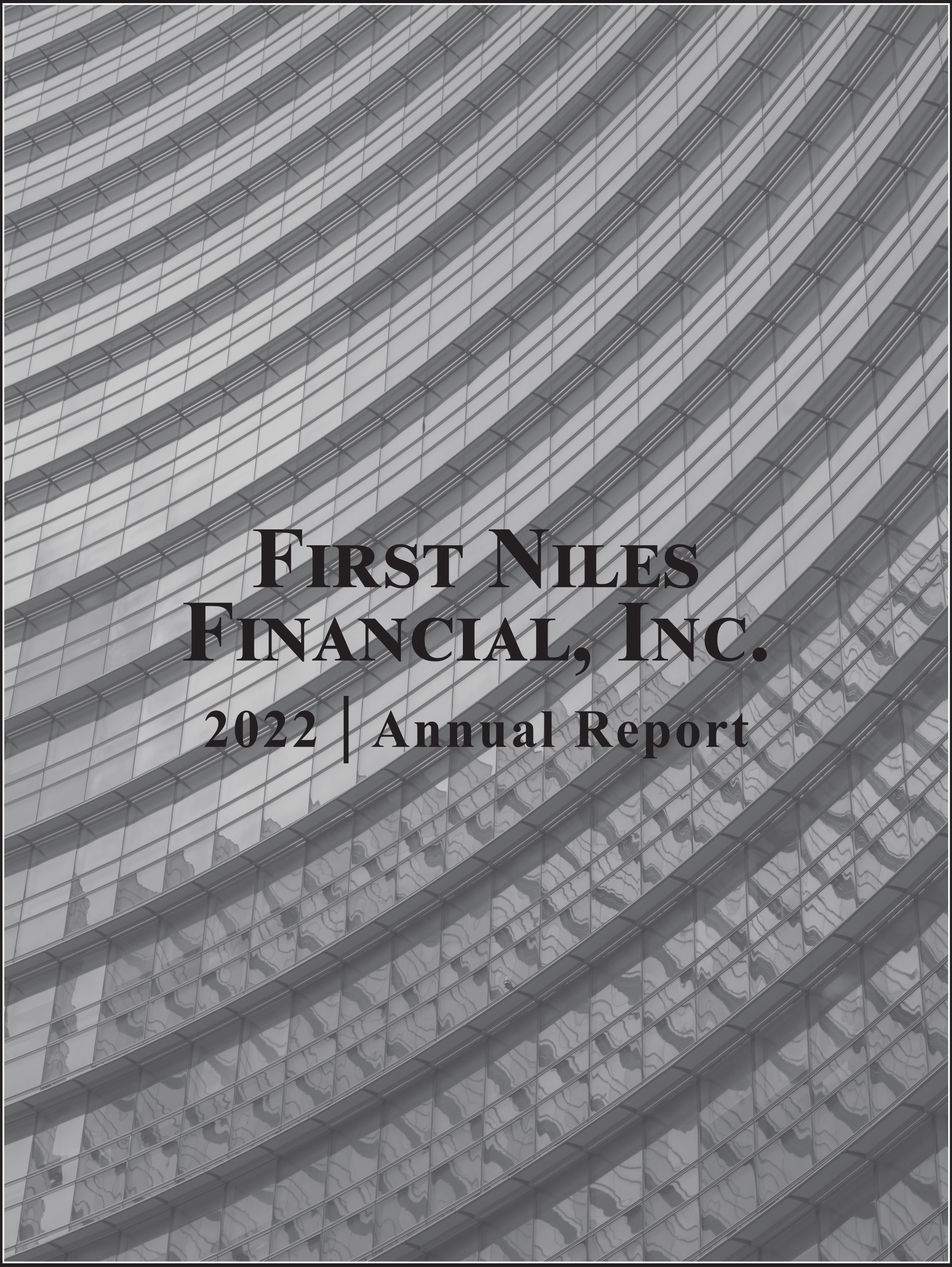

First Niles Financial, Inc.

2022 | Annual Report

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First Niles Financial, Inc.
55 North Main Street
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Niles, Ohio 44446-0311

Ph. (330) 652-2539 ~ Fax: (330) 652-0911

March 25, 2023

To Our Stockholders:

The past year was the most volatile in the financial interest rate markets in almost 40 years. Short-term interest rates soared as the Federal Reserve actively battled significant inflationary pressures. As a result, a booming housing market came to an abrupt halt. Not surprisingly, the effects of these market changes were felt by your Company.

Management and the Board of Directors spent considerable time managing these ongoing changes and building a solid foundation for the future. Net loans receivable increased by $17.2 million during the year, significantly contributing to a 64-basis point expansion in net interest margin, from 2.04% to 2.68%. Much of this loan growth was due to loans obtained from our wholly owned subsidiary, Union Capital Mortgage Corporation (UCMC). Even though loan growth was significant during the year, management held back purchasing loans in the second half of the year, allowing interest rates in the mortgage markets to settle in a range above 6 percent. Although short-term interest rates continue to have upward pressure, longer term capital market interest rates stabilized in late 2022, though approximately 250 basis points higher than one year prior. With this yield increase and relative interest rate stabilization, Management and your Board is again focused on growing the loan portfolio in 2023. This strategy will help offset the significant competitive pressures effecting the cost of deposits, as experienced by your Company and much of the industry during the past year and what is expected over at least the coming year.

As mortgage loan activity across the nation steadily declined during 2022, mostly due to rising interest rates, your Management initiated over $800,000 in budget cuts at UCMC. As a result, fixed expenses at the subsidiary have been reduced from approximately $2.7 million annually to $1.9 million annually. Most of these cuts were enacted late in 2022, when it became clear the real estate market was in for an extended period of recovery. The full effect of these cuts to the bottom line will not be realized until 2023.

In addition to actively managing UCMC, maintaining strong credit quality continues to be among our primary objectives at First Niles. Asset quality continued to improve throughout the year as nonperforming assets represented only 0.11% of total assets at year-end 2022, down from 0.36% at year-end 2021. In addition, at year-end 2022, our allowance for loan losses to nonperforming loans was 450.74% as compared to 128.13% one year prior.

At December 31, 2022, stockholders' equity totaled approximately $13.1 million, or 9.82% of total assets and our book value per common share was $9.70. During 2022, book value was adversely impacted by a decline in the market value of held-for-sale investment securities, due to the rising interest rate environment. Declines in capital due to this factor were common throughout the industry this past year. Our capital levels still allow us to grow the balance sheet as well as provide ample funding capacity for UCMC, under any interest rate scenario.

Lastly, during 2022 your Company celebrated its 125th anniversary! Your Management and The Board of Directors is proud to have been a part of the local community for a period dating back to the term of our 25th President, William McKinley. In that time, our customers, shareholders, employees, and directors have become quite a "community bank" family. I am hopeful that his tradition will continue for years to come, even as we expand our customer and employee base into new markets through our UCMC subsidiary. Wishing all of you the very best in 2023!

Sincerely,

/s/ Daniel E. Csontos

DANIEL E. CSONTOS
President and Chief Executive Officer

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

Executive Overview

First Niles Financial, Inc. ("First Niles" or the "Company") is a unitary, non-diversified holding company, headquartered in Niles, Ohio. First Niles has no significant operations outside those of its wholly-owned operating subsidiary, Home Federal Savings and Loan Association of Niles ("Home Federal" or the "Bank" or the "Association"). References in this Annual Report to "we," "us," and "our" refer to First Niles and/or Home Federal as the context suggests or requires.

Home Federal is a $133.9 million federal savings association. Our principal business consists of attracting retail deposits from the general public and investing those funds primarily in permanent and construction loans secured by first mortgages on one- to four-family residences. However, in the past several years we significantly increased our origination of permanent and construction loans secured by first mortgages on commercial and multi-family real estate. To a lesser extent, we originate consumer and commercial business loans. Historically, we have borrowed funds from the Federal Home Loan Bank of Cincinnati ("FHLB") and reinvested the proceeds in investment securities at generally favorable interest rate spreads. More recently, these borrowings have been used for general liquidity purposes, including the origination of the types of loans as described above as well as funding originations at our mortgage banking subsidiary as explained below.

On August 2, 2021, the Company acquired 100% of the outstanding equity interest of Union Capital Mortgage Corporation ("Union Capital") for $3.3 million in cash and stock. Union Capital is a mortgage banking company that provides residential mortgage loans to the general public and sells them in the secondary market. Union Capital continues to conduct its mortgage banking business from offices located in Mentor, Westlake and Hudson, Ohio.

The acquisition of Union Capital has expanded our presence in northeast Ohio and the greater Cleveland area and helped diversify our business model as the level of competition in our market area is strong and dominated by commercial banks, credit unions and other financial institutions of varying sizes and characteristics. Current economic conditions and strong competition have the potential to limit loan demand. In the event current economic and market conditions persist or worsen, and loan demand weakens, we cannot give any assurances that we will be able to maintain or increase our mortgage originations or mortgage loan portfolio, which could adversely affect our operations and financial results.

Our results of operations depend primarily on net interest income, which is determined by (i) the difference between rates of interest we earn on interest-earning assets, consisting primarily of mortgage loans, collateralized mortgage obligations and other investments, and the rates we pay on interest-bearing liabilities, consisting primarily of deposits and borrowings; and (ii) the relative amounts of our interest-earning assets and interest-bearing liabilities. The level of noninterest income, such as gain on sale of loans, fees received from customer deposit account service charges and gains on sales of investments, and the level of noninterest expense, such as federal deposit insurance premiums, salaries and benefits, office occupancy costs, and data processing costs, also affect our results of operations. Finally, our results of operations may also be affected significantly by general economic and competitive conditions, including changes in market interest rates, loan demand, government policies and actions of regulatory authorities, all of which are beyond our control.

Short-term market interest rates increased markedly and rapidly during 2022, due to Federal Reserve Board Open Market Operations in response to the most significant inflationary pressures in almost forty years. Longer-term interest rates also rose steadily during the year, but not as much as short-term interest rates, resulting in a slightly downward-sloping yield curve. Should this trend continue, this environment could have a negative impact on our results of operations as our balance sheet is liability sensitive, which means our interest-earning assets generally reprice less frequently than our interest-bearing liabilities. As such, the spread between our interest-earning assets and our interest-bearing liabilities would be expected to decrease. However, this environment could change quickly if the Federal Reserve Board decides to start decreasing short term interest rates if inflationary pressures subside. Additionally, our existing level of nonaccrual loans, or any increase in this level, negatively impacts the results of operations, regardless of the interest rate environment. The cost of compliance with increased government regulation, especially in recent years has also negatively impacted our operating expenses and thus our earnings.

As of December 31, 2022, nonperforming loans totaled 0.16% of net loans receivable. Nonperforming assets represented 0.11% of total assets at year- end 2022. At such date, our allowance for loan losses to nonperforming loans was 450.74% and to net loans receivable was 0.74%. At December 31, 2022, we were in compliance with all applicable regulatory capital requirements and remain a “well-capitalized” institution.

