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

Financial Report
For the Three Months Ended
March 31, 2024

Note: This report is intended to be read in conjunction with our Annual Report to Stockholders for the year ended December 31, 2023, copies of which are included on this website. This report is dated March 31, 2024, 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

(dollars in thousands)	March 31, 2024 (unaudited)	December 31, 2023 (audited)
Assets		
Cash and amounts due from depository institutions	$ 2,332	$ 2,152
Interest-bearing deposits	19,626	20,889
Total cash and cash equivalents	21,958	23,041
Investment Securities, available for sale, at fair value	13,405	14,000
Stock in Federal Home Loan Bank of Indianapolis, at cost	3,430	3,430
Loans held for sale	421	292
Loans receivable, net of deferred fees and costs	294,752	298,468
Less: allowance for credit losses	(3,197)	(3,335)
Net loans receivable	291,555	295,133
Accrued interest receivable	1,509	1,458
Office properties and equipment- net	9,431	9,440
Bank owned life insurance	3,069	3,056
Prepaid expenses and other assets	2,278	2,595
Total assets	$ 347,056	$ 352,445
Liabilities and Stockholders' Equity		
Liabilities		
Deposits	$ 310,358	$ 300,431
Borrowed money	2,000	17,000
Junior subordinated debentures	3,093	3,093
Other liabilities	2,665	3,265
Total liabilities	$ 318,116	$ 323,789
Stockholders' Equity		
Common Stock, $.01 par value; authorized 1,900,000 shares; 1,683,641 shares issued and 899,327 shares outstanding at March 31, 2024 and 904,276 shares outstanding at Dec. 31, 2023	$ 17	$ 17
Additional paid-in capital	11,964	11,942
Retained earnings	27,556	27,095
Accumulated other comprehensive income (loss), net of tax	(1,052)	(951)
Treasury stock, at cost (784,314 shares at March 31, 2024 and 779,365 at December 31, 2023)	(9,545)	(9,447)
Total stockholders' equity	$ 28,940	$ 28,656
Total liabilities and stockholders' equity	$ 347,056	$ 352,445

See accompanying notes to audited consolidated financial statements.

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

(dollars in thousands)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Interest income		
Interest on loans	4,513	3,567
Interest on securities	92	96
Interest on interest-bearing deposits	122	241
Dividends on Federal Home Loan Bank stock	75	45
Total interest income	$ 4,802	$ 3,949
Interest expense		
Interest on deposits	$ 2,205	$ 1,187
Interest on borrow ings	108	52
Total interest expense	$ 2,313	$ 1,239
Net interest income	$ 2,489	$ 2,710
Release of reserve for credit losses	(203)	(8)
Net interest income after release of reserve for credit losses	$ 2,692	$ 2,718
Non-interest income:		
Loan fees and service charges	$ 143	$ 175
Deposit related fees	95	98
Other fee income	4	21
Rental Income	78	80
Gain on sale of loans	36	61
Increase in cash surrender value of life insurance	14	15
Other income	14	90
Total non-interest income	$ 384	$ 540
Non-interest expense:		
Staffing costs	$ 1,207	$ 1,258
Advertising	90	81
Occupancy and equipment expense	268	256
Data processing	437	264
Professional fees	79	56
Federal deposit insurance premiums	81	74
Insurance expense	25	17
Other operating expenses	202	182
Total non-interest expense	$ 2,389	$ 2,188
Income before income taxes	$ 687	$ 1,070
Income tax expense	171	268
Net income available to common shareholders	$ 516	$ 802
Earnings per common share:		
Basic	$ 0.57	$ 0.88
Diluted	$ 0.57	$ 0.87

See accompanying notes to audited consolidated financial statements.

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

	Three Months Ended March 31,	
	2024	2023
(dollars in thousands)		
Net income	$ 516	$ 802
Other comprehensive gain (loss) income, net of tax:		
Unrealized gains on securities		
available for sale–		
Unrealized holding gain (loss) arising during the period	(101)	298
Other comprehensive income (loss), net of tax	(101)	298
Total comprehensive income	$ 415	$ 1,100

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, 2024 and 2023
(unaudited)

