2024

ANNUAL REPORT

FIRST NILES FINANCIAL, INC.

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First Niles Financial, Inc.

55 North Main Street
P.O. Box 311
Niles, Ohio 44446-0311

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

March 21, 2025

To Our Stockholders:

The past year showed continued signs of economic stability, as interest rates and the mortgage markets held relatively steady and inflationary pressures continued to ease. The Company recorded net income of $863,000 in 2024, $55,000, or 6.8% higher than in 2023. Earnings per share in 2024 increased to $0.64 from $0.60 one year earlier.

The UCMC mortgage subsidiary opened a new office in the Greater Columbus, Ohio area. This addition further added to UCMC's profitability, helping combat the noticeably unfavorable housing market that has been recently characterized by both higher market interest rates as compared to just a few years ago as well as a limited nationwide housing supply as many homeowners have chosen to stay in their homes for longer periods. Due to various strategic moves over the past two years, your management feels that UCMC is well positioned to contribute significantly to the bottom line in the coming years.

Unfortunately, due to relatively high market interest rates and intense competition for funds, the cost of certificates of deposits rose 152 basis points during the year, resulting in a tightening of net interest margin. We expect that the cost of deposits will continue to adversely impact the Company throughout 2025.

Maintaining strong credit quality continues to be among our primary objectives at First Niles. Asset quality continued strong throughout the year as nonperforming assets represented 0.58% of total assets at year-end 2024. In addition, at year-end 2024, our allowance for loan losses to nonperforming loans was 112.73%.

At December 31, 2024, stockholders' equity totaled approximately $14.2 million, or 9.06% of total assets and our book value per common share was $10.46. Your Board of Directors and management is committed to building shareholder value and will continue to consider strategic options that maximize the value of the UCMC mortgage subsidiary as well as the community bank relationship that has been built with its customers and community over its long history.

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 $156.4 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 also 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 Westlake, Hudson, Huron, and Grove City, Ohio.

The acquisition of Union Capital has expanded our presence in northeast Ohio and the greater Cleveland and Columbus areas 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 decreased modestly during the last half of 2024 due to Federal Reserve Board Open Market Operations, for the first time in almost three years. Longer-term interest rates rose steadily during the year, resulting in an upward-sloping yield curve. Should this trend continue, this environment could have a positive 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 increase. However, this environment could change quickly if the Federal Reserve Board decides to start increasing short term interest rates if inflationary pressures increase. 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, 2024, nonperforming loans totaled 0.87% of net loans receivable. Nonperforming assets represented 0.58% of total assets at year- end 2024. At such date, our allowance for credit losses to nonperforming loans was 112.73% and to net loans receivable was .99%. At December 31, 2024, 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,		
	2024	2023	2022
		(In thousands)	
Selected Financial Condition Data:			
Total assets	$ 156,381	$ 156,897	$ 133,890
Loans receivable, net	103,313	102,985	90,967
Securities - held to maturity	1,250	1,250	1,250
Securities – available for sale and FHLB stock	17,952	18,837	18,236
Deposits	83,581	88,100	83,492
Total borrowings	56,448	53,070	35,092
Stockholders' equity	14,167	13,661	13,144

	Years Ended December 31,		
	2024	2023	2022
	(In thousands, except per share amounts)		
Selected Operations Data:			
Total interest income	$ 7,500	$ 6,709	$ 4,269
Total interest expense	4,496	3,394	1,258
Net interest income	3,004	3,315	3,011
Provision for credit losses	(43)	125	20
Net interest income after provision for credit losses	3,047	3,190	2,991
Fees and service charges	13	15	16
Gain on sales of loans, net	4,907	3,522	4,002
Gain on sales of investment securities	-	-	-
Other noninterest income	75	69	64
Total noninterest income	4,995	3,606	4,082
Total noninterest expense	6,887	5,794	6,635
Income before taxes	1,155	1,002	438
Income tax provision	292	194	186
Net income	$ 863	$ 808	$ 252
Earnings per share – basic	$ 0.64	$ 0.60	$ 0.18
Diluted	$ 0.64	$ 0.60	$ 0.18
Dividends per share	$ 0.24	$ 0.24	$ 0.24

	Years Ended December 31,		
	2024	2023	2022
Selected Financial Ratios and Other Data:			
Performance Ratios:			
Return on assets (ratio of net income to average total assets)	0.56%	0.54%	0.20%
Return on equity (ratio of net income to average equity)	6.21	6.21	1.79
Interest rate spread:			
Average during year	1.91	2.28	2.68
Tax equivalent average during year	1.93	2.29	2.68
End of year	1.77	1.81	2.50
Net interest margin (net interest income divided by average interest-earning assets)	2.08	2.38	2.68
Tax equivalent net interest margin (net interest income divided by average interest-earning assets)	2.10	2.40	2.68
Ratio of average interest-earning assets to average interest-bearing liabilities	1.05	1.04	1.00
Quality Ratios:			
Nonperforming assets to total assets at end of year	0.58%	0.28%	0.11%
Nonperforming loans to loans receivable, net, end of year	0.87	0.42	0.16
Allowance for credit losses to nonperforming loans, end of year	112.73	243.43	450.74
Allowance for credit losses to loans receivable, net, end of year	0.99	1.02	0.74
Capital Ratios:			
Equity to total assets at end of year	9.06%	8.71%	9.82%
Average equity to average assets	9.10	8.77	10.98
Other Data:			
Book value per common share outstanding	$10.46	$10.08	$9.70
Dividend payout ratio[(1)]	37.77%	40.35%	129.30%
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 Credit Losses. The allowance for credit 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 credit 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 Statement of Income. The cost of securities sold is based on the specific identification method. The Company measures expected credit losses on available-for-sale and held-to-maturity securities quarterly to determine if declines in fair value have resulted from credit losses or other factors. 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. If this evaluation indicates that a credit loss exists, an allowance for credit losses is recorded. 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.

Financial Condition

The following discussion compares our consolidated financial condition at December 31, 2024 to December 31, 2023 and the results of operations for the year ended December 31, 2024 with the year ended December 31, 2023. This discussion should be read in conjunction with the consolidated financial statements and footnotes included herein.

Assets totaled $156.4 million at December 31, 2024, a decrease of $516,000 from December 31, 2023. Cash and cash equivalents decreased $5.8 million and net loans receivable held for investment increased $328,000 during 2024. Total investment securities decreased $885,000 during the year. As of December 31, 2024, investment securities were comprised of $15.1 million in securities available for sale and $1.3 million in securities held to maturity. Home Federal also had $2.8 million in FHLB stock as of December 31, 2024, no change from year-end 2023.

Our loan portfolio increased $328,000, or 0.3%, to $103.3 million at December 31, 2024, as compared to $103.0 million at December 31, 2023. Specifically, loans secured by one-to-four family properties, our largest loan category, increased $921,000 and ended the year with a balance of $75.3 million. Commercial real estate loans, which includes loans secured by multi-family properties, decreased $920,000, ending the year with a balance of $19.0 million. Home equity lines of credit ended the year at $4.0 million, $943,000 more than at December 31, 2023. Loans for construction and development decreased $420,000 ending the year with a balance of $4.5 million. Commercial and industrial loans decreased $232,000 during the year, ending with a balance of $1.7 million. The allowance for credit losses decreased $36,000 during 2024 and ended the year at $1.0 million.

Deposits totaled $83.6 million at December 31, 2024, compared to $88.1 million at December 31, 2023, a decrease of $4.5 million, or 5.1%. During the year ended December 31, 2024, savings, demand and NOW accounts collectively decreased $4.2 million and certificates of deposit decreased $286,000.

FHLB advances totaled $56.4 million at December 31, 2024 as compared to $53.0 million at December 31, 2023. At December 31, 2024, these FHLB advances were comprised of twenty-nine different contracts. Eighteen advances, totaling $36.5 million, have original maturities greater than one year, have fixed interest rates and remaining maturities ranging from January 2025 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, funding deposit withdrawals and funding the operations of Union Capital Mortgage Corporation. 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, 2024 the Company had $48,000 in other borrowings related to a commitment to fund an investment in an Affordable Housing Tax Credit Fund.