The following tables, beginning on the next page, set forth selected consolidated financial information for the periods reported.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

	Years Ended December 31,		
	2022	2021	2020
		(In thousands)	
Selected Financial Condition Data:			
Total assets	$ 133,890	$ 124,497	$ 109,691
Loans receivable, net	90,967	73,742	71,755
Securities - held to maturity	1,250	1,250	1,250
Securities – available for sale and FHLB stock	18,236	10,836	7,838
Deposits	83,492	80,607	66,267
Total borrowings	35,092	27,216	30,147
Stockholders' equity	13,144	15,305	12,917

	Years Ended Dec Years Ended December 31,		
	2022	2021	2020
	(In thousands, except per share amounts)		
Selected Operations Data:			
Total interest income	$ 4,269	$ 3,282	$ 3,504
Total interest expense	1,258	1,130	1,264
Net interest income	3,011	2,152	2,240
Provision for loan losses	20	20	154
Net interest income after provision for loan losses	2,991	2,132	2,086
Fees and service charges	16	14	21
Gain on sales of loans, net	4,002	3,403	-
Gain on sales of investment securities	-	-	211
Other noninterest income	64	90	(19)
Total noninterest income	4,082	3,507	213
Total noninterest expense	6,635	4,921	1,943
Income before taxes	438	718	356
Income tax provision	186	132	54
Net income	$ 252	$ 586	$ 302
Earnings per share – basic	$ 0.18	$ 0.48	$ 0.27
Diluted	$ 0.18	$ 0.48	$ 0.27
Dividends per share	$ 0.24	$ 0.24	$ 0.24

	Years Ended December 31,		
	2022	2021	2020
Selected Financial Ratios and Other Data:			
Performance Ratios:			
Return on assets (ratio of net income to average total assets)	0.20%	0.50%	0.29%
Return on equity (ratio of net income to average equity)	1.79	4.21	2.30
Interest rate spread:			
Average during year	2.68	2.00	2.13
Tax equivalent average during year	2.68	2.00	2.17
End of year	2.50	2.31	1.89
Net interest margin (net interest income divided by average interest-earning assets)	2.68	2.04	2.24
Tax equivalent net interest margin (net interest income divided by average interest-earning assets)	2.68	2.04	2.27
Ratio of average interest-earning assets to average interest-bearing liabilities	1.00	1.04	1.09
Quality Ratios:			
Nonperforming assets to total assets at end of year	0.11%	0.36%	0.67%
Nonperforming loans to loans receivable, net, end of year	0.16	0.61	1.02
Allowance for loan losses to nonperforming loans, end of year	450.74	128.13	76.09
Allowance for loan losses to loans receivable, net, end of year	0.74	0.78	0.78
Capital Ratios:			
Equity to total assets at end of year	9.82%	12.29%	11.78%
Average equity to average assets	10.98	11.96	12.45
Other Data:			
Book value per common share outstanding	$9.70	$11.30	$11.38
Dividend payout ratio[(1)]	129.30%	51.12%	90.40%
Number of full-service offices	1	1	1

[(1)] Dividends per share divided by earnings per common share and common share equivalent.

Critical Accounting Policies

Allowance for Loan Losses. The allowance for loan losses is a significant estimate that can and does change based on management's assumptions about specific borrowers and current general economic and business conditions, among other factors. Management reviews the adequacy of the allowance for loan losses no less frequently than on a quarterly basis. The evaluation of adequacy by management includes consideration of past loss experience, changes in the composition of the loan portfolio, the current condition and amount of loans outstanding, identified problem loans, information about specific borrower situations and estimated collateral values, among other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged off. Loan losses are charged against the allowance when management believes that the uncollectability of a loan balance is substantiated.

Securities. Securities are classified as held to maturity or available for sale on the date of purchase. Only those securities classified as held to maturity, and which management has both the intent and ability to hold to maturity, are reported at amortized cost. Available-for-sale securities are reported at fair value with unrealized gains and losses, net of related deferred income taxes, included in accumulated other comprehensive income on the Consolidated Balance Sheet. The fair value of a security is determined based on quoted market prices. Realized gains and losses are reported within noninterest income in the Consolidated Statements of Income. The cost of securities sold is based on the specific identification method. Available-for-sale and held-to-maturity securities are reviewed quarterly for possible other-than-temporary impairment. The review includes an analysis of the facts and circumstances of each individual investment, such as the severity of loss, the length of time the fair value has been below cost, the expectation for that security's performance, the creditworthiness of the issuer and our intent and ability to hold the security. A decline in value that is considered to be other-than-temporary impairment is recorded as a loss within noninterest income in the Consolidated Statements of Income. The price movements within our securities portfolio are primarily dependent upon the movement in interest rates, particularly given the minimal inherent credit risk of these securities.

Business Combinations. Business combinations are accounted for by applying the acquisition method. As of acquisition date, the identifiable assets acquired and liabilities assumed are measured at fair value and recognized separately from goodwill. Results of operations of the acquired entities are included in the consolidated statement of income from the date of acquisition. The calculation of intangible assets including core deposits and the fair value of loans are based on significant judgments. Core deposit intangibles are calculated using a discounted cash flow model based on various factors including discount rate, attrition rate, interest rate, cost of alternative funds and net maintenance costs.

Loans acquired in connection with acquisitions are recorded at their acquisition-date fair value with no carryover of related allowance for credit losses. Any allowance for loan loss on these pools reflect only losses incurred after the acquisition (meaning the present value of all cash flows expected at acquisition that ultimately are not to be received). Determining the fair value of the acquired loans involves estimating the principal and interest cash flows expected to be collected on the loans and discounting those cash flows at a market rate of interest. Management considers a number of factors in evaluating the acquisition-date fair value including the remaining life of the acquired loans, delinquency status, estimated prepayments, payment options and other loan features, internal risk grade, estimated value of the underlying collateral and interest rate environment.

Financial Condition

The following discussion compares our consolidated financial condition at December 31, 2022 to December 31, 2021 and the results of operations for the year ended December 31, 2022 with the year ended December 31, 2021. This discussion should be read in conjunction with the consolidated financial statements and footnotes included herein.

Assets totaled $133.9 million at December 31, 2022, an increase of $9.4 million from December 31, 2021. Cash and cash equivalents decreased $19.8 million and net loans receivable increased $17.2 million during 2022. Total investment securities increased $7.4 million during the year. As of December 31, 2022, investment securities were comprised of $16.6 million in securities available for sale and $1.3 million in securities held to maturity. Home Federal also had $1.6 million in FHLB stock as of December 31, 2022, an increase of $300,000 from year-end 2021.

Our loan portfolio increased $17.2 million, or 23.4%, to $91.0 million at December 31, 2022, as compared to $73.7 million at December 31, 2021. Specifically, loans secured by one- to four-family properties, our largest loan category, increased $19.4 million and ended the year with a balance of $62.4 million. Commercial real estate loans, which includes loans secured by multi-family properties, increased $3.9 million, ending the year with a balance of $21.7 million. Home equity lines of credit ended the year at $2.7 million, $1.0 million more than at December 31, 2021. Loans for construction and development decreased $5.9 million ending the year with a balance of $2.6 million. Commercial and industrial loans decreased $1.0 million during the year, ending with a balance of $2.3 million. Deposit secured loans decreased $82,000 during the year, ending the year with a zero balance. The allowance for loan losses increased $100,000 during 2022 and ended the year at $677,000.

Deposits totaled $83.5 million at December 31, 2022, compared to $80.6 million at December 31, 2021, an increase of $2.9 million, or 3.6%. During the year ended December 31, 2022, savings, demand and NOW accounts collectively increased $2.0 million and certificates of deposit increased $0.9 million.

FHLB advances totaled $35 million at December 31, 2022 as compared to $27.1 million at December 31, 2021. At December 31, 2022, these FHLB advances were comprised of eighteen different contracts. Fifteen advances, totaling $29.5 million, have original maturities greater than one year, have fixed interest rates and remaining maturities ranging from January 2023 through July 2052. These advances may have a prepayment penalty if paid prior to maturity, depending on pre-established contractual terms, as set by the FHLB.

The advances from the FHLB have been used for general liquidity purposes, including originating loans and funding deposit withdrawals. See Notes 11 and 12 of the Notes to Consolidated Financial Statements contained in this Annual Report to Stockholders for additional information on our FHLB advances. At December 31, 2022 the Company had $92,000 in other borrowings related to a commitment to fund an investment in an Affordable Housing Tax Credit Fund.

Total equity at December 31, 2022 was $13.1 million, or 9.8% of total assets. This was $2.2 million less than at year-end 2021. The decrease in total equity during the year was attributable to a $2.1 million increase in accumulated other comprehensive loss, and a $74,000 decrease in retained earnings.

During 2022 and 2021 the Company did not repurchase any common or preferred shares. As of December 31, 2022, there was an ongoing share repurchase program in progress authorizing the purchase of up to 3.0% of the Company's outstanding common shares and another program authorizing the purchase of up to 10.0% of the Company's class A preferred shares. As of December 31, 2022, 13,745 common shares and 2,254 preferred shares had been purchased as part of the respective authorizations. During the third quarter of 2021, the Company issued 220,000 shares from treasury for a total of $2.2 million or $10.12 per share for the purchase of Union Capital. At December 31, 2022 and 2021 there were 1,333,067 shares of common stock outstanding. Preferred shares outstanding were 21,737 at December 31, 2022 and 2021.

Results of Operations

Net Income. The Company recorded net income of $252,000 for the year ended December 31, 2022, a decrease of $334,000 from 2021. The decrease in net income was primarily due to a $1.7 million increase in noninterest expense and an increase of $54,000 in federal income tax expense, partially offset by an $859,000 increase in net interest income and a $575,000 increase in noninterest income.

Our return on average assets was 0.20% for the year ended 2022, compared to 0.50% for the year ended 2021. Return on average equity was 1.79% for 2022, compared to 4.21% for 2021. Average equity to average assets was 10.98% for the year ended 2022, compared to 11.96% for the year ended 2021. In 2022 we paid annual, aggregate, regular quarterly dividends on common stock totaling $320,000, or $0.24 per share, and annual, aggregate, regular quarterly dividends on preferred stock totaling $6,000, or $0.28 per share. In 2021 we paid annual, aggregate, regular quarterly dividends on common stock totaling $293,000, or $0.24 per share, and annual, aggregate, regular quarterly dividends on preferred stock totaling $6,000, or $0.28 per share.

Net Interest Income. Net interest income for the year ended December 31, 2022 was $3.0 million, an $859,000 increase from the year ended December 31, 2021. Our net interest spread during 2022 was 2.68%, a 68 basis point increase from the 2.00% spread experienced during 2021. On a tax-equivalent basis the net interest spread during 2022 was 2.68%, an increase of 68 basis points from 2.00% in 2021. Net interest margin increased 64 basis points to 2.68% during 2021 from 2.04% in 2021. On a tax-equivalent basis net interest margin was 2.68% during 2022, as compared to 2.04% in 2021, an increase of 64 basis points.

Average interest-earning assets increased to $112.5 million during 2022 from $105.5 million during 2021. The increase in average interest-earning assets primarily consisted of a $10.5 million increase in the average balance of loans, and a $9.8 million increase in the average balance of investments partially offset by a $13.3 million decrease in the average balance of interest-bearing deposits. The overall yield on interest earning assets increased 69 basis points, from 3.11% in 2021 to 3.80% in 2022, on a tax-equivalent basis.

The yield on our portfolio of loans receivable increased 26 basis points during the past year, from 4.00% in 2021 to 4.26% in 2022. The yield on our mortgage-backed and related securities portfolio increased 94 basis points on a year-to-year comparative basis from 1.34% to 2.28%. Our taxable investment securities portfolio experienced an 34 basis point increase from 2.51% in 2021 to 2.85% in 2022. The yield on our tax-exempt investment securities was 3.91% in 2022. We did not have any tax-exempt investment securities in 2021. Adjustable-rate loans comprised approximately 73.5% of our gross loan portfolio at December 31, 2022.

The $10.6 million increase in average interest-bearing liabilities was primarily comprised of a $4.7 increase in average certificates of deposit, a $2.7 million increase in savings deposits, a $0.6 million increase in transaction accounts and a $2.6 million increase in average borrowings. Total interest expense was $1.2 million in 2022 and $1.1 million in 2021. Overall, our cost of funds increased 1 basis point from 1.11% during 2021 to 1.12% during 2022. During 2022, the weighted-average interest rate of our FHLB advances was 2.48%, 23 basis points higher than in 2021. Our cost of deposits decreased 7 basis points, from .71% during 2021 to 0.64% during 2022. The average rate paid on our certificate of deposit accounts, our largest category of deposit accounts, decreased 16 basis points, from 1.18% in 2021 to 1.02% in 2022. The average rate of interest paid on savings deposits and NOW accounts increased 5 basis points from 2021 to 2022.

See the tables below captioned "Average Balances, Interest Rates and Yields" and "Rate/Volume Analysis of Net Interest Income" for more detailed information regarding our net interest income.

Average Balances, Interest Rates and Yields

The following table presents for the periods indicated the total dollar amount 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, using monthly average balances.

