 60,832	$ 31,636,509	$ 31,697,341	$ -
Real Estate Commercial	-	637,952	637,952	106,088,917	106,726,869	406,483
Real Estate Residential	1,271,146	610,807	1,881,953	87,910,124	89,792,077	427,302
Non Real Estate Commercial	49,762	34,600	84,362	39,125,211	39,244,173	34,600
Other Consumer	47,056	-	47,056	1,183,666	1,230,722	-
Total	$ 1,428,796	$ 1,283,359	$ 2,712,155	$ 265,944,427	$ 268,691,182	$ 868,385

	December 31, 2022					
	30 - 89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Loans Not Past Due	Total	Recorded Investment > 90 Days and Accruing
Real Estate Construction / Land	$ 66,981	$ -	$ 66,981	$ 37,174,362	$ 37,241,343	$ -
Real Estate Commercial	231,444	296,386	527,830	100,595,757	101,123,587	296,386
Real Estate Residential	1,610,775	256,093	1,866,868	87,353,840	89,220,708	-
Non Real Estate Commercial	130,485	34,600	165,085	37,671,224	37,836,309	34,600
Other Consumer	56,973	-	56,973	891,844	948,817	-
Total	$ 2,096,658	$ 587,079	$ 2,683,737	$ 263,687,027	$ 266,370,764	$ 330,986

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 $226,000 to $630,000 on March 31, 2023 as compared to December 31, 2022.

Non-Performing Loans. Non-performing loans, which consist primarily of those nonaccrual loans which are past due ninety days or more as well as loans less than ninety days past due for which the collectability of principal and interest is in doubt, totaled $630,000, or 0.23% of total loans receivable at March 31, 2023, compared to $404,000, 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 March 31, 2023 and December 31, 2022.

The ratio of allowance for credit losses to classified and criticized loans was 469.0% on March 31, 2023, compared to 658.6% on December 31, 2022.

Office properties and equipment totaled $9.5 million on March 31, 2023, a $42,000 decrease from the balance on December 31, 2022. The decrease represents normal depreciation of $122,000, offset, in part, by additions totaling $80,000.

Bank owned life insurance increased $15,000 to $3.0 million on March 31, 2023. The change represents an increase in the cash surrender value of the life insurance policies. The policies were purchased in connection with deferred compensation plans utilized by directors and officers of the Company.

Prepaid expenses and other assets increased $13,000 to $2.2 million on March 31, 2023.

Total deposits decreased $10.6 million to $281.1 million on March 31, 2023. The decrease in deposits during the period was due to a $11.9 million decrease in checking deposits, a $3.4 million decrease in money market accounts and a $2.0 million decrease in passbook deposits, offset, in part, by a $6.7 million increase in certificates of deposit accounts. At March 31, 2023, the Bank's core deposits (passbook, checking and money market accounts) comprised $219.3 million, or 78.0% 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 $10.0 million on March 31, 2023 as compared to $0 million on December 31, 2022. During the current period, the Company borrowed $10.0 million from the FHLBI. At March 31, 2023, based on the level of qualifying collateral available to secure advances, the Company had an unused borrowing capacity of $60.8 million. At March 31, 2023, the Company also had available $9.0 million of unsecured overnight federal funds borrowing capability from third party sources.

The Company's trust preferred subordinated debentures remained unchanged totaling $3.1 million on March 31, 2023. The interest rate payable on the debentures adjusts quarterly to the three month LIBOR plus 1.65% and was 6.52% on March 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 $272,000 totaling $3.1 million on March 31, 2023 as compared to December 31, 2022.

Total stockholders' equity increased $230,000 to $27.4 million, or 8.44% of total assets on March 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 $0.8 million of net income for the three month period ended March 31, 2023, a $28,000 increase in paid-in-capital, cash dividends of $46,000 paid to common shareholders, a $298,000 decrease in the unrealized loss on available for sale securities, net of tax, the initial the change in accounting method regarding the CECL adoption totaling $517,000 and a $337,000 increase in treasury stock. The number of common shares outstanding on March 31, 2023 totaled 901,065 as compared to 916,065 at December 31, 2022. During the three month period ended March 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 March 31, 2023 was $30.72. 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 9.18%, 11.05%, 11.05% and 12.30%, respectively, at March 31, 2023 exceeded all regulatory requirements and categorize the Bank as well capitalized under applicable regulations.

