



FIRST NEIGHBORHOOD BANCSHARES, INC.

UNAUDITED
FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2021

First Neighborhood Bancshares, Inc. and Subsidiary

Consolidated Balance Sheets

December 31, 2021 and 2020

(\$ in thousands)

	2021	2020
<i>Assets</i>		
Cash and cash equivalents	\$ 107,506	\$ 60,860
Certificates of deposit	2,716	4,198
Federal funds sold	14,737	5,032
Securities available for sale	30,478	31,913
Equity securities	202	163
Loans held for sale	2,471	3,687
Loans, net of allowance for loan losses 2021 \$4,244; 2020 \$4,662	358,567	360,457
Premises and equipment	11,790	10,713
Bank-owned life insurance	12,545	12,259
Accrued interest receivable	2,642	3,731
Goodwill	1,093	1,093
Foreclosed real estate and other loan collateral	1,871	180
Other assets	5,717	5,833
Total assets	\$ 552,335	\$ 500,119
<i>Liabilities and Stockholders' Equity</i>		
Demand	\$ 113,101	\$ 87,166
NOW accounts	98,228	83,262
Savings	118,802	99,138
Time, \$250,000 and over	40,692	41,935
Other time	85,814	93,368
	<u>456,637</u>	<u>404,869</u>
Federal Home Loan Bank advances	39,649	41,284
Other liabilities	766	756
Total liabilities	497,052	446,909
<i>Stockholders' equity:</i>		
Common stock, \$1 par value; 200,000 shares authorized; 118,554 shares issued	119	119
Surplus	5,329	5,272
Retained earnings	55,310	52,253
Accumulated other comprehensive income	302	617
Unearned Employee Stock Ownership Plan shares	(3,024)	(2,374)
Treasury stock (12,700 shares in 2021; 12,500 shares in 2020, at cost)	(2,753)	(2,677)
	<u>55,283</u>	<u>53,210</u>
Total liabilities and stockholders' equity	\$ 552,335	\$ 500,119



**FIRST NEIGHBORHOOD
BANCSHARES, INC.**

First Neighborhood Bancshares, Inc. and Subsidiary

Consolidated Statements of Income

Years Ended December 31, 2021 and 2020

(\$ in thousands)

	2021	2020
Interest income:		
Loans and fees on loans	\$ 17,015	\$ 19,024
Investment securities	429	621
Federal funds sold and other	309	365
	<u>17,753</u>	<u>20,010</u>
Interest expense:		
Deposits	1,319	3,040
Other borrowings	447	668
	<u>1,766</u>	<u>3,708</u>
Net interest income	15,987	16,302
Provision for loan losses	<u>1,758</u>	<u>1,566</u>
Net interest income after provision for loan losses	<u>14,229</u>	<u>14,736</u>
Other income:		
Service fees	3,091	2,142
Increase in cash surrender value of life insurance	286	223
Gain on sale of loans held for sale	568	594
Other	2,464	2,058
	<u>6,409</u>	<u>5,017</u>
Other expense:		
Salaries and employee benefits	9,768	9,006
Occupancy expenses	1,940	1,724
Other	3,609	3,499
	<u>15,317</u>	<u>14,229</u>
Income before income taxes	5,321	5,524
Income taxes	<u>1,729</u>	<u>1,935</u>
Net income	<u>\$ 3,592</u>	<u>\$ 3,589</u>



**FIRST NEIGHBORHOOD
BANCSHARES, INC.**

First Neighborhood Bancshares, Inc. and Subsidiary
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2021 and 2020
(\$ in thousands)

	2021	2020
Net income	\$ 3,592	\$ 3,589
Other comprehensive (loss) income, before tax:		
Unrealized net (loss) gain on securities	(440)	463
Other comprehensive (loss) income, before tax	(440)	463
Income tax related to items of other comprehensive (loss) income	(125)	116
Other comprehensive (loss) income, net of tax	(315)	347
Comprehensive income	\$ 3,277	\$ 3,936



**FIRST NEIGHBORHOOD
 BANCSHARES, INC.**

**First Neighborhood Bancshares, Inc. and Subsidiary
Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2021 and 2020
(\$ in thousands, except for per share data)**