Total equity at December 31, 2024 was $14.2 million, or 9.1% of total assets. This was $506,000 more than at year-end 2023. The increase in total equity during the year was attributable to a $537,000 increase in retained earnings, partially offset by a $31,000 increase in accumulated other comprehensive loss.

During 2024 and 2023 the Company did not repurchase any common or preferred shares. As of December 31, 2024, 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, 2024, 13,745 common shares and 2,254 preferred shares had been purchased as part of the respective authorizations. At December 31, 2024 and 2023 there were 1,333,067 shares of common stock outstanding. Preferred shares outstanding were 21,737 at December 31, 2024 and 2023.

Results of Operations

Net Income. The Company recorded net income of $863,000 for the year ended December 31, 2024, an increase of $55,000 from 2023. The increase in net income was primarily due to a $1.4 million increase in noninterest income partially offset by a $1.1 million increase in noninterest expense and a $143,000 decrease in net interest income after credit loss expense.

Our return on average assets was 0.56% for the year ended 2024, compared to 0.54% for the year ended 2023. Return on average equity was 6.21% for 2024 and 2023. Average equity to average assets was 9.10% for the year ended 2024, compared to 8.77% for the year ended 2023. In 2024 and 2023, 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.

Net Interest Income. Net interest income for the year ended December 31, 2024 was $3.0 million, an $311,000 decrease from the year ended December 31, 2023. Our net interest spread during 2024 was 1.91%, a 37 basis point decrease from the 2.28% spread experienced during 2023. On a tax-equivalent basis the net interest spread during 2024 was 1.93%, a decrease of 36 basis points from 2.29% in 2023. Net interest margin decreased 30 basis points to 2.08% during 2024 from 2.38% in 2023. On a tax-equivalent basis net interest margin was 2.10% during 2024, as compared to 2.40% in 2023, a decrease of 30 basis points.

Average interest-earning assets increased to $144.5 million during 2024 from $139.1 million during 2023. The increase in average interest-earning assets primarily consisted of a $2.9 million increase in the average balance of loans, and a $2.9 million increase in the average balance of interest-bearing deposits. The overall yield on interest earning assets increased 37 basis points, from 4.84% in 2023 to 5.21% in 2024, on a tax-equivalent basis.

The yield on our portfolio of loans receivable increased 41 basis points during the past year, from 5.12% in 2023 to 5.53% in 2024. The yield on our mortgage-backed and related securities portfolio of 2.43% did not change on a year-to-year comparative basis. Our taxable investment securities portfolio experienced a 5 basis point decrease from 3.65% in 2023 to 3.60% in 2024. The yield on our tax-exempt investment securities experienced a 62 basis point increase from 4.85 in 2023 to 5.47% in 2024. Adjustable-rate loans comprised approximately 65.6% of our gross loan portfolio at December 31, 2024.

The $3.7 million increase in average interest-bearing liabilities was primarily comprised of a $7.7 million increase in average certificates of deposit, partially offset by a $2.6 million decrease in savings deposits and a $1.0 million decrease in demand and NOW accounts. Total interest expense was $4.5 million in 2024 and $3.4 million in 2023. Overall, our cost of funds increased 74 basis points from 2.54% during 2023 to 3.28% during 2024. During 2024, the weighted-average interest rate of our FHLB advances was 3.82%, 12 basis points higher than in 2023. Our cost of deposits increased 116 basis points, from 1.79% during 2023 to 2.95% during 2024. The average rate paid on our certificate of deposit accounts, our largest category of deposit accounts, increased 152 basis points, from 2.84% in 2023 to 4.36% in 2024. The average rate of interest paid on savings deposits and NOW accounts increased 7 basis points from 2023 to 2024.

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, 2024			Years Ended December 31, 2023		
	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]	$114,135	$6,308	5.53%	$111,253	$5,699	5.12%
Mortgage-backed and related securities	6,923	168	2.43%	7,786	189	2.43%
Investment securities-Taxable	9,118	328	3.60%	8,765	320	3.65%
Investment securities – Tax exempt	786	43	5.47%	783	38	4.85%
FHLB stock	2,665	242	9.08%	2,504	170	6.79%
Interest-bearing deposits	10,846	435	4.01%	7,977	312	3.91%
Total interest-earning assets [1][2]	144,473	7,524	5.21%	139,068	6,728	4.84%
Noninterest-earning assets	9,390			10,347		
Allowance for Loan Losses	(1028)			(1025)		
Total Assets	$152,835			$148,390		
Interest-Bearing Liabilities:						
Savings deposits	$21,446	$129	0.60%	$24,004	$119	0.50%
Demand and NOW deposits	9,147	6	0.07%	10,155	7	0.07%
Certificates of deposit	54,185	2,362	4.36%	46,452	1,317	2.84%
FHLB Advances	52,338	1,999	3.82%	52,769	1,951	3.70%
Total interest-bearing liabilities	137,116	4,496	3.28%	133,380	3,394	2.54%
Noninterest-bearing liabilities	1,818			2,003		
Total Liabilities	138,934			135,383		
Stockholders' Equity	13,901			13,007		
Total Liabilities and Equity	$152,835			$148,390		
Tax-equivalent net interest income		$3,028			$3,334	
Less: Tax equivalent adjustment		(24)			(19)	
Net interest income		$3,004			$3,315	
Tax equivalent net interest spread			1.93%			2.29%
Net interest rate spread			1.91%			2.28%
Net earning assets	$7,357			$5,688		
Tax equivalent net yield on average interest earning assets.			2.10%			2.40%
Net yield on average interest-earning assets			2.08%			2.38%
Average interest-earning assets to average interest-bearing liabilities		1.05			1.04	

[1] Calculated net of deferred loan fees, loan discounts and loans in process. Includes nonaccrual loans.
[2] Tax-equivalent asset yield of 5.21% with an asset yield of 5.19% in 2024.

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, 2024 vs. 2023		
	Increase/(Decrease) Due To		Total Increase
	Volume	Rate	(Decrease)
		(In Thousands)	
Interest-earning assets:			
Loans receivable	$ 151	$ 458	$ 609
Mortgage-backed and related securities	(21)	-	(21)
Investment securities and FHLB stock	24	56	80
Interest-bearing deposits and other	115	8	123
Total interest-earning assets	$ 269	$ 522	$ 791
Interest-bearing liabilities:			
Savings deposits	$ (10)	$ 20	$ 10
Demand and NOW deposits	(1)	-	(1)
Certificates of deposit	247	798	1,045
Borrowings	(16)	64	48
Total interest-bearing liabilities	$ 220	$ 882	$ 1,102
Net interest income	$ 49	$ (360)	$ (311)

Provision for Credit Losses. Our provision for credit losses, which is the amount charged against income to increase the allowance for credit losses, was $(43,000) and $125,000 for the years ended December 31, 2024 and 2023, respectively. Nonperforming loans, which are defined as nonaccruing loans as well as loans delinquent more than 90 days and still accruing interest, increased by $476,000 to $913,000 at December 31, 2024, from $437,000 at December 31, 2023. Our nonperforming loans totaled 0.87% of net loans receivable at December 31, 2024, compared to 0.42% of net loans receivable at December 31, 2023. Our allowance for loan losses was $1.03 million at December 31, 2024, representing 112.73% of nonperforming loans and .99% of net loans receivable. At December 31, 2023 the allowance for loan losses was $1.06 million, representing 243.43% of nonperforming loans and 1.02% of net loans receivable. At December 31, 2024 we had no real estate owned which was unchanged from December 31, 2023.

The allowance for credit losses is a valuation reserve established and maintained by charges against income and is deducted from the amortized cost basis of loans to present the net amount expected to be collected on the loans. Loans, or portions thereof, are charged off against the allowance for credit losses when they are deemed uncollectible. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

The allowance for credit losses is an estimate of expected credit losses, measured over the contractual life of a loan, that considers our historical loss experience, current conditions and forecasts of future economic conditions. Determination of an appropriate allowance for credit losses is inherently subjective and may have significant changes from period to period.

We will continue to monitor our allowance for credit losses and make future adjustments to the allowance through the provision for credit losses as economic conditions dictate. Although we maintain our allowance for credit 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 credit losses will not be required in future periods. In addition, our determination as to the amount of the allowance for credit 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 $5.0 million for the year ended December 31, 2024 from $3.6 million for the year ended December 31, 2023. During 2024, noninterest income included $4.9 million net gain on sale of loans, $13,000 in service fees and other income, and $75,000 in accrued income from bank owned life insurance. During 2023, noninterest income included $3.5 million net gain on sale of loans, $17,000 in service fees and other income, and $67,000 in accrued income from bank owned life insurance.