(dollars in thousands)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at December 31, 2022	$ 17	$ 11,879	$ 25,633	$ (1,201)	$ (9,149)	$ 27,179
Net income	-	-	802	-	-	802
Other comprehensive income - Net	-	-	-	298	-	298
CECL implementation, net	-	-	(517)	-	-	(517)
Cash dividends declared on common shares ($0.05 per share)	-	-	(46)	-	-	(46)
Stock-based compensation expense	-	28	-	-	-	28
Repurchase of 15,000 common shares retired as Treasury stock	-	-	-	-	(337)	(337)
Balance at March 31, 2023	$ 17	$ 11,907	$ 25,872	$ (903)	$ (9,486)	$ 27,407
Balance at December 31, 2023	$ 17	$ 11,942	$ 27,095	$ (951)	$ (9,447)	$ 28,656
Net income	-	-	516	-	-	516
Other comprehensive loss, Net	-	-	-	(101)	-	(101)
Stock-based compensation expense	-	22	-	-	-	22
Cash dividends declared on common shares ($0.06 per share)	-	-	(55)	-	-	(55)
Repurchase of 4,949 common shares retired as Treasury stock	-	-	-	-	(98)	(98)
Balance at March 31, 2024	$ 17	$ 11,964	$ 27,556	$ (1,052)	$ (9,545)	$ 28,940

See accompanying notes to audited consolidated financial statements.

AMB Financial Corp. and Subsidiaries

Consolidated Statements of Cash Flows

(unaudited)

	Three Months Ended March 31, 2024	2023
(dollars in thousands)	(unaudited)	
Cash flows from operating activities:		
Net income	$ 516	$ 802
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	127	122
Amortization of premiums and accretion of discounts	(7)	54
Proceeds from sale of loans originated for sale	4,824	5,745
Loans originated for sale	(4,917)	(5,709)
Gain on sale of loans	(36)	(61)
Release of reserve for credit losses	(154)	(8)
Stock based compensation expense	22	28
Net change in:		
Cash surrender value of life insurance	(14)	(15)
Net deferred loan fees	(3)	(16)
Prepaid and deferred income taxes	(91)	125
Accrued interest receivable	(51)	(49)
Other assets	236	(131)
Other liabilites	(540)	326
Net cash provided by (for) operating activities	(88)	1,213
Cash flows from investing activities:		
Proceeds from the repayment of investment securities	469	477
Purchase of securities	-	(1,562)
Net decrease (increase) in loans	3,880	(3,370)
Property and equipment expenditures, net	(119)	(80)
(Redemption) purchase of Federal Home Loan Bank stock	-	(412)
Net cash used for investing activities	4,230	(4,947)
Cash flows from financing activities:		
Net increase (decrease) in deposits	9,567	(10,891)
Proceeds from borrowed funds	-	10,000
Repayment of borrowed funds	(15,000)	-
Net increase in advance payments by borrowers for taxes and insurance	360	267
Dividends paid on common stock	(54)	(46)
Other equity adjustments	-	(517)
Share repurchase program common stock	(98)	(337)
Net cash provided by financing activities	(5,225)	(1,524)
Net change in cash and cash equivalents	(1,083)	(5,258)
Cash and cash equivalents at beginning of period	23,041	28,116
Cash and cash equivalents at end of period	$ 21,958	$ 22,858
Supplemental disclosure of cash flow information:		
Interest paid	$ 2,311	$ 1,290
Income taxes paid	160	240

See accompanying notes to audited consolidated financial statements.

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

(dollars in thousands, except per share data)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Net income available to common shareholders	$ 516	$ 802
Weighted average common shares outstanding for basic computation	901,122	910,732
Basic income per common share	$ 0.57	$ 0.88
Weighted average common shares outstanding for basic computation	901,122	910,732
Common stock equivalents due to dilutive effect of restricted stock	4,849	6,411
Weighted average common shares and equivalents outstanding for diluted computation	905,971	917,143
Diluted income per common share	$ 0.57	$ 0.87

See accompanying notes to audited consolidated financial statements.

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, 2024 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, 2024, are not necessarily indicative of the results expected for the year ending December 31, 2024. The March 31, 2024, consolidated financial statements should be read in conjunction with the consolidated financial statements and notes for the year ended December 31, 2023, included in the Company's Annual Report. The Company's consolidated statement of condition as of December 31, 2023, 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, 2024, and 2023, 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 2023 items or amounts may have been reclassified or restated to conform to the 2024 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; and
- our ability to lease space in our branch facilities when vacancies occur;

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

Financial Condition. Total assets of the Company were $347.1 million on March 31, 2024, a decrease of $5.4 million or 1.6%, from $352.4 million on December 31, 2023.

