2024 ANNUAL REPORT

PORTAGE BANCSHARES, INC.™

PORTAGE BANCSHARES, INC.

RAVENNA, OHIO

DECEMBER 31, 2024

PORTAGE BANCSHARES, INC.
CONSOLIDATED AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2024

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To Our Fellow Shareholders,

To begin this year's *Letter to Our Fellow Shareholders*, I want to acknowledge the retirement of our founding Chief Executive Officer, Richard J. Coe., from his seat on the Portage Bancshares, Inc. ("PBI") Board of Directors in 2024. Mr. Coe's visionary leadership and unwavering dedication have been instrumental in shaping Portage Community Bank ("PCB") from its inception as a de novo bank to a thriving community bank with over $500 million in total assets. His contributions have laid a strong foundation for our continued success, and we are deeply grateful for all of his years of service. On behalf of the Board of Directors and Management, we extend our heartfelt appreciation and best wishes to Mr. Coe with his retirement.

Before reviewing the operating results and overall performance of PBI, parent company of PCB, for the year ended December 31, 2024, I would like to take a moment to reflect on the evolution of PCB over time. It was more than twenty-five years ago, a group of dedicated, local investors came together with a shared vision – to establish a community bank that would provide personalized financial services, foster local economic growth, and build lasting relationships. Their commitment laid the groundwork for what has become a trusted, locally owned and operated financial institution, dedicated to serving the needs of our customers and strengthening the communities we call home. Through steady growth and a purposeful focus on our core values, PCB has expanded its presence to serve the communities of Portage and Summit County, Ohio, while remaining true to our mission of providing personalized banking solutions and supporting local businesses and families.

In 1998, there were more than 8,000 FDIC-insured commercial banks operating in the United States; today, that number has declined to approximately 4,500. Describing the transformation and challenges experienced by our communities, customers, shareholders, and employees over the past twenty-five years as merely significant would be an understatement. We view the evolving banking landscape as a testament to the critical role that community banks like PCB play in supporting local customers, shareholders, and communities. Equally important is our proven ability to navigate business cycles, which continues to reinforce your confidence in our successful future.

Today, PCB remains a financially secure institution, with a very experienced management team that remains committed to our team, our customers, our communities, and our investors. We continue to operate with capital levels that are above the "well capitalized" regulatory definition and consistently in the upper tier of our peers. We're focused on managing our everyday risks with the attention and sophistication of a large bank while remaining committed to community bank core values.

Our ongoing focus is to regularly deliver exceptional performance, regardless of whether conditions are stable or uncertain. We achieve this by emphasizing fundamental principles – working consistently as a high-performing team, delivering outstanding customer service, and embracing a prudent approach to growth.

As we reflect on 2024, PCB achieved continued financial growth, reaching record highs across key metrics. Total assets exceeded $513 million, total loans surpassed $369 million, deposits grew beyond $451 million, and our capital position strengthened to over $44 million. Despite challenges such as ongoing interest rate volatility, an inverted yield curve, rising deposit costs, and inflationary pressures, PCB successfully navigated the year and achieved a net income of $3,283,966 – surpassing the prior year's results. Overall, we experienced a tremendous year as far as lending initiatives, expanding deposit growth results, and operational success. By effectively managing economic headwinds and maintaining our operation as a safe and sound community bank, we believe PCB is well-positioned for continued success.

Operationally, PCB settled into a technology upgrade revolving around our credit risk management solution as well as our loan documentation system. These particular technology enhancements improved the streamlining of our overall credit process, while helping the bank better manage credit and operational risk in order to continue to grow our loan portfolio profitably. We believe technology is here to improve our customer experience, not replace it.

At PCB, protecting our customer's information and combating the threat of fraud in the industry remain top priorities. Over the past year, we have been committed to implementing the latest security measures, enhancing fraud prevention strategies, and continuously educating our customers on how to safeguard their financial well-being. As the threat landscape evolves, so do our efforts to stay ahead, ensuring a secure and trustworthy banking experience for all. On the cybersecurity front, PCB took a significant step in enhancing security and trust by adopting a ".BANK" domain in 2024. This transition reflects our commitment to protecting our customers and ensuring a safer online banking experience. The ".BANK" domain is exclusively available to verified financial institutions, providing an added layer of security against cyber threats such as phishing and fraud. By making this switch, we reinforced our dedication to safeguarding customer information while also strengthening our brand's credibility in the digital space.

Noteworthy in 2024, PCB was yet again the proud recipient of Bauer Financial, Inc.'s 5-Star Superior rating for financial strength and stability, which is the highest rating achievable and indicates that PCB is one of the strongest banks in the nation. This marks the 51st consecutive quarter that PCB has earned this distinction. Bauer Financial, Inc. is the nation's leading independent bank rating and research firm operating since 1983.

Looking ahead, we remain encouraged by the continued progression of our business model and our secure foundation, which includes a solid core funding profile, stable asset quality, and maintaining a well-capitalized position. With loan pipelines building and a renewed sense of optimism across the broader economy, PCB is well-positioned to adapt to future opportunities and create long-term value for our company.

Our steady performance enabled our Board of Directors to increase the cash dividend to $1.30 per share in 2024 from $1.25 per share in 2023 – a 4.00% increase year-over-year. Dividends to shareholders are at the highest level in our history as PBI continues to utilize its stable earnings to increase the annual shareholder dividend with 2024 representing the seventeenth consecutive year that PBI has declared a dividend since introducing a formal dividend practice. To navigate our continued success and growth strategy, we continue to balance increasing dividends with earnings retention in order to support the bank's well-capitalized capital levels.

To conclude, we are extremely proud of our sustained financial success and growth. Our continued emphasis on our vision of "Neighbors Serving Neighbors," along with local ownership, local management, and, most importantly, local decisions have contributed to our positive operating results and overall performance. Our successful performance would not have been possible without the efforts of our committed Board or Directors, dedicated management team, and loyal and knowledgeable staff. We believe as we move forward with our continued growth initiatives, we are well positioned to continue to meet the high standards we have set and to exceed your expectations. Most of all, thank you to our customers and shareholders for your continuous support and having the confidence in us to continually be successful.

Sincerely,

Constance ("Connie") M. Bennett
Chief Executive Officer

SNODGRASS
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholders
Portage Bancshares, Inc.
Ravenna, Ohio

Opinion

We have audited the accompanying consolidated financial statements of Portage Bancshares, Inc. and subsidiary (the "Company"), which comprise the consolidated balance sheets 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 December 31, 2024; 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.

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.

Responsibilities of Management for the Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Other Information Included in Annual Report

Management is responsible for the other information included in the annual report. The other information comprises a letter to shareholders but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

S.R. Snodgrass, P.C.

Cranberry Township, Pennsylvania
March 26, 2025

PORTAGE BANCSHARES, INC.
CONSOLIDATED BALANCE SHEET

	December 31, 2024	December 31, 2023
ASSETS		
Cash and due from banks	$ 6,698,933	$ 8,299,942
Interest-bearing deposits in other financial institutions	85,380	5,732
Federal funds sold	1,082,000	-
Cash and cash equivalents	7,866,313	8,305,674
Debt securities available for sale	105,814,385	103,828,095
Debt securities held to maturity	3,445,000	3,690,000
Less allowance for credit losses	34,720	43,090
Net debt securities held to maturity	3,410,280	3,646,910
Loans held for sale	2,166,912	499,907
Loans	369,894,414	360,278,101
Less allowance for credit losses	3,434,544	3,187,417
Net loans	366,459,870	357,090,684
Regulatory stock	1,041,050	1,384,250
Premises and equipment, net	7,011,984	7,186,472
Bank-owned life insurance	12,709,213	12,326,206
Accrued interest receivable	2,148,756	2,062,237
Other assets	4,456,377	4,395,415
TOTAL ASSETS	$ 513,085,140	$ 500,725,850
LIABILITIES		
Deposits:		
Non-interest-bearing	$ 88,463,462	$ 96,859,627
Interest-bearing demand	99,283,821	80,324,624
Savings	100,662,613	110,142,157
Time	163,050,056	147,352,794
Total deposits	451,459,952	434,679,202
Federal funds purchased	-	135,000
Federal Home Loan Bank advances	6,546,638	14,989,039
Subordinated debentures	2,450,000	2,450,000
Accrued interest payable and other liabilities	7,779,544	6,986,715
TOTAL LIABILITIES	468,236,134	459,239,956
STOCKHOLDERS' EQUITY		
Common stock, no par value; 800,000 shares authorized, (Issued 562,330 and Outstanding 516,243 as of 12/31/24) (Issued 560,445 and Outstanding 515,433 as of 12/31/23)	22,326,368	22,183,234
Retained earnings	35,777,127	33,170,690
Accumulated other comprehensive loss	(8,927,846)	(9,680,330)
Treasury stock, at cost (46,087 shares as of 12/31/24, and and 45,012 shares as of 12/31/23)	(4,326,643)	(4,187,700)
TOTAL STOCKHOLDERS' EQUITY	44,849,006	41,485,894
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 513,085,140	$ 500,725,850

See accompanying notes to consolidated financial statements.