Comparison of the Results of Operations for the Quarter Ended March 31, 2023 and March 31, 2022

General. Net income for the quarter ended March 31, 2023 was $802,000, or $0.87 per diluted common share, an increase of $267,000, compared to $535,000, or $0.58 per diluted common share, for the same period in 2022. The increase in the current quarter net income compared to the prior year quarter was the result of a $476,000 increase in net interest income, a $105,000 increase in non-interest income and a $8,000 decrease in the provision for credit losses, offset, in part, by a $226,000 increase in non-interest expense and a $96,000 increase in income tax expense.

Interest Income. Total interest income increased $1.5 million to $3.9 million for the quarter ended March 31, 2023, from the prior year quarter as the result of a $28.6 million increase in the average balance of interest-earning assets outstanding and by a 157 basis point increase in the weighted average yield on interest-earning assets to 5.13%.

Interest income on loans receivable increased $1.2 million to $3.6 million for the quarter ended March 31, 2023, as compared to the prior year quarter as the result of a $51.0 million increase in the average balance of loans outstanding and a 90 basis point increase in the average yield to 5.35%. Interest income on investment securities increased $55,000 to $96,000 for the quarter ended March 31, 2023, compared to the prior year quarter. The average outstanding balance of mortgage-backed securities increased $5.9 million, and the average yield increased 119 basis points to 2.63%. The average outstanding balance of other investment securities decreased $0.3 million, and the average yield decreased 9 basis points to 1.57%. Interest income on interest-bearing deposits increased $216,000 to $241,000 for the quarter ended March 31, 2023, compared to the prior year quarter as the result of a 412 basis point increase in the average yield to 4.32%, offset, in part, by an $28.0 million decrease in the average balance outstanding. Dividend income on FHLBI stock increased $25,000 to $45,000 for the quarter ended March 31, 2023, compared to the prior year quarter due to a $7,000 increase in the average balance outstanding and a 371 basis point increase in the average yield to 6.78%.

Interest Expense. Total interest expense increased $987,000 to $1.2 million for the quarter ended March 31, 2023, compared to the prior year quarter as the result of a $23.0 million increase in the average balance of interest-bearing liabilities outstanding and a 135 basis point increase in the average cost to 1.73%.

Interest expense on deposits increased $0.9 million to $1.2 million for the quarter ended March 31, 2023, compared to the prior year quarter as the result of a $27.7 million increase in the average balance of deposits outstanding and a 136 basis point increase in the average cost of deposits to 1.68%.

Interest expense on borrowings increased $1,000 to $52,000 for the quarter ended March 31, 2023, compared to the prior year quarter end as the result of a 365 basis point increase in the average cost to 6.20%, offset, in part, by a $4.7 million decrease in the average balance of borrowings outstanding.

Net Interest Income. As a result of the above changes in interest income and interest expense, net interest income increased $476,000 for the quarter ended March 31, 2023, compared to the prior year quarter ended September 30, 2022. The net interest rate spread increased 22 basis points to 3.40% for the quarter ended March 31, 2023, while the net interest margin, expressed as a percentage of average earning assets, increased 32 basis points to 3.51% for the quarter ended March 31, 2023.

Provision for Credit Losses. The Company recorded an $8,000 negative provision for credit losses for the quarter ended March 31, 2023 as compared to $0 for the prior year quarter. 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 loan losses after adjusting for loan charge-offs and recoveries. Loan losses are charged-off against the allowance when it is believed that the loan balance, or a portion of the loan balance, is no longer realizable by the paying capacity of the borrower based on an evaluation of available cash resources and collateral value. Recoveries of amounts previously charged-off are credited to the allowance. The Company recorded net recoveries of $32,000 for the quarter ended March 31, 2023, compared to net recoveries of $17,000 for the prior year quarter ended March 31, 2022.

Non-Interest Income. Non-interest income increased $104,000 to $0.5 million for the quarter ended March 31, 2023, compared to prior year quarter due primarily to a $31,000 increase in loan fee income, a $20,000 increase in deposit fees, a $14,000 increase in other fee income, a $3,000 decrease in losses on the sale of other real estate owned, and a $76,000 increase in other income. These increases were offset, in part, by a $24,000 decrease in rental income, a $13,000 decrease in gain on sale of loan income and a $3,000 decrease in life insurance cash value income.