	Common Stock	Surplus	Retained Earnings	Accumulated Other Income (Loss)	Unearned Employee Stock Ownership Plan Shares	Treasury Stock	Total
Balance, December 31, 2019	\$ 119	\$ 5,230	\$ 49,209	\$ 270	\$ (1,629)	\$ (2,623)	\$ 50,576
Net income	-	-	3,589	-	-	-	3,589
Other comprehensive income	-	-	-	347	-	-	347
Purchase of 155 shares of treasury stock	-	-	-	-	-	(54)	(54)
Employee Stock Ownership Plan shares allocated	-	42	-	-	173	-	215
Employee Stock Ownership Plan shares purchased	-	-	-	-	(918)	-	(918)
Cash dividends (\$5.00 per share)	-	-	(545)	-	-	-	(545)
Balance, December 31, 2020	119	5,272	52,253	617	(2,374)	(2,677)	53,210
Net income	-	-	3,592	-	-	-	3,592
Other comprehensive loss	-	-	-	(315)	-	-	(315)
Purchase of 200 shares of treasury stock	-	-	-	-	-	(76)	(76)
Employee Stock Ownership Plan shares allocated	-	57	-	-	223	-	280
Employee Stock Ownership Plan shares purchased	-	-	-	-	(873)	-	(873)
Cash dividends (\$5.05 per share)	-	-	(535)	-	-	-	(535)
Balance, December 31, 2021	\$ 119	\$ 5,329	\$ 55,310	\$ 302	\$ (3,024)	\$ (2,753)	\$ 55,283



**First Neighborhood Bancshares, Inc. and Subsidiary
Consolidating Balance Sheet Information**

December 31, 2021

(\$ in thousands)

	First Neighborhood Bancshares, Inc.	First Neighbor Bank, N.A.	Eliminations	Consolidated First Neighborhood Bancshares, Inc. and Subsidiary
Assets				
Cash and cash equivalents	\$ 1,239	\$ 107,506	\$ (1,239)	\$ 107,506
Certificates of deposit	-	2,716	-	2,716
Federal funds sold	-	14,737	-	14,737
Securities available for sale	-	30,478	-	30,478
Equity securities	-	202	-	202
Investment in First Neighbor Bank, N.A.	54,086	-	(54,086)	-
Loans held for sale	-	2,471	-	2,471
Loans	-	361,657	(3,090)	358,567
Premises and equipment	-	11,790	-	11,790
Bank-owned life insurance	-	12,545	-	12,545
Accrued interest receivable	-	2,642	-	2,642
Goodwill	-	1,093	-	1,093
Foreclosed real estate and other loan collateral	-	1,871	-	1,871
Other assets	-	5,717	-	5,717
Total assets	\$ 55,325	\$ 555,425	\$ (58,415)	\$ 552,335
Liabilities and Stockholders' Equity				
Deposits:				
Demand	\$ -	\$ 114,340	\$ (1,239)	\$ 113,101
NOW accounts	-	98,228	-	98,228
Savings	-	118,802	-	118,802
Time, \$250,000 and over	-	40,692	-	40,692
Other time	-	85,814	-	85,814
		457,876	(1,239)	456,637
Notes payable	-	3,090	(3,090)	-
Federal Home Loan Bank advances	-	39,649	-	39,649
Other liabilities	42	724	-	766
Total liabilities	42	501,339	(4,329)	497,052
Stockholders' equity:				
Common stock	119	550	(550)	119
Surplus	5,329	2,346	(2,346)	5,329
Retained earnings	55,310	53,912	(53,912)	55,310
Accumulated other comprehensive income	302	302	(302)	302
Unearned employee stock ownership plan shares	(3,024)	(3,024)	3,024	(3,024)
Treasury stock, at cost	(2,753)	-	-	(2,753)
	55,283	54,086	(54,086)	55,283
Total liabilities and stockholders' equity	\$ 55,325	\$ 555,425	\$ (58,415)	\$ 552,335



**FIRST NEIGHBORHOOD
BANCSHARES, INC.**

First Neighborhood Bancshares, Inc. and Subsidiary
Consolidating Statement of Income Information
Year Ended December 31, 2021
(\$ in thousands)