PORTAGE BANCSHARES, INC.
CONSOLIDATED STATEMENT OF INCOME

		Year Ended December 31,		
		2024		2023
INTEREST AND DIVIDEND INCOME				
Loans, including fees	$	20,307,846	$	17,288,128
Federal funds sold and other interest income		599,466		355,131
Taxable securities		2,348,520		2,174,093
Tax-exempt securities		381,892		398,283
Other dividend income		91,980		90,460
Total interest and dividend income		23,729,704		20,306,095
INTEREST EXPENSE				
Deposits		9,412,224		5,816,134
Federal Home Loan Bank advances		207,205		241,438
Subordinated debentures		217,429		211,569
Total interest expense		9,836,858		6,269,141
NET INTEREST INCOME		13,892,846		14,036,954
Provision for credit losses		230,271		239,324
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES		13,662,575		13,797,630
NONINTEREST INCOME				
Service charges on deposit accounts		128,865		176,308
Gain on sale of loans		467,655		506,006
Earnings on bank-owned life insurance		383,008		253,329
Investment banking fees and commissions		698,199		504,808
Other income		670,098		654,713
Total noninterest income		2,347,825		2,095,164
NONINTEREST EXPENSE				
Salaries and employee benefits		6,821,360		7,118,643
Net occupancy and equipment expenses		754,483		744,655
Data processing		683,750		643,967
Professional fees		257,269		242,925
Advertising and business development		334,046		363,297
Financial institutions tax		331,887		261,382
Federal deposit insurance		234,923		223,711
Other expense		2,643,674		2,372,255
Total noninterest expense		12,061,392		11,970,835
Income before income taxes		3,949,008		3,921,959
Income taxes		665,042		670,002
NET INCOME	$	3,283,966	$	3,251,957
EARNINGS PER SHARE				
Basic	$	6.36	$	6.32
Diluted		6.36		6.30

See accompanying notes to consolidated financial statements.

PORTAGE BANCSHARES, INC.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year Ended December 31, 2024	2023
Net income	$ 3,283,966	$ 3,251,957
Other comprehensive income (loss):		
Unrealized holding gain (loss) arising during the period	952,510	1,545,732
Tax effect	(200,026)	(324,604)
Total other comprehensive income (loss)	752,484	1,221,128
Comprehensive income (loss)	$ 4,036,450	$ 4,473,085

See accompanying notes to consolidated financial statements.

PORTAGE BANCSHARES, INC.
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders' Equity
Balance, December 31, 2022	$ 22,083,076	$ 30,580,771	$ (10,901,458)	$ (4,187,700)	$ 37,574,689
Exercise of 1,485 shares of stock options	95,590				95,590
Tax benefits from exercise of stock options	4,568				4,568
Cumulative change in accounting principal		(13,065)			(13,065)
Cash dividends paid ($1.25 per share)		(648,973)			(648,973)
Net income		3,251,957			3,251,957
Other comprehensive income			1,221,128		1,221,128
Balance, December 31, 2023	22,183,234	33,170,690	(9,680,330)	(4,187,700)	41,485,894
Purchase of 1,075 shares of treasury stock				(138,943)	(138,943)
Exercise of 1,985 shares of stock options	152,845				152,845
Forfeiture of 100 shares of common stock awards	(11,815)				(11,815)
Tax benefits from exercise of stock options	2,104				2,104
Cash dividends paid ($1.30 per share)		(677,529)			(677,529)
Net income		3,283,966			3,283,966
Other comprehensive income			752,484		752,484
Balance, December 31, 2024	$ 22,326,368	$ 35,777,127	$ (8,927,846)	$ (4,326,643)	$ 44,849,006

See accompanying notes to consolidated financial statements.

PORTAGE BANCSHARES, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 31, 2024	2023
OPERATING ACTIVITIES		
Net income	$ 3,283,966	$ 3,251,957
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	230,271	239,324
Depreciation of premises and equipment	290,128	299,602
Net amortization of investment securities	55,790	204,719
Gain on sale of loans	(467,655)	(506,006)
Originations of loans held for sale	(23,546,477)	(24,948,665)
Proceeds from sale of loans held for sale	21,879,472	24,727,580
Stock-based compensation expense	28,356	26,387
Earnings on bank-owned life insurance	(383,007)	(253,329)
Deferred income taxes	(94,841)	(100,365)
Net amortization of deferred loan fees	67,378	51,415
Net change in:		
Other assets	(219,147)	634,007
Accrued interest receivable	(86,519)	(318,878)
Other liabilities	(16,508)	374,209
Accrued interest payable	822,166	495,096
Net cash provided by operating activities	1,843,373	4,177,053
INVESTING ACTIVITIES		
Available for sale securities:		
Proceeds from maturities, prepayments, and calls	19,592,398	14,349,605
Purchases	(20,681,968)	(469,686)
Held to maturity securities:		
Proceeds from maturities, prepayments, and calls	245,000	100,000
Purchases	-	(100,000)
Proceeds from Federal Home Loan Bank stock	567,700	554,400
Purchase of Federal Home Loan Bank stock	(224,500)	(592,600)
Loan originations and payments, net	(9,207,550)	(36,852,926)
Additions to premises and equipment	(115,640)	(113,141)
Proceeds from premises and equipment	-	6,680
Purchase of bank-owned owned life insurance	-	(1,000,000)
Net cash used for investing activities	(9,824,560)	(24,117,668)
FINANCING ACTIVITIES		
Net change in deposits	16,780,750	14,995,749
Proceeds from Federal Home Loan Bank advances	3,000,000	8,000,000
Repayment of Federal Home Loan Bank advances	(11,442,401)	(3,691,926)
Proceeds from Federal Funds Purchased	(135,000)	135,000
Purchase of treasury stock	(138,943)	-
Tax benefit from exercise of stock options	2,104	4,568
Proceeds from exercise of stock options	152,845	95,590
Cash dividends paid	(677,529)	(648,973)
Net cash provided by financing activities	7,541,826	18,890,008
Decrease in cash and cash equivalents	(439,361)	(1,050,607)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	8,305,674	9,356,281
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 7,866,313	$ 8,305,674

See accompanying notes to consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting and reporting policies applied in the presentation of the accompanying financial statements follows:

Nature of Operations and Basis of Presentation

Portage Bancshares, Inc. (the "Company") is a bank holding company whose principal activity is the ownership and management of its wholly owned subsidiary, Portage Community Bank (the "Bank"). The Bank generates commercial, mortgage, and consumer loans and receives deposits from customers located primarily in Portage and Summit Counties in Ohio, as well as the surrounding areas. The Bank is subject to regulations by the State of Ohio Division of Financial Institutions and the Company is subject to regulations by the Federal Reserve System through the Federal Reserve Bank of Cleveland.

The consolidated financial statements include the accounts of the Company and the Bank after elimination of all significant intercompany transactions and balances.

The accounting principles followed by the Company and the methods of applying these principles conform to U.S. generally accepted accounting principles and to general practice within the banking industry. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the balance sheet date and reported amounts of revenues and expenses for that period. Actual results could differ from those estimates.

Debt Securities

Debt securities are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Debt securities are classified as available for sale when they might be sold before maturity. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income, net of tax.

Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

A debt security is placed on nonaccrual status at the time any principal or interest payments become 90 days delinquent. Interest accrued but not received for a security placed on nonaccrual is reversed against interest income. The Company had no held-to-maturity securities classified as nonaccrual as of December 31, 2024 and 2023, respectively.

Allowance for Credit Losses – Held-to-Maturity Securities

The Company measures expected credit losses on held-to-maturity debt securities, which are comprised of corporate bonds. Accrued interest receivable on held-to-maturity debt securities totaled $36,856 and $33,542 at December 31, 2024 and 2023, respectively and is included within accrued interest receivable on the Consolidated Balance Sheet. This amount is excluded from the estimate of expected credit losses.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Debt Securities (Continued)

Allowance for Credit Losses – Available for Sale Securities

For available-for-sale debt securities in an unrealized loss position, the Company evaluates the securities to determine whether the decline in the fair value below the amortized cost basis (impairment) is due to credit-related factors or noncredit-related factors. Any impairment that is not credit-related is recognized in other comprehensive income, net of applicable taxes. Credit-related impairment is recognized as an allowance for credit losses ("ACL") on the Statement of Condition, limited to the amount by which the amortized cost basis exceeds the fair value, with a corresponding adjustment to earnings. Both the ACL and the adjustment to net income may be reversed if conditions change. However, if the Company intends to sell an impaired available-for-sale debt security or more likely than not will be required to sell such a security before recovering its amortized cost basis, the entire impairment amount must be recognized in earnings with a corresponding adjustment to the security's amortized cost basis. Because the security's amortized cost basis is adjusted to fair value, there is no ACL in this situation.

Changes in the allowance for credit losses are recorded as provision (credit) for credit loss expense. Losses are charged against the ACL when management believes the uncollectability of an available-for-sale debt security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Loans Held for Sale

Loans held for sale are carried at the lower of cost or estimated fair value, as determined on an aggregate basis. Loans held for sale were $2,166,912 and $499,907 at December 31, 2024 and 2023, respectively.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of unearned interest, deferred loan fees and costs, and an allowance for credit losses. Amortized cost is the principal balance outstanding, net of deferred loan fees and costs. Accrued interest receivable totaled $1.6 million at December 31, 2024 and 2023, and was reported in accrued interest receivable on the Consolidated Balance Sheet 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 amortized to the related loan's yield over its contractual life.