Noninterest Expense. Noninterest expense increased $1.1 million for the year ended December 31, 2024 as compared to the year ended December 31, 2023. The increase was directly related to the operations of Union Capital Mortgage Corporation and was primarily due to an increase in compensation and benefits.

Federal Income Taxes. The provision for federal income taxes was $292,000 for the year ended December 31, 2024, an $98,000 increase from the $194,000 expense recorded in 2023. 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, 2024, adjustable-rate loans, including home equity lines of credit, totaled $70.8 million, or 65.6% 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 increases in interest rates than to decreases 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, 2024, 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, 2024				
	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	$ 11,079	$ (4,581)	-29.3%	7.31%	(303)
+200	12,671	(2,989)	-19.1%	8.36%	(198)
+100	14,228	(1,432)	-9.1%	9.39%	(95)
	15,660	---	---	10.34%	-
-100	16,450	790	5.0%	10.86%	52
-200	16,637	977	6.2%	10.98%	64

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, 2024, Home Federal was outside the economic value of equity interest rate risk policy limits established by its Board of Directors for increases in interest rates of +200 and +300 basis points. The limits at these levels are negative 18.0% and negative 26.0%, respectively. The differences between the limits and the model results as presented above will be monitored by management and the 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, 2024, cash and cash equivalents totaled $8.8 million compared to $14.6

million at December 31, 2023. We monitor and review liquidity regularly and maintain short-term, unsecured lines of credit with three different commercial banks which can be accessed immediately. These unsecured lines of credit aggregate $10.2 million. Home Federal also maintains a $1.1 million secured line of credit with another depository financial institution that is immediately available for longer term financing needs. All four lines of credit had no funds drawn as of December 31, 2024. Additionally, we have the ability to borrow funds from the FHLB of Cincinnati. At December 31, 2024, we had $4.3 million in unused borrowing capacity from the FHLB of Cincinnati.

At December 31, 2024, we had commitments to fund $7.1 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 $4.0 million and the unused portion of commercial lines of credit was $2.8 million. Certificates of deposit scheduled to mature in one year or less at December 31, 2024 totaled $49.0 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 $14.2 million at December 31, 2024, or 9.06% 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, 2024, Home Federal exceeded all capital requirements of the Office of the Comptroller of the Currency. Our regulatory capital ratios at December 31, 2024 were as follows: Tier 1 (leverage) capital, 8.97%; Tier 1 risk-based capital, 14.21%; and Total risk-based capital, 15.27%. 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.

INDEPENDENT AUDITOR'S REPORT

Audit Committee
First Niles Financial, Inc.
Niles, Ohio

Opinion

We have audited the accompanying consolidated financial statements of First Niles Financial, Inc. and subsidiary (the "Company"), which comprise the consolidated statements of financial condition as of December 31, 2024 and 2023; the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended; and the related notes to the consolidated financial statements (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, 2024 and 2023, 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.

Responsibilities of Management for the Financial Statements (Continued)

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.

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

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.

Other Information (Continued)

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 13, 2025

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

	December 31, 2024	December 31, 2023
	(In thousands, except share and per share data)	
ASSETS		
Cash and cash equivalents:		
Noninterest-bearing	$ 1,051	$ 786
Interest-bearing	7,727	13,802
Cash and cash equivalents	8,778	14,588
Securities:		
Available for sale	15,145	16,067
Held to maturity, net of allowance for credit losses of $0	1,250	1,250
Certificates of deposit	347	347
Loans:		
Held for investment, net of allowance for credit losses of $1,028 and $1,064, respectively	103,313	102,985
Held for sale	16,134	10,099
Accrued interest receivable	613	619
Federal Home Loan Bank stock	2,807	2,770
Bank-owned life insurance (BOLI)	3,884	3,809
Limited partnership – Ohio Equity Fund	277	371
Goodwill	1,668	1,668
Premises and equipment, net	305	296
Prepaid expenses and other assets	1,860	2,028
TOTAL ASSETS	$ 156,381	$ 156,897
LIABILITIES		
Deposits	$ 83,581	$ 88,100
Accrued interest payable	302	280
Federal Home Loan Bank advances:		
Long-term	48,500	53,000
Short-term	7,900	-
Note payable – Ohio Equity Fund	48	70
Accounts payable and other liabilities	1,883	1,786
TOTAL LIABILITIES	142,214	143,236
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	14,136	13,599
Accumulated other comprehensive loss	(1,877)	(1,846)
Treasury stock, 611,674 shares of common stock and 7,933 shares of preferred stock	(4,760)	(4,760)
TOTAL STOCKHOLDERS' EQUITY	14,167	13,661
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 156,381	$ 156,897

See accompanying notes to the consolidated financial statements.

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

	Year Ended December 31, 2024	Year Ended December 31, 2023
	(In thousands, except share and per share data)	
INTEREST AND DIVIDEND INCOME		
Loans receivable:		
First mortgage loans	$ 5,789	$ 5,215
Consumer and other loans	519	484
Mortgage-backed and related securities	168	189
U.S. agencies and other securities	347	339
Federal Home Loan Bank stock dividend	242	170
Interest-bearing deposits	435	312
Total interest and dividend income	7,500	6,709
INTEREST EXPENSE		
Deposits	2,497	1,443
Borrowings	1,999	1,951
Total interest expense	4,496	3,394
NET INTEREST INCOME	3,004	3,315
CREDIT LOSS EXPENSE		
Provision for credit loss expense – loans	(36)	120
Provision for credit loss expense – off-balance-sheet commitments	(7)	5
Total credit loss expense	(43)	125
NET INTEREST INCOME AFTER CREDIT LOSS EXPENSE	3,047	3,190
NONINTEREST INCOME		
Gains on sales of loans, net	4,907	3,522
BOLI earnings	75	67
Service fees and other	13	17
Total noninterest income	4,995	3,606
NONINTEREST EXPENSE		
Compensation and benefits	4,905	3,874
Directors fees	90	97
Occupancy and equipment	344	411
Federal deposit insurance premiums	105	112
State and local taxes	136	136
Other operating expense	1,307	1,164
Total noninterest expense	6,887	5,794
Income before income taxes	1,155	1,002
Federal income tax expense	292	194
NET INCOME	$ 863	$ 808
EARNINGS PER SHARE BASIC AND DILUTIVE	$ 0.64	$ 0.60
AVERAGE SHARES OUTSTANDING	1,333,067	1,333,067

See accompanying notes to the consolidated financial statements.

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

	Year Ended December 31, 2024	2023
	(In thousands, except share and per share data)	
Net income	$ 863	$ 808
Components of other comprehensive (loss) income:		
Change in unrealized (losses) gains on available-for-sale securities	(40)	341
Tax effect	9	(73)
Total other comprehensive (loss) income	(31)	268
Total comprehensive income	$ 832	$ 1,076

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
	(In thousands, except share and per share data)					
Balance, December 31, 2022	$ 18	$ 6,650	$ 13,350	$ (2,114)	$ (4,760)	$ 13,144
Net income	-	-	808	-	-	808
Cumulative effect of adoption of ASU 2016-13	-	-	(233)	-	-	(233)
Other comprehensive income	-	-	-	268	-	268
Cash dividends ($0.24 per share)	-	-	(326)	-	-	(326)
Balance, December 31, 2023	$ 18	$ 6,650	$ 13,599	$ (1,846)	$ (4,760)	$ 13,661
Net income	-	-	863	-	-	863
Other comprehensive loss	-	-	-	(31)	-	(31)
Cash dividends ($0.24 per share)	-	-	(326)	-	-	(326)
Balance, December 31, 2024	$ 18	$ 6,650	$ 14,136	$ (1,877)	$ (4,760)	$ 14,167

See accompanying notes to the consolidated financial statements.