Non-Interest Expense. Non-interest expense increased $226,000 to $2.2 million for the quarter ended March 31, 2023, compared to prior year quarter primarily as the result of a $125,000 increase in compensation expenses, a $38,000 increase in advertising expenses, a $6,000 increase in occupancy expenses, a $7,000 increase in data processing expenses, a $21,000 increase in professional expenses, and a $37,000 increase in FDIC insurance expenses. These increases were offset, in part, by an $8,000 decrease in other insurance expenses.

Income Taxes. The Company recorded income tax expense of $268,000 for the quarter ended March 31, 2023, resulting in an effective tax rate of 25.0%, compared to income tax expense of $172,000, for an effective income tax rate of 24.3%, for the prior year quarter. The increase in the current quarter income tax expense was impacted by a $363,000 increase in net income before income taxes as compared to the prior year's period.

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

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

Yield Analysis

(Dollars in thousands)

	Three Months Ended March 31, 2023			Three Months Ended March 31, 2022		
	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost
Assets:						
Interest-Earning Assets:						
Loans receivable	$267,513	$3,567	5.35%	$216,517	$2,401	4.45%
Investment securities	2,977	11	1.57	3,272	12	1.66
Mortgage-backed securities	12,898	85	2.63	7,015	29	1.44
Interest-bearing deposits	22,639	241	4.32	50,593	25	0.20
FHLBI stock	2,697	45	6.78	2,690	20	3.07
Total interest-earning assets	308,724	3,949	5.13	280,087	2,487	3.56
Non interest-earning assets (Restated)	14,421			16,230		
Total assets (Restated)	323,145			296,317		
Liabilities and Stockholders' Equity:						
Interest-Bearing Liabilities:						
Passbook accounts	36,040	4	0.05%	38,447	5	0.05%
Demand accounts	191,651	886	1.87	162,176	87	0.22
Certificate accounts	59,073	297	2.04	58,473	109	0.76
Total deposits	286,764	1,187	1.68	259,096	201	0.32
Borrowings	3,426	52	6.20	8,093	51	2.55
Total interest-bearing liabilities	290,190	1,239	1.73	267,189	252	0.38
Non-interest-bearing liabilities (Restated)	5,627			3,625		
Total liabilities (Restated)	295,817			270,814		
Stockholders' equity (Restated)	27,328			25,503		
Total liabilities & stockholder equity (Restated)	$323,145			$296,317		
Net interest income / interest rate spread		$2,710	3.40%		$2,235	3.18%
Net interest margin			3.51%			3.19%

Capital Standards.

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

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

This final rule became effective for the Bank on January 1, 2016 and continues to maintain the exemption of consolidated capital requirements for bank holding companies, such as the Company.

At March 31, 2023, the Bank was in compliance with all of its capital requirements as follows:

Well Capitalized Capital Requirement:	3/31/2023 Amount	3/31/2023 Percent of Average Assets
Tier 1 Leverage Ratio:		
Average Total Assets (Restated)	$ 322,995,000	
Common Equity Tier 1 Capital (Restated)	$ 29,637,000	9.18%
Common Equity Tier 1 Capital Requirement (Restated)	16,149,750	5.00%
Excess (Restated)	$ 13,487,250	4.18%
Risk-Based Common Equity Tier 1 Capital Ratio:		
Risk-Weighted Assets (Restated)	$ 268,134,000	
Common Equity Tier 1 Capital (Restated)	$ 29,637,000	11.05%
Common Equity Tier 1 Capital Requirement (restated)	17,428,710	6.50%
Excess (Restated)	$ 12,208,290	4.55%
Risk-Based Tier 1 Capital Ratio:		
Risk-Weighted Assets (Restated)	$ 268,134,000	
Common Equity Tier 1 Capital (Restated)	$ 29,637,000	11.05%
Common Equity Tier 1 Capital Requirement (Restated)	21,450,720	8.00%
Excess (Restated)	$ 8,186,280	3.05%
Risk-Based Total Capital Ratio:		
Risk-Weighted Assets (Restated)	$ 268,134,000	
Common Equity Tier 1 Capital (Restated)	$ 29,637,000	
Includable Allowance for Loan Losses (Restated)	3,351,000	
Total Tier 2 Risk-Based Capital (Restated)	$ 32,988,000	12.30%
Total Risk-Based Capital Requirement (Restated)	26,813,400	10.00%
Excess (Restated)	$ 6,174,600	2.30%
Capital Conservation Buffer - Actual (Restated)		4.30%
Capital Conservation Buffer - Required		2.50%

Legal Proceedings. On March 31, 2023, we were not involved in any legal proceedings or lawsuits that are not routine and incidental to our business.