	Years Ended December 31, 2022			Years Ended December 31, 2021		
	Average Outstanding Balance	Interest Earned/Paid	Yield/Rate	Average Outstanding Balance	Interest Earned/Paid	Yield/Rate
	(Dollars in Thousands)					
Interest-Earning Assets:						
Loans receivable [1]	$86,057	$3,670	4.26%	$75,515	$3,020	4.00%
Mortgage-backed and related securities	7,979	182	2.28%	3,728	50	1.34%
Investment securities-Taxable	10,698	305	2.85%	5,895	148	2.51%
Investment securities – Tax exempt	665	26	3.91%	-	-	-
FHLB stock	1,399	54	3.86%	1,328	27	2.03%
Interest-bearing deposits	5,702	41	0.72%	19,024	37	0.19%
Total interest-earning assets [1][2]	112,500	4,278	3.80%	105,490	3,282	3.11%
Noninterest-earning assets	16,601			11,444		
Allowance for Loan Losses	(654)			(558)		
Total Assets	$128,447			$116,376		
Interest-Bearing Liabilities:						
Savings deposits	$26,617	$50	0.19%	$23,922	$30	0.13%
Demand and NOW deposits	9,880	8	0.08%	9,243	7	0.08%
Certificates of deposit	46,701	476	1.02%	41,977	495	1.18%
FHLB Advances	29,210	724	2.48%	26,609	598	2.25%
Total interest-bearing liabilities	112,408	1,258	1.12%	101,751	1,130	1.11%
Noninterest-bearing liabilities	1937			710		
Total Liabilities	114,345			102,461		
Stockholders' Equity	14,102			13,915		
Total Liabilities and Equity	$128,447			$116,376		
Tax-equivalent net interest income		$3,020			$2,152	
Less: Tax equivalent adjustment		(9)			0	
Net interest income		$3,011			$2,152	
Tax equivalent net interest spread			2.68%			2.00%
Net interest rate spread			2.68%			2.00%
Net earning assets	$92			$3,739		
Tax equivalent net yield on average interest earning assets.			2.68%			2.04%
Net yield on average interest-earning assets			2.68%			2.04%
Average interest-earning assets to average interest-bearing liabilities		1.00x			1.04x	

[1] Calculated net of deferred loan fees, loan discounts and loans in process. Includes nonaccrual loans.
[2] Tax-equivalent asset yield of 3.80% with an asset yield of 3.79% in 2022.

Rate/Volume Analysis of Net Interest Income

The following table presents the dollar amount of changes in interest income and interest expense for major components of interest-earning assets and interest-bearing liabilities. It distinguishes between the changes related to outstanding balances and those due to the changes in interest rates. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (1) changes in volume (*i.e.*, changes in volume multiplied by old rate) and (2) changes in rate (*i.e.*, changes in rate multiplied by old volume). For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately to the change due to volume and the change due to rate.

	Years Ended December 31, 2022 vs. 2021		
	Increase/(Decrease) Due To		Total Increase
	Volume	Rate	(Decrease)
		(In Thousands)	
Interest-earning assets:			
Loans receivable	$ 475	$ 175	$ 650
Mortgage-backed and related securities	82	50	132
Investment securities and FHLB stock	159	42	201
Interest-bearing deposits and other	(1)	5	4
Total interest-earning assets	$ 715	$ 272	$ 987
Interest-bearing liabilities:			
Savings deposits	$ 4	$ 16	$ 20
Demand and NOW deposits	1	-	1
Certificates of deposit	92	(111)	(19)
Borrowings	61	65	126
Total interest-bearing liabilities	$ 158	$ (30)	$ 128
Net interest income	$ 557	$ 302	$ 859

Provision for Loan Losses. Our provision for loan losses, which is the amount charged against income to increase the allowance for loan losses, was $20,000 for the years ended December 31, 2022 and 2021. Nonperforming loans, which are defined as nonaccruing loans as well as loans delinquent more than 90 days and still accruing interest, decreased by $300,000 to $150,000 at December 31, 2022, from $450,000 at December 31, 2021. Our nonperforming loans totaled 0.16% of net loans receivable at December 31, 2022, compared to 0.61% of net loans receivable at December 31, 2021. Our allowance for loan losses was $677,000 at December 31, 2022, representing 450.74% of nonperforming loans and 0.74% of net loans receivable. At December 31, 2021 the allowance for loan losses was $577,000, representing 128.13% of nonperforming loans and 0.78% of net loans receivable. At December 31, 2022 we had no real estate owned which was unchanged from December 31, 2021.

It is our policy to provide valuation allowances for estimated losses on loans based upon past loss experience, current trends in the level of delinquent and specific problem loans, loan concentrations to single borrowers, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, and current and anticipated economic conditions in our market area. Accordingly, the calculation of the adequacy of the allowance for loan losses is not based directly on the level of nonperforming assets.

Our methodology for determining the sufficiency of our allowance for loan losses primarily focuses on two separate areas of our loan portfolio. The first part of our analysis considers all classified and criticized loans as determined by regulatory standards and assigns a specific estimated loss, if any, to the balance of each classified and criticized loan based on management's judgment. The second part of our analysis focuses on the historical loss experience of the Association over the past three years on the remaining portion of the portfolio. Our analysis also considers other factors, including the overall loan portfolio delinquency trend, current and forecasted local economic conditions, management's adherence to established underwriting guidelines and the level of nonperforming loans in relation to the allowance for loan losses. Each component of our analysis is added together and compared, on a quarterly basis, to our overall allowance for loan losses. Adjustments are made to the allowance for loan losses through the provision for loan losses any time our analysis indicates a difference of $25,000 or greater.

We will continue to monitor our allowance for loan losses and make future adjustments to the allowance through the provision for loan losses as economic conditions dictate. Although we maintain our allowance for loan losses at a level which management considers to be adequate to provide for losses, there can be no assurance that future losses will not exceed estimated amounts or that additional provisions for loan losses will not be required in future periods. In addition, our determination as to the amount of the allowance for loan losses is subject to review by the Office of the Comptroller of the Currency, as part of its examination process, which may result in the establishment of an additional allowance.

Noninterest Income. Noninterest income increased to $4.1 million for the year ended December 31, 2022 from $3.5 million for the year ended December 31, 2021. During 2022, noninterest income included $4.0 million net gain on sale of loans, $19,000 in service fees and other income, and $61,000 in accrued income from bank owned life insurance. During 2021, noninterest income included $3.4 million net gain on sale of loans, $37,000 in service fees and other income, and $67,000 in accrued income from bank owned life insurance.

Noninterest Expense. Noninterest expense increased $1.7 million for the year ended December 31, 2022 as compared to the year ended December 31, 2021. The increase was directly related to the operations of Union Capital Mortgage Corporation. The increase was primarily due to a $1.3 million increase in compensation and benefits, a $205,000 increase in occupancy and equipment and a $174,000 increase in other operating expense.

Federal Income Taxes. The provision for federal income taxes was $186,000 for the year ended December 31, 2022, a $54,000 increase from the $132,000 expense recorded in 2021. See Note 10 of the Notes to Consolidated Financial Statements contained in this Annual Report to Stockholders.

Asset and Liability Management; Market Risk Analysis

As stated above, we derive our income primarily from the excess of interest collected over interest paid. The rates of interest we earn on assets and pay on liabilities generally are established contractually for a period of time. However, market interest rates change over time and our results of operations, like those of many financial institutions, are impacted by these changes and the interest rate sensitivity of our assets and liabilities. The risk associated with changes in interest rates and our ability to adapt to these changes is known as interest rate risk and is among Home Federal's most significant market risks.

Our operations are also affected by our level of noninterest income and expenses. Noninterest income includes net gain on sale of loans, service charges and fees and gain on sale of investments. Noninterest expenses primarily include compensation and benefits, occupancy and equipment expenses, deposit insurance premiums, legal, compliance and data processing expenses. Our results of operations are also significantly affected by general economic and competitive conditions, particularly changes in market interest rates, government legislation and regulation, and monetary and fiscal policy.

In an attempt to manage our exposure to changes in interest rates and comply with applicable regulations, we monitor Home Federal's interest rate risk. In monitoring interest rate risk, we continually analyze and manage our assets and liabilities based on their payment streams and interest rates, the timing of their maturities, and their sensitivity to actual or potential changes in market interest rates.

An asset or liability is interest rate sensitive within a specific time period if it will mature or reprice within that time period. If our assets mature or reprice more rapidly or to a greater extent than our liabilities, then the market value of our portfolio equity and our net interest income would tend to increase during periods of rising interest rates and decrease during periods of falling interest rates. Conversely, if our assets mature or reprice more slowly or to a lesser extent than our liabilities, then the market value of our portfolio equity and our net interest income would tend to decrease during periods of rising interest rates and increase during periods of falling interest rates. Our policy has been to address the interest rate risk inherent in our business of originating long-term loans funded by short-term deposits by maintaining sufficient liquid assets for material and prolonged changes in interest rates. We believe that our liquidity position and capital levels, which are well in excess of regulatory requirements, assist us in reasonably limiting the effects of our interest rate risk exposure.

Our Board of Directors is responsible for reviewing our asset and liability position. The Board performs a quarterly review of interest rate risk and trends, liquidity and capital ratios and related regulatory requirements. In addition, the Board reviews simulations of the effect of changes in interest rates on Home Federal's capital, net interest income and net income under various interest rate scenarios. Management of Home Federal is responsible for implementing the policies and decisions of the Board of Directors with respect to our asset and liability goals and strategies.

To manage the interest rate risk, we attempt to originate adjustable-rate loans. At December 31, 2022, adjustable-rate mortgage loans, including home equity lines of credit, totaled $71.5 million, or 73.5% of our total gross loan portfolio. We also maintain a portfolio of liquid assets which includes investment securities. Maintaining liquid assets, however, tends to reduce potential net income because liquid assets usually provide a lower yield than other interest-earning assets, such as loans. Based on our current balance sheet structure, we are more vulnerable to decreases in interest rates than to increases in interest rates, given current market interest rate levels and trends, as illustrated in the table below.

The following table sets forth the change in Home Federal's economic value of equity at December 31, 2022, based on independent models, and to a lesser extent, internal assumptions that would occur upon an immediate change in interest rates of up to 300 basis points, with no effect given to any steps that management might take to counteract that change. Economic value of equity is the present value of expected cash flows from assets, liabilities and off-balance sheet contracts.

	December 31, 2022				
	Economic Value of Equity			Economic Value of Equity as % of the Economic Value of Total Assets	
Change in Rate	Amount	$ Change	% Change	EVE Ratio	BP Change
			(Dollars in Thousands)		
+300	$ 13,239	$ (4,403)	-25.0%	10.23%	(340)
+200	14,756	(2,886)	-16.4%	11.40%	(223)
+100	16,340	(1,302)	-7.4%	12.63%	(100)
	17,642	---	---	13.63%	-
-100	18,467	825	4.7%	14.27%	64
-200	18,656	1,015	5.8%	14.42%	79

In the above table, the first column on the left presents the basis point increments of parallel yield curve shifts. The second column presents the overall dollar amount of economic value of equity at each basis point increment. The third and fourth columns present Home Federal's actual position in dollar change and percentage change in economic value of equity at each basis point increment. The remaining columns present Home Federal's percentage change and basis point change in its economic value of equity as a percentage of the economic value of total assets. At December 31, 2022, Home Federal was within the economic value of equity interest rate risk policy limit established by its Board of Directors. Computations of prospective effects of hypothetical interest rate changes are based on numerous assumptions, including interest rates, loan prepayments, deposit decay rates, and the market values of certain assets under the various interest rate scenarios and should not be relied upon as indicative of actual results. Certain shortcomings are inherent in the method of analysis presented in the computation of economic value of equity. Although certain assets and liabilities may have similar maturities or periods within which they reprice, they may react differently to changes in market interest rates. The interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market rates. In the event of a change in interest rates, prepayments and early withdrawal levels could deviate significantly from those assumed in making the calculations set forth above.

Liquidity and Commitments

Home Federal's primary sources of funds are deposits, repayments and prepayments of loans and securities and interest income. Although maturity and scheduled amortization of loans and securities are relatively predictable sources of funds, deposit flows and prepayments on loans and securities are influenced significantly by general interest rates, economic conditions and competition. Historically, we have been able to generate sufficient cash through our deposits and have only utilized borrowings to a limited degree for liquidity purposes.