Cash and cash equivalents, which consist primarily of interest-earning deposits, totaled $22.0 million on March 31, 2024, a decrease of $1.1 million or 4.9%, from $23.0 million on December 31, 2023. 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 $595 thousand or 4.4%, to $13.4 million on March 31, 2024, from $14.0 million on December 31, 2023. The decrease in investment balances was the result of repayments along with increased unrealized losses. The Company recorded an unrealized loss on available-for-sale investment securities of $1.4 million on March 31, 2024, compared to a $1.3 million unrealized loss on December 31, 2023. The change was due to an increase 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 $3.4 million investment in stock of the FHLBI on March 31, 2024, and December 31, 2023. 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.

Gross loans receivable totaled $294.8 million on March 31, 2024, a $3.7 million decrease or 1.3%, from the $298.5 million balance on December 31, 2023. Loans held for sale totaled $421 thousand on March 31, 2024, a $129 thousand increase or 30.6%, from the $292 thousand balance on December 31, 2023. The Company originated $4.9 million of loans held for sale which were subsequently sold during the three month period ended March 31, 2024, as compared to $5.7 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.

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

As a result of the adoption of the ASU, the Company recorded a reduction to retained earnings of $517 thousand as of January 1, 2023, as a cumulative effect of change in accounting principle. The transition adjustment included an increase to the allowance for credit losses on loans of $272 thousand, the recording of the unfunded commitment liability of $415 thousand, and a corresponding increase in deferred tax assets of $170 thousand.

Prior to the adoption of ASU No. 2016-13 (CECL) on January 1, 2023, the Company evaluated its available-for-sale securities in accordance with the methodology specified in the preceding paragraphs. Noting no credit-related related reserves for securities required on the date of adoption.

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

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

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

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

The allowance for credit losses totaled $3.2 million on March 31, 2024, representing a $138 thousand decrease or 4.3%, as compared to December 31, 2023. The Bank’s allowance for loan losses to total loans was 1.08% on March 31, 2024, as compared to 1.12% on December 31, 2023. Management believes that the allowance for credit losses is adequate to meet current expected 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.

The Company also adopted ASU 2023-02, "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 2023-02 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, 2024, and 2023.

The activity in the allowance for credit losses, by loan segment, is summarized below for the three months ended March 31, 2024 and March 31, 2023:

(Dollars in thousands)

March 31, 2024	*Beginning Balance*	*Adoption of ASC 326*	*Charge-offs*	*Recoveries*	*Provisions*	*Ending Balance*
Allowance for credit losses:						
Residential real estate	$ 858	$ -	$ -	$ 16	$ (38)	$ 836
Commercial real estate	1,447	-	-	-	91	1,538
Contruction and land - real estate	611	-	-	-	(208)	403
Other consumer.....	25	-	-	-	-	25
Commercial business loans	394	-	-	-	1	395
Total..................	$ 3,335	$ -	$ -	$ 16	$ (154)	$ 3,197

March 31, 2023						
Allowance for loan losses:	*Beginning Balance*	*Adoption of ASC 326*	*Charge-offs*	*Recoveries*	*Provisions*	*Ending Balance*
Residential real estate	$ 561	$ 276	$ -	$ 32	$ (13)	$ 856
Commercial real estate	1,357	(150)	-	-	64	1,271
Contruction and land - real estate	366	159	-	-	(78)	447
Other consumer.....	6	11	-	-	6	23
Commercial business loans	369	(24)	-	-	13	358
Total..................	$ 2,659	$ 272	$ -	$ 32	$ (8)	$ 2,955

Loans receivable are summarized as follows at the dates indicated:

(Dollars in thousands)	March 31, 2024	December 31, 2023
Mortgage loans:		
Contruction and land - real estate	$ 27,045	$ 40,127
Commercial real estate	126,776	118,126
Residential real estate	96,112	96,847
Commercial business	43,501	42,081
Other consumer	1,318	1,287
Total loans	294,752	298,468
Less:		
Allowance for credit losses (ACL)	3,197	3,335
Loans receivable, net	$ 291,555	$ 295,133
ACL as a percentage of loans	1.08%	1.12%

