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

Financial Report
For the Three and Nine Months Ended
September 30, 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 September 30, 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.

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AMB Financial Corp. and Subsidiaries
Consolidated Balance Sheets

Assets	September 30, 2023 (unaudited)	December 31, 2022 (audited)
Cash and amounts due from depository institutions	$ 1,972,468	$ 2,177,520
Interest-bearing deposits	21,416,367	25,938,760
Total cash and cash equivalents	23,388,835	28,116,280
Investment Securities, available for sale, at fair value	13,866,912	14,425,364
Stock in Federal Home Loan Bank of Indianapolis, at cost	3,006,100	2,683,000
Loans held for sale	-	-
Loans receivable (net of allowance for loan losses) $3,104,486 at September 30, 2023 and $2,658,879 at December 31, 2022)	278,397,438	263,711,885
Accrued interest receivable	1,296,213	1,138,534
Office properties and equipment- net	9,534,514	9,565,585
Bank owned life insurance	3,041,195	2,997,609
Prepaid expenses and other assets	2,195,058	2,180,836
Total assets	$ 334,726,265	$ 324,819,093
Liabilities and Stockholders' Equity		
Liabilities		
Deposits	$ 293,792,090	$ 291,735,883
Borrowed money	7,000,000	-
Junior subordinated debentures	3,093,000	3,093,000
Other liabilities	3,068,900	2,812,809
Total liabilities	$ 306,953,990	$ 297,641,692
Stockholders' Equity		
Common Stock, $.01 par value; authorized 1,900,000 shares; 1,683,641 shares issued and 904,276 outstanding at September 30, 2023 and 916,065 outstanding at December 31, 2022	$ 16,837	$ 16,837
Additional paid-in capital	11,920,338	11,878,666
Retained earnings	26,708,694	25,632,641
Accumulated other comprehensive income (loss), net of tax	(1,426,227)	(1,201,209)
Treasury stock, at cost (779,365 shares outstanding at September 30, 2023 and 767,576 shares outstanding at December 31, 2022)	(9,447,367)	(9,149,534)
Total stockholders' equity	$ 27,772,275	$ 27,177,401
Total liabilities and stockholders' equity	$ 334,726,265	$ 324,819,093

See accompanying notes to audited consolidated financial statements.

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

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Interest income				
Interest on Loans	$ 3,965,908	$ 3,102,160	$ 11,339,721	$ 8,098,191
Interest on other securities	100,835	71,369	302,345	162,308
Interest on interest-bearing deposits	191,950	158,176	589,541	274,322
Dividends on Federal Home Loan Bank stock	62,508	37,087	166,894	83,171
Total interest income	$ 4,321,201	$ 3,368,792	$ 12,398,501	$ 8,617,992
Interest expense				
Interest on deposits	$ 1,926,223	$ 476,043	$ 4,574,678	$ 897,888
Interest on borrowings	60,546	35,507	306,824	143,113
Total interest expense	$ 1,986,769	$ 511,550	$ 4,881,502	$ 1,041,001
Net interest income	$ 2,334,432	$ 2,857,242	$ 7,516,999	$ 7,576,991
Provision for loan losses	9,293	-	110,950	90,989
Net interest income after provision for loan losses	$ 2,325,139	$ 2,857,242	$ 7,406,049	$ 7,486,002
Non-interest income:				
Loan fees and service charges	$ 135,702	$ 166,946	$ 456,583	$ 470,761
Deposit related fees	89,976	91,897	290,583	258,187
Other fee income	11,596	16,931	55,628	39,207
Rental Income	69,938	82,553	222,000	272,645
Gain on sale of loans	84,083	20,244	282,915	196,270
Net loss on sale of other real estate owned	-	-	-	(3,341)
Increase in cash surrender value of life insurance	14,572	16,830	43,586	51,371
Other income	12,915	182,879	125,829	255,730
Total non-interest income	$ 418,782	$ 578,280	$ 1,477,124	$ 1,540,830
Non-interest expense:				
Staffing costs	$ 1,205,491	$ 1,184,903	$ 3,672,254	$ 3,473,583
Advertising	123,513	149,273	289,417	251,661
Occupancy and equipment expense	253,518	238,826	763,909	720,275
Data processing	269,433	256,472	778,246	756,948
Professional fees	71,215	88,635	194,035	234,720
Federal deposit insurance premiums	47,487	63,018	182,601	139,347
Insurance expense	25,004	24,364	65,265	72,706
Other operating expenses	142,878	191,779	584,716	583,757
Total non-interest expense	$ 2,138,539	$ 2,197,270	$ 6,530,443	$ 6,232,997
Income before income taxes	$ 605,382	$ 1,238,252	$ 2,352,730	$ 2,793,835
Income tax expense	159,534	324,938	604,669	707,922
Net income available to common shareholders	$ 445,848	$ 913,314	1,748,061	2,085,913
Earnings per common share:				
Basic	$ 0.49	$ 0.99	$ 1.93	$ 2.26
Diluted	$ 0.49	$ 0.98	$ 1.92	$ 2.24