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

	Year Ended December 31, 2024	2023
	(In thousands, except share and per share data)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 863	$ 808
Adjustments to reconcile net income to net cash used for operating activities:		
Deferred income tax expense	142	5
Depreciation	48	52
Amortization of deferred loan fees and costs	17	33
Amortization of discounts and premiums on investments and mortgage-backed and related securities	3	1
Origination of loans held for sale	(148,034)	(116,435)
Proceeds from sales of loans	146,783	116,715
Gain on sale of loans, net	(4,907)	(3,522)
Earnings on BOLI	(75)	(67)
Decrease (increase) in accrued interest receivable	6	(181)
Decrease in prepaid expenses and other assets	125	93
Increase in accrued interest payable	22	133
Increase in accounts payable and other liabilities	222	28
Net cash used for operating activities	(4,785)	(2,337)
CASH FLOWS FROM INVESTING ACTIVITIES		
Activity in available-for-sale securities:		
Maturities, prepayments, and calls	880	874
Purchases of Federal Home Loan Bank stock	(238)	(1,252)
Repayment of Federal Home Loan Bank stock	201	117
Purchases of certificates of deposit	(100)	-
Maturities of certificates of deposit	100	500
Net increase in loans receivable	(344)	(12,257)
Purchase of premises and equipment	(57)	(41)
Net cash provided by (used for) investing activities	442	(12,059)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net decrease in savings accounts	(4,233)	(3,177)
Net (decrease) increase in certificates of deposit	(286)	7,785
Net increase in short-term borrowings	7,900	-
Proceeds from Federal Home Loan Bank advances	-	23,500
Payment of Federal Home Loan Bank advances	(4,500)	(5,500)
Payment on note payable – Ohio Equity Fund	(22)	(22)
Dividends paid	(326)	(326)
Net cash (used for) provided by financing activities	(1,467)	22,260
(Decrease) increase in cash and cash equivalents	(5,810)	7,864
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	14,588	6,724
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 8,778	$ 14,588

See accompanying notes to the consolidated financial statements.

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

	Year Ended December 31, 2024	Year Ended December 31, 2023
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	$ 4,474	$ 3,261
Income taxes	55	95
Noncash activity:		
Cumulative adjustment for adoption of ASU 326	$ -	$ (295)
Transfer of loans to other real estate owned	$ -	$ 32

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 credit losses (ACL).

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, 2024 and 2023, there were balances of $5,035,000 and $2,423,000, respectively, in excess of the FDIC insured limit of $250,000.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Securities

Management determines the appropriate classification of debt securities at the time of purchase and re-evaluates such designation as of each balance sheet date.

Investment securities classified as available for sale are those securities that the Company intends to hold for an indefinite period of time but not necessarily to maturity. Securities available for sale are carried at fair value. Any decision to sell a security classified as available for sale would be based on various factors, including significant movements in interest rates, changes in the maturity mix of the Company's assets and liabilities, liquidity needs, regulatory capital considerations, and other similar factors. Unrealized gains or losses are reported as increases or decreases in other comprehensive income (loss), net of the deferred tax effect. Realized gains or losses, determined on the basis of the cost of the specific securities sold, are included in earnings. Premiums and discounts are recognized in interest income using the interest method over the terms of the securities.

Investment securities classified as held to maturity are those securities that the Company has both the intent and ability to hold to maturity regardless of changes in market conditions, liquidity needs, or changes in general economic conditions. These securities are carried at cost, adjusted for the amortization of premium and accretion of discount, and computed by a method that approximates the interest method over the terms of the securities.

Allowance for Credit Losses – Held-to-Maturity Securities

The Company measures expected credit losses on held-to-maturity debt securities which are comprised of subordinated notes that are highly rated by major rating agencies and have a long history of no credit losses.

Accrued interest receivable on held-to-maturity debt securities totaled $19,000 and $20,000 at December 31, 2024 and 2023, respectively, and is included within accrued interest receivable on the Consolidated Statements of Financial Condition. This amount is excluded from the estimate of expected credit losses. Held-to-maturity debt securities are typically classified as nonaccrual when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about the further collectability of principal or interest. When held-to-maturity debt securities are placed on nonaccrual status, unpaid interest credited to income is reversed.

Allowance for Credit Losses – Available-for-Sale Securities

The Company measures expected credit losses on available-for-sale debt securities when the Company does not intend to sell, or when it is not more likely than not that it will be required to sell, the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For available-for-sale debt securities that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, the Company considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this evaluation indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists, and an allowance for credit losses is recorded for the credit loss, equal to the amount that the fair value is less than the amortized cost basis. Economic forecast data is utilized to calculate the present value of expected cash flows.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses – Available-for-Sale Securities (Continued)

The Company obtains its forecast data through a subscription to a widely recognized and relied-upon company who publishes various forecast scenarios. Management evaluates the various scenarios to determine a reasonable and supportable scenario and utilizes a single scenario in the model. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

The allowance for credit losses on available-for-sale debt securities is included within securities available for sale on the Consolidated Statements of Financial Condition. Changes in the allowance for credit losses are recorded within provision for credit losses on the Consolidated Statements of Income. Losses are charged against the allowance when the Company believes the collectability of an available-for-sale security is in jeopardy or when either of the criteria regarding intent or requirement to sell is met.

Accrued interest receivable on available-for-sale debt securities totaled $91,000 and $93,000 at December 31, 2024 and 2023, respectively, and is included within accrued interest receivable on the Consolidated Statements of Financial Condition. This amount is excluded from the estimate of expected credit losses. Available-for-sale debt securities are typically classified as nonaccrual when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about the further collectability of principal or interest. When available-for-sale debt securities are placed on nonaccrual status, unpaid interest credited to income is reversed.

Loans Receivable

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at their outstanding unpaid principal balances, net of an allowance for credit losses and any deferred fees or costs. Accrued interest receivable totaled $497,000 and $476,000 at December 31, 2024 and 2023, respectively, and is reported in accrued interest receivable on the Consolidated Statements of Financial Condition and is excluded from the estimate of credit losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the yield (interest income) of the related loans. The Company is amortizing these amounts over the contractual life of the loan. Premiums and discounts on purchased loans are amortized as adjustments to interest income using the effective yield method.

For all classes of loans receivable, the accrual of interest is discontinued when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about further collectability of principal or interest, even though the loan is currently performing. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. When a loan is placed on nonaccrual status, unpaid interest credited to income in the current year is reversed, and unpaid interest accrued in prior years is charged against the allowance for credit losses. Interest received on nonaccrual loans generally is either applied against principal or reported as interest income on a cash basis, according to management's judgment as to the collectability of principal. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time (generally six months), and the ultimate collectability of the total contractual principal and interest is no longer in doubt. The past-due status of all classes of loans receivable is determined based on contractual due dates for loan payments.

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 Credit Losses – ACL Loans

The allowance for credit losses is a valuation reserve established and maintained by charges against income and is deducted from the amortized cost basis of loans to present the net amount expected to be collected on the loans. Loans, or portions thereof, are charged off against the ACL when they are deemed uncollectible. Expected recoveries do not exceed the aggregate of amounts previously charged off and expected to be charged off.

The ACL is an estimate of expected credit losses, measured over the contractual life of a loan, that considers the Company's historical loss experience, current conditions, and forecasts of future economic conditions. Determination of an appropriate ACL is inherently subjective and may have significant changes from period to period.

The methodology for determining the ACL has two main components: evaluation of expected credit losses for certain groups of homogeneous loans that share similar risk characteristics and evaluation of loans that do not share risk characteristics with other loans.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The Company has identified the following portfolio segments and measures the allowance for credit losses using the following methods: commercial real estate, real estate mortgage, commercial and industrial, construction and development, and home equity lines of credit. All of these portfolios related to the allowance for credit losses are measured utilizing the WARM method.

Historical credit loss experience is the basis for the estimation of expected credit losses. Historical loss rates are applied to pools of loans with similar risk characteristics. After consideration of the historic loss calculation, management applies qualitative adjustments to reflect the current conditions and reasonable and supportable forecasts not already reflected in the historical loss information at the balance sheet date. Our reasonable and supportable forecast adjustment is based on changes in national, regional, and local economic and business conditions such as GDP and the unemployment forecast, and management judgment. For periods beyond The Company's reasonable and supportable forecast, the company reverts to historical loss rates utilizing a straight-line method over a one-year reversion period. The qualitative adjustments for current conditions are based upon changes in lending policies and practices, experience and ability of lending staff, quality of the Company's loan review system, value of underlying collateral, the existence of and changes in concentrations, and other external factors. These modified historical loss rates are multiplied by the outstanding principal balance of each loan to calculate a required reserve.