Liquidity management is an ongoing and long-term function of our asset/liability management strategy. Excess funds generally are invested in interest-bearing overnight deposits at other financial institutions and in short-term investment securities. If we require funds beyond our ability to generate deposits, additional sources of funds are available. Our most liquid assets are cash and cash equivalents. At December 31, 2022, cash and cash equivalents totaled $6.7 million compared to $26.5 million at December 31, 2021. The decrease in liquidity was related to the acquisition of Union Capital Mortgage Corporation and the forecasted needs of their funding requirements. We monitor and review liquidity regularly and maintain short-term, unsecured lines of credit with two different commercial banks which can be accessed immediately. These unsecured lines of credit aggregate $7.0 million. Home Federal also maintains a $2.5 million secured line of credit with another depository financial institution that is immediately available for longer term financing needs. All three lines of credit had no funds drawn as of December 31, 2022. Additionally, we have the ability to borrow funds from the FHLB of Cincinnati. At December 31, 2022, we had $20.8 million in unused borrowing capacity from the FHLB of Cincinnati.

At December 31, 2022, we had commitments to fund $3.1 million in construction loans. At this date, we had no investment security purchase commitments outstanding and no performance standby letters of credit outstanding. The unused portion of home equity lines of credit was $2.3 million and the unused portion of commercial lines of credit was $1.5 million. Certificates of deposit scheduled to mature in one year or less at December 31, 2022 totaled $36.5 million. Based on historical experience, we believe that a significant portion of maturing deposits will remain with us. We believe, based on our current balance sheet structure and our ability to acquire funds from various sources, that our liquidity is adequate.

Capital

Total equity was $13.1 million at December 31, 2022, or 9.8% of total assets on that date. Consistent with our goals to operate a sound and profitable financial organization, we actively seek to maintain a "well-capitalized" institution in accordance with regulatory standards. As of December 31, 2022, Home Federal exceeded all capital requirements of the Office of the Comptroller of the Currency. Our regulatory capital ratios at December 31, 2022 were as follows: Tier 1 (leverage) capital, 10.16%; Tier 1 risk-based capital, 15.90%; and Total risk-based capital, 16.71%. The regulatory capital requirements to be considered well capitalized are 5.0%, 8.0%, and 10.0%, respectively.

Impact of Inflation and Changing Prices

The financial statements and related data presented herein have been prepared in accordance with generally accepted accounting principles which require the measurement of financial position and operating results in terms of historical dollars without considering changes in the relative purchasing power of money over time due to inflation. The primary impact of inflation on our operations is reflected in increased operating costs. Unlike most industrial companies, virtually all of the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates, generally, have a more significant impact on a financial institution's performance than does inflation. Interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services.

Disclosure Regarding Forward-Looking Statements

First Niles and Home Federal may from time to time make written or oral "forward-looking statements." These forward-looking statements may be contained in this Annual Report to Stockholders, in our proxy statement for our annual meeting and in other communications by us, which are made in good faith pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. The words "may," "could," "should," "would," "believe," "anticipate," "estimate," "expect," "intend," "plan" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, expectations, anticipations, estimates and intentions that are subject to significant risks and uncertainties. The following factors, many of which are subject to change based on various other factors beyond our control, could cause our financial performance to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements:

- the strength of the United States economy in general and the strength of the local economies in which we conduct our operations;
- the effects of, and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Federal Reserve Board;
- inflation, interest rate, market and monetary fluctuations and/or volatility;
- the timely development of and acceptance of new products and services of Home Federal and the perceived overall value of these products and services by users, including the features, pricing and quality compared to competitors' products and services;
- the willingness of users to substitute competitors' products and services for our products and services;
- the success of Home Federal in gaining regulatory approval of its 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;
- the financial impact of acquisitions and any challenges from integrating any acquisitions;
- changes in consumer spending and savings habits; and
- our success at managing the risks involved in the foregoing.

The foregoing list of important factors 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 First Niles, Home Federal, or UCMC.

SNODGRASS
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholders
First Niles Financial, Inc.
Niles, Ohio

Opinion

We have audited the accompanying consolidated financial statements of First Niles Financial, Inc. and its subsidiary (the "Company"), which comprise the consolidated statements of financial condition as of December 31, 2022 and 2021; the related consolidated statements of income, comprehensive (loss) income, changes in stockholders' equity, and cash flows for the years then ended; and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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S.R. Snodgrass, P.C. d/b/a S.R. Snodgrass, A.C. in West Virginia

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the President's Message, Management's Discussion and Analysis of Financial Condition and Results of Operations, and Stockholder Information but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or whether the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

S. R. Snodgrass, P.C.

Cranberry Township, Pennsylvania
March 17, 2023

FIRST NILES FINANCIAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	December 31, 2022	December 31, 2021
	(In thousands, except share and per share data)	
ASSETS		
Cash and cash equivalents:		
Noninterest-bearing	$ 3,016	$ 16,944
Interest-bearing	3,708	9,557
Cash and cash equivalents	6,724	26,501
Securities:		
Available for sale	16,601	9,507
Held to maturity (fair value of $1,204 and $1,279)	1,250	1,250
Certificates of deposit	847	850
Loans:		
Held for investment, net of allowance of $677 and $577	90,967	73,742
Held for sale	6,857	4,124
Accrued interest receivable	438	275
Federal Home Loan Bank stock	1,635	1,329
Bank-owned life insurance (BOLI)	3,743	3,682
Limited partnership - Ohio Equity Fund	466	559
Goodwill	1,668	1,668
Premises and equipment, net	307	331
Prepaid expenses and other assets	2,387	679
TOTAL ASSETS	$ 133,890	$ 124,497
LIABILITIES		
Deposits	$ 83,492	$ 80,607
Accrued interest payable	147	74
Short-term borrowings	-	3,100
Federal Home Loan Bank advances	35,000	24,000
Note payable - Ohio Equity Fund	92	116
Accounts payable and other liabilities	2,015	1,295
TOTAL LIABILITIES	120,746	109,192
STOCKHOLDERS' EQUITY		
Preferred stock, $0.01 par value; 500,000 shares authorized; 29,670 issued	-	-
Common stock, $0.01 par value; 6,000,000 shares authorized, 1,724,741 shares issued	18	18
Additional paid-in capital	6,650	6,650
Retained earnings	13,350	13,424
Accumulated other comprehensive loss	(2,114)	(27)
Treasury stock, 611,674 shares of common stock and 7,933 shares of preferred stock	(4,760)	(4,760)
TOTAL STOCKHOLDERS' EQUITY	13,144	15,305
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 133,890	$ 124,497

See accompanying notes to the consolidated financial statements.

FIRST NILES FINANCIAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31, 2022	Year Ended December 31, 2021
	(In thousands, except share and per share data)	
INTEREST AND DIVIDEND INCOME		
Loans receivable:		
First mortgage loans	$ 3,365	$ 2,736
Consumer and other loans	305	284
Mortgage-backed and related securities	182	50
U.S. agencies and other securities	322	148
Federal Home Loan Bank stock dividend	54	27
Interest-bearing deposits	41	37
Total interest and dividend income	4,269	3,282
INTEREST EXPENSE		
Deposits	533	532
Borrowings	725	598
Total interest expense	1,258	1,130
NET INTEREST INCOME	3,011	2,152
Provision for loan losses	20	20
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	2,991	2,132
NONINTEREST INCOME		
Gains on sales of loans, net	4,002	3,403
BOLI earnings	61	67
Service fees and other	19	37
Total noninterest income	4,082	3,507
NONINTEREST EXPENSE		
Compensation and benefits	4,913	3,589
Directors fees	81	75
Occupancy and equipment	392	186
Federal deposit insurance premiums	36	31
State and local taxes	107	168
Other operating expense	1,106	872
Total noninterest expense	6,635	4,921
Income before income taxes	438	718
Federal income tax expense	186	132
NET INCOME	$ 252	$ 586
EARNINGS PER SHARE BASIC AND DILUTIVE	$ 0.18	$ 0.48
AVERAGE SHARES OUTSTANDING	1,333,067	1,204,683

See accompanying notes to the consolidated financial statements.

FIRST NILES FINANCIAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

	Year Ended December 31, 2022	Year Ended December 31, 2021
Net income	$ 252	$ 586
Components of other comprehensive loss:		
Change in unrealized losses on available-for-sale securities	(2,642)	(158)
Tax effect	555	33
Total other comprehensive loss	(2,087)	(125)
Total comprehensive (loss) income	$ (1,835)	$ 461

See accompanying notes to the consolidated financial statements.

FIRST NILES FINANCIAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance, December 31, 2020	$ 18	$ 7,045	$ 13,137	$ 98	$ (7,381)	$ 12,917
Net income	-	-	586	-	-	586
Other comprehensive loss	-	-	-	(125)	-	(125)
Purchase of Union Capital Mortgage Corp. common stock (220,000 shares)	-	(395)	-	-	2,621	2,226
Cash dividends ($0.24 per share)	-	-	(299)	-	-	(299)
Balance, December 31, 2021	$ 18	$ 6,650	$ 13,424	$ (27)	$ (4,760)	$ 15,305
Net income	-	-	252	-	-	252
Other comprehensive loss	-	-	-	(2,087)	-	(2,087)
Cash dividends ($0.24 per share)	-	-	(326)	-	-	(326)
Balance, December 31, 2022	$ 18	$ 6,650	$ 13,350	$ (2,114)	$ (4,760)	$ 13,144

See accompanying notes to the consolidated financial statements.

FIRST NILES FINANCIAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 252	$ 586
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income tax benefit	(92)	(36)
Depreciation	55	37
Amortization of deferred loan fees and costs	76	138
Amortization of discounts and premiums on investments and mortgage-backed and related securities	6	40
Origination of loans held for sale	(133,000)	(100,947)
Proceeds from sales of loans	137,714	107,679
Gain on sale of loans, net	(4,002)	(3,403)
Realized loss on disposal of premises and equipment	-	19
Earnings on BOLI	(61)	(67)
(Increase) decrease in accrued interest receivable	(163)	16
Decrease in prepaid expenses and other assets	26	101
Increase (decrease) in accrued interest payable	73	(48)
(Decrease) increase in accounts payable and other liabilities	(478)	450
Net cash provided by operating activities	406	4,565
CASH FLOWS FROM INVESTING ACTIVITIES		
Activity in available-for-sale securities:		
Maturities, prepayments, and calls	3,317	6,653
Purchases	(13,060)	(9,849)
Cash received in business combination	-	1,872
Purchases of Federal Home Loan Bank stock	(328)	-
Repayment of Federal Home Loan Bank stock	22	-
Purchases of certificates of deposit	(747)	(250)
Maturities of certificates of deposit	750	250
Net increase in loans receivable	(20,541)	(147)
Purchase of premises and equipment	(31)	(10)
Net cash used for investing activities	(30,618)	(1,481)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in savings accounts	1,999	4,951
Net increase in certificates of deposit	886	9,389
Net (decrease) increase in short-term borrowings	(3,100)	3,100
Proceeds from Federal Home Loan Bank advances	16,000	-
Payment of Federal Home Loan Bank advances	(5,000)	(6,000)
Payment on note payable - Ohio Equity Fund	(24)	(31)
Payment on warehouse line of credit	-	(10,343)
Dividends paid	(326)	(299)
Net cash provided by financing activities	10,435	767
(Decrease) increase in cash and cash equivalents	(19,777)	3,851
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	26,501	22,650
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 6,724	$ 26,501

See accompanying notes to the consolidated financial statements.