See accompanying notes to audited consolidated financial statements.

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

	Nine Months Ended September 30, 2023	2022
Net income	$ 1,748,061	$ 2,085,913
Other comprehensive gain (loss) income, net of tax:		
Unrealized gains on securities		
available for sale--		
Unrealized holding gain (loss) arising during the period	(225,018)	(1,065,946)
Other comprehensive income (loss), net of tax	(225,018)	(1,065,946)
Total comprehensive income	$ 1,523,043	$ 1,019,967

See accompanying notes to audited consolidated financial statements.

AMB Financial Corp. and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity
For the Nine Months Ended September 30, 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			2,085,913			2,085,913
Other comprehensive income - Net				(1,065,946)		(1,065,946)
Vesting of 3,211 share of Restricted Stock - Issued from Treasury Stock		(37,922)			37,922	-
Stock-based compensation expense		129,596				129,596
Cash dividends declared on common shares ($0.10 per share)			(93,557)			(93,557)
Repurchase of 3,910 common shares retired as Treasury stock					(88,303)	(88,303)
Balance at September 30, 2022	$ 16,837	$11,845,603	$24,587,456	$ (1,049,962)	$ (9,014,066)	$26,385,868
Balance at December 31, 2022	$ 16,837	$11,878,666	$25,632,641	$ (1,201,209)	$ (9,149,534)	$27,177,401
Net income			1,748,061			1,748,061
Other comprehensive loss, Net				(225,018)		(225,018)
Vesting of 3,211 share of Restricted Stock - Issued from Treasury Stock		(38,917)			38,917	-
Stock-based compensation expense		80,589				80,589
CECL implementation, Net			(516,934)			(516,934)
Cash dividends declared on common shares ($0.18 per share)			(155,074)			(155,074)
Repurchase of 15,000 common shares retired as Treasury stock					(336,750)	(336,750)
Balance at September 30, 2023	$ 16,837	$11,920,338	$26,708,694	$ (1,426,227)	$ (9,447,367)	$27,772,275

See accompanying notes to audited consolidated financial statements.

AMB Financial Corp. and Subsidiaries

Consolidated Statements of Cash Flows

(unaudited)

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
	(unaudited)	
Cash flows from operating activities:		
Net income	$ 1,748,061	$ 2,085,913
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	369,242	348,817
Amortization of premiums and accretion of discounts	31,575	237,435
Proceeds from sale of loans originated for sale	20,066,650	16,294,152
Loans originated for sale	(19,897,574)	(16,173,479)
Gain on sale of loans	(282,915)	(196,270)
Loss on sale of other real estate owned	-	3,341
Provision for loan losses	110,950	90,989
Stock based compensation expense	80,589	129,596
Net change in:		
Cash surrender value of life insurance	(43,586)	(51,371)
Net deferred loan fees	(10,413)	1,373
Prepaid and deferred income taxes	367,084	309,575
Accrued interest receivable	(157,679)	(260,467)
Other assets	12,762	(123,415)
Other liabilites	183,471	338,416
Net cash provided by (for) operating activities	2,578,217	3,034,605
Cash flows from investing activities:		
Proceeds from the repayment of investment securities	1,657,971	1,448,442
Purchase of securities	(1,563,720)	(6,237,223)
Net increase in loans	(14,786,090)	(54,965,573)
Proceeds from sale of other real estate owned	-	14,709
Property and equipment expenditures, net	(338,171)	(468,418)
Purchase of Federal Home Loan Bank stock	(323,100)	10,400
Net cash used for investing activities	(15,353,110)	(60,197,663)
Cash flows from financing activities:		
Net increase in deposits	1,719,788	34,901,400
Net change from borrowed funds	7,000,000	(5,000,000)
Net change in advance payments by borrowers for taxes and insurance	336,418	536,217
Dividends paid on common stock	(155,074)	(93,560)
Other equity adjustments	(516,934)	-
Share repurchase program common stock	(336,750)	(88,300)
Net cash provided by financing activities	8,047,448	30,255,757
Net change in cash and cash equivalents	(4,727,445)	(26,907,301)
Cash and cash equivalents at beginning of period	28,116,280	45,758,366
Cash and cash equivalents at end of period	$ 23,388,835	$ 18,851,065
Supplemental disclosure of cash flow information:		
Interest paid	$ 4,873,939	$ 1,044,225
Income taxes paid	760,000	480,000