	First Neighborhood Bancshares, Inc.	First Neighbor Bank, N.A.	Eliminations	Consolidated First Neighborhood Bancshares, Inc. and Subsidiary
Interest income:				
Loans and fees on loans	\$ -	\$ 17,110	\$ (95)	\$ 17,015
Investment securities	1,750	429	(1,750)	429
Federal funds sold and other	-	309	-	309
	<u>1,750</u>	<u>17,848</u>	<u>(1,845)</u>	<u>17,753</u>
Interest expense:				
Deposits	-	1,319	-	1,319
Other Borrowings	-	542	(95)	447
		<u>1,861</u>	<u>(95)</u>	<u>1,766</u>
Net interest income	1,750	15,987	(1,750)	15,987
Provision for loan losses	-	1,758	-	1,758
Net interest income after Provision Expense	<u>1,750</u>	<u>14,229</u>	<u>(1,750)</u>	<u>14,229</u>
Other income:				
Service fees	-	3,091	-	3,091
Increase in cash surrender value of life insurance	-	286	-	286
Gain on sale of loans held for sale	-	568	-	568
Other	-	2,464	-	2,464
Equity in undistributed earnings of First Neighbor Bank, N.A.	1,916	-	(1,916)	-
	<u>1,916</u>	<u>6,409</u>	<u>(1,916)</u>	<u>6,409</u>
Other expense:				
Salaries and employee benefits	-	9,768	-	9,768
Occupancy expenses	-	1,940	-	1,940
Other	74	3,535	-	3,609
	<u>74</u>	<u>15,243</u>	<u>-</u>	<u>15,317</u>
Income before income taxes	3,592	5,395	(3,666)	5,321
Income (benefit) taxes	-	1,729	-	1,729
Net income	<u>\$ 3,592</u>	<u>\$ 3,666</u>	<u>\$ (3,666)</u>	<u>\$ 3,592</u>



**FIRST NEIGHBORHOOD
BANCSHARES, INC.**

First Neighborhood Bancshares, Inc. and Subsidiary

Consolidated Statements of Cash Flows

Years Ended December 31, 2021 and 2020

(\$ in thousands)

	2021	2020
Cash flows from operating activities:		
Net income	\$ 3,592	\$ 3,589
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	745	662
Provision for loan losses	1,758	1,566
Deferred income taxes	-	(9)
Employee stock ownership compensation expense	280	215
Net amortization of securities premiums and discounts	797	165
Increase in cash surrender value of life insurance	(286)	(223)
Write-down of foreclosed real estate	-	50
Net loss on sales of foreclosed real estate and other loan collateral	16	122
Unrealized gain on equity securities	(39)	(17)
Gain on sale of loans held for sale	(568)	(594)
Loans originated for sale	(42,823)	(49,140)
Proceeds on loans sold	44,607	47,601
Change in assets and liabilities:		
(Increase) decrease in accrued interest receivable	1,089	(29)
(Increase) decrease in other assets	389	(1,642)
Decrease in other liabilities	10	679
Net cash provided by operating activities	9,567	2,995
Cash flows from investing activities:		
Net maturities (purchases) of certificates of deposit	1,482	(245)
Purchases of securities available for sale	(8,585)	(14,346)
Calls, sales, maturities and paydowns of securities available for sale	8,783	14,192
Purchase of bank owned life insurance	-	(2,686)
Net increase in loans	(1,602)	(3,821)
Net increase in federal funds sold	(9,705)	(2,148)
Proceeds from sales of other real estate and repossessed assets	27	801
Purchases of premises and equipment net of proceeds	(1,738)	(1,377)
Cash paid for business acquisitions	(232)	-
Net cash used in investing activities	(11,570)	(9,630)

(Continued)



First Neighborhood Bancshares, Inc. and Subsidiary
Consolidated Statements of Cash Flows (Continued)
Years Ended December 31, 2021 and 2020
(\$ in thousands)