FIRST NILES FINANCIAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

		Year Ended December 31,		
		2022		2021
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Cash paid during the year for:				
Interest	$	1,185	$	1,132
Noncash activity:				
Acquisition of Union Capital Mortgage Corporation				
Non-cash assets acquired				
Loans held for investment		-		1,907
Loans held for sale		-		7,596
Premises and equipment, net		-		55
Prepaid expenses and other assets		-		78
Goodwill		-		1,668
		-		11,304
Liabilities assumed				
Accrued interest payable		-		46
Accounts payable and other liabilities		-		561
Warehouse line of credit		-		10,343
		-		10,950
Net non-cash assets acquired		-		354
Cash and cash equivalents acquired	$	-	$	2,976
Issuance of stock for business combination	$	-	$	2,226
Recognition of operating lease right-of-use assets	$	(1,391)	$	-
Recognition of operating lease obligations	$	1,391	$	-
Transfer of construction loans to loans held for sale	$	3,445	$	-

See accompanying notes to the consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

First Niles Financial, Inc. (the "Company") is a savings and loan holding company whose activities are primarily limited to holding the stock of the Home Federal Savings and Loan Association of Niles (the "Association"). The Company conducts a general banking business in Niles, Ohio, which consists of attracting deposits from the general public and applying those funds to the origination of loans for residential, commercial, and consumer purposes. On August 2, 2021, the Association acquired Union Capital Mortgage Corporation, a mortgage banking company operating principally in northern Ohio, that provides residential mortgage loans to the general public and sells them in the secondary market.

Use of Estimates

The consolidated financial information presented herein has been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). In preparing consolidated financial statements in accordance with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from such estimates. A material estimate that is particularly susceptible to significant change in the near term relates to the determination of the allowance for loan losses, deferred taxes, and fair value of financial instruments.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and the Association. All significant intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents includes both noninterest and interest-bearing cash, which includes cash on hand and amounts due from the correspondent banks with an original maturity of 90 days or less.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist of cash investments in excess of federally insured limits. The Company places its temporary cash with high credit quality financial institutions. At December 31, 2022 and 2021, there were balances of $2,821,000 and $16,656,000, respectively, in excess of the FDIC insured limit of $250,000.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Securities and Mortgage-Backed and Related Securities

The Company categorizes its investment securities as held to maturity or available for sale. Held-to-maturity securities are those securities for which the Company has the ability and intent to hold until maturity. Securities classified as held to maturity are carried at cost, adjusted for amortization of premiums and accretion of discounts using methods that approximate the interest method over the remaining period to contractual maturity, and adjusted for anticipated prepayments.

Securities classified as available for sale are those debt securities that the Company intends to hold for an indefinite period of time but not necessarily to maturity. Any decision to sell securities classified as available for sale would be based on various factors, including significant movement in interest rates, changes in the maturity mix of the Company's assets and liabilities, liquidity needs, regulatory capital consideration, and other similar factors. Securities designated as available for sale are carried at fair value with resulting unrealized gains or losses recorded to equity. Realized gains or losses on sales of securities are recorded on the trade date and are recognized using the specific identification method. Management evaluates securities for other than temporary impairment on a quarterly basis or more frequently as economic and market conditions warrant such an evaluation.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff generally are reported at their principal amount net of the allowance for loan losses. Interest on loans is recognized as income when earned on the accrual method. The Company's policy is to discontinue the accrual of interest on loans when payments are 90 days past due unless in management's estimation interest collection is probable based upon economic and business conditions of the borrower. Payments received on nonaccrual loans are recorded as income or applied against principal according to management's judgment as to the collectability of such principal. Loans are returned to accrual status when past-due interest is collected and the collection of principal is probable.

Loan origination fees and certain direct loan origination costs are being deferred and amortized as an adjustment of the related loan's yield.

Loan origination fees received net of direct origination costs are deferred and amortized to interest income over the contractual lives of the loans using the level-yield method, giving effect to actual loan prepayments. Loan origination costs are the direct costs attributable to originating a loan. Total net unamortized costs of $260,000 and $337,000 are carried with outstanding loan balances at December 31, 2022 and 2021, respectively.

Loans Held for Sale

Certain newly originated mortgage loans are classified as held for sale because it is management's intent to sell these residential mortgage loans. These residential mortgage loans held for sale are carried at the lower of aggregate cost or fair value.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Loan Losses

The allowance for loan losses represents the amount that management estimates is adequate to provide for probable losses inherent in its loan portfolio. The allowance method is used in providing for loan losses. Accordingly, all loan losses are charged to the allowance, and all recoveries are credited to it. The allowance for loan losses is established through a provision for loan losses that is charged to operations. The provision is based on management's periodic evaluation of the adequacy of the allowance for loan losses, which encompasses the overall risk characteristics of the various portfolio segments, past experience with losses, the impact of economic conditions on borrowers, and other relevant factors.

The estimates used in determining the adequacy of the allowance for loan losses, including the amounts and timing of future cash flows expected on impaired loans, are particularly susceptible to significant change in the near term.

A loan is considered impaired when it is probable the borrower will not repay the loan according to the original contractual terms of the loan agreement. Management has determined that residential real estate and all consumer loans represent large groups of smaller-balance homogeneous loans that are to be collectively evaluated. Loans that experience insignificant payment delays, which are defined as 90 days or less, generally are not classified as impaired. A loan is not impaired during a period of delay in payment if the Company expects to collect all amounts due, including interest accrued at the contractual interest rate for the period of delay. All loans identified as impaired are evaluated independently by management. Management determines the significance of payment delays on a case-by-case basis, taking into consideration all circumstances concerning the loan, the creditworthiness and payment history of the borrower, the length of the payment delay, and the amount of shortfall in relation to the principal and interest owed. The Company estimates credit losses on impaired loans based on the present value of expected cash flows or the fair value of the underlying collateral if the loan repayment is expected to come from the sale or operation of such collateral. Impaired loans, or portions thereof, are charged off when it is determined a realized loss has occurred. Until such time, an allowance for loan losses is maintained for estimated losses. Cash receipts on impaired loans are applied first to accrued interest receivable unless otherwise required by the loan terms, except when an impaired loan is also a nonaccrual loan.

Management establishes the allowance for loan losses based upon its evaluation of the pertinent factors underlying the types and quality of loans in the portfolio. Commercial loans and commercial real estate loans are reviewed on a regular basis, with a focus on larger loans along with loans that have experienced past payment or financial deficiencies. Larger commercial loans and commercial real estate loans that are 90 days or more past due are selected for impairment testing. These loans are analyzed to determine whether they are impaired, which means that it is probable that all amounts will not be collected according to the contractual terms of the loan agreement. All commercial loans that are delinquent 90 days and residential mortgage loans that are 90 days delinquent and are placed on nonaccrual status are classified on an individual basis. The remaining loans are evaluated and classified as groups of loans with similar risk characteristics. The Company allocates allowances based on the factors described below, which conform to the Company's asset classification policy. In reviewing risk within the Bank's loan portfolio, management has determined there to be several different risk categories within the loan portfolio. The allowance for loan losses consists of amounts applicable to: (i) the commercial loan portfolio, (ii) the commercial real estate portfolio, (iii) the consumer loan portfolio, and (iv) the loans secured by residential real estate portfolio. Factors considered in this process included general loan terms, collateral, and availability of historical data to support the analysis. Historical loss percentages for each risk category are calculated and used as the basis for calculating allowance allocations. Certain qualitative factors are then added to the historical allocation percentage to get the total factor to be applied to nonclassified loans.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Loan Losses (Continued)

The following qualitative factors are analyzed:

- Levels of and trends in delinquencies
- Trends in volume and terms
- Changes in lending policy and procedures
- Changes in management and lending staff
- Economic trends
- Concentrations of credit
- Changes in underlying collateral value

The Company analyzes its loan portfolio each quarter to determine the appropriateness of its allowance for loan losses.

Federal Home Loan Bank Stock

Federal Home Loan Bank of Cincinnati (FHLB) stock is carried at cost, classified as a restricted security because no ready market exists for this investment, it has no quoted market value, and it is periodically reviewed for impairment based on ultimate recovery of par value. At December 31, 2022, the Company does not consider the stock to be impaired.

Bank-Owned Life Insurance (BOLI)

The Company has purchased life insurance policies on certain key officers and directors. Bank-owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

Premises and Equipment

Land is carried at cost, premises and equipment are recorded at cost and include expenditures, which extend the useful lives of existing assets. Maintenance, repairs, and minor renewals are expensed as incurred. For financial reporting, depreciation is provided on the straight-line method over the estimated useful lives of the assets, estimated to be 40 to 50 years for buildings and 3 to 10 years for furniture and equipment. Gains or losses realized on the disposition of premises and equipment are reflected in the consolidated statement of income.

Other Real Estate Owned

Other real estate owned includes properties that have been acquired in complete or partial satisfaction of debt. These properties are initially recorded at fair value on the date of acquisition, establishing a new cost basis. Subsequent to acquisition, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value, less estimated costs to sell. Gains and losses realized on the sale are included in noninterest income. Net costs of maintaining and operating the properties are expensed as incurred.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

The Company utilizes a two-step process for testing the impairment of goodwill on at least an annual basis. This approach could cause more volatility in the Company's reported net income because impairment losses, if any, could occur irregularly and in varying amounts. The Company may also perform a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying value. Based on the fair value of the reporting unit, no impairment of goodwill was recognized in 2022.

Federal Income Taxes

Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. A deferred tax liability or deferred tax asset is computed by applying the current statutory tax rates to net taxable or deductible temporary differences between the tax basis of an asset or liability and its reported amount in the financial statements that will result in net taxable or deductible amounts in future periods. Deferred tax assets are recorded only to the extent that the amount of net deductible temporary differences or carryforward attributes may be utilized against current period earnings, offset against taxable temporary differences reversing in future periods, or utilized to the extent of management's estimate of future taxable income. A valuation allowance is provided for deferred tax assets to the extent that the value of net deductible temporary differences and carryforward attributes exceeds management's estimates of taxes payable on future taxable income. Deferred tax liabilities are provided on the total amount of net temporary differences taxable in the future.

The provisions of "Accounting for Uncertainty in Income Taxes" prescribe a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. The amount recognized is measured as the amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement.

The Company recognizes interest and penalties on income taxes as a component of income tax expense.

Comprehensive (Loss) Income

The Company is required to present comprehensive (loss) income and its components in a full set of general-purpose financial statements for all periods presented. Other comprehensive (loss) income comprises unrealized holding gains and losses on the available-for-sale securities portfolio.

Transfers of Financial Assets

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses were $7,100 and $13,000 for the years ended December 31, 2022 and 2021, respectively.

Treasury Stock

Common stock and preferred shares repurchased are recorded as treasury stock at cost.

Earnings per Share

The Company maintains a simple capital structure with no stock plans that would have a dilutive effect on earnings per share. Earnings per share is calculated by dividing net income less preferred dividends by the weighted average number of shares outstanding for the periods.

Reclassification of Comparative Amounts

Certain comparative amounts for the prior year have been reclassified to conform to current-year presentation. Such reclassifications had no effect on net income or stockholders' equity.

2. REVENUE RECOGNITION

The primary sources of revenue for the Company are from interest and dividend income on loans and securities along with noninterest revenue resulting from investment security gains, loan servicing, gains on the sale of loans, commitment fees, fees from financial guarantees, certain credit cards fees, and income on bank-owned life insurance that are not within the scope of ASC 606. These sources of revenue cumulatively comprise 97 percent of the total revenue of the Company. Services within the scope of ASC 606 include income from fiduciary activities, service charges on deposit accounts, other service income, and gain on sale of OREO, net. For these accounts, fees related to specific customer transactions are attributable to specific performance obligations of the Company where the revenue is recognized at a defined point in time, completion of the requested service/transaction.