See accompanying notes to audited consolidated financial statements.

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

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022
Net income available to common shareholders	$ 445,848	$ 913,314
Weighted average common shares outstanding for basic computation	903,194	923,214
Basic income per common share	$ 0.49	$ 0.99
Weighted average common shares outstanding for basic computation	903,194	923,214
Common stock equivalents due to dilutive effect of restricted stock	6,634	6,028
Weighted average common shares and equivalents outstanding for diluted computation	909,828	929,242
Diluted income per common share	$ 0.49	$ 0.98

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Net income available to common shareholders	$ 1,748,061	$ 2,085,913
Weighted average common shares outstanding for basic computation	904,969	922,829
Basic income per common share	$ 1.93	$ 2.26
Weighted average common shares outstanding for basic computation	904,969	922,829
Common stock equivalents due to dilutive effect of restricted stock	6,634	6,028
Weighted average common shares and equivalents outstanding for diluted computation	911,603	928,857
Diluted income per common share	$ 1.92	$ 2.24

See accompanying notes to audited consolidated financial statements.

AMB Financial Corp
And Subsidiaries

Status as Non-Reporting Company. We are not subject to the reporting requirements of Section 13 of the Securities Exchange Act of 1934 and accordingly this report has not been prepared in accordance with applicable Securities Exchange Commission rules. This report is intended to cover the three and nine month periods ended September 30, 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 and nine months ended September 30, 2023 are not necessarily indicative of the results expected for the year ending December 31, 2023. The September 30, 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 and nine month periods ended September 30, 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 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 $334.7 million on September 30, 2023, an increase of $9.9 million, from $324.8 million on December 31, 2022.

Cash and cash equivalents, which consist primarily of interest-earning deposits, totaled $23.4 million on September 30, 2023, a decrease of $4.7 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 $0.5 million to $13.9 million on September 30, 2023, from $14.4 million on December 31, 2022. The decrease was the result of new purchases of $1.5 million, offset, in part, by repayments of $1.7 million. The Company recorded an unrealized loss on available for sale investment securities of $1.9 million on September 30, 2023 compared to a $1.5 million unrealized loss on December 31, 2022. 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 $3.0 million investment in stock of the FHLBI on September 30, 2023, a $0.3 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 $278.4 million on September 30, 2023, a $14.7 million increase from the $263.7 million balance on December 31, 2022. The Company originated $19.9 million of loans held for sale which were subsequently sold during the nine month period ended September 30, 2023, as compared to $16.2 million during the prior year period. Loans originated for sale are fixed-rate, single-family mortgage loans, which are sold to manage interest rate risk and generate fee income.

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 $3,104,000 on September 30, 2023, representing a $446,000 increase as compared to December 31, 2022. This ACL increase consisted of the initial CECL adoption of $272,000, net recoveries during the current period totaling $63,000 and subsequent 2023 CECL calculations which resulted in a provision of $111,000. The Bank's allowance for loan losses to total loans was 1.10% on September 30, 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 nine months ended September 30, 2023 and 2022.