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, 2024	December 31, 2023
Substandard non-accruing loans:		
Contruction and land - real estate.........................	$ 988	$ 988
Commercial real estate......................................	232	232
Residential real estate.......................................	921	$ 908
Commercial business..	-	-
Other consumer..	28	28
Total substandard non-accruing loans	$ 2,169	$ 2,156
Total loans receivable	$ 294,752	$ 298,468
Total non-accrual / loans receivable	0.74%	0.72%
Total classified loans	$ 2,169	$ 2,156
Total loans receivable	$ 294,752	$ 298,468
Total classified loans / loans receivable	0.74%	0.72%
Total classified assets	$ 2,169	$ 2,156
Total assets	$ 347,056	$ 352,445
Total classified assets / total assets	0.62%	0.61%

The table below presents the amortized cost basis and allowance for credit losses ("ACL") allocated for collateral dependent loans in accordance with ASC 326, which are individually evaluated to determine expected credit losses for March 31, 2024, and December 31, 2023:

(Dollars in thousands)			
March 31, 2024	*Real Estate*	*Other*	*ACL Allocated*
Residential real estate	$ 921	$ -	$ -
Commercial real estate	232	-	-
Contruction and land - real estate	988	-	-
Other consumer	-	28	-
Total.....	$ 2,141	$ 28	$ -
December 31, 2023	*Real Estate*	*Other*	*ACL Allocated*
Residential real estate	$ 908	$ -	$ -
Commercial real estate	232	-	-
Contruction and land - real estate	988	-	-
Other consumer	-	28	-
Total.....	$ 2,128	$ 28	$ -

The Company's age analysis of past due loans is summarized below:

(Dollars in thousands)	30-89 Days Past Due	Greater Than 90 Days Past Due and Accruing	Total Past Due and Accruing	Current	Accruing Loans	Non-accrual Loans	Total Loans Receivable
March 31, 2024							
Residential real estate	$ 1,214	$ 25	$ 1,239	$ 93,952	$ 95,191	$ 921	$ 96,112
Commercial real estate	46	-	46	126,498	126,544	232	126,776
Contruction and land - real estate	233	-	233	25,824	26,057	988	27,045
Other consumer	36	-	36	1,254	1,290	28	1,318
Commercial business loans	104	35	139	43,362	43,501	-	43,501
Total	$ 1,633	$ 60	$ 1,693	$ 290,890	$ 292,583	$ 2,169	$ 294,752
December 31, 2023							
Residential real estate	$ 668	$ -	$ 668	$ 95,271	$ 95,939	$ 908	$ 96,847
Commercial real estate	-	-	-	117,895	117,895	232	118,127
Contruction and land - real estate	48	-	48	39,090	39,138	988	40,126
Other consumer	39	-	39	1,220	1,259	28	1,287
Commercial business loans	109	35	144	41,937	42,081	-	42,081
Total	$ 864	$ 35	$ 899	$ 295,413	$ 296,312	$ 2,156	$ 298,468

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 $13 thousand to $2.2 million on March 31, 2024, as compared to December 31, 2023.

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 $2.2 million, or 0.74% of total loans receivable at March 31, 2024, compared to $2.2 million, or 0.72% of total loans receivable at December 31, 2023.

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, 2024, and December 31, 2023.

The ratio of allowance for credit losses to classified and criticized loans was 147.4% on March 31, 2024, compared to 137.1% on December 31, 2023.

Office properties and equipment totaled $9.4 million on March 31, 2024, a $9 thousand decrease from the balance on December 31, 2023. The decrease represents normal depreciation of $127 thousand, offset, in part, by additions totaling $119 thousand.

Bank owned life insurance increased $13 thousand to $3.1 million on March 31, 2024. The change represents an increase in the cash surrender value of the life insurance policies. The policies were purchased in connection with deferred compensation plans utilized by directors and officers of the Company.

Prepaid expenses and other assets decreased $317 thousand to $2.3 million on March 31, 2024.

Total deposits increased $9.9 million to $310.4 million on March 31, 2024. The increase in deposits during the period was due to a $12.6 million increase in checking deposits, offset, in part by a $651 thousand decrease in money market accounts, a $678 thousand decrease in savings accounts, and a $1.7 million decrease in certificates of deposit accounts. At March 31, 2024, the Bank's core deposits (passbook, checking and money market accounts) comprised $232.1 million, or 74.6% of deposits, compared to $219.1 million, or 73.1% of deposits, on December 31, 2023. 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 $2.0 million on March 31, 2024 as compared to $17.0 million on December 31, 2023. During the current period, the Company repaid $15.0 million in advances from the FHLBI. At March 31, 2024, based on the level of qualifying collateral available to secure advances, the Company had an unused borrowing capacity of $78.0 million. At March 31, 2024, the Company also had available $8.0 million of unsecured overnight federal funds borrowing capability from third party sources, and a $5.0 million line of credit with the FHLBI.