The Company has elected to exclude accrued interest receivable from the measurement of its ACL. When a loan is placed on nonaccrual status, any outstanding accrued interest is reversed against interest income.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses – Loans (Continued)

The ACL for individual loans begins with the use of normal credit review procedures, to identify whether a loan no longer shares similar risk characteristics with other pooled loans and, therefore, should be individually assessed. The Company evaluates all commercial loans that meet the following criteria: 1) when it is determined that foreclosure is probable, 2) substandard, doubtful, and nonperforming loans when repayment is expected to be provided substantially through the operation or sale of the collateral; and 3) when it is determined by management that a loan does not share similar risk characteristics with other loans. Specific reserves are established based on the following three acceptable methods for measuring the ACL: 1) the present value of expected future cash flows discounted at the loan's original effective interest rate; 2) the loan's observable market price; or 3) the fair value of the collateral when the loan is collateral dependent. The Company's individual loan evaluations consist primarily of the fair value of collateral method because most of the Company's loans are collateral dependent. Collateral values are discounted to consider disposition costs when appropriate. A specific reserve is established or a charge-off is taken if the fair value of the loan is less than the loan balance.

Allowance for Credit Losses on Off-Balance-Sheet Credit Exposures

The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit unless that obligation is unconditionally cancellable by the Company. The allowance for credit losses on off-balance-sheet credit exposures is adjusted through credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over their estimated life.

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, 2024, 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 Statements of Income.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 2024.

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 Income

The Company is required to present comprehensive 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses were $4,400 and $2,800 for the years ended December 31, 2024 and 2023, respectively.

Treasury Stock

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

Operating Segments

While the chief decision makers monitor the revenue streams of the various products and services, operations are managed, and financial performance is evaluated, on a Company-wide basis. The Company has identified two segments: a community banking segment and a mortgage banking segment, as more fully disclosed in Note 19 – Segment Reporting.

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 Accounting Standards Codification (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, 2024				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance For Credit Losses	Fair Value
Available for sale			(In thousands)		
Collateralized mortgage obligations	$ 4,443	$ -	$ (648)	$ -	$ 3,795
Mortgage-backed securities	2,040	-	(248)	-	1,792
U.S. government agency securities	10,250	-	(1,370)	-	8,880
Municipal bond	788	-	(110)	-	678
Total	$ 17,521	$ -	$ (2,376)	$ -	$ 15,145

	December 31, 2023				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance For Credit Losses	Fair Value
Available for sale			(In thousands)		
Collateralized mortgage obligations	$ 5,019	$ -	$ (671)	$ -	$ 4,348
Mortgage-backed securities	2,349	-	(210)	-	2,139
U.S. government agency securities	10,250	-	(1,358)	-	8,892
Municipal bond	785	-	(97)	-	688
Total	$ 18,403	$ -	$ (2,336)	$ -	$ 16,067

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3. INVESTMENT SECURITIES (Continued)

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

	December 31, 2024				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance For Credit Losses
Held to maturity			(In thousands)		
Subordinated notes	$ 1,250	$ -	$ (17)	$ 1,233	-
Total	$ 1,250	$ -	$ (17)	$ 1,233	-

	December 31, 2023				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance For Credit Losses
Held to maturity			(In thousands)		
Subordinated notes	$ 1,250	$ -	$ (91)	$ 1,159	-
Total	$ 1,250	$ -	$ (91)	$ 1,159	-

3. INVESTMENT SECURITIES (Continued)

The tables below indicate the length of time individual securities for which an allowance for credit loss has not been established have been in a continuous unrealized loss position:

	December 31, 2024					
	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	$ -	$ -	$ 3,795	$ (648)	$ 3,795	$ (648)
Mortgage-backed securities	-	-	1,741	(248)	1,741	(248)
U.S. government agency securities	-	-	8,880	(1,370)	8,880	(1,370)
Municipal bond	-	-	678	(110)	678	(110)
	$ -	$ -	$ 15,094	$ (2,376)	$ 15,094	$ (2,376)

	December 31, 2023					
	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	$ -	$ -	$ 4,348	$ (671)	$ 4,348	$ (671)
Mortgage-backed securities	-	-	2,131	(210)	2,131	(210)
U.S. government agency securities	-	-	8,892	(1,358)	8,892	(1,358)
Municipal bond	-	-	688	(97)	688	(97)
	$ -	$ -	$ 16,059	$ (2,336)	$ 16,059	$ (2,336)

The Company has 48 debt securities in the twelve months or greater category as of December 31, 2024. In management's opinion, the unrealized losses on securities reflect changes in interest rates subsequent to the acquisition of specific securities. The Company does not intend to sell the securities in an unrealized loss position and is unlikely to be required to sell these securities before a recovery of fair value, which may be maturity. The Company concluded that the decline in fair value of these securities was not indicative of a credit loss. No securities in the portfolio required an allowance for credit losses to be recorded during the year ended December 31, 2024 and 2023, respectively.

The amortized cost and fair value of investment securities at December 31, 2024, 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.

3. INVESTMENT SECURITIES (Continued)

	2024			
	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In thousands)			
Due after one year through five years	$ 56	$ 54	$ 1,000	$ 983
Due after five years through ten years	11,246	9,758	250	250
Due after ten years	6,219	5,333	-	-
Total	$ 17,521	$ 15,145	$ 1,250	$ 1,233

During 2024 and 2023, the Company did not sell any available-for-sale securities.

Investment securities with a carrying value of $11.0 million and $11.7 million at December 31, 2024 and 2023, 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,	
	2024	2023
	(In thousands)	
Commercial real estate	$ 18,979	$ 19,899
Real estate mortgage	75,279	74,358
Commercial and industrial	1,658	1,890
Construction and development	4,459	4,879
Home equity lines of credit	3,966	3,023
Total	104,341	104,049
Less allowance for credit losses	1,028	1,064
Net loans	$ 103,313	$ 102,985

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 $901,000 and $853,000 at December 31, 2024 and 2023, respectively. During the years ended December 31, 2024 and 2023, loans or additional draws on home equity lines of credit made to officers, directors, and their related interests were $78,000 and $0, respectively, while principal repayments of $30,000 and $71,000 were received from related parties during 2024 and 2023, respectively.

4. LOANS (Continued)

The Company's lending efforts have historically focused on one-to-four family residential real estate loans and construction loans, which comprise approximately $75.3 million, or 72.1 percent, of the total loan portfolio at December 31, 2024, and $74.4 million, or 71.5 percent, of the total loan portfolio at December 31, 2023. 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 CREDIT LOSSES

The following tables present the activity in the allowance for credit losses by portfolio segment for the years ended:

	December 31, 2024					
	Commercial Real Estate	Real Estate Mortgage	Commercial and Industrial	Construction and Development	Home Equity Lines of Credit	Total
Allowance for credit losses:	(In thousands)					
Beginning balance	$ 219	$ 703	$ 28	$ 80	$ 34	$ 1,064
Charge-offs	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-
Provision	22	(42)	(3)	(9)	(4)	(36)
Ending balance	$ 241	$ 661	$ 25	$ 71	$ 30	$ 1,028

	December 31, 2023					
	Commercial Real Estate	Real Estate Mortgage	Commercial and Industrial	Construction and Development	Home Equity Lines of Credit	Total
Allowance for credit losses:	(In thousands)					
Beginning balance	$ 160	$ 461	$ 17	$ 19	$ 20	$ 677
Impact of adopting ASC 326	110	130	29	12	(1)	280
Charge-offs	-	(13)	-	-	-	(13)
Recoveries	-	-	-	-	-	-
Provision	(51)	125	(18)	49	15	120
Ending balance	$ 219	$ 703	$ 28	$ 80	$ 34	$ 1,064

As of December 31, 2024, the Company expects that the markets in which it operates will experience moderating economic conditions, based primarily on lessening inflationary pressures and anticipated level interest rates, resulting in a stabilization of delinquency trends over the next year. Management has adjusted the historical loss experience for these expectations.