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Balance at beginning of period:	$2,658,879	$2,570,000
Charge-offs:		
Real Estate Construction / Land	-	-
Real Estate Commercial	(2,860)	-
Real Estate Residential	-	-
Non Real Estate Commercial	-	-
Other Consumer	(2,592)	-
Total charge-offs	(5,452)	-
Recoveries:		
Charge-offs:		
Real Estate Construction / Land	-	-
Real Estate Commercial	-	-
Real Estate Residential	68,160	81,979
Non Real Estate Commercial	-	-
Other Consumer	-	-
Total recoveries	68,160	81,979
Net recoveries	62,708	81,979
CECL Implementation	271,949	-
Provisions for credit losses	110,950	90,989
Balance at end of period	$ 3,104,486	$ 2,742,968
Ratio of net recoveries during the period to average gross loans outstanding during the period	0.02%	0.03%
Ratio of net recoveries during the period to average non-performing loans during the period	6.32%	19.30%

Loans receivable are summarized as follows at the dates indicated:

	September 30, 2023	December 31, 2022
Mortgage loans:		
Real Estate Construction / Land	$ 33,066,403	$ 37,241,343
Real Estate Commercial	115,926,663	101,123,587
Real Estate Residential	93,062,257	89,220,708
Other Commercial	38,121,606	37,836,309
Other Consumer	1,324,995	948,817
Total loans	281,501,924	266,370,764
Less:		
Allowance for credit losses (ACL)	3,104,486	2,658,879
Loans receivable, net	$ 278,397,438	$ 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.

	September 30, 2023	December 31, 2022
Substandard non-accruing loans:		
Real Estate Construction / Land	$ -	$ -
Real Estate Commercial	527,905	-
Real Estate Residential	827,487	$ 403,691
Non Real Estate Commercial	-	-
Other Consumer	-	-
Total substandard non-accruing loans	$ 1,355,392	$ 403,691
Total loans receivable	$ 281,501,924	$ 266,370,764
Total non-accrual / loans receivable	0.48%	0.15%
Total classified loans	$ 1,355,392	$ 403,691
Total loans receivable	$ 281,501,924	$ 266,370,764
Total classified loans / loans receivable	0.48%	0.15%
Total classified assets	$ 1,355,392	$ 403,691
Total assets	$ 334,726,265	$ 325,170,133
Total classified assets / total assets	0.40%	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 September 30, 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	$ -	$ 491,361	$ 491,361	$ -	$ 366,074	$ 366,074
Real Estate Commercial	-	1,419,689	1,419,689	-	1,340,561	1,340,561
Real Estate Residential	-	835,414	835,414	24,022	536,981	561,003
Non Real Estate Commercial	-	332,106	332,106	-	385,282	385,282
Other Consumer	-	25,916	25,916	-	5,959	5,959
Total	$ -	$ 3,104,486	$ 3,104,486	$ 24,022	$ 2,634,857	$ 2,658,879

	Loan Balances					
	At September 30, 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	$ -	$ 33,066,403	$ 33,066,403	$ -	$ 37,241,343	$ 37,241,343
Real Estate Commercial	527,905	115,398,758	115,926,663	-	101,123,587	101,123,587
Real Estate Residential	827,487	92,234,770	93,062,257	611,062	88,609,646	89,220,708
Non Real Estate Commercial	-	38,121,606	38,121,606	-	37,836,309	37,836,309
Other Consumer	-	1,324,995	1,324,995	-	948,817	948,817
Total	$ 1,355,392	$ 280,146,532	$ 281,501,924	$ 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:

	September 30, 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	1,355,392	403,691
Total	$ 1,355,392	$ 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 September 30, 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	527,905	528,108	-	-	-	-
Real Estate Residential	827,487	1,305,882	-	403,691	946,239	-
Non Real Estate Commercial	-	-	-	-	-	-
Other Consumer	-	-	-	-	-	-
Total with no related allowance recordec	1,355,392	1,833,990	-	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	$ 1,355,392	$ 1,833,990	$ -	$ 611,062	$ 1,162,449	$ 24,022

Nonaccrual loans are summarized as follows:

	September 30, 2023	December 31, 2022
Real Estate Construction / Land	$ -	$ -
Real Estate Commercial	527,905	-
Real Estate Residential	827,487	403,691
Non Real Estate Commercial	-	-
Other Consumer	-	-
Total	$ 1,355,392	$ 441,596

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

	September 30, 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	$ -	$ 267,451	$ 267,451	$ 32,798,952	$ 33,066,403	$ 267,451
Real Estate Commercial	175,039	527,905	702,944	115,223,719	115,926,663	-
Real Estate Residential	437,371	788,612	1,225,983	91,836,274	93,062,257	85,026
Non Real Estate Commercial	70,647	34,600	105,247	38,016,359	38,121,606	34,600
Other Consumer	67,891	-	67,891	1,257,104	1,324,995	-
Total	$ 750,948	$ 1,618,568	$ 2,369,516	$ 279,132,408	$ 281,501,924	$ 387,077

	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 $1.0 million to $1.4 million on September 30, 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 $1.4 million, or 0.48% of total loans receivable at September 30, 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 September 30, 2023 and December 31, 2022.