The Company's trust preferred subordinated debentures remained unchanged totaling $3.1 million on March 31, 2024. The interest rate payable on the debentures adjusts quarterly to the three month SOFR plus 1.65% and was 7.24% on March 31, 2024. These debentures have a contractual maturity date of June 15, 2037, and the Company has the right to redeem the debentures, in whole or in part, on any interest payment date.

Other liabilities decreased $600 thousand totaling $2.7 million on March 31, 2024, as compared to December 31, 2023.

Total stockholders' equity increased $284 thousand to $28.9 million, or 8.34% of total assets on March 31, 2024, compared to $28.7 million, or 8.13% of total assets, on December 31, 2023. The increase in stockholders' equity was attributable to $516 thousand of net income for the three-month period ended

March 31, 2024, a $22 thousand increase in paid-in-capital, cash dividends of $54 thousand paid to common shareholders, a $101 thousand increase in the unrealized loss on available for sale securities, net of tax, and a $98 thousand increase in treasury stock. The number of common shares outstanding on March 31, 2024, totaled 899,327 as compared to 904,276 at December 31, 2023. During the three month period ended March 31, 2024, the Company repurchased 4,949 common shares at an average cost of $19.75 per share. The shares were retired as treasury stock. The book value per common share outstanding on March 31, 2024, was $32.18.

Comparison of the Results of Operations for the Quarter Ended March 31, 2024 and March 31, 2023

General. Net income for the quarter ended March 31, 2024, was $516 thousand, or $0.57 per diluted common share, a decrease of $286 thousand or 35.7%, compared to $802 thousand, or $0.87 per diluted common share, for the same period in 2023. The decrease in the current quarter net income compared to the prior year quarter was the result of a $221 thousand decrease in net interest income, a $156 thousand decrease in non-interest income and a $201 thousand increase in the non-interest expense, offset, in part, by a $195 thousand increase in release of reserve for credit loss expense and a $97 thousand decrease in income tax expense.

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

Quarter Ended *(Dollars in thousands)* *(unaudited)*	Average Balances, Interest, and Rates					
	March 31, 2024			March 31, 2023		
	Average Balance	Interest	Rate (%)	Average Balance	Interest	Rate (%)
ASSETS						
Interest bearing deposits in other financial institutions	$ 10,581	$ 122	4.61	$ 22,639	$ 241	4.26
Securities available-for-sale	13,746	92	2.68	15,875	96	2.42
Loans receivable	298,584	4,513	6.05	267,513	3,567	5.33
Federal Home Loan Bank stock	3,430	75	8.75	2,697	45	6.67
Total interest earning assets	326,341	$ 4,802	5.89	308,724	$ 3,949	5.12
Non interest-earning assets	15,048			14,390		
Total assets	$ 341,389			$ 323,114		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Interest-bearing deposits	$ 254,629	$ 2,205	3.46	$ 231,269	$ 1,187	2.05
Borrowed funds	6,884	108	6.28	3,426	52	6.07
Total interest bearing liabilities	261,513	$ 2,313	3.54	234,695	$ 1,239	2.11
Non-interest bearing deposits	47,726			55,495		
Other noninterest bearing liabilities	3,168			5,432		
Total liabilities	312,407			295,622		
Total stockholders' equity	28,982			27,492		
Total liabilities and stockholders' equity	$ 341,389			$ 323,114		
Return on average assets	0.60%			0.99%		
Return on average equity	7.12%			11.67%		
Net interest margin (average earning assets)	3.05%			3.51%		
Net interest spread	2.35%			3.00%		
Ratio of interest-earning assets to interest-bearing liabilities	1.25			1.32		

Net interest income for the three months ended March 31, 2024, was $2.5 million, a decrease of $221 (8.2%), compared to $2.7 million for the three months ended March 31, 2023. The weighted average yield on interest-earning assets was 5.89% for the three months ended March 31, 2024, compared to 5.12% for the three months ended March 31, 2023. The weighted average cost of funds for the three months ended March 31, 2024, was 3.54% compared to 2.11% for the three months ended March 31, 2023. The impact of the 5.89% return on interest-earning assets and the 3.54% cost of funds resulted in an interest rate spread of 2.35% for the current quarter, a decrease from the 3.00% spread for the three months ended March 31, 2023. The Company's net interest margin was 3.05% for the three months ended March 31, 2024, compared to 3.51% for the three months ended March 31, 2023.