Interest income on mortgage and commercial loans is discontinued at the time the loan is 90 days delinquent unless the credit is well-secured and in process of collection. Past-due status is based on the contractual terms of the loan. Consumer loans are typically charged off no later than 120 days past due. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal and interest is considered doubtful.

All interest accrued but not received for loans placed on nonaccrual is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Under the cost-recovery method, interest income is not recognized until the loan balance is reduced to zero. Under the cash-basis method, interest income is recorded when the payment is received in cash. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably ensured.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Loans (Continued)

Allowance for Credit Losses - Loans

The ACL 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 our 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 ACL is measured on a collective (pool) basis when similar risk characteristics exist. The Company has identified the portfolio segments as commercial loans, commercial real estate loans, residential loans, consumer loans, and home equity lines of credit. The ACL is measure for each segment using a weighted average maturity method and historical losses. These segments are detailed below:

Commercial loans not secured by real estate carry risks associated with the successful operation of a business, and the repayments of these loans depend on the profitability and cash flows of the business. Additional risk relates to the value of collateral where depreciation occurs and the valuation is less precise.

Commercial loans secured by commercial real estate also carry risks associated with the success of the business and the ability to generate a positive cash flow sufficient to service debts. Real estate security diminishes risks only to the extent that a market exists for the subject collateral.

Consumer loans carry risks associated with the continued credit-worthiness of the borrower and the value of the collateral, such as automobiles which may depreciate more rapidly than other assets. In addition, these loans may be unsecured. Consumer loans are more likely than real estate loans to be immediately affected in an adverse manner by job loss, divorce, illness, or personal bankruptcy. Consumer loans are further segmented into automobile and recreational vehicle loans and other consumer loans.

Residential loans carry risks associated with the continued credit-worthiness of the borrower and changes in the value of the collateral. In instances where construction is in process, these loans carry risks that the project will not be finished according to schedule, the project will not be finished according to budget and the value of the collateral may, at any point in time, be less than the principal amount of the loan. Additional risks may occur if the general contractor, who may or may not be a loan customer, may be unable to finish the construction project as planned because of financial pressure unrelated to the project.

Home equity lines of credit carry risks associated with the continued credit-worthiness of the borrower and changes in the value of the collateral.

Historical credit loss experience is the basis for the estimation of expected credit losses. We apply historical loss rates 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 National economic forecasts and management judgement. For periods beyond our reasonable and supportable forecast, we revert to historical loss rates.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Loans (Continued)

Allowance for Credit Losses – Loans (Continued)

The qualitative adjustments for current conditions are based upon (1) changes in lending policies and procedures, (2) changes in international, national, regional, and local conditions, (3) changes in the nature and volume of the portfolio, (4) changes in the experience, depth, and ability of lending management, (5) changes in the volume and severity of past due loans and other similar conditions, (6) changes in the quality of the Company's loan review system, (7) changes in the value of underlying collateral for collateral dependent loans, (8) the existence of and changes in concentrations of credit and (9) the effect of other external factors. These modified historical loss rates are multiplied by the outstanding principal balance of each loan over the life 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 non-accrual status, any outstanding accrued interest is reversed against interest income. Accrued interest receivable on loans totaled $1,601,088 and $1,612,514 at December 31, 2024 and 2023, respectively, and is included within accrued interest receivable on the consolidated balance sheet.

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. Factors considered by management in determining when individual analysis is required include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not evaluated individually. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. 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. Our individual loan evaluations consist primarily of the fair value of collateral method because most of our 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 the provision for 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 its estimated life.

Premises and Equipment

Land is carried at cost. Premises and equipment are stated at cost, less accumulated depreciation. Depreciation is principally computed on the straight-line method over the estimated useful lives of the related assets, which range from 3 to 10 years for furniture, fixtures, and equipment and 25 to 50 years for building premises. Leasehold improvements are amortized over the shorter of their estimated useful lives or their respective lease terms, which range from 7 to 15 years. Expenditures for maintenance and repairs are expensed as incurred. Costs of major additions and improvements are capitalized.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bank-Owned Life Insurance (BOLI)

The Company owns insurance on the lives of a certain group of key employees. The policies were purchased to help offset the increase in the costs of various fringe benefit plans including healthcare. The cash surrender value of these policies is included as an asset on the Consolidated Balance Sheet, and any increases in the cash surrender value are recorded as noninterest income on the Consolidated Statement of Income. In the event of the death of an insured individual under these policies, the Company would receive a death benefit, which would be recorded as noninterest income.

Other Real Estate Owned

Other real estate acquired through or in lieu of foreclosure is initially recorded at the net realizable value, less estimated costs to sell, and any loan balance in excess of the net realizable value is charged to the allowance for credit losses. Subsequent valuations are periodically performed and write-downs are included in other operating expense, as are gains or losses upon sale and expenses related to maintenance of the properties.

Advertising Costs

Advertising costs are expensed as incurred and totaled $284,686 and $285,198 during 2024 and 2023, respectively, which is including advertising and business development on the Consolidated Statement of Income.

Income Taxes

The Company and the Bank file a consolidated federal income tax return. Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

Benefit Plans

The 401(k) plan expense is the amount contributed and is determined by formula and by Board of Directors decision. Supplemental retirement expense allocates the benefits over the years of service. The director deferral plan expense is comprised of the annual amount of director fees deferred by participating directors and related interest earned.

Stock Options and Restricted Stock Awards

Compensation cost is recognized for stock options and restricted stock awards issued to employees, based on the fair value of these awards at the date of grant. A Black-Scholes model is utilized to estimate the fair value of stock options, while the market price of the Company's common stock at the date of grant is used for restricted stock awards.

Compensation is recognized over the required service period, generally defined as the vesting period. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award. The Company's accounting policy is to recognize forfeitures as they occur.

During the year ended December 31, 2024 and 2023, the Company recorded $18,510 and $26,387 in compensation expenses on the Company's Consolidated Statement of Income. There was $9,255 and $39,580 of unrecognized compensation cost related to unvested share-based compensation awards granted as of December 31, 2024 and 2023, respectively. The remaining cost is expected to be recognized over the next year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Stock Options and Restricted Stock Awards *(Continued)*

The cash flows from the tax benefits resulting from tax deductions in excess of the compensation cost recognized for stock-based awards (excess tax benefits) are classified as financing cash flows. The Company recognized $2,104 and $4,568 of excess tax benefits included as a financing cash inflow for the years ended December 31, 2024 and 2023, respectively, in the Consolidated Statement of Cash Flows.

Earnings Per Share

The Company provides dual presentation of basic and diluted earnings per share. Basic earnings per share are calculated utilizing net income as reported in the numerator and average shares outstanding in the denominator. The computation of diluted earnings per share differs in that the dilutive effects of any stock options are adjusted in the denominator.

Basic weighted-average common shares outstanding totaled 516,656 and 514,483 for December 31, 2024 and 2023, respectively. Diluted weighted-average common shares outstanding totaled 516,656 and 516,030 for December 31, 2024 and 2023, respectively. The diluted weighted-average common shares outstanding are solely the result of stock options.

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 income comprises unrealized holding gains on the available for sale investment securities portfolio.

Cash Flow Information

For the purposes of reporting cash flows, cash and cash equivalents include cash and due from banks, interest-bearing deposits with other financial institutions, and federal funds sold with original maturities of less than 90 days.

Cash payments for interest in 2024 and 2023 were $9,014,692 and $5,774,045, respectively. Income tax payments totaled $775,000 in 2024 and $670,000 in 2023. The Company did not transfer any loans from the portfolio to other real estate owned in 2024 and 2023. Fair value adjustments for securities available for sale in 2024 and 2023 were $952,510 and $1,545,731, respectively.

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.

Reclassification

Certain items in the prior year’s financial statements have been reclassified to conform to the current year presentation. Such reclassifications did not affect consolidated net income or consolidated stockholders’ equity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Segment Reporting

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 the Bank as the only reporting segment, as more fully disclosed in Note 18 Segment Reporting.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. DEBT SECURITIES

The following summarizes the amortized cost and fair value of debt securities available-for-sale and securities held-to-maturity at December 31, 2024 and 2023 and the corresponding amounts of gross unrealized gains and losses:

	2024				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Available-for-sale:					
U.S. treasury and federal agency	$ 18,707,001	$ 356	$ (819,701)	$ -	$ 17,887,656
U.S. government sponsored entities and agencies	24,551,058	-	(1,711,514)	-	22,839,544
Obligations of states and political subdivisions	29,977,691	12,167	(3,858,354)	-	26,131,504
Corporate bonds	1,250,000	1,741	(45,000)	-	1,206,741
Mortgage-backed securities: residential	26,828,422	6,259	(3,167,331)	-	23,667,350
Mortgage-backed securities: commercial	1,817,580	1,760	(119,320)	-	1,700,020
Collateralized mortgage obligations	13,983,704	25,167	(1,627,301)	-	12,381,570
Total available-for-sale	$ 117,115,456	$ 47,450	$ (11,348,521)	$ -	$ 105,814,385

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance for Credit Losses
Held-to-maturity:					
Certificates of deposit	$ 345,000	$ -	$ (12,277)	$ 332,723	$ -
Corporate bonds	3,100,000	-	(387,781)	2,712,219	34,720
Total held-to-maturity	$ 3,445,000	$ -	$ (400,058)	$ 3,044,942	$ 34,720