The ratio of allowance for credit losses to classified and criticized loans was 229.1% on September 30, 2023, compared to 658.6% on December 31, 2022.

Office properties and equipment totaled $9.5 million on September 30, 2023, a $31,000 decrease from the balance on December 31, 2022. The decrease represents depreciation expense of $369,000, offset, in part, by additions totaling $338,000.

Bank owned life insurance increased $44,000 to $3.0 million on September 30, 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 $14,000 to $2.2 million on September 30, 2023.

Total deposits increased $2.1 million to $293.8 million on September 30, 2023. The increase in deposits during the period was due to a $18.2 million increase in certificates of deposit accounts, offset, in part, by $0.4 million decrease in checking deposits, a $7.5 million decrease in money market accounts and an $8.2 million decrease in passbook deposits. At September 30, 2023, the Bank's core deposits (passbook, checking and money market accounts) comprised $220.4 million, or 75.0% 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 $7.0 million on September 30, 2023 as compared to $0 million on December 31, 2022. At September 30, 2023, based on the level of qualifying collateral available to secure advances, the Company had an unused borrowing capacity of $77.0 million at the FHLBI. At September 30, 2023, the Company also had available $4.0 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 September 30, 2023. The interest rate payable on the debentures adjusts quarterly to the three month SOFR plus 0.26% and was 7.32% on September 30, 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 $256,000 totaling $3.1 million on September 30, 2023 as compared to December 31, 2022.

Total stockholders' equity increased $595,000 to $27.8 million, or 8.30% of total assets on September 30, 2023, compared to $27.2 million, or 8.37% of total assets, on December 31, 2022. The increase in stockholders' equity was attributable to $1.7 million of net income for the nine month period ended September 30, 2023, an $81,000 increase in paid-in-capital, cash dividends of $155,000 paid to common shareholders, a $225,000 increase 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 $336,000 increase in treasury stock. The number of common shares outstanding on September 30, 2023 totaled 904,276 as compared to 916,065 at December 31, 2022. During the nine month period ended September 30, 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 September 30, 2023 was $30.71. 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 9.39%, 11.07%, 11.07% and 12.32%, respectively, at September 30, 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 September 30, 2023 and September 30, 2022

General. Net income for the quarter ended September 30, 2023 was $446,000, or $0.49 per diluted common share, a decrease of $467,000, compared to $913,000, or $0.98 per diluted common share, for the same period in 2022. The decrease in the current quarter net income compared to the prior year quarter was the result of a $523,000 decrease in net interest income, a $9,000 increase in the provision for credit losses and a $159,000 decrease in non-interest income, offset, in part, by a $59,000 decrease in non-interest expense and a $165,000 decrease in income tax expense.

Interest Income. Total interest income increased $0.9 million to $4.3 million for the quarter ended September 30, 2023, from the prior year quarter as the result of a $5.8 million increase in the average balance of interest-earning assets outstanding and a 113 basis point increase in the weighted average yield on interest-earning assets to 5.50%.

Interest income on loans receivable increased $0.9 million to $4.0 million for the quarter ended September 30, 2023, as compared to the prior year quarter as the result of an $18.8 million increase in the average balance of loans outstanding and a 92 basis point increase in the average yield to 5.68%. Interest income on investment securities increased $29,000 to $101,000 for the quarter ended September 30, 2023, compared to the prior year quarter. The average outstanding balance of mortgage-backed securities increased $2.1 million, and the average yield increased 56 basis points to 2.80%. The average outstanding balance of other investment securities decreased $26,000, and the average yield remained unchanged at 1.56%. Interest income on interest-bearing deposits increased $34,000 to $192,000 for the quarter ended September 30, 2023, compared to the prior year quarter as the result of a 282 basis point increase in the average yield to 4.81%, offset, in part, by a $15.7 million decrease in the average balance outstanding. Dividend income on FHLBI stock increased $25,000 to $62,000 for the quarter ended September 30, 2023, compared to the prior year quarter due to a $711,000 increase in the average balance outstanding and a 183 basis point increase in the average yield to 7.31%.