3. INVESTMENT SECURITIES

The amortized cost, gross unrealized gains and losses, and fair values of investment securities available for sale are summarized as follows:

	December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale	(In thousands)			
Collateralized mortgage obligations	$ 5,634	$ -	$ (747)	$ 4,887
Mortgage-backed securities	2,613	-	(251)	2,362
U.S. government agency securities	10,249	-	(1,600)	8,649
Municipal bond	782	-	(79)	703
Total	$ 19,278	$ -	$ (2,677)	$ 16,601

	December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale	(In thousands)			
Collateralized mortgage obligations	$ 2,104	$ 13	$ (9)	$ 2,108
Mortgage-backed securities	688	7	(5)	690
U.S. government agency securities	6,750	19	(60)	6,709
Total	$ 9,542	$ 39	$ (74)	$ 9,507

The amortized cost, gross unrealized gains and losses, and fair values of investment securities held to maturity are summarized as follows:

	December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Held to maturity	(In thousands)			
Subordinated notes	$ 1,250	$ -	$ (46)	$ 1,204
Total	$ 1,250	$ -	$ (46)	$ 1,204

	December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Held to maturity	(In thousands)			
Subordinated notes	$ 1,250	$ 29	$ -	$ 1,279
Total	$ 1,250	$ 29	$ -	$ 1,279

3. INVESTMENT SECURITIES (Continued)

The tables below indicate the length of time individual securities have been in a continuous unrealized loss position:

	December 31, 2022					
	Less than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available for sale	(In thousands)					
Collateralized mortgage obligations	$ 4,482	$ (697)	$ 405	$ (50)	$ 4,887	$ (747)
Mortgage-backed securities	2,118	(234)	235	(17)	2,353	(251)
U.S. government agency securities	4,368	(631)	4,281	(969)	8,649	(1,600)
Municipal bond	702	(79)	-	-	702	(79)
	$ 11,670	$ (1,641)	$ 4,921	$ (1,036)	$ 16,591	$ (2,677)

	December 31, 2021					
	Less than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available for sale	(In thousands)					
Collateralized mortgage obligations	$ 401	$ (4)	$ 240	$ (5)	$ 641	$ (9)
Mortgage-backed securities	128	(1)	186	(4)	314	(5)
U.S. government agency securities	5,189	(60)	-	-	5,189	(60)
	$ 5,718	$ (65)	$ 426	$ (9)	$ 6,144	$ (74)

The Company reviews its position quarterly and has asserted that at December 31, 2022, the declines outlined in the above table represent temporary declines, and the Company does not intend to sell, and it is more likely than not that the Company will not be required to sell the securities before their anticipated recovery in fair value. The number of securities that have been in a continuous unrealized loss position for less than 12 months and for more than 12 months is 31 and 23, respectively, at December 31, 2022. The Company has concluded that the unrealized losses disclosed above are not other than temporary but are the result of interest rate changes, sector credit ratings changes, or Company-specific ratings changes that are not expected to result in the noncollection of principal and interest during the period.

The amortized cost and fair value of investment securities at December 31, 2022, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	2022			
	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due after one year through five years	$ 166	$ 155	$ -	$ -
Due after five years through ten years	11,191	9,502	1,250	1,204
Due after ten years	7,921	6,944	-	-
Total	$ 19,278	$ 16,601	$ 1,250	$ 1,204

During 2022 and 2021, the Company did not sell any available-for-sale securities.

Investment securities with a carrying value of $5.4 million and $6.1 million at December 31, 2022 and 2021, respectively, were pledged to secure public deposits, collateral for borrowings, and other purposes as required by law.

4. LOANS

Major classifications of loans held for investment are summarized as follows:

	December 31, 2022	December 31, 2021
	(In thousands)	
Real estate mortgage	$ 62,396	$ 43,037
Construction and development	2,582	8,450
Commercial real estate	21,666	17,728
Commercial and industrial	2,254	3,288
Home equity lines of credit	2,746	1,734
Deposit secured	-	82
Total	91,644	74,319
Less allowance for loan losses	677	577
Net loans	$ 90,967	$ 73,742

In the ordinary course of business, the Company has granted loans to some of its officers, directors, and their related interests. Related-party loans are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated persons and do not involve more than normal risk of collectability. The aggregate dollar amount of these loans was approximately $924,000 and $952,000 at December 31, 2022 and 2021, respectively. During the years ended December 31, 2022 and 2021, loans or additional draws on home equity lines of credit of $0 and $148,000, respectively, were made to officers, directors, and their related interests, while principal repayments of $28,000 and $127,000 were received from related parties during 2022 and 2021, respectively.

The Company's lending efforts have historically focused on one-to-four family residential real estate loans and construction loans, which comprise approximately $62.4 million, or 68.1 percent, of the total loan portfolio at December 31, 2022, and $43.0 million, or 61.3 percent, of the total loan portfolio at December 31, 2021. Historically, such loans have been underwritten with cash down payments sufficient to provide the Company with adequate collateral coverage in the event of default. Nevertheless, the Company, as with any lending institution, is subject to the risk that real estate values or economic conditions could deteriorate in its primary lending areas within Ohio, thereby impairing collateral values.

5. ALLOWANCE FOR LOAN LOSSES

The following tables show the allowance for loan losses and recorded investment in loans for the years ended:

	December 31, 2022							
	Commercial Real Estate	Real Estate Mortgage	Commercial and Industrial	Construction and Development	Home Equity Lines of Credit	Deposit Secured	Unallocated	Total
Allowance for loan losses	(In thousands)							
Beginning balance	$ 136	$ 333	$ 26	$ 66	$ 13	$ -	$ 3	$ 577
Charge-offs	-	-	-	(23)	-	-	-	(23)
Recoveries	-	103	-	-	-	-	-	103
Provision	24	25	(9)	(24)	7	-	(3)	20
Ending balance	$ 160	$ 461	$ 17	$ 19	$ 20	$ -	$ -	$ 677
Ending balance Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending balance Collectively evaluated for impairment	$ 160	$ 461	$ 17	$ 19	$ 20	$ -	$ -	$ 677
Loans:								
Ending balance	$ 21,666	$ 62,396	$ 2,254	$ 2,582	$ 2,746	$ -	$ -	$ 91,644
Ending balance Individually evaluated for impairment	$ -	$ 136	$ -	$ -	$ 14	$ -	$ -	$ 150
Ending balance Collectively evaluated for impairment	$ 21,666	$ 62,260	$ 2,254	$ 2,582	$ 2,732	$ -	$ -	$ 91,494

5. ALLOWANCE FOR LOAN LOSSES (Continued)

	December 31, 2021							
	Commercial Real Estate	Real Estate Mortgage	Commercial and Industrial	Construction and Development	Home Equity Lines of Credit	Deposit Secured	Unallocated	Total
Allowance for loan losses:	(In thousands)							
Beginning balance	$ 157	$ 319	$ 24	$ 30	$ 16	$ -	$ 11	$ 557
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-	-
Provision	(21)	14	2	36	(3)	-	(8)	20
Ending balance	$ 136	$ 333	$ 26	$ 66	$ 13	$ -	$ 3	$ 577
Ending balance Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending balance Collectively evaluated for impairment	$ 136	$ 333	$ 26	$ 66	$ 13	$ -	$ 3	$ 577
Loans:								
Ending balance	$ 17,728	$ 43,037	$ 3,288	$ 8,450	$ 1,734	$ 82	$ -	$ 74,319
Ending balance Individually evaluated for impairment	$ 169	$ 231	$ -	$ -	$ 18	$ -	$ -	$ 418
Ending balance Collectively evaluated for impairment	$ 17,559	$ 42,806	$ 3,288	$ 8,450	$ 1,716	$ 82	$ -	$ 73,901

Credit Quality Information

Credit quality indicators by internally assigned grade, are as follows:

Pass – loans in this category have strong asset quality and liquidity along with a multi-year track record of profitability.

Special mention – loans in this category are currently protected but are potentially weak. The credit risk may be relatively minor yet constitute an increased risk in light of the circumstances surrounding a specific loan.

Substandard – loans in this category show signs of continuing negative financial trends and unprofitability and therefore, are inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any.

5. ALLOWANCE FOR LOAN LOSSES (Continued)

The following tables present each loan class by credit quality indicator for the years ended December 31:

	2022 Commercial Real Estate	2022 Commercial and Industrial	2022 Construction and Development	2021 Commercial Real Estate	2021 Commercial and Industrial	2021 Construction and Development
	(In thousands)					
Pass	$ 20,465	$ 2,254	$ 2,582	$ 16,287	$ 3,288	$ 8,450
Special Mention	-	-	-	-	-	-
Substandard	1,201	-	-	1,441	-	-
	$ 21,666	$ 2,254	$ 2,582	$ 17,728	$ 3,288	$ 8,450

	2022 Real Estate Mortgage	2022 Home Equity Lines of Credit	2022 Deposit Secured	2021 Real Estate Mortgage	2021 Home Equity Lines of Credit	2021 Deposit Secured
	(In thousands)					
Pass	$ 62,057	$ 2,618	$ -	$ 42,523	$ 1,601	$ 82
Special Mention	124	-	-	150	-	-
Substandard	215	128	-	364	133	-
	$ 62,396	$ 2,746	$ -	$ 43,037	$ 1,734	$ 82

Impaired Loans

The following tables include the recorded investment and unpaid principal balances for impaired loans with the associated allowance amount, if applicable, as of and for the years ended:

December 31, 2022	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Totals by type:					
Commercial real estate	$ -	$ 84	$ -	$ 35	$ 13
Real estate mortgage	136	330	-	168	19
Commercial and industrial	-	-	-	-	-
Construction and development	-	-	-	-	-
Home equity lines of credit	14	41	-	16	-
Deposit secured	-	-	-	-	-
	$ 150	$ 455	$ -	$ 219	$ 32

December 31, 2021	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Totals by type:					
Commercial real estate	$ 169	$ 252	$ -	$ 177	$ -
Real estate mortgage	231	466	-	229	8
Commercial and industrial	-	-	-	-	-
Construction and development	-	-	-	-	-
Home equity lines of credit	18	45	-	20	-
Deposit secured	-	-	-	-	-
	$ 418	$ 763	$ -	$ 426	$ 8

*There were no impaired loans with an allowance recorded at December 31, 2022 and 2021.

5. **ALLOWANCE FOR LOAN LOSSES (Continued)**

Impaired Loans (Continued)

Age analysis of past-due loans is as follows:

	December 31, 2022					
	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Current	Total
	(In thousands)					
Commercial real estate	$ -	$ -	$ -	$ -	$ 21,666	$ 21,666
Real estate mortgage	2,718	46	136	2,900	59,496	62,396
Commercial and industrial	-	-	-	-	2,254	2,254
Construction and development	446	-	-	446	2,136	2,582
Home equity lines of credit	-	-	14	14	2,732	2,746
Deposit secured	-	-	-	-	-	-
Total	$ 3,164	$ 46	$ 150	$ 3,360	$ 88,284	$ 91,644

	December 31, 2021					
	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Current	Total
	(In thousands)					
Commercial real estate	$ -	$ -	$ 169	$ 169	$ 17,559	$ 17,728
Real estate mortgage	172	45	263	480	42,557	43,037
Commercial and industrial	-	-	-	-	3,288	3,288
Construction and development	-	-	-	-	8,450	8,450
Home equity lines of credit	-	-	18	18	1,716	1,734
Deposit secured	-	-	-	-	82	82
Total	$ 172	$ 45	$ 450	$ 667	$ 73,652	$ 74,319

Nonaccrual Loans

The following tables present loans on nonaccrual status or 90 days delinquent and still accruing interest by portfolio segment:

	December 31, 2022		December 31, 2021	
	Nonaccrual	Past Due 90 Days or More and Still Accruing	Nonaccrual	Past Due 90 Days or More and Still Accruing
	(In thousands)			
Commercial real estate	$ -	$ -	$ 169	$ -
Real estate mortgage	136	-	231	32
Home equity lines of credit	14	-	18	-
	$ 150	$ -	$ 418	$ 32

5. ALLOWANCE FOR LOAN LOSSES (Continued)

Impaired Loans (Continued)

Interest income on nonaccrual loans not recognized during 2022 and 2021 was $21,000 and $40,000, respectively.

Troubled Debt Restructuring

Consistent with accounting and regulatory guidance, the Company recognizes a troubled debt restructuring when the Company, for economic or legal reasons related to a borrower's financial difficulties, grants a concession to the borrower that would not normally be considered. Regardless of the form of concession granted, the Company's objective in offering a troubled debt restructuring is to increase the probability of repayment of the borrower's loan principal.

The Bank had loans of $83,000 and $287,000 modified as troubled debt restructurings during the years ended December 31, 2022 and 2021, respectively.

6. LIMITED PARTNERSHIP – OHIO EQUITY FUND

The Company holds an interest in a limited partnership formed to assist in the production, rehabilitation, and preservation of affordable housing in Ohio and surrounding states. The Company accounts for the investment in the limited partnership using the proportional amortization method, which allows the Company to amortize the cost of the investment in proportion to the tax credits and other tax benefits it receives to income tax expense. Management believes this is the best estimate of fair value. At December 31, 2022 and 2021, the amortized cost of the investment was $466,000 and $559,000, respectively. Under the terms of the limited partnership agreement, the Company agreed to a subscription price of $1,000,000 executed by a capital contribution note.