	2023				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Available-for-sale:					
U.S. treasury and federal agency	$ 24,929,930	$ -	$ (1,369,891)	$ -	$ 23,560,039
U.S. government sponsored entities and agencies	22,006,645	-	(2,075,125)	-	19,931,520
Obligations of states and political subdivisions	30,875,138	30,704	(3,719,547)	-	27,186,295
Corporate bonds	500,000	-	(20,000)	-	480,000
Mortgage-backed securities: residential	26,044,974	5,881	(3,301,916)	-	22,748,939
Mortgage-backed securities: commercial	2,240,457	1,018	(136,284)	-	2,105,191
Collateralized mortgage obligations	9,484,532	8,738	(1,677,159)	-	7,816,111
Total available-for-sale	$ 116,081,676	$ 46,341	$ (12,299,922)	$ -	$ 103,828,095

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance for Credit Losses
Held-to-maturity:					
Certificates of deposit	$ 590,000	$ -	$ (32,161)	$ 557,839	$ -
Corporate bonds	3,100,000	-	(515,296)	2,584,704	43,090
Total held-to-maturity	$ 3,690,000	$ -	$ (547,457)	$ 3,142,543	$ 43,090

2. DEBT SECURITIES (Continued)

The amortized cost and fair value of debt securities are shown by contractual maturity. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separately.

	Amortized Cost	Fair Value
Available-for-sale		
Due within one year	$ 14,961,833	$ 14,802,302
Due after one year through five years	23,407,983	21,827,182
Due after five years through ten years	24,593,609	22,406,893
Due after ten years	11,522,325	9,029,068
Mortgage-backed securities: residential	26,828,422	23,667,350
Mortgage-backed securities: commercial	1,817,580	1,700,020
Collateralized mortgage obligations	13,983,704	12,381,570
Total available-for-sale	$ 117,115,456	$ 105,814,385
Held-to-maturity		
Due within one year	$ -	$ -
Due after one year through five years	345,000	332,723
Due after five years through ten years	3,100,000	2,712,219
Total held-to-maturity	$ 3,445,000	$ 3,044,942

Securities pledged at December 31, 2024 and 2023, respectively, had a carrying amount of $32,983,813 and $24,282,908 and were pledged to secure public deposits.

At December 31, 2024 and 2023, there were no holdings of securities of any one issuer, other than the U.S. government and its agencies, in an amount greater than 10% of stockholders’ equity.

During the years ended December 31, 2024 and 2023, there were no securities sold by the Company.

2. DEBT SECURITIES (Continued)

The following table shows the Company's gross unrealized losses and fair value, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position for which an allowance for credit losses has not been established, at 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:						
U.S. treasury and federal agency	$ 494,531	$ (131)	$ 16,399,063	$ (819,570)	$ 16,893,594	$ (819,701)
U.S. government sponsored entities and agencies	4,972,832	(27,168)	16,866,712	(1,684,346)	21,839,544	(1,711,514)
Obligations of states and political subdivisions	2,222,490	(41,638)	22,381,596	(3,816,716)	24,604,086	(3,858,354)
Corporate bonds	-	-	455,000	(45,000)	455,000	(45,000)
Mortgage-backed securities: residential	3,020,798	(79,942)	18,960,389	(3,087,389)	21,981,187	(3,167,331)
Mortgage-backed securities: commercial	174,848	(433)	1,131,049	(118,887)	1,305,897	(119,320)
Colateralized mortgage obligations	4,619,391	(47,625)	5,919,019	(1,579,676)	10,538,410	(1,627,301)
Total available-for-sale	$ 15,504,890	$ (196,937)	$ 82,112,828	$ (11,151,584)	$ 97,617,718	$ (11,348,521)

	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
Held to maturity:						
Certificates of deposit	$ -	$ -	$ 232,723	$ (12,277)	$ 232,723	$ (12,277)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. DEBT SECURITIES (Continued)

	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:						
U.S. treasury and federal agency	$ 487,578	$ (635)	$ 23,072,461	$ (1,369,256)	$ 23,560,039	$ (1,369,891)
U.S. government sponsored entities and agencies	497,412	(1,889)	19,434,108	(2,073,236)	19,931,520	(2,075,125)
Obligations of states and political subdivisions	3,614,926	(35,057)	20,168,912	(3,684,490)	23,783,838	(3,719,547)
Corporate bonds	-	-	480,000	(20,000)	480,000	(20,000)
Mortgage-backed securities: residential	186,083	(550)	22,105,336	(3,301,366)	22,291,419	(3,301,916)
Mortgage-backed securities: commercial	-	-	1,622,330	(136,284)	1,622,330	(136,284)
Colateralized mortgage obligations	-	-	7,334,735	(1,677,159)	7,334,735	(1,677,159)
Total available-for-sale	$ 4,785,999	$ (38,131)	$ 94,217,882	$ (12,261,791)	$ 99,003,881	$ (12,299,922)

	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
Held to maturity:						
Certificates of deposit	$ -	$ -	$ 457,839	$ (32,161)	$ 457,839	$ (32,161)

The Company reviews its position quarterly and has asserted that at December 31, 2024, the declines outlined in the above table represent temporary declines and the Company does not intend to sell these securities and does not believe it will be required to sell these securities before recovery of their cost basis, which may be at maturity. There were 254 positions that were temporarily impaired at December 31, 2024. The Company has concluded that the unrealized losses disclosed above are not other than temporary but are the result of interest rate changes that are not expected to result in the non-collection of principal and interest during the period.

There was no allowance for credit losses on securities available-for-sale at December 31, 2024 and 2023.

The following tables present the activity in the allowance for credit losses for debt securities held to maturity by major security type at December 31:

	2024				
	Beginning Balance	Charge-offs	Recoveries	Provisions (Reductions)	Ending Balance
Allowance for credit losses:					
Certificates of deposit	$ -	$ -	$ -	$ -	$ -
Corporate bonds	43,090	-	-	(8,370)	34,720
	$ 43,090	$ -	$ -	$ (8,370)	$ 34,720

2. DEBT SECURITIES (Continued)

	2023					
	Beginning Balance	Impact of adopting ASC326	Charge-offs	Recoveries	Provisions (Reductions)	Ending Balance
Allowance for credit losses:						
Certificates of deposit	$ -	$ -	$ -	$ -	$ -	$ -
Corporate bonds	-	35,030	-	-	8,060	43,090
	$ -	$ 35,030	$ -	$ -	$ 8,060	$ 43,090

As of December 31, 2024 and 2023, respectively, no ACL was required for mortgage-backed securities. The Company does not have the intent to sell and does not believe it will be more likely than not to be required to sell any of these securities prior to a recovery of their fair value to amortized cost, which may be at maturity.

Credit Quality Indicators

The Company monitors the credit quality of debt securities held-to-maturity primarily through utilizing credit rating. The Company monitors the credit rating on a quarterly basis. The following table summarizes the amortized cost of debt securities held-to-maturity at December 31, 2024 and 2023, respectively, aggregated by credit quality indicator:

	2024		2023	
	Certficates of Deposit	Corporate Bonds	Certficates of Deposit	Corporate Bonds
Held to Maturity				
Credit Rating				
AAA/AA/A	$ 345,000	$ 3,100,000	$ 590,000	$ 3,100,000
BBB/BB/B	-	-	-	-
Lower than B	-	-	-	-
	$ 345,000	$ 3,100,000	$ 590,000	$ 3,100,000

3. LOANS

The composition of net loans is as follows at December 31:

	2024	2023
Commercial loans	$ 40,101,064	$ 46,793,680
Commercial real estate loans	158,638,156	146,975,563
Consumer loans	7,635,714	7,314,287
Residential loans	134,410,959	130,107,446
Home equity lines of credit	29,536,958	29,455,869
	370,322,851	360,646,845
Net deferred loan fees	(428,437)	(368,744)
Less allowance for credit losses	(3,434,544)	(3,187,417)
Net loans	$ 366,459,870	$ 357,090,684

The Company's primary business activity is with customers located within its local trade area, which is concentrated in Portage County in Ohio. Commercial loans, commercial real estate loans, consumer loans, residential loans, and home equity lines of credit are granted. Although the Company has a diversified loan portfolio at December 31, 2024 and 2023, a substantial portion of its debtors' ability to honor their loan agreements is dependent upon the economic stability of its immediate trade area.

Related Party Loans

The amount of loans to principal officers, directors, and their affiliates at December 31, 2024 and 2023 totaled approximately $793,678 and $820,973, respectively.