Interest Expense. Total interest expense increased $1.5 million to $2.0 million for the quarter ended September 30, 2023, compared to the prior year quarter as the result of a $2.2 million increase in the average balance of interest-bearing liabilities outstanding and a 198 basis point increase in the average cost to 2.67%.

Interest expense on deposits increased $1.4 million to $1.9 million for the quarter ended September 30, 2023, compared to the prior year quarter as the result of a $2.6 million increase in the average balance of deposits outstanding and a 197 basis point increase in the average cost of deposits to 2.62%.

Interest expense on borrowings increased $25,000 to $61,000 for the quarter ended September 30, 2023, compared to the prior year quarter as the result of a 311 basis point increase in the average cost to 6.70%, offset, in part, by a $1.3 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 $523,000 for the quarter ended September 30, 2023, compared to the prior year quarter. The net interest rate spread decreased 85 basis points to 2.83% for the quarter ended September 30, 2023, while the net interest margin, expressed as a percentage of average earning assets, decreased 74 basis points to 2.97% for the quarter ended September 30, 2023.

Provision for Credit Losses. The Company recorded a $9,000 provision for credit losses for the quarter ended September 30, 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 $19,000 for the quarter ended September 30, 2023, compared to net recoveries of $18,000 for the prior year quarter ended September 30, 2022.

Non-Interest Income. Non-interest income decreased $159,000 to $0.4 million for the quarter ended September 30, 2023, compared to prior year quarter due primarily to a $31,000 decrease in loan fee income, a $13,000 decrease in rental income, a $5,000 decrease in other fee income and a $170,000 decrease in other income. These decreases were offset, in part, by a $64,000 increase in gain on sale of loan income.

Non-Interest Expense. Non-interest expense decreased $59,000 to $2.1 million for the quarter ended September 30, 2023, compared to prior year quarter primarily as the result of a $26,000 decrease in advertising expenses, a $17,000 decrease in professional expenses, a $16,000 decrease in FDIC insurance expenses, and a $49,000 decrease in other operating expenses. These decreases were offset, in part, by a $21,000 increase in compensation expenses, a $15,000 increase in occupancy expenses, and a $13,000 increase in data processing expenses.

Income Taxes. The Company recorded income tax expense of $160,000 for the quarter ended September 30, 2023, resulting in an effective tax rate of 26.4%, compared to income tax expense of $325,000, for an effective income tax rate of 26.2%, for the prior year quarter. The decrease in the current quarter's income tax expense was impacted by a $633,000 decrease in net income before income taxes as compared to the prior year's period.

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

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

Yield Analysis

(Dollars in thousands)

	Three Months Ended September 30, 2023			Three Months Ended September 30, 2022		
	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost
Assets:						
Interest-Earning Assets:						
Loans receivable	$279,088	$3,966	5.68%	$260,331	$3,102	4.76%
Investment securities	2,916	12	1.56	2,942	12	1.56
Mortgage-backed securities	12,744	89	2.80	10.659	60	2.24
Interest-bearing deposits	15,820	192	4.81	31,499	158	1.99
FHLBI stock	3,394	62	7.31	2,683	37	5.48
Total interest-earning assets	313,962	4,321	5.50	308,114	3,369	4.37
Non interest-earning assets	13,585			15,143		
Total assets	327,547			323,257		
Liabilities and Stockholders' Equity:						
Interest-Bearing Liabilities:						
Passbook accounts	29,476	4	0.05%	38,667	5	0.05%
Demand accounts	189,751	1,298	2.71	197,866	394	0.79
Certificate accounts	72,322	624	3.43	52,432	77	0.58
Total deposits	291,549	1,926	2.62	288,965	476	0.65
Borrowings	3,587	61	6.70	3,924	36	3.59
Total interest-bearing liabilities	295,136	1,987	2.67	292,889	512	0.69
Non-interest-bearing liabilities	4,566			4,119		
Total liabilities	299,702			297,008		
Stockholders' equity	27,845			26,249		
Total liabilities & stockholder equity	$327,547			$323,257		
Net interest income / interest rate spread		$2,334	2.83%		$2,857	3.68%
Net interest margin			2.97%			3.71%