5. ALLOWANCE FOR CREDIT LOSSES (Continued)

As of December 31, 2023, the Company expects that the markets in which it operates will experience a decline in economic conditions, based primarily on inflationary pressures and anticipated interest rate hikes, causing an increase in the level and trend of delinquencies over the next year. Management adjusted the historical loss experience for these expectations.

Age Analysis of Past-Due Loans Receivable

The performance and credit quality of the loan portfolio is also monitored by analyzing the age of the loans receivable as determined by the length of time a recorded payment is past due. The following tables present the classes of the loan portfolio summarized by the past-due status:

	December 31, 2024					
	Current	31-60 Days Past Due	61-90 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Total Loans
	(In thousands)					
Commercial real estate	$ 18,979	$ -	$ -	$ -	$ -	$ 18,979
Real estate mortgage	72,842	1,531	-	906	2,437	75,279
Commercial and industrial	1,658	-	-	-	-	1,658
Construction and development	4,459	-	-	-	-	4,459
Home equity lines of credit	3,959	-	-	7	7	3,966
Total	$ 101,897	$ 1,531	$ -	$ 913	$ 2,444	$ 104,341

	December 31, 2023					
	Current	31-60 Days Past Due	61-90 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Total Loans
	(In thousands)					
Commercial real estate	$ 19,899	$ -	$ -	$ -	$ -	$ 19,899
Real estate mortgage	73,927	-	317	114	431	74,358
Commercial and industrial	1,890	-	-	-	-	1,890
Construction and development	4,879	-	-	-	-	4,879
Home equity lines of credit	3,017	-	-	6	6	3,023
Total	$ 103,612	$ -	$ 317	$ 120	$ 437	$ 104,049

5. ALLOWANCE FOR CREDIT LOSSES (Continued)

Nonperforming Loans

The following tables present the amortized cost basis of loans on nonaccrual status and loans past due 90 days or more still accruing interest as of December 31, 2024 and 2023:

	2024				
	Nonaccrual with no ACL	Nonaccrual with ACL	Total Nonaccrual	Loans Past Due 90 Days Still Accruing	Total Nonperforming
Residential real estate	$ 906	$ -	$ 906	$ -	$ 906
Home equity	7	-	7	-	7
Total	$ 913	$ -	$ 913	$ -	$ 913

	2023				
	Nonaccrual with no ACL	Nonaccrual with ACL	Total Nonaccrual	Loans Past Due 90 Days Still Accruing	Total Nonperforming
Residential real estate	$ 114	$ -	$ 114	$ 317	$ 431
Home equity	6	-	6	-	6
Total	$ 120	$ -	$ 120	$ 317	$ 437

The following table presents, by class of loans and leases, the amortized cost basis of collateral-dependent nonperforming loans and leases and type of collateral as of December 31, 2024 and 2023:

	2024 Real Estate	2023 Real Estate
	(In thousands)	
Residential real estate	$ 906	$ 431
Home equity	7	6
Total	$ 913	$ 437

5. ALLOWANCE FOR CREDIT LOSSES (Continued)

Credit Quality Indicators

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt, such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The company analyzes loans individually to classify the loans as to credit risk. This analysis includes non-homogeneous loans, such as commercial real estate, commercial and industrial, and construction and development. This analysis is performed on a quarterly basis. The Company uses the following definitions for risk ratings:

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

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

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

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

5. ALLOWANCE FOR CREDIT LOSSES (Continued)

Credit Quality Indicators (Continued)

Based on the most recent analysis performed, the following tables present the recorded investment in non-homogeneous loans by internal risk rating system as of December 31, 2024, and 2023:

December 31, 2024	Term Loans Amortized Costs Basis by Origination Year 2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
Commercial real estate					(In thousands)				
Risk Rating									
Pass	$ 1,547	$ 200	$ 3,722	$ 1,925	$ 3,858	$ 5,990	$ 1,266	$ -	$ 18,508
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	471	-	-	471
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 1,547	$ 200	$ 3,722	$ 1,925	$ 3,858	$ 6,461	$ 1,266	$ -	$ 18,979
Commercial real estate									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial and industrial									
Risk Rating									
Pass	$ -	$ -	$ -	$ 643	$ -	$ 267	$ 498	$ -	$ 1,408
Special Mention	-	-	-	-	-	250	-	-	250
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ -	$ -	$ -	$ 643	$ -	$ 517	$ 498	$ -	$ 1,658
Commercial and industrial									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Construction and development									
Risk Rating									
Pass	$ 440	$ 1,981	$ -	$ -	$ 440	$ 1,598	$ -	$ -	$ 4,459
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 440	$ 1,981	$ -	$ -	$ 440	$ 1,598	$ -	$ -	$ 4,459
Construction and development									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total									
Risk Rating									
Pass	$ 1,987	$ 2,181	$ 3,722	$ 2,568	$ 4,298	$ 7,855	$ 1,764	$ -	$ 24,375
Special Mention	-	-	-	-	-	250	-	-	250
Substandard	-	-	-	-	-	471	-	-	471
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 1,987	$ 2,181	$ 3,722	$ 2,568	$ 4,298	$ 8,576	$ 1,764	$ -	$ 25,096

5. ALLOWANCE FOR CREDIT LOSSES (Continued)

<u>Credit Quality Indicators</u> (Continued)

	Term Loans Amortized Costs Basis by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	
December 31, 2023	2023	2022	2021	2020	2019	Prior			Total
Commercial real estate					(In thousands)				
Risk Rating									
Pass	$ 206	3,828	2,124	3,806	2,180	5,660	973	$ -	$ 18,777
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	1,122	-	-	1,122
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 206	$ 3,828	$ 2,124	$ 3,806	$ 2,180	$ 6,782	$ 973	$ -	$ 19,899
Commercial real estate									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial and industrial									
Risk Rating									
Pass	$ -	-	794	-	304	28	514	$ -	$ 1,640
Special Mention	-	-	-	-	250		-	-	250
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ -	$ -	$ 794	$ -	$ 554	$ 28	$ 514	$ -	$ 1,890
Commercial and industrial									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Construction and Development									
Risk Rating									
Pass	$ 2,084	$ 754	$ -	$ 444	$ 1,597	$	$ -	$ -	$ 4,879
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 2,084	$ 754	$ -	$ 444	$ 1,597	$ -	$ -	$ -	$ 4,879
Construction and Development									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total									
Risk Rating									
Pass	$ 2,290	$ 4,582	$ 2,918	$ 4,250	$ 4,081	$ 5,688	$ 1,487	$ -	$ 25,296
Special Mention	-	-	-	-	250	-	-	-	250
Substandard	-	-	-	-	-	1,122	-	-	1,122
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 2,290	$ 4,582	$ 2,918	$ 4,250	$ 4,331	$ 6,810	$ 1,487	$ -	$ 26,668

5. ALLOWANCE FOR CREDIT LOSSES (Continued)

Credit Quality Indicators (Continued)

The Company monitors the credit risk profile by payment activity for residential and consumer loan classes. Loans past due 90 days or more and loans on nonaccrual status are considered nonperforming. Nonperforming loans are reviewed quarterly. The following tables present the amortized cost in residential and consumer loans based on payment activity as of December 31, 2024 and 2023:

	Term Loans Amortized Costs Basis by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	
December 31, 2024	2024	2023	2022	2021	2020	Prior			Total
Residential real estate					(In thousands)				
Payment Performance									
Performing	$ 8,698	$ 14,164	$ 26,468	$ 9,915	$ 4,719	$ 10,409	$ -	$ -	$ 74,373
Nonperforming	-	-	-	-	-	906	-	-	906
Total	$ 8,698	$ 14,164	$ 26,468	$ 9,915	$ 4,719	$ 11,315	$ -	$ -	$ 75,279
Residential real estate									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Home equity lines of credit									
Payment Performance									
Performing	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,808	151	$ 3,959
Nonperforming	-	-	-	-	-	-	7	-	7
Total	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,815	$ 151	$ 3,966
Home equity lines of credit									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total									
Payment Performance									
Performing	$ 8,698	$ 14,164	$ 26,468	$ 9,915	$ 4,719	$ 10,409	$ 3,808	$ 151	$ 78,332
Nonperforming	-	-	-	-	-	906	7	-	913
Total	$ 8,698	$ 14,164	$ 26,468	$ 9,915	$ 4,719	$ 11,315	$ 3,815	$ 151	$ 79,245