7. OTHER REAL ESTATE OWNED

As of December 31, 2022 and 2021, the Company had no other real estate owned. As of December 31, 2022, there were no formal foreclosure proceedings initiated on loans.

8. PREMISES AND EQUIPMENT

Major classifications of premises and equipment are summarized as follows:

	December 31, 2022	December 31, 2021
	(In thousands)	
Land	$ 32	$ 32
Building and building improvements	688	685
Furniture and equipment	318	290
	1,038	1,007
Less accumulated depreciation	731	676
Total	$ 307	$ 331

Depreciation and amortization charged to operations were $55,000 and $37,000 in 2022 and 2021, respectively.

9. DEPOSITS

Time deposits (in thousands) totaling, $36,450, $9,081, $166, $790, $250, and $214 at December 31, 2022, mature during 2023, 2024, 2025, 2026, 2027, and 2028, respectively.

Substantially all deposits are interest bearing. The type of deposit accounts are summarized as follows:

	2022	2021
	(In thousands)	
Savings and transaction accounts	$ 36,541	$ 34,542
Certificates of deposit	46,951	46,065
Total	$ 83,492	$ 80,607

Time deposits include certificates of deposit and other time deposits in denominations equal to or in excess of $250,000. Such deposits aggregated to $24.6 million and $22.9 million at December 31, 2022 and 2021, respectively.

As of December 31, 2022, the Bank had one deposit relationship, in the amount of $4.4 million, which exceeds five percent of total deposits.

10. FEDERAL INCOME TAXES

Income tax expense consists of the following at December 31:

	2022	2021
	(In thousands)	
Current	$ 278	$ 168
Deferred	(92)	(36)
Total	$ 186	$ 132

The reconciliation of income tax provision computed at the federal statutory rate to the Company's effective income tax provision is as follows:

	2022		2021	
	Amount	% of Pretax Income	Amount	% of Pretax Income
	(In thousands)			
Provision at statutory rate	$ 92	21.0 %	$ 151	21.0 %
Effect of tax-exempt income	(3)	(0.7)	-	-
Bank-owned life insurance, net	(13)	(2.9)	(14)	(1.9)
Nondeductible earnout payment	127	29.0	-	-
Other	(17)	(3.9)	(5)	(0.7)
Actual tax expense and effective rate	$ 186	42.5 %	$ 132	18.4 %

10. FEDERAL INCOME TAXES (Continued)

The components of the net deferred federal income tax asset are as follows:

	2022	2021
	(In thousands)	
Deferred tax assets:		
Allowance for loan losses	$ 142	$ 121
Imputed loan interest	63	71
Net unrealized losses on investment securities	563	8
Net operating loss and credits carryforward	506	574
Gross deferred tax assets	1,274	774
Deferred tax liabilities:		
Nondeductible earnout payment	(127)	-
FHLB stock dividends	(132)	(132)
Depreciation	(10)	(10)
Other	(125)	(215)
Gross deferred tax liabilities	(394)	(357)
Net deferred tax assets	$ 880	$ 417

The amount of federal income tax expense attributable to continuing operations may differ from the amount of expense that would result from applying domestic federal statutory rates to pre-tax income from continuing operations primarily due to statutory deduction limitations.

The Company was previously allowed a special bad debt deduction based on a percentage of earnings, generally limited to 8 percent of otherwise taxable income, or the amount of qualifying and nonqualifying loans outstanding and subject to certain limitations based on aggregate loans and savings account balances at the end of the calendar year. If the amounts that qualified as deductions for federal income tax purposes are later used for purposes other than for bad debt losses, including distributions in liquidation, such distributions will be subject to federal income taxes at the then current corporate income tax rate. Retained earnings at December 31, 2022, includes approximately $2.5 million for which federal income taxes have not been provided. The amount of the unrecognized deferred tax liability relating to the cumulative percentage of earnings bad debt deduction totaled approximately $525,000 at December 31, 2022.

There is currently no liability for uncertain tax positions and no known unrecognized tax benefits. The Company recognizes, when applicable, interest and penalties related to unrecognized tax benefits in the provision for income taxes in the Consolidated Statement of Income. With few exceptions, the Company is no longer subject to U.S. federal, state, or local income tax examinations by tax authorities for years before 2019.

11. SHORT-TERM BORROWINGS

Short-term borrowings are from the FHLB. The outstanding balances and related information for short-term borrowings are summarized as follows:

Average balances outstanding during the year represent daily average balances, and average interest rates represent interest expenses divided by average balance.

	2022	2021
Balance, December 31	$ -	$ 3,100
Maximum month-end balance during the year	13,900	5,100
Average balance during the year	6,786	1,502
Average year-end interest rate	-	0.23%
Average interest rate during the year	2.24%	0.24%

12. BORROWED FUNDS

Federal Home Loan Bank (FHLB) advances are secured by $1.7 million of investment securities held in safekeeping at the FHLB and qualifying one-to-four family residential loans up to 125 percent of outstanding advances, or $35 million at December 31, 2022, and $24 million at December 31, 2021. Advances issued by the FHLB are at either a variable or fixed rate of interest. Additionally, some advances have a fixed rate for an initial period until a quarterly option exercisable by the FHLB may convert the issue to a variable rate. Other advances have a fixed rate for an initial period until a quarterly put option exercisable by the FHLB would subject the advance to repayment or refinancing at prevailing interest rates. Each convertible advance is subject to a prepayment penalty if paid prior to its maturity date, except when prior to maturity, an advance is converted to a variable rate. In the event of such conversion, the advance may be prepaid without penalty at conversion and on a quarterly basis thereafter. Each fixed rate or putable advance is subject to a prepayment penalty if paid prior to its maturity or put date, as applicable. Cash management advances may be prepaid at any time without penalty.

The Company has a blanket credit arrangement with the FHLB with a maximum borrowing capacity of approximately $55.8 million at December 31, 2022. This credit arrangement is subject to annual renewal, incurs no service charges, and is secured by the Bank's FHLB stock and certain first mortgage loans.

The following table summarizes the advances as of December 31:

Description	Maturity	Interest Rate	At December 31, 2022	At December 31, 2021
			(In thousands)	
Fixed rate	January 2022	2.09 %	$ -	$ 2,000
Fixed rate	April 2022	2.47	-	2,000
Fixed rate	December 2022	2.48	-	1,000
Fixed rate	January 2023	2.36	2,000	2,000
Fixed rate	January 2023	2.08	2,000	2,000
Fixed rate	December 2023	2.54	1,500	1,500
Fixed rate	April 2024	2.55	2,000	2,000
Fixed rate	June 2024	2.15	1,000	1,000
Fixed rate	August 2024	1.82	1,500	1,500
Fixed rate	January 2025	1.76	2,000	2,000
Fixed rate	January 2025	1.61	1,000	1,000
Fixed rate	February 2025	2.43	3,000	3,000
Fixed rate	December 2025	4.31	3,000	-
Fixed rate	June 2026	4.24	4,000	-
Fixed rate	June 2027	3.98	2,000	-
Fixed rate	November 2027	4.29	5,000	-
Fixed rate	December 2027	3.93	1,000	-
Fixed rate	December 2028	3.46	1,000	1,000
Fixed rate	June 2038	3.77	1,000	1,000
Fixed rate	June 2039	3.04	1,000	1,000
Fixed rate	July 2052	4.14	1,000	-
			$ 35,000	$ 24,000

The weighted-average interest rate is 3.22 percent at December 31, 2022.

12. BORROWED FUNDS (Continued)

The note payable to The Ohio Equity Fund had a balance of $92,000 and $116,000 as of December 31, 2022 and 2021, respectively, with a maturity of December 2026. Principal payments totaling $22,000, $22,000, $22,000, and $26,000 at December 31, 2022, mature during 2023, 2024, 2025, and 2026.

The Company maintains $7.0 million unsecured lines of credit with two other financial institutions. The Company also maintains a $2.5 million secured line of credit with a third financial institution. At December 31, 2022 and 2021, the lines of credit were not used and were fully available.

13. EMPLOYEE BENEFITS

The Company contributed $147,000 and $99,000 to their 401(k) plan in 2022 and 2021, respectively.

14. LEASE OBLIGATIONS

The Company leases offices in Hudson, Mentor, and Westlake for its mortgage banking activities under operating leases expiring in 2024, 2026, and 2031, respectively. Several assumptions and judgments were made when applying the requirements of Topic 842 to the Company's existing lease commitments, including the allocation of consideration in the contracts between lease and nonlease components, determination of the lease term, and determination of the discount rate used in calculating the present value of the lease payments.

The lease cost associated with the operating leases for the year ended December 31, 2022, amounted to $193,000. The right-of use-asset associated with operating leases amounted to $1.2 million at December 31, 2022. The lease liability associated with operating leases amounted to $1.2 million at December 31, 2022.

Management considers the Company's historical pattern of exercising renewal options on leases and the positive performance of the leased locations, when determining whether it is reasonably certain that the leases will be renewed. If management concludes that there is reasonable certainty about the renewal option, it is included in the calculation of the remaining term of each applicable lease. The discount rate utilized in calculating the present value of the remaining lease payments for each lease was the Federal Home Loan Bank of Cincinnati advance rate corresponding to the remaining maturity of the lease. The following table presents the remaining lease term for the leases outstanding at December 31, 2022.

Undiscounted cash flows due in:		Operating
2023	$	195
2024		192
2025		190
2026		167
2027		132
Thereafter		407
Total undiscounted cash flows		1,283
Discount on cash flows		(85)
Total lease liability	$	1,198

15. PREFERRED STOCK

On December 22, 2006, pursuant to the common stockholders' approval, 30,119 preferred shares were issued in exchange for outstanding common shares, on a one-for-one basis, to all common shareholders of record owning 300 or less shares.

Shareholders owning the Series A Preferred Stock are entitled to a 5 percent preference in the distribution of dividends when and if declared on the common stock. Shareholders owning preferred stock do not have voting rights except for matters pertaining to change in control, such as merger, share exchange or sale of substantially all Company assets. The Series A Preferred Stock automatically converts to shares of Common Stock immediately prior to a change in control.

16. ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table presents the changes in accumulated other comprehensive income (loss) by component net of tax for the years ended December 31, 2022 and 2021.

		Net Unrealized Loss on Securities
Accumulated other comprehensive income, December 31, 2020	$	98
Total other comprehensive loss		(125)
Accumulated other comprehensive loss, December 31, 2021		(27)
Total other comprehensive loss		(2,087)
Accumulated other comprehensive loss, December 31, 2022	$	(2,114)

There were no amounts reclassified out of accumulated other comprehensive income (loss) as of December 31, 2022 and 2021.

17. COMMITMENTS

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers including commitments to extend credit. Such commitments involve, to varying degrees, elements of credit and interest-rate risk in excess of the amount recognized in the statement of financial condition. The contract or notional amounts of the commitments reflect the extent of the Company's involvement in such financial instruments.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual notional amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as those utilized for on-balance-sheet instruments.

At December 31, 2022, the Company had outstanding commitments of approximately $2.3 million of variable-rate home equity lines of credit, $1.5 million of commercial lines of credit, and $3.1 million of construction loans. The average interest rate of the lines of credit was 7.75 percent at December 31, 2022. In the opinion of management, the outstanding loan commitments equaled or exceeded prevalent market interest rates and such loans were underwritten in accordance with normal underwriting policies, and all commitments will be funded via cash flow from operations and existing excess liquidity.

17. COMMITMENTS (Continued)

At December 31, 2021, the Company had outstanding commitments of approximately $1.6 million of variable rate home equity lines of credit, $1.3 million of commercial lines of credit, and $1.9 million of construction loans. The average interest rate of the lines of credit was 4.90 percent at December 31, 2021. In the opinion of management, the outstanding loan commitments equaled or exceeded prevalent market interest rates and such loans were underwritten in accordance with normal underwriting policies, and all commitments will be funded via cash flow from operations and existing excess liquidity.

From time to time, and in the ordinary course of business, the Company becomes a party to litigation. In the opinion of management, after consultation with legal counsel, the ultimate disposition of any current claim, asserted or unasserted, is not expected to have a material effect on the Company's consolidated financial statements.