4. ALLOWANCE FOR CREDIT LOSSES

The following table presents the components of the allowance for credit losses as of December 31:

	2024	2023
Allowance for credit losses – loans	$ 3,434,544	$ 3,187,417
Allowance for credit losses – debt securities held to maturity	34,720	43,090
Allowance for credit losses – off-balance sheet commitments	112,191	108,020
Total allowance for credit losses	$ 3,581,455	$ 3,338,527

The following table presents the activity in the allowance for credit losses for 2024 and 2023:

	ACL – loans	ACL – debt securities held to maturity	ACL – off-balance sheet commitments
Balance at December 31, 2022	$ 3,061,257	$ -	$ -
Impact of adopting ASC 326	(129,537)	35,030	111,045
Charge-offs	(361)	-	-
Recoveries	24,796	-	-
Provision for credit losses	231,262	8,060	(3,025)
Balance at December 31, 2023	3,187,417	43,090	108,020
Charge-offs	(1,200)	-	-
Recoveries	4,187	-	-
Provision for credit losses	244,140	(8,370)	4,171
Balance at December 31, 2024	$ 3,434,544	$ 34,720	$ 112,191

The total allowance reflects management's estimate of credit losses inherent in the loan portfolio at the balance sheet date. The following tables presents, by portfolio segment, the changes in the allowance for credit losses and the recorded investment in loans as of December 31:

2024	Commercial	Commercial Real Estate	Consumer	Residential	Home Equity Lines of Credit	Unallocated	Total
Allowance for credit losses:							
Beginning balance	$ 485,736	$ 1,212,233	$ 56,453	$ 1,270,262	$ 162,733	$ -	$ 3,187,417
Charge-offs	-	-	(1,200)	-	-	-	(1,200)
Recoveries	-	-	-	4,187	-	-	4,187
Provision	(33,881)	179,286	3,894	98,409	(3,568)	-	244,140
Ending Balance	$ 451,855	$ 1,391,519	$ 59,147	$ 1,372,858	$ 159,165	$ -	$ 3,434,544

2023	Commercial	Commercial Real Estate	Consumer	Residential	Home Equity Lines of Credit	Unallocated	Total
Allowance for loan losses:							
Beginning balance	$ 513,122	$ 1,200,309	$ 44,099	$ 1,094,554	$ 198,909	$ 10,264	$ 3,061,257
Impact of adopting ASC 326	(129,654)	(57,532)	12,115	86,899	(31,101)	(10,264)	(129,537)
Charge-offs	-	-	(361)	-	-	-	(361)
Recoveries	16,000	-	4,832	3,964	-	-	24,796
Provision	86,268	69,456	(4,232)	84,845	(5,075)	-	231,262
Ending Balance	$ 485,736	$ 1,212,233	$ 56,453	$ 1,270,262	$ 162,733	$ -	$ 3,187,417

Loans are generally considered nonaccrual upon reaching 90 days' delinquency, although the Bank may be receiving partial payments of interest and partial repayments of principal on such loans. When a loan is placed on nonaccrual status, previously accrued but unpaid interest is deducted from interest income.

4. ALLOWANCE FOR CREDIT LOSSES (Continued)

The following tables present the nonperforming loans as of December 31:

	2024				
	Nonaccrual with No ACL	Nonaccrual with ACL	Total Nonaccrual	Loans Past Due Over 90 Days Still Accruing	Total Nonperforming
Commercial Loans	$ 28,690	$ -	$ 28,690	$ -	$ 28,690
Commercial Real Estate	1,253,957	-	1,253,957	-	1,253,957
Consumer	-	15,120	15,120	-	15,120
Residential	103,675	-	103,675	96,536	200,211
Home Equity Lines of Credit	73,549	-	73,549	42,381	115,930
	$ 1,459,871	$ 15,120	$ 1,474,991	$ 138,917	$ 1,613,908

	2023				
	Nonaccrual with No ACL	Nonaccrual with ACL	Total Nonaccrual	Loans Past Due Over 90 Days Still Accruing	Total Nonperforming
Commercial Real Estate	$ 1,274,957	$ -	$ 1,274,957	$ -	$ 1,274,957
Consumer	17,891	-	17,891	-	17,891
Residential	158,808	-	158,808	81,146	239,954
Home Equity Lines of Credit	113,651	-	113,651	-	113,651
	$ 1,565,307	$ -	$ 1,565,307	$ 81,146	$ 1,646,453

Credit Quality Information

The following tables represent credit exposures by internally assigned grades for the years ended December 31, 2024 and 2023, respectively. The grading analysis estimates the capability of the borrower to repay the contractual obligations of the loan agreements as scheduled or at all. The Company's internal credit risk grading system is based on experiences with similarly graded loans.

4. ALLOWANCE FOR CREDIT LOSSES (Continued)

Risk Categories of Loans

Based on the most recent analysis performed, the risk category of loans at December 31, 2024 is as follows:

	Term Loans Amortized Costs Basis by Origination Year						Revolving Loans Amortized Cost Basis	
December 31, 2024	2024	2023	2022	2021	2020	Prior		Total
Commercial loans:								
Risk rating								
Pass	$ 7,818,343	$ 10,175,488	$ 9,220,656	$ 3,377,921	$ 799,779	$ 1,016,397	$ 5,174,339	$ 37,582,923
Special mention	-	-	-	-	-	-	36,462	36,462
Substandard	-	299,963	28,690	31,294	-	1,255,357	866,375	2,481,679
Doubtful	-	-	-	-	-	-	-	-
Total	$ 7,818,343	$ 10,475,451	$ 9,249,346	$ 3,409,215	$ 799,779	$ 2,271,754	$ 6,077,176	$ 40,101,064
Commercial loans:								
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial real estate loans:								
Risk rating								
Pass	$ 23,475,054	$ 18,966,568	$ 26,711,413	$ 21,453,372	$ 13,236,544	$ 45,303,527	$ 5,170,193	$ 154,316,671
Special mention	-	-	406,344	-	-	1,072,985	83,528	1,562,857
Substandard	-	-	-	334,804	-	2,423,824	-	2,758,628
Doubtful	-	-	-	-	-	-	-	-
Total	$ 23,475,054	$ 18,966,568	$ 27,117,757	$ 21,788,176	$ 13,236,544	$ 48,800,336	$ 5,253,721	$ 158,638,156
Commercial real estate loans:								
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Consumer loans:								
Risk rating								
Pass	$ 2,339,383	$ 1,786,297	$ 1,311,478	$ 437,759	$ 245,751	$ 1,499,926	$ -	$ 7,620,594
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	15,120	-	15,120
Doubtful	-	-	-	-	-	-	-	-
Total	$ 2,339,383	$ 1,786,297	$ 1,311,478	$ 437,759	$ 245,751	$ 1,515,046	$ -	$ 7,635,714
Consumer loans:								
Current period gross charge-offs	$ 1,200	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,200
Residential loans:								
Risk rating								
Pass	$ 11,902,481	$ 21,414,348	$ 27,874,802	$ 37,116,598	$ 9,179,116	$ 26,746,390	$ -	$ 134,233,735
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	177,224	-	177,224
Doubtful	-	-	-	-	-	-	-	-
Total	$ 11,902,481	$ 21,414,348	$ 27,874,802	$ 37,116,598	$ 9,179,116	$ 26,923,614	$ -	$ 134,410,959
Residential loans:								
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Home equity lines of credit:								
Risk rating								
Pass	$ -	$ -	$ -	$ -	$ -	$ -	$ 29,421,028	$ 29,421,028
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	115,930	115,930
Doubtful	-	-	-	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ -	$ -	$ 29,536,958	$ 29,536,958
Home equity lines of credit:								
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total:								
Risk rating								
Pass	$ 45,535,261	$ 52,342,701	$ 65,118,349	$ 62,385,650	$ 23,461,190	$ 74,566,240	$ 39,881,490	$ 363,290,881
Special mention	-	-	406,344	-	-	1,072,985	119,990	1,599,319
Substandard	-	299,963	28,690	366,098	-	3,871,525	866,375	5,432,651
Doubtful	-	-	-	-	-	-	-	-
Total	$ 45,535,261	$ 52,642,664	$ 65,553,383	$ 62,751,748	$ 23,461,190	$ 79,510,750	$ 40,867,855	$ 370,322,851

4. ALLOWANCE FOR CREDIT LOSSES (Continued)

Risk Categories of Loans (Continued)

Based on analysis performed, the risk category of loans at December 31, 2023 is as follows:

	Term Loans Amortized Costs Basis by Origination Year						Revolving Loans Amortized Cost Basis	
December 31, 2023	2023	2022	2021	2020	2019	Prior		Total
Commercial loans:								
Risk rating								
Pass	$ 18,879,716	$ 13,159,152	$ 4,557,595	$ 1,390,213	$ 2,042,406	$ 1,096,029	$ 3,852,041	$ 44,977,152
Special mention	-	-	-	-	-	595,000	-	595,000
Substandard	343,112	-	79,396	-	6,848	-	792,172	1,221,528
Doubtful	-	-	-	-	-	-	-	-
Total	$ 19,222,828	$ 13,159,152	$ 4,636,991	$ 1,390,213	$ 2,049,254	$ 1,691,029	$ 4,644,213	$ 46,793,680
Commercial loans:								
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial real estate loans:								
Risk rating								
Pass	$ 18,440,386	$ 28,438,874	$ 23,302,222	$ 15,089,946	$ 12,129,235	$ 38,621,511	$ 5,060,604	$ 141,082,778
Special mention	-	-	-	-	-	457,429	-	457,429
Substandard	-	-	347,863	-	724,762	4,362,731	-	5,435,356
Doubtful	-	-	-	-	-	-	-	-
Total	$ 18,440,386	$ 28,438,874	$ 23,650,085	$ 15,089,946	$ 12,853,997	$ 43,441,671	$ 5,060,604	$ 146,975,563
Commercial real estate loans:								
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Consumer loans:								
Risk rating								
Pass	$ 2,747,502	$ 1,791,026	$ 597,511	$ 293,693	$ 378,020	$ 1,477,570	$ -	$ 7,285,322
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	28,965	-	28,965
Doubtful	-	-	-	-	-	-	-	-
Total	$ 2,747,502	$ 1,791,026	$ 597,511	$ 293,693	$ 378,020	$ 1,506,535	$ -	$ 7,314,287
Consumer loans:								
Current period gross charge-offs	$ -	$ -	$ -	$ 361	$ -	$ -	$ -	$ 361
Residential loans:								
Risk rating								
Pass	$ 20,380,828	$ 30,092,215	$ 39,026,025	$ 10,018,324	$ 6,922,378	$ 23,427,722	$ -	$ 129,867,492
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	239,954	-	239,954
Doubtful	-	-	-	-	-	-	-	-
Total	$ 20,380,828	$ 30,092,215	$ 39,026,025	$ 10,018,324	$ 6,922,378	$ 23,667,676	$ -	$ 130,107,446
Residential loans:								
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Home equity lines of credit:								
Risk rating								
Pass	$ -	$ -	$ -	$ -	$ -	$ -	$ 29,342,218	$ 29,342,218
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	113,651	113,651
Doubtful	-	-	-	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ -	$ -	$ 29,455,869	$ 29,455,869
Home equity lines of credit:								
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total:								
Risk rating								
Pass	$ 60,448,432	$ 73,481,267	$ 67,483,353	$ 26,792,176	$ 21,472,039	$ 64,622,832	$ 38,254,863	$ 352,554,962
Special mention	-	-	-	-	-	1,052,429	-	1,052,429
Substandard	343,112	-	427,259	-	731,610	4,631,650	905,823	7,039,454
Doubtful	-	-	-	-	-	-	-	-
Total	$ 60,791,544	$ 73,481,267	$ 67,910,612	$ 26,792,176	$ 22,203,649	$ 70,306,911	$ 39,160,686	$ 360,646,845

4. ALLOWANCE FOR CREDIT LOSSES (Continued)

Management utilizes a seven-point internal risk rating system to monitor the credit quality of the overall portfolio. The first three categories are considered not criticized and are aggregated as Pass-rated. Pass-rated loans are protected by the current net worth and paying capacity of the obligor or by the value of the underlying collateral. The criticized rating categories utilized by management generally follow bank regulatory definitions. Special Mention category loans have a potential weakness or risk that exists, which could cause a more serious problem if not corrected. The Substandard category loans have a well-defined weakness based on objective evidence and are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected. The Doubtful category loans have all the weaknesses inherent in a substandard asset. In addition, these weaknesses make collection or liquidation in full highly questionable and improbable, based on existing circumstances. The Loss category loans are considered uncollectible, or of such value that continuance as an asset is not warranted.

For consumer loans, residential loans, and home equity lines of credit, the Company evaluates credit quality based on whether the loan is considered performing or non-performing. The following tables present the balances of these loans by classes of the loan portfolio based on payment performance as of December 31:

	2024			
	Consumer	Residential	Home Equity Lines of Credit	Total
Performing	$ 7,620,594	$ 134,307,284	$ 29,421,028	$ 171,348,906
Nonperforming	15,120	103,675	115,930	234,725
Total	$ 7,635,714	$ 134,410,959	$ 29,536,958	$ 171,583,631

	2023			
	Consumer	Residential	Home Equity Lines of Credit	Total
Performing	$ 7,296,396	$ 129,867,492	$ 29,342,218	$ 166,506,106
Nonperforming	17,891	239,954	113,651	371,496
Total	$ 7,314,287	$ 130,107,446	$ 29,455,869	$ 166,877,602

Age Analysis of Past Due Loans Receivable by Class

Management further monitors the performance and credit quality of the loan portfolio by analyzing the age of the portfolio 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 aging categories of performing loans and nonaccrual loans as of December 31:

	2024					
	30-59 Days Past Due	60-89 Days Past Due	90 Days Or Greater & Accruing	Total Past Due	Current	Total Loans
Commercial loans	$ -	$ -	$ -	$ -	$ 40,072,374	$ 40,101,064
Commercial real estate loans	583,623	-	-	583,623	156,800,576	158,638,156
Consumer loans	2,194	33,761	42,381	78,336	7,542,259	7,635,714
Residential loans	619,322	172,088	96,536	887,946	133,419,339	134,410,959
Home equity lines of credit	266,131	38,990	-	305,121	29,158,288	29,536,958
Total	$ 1,471,270	$ 244,839	$ 138,917	$ 1,855,026	$ 366,992,836	$ 370,322,851

4. ALLOWANCE FOR CREDIT LOSSES (Continued)

Age Analysis of Past Due Loans Receivable by Class (Continued)

	2023					
	30-59 Days Past Due	60-89 Days Past Due	90 Days Or Greater & Accruing	Total Past Due	Current	Total Loans
Commercial loans	$ 173,282	$ -	$ -	$ 173,282	$ 45,345,441	$ 46,793,680
Commercial real estate loans	-	-	-	-	146,975,563	146,975,563
Consumer loans	17,024	-	-	17,024	7,279,427	7,314,287
Residential loans	-	-	81,146	81,146	129,867,492	130,107,446
Home equity lines of credit	77,589	42,381	-	119,970	29,222,248	29,455,869
Total	$ 267,895	$ 42,381	$ 81,146	$ 391,422	$ 358,690,171	$ 360,646,845

Collateral-Dependent Loans

The following tables present the collateral-dependent loans by portfolio segment and collateral type at December 31:

	2024		
	Real Estate	Business Assets	Total
Commercial Real Estate	$ 1,253,957	$ -	$ 1,253,957
Consumer	15,120	-	15,120
	$ 1,269,077	$ -	$ 1,269,077

	2023		
	Real Estate	Business Assets	Total
Commercial Real Estate	$ 1,274,957	$ -	$ 1,274,957
Consumer	32,266	-	32,266
	$ 1,307,223	$ -	$ 1,307,223

4. ALLOWANCE FOR CREDIT LOSSES (Continued)

As of December 31, 2024 and 2023, respectively, the Company did not have any foreclosed real estate property obtained by physical possession and did not have any loans secured by residential real estate properties for which foreclosure proceedings are in process according to local jurisdiction.

Modifications to Borrowers Experiencing Financial Difficulty

The Company may grant a modification to borrowers in financial distress by providing a temporary reduction in interest rate, or an extension of a loan’s stated maturity date. Loan modifications are intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral.

The Company identifies loans for potential restructure primarily through direct communication with the borrower and evaluation of the borrower's financial statements, revenue projections, tax returns, and credit reports. Even if the borrower is not presently in default, management will consider the likelihood that cash flow shortages, adverse economic conditions, and negative trends may result in a payment default in the near future.

There were no modification of loans to borrowers experiencing financial difficulty during the years ended December 31, 2024 and 2023.

There were no payment defaults for loan granted modifications due to a borrower experiencing financial difficulty within twelve months of the modification date, during the years ended December 31, 2024 and 2023.

5. PREMISES AND EQUIPMENT

Major classifications of premises and equipment are summarized as follows:

	2024	2023
Land and land improvements	$ 2,026,056	$ 2,026,056
Building and leasehold improvements	6,782,594	6,755,361
Furniture, fixtures, and equipment	2,876,441	2,788,034
	11,685,091	11,569,451
Less accumulated depreciation	(4,673,107)	(4,382,979)
Total	$ 7,011,984	$ 7,186,472

Depreciation charged to operations was $290,128 in 2024 and $299,602 in 2023.

6. LEASES

The Bank enters into leases in the normal course of business primarily for financial operations. The Bank’s leases have terms greater than 12 months which may include renewal or termination options. The Bank includes lease extension and termination options in the lease term if, after considering relevant economic factors, it is reasonably certain the Bank will exercise the option. In addition, the Bank has elected to account for any non-lease components in its real estate leases as part of the associated lease component. The Bank has also elected not to recognize leases with original terms of 12 months or less on the Bank’s balance sheet.

Leases are classified as operating or finance leases at the lease commencement date. Lease expense for operating leases and short-term leases is recognized on a straight-line basis over the lease term. Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

6. LEASES (Continued)

The Company uses its incremental borrowing rate at lease commencement to calculate the present value of lease payments when the rate implicit in the lease is not known. The Bank's incremental borrowing rate is based on the FHLB amortizing advance rate, adjusted for the lease term and other factors.

A right-of-use asset in the amount of $20,974 is recorded on the balance sheet, as well as a lease obligation for the same amount. Future undiscounted lease payments for finance and operating leases with initial terms of one year or more as of December 31, 2024, are as follows:

2025	$	14,916
2026		7,608
2027		-
2028		-
2029		-
Thereafter		-
Total	$	22,524
Less imputed interest		1,550
Net lease liabilities	$	20,974

7. DEPOSITS

Time deposits at December 31, 2024, mature $141,556,015, $14,350,454, $5,232,550, $1,651,061, $188,414, and $71,562 during 2025, 2026, 2027, 2028, 2029 and thereafter respectively.

The aggregate amount of time deposit accounts that meet or exceed the FDIC insurance limit of $250,000 totaled $24,748,291 and $18,783,936 at December 31, 2024 and 2023, respectively.