	2021	2020
Cash flows from financing activities:		
Net increase in demand, NOW and savings accounts	\$ 60,565	\$ 46,603
Net decrease in time deposits	(8,797)	(11,813)
Proceeds from Federal Home Loan Bank advances	5,000	34,000
Payments on Federal Home Loan Bank advances	(6,635)	(22,666)
Purchase of treasury stock	(76)	(54)
Cash dividends paid	(535)	(545)
Employee Stock Ownership Plan shares purchased	(873)	(918)
	<u>48,649</u>	<u>44,607</u>
Net cash provided by financing activities	48,649	44,607
Net increase in cash and cash equivalents	46,646	37,972
Cash and cash equivalents:		
Beginning	<u>60,860</u>	<u>22,888</u>
Ending	<u>\$ 107,506</u>	<u>\$ 60,860</u>
Cash payments for:		
Interest paid to depositors	<u>\$ 1,232</u>	<u>\$ 2,834</u>
Interest paid to other borrowings	<u>\$ 446</u>	<u>\$ 668</u>
Income taxes	<u>\$ 1,860</u>	<u>\$ 1,860</u>
Supplemental schedule of noncash investing activities:		
Transfer of loans to real estate acquired in settlement of loans and other loan collateral	<u>\$ 1,734</u>	<u>\$ 219</u>



FIRST NEIGHBORHOOD BANCSHARES, INC.
 FIVE-YEAR SELECTED DATA
 (in thousands, except per share data)

EARNINGS AND DIVIDENDS

	2021	2020	2019	2018	2017
Interest Income	\$ 17,753	\$ 20,010	\$ 20,302	\$ 16,203	\$ 13,661
Interest Expense	1,766	3,708	4,877	2,096	1,473
Net Interest Income	15,987	16,302	15,425	14,107	12,188
Provision For Loan Losses	1,758	1,566	1,259	885	460
Net Interest Income After Provision For Loan Losses	14,229	14,736	14,166	13,222	11,728
Other Income	6,409	5,017	3,698	3,900	3,596
Other Expense	15,317	14,229	12,701	11,243	10,836
Income Before Income Taxes	5,321	5,524	5,163	5,879	4,488
Income Taxes	1,729	1,935	960	1,598	1,656
Net Income	\$ 3,592	\$ 3,589	\$ 4,203	\$ 4,281	\$ 2,832
Dividends to Shareholders	\$ 272	\$ 277	\$ 285	\$ 301	\$ 252
Dividends paid on ESOP shares owned by ESOP	263	252	246	226	182
Dividends	\$ 535	\$ 529	\$ 531	\$ 527	\$ 434

PER SHARE DATA

Income Before Taxes*	\$ 54.10	\$ 55.13	\$ 50.43	\$ 55.83	\$ 42.22
Net Income*	36.52	35.82	41.05	40.65	26.64
Dividends	5.05	5.00	5.00	4.85	4.00
Book Value	522.26	501.73	476.19	438.83	406.42

SELECTED BALANCE SHEET DATA

Assets					
Cash and cash equivalents	\$ 107,506	\$ 60,860	\$ 22,888	\$ 51,392	\$ 22,872
Federal funds sold	14,737	5,032	2,884	1,816	5,701
Securities and certificates of deposit	33,194	36,111	35,560	30,846	32,333
Net loans and loans held for sale	361,038	364,144	359,975	306,636	265,663
Other assets	35,860	33,972	29,375	24,464	22,873
Total assets	\$ 552,335	\$ 500,119	\$ 450,682	\$ 415,154	\$ 349,442
Liabilities and Stockholders' Equity					
Deposits	\$ 456,637	\$ 404,869	\$ 370,079	\$ 339,122	\$ 304,331
FHLB advances and Federal funds purchased	39,649	41,284	29,950	27,500	-
Other liabilities	766	756	77	865	868
Stockholders' equity	55,283	53,210	50,576	47,667	44,243
Total Liabilities and Stockholders' Equity	\$ 552,335	\$ 500,119	\$ 450,682	\$ 415,154	\$ 349,442

* Earnings per share is calculated using weighted average shares outstanding less the number of unreleased ESOP shares. See Note 9 of the Notes to Consolidated Financial Statements



**FIRST NEIGHBORHOOD
 BANCSHARES, INC.**