5. ALLOWANCE FOR CREDIT LOSSES (Continued)

Credit Quality Indicators (Continued)

December 31, 2023	Term Loans Amortized Costs Basis by Origination Year 2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
					(In thousands)				
Residential real estate									
Payment Performance									
Performing	$ 15,426	$ 28,844	$ 12,374	$ 4,908	$ 5,054	$ 7,321	$ -	$ -	$ 73,927
Nonperforming	-	317	-	-	-	114	-	-	431
Total	$ 15,426	$ 29,161	$ 12,374	$ 4,908	$ 5,054	$ 7,435	$ -	$ -	$ 74,358
Residential real estate									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ (13)	$ -	$ -	$ (13)
Home equity lines of credit									
Payment Performance									
Performing	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,865	$ 152	$ 3,017
Nonperforming	-	-	-	-	-	-	6	-	6
Total	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,871	$ 152	$ 3,023
Home equity lines of credit									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total									
Payment Performance									
Performing	$ 15,426	$ 28,844	$ 12,374	$ 4,908	$ 5,054	$ 7,321	$ 2,865	$ 152	$ 76,944
Nonperforming	-	317	-	-	-	114	6	-	437
Total	$ 15,426	$ 29,161	$ 12,374	$ 4,908	$ 5,054	$ 7,435	$ 2,871	$ 152	$ 77,381

Modifications to Borrowers Experiencing Financial Difficulty

Occasionally, the Company may modify a loan to a borrower in financial distress by providing a term extension, other-than-insignificant payment delay, or interest rate reduction. No such modifications were made for the years ended December 31, 2024 and 2023.

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, 2024 and 2023, the amortized cost of the investment was $277,000 and $371,000, 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, 2024 and 2023, the Company had no other real estate owned. As of December 31, 2024, there was one formal foreclosure proceeding initiated on loans.

8. PREMISES AND EQUIPMENT

Major classifications of premises and equipment are summarized as follows:

	December 31, 2024	December 31, 2023
	(In thousands)	
Land	$ 32	$ 32
Building and building improvements	734	711
Furniture and equipment	334	326
	1,100	1,069
Less accumulated depreciation	795	773
Total	$ 305	$ 296

Depreciation and amortization charged to operations were $48,000 and $52,000 in 2024 and 2023, respectively.

9. DEPOSITS

Time deposits (in thousands) totaling, $49,036, $4,890, $235, $216, and $73 at December 31, 2024, mature during 2025, 2026, 2027, 2028, and 2029, respectively.

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

	2024	2023
	(In thousands)	
Savings and transaction accounts	$ 29,131	$ 33,364
Certificates of deposit	54,450	54,736
Total	$ 83,581	$ 88,100

Time deposits include certificates of deposit and other time deposits in denominations equal to or in excess of $250,000. Such deposits aggregated to $36 million and $34.1 million at December 31, 2024 and 2023, respectively.

As of December 31, 2024, the Bank had two deposit relationships, in the amount of $13.6 million, which exceed five percent of total deposits.

10. FEDERAL INCOME TAXES

Income tax expense consists of the following at December 31:

	2024	2023
	(In thousands)	
Current	$ 150	$ 189
Deferred	142	5
Total	$ 292	$ 194

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

	2024		2023	
	Amount	% of Pretax Income	Amount	% of Pretax Income
		(In thousands)		
Provision at statutory rate	$ 243	21.0 %	$ 210	21.0 %
Effect of tax-exempt income	(3)	(0.3)	(3)	(0.3)
Bank-owned life insurance, net	(16)	(1.4)	(14)	(1.4)
Nondeductible earnout payment	53	4.6	-	-
Other	15	1.4	1	0.1
Actual tax expense and effective rate	$ 292	25.3 %	$ 194	19.4 %

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

	2024	2023
	(In thousands)	
Deferred tax assets:		
Allowance for credit losses	$ 219	$ 228
Imputed loan interest	77	77
Net unrealized losses on investment securities	499	490
Net operating loss and credits carryforward	80	234
Gross deferred tax assets	875	1,029
Deferred tax liabilities:		
FHLB stock dividends	(132)	(132)
Depreciation	(12)	(12)
Other	-	(21)
Gross deferred tax liabilities	(144)	(165)
Net deferred tax assets	$ 731	$ 864

10. FEDERAL INCOME TAXES (Continued)

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, 2024, 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, 2024.

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 Statements 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 2021.

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.

	2024	2023
	(In thousands)	
Balance, December 31	$ 7,900	$ -
Maximum month-end balance during the year	7,900	5,500
Average balance during the year	1,975	1,808
Average year-end interest rate	4.51%	-
Average interest rate during the year	4.94%	5.49%

12. BORROWED FUNDS

FHLB advances are secured by $7.2 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 $56.4 million at December 31, 2024, and $53 million at December 31, 2023. 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.

12. BORROWED FUNDS (Continued)

The Company has a blanket credit arrangement with the FHLB with a maximum borrowing capacity of approximately $61.4 million at December 31, 2024. 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 long-term advances as of December 31:

Description	Maturity	Interest Rate	At December 31, 2024	At December 31, 2023
			(In thousands)	
Fixed rate	April 2024	2.55 %	$ -	$ 2,000
Fixed rate	June 2024	2.15	-	1,000
Fixed rate	August 2024	1.82	-	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	October 2025	4.13	3,000	3,000
Fixed rate	December 2025	4.31	3,000	3,000
Fixed rate	January 2026	4.02	3,000	3,000
Fixed rate	June 2026	4.24	4,000	4,000
Fixed rate	July 2026	4.25	1,000	1,000
Fixed rate	November 2026	3.99	2,000	2,000
Fixed rate	June 2027	3.98	2,000	2,000
Fixed rate	November 2027	4.29	5,000	5,000
Fixed rate	December 2027	3.93	1,000	1,000
Fixed rate	January 2028	3.97	3,000	3,000
Fixed rate	January 2028	3.81	3,000	3,000
Fixed rate	February 2028	3.71	1,000	1,000
Fixed rate	February 2028	4.14	2,000	2,000
Fixed rate	March 2028	4.35	4,000	4,000
Fixed rate	May 2028	3.95	1,000	1,000
Fixed rate	August 2028	4.47	500	500
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	1,000
			$ 48,500	$ 53,000

The weighted-average interest rate is 3.92 percent at December 31, 2024.

The note payable to The Ohio Equity Fund had a balance of $48,000 and $70,000 as of December 31, 2024 and 2023, respectively, with a maturity of December 2026. Principal payments totaling $22,000 and $26,000 at December 31, 2024, mature during 2025 and 2026.

The Company maintains $10.2 million unsecured lines of credit with three other financial institutions. The Company also maintains a $1.1 million secured line of credit with a fourth financial institution. At December 31, 2024 and 2023, the lines of credit were not used and were fully available.

13. EMPLOYEE BENEFITS

The Company contributed $103,000 and $56,000 to the 401(k) plan in 2024 and 2023, respectively.

14. LEASE OBLIGATIONS

The Company leases offices in Westlake, Hudson, Huron, and Grove City for its mortgage banking activities under operating leases expiring in 2025 through 2031. 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, 2024, amounted to $182,000. The right-of use asset associated with operating leases amounted to $766,000 at December 31, 2024. The lease liability associated with operating leases amounted to $766,000 at December 31, 2024.

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, 2024.

Undiscounted cash flows due in:		
(In thousands)		
2025	$	166
2026		132
2027		132
2028		132
2029		132
Thereafter		143
Total undiscounted cash flows		837
Discount on cash flows		(71)
Total lease liability	$	766
Weighted-average discount rate		1.5%
Weighted-average remaining term		72 months

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 LOSS

The following table presents the changes in accumulated other comprehensive loss by component, net of tax for the years ended December 31, 2024 and 2023.

		Net Unrealized (Loss) Gain on Securities (In thousands)
Accumulated other comprehensive loss, December 31, 2022	$	(2,114)
Total other comprehensive income		268
Accumulated other comprehensive loss, December 31, 2023	$	(1,846)
Total other comprehensive loss		(31)
Accumulated other comprehensive loss, December 31, 2024	$	(1,877)

There were no amounts reclassified out of accumulated other comprehensive loss as of December 31, 2024 and 2023.