Comparison of the Results of Operations for the Nine months Ended September 30, 2023 and September 30, 2022

General. Net income for the nine months ended September 30, 2023 was $1.7 million, or $1.92 per diluted common share, a decrease of $338,000, compared to $2.1 million, or $2.24 per diluted common share, for the same period in 2022. The decrease in the current nine month's net income compared to the prior year nine month period was the result of a $60,000 decrease in net interest income, a $20,000 increase in the provision for credit losses, a $64,000 decrease in non-interest income, and a $297,000 increase in non-interest expenses. These decreases were offset, in part, by a $41,000 decrease in professional fees and an $8,000 decrease in other insurance expenses.

Interest Income. Total interest income increased $3.8 million to $12.4 million for the nine months ended September 30, 2023, from the prior year nine month period as the result of a $16.1 million increase in the average balance of interest-earning assets outstanding and by a 142 basis point increase in the weighted average yield on interest-earning assets to 5.33%.

Interest income on loans receivable increased $3.2 million to $11.3 million for the nine months ended September 30, 2023, as compared to the prior year nine month period as the result of a $37.3 million increase in the average balance of loans outstanding and a 96 basis point increase in the average yield to 5.52%. Interest income on investment securities increased $140,000 to $302,000 for the nine months ended September 30, 2023, compared to the prior year nine month period. The average outstanding balance of mortgage-backed securities increased $4.3 million, and the average yield increased 78 basis points to 2.72%. The average outstanding balance of other investment securities decreased $95,000, and the average yield increased 3 basis points to 1.56%. Interest income on interest-bearing deposits increased $315,000 to $589,000 for the nine months ended September 30, 2023, compared to the prior year nine month period as the result of a 368 basis point increase in the average yield to 4.53%, offset, in part, by a $25.7 million decrease in the average balance outstanding. Dividend income on FHLBI stock increased $84,000 to $167,000 for the nine months ended September 30, 2023, compared to the prior year nine month period due to a $421,000 increase in the average balance outstanding and a 304 basis point increase in the average yield to 7.18%.

Interest Expense. Total interest expense increased $3.8 million to $4.9 million for the nine months ended September 30, 2023, compared to the prior year nine month period as the result of a $11.6 million increase in the average balance of interest-bearing liabilities outstanding and a 173 basis point increase in the average cost to 2.23%.

Interest expense on deposits increased $3.7 million to $4.6 million for the nine months ended September 30, 2023, compared to the prior year nine month period as the result of a $11.3 million increase in the average balance of deposits outstanding and a 170 basis point increase in the average cost of deposits to 2.14%.

Interest expense on borrowings increased $164,000 to $307,000 for the nine months ended September 30, 2023, compared to the prior year nine month period as the result of a $0.3 million increase in the average balance of borrowings outstanding and a 306 basis point increase in the average cost to 5.95%.

Net Interest Income. As a result of the above changes in interest income and interest expense, net interest income decreased $60,000 for the nine months ended September 30, 2023, compared to the prior year nine month period. The net interest rate spread decreased 31 basis points to 3.10% for the nine months ended September 30, 2023, while the net interest margin, expressed as a percentage of average earning assets, decreased 20 basis points to 3.23% for the nine months ended September 30, 2023.

Provision for Credit Losses. The Company recorded a $111,000 provision for credit losses for the nine months ended September 30, 2023 as compared to $91,000 for the prior year nine month period. 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 $63,000 for the nine months ended September 30, 2023, compared to net recoveries of $82,000 for the prior year nine month period ended September 30, 2022.

Non-Interest Income. Non-interest income decreased $64,000 to $1.5 million for the nine months ended September 30, 2023, compared to prior year nine month period due primarily to a $14,000 decrease in loan fee income, a $51,000 decrease in rental income, an $8,000 decrease in life insurance cash value income, and a $126,000 decrease other income. These decreases were offset, in part, by a $33,000 increase in deposit fees, a $16,000 increase in other fee income, and an $87,000 increase in gain on sale of loan income.