Included in certificates of deposit at December 31, 2024 and 2023, were $10,190,796 and $14,859,286, respectively, obtained through the Certificate of Deposit Account Registry Services (CDARS). This service allows deposit customers to maintain fully insured balances in excess of the $250,000 FDIC insurance limit without the inconvenience of having multi-banking relationships. Under the reciprocal program, which the Company is currently participating in, customers agree to allow the Company to place their deposits with participating banks in the CDARS program, in insurable amounts under $250,000. In exchange, other banks in the program agree to place their deposits with Portage Community Bank, also in insurable amounts under $250,000.

Related-party deposits were $1,938,505 and $893,140 at December 31, 2024 and 2023, respectively.

8. FHLB ADVANCES

The following table sets forth information concerning other borrowings with the FHLB:

Description	Maturity range from	Maturity range to	Weighted-average interest rate	At December 31, 2024	At December 31, 2023
Mortgage match - amortizing	02/01/25	02/01/30	1.96 %	$ 1,546,638	$ 2,489,039
Mortgage match - non-amortizing	01/22/25	01/31/25	1.76	2,000,000	4,500,000
Cash mgmt. advance - non-amortizing	01/13/25	01/13/25	4.43	3,000,000	8,000,000
Total			3.03 %	$ 6,546,638	$ 14,989,039

8. FHLB ADVANCES (Continued)

At December 31, 2024, the Bank had a cash management line of credit enabling it to borrow up to $15.0 million from the Federal Home Loan Bank of Cincinnati ("FHLB"). The line of credit must be renewed on an annual basis. There was $3.0 million and $8.0 million outstanding from the line of credit outstanding as of December 31, 2024 and 2023, respectively. The Bank has a remaining borrowing capacity of $89.7 million at December 31, 2024.

Borrowings from FHLB are secured with a blanket security agreement and required investment in FHLB member bank stock. As part of the security agreement, the Bank maintains unencumbered qualifying assets (principally 1-4 family residential mortgage loans) in an amount at least as much as the advances from the FHLB. Additionally, the Bank's FHLB stock of $677,400 and $1,020,600 at December 31, 2024 and 2023, respectively, is pledged to secure these advances. Maturities over the next five years and thereafter were as follows:

Year Ending December 31,		Amount	Weighted-Average Rate
2025		5,684,246	2.92 %
2026		428,454	2.11
2027		280,087	2.78
2028		87,708	1.88
2029		62,624	0.53
Thereafter		3,519	0.15
Total	$	6,546,638	3.03 %

Monthly principal and interest payments are due on the mortgage match fixed rate amortizing borrowings; additionally, a 10 percent principal curtailment is due on the borrowing's anniversary date. Monthly interest payments are due on the mortgage match fixed rate non-amortizing borrowings and principal payments are paid in total at maturity.

The Company and Bank each maintain a $1,000,000 unsecured line of credit with another financial institution. No amounts were outstanding under these lines of credit at December 31, 2024 and 2023.

The Bank has a $5,000,000 unsecured federal funds line of credit with United Bankers Bank. There was no federal funds purchased outstanding at December 31, 2024 and $135,000 federal funds purchased outstanding at December 31, 2023.

9. SUBORDINATED DEBENTURES

In March 2004, Portage Bancshares Capital Trust I, a trust formed by the Company, issued $2,500,000 of floating rate, trust preferred securities as part of a pooled offering of such securities. The Company issued $2,450,000 subordinated debentures to the trust in exchange for the proceeds of the offering. The debentures and related debt issuance costs represent the sole assets of the trust. The trust is not consolidated with the Company's financial statements, but rather the subordinated debentures are shown as a liability. The trust preferred securities must be redeemed no later than April 23, 2034. The Company had the option to call the trust preferred securities at par at five years from date of issuance. The subordinated debentures are also redeemable in whole or in part from time to time, upon the occurrence of specific events defined within the trust indenture. The Company has the option to defer interest payments on the subordinated debentures from time to time for a period not to exceed five consecutive years.

The subordinated debentures may be included in Tier I capital with certain limitations applicable under current regulatory guidelines and interpretations. The subordinated debentures have a variable rate of interest equal to the three-month Chicago Mercantile Exchange (CME) term Secure Overnight Financing Rate (SOFR) plus 2.85 percent, which was 7.74 percent and 8.52 percent at December 31, 2024 and 2023, respectively.

10. INCOME TAXES

The provision for federal income taxes consists of:

	2024	2023
Current payable	$ 759,883	$ 772,367
Deferred	(94,841)	(100,365)
Total provision	$ 665,042	$ 670,002

No valuation allowance was established at December 31, 2024 and 2023, in view of the Company's ability to carryback to taxes paid in previous years and certain tax strategies, coupled with the anticipated future taxable income as evidenced by the Company's earnings potential. The tax effects of deductible and taxable temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	2024	2023
Deferred tax assets		
Allowance for credit losses	$ 536,281	$ 468,077
Accrued expenses and employee benefits	908,485	878,946
Unrealized loss on available-for-sale securities	2,373,225	2,573,252
Deferred loan fees	89,971	77,435
Stock-based compensation	12,199	-
Deferred tax assets	3,920,161	3,997,710
Deferred tax liabilities:		
Depreciation	66,270	97,130
Federal Home Loan Bank stock dividends	4,805	10,829
Prepaid expenses	38,865	25,689
Security accretion	54,098	37,192
Stock-based compensation	-	3,799
Deferred tax liabilities	164,038	174,639
Net deferred tax assets	$ 3,756,123	$ 3,823,071

The reconciliation between the federal statutory rate and the Company's effective consolidated income tax rate is as follows:

	2024		2023	
	Amount	% of Pretax Income	Amount	% of Pretax Income
Provision at statutory rate	$ 829,292	21.0 %	$ 823,611	21.0 %
Tax-exempt interest	(102,337)	(2.6)	(53,199)	(1.4)
Earnings on bank-owned life insurance	(80,432)	(2.0)	(100,642)	(2.6)
Other	18,519	0.5	232	-
Actual tax expense and effective rate	$ 665,042	16.9 %	$ 670,002	17.0 %

10. INCOME TAXES (Continued)

The Company prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Benefits from tax positions should be recognized in the financial statements only when it is more likely than not that the tax position will be sustained upon examination by the appropriate taxing authority that would have full knowledge of all relevant information. A tax position that meets the more-likely-than-not recognition threshold is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be derecognized in the first subsequent financial reporting period in which that threshold is no longer met.

There is currently no liability for uncertain tax positions and no known unrecognized tax benefits. The Bank recognizes, when applicable, interest and penalties related to unrecognized tax benefits in the income taxes in the Consolidated Statement of Income. With few exceptions, the Bank is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2021.

11. EMPLOYEE BENEFITS

401(k) Plan

The Company sponsors a 401(k) plan covering substantially all employees. The Company matches contributions at the rate of 100 percent of each participant's voluntary contributions, limited to a maximum of 6 percent of a covered employee's annual compensation. In addition to the Company's matching contribution, a profit-sharing contribution to the plan can be made at the discretion of the Board. Employee voluntary contributions and employers' matching contributions are vested immediately. The expense related to the plan was $292,020 and $306,114 for the years ended December 31, 2024 and 2023, respectively.

Supplemental Retirement Plan

The Company sponsors a supplemental retirement plan ("SERP") which covers several key members of management. Participants will receive annually a percentage of their base compensation at the time of their retirement for a maximum of ten years. The liability recorded at December 31, 2024 and 2023, was $2,152,368 and $2,228,900, respectively. The expense related to the plan was $141,320 and $172,920 for 2024 and 2023, respectively. There was $217,852 and $130,997 in distributions to participants in 2024 and 2023, respectively.

Director Deferral Plan

The Company sponsors a director deferral plan to provide post-separation payments to participating directors who elect to defer their directors' fees. The plan allows participating directors to defer up to 50% of director fees during any plan year. The participants' deferral account balance within the plan is credited annually with interest, based on the Bank's return on equity from the immediately preceding calendar year. For purposes of this plan, the Bank's return on equity is calculated by adjusting any accumulated other comprehensive income adjustments back into the Bank's capital and shall not be less than four percent (4%) or greater than seven percent (7%). The liability recorded at December 31, 2024 and 2023, was $2,173,753 and $1,956,558, respectively. The expense related to the plan was $414,718 and $348,061 for 2024 and 2023, respectively.

11. EMPLOYEE BENEFITS (Continued)

Stock Option Plan

The Company has two shared based compensation plans. The Company's 2004 and 2016 Stock Incentive Plans, which are shareholder approved, both permit the grant of share options to its directors, officers, and other key employees of the Company and its subsidiaries for up to 200,000 and 50,000 shares of common stock, respectively. The exercise price for the purchase of shares subject to a stock option may not be less than 100 percent of the fair market value of the shares covered by the option on the date of the grant. The term of stock options will not exceed ten years from the date of grant. Vesting occurs at 20 percent per year of service. Restricted stock awards fully vest after 3 years of service.