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 Statements 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.

17. COMMITMENTS (Continued)

At December 31, 2024, the Company had outstanding commitments of approximately $4.0 million of variable-rate home equity lines of credit, $2.8 million of commercial lines of credit, and $7.1 million of construction loans. The average interest rate of the lines of credit was 7.8 percent at December 31, 2024. 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.

At December 31, 2023, the Company had outstanding commitments of approximately $2.4 million of variable rate home equity lines of credit, $2.8 million of commercial lines of credit, and $4.7 million of construction loans. The average interest rate of the lines of credit was 9.1 percent at December 31, 2023. 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.

As of December 31, 2024 and 2023, the reserve on unfunded commitments was $13,000 and 21,000, respectively.

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, 2024			
	Level I	Level II	Level III	Total
	(In thousands)			
Assets measured at fair value on a recurring basis:				
Collateralized mortgage obligations	$ -	$ 3,795	$ -	$ 3,795
Mortgage-backed securities	-	1,792	-	1,792
U.S. government agency securities	-	8,880	-	8,880
Municipal bond	-	678	-	678
Total	$ -	$ 15,145	$ -	$ 15,145

	December 31, 2023			
	Level I	Level II	Level III	Total
	(In thousands)			
Assets measured at fair value on a recurring basis:				
Collateralized mortgage obligations	$ -	$ 4,348	$ -	$ 4,348
Mortgage-backed securities	-	2,139	-	2,139
U.S. government agency securities	-	8,892	-	8,892
Municipal bond	-	688	-	688
Total	$ -	$ 16,067	$ -	$ 16,067

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, 2024				
	Carrying Value	Fair Value	Level I	Level II	Level III
Financial assets:					
Investment securities:					
Held to maturity	$ 1,250	$ 1,233	$ -	$ 1,233	$ -
Net loans	119,447	114,585	-	-	114,585
Financial liabilities:					
Deposits	$ 83,581	$ 83,466	$ 29,131	$ -	$ 54,335
Federal Home Loan Bank advances and note payable	56,448	55,685	-	-	55,685

	December 31, 2023				
	Carrying Value	Fair Value	Level I	Level II	Level III
Financial assets:					
Investment securities:					
Held to maturity	$ 1,250	$ 1,159	$ -	$ 1,159	$ -
Net loans	113,084	104,836	-	-	104,836
Financial liabilities:					
Deposits	$ 88,100	$ 87,840	$ 33,364	$ -	$ 54,476
Federal Home Loan Bank advances and note payable	53,070	52,227	-	-	52,227

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. SEGEMENT REPORTING

The Company has two reportable segments being Community Banking and Mortgage Banking. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Both segments offer similar products and services to similar types and classes of customers and utilize similar service delivery methods.

19. SEGEMENT REPORTING (Continued)

The chief operation decision maker (CODM) uses segment profit and loss from operations to allocate resources for each segment. The CODM considers budget-to-actual variances along with year-over-year performance when making decisions about allocation of capital and personnel to the segments. The CODM uses current observed market rates to determine changes in product and services pricing. The corporations CODM is the President.

The following tables presents information about the reporting segments revenue, measures of a segment's profit or loss, significant segment expenses, and a measure of a segment's assets for December 31, 2024 and 2023:

2024	Home Federal Savings and Loan Association of Niles	Union Capital Mortgage Corporation	Eliminations	Consolidated
Interest income	$ 7,091	$ 1,002	$ (593)	$ 7,500
Interest expense	4,496	695	(695)	4,496
Total revenue	2,595	307	102	3,004
Provision for credit losses	(43)	-	-	(43)
Noninterest income	103	5,007	(114)	4,996
Noninterest expense:				
Occupancy and equipment expense	85	259	-	344
Compensation and employee benefits	1,061	3,844	-	4,905
Other noninterest expense	944	634	61	1,639
Tax expense	118	181	(7)	292
Net income	$ 533	$ 396	$ (66)	$ 863

2023	Home Federal Savings and Loan Association of	Union Capital Mortgage Corporation	Eliminations	Consolidated
Interest income	$ 6,349	$ 740	$ (379)	$ 6,709
Interest expense	3,394	551	(551)	3,394
Total revenue	2,955	189	171	3,315
Provision for credit losses	125	-	-	125
Noninterest income	98	3,693	(186)	3,606
Noninterest expense:				
Occupancy and equipment expense	97	314	-	411
Compensation and employee benefits	1,073	2,801	-	3,874
Other noninterest expense	941	505	63	1,509
Tax expense	154	52	(12)	194
Net income	$ 663	$ 211	$ (66)	$ 808

20. 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, 2024 and 2023, 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, 2024, that the Company and the Association meet all capital adequacy requirements to which they are subject.

As of December 31, 2024 and 2023, 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.

20. REGULATORY CAPITAL (Continued)

As of December 31, 2024 and 2023, management believes that the Company met all capital adequacy requirements to which it was subject.

	2024		2023	
	Amount (In thousands)	Ratio	Amount (In thousands)	Ratio
Total capital (to risk-weighted assets)				
Actual	$ 14,966	15.27 %	$ 14,443	15.27 %
For capital adequacy purposes	7,839	8.00	7,569	8.00
To be well capitalized	9,798	10.00	9,461	10.00
Tier 1 capital (to risk-weighted assets)				
Actual	$ 13,925	14.21 %	$ 13,358	14.12 %
For capital adequacy purposes	5,879	6.00	5,677	6.00
To be well capitalized	7,839	8.00	7,569	8.00
Common equity Tier 1 capital (to risk-weighted assets)				
Actual	$ 13,925	14.21 %	$ 13,358	14.12 %
For capital adequacy purposes	4,409	4.50	4,257	4.50
To be well capitalized	6,369	6.50	6,150	6.50
Tier 1 capital (to average assets)				
Actual	$ 13,925	8.97 %	$ 13,358	8.75 %
For capital adequacy purposes	6,208	4.00	6,107	4.00
To be well capitalized	7,760	5.00	7,634	5.00

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.

21. SUBSEQUENT EVENTS

Management has reviewed events occurring through March 13, 2025, the date the financial statements were issued, and no other subsequent events occurred requiring accrual or disclosure.

ANNUAL MEETING

The annual meeting of stockholders will be held at 2:00 p.m. local time, Wednesday, April 30, 2025, 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, 2023, the Company had issued 1,724,741 shares of common stock with 1,333,067 outstanding held by approximately 78 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 140 stockholders of record.

The table below presents the quarterly range of high and low sales prices of First Niles' common stock for 2023 and 2024, 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, 2023)	$10.92	$9.96	$0.06
Second Quarter (ended June 30, 2023)	$10.40	$8.55	$0.06
Third Quarter (ended September 30, 2023)	$13.00	$9.55	$0.06
Fourth Quarter (ended December 31, 2023)	$10.47	$9.62	$0.06
First Quarter (ended March 31, 2024)	$10.25	$8.20	$0.06
Second Quarter (ended June 30, 2024)	$9.70	$8.19	$0.06
Third Quarter (ended September 30, 2024)	$9.44	$7.68	$0.06
Fourth Quarter (ended December 31, 2024)	$9.40	$7.95	$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 20 of the Notes to Consolidated Financial Statements included in this Annual Report.

STOCKHOLDER AND GENERAL INQUIRIES

Daniel E. Csontos, President
First Niles Financial, Inc.
55 North Main Street
Niles, Ohio 44446
(330) 652-2539

TRANSFER AGENT

Computershare
P.O. Box 30170
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

COMPANY AND BANK ADDRESS

55 North Main Street
Niles, Ohio 44446

Telephone: (330) 652-2539
Fax: (330) 652-0911

BOARD OF DIRECTORS

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

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

DANIEL E. CSONTOS
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

RAYMOND J. CALGAGNI
Vice President of First Niles Financial, Inc. and Home Federal Savings and Loan Association of Niles

INDEPENDENT AUDITORS

S.R. SNODGRASS, P.C.
Certified Public Accountants & Consultants
2009 MacKenzie Way, Suite 340
Cranberry Township, PA 16066

SPECIAL COUNSEL

DINSMORE & SHOHL, LLP
191 W. Nationwide Blvd.
Suite 300
Columbus, Ohio 43215