Non-Interest Expense. Non-interest expense increased $297,000 to $6.5 million for the nine months ended September 30, 2023, compared to prior year nine month period primarily as the result of a $199,000 increase in compensation expenses, a $38,000 increase in advertising expenses, a $44,000 increase in occupancy expenses, a $21,000 increase in data processing expenses, and a $43,000 increase in FDIC insurance expenses. These increases were offset, in part, by a $41,000 decrease in professional expenses and an $8,000 decrease in other insurance expenses.

Income Taxes. The Company recorded income tax expense of $605,000 for the nine months ended September 30, 2023, resulting in an effective tax rate of 25.7%, compared to income tax expense of $708,000, for an effective income tax rate of 25.3%, for the prior year nine month period. The decrease in the current nine months income tax expense was impacted by a $441,000 decrease in net income before income taxes as compared to the prior year's period.

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

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

Yield Analysis

(Dollars in thousands)

	Nine Months Ended September 30, 2023			Nine Months Ended September 30, 2022		
	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost
Assets:						
Interest-Earning Assets:						
Loans receivable	$274,030	$11,340	5.52%	$236,737	$8,098	4.56%
Investment securities	2,953	34	1.56	3,048	35	1.53
Mortgage-backed securities	12,995	268	2.72	8,757	128	1.94
Interest-bearing deposits	17,409	589	4.53	43,139	274	0.85
FHLBI stock	3,106	167	7.18	2,685	83	4.14
Total interest-earning assets	310,493	12,398	5.33	294,366	8,618	3.91
Non interest-earning assets	14,034			15,733		
Total assets	324,527			310,099		
Liabilities and Stockholders' Equity:						
Interest-Bearing Liabilities:						
Passbook accounts	32,654	12	0.05%	38,799	14	0.05%
Demand accounts	186,678	3,172	2.27	179,314	602	0.45
Certificate accounts	65,846	1,390	2.82	55,722	281	0.67
Total deposits	285,178	4,574	2.14	273,835	898	0.44
Borrowings	6,898	307	5.95	6,626	143	2.89
Total interest-bearing liabilities	292,076	4,881	2.23	280,461	1,041	0.50
Non-interest-bearing liabilities	4,774			3,807		
Total liabilities	296,850			284,268		
Stockholders' equity	27,677			25,831		
Total liabilities & stockholder equity	$324,527			$310,099		
Net interest income / interest rate spread		$7,517	3.10%		$7,577	3.41%
Net interest margin			3.23%			3.43%

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 September 30, 2023, the Bank was in compliance with all of its capital requirements as follows:

	9/30/2023	
Well Capitalized Capital Requirement:	Amount	Percent of Average Assets
Tier 1 Leverage Ratio:		
Average Total Assets	$ 327,493,000	
Common Equity Tier 1 Capital	$ 30,756,000	9.39%
Common Equity Tier 1 Capital Requirement	16,374,650	5.00%
Excess	$ 14,381,350	4.39%
Risk-Based Common Equity Tier 1 Capital Ratio:		
Risk-Weighted Assets	$ 277,882,000	
Common Equity Tier 1 Capital	$ 30,756,000	11.07%
Common Equity Tier 1 Capital Requirement	18,062,330	6.50%
Excess	$ 12,693,670	4.57%
Risk-Based Tier 1 Capital Ratio:		
Risk-Weighted Assets	$ 277,882,000	
Common Equity Tier 1 Capital	$ 30,756,000	11.07%
Common Equity Tier 1 Capital Requirement	22,230,560	8.00%
Excess	$ 8,525,440	3.07%
Risk-Based Total Capital Ratio:		
Risk-Weighted Assets	$ 277,882,000	
Common Equity Tier 1 Capital	$ 30,756,000	
Includable Allowance for Loan Credit Losses and Allowance for Off-Balance Sheet Credit Exposures	3,473,000	
Total Tier 2 Risk-Based Capital	$ 34,229,000	12.32%
Total Risk-Based Capital Requirement	27,788,200	10.00%
Excess	$ 6,440,800	2.32%
Capital Conservation Buffer - Actual		4.32%
Capital Conservation Buffer - Required		2.50%

Legal Proceedings. On September 30, 2023, we were not involved in any legal proceedings or lawsuits that are not routine and incidental to our business.