(Release of) Provision for Reserve for Credit Losses. The Company recorded a $203 thousand release of reserve for credit losses for the quarter ended March 31, 2024, as compared to a release of reserve for credit losses of $8 thousand for the prior-year quarter. The (release of) provision for reserve 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 $16 thousand for the quarter ended March 31, 2024, compared to net recoveries of $32 thousand for the prior year quarter ended March 31, 2023.

Non-Interest Income. Non-interest income decreased $156 thousand to $384 thousand for the quarter ended March 31, 2024, compared to prior year quarter due to the following changes:

(dollars in thousands)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	QTD $ Change	QTD % Change
Non-interest income:				
Loan fees and service charges	$ 143	$ 175	$ (32)	-18.3%
Deposit related fees	95	98	(3)	-3.1%
Other fee income	4	21	(17)	-81.0%
Rental Income	78	80	(2)	-2.5%
Gain on sale of loans	36	61	(25)	-41.0%
Increase in cash surrender value of life insurance	14	15	(1)	-6.7%
Other income	14	90	(76)	-84.4%
Total non-interest income	$ 384	$ 540	$ (156)	-28.9%

Non-Interest Expense. Non-interest expense increased $201 thousand to $2.4 million for the quarter ended March 31, 2024, compared to prior year quarter due to the following changes:

(dollars in thousands)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	QTD $ Change	QTD % Change
Non-interest expense:				
Staffing costs	$ 1,207	$ 1,258	$ (51)	-4.1%
Advertising	90	81	9	11.1%
Occupancy and equipment expense	268	256	12	4.7%
Data processing	437	264	173	65.5%
Professional fees	79	56	23	41.1%
Federal deposit insurance premiums	81	74	7	9.5%
Insurance expense	25	17	8	47.1%
Other operating expenses	202	182	20	11.0%
Total non-interest expense	$ 2,389	$ 2,188	$ 201	9.2%

Income Taxes. The Company recorded income tax expense of $171 thousand for the quarter ended March 31, 2024, resulting in an effective tax rate of 24.9%, compared to income tax expense of $268 thousand, for an effective income tax rate of 25.1%, for the prior year quarter. The decrease in the current quarter income tax expense was impacted by a $383 decrease in net income before income taxes as compared to the prior year's period.

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, 2024, the Bank was in compliance with all of its capital requirements as follows:

	March 31, 2024	
Well Capitalized Capital Requirement:	Amount	Percent of Average Assets
Tier 1 Leverage Ratio:		
Average Total Assets	$ 342,567	
Common Equity Tier 1 Capital	$ 31,124	9.09%
Common Equity Tier 1 Capital Requirement	17,128	5.00%
Excess	$ 13,996	4.09%
Risk-Based Common Equity Tier 1 Capital Ratio:		
Risk-Weighted Assets	$ 288,972	
Common Equity Tier 1 Capital	$ 31,124	10.77%
Common Equity Tier 1 Capital Requirement	18,783	6.50%
Excess	$ 12,341	4.27%
Risk-Based Tier 1 Capital Ratio:		
Risk-Weighted Assets	$ 288,972	
Common Equity Tier 1 Capital	$ 31,124	10.77%
Common Equity Tier 1 Capital Requirement	23,118	8.00%
Excess	$ 8,006	2.77%
Risk-Based Total Capital Ratio:		
Risk-Weighted Assets	$ 288,972	
Common Equity Tier 1 Capital	$ 31,124	
Includable Allowance for Loan Losses	3,511	
Total Tier 2 Risk-Based Capital	$ 34,635	11.99%
Total Risk-Based Capital Requirement	28,897	10.00%
Excess	$ 5,738	1.99%
Capital Conservation Buffer Calc:		
Capital Conservation Buffer - Actual		3.99%
Capital Conservation Buffer - Required		2.50%

Banks must hold a buffer of 2.5 percent of CET1 capital in addition to their minimum riskbased capital requirements to avoid restrictions on capital distributions and discretionary bonus payments to executive officers.

Legal Proceedings. On March 31, 2024, we were not involved in any legal proceedings or lawsuits that are not routine and incidental to our business.