18. FAIR VALUE MEASUREMENTS

The following disclosures show the hierarchal disclosure framework associated with the level of pricing observations utilized in measuring assets and liabilities at fair value. The three broad levels of pricing observations are as follows:

Level I: Quoted prices are available in active markets for identical assets or liabilities as of the reported date.

Level II: Pricing inputs are other than the quoted prices in active markets, which are either directly or indirectly observable as of the reported date. The nature of these assets and liabilities includes items for which quoted prices are available but traded less frequently and items that are fair-valued using other financial instruments, the parameters of which can be directly observed.

Level III: Valuations are derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

This hierarchy requires the use of observable market data, when available.

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

18. FAIR VALUE MEASUREMENTS (Continued)

Financial Assets and Liabilities Measured on a Recurring Basis

Assets measured at fair value on a recurring basis are as follows:

	December 31, 2022			
	Level I	Level II	Level III	Total
	(In thousands)			
Assets measured at fair value on a recurring basis:				
Collateralized mortgage obligations	$ -	$ 4,887	$ -	$ 4,887
Mortgage-backed securities	-	2,362	-	2,362
U.S. government agency securities		8,649		8,649
Municipal bond	-	703	-	703
Total	$ -	$ 16,601	$ -	$ 16,601

	December 31, 2021			
	Level I	Level II	Level III	Total
	(In thousands)			
Assets measured at fair value on a recurring basis:				
Collateralized mortgage obligations	$ -	$ 2,108	$ -	$ 2,108
Mortgage-backed securities	-	690	-	690
U.S. government agency securities	-	6,709	-	6,709
Total	$ -	$ 9,507	$ -	$ 9,507

18. FAIR VALUE MEASUREMENTS (Continued)

Financial Instruments

The fair values of the Company's financial instruments not required to be reported at fair value are as follows:

	December 31,2022				
	Carrying Value	Fair Value	Level I	Level II	Level III
Financial assets:					
Investment securities:					
Held to maturity	$ 1,250	$ 1,204	$ -	$ 1,204	$ -
Net loans	97,824	93,113	-	-	93,113
Financial liabilities:					
Deposits	$ 83,492	$ 82,611	$ 36,541	$ -	$ 46,070
Federal Home Loan Bank Advances and notes payable	35,092	33,788	-	-	33,788

	December 31,2021				
	Carrying Value	Fair Value	Level I	Level II	Level III
Financial assets:					
Investment securities:					
Held to maturity	$ 1,250	$ 1,279	$ -	$ 1,279	$ -
Net loans	77,866	78,731	-	-	78,731
Financial liabilities:					
Deposits	$ 80,607	$ 80,643	$ 34,542	$ -	$ 46,101
Federal Home Loan Bank Advances and notes payable	27,216	27,906	-	-	27,906

For cash and cash equivalents, certificates of deposits, BOLI, Federal Home Loan Bank stock, accrued interest receivable, and accrued interest payable, the carrying value is reasonable estimate of fair value.

19. REGULATORY CAPITAL

Federal regulations require the Company and the Association to maintain minimum amounts of capital. Specifically, the Company is required to maintain certain minimum dollar amounts and ratios of total and Tier 1 capital to risk-weighted assets and of Tier 1 capital to average total assets. Management believes, as of December 31, 2022 and 2021, the Company meets all capital adequacy requirements to which it is subject.

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

As of December 31, 2022 and 2021, the OCC categorized the Company as well capitalized under the regulatory framework for prompt corrective action. To be classified as a well-capitalized financial institution, common equity Tier 1 risk-based, Total risk-based, Tier 1 risk-based, and Tier 1 leverage capital ratios must be at least 6.5 percent, 10 percent, 8 percent, and 5 percent, respectively.

The Association's actual capital ratios are presented in the following table that shows the Association met all regulatory capital requirements. The capital position of the Association does not differ significantly from the Company's capital position.

As of December 31, 2022 and 2021, management believes that the Company met all capital adequacy requirements to which it was subject.

	2022		2021	
	Amount (In thousands)	Ratio	Amount (In thousands)	Ratio
Total capital (to risk-weighted assets)				
Actual	$ 13,905	16.71 %	$ 13,679	19.04 %
For capital adequacy purposes	6,656	8.00	5,749	8.00
To be well capitalized	8,320	10.00	7,186	10.00
Tier 1 capital (to risk-weighted assets)				
Actual	$ 13,228	15.90 %	$ 13,102	18.23 %
For capital adequacy purposes	4,992	6.00	4,311	6.00
To be well capitalized	6,656	8.00	5,749	8.00
Common equity Tier 1 capital (to risk-weighted assets)				
Actual	$ 13,228	15.90 %	$ 13,102	18.23 %
For capital adequacy purposes	3,744	4.50	3,234	4.50
To be well capitalized	5,408	6.50	4,671	6.50
Tier 1 capital (to average assets)				
Actual	$ 13,228	10.16 %	$ 13,102	10.74 %
For capital adequacy purposes	5,206	4.00	4,880	4.00
To be well capitalized	6,508	5.00	6,101	5.00

19. REGULATORY CAPITAL (Continued)

The Company's management believes that, under the current regulatory capital regulations, the Company will continue to meet its minimum capital requirements in the foreseeable future. However, events beyond the control of the Company, such as increased interest rates or a downturn in the economy in the primary market area, could adversely affect future earnings and, consequently, the ability to meet future minimum regulatory capital requirements.

The Association is subject to regulations imposed by the OCC regarding the amount of capital distributions payable to the Company. Generally, the Association's payment of dividends is limited, without prior OCC approval, to net earnings for the current calendar year plus the two preceding calendar years, less capital distributions paid over the comparable time period. Insured institutions are required to file an application with the OCC for capital distributions in excess of this limitation. The Association must also give notice to the Federal Reserve Bank of Cleveland for approval prior to declaring a dividend to the Company.

20. ACQUISITION OF UNION CAPITAL MORTGAGE CORPORATION

In the third quarter of 2021, the Company announced the signing of a definitive merger agreement to acquire 100 percent of the outstanding equity interest of Union Capital Mortgage Corporation ("Union Capital") for $3.3 million in cash and stock. Union Capital was an Ohio Corporation that will continue to conduct its mortgage banking business from offices located in Mentor, Westlake, and Hudson, Ohio.

The transaction closed on August 2, 2021, with Union Capital having been merged into First Niles Financial, Inc., with First Niles Financial, Inc. as the surviving entity.

Under the terms of the merger agreement, the Company acquired all of the outstanding shares of Union Capital for a total purchase price of approximately $3.3 million. As a result of the acquisition, the Company issued 220,000 common shares and $1.1 million in cash to the former shareholders of Union Capital. The shares were issued with a fair value of $10.12 per share, which was based on the closing price of the Company's stock on August 2, 2021.

The acquired assets and assumed liabilities were measured at estimated fair values. Management made significant estimates and exercised significant judgment in accounting for the acquisition. Management measured loan fair values based on loan file reviews, appraised collateral values, expected cash flows, and historical loss factors of Union Capital.

None of the loans acquired in the business combination were deemed to exhibit evidence of credit quality deterioration. Union Capital's loans would have been deemed to have credit impairment at the acquisition date if the Company did not expect to receive all contractually required cash flows due to concerns about credit quality.

Union Capital's loans were fair valued by discounting both expected principal and interest cash flows using an observable discount rate for similar instruments that a market participant would consider in determining fair value. Additionally, consideration was given to management's best estimates of default rates and pre-payment speeds.

20. ACQUISITION OF UNION CAPITAL MORTGAGE CORPORATION (Continued)

The following table summarizes the purchase of Union Capital as of August 2, 2021:

	(In Thousands, Except Share and Per share Data)			
Purchase Price Consideration in Common Stock				
First Niles Financial, Inc. shares issued		220,000		
Value assigned to First Niles Financial, Inc. common shares	$	10.12		
Purchase price assigned to Union Capital common shares exchanged for First Niles Financial, Inc.			$	2,226
Purchase Price Consideration-Cash for Common Stock				
Purchase price assigned to Union Capital common shares exchanged for cash				1,104
Total purchase price				3,330
Net assets acquired:				
Union Capital Mortgage Corporation shareholders' equity				1,662
Goodwill resulting from merger			$	1,668

The following condensed statement reflects the amounts recognized as of the acquisition date for each major class of asset acquired and liability assumed.

			(In Thousands)	
Total purchase price			$	3,330
Net assets acquired:				
Cash and cash equivalents	$	2,976		
Loans held for sale		7,596		
Loans held for investment		1,907		
Premises and equipment, net		55		
Prepaid expenses and other assets		78		
Accrued interest payable		(46)		
Accounts payable and other liabilities		(561)		
Warehouse line of credit		(10,343)		
				1,662
Goodwill resulting from merger			$	1,668

21. SUBSEQUENT EVENTS

Management has reviewed events occurring through March 17, 2023, the date the financial statements were issued, and no other subsequent events occurred requiring accrual or disclosure.

FIRST NILES FINANCIAL, INC.
STOCKHOLDER INFORMATION

ANNUAL MEETING

The annual meeting of stockholders will be held at 2:00 p.m. local time, Wednesday, April 26, 2023, at the main office of First Niles, located at 55 North Main Street, Niles, Ohio.

COMMON STOCK AND DIVIDENDS

First Niles Financial, Inc.'s common stock is quoted on the OTCPink under the symbol "FNFI."

As of December 31, 2022, the Company had issued 1,724,741 shares of common stock with 1,333,067 outstanding held by approximately 85 stockholders of record. At the same date the Company had issued 29,670 shares of preferred stock with 21,737 shares outstanding held by approximately 149 stockholders of record.

The table below presents the quarterly range of high and low sales prices of First Niles' common stock for 2021 and 2022, as well as the amount of cash distributions declared during the stated periods. The price information set forth in the table below was provided by an independent outside source.

	HIGH	LOW	Cash Dividends Declared
First Quarter (ended March 31, 2021)	$12.75	$9.50	$0.06
Second Quarter (ended June 30, 2021)	$11.10	$10.30	$0.06
Third Quarter (ended September 30, 2021)	$12.50	$10.08	$0.06
Fourth Quarter (ended December 31, 2021)	$12.25	$10.00	$0.06
First Quarter (ended March 31, 2022)	$10.52	$10.11	$0.06
Second Quarter (ended June 30, 2022)	$12.45	$9.84	$0.06
Third Quarter (ended September 30, 2022)	$10.75	$8.99	$0.06
Fourth Quarter (ended December 31, 2022)	$14.10	$9.04	$0.06

Dividend payment decisions are made with consideration of a variety of factors including earnings, financial condition, market considerations and regulatory restrictions. Restrictions on dividend payments are described in Note 19 of the Notes to Consolidated Financial Statements included in this Annual Report.

STOCKHOLDER AND GENERAL INQUIRIES

Daniel E. Csontos, President
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(330) 652-2539

TRANSFER AGENT

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College Station, TX 77842-3170
(888) 294-8217 (toll free)
http://www.computershare.com/investor

ANNUAL AND OTHER REPORTS

Copies of the Company's Annual Report can be obtained, without cost, by writing or calling: First Niles Financial, Inc. Investor Relations, Attn: Daniel E. Csontos, President, 55 North Main Street, Niles, Ohio 44446, telephone (330) 652-2539.

FIRST NILES FINANCIAL, INC.
CORPORATE INFORMATION

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P. JAMES KRAMER
Chairman, First Niles Financial, Inc. and Home Federal Savings and Loan Association of Niles
President, Wm. Kramer & Sons, Inc.

WILLIAM EDDY
President, Clinic of Osteopathic Medicine, Inc.

LANCE OSBORNE
President, Osborne Capital Group, LLC

ROBERT I. SHAKER
Owner, Shaker Law Offices, LLC

ANTE N. TURCINOV
General Manager, Union Capital Mortgage

EXECUTIVE OFFICERS

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President and Chief Executive Officer of First Niles Financial, Inc. and Home Federal Savings and Loan Association of Niles

MARY ANN COATES
Chief Financial Officer of First Niles Financial, Inc. and Home Federal Savings and Loan Association of Niles

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