The following table presents share data related to the outstanding options:

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	2024	Weighted-Average Exercise Price	2023	Weighted-Average Exercise Price
Outstanding, January 1	2,085	$ 77.00	3,680	$ 75.88
Granted	-	-	-	-
Exercised	(1,985)	77.00	(1,295)	73.81
Forfeited	(100)	77.00	(300)	77.00
Outstanding, December 31	-	$ -	2,085	$ 77.00
Exercisable at year-end	-	$ -	2,085	$ 77.00

Restricted Stock Awards

The following table details the vesting, awarding and forfeiting of unearned restricted stock during 2024:

	Shares	Weighted-Average Exercise Price
Outstanding, beginning of year	670	$ 118.15
Granted	-	
Forfeited	(100)	$ 118.15
Vested	-	
Outstanding, end of year	570	$ 118.15

12. LOAN COMMITMENTS

Some financial instruments, such as loan commitments, credit lines, letters of credit, and overdraft protection, are issued to meet customer financing needs. These are agreements to provide credit or to support the credit of others, as long as conditions established in the contract are met, and usually have expiration dates. Commitments may expire without being used. Off-balance-sheet risk to credit loss exists up to the face amount of these instruments, although material losses are not anticipated. The same credit policies are used to make such commitments as are used for loans, including obtaining collateral at exercise of the commitment. Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party.

12. LOAN COMMITMENTS (Continued)

The contractual amounts of financial instruments with off-balance-sheet risk at year-end were as follows:

	2024		2023	
	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate
Unused business lines of credit	$ 1,090,875	$ 39,849,983	$ 1,386,411	$ 35,968,706
Unused construction lines of credit	534,405	4,310,234	244,538	4,637,883
Unused consumer lines of credit	30,566	45,223,671	39,556	41,920,270
Standby letters of credit	-	50,000	-	50,000
Total	$ 1,655,846	$ 89,433,888	$ 1,670,505	$ 82,576,859

Commitments to make loans are generally made for periods of 60 days or less. The fixed rate loan commitments have interest rates ranging from 2.50 percent to 18.00 percent at December 31, 2024 and 2023, respectively.

Standby letters of credit represent conditional commitments issued to guarantee performance of a customer to a third party. The coverage period for these instruments is typically a one-year period with renewal option subject to prior approval by management. Fees earned from the issuance of these letters are recognized over the coverage period. For secured letters of credit, the collateral is typically Bank deposit instruments.

13. REGULATORY RESTRICTIONS

Contingent Liabilities

The Company is involved in various legal actions from the normal course of business activities. Management believes the liability, if any; arising from such actions will not have a material adverse effect on the Company's financial position.

Loans

Federal law prevents the Company from borrowing from the Bank unless the loans are secured by specific obligations. Further, such secured loans are limited in amount up to 10 percent of the Bank's common stock and capital surplus.

Dividends

The Bank is subject to a dividend restriction that generally limits the amount of dividends that can be paid by an Ohio state-chartered bank. Under the Ohio Banking Code, cash dividends may not exceed net profits as defined for that year, combined with retained net profits for the two preceding years less any required transfers to surplus. Under this formula, the amount available for payment of dividends in 2024 is $5,732,077 plus 2025 profits retained up to the date of the dividend declaration.

14. REGULATORY CAPITAL MATTERS

Banks and bank holding companies are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes as of December 31, 2024, the Company and Bank meet all capital adequacy requirements to which they are subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as in asset growth and expansion, and capital restoration plans are required. At year-end 2024 and 2023, the most recent regulatory notifications categorized the Company as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category.

Actual and required capital amounts and ratios are presented below as of December 31:.

	Actual		Required for Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Regulations	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
2024						
Total Capital (to risk-weighted assets):						
Consolidated	$ 57,288,308	15.19 %	$ 30,163,441	8.00 %	$ 37,704,301	10.00
Portage Community Bank	59,468,744	15.78	30,154,480	8.00	37,693,100	10.00
Tier 1 (Core) Capital (to risk-weighted assets):						
Consolidated	$ 53,706,852	14.24 %	$ 22,622,581	6.00 %	$ 30,163,441	8.00
Portage Community Bank	55,887,288	14.83	22,615,860	6.00	30,154,480	8.00
Common Equity Tier 1 (CET1) Capital (to risk-weighted assets):						
Consolidated	$ 53,706,852	14.24 %	$ 16,966,935	4.50 %	$ 24,507,796	6.50
Portage Community Bank	55,887,288	14.83	16,961,895	4.50	24,500,515	6.50
Tier 1 (Core) Capital (to average assets):						
Consolidated	$ 53,706,852	10.40 %	$ 20,660,604	4.00 %	$ 25,825,755	5.00
Portage Community Bank	55,887,288	10.63	21,032,520	4.00	26,290,650	5.00

14. REGULATORY CAPITAL MATTERS (Continued)

	Actual		Required for Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Regulations	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
2023						
Total Capital (to risk-weighted assets):						
Consolidated	$ 54,434,303	15.02 %	$ 28,991,352	8.00 %	$ 36,239,190	10.00
Portage Community Bank	56,602,495	15.62	28,982,800	8.00	36,228,500	10.00
Tier 1 (Core) Capital (to risk-weighted assets):						
Consolidated	$ 51,096,223	14.10 %	$ 21,743,514	6.00 %	$ 28,991,352	8.00
Portage Community Bank	53,264,415	14.70	21,737,100	6.00	28,982,800	8.00
Common Equity Tier 1 (CET1) Capital (to risk-weighted assets):						
Consolidated	$ 51,096,223	14.10 %	$ 16,307,635	4.50 %	$ 23,555,473	6.50
Portage Community Bank	53,264,415	14.70	16,302,825	4.50	23,548,525	6.50
Tier 1 (Core) Capital (to average assets):						
Consolidated	$ 51,096,223	10.29 %	$ 19,861,010	4.00 %	$ 24,826,263	5.00
Portage Community Bank	53,264,415	10.50	20,298,440	4.00	25,373,050	5.00

15. 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 defined by U.S. generally accepted accounting principles 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: Assets and liabilities that have little to no pricing observability as of the reported date. These items do not have two-way markets and are measured using management's best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation.

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

15. FAIR VALUE MEASUREMENTS (Continued)

The following tables set forth the Company's financial assets by level within the fair value hierarchy that were measured at fair value on a recurring basis at December 31:

	2024			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fair value measurements on a recurring basis:				
Securities available for sale:				
U.S. treasury and federal agency	$ 17,887,656	$ -	$ 17,887,656	$ -
U.S. government sponsored entities and agencies	22,839,544	-	22,839,544	-
Obligations of states and political subdivisions	26,131,504	-	26,131,504	-
Corporate bonds	1,206,741	-	1,206,741	-
Mortgage-backed securities: residential	23,667,350	-	23,667,350	-
Mortgage-backed securities: commercial	1,700,020	-	1,700,020	-
Collateralized mortgage obligations	12,381,570	-	12,381,570	-
Total	$ 105,814,385	$ -	$ 105,814,385	$ -

	2023			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fair value measurements on a recurring basis:				
Securities available for sale:				
U.S. treasury and federal agency	$ 23,560,039	$ -	$ 23,560,039	$ -
U.S. government sponsored entities and agencies	19,931,520	-	19,931,520	-
Obligations of states and political subdivisions	27,186,295	-	27,186,295	-
Corporate bonds	480,000	-	480,000	-
Mortgage-backed securities: residential	22,748,939	-	22,748,939	-
Mortgage-backed securities: commercial	2,105,191	-	2,105,191	-
Collateralized mortgage obligations	7,816,111	-	7,816,111	-
Total	$ 103,828,095	$ -	$ 103,828,095	$ -

The Company's investment securities are valued by a third-party pricing service commonly used in the banking industry utilizing observable inputs. The pricing provider utilizes evaluated pricing models that vary based on asset class. These models incorporate available market information including quoted prices of investment securities with similar characteristics and, because many fixed-income investment securities do not trade on a daily basis, apply available information through processes such as benchmark yield curves, benchmarking of like investment securities, sector groupings, and matrix pricing. In addition, model processes, such as an option adjusted spread model, are used to develop prepayment estimates and interest rate scenarios for investment securities with prepayment features.

Management uses a recognized third-party pricing service to obtain fair values for the Company's fixed income securities portfolio. Documentation is maintained as to the methodology and summary of inputs used by the pricing service for the various types of securities, and management notes that the servicer maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Management does not have access to all of the individual specific assumptions and inputs used for each security. The significant observable inputs include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications.

15. FAIR VALUE MEASUREMENTS (Continued)

Based on management's review of the methodology and summary of inputs used, management has concluded these assets are properly classified as Level 2 assets.

The following tables set forth the Company's financial and non-financial assets by level within the fair value hierarchy that were measured at fair value on a non-recurring basis at December 31:

	2024			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Individually evaluated	$ 1,268,335	$ -	$ -	$ 1,268,335

	2023			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Individually evaluated	$ 1,307,101	$ -	$ -	$ 1,307,101

Individually evaluated loans that are collateral-dependent are written down to fair value through the establishment of specific reserves. Techniques used to value the collateral that secures the impaired loan include: quoted market prices for identical assets classified as Level I inputs and observable inputs, employed by certified appraisers, for similar assets classified as Level II inputs. In cases where valuation techniques included inputs that are unobservable and are based on estimates and assumptions developed by management based on the best information available under each circumstance, the asset valuation is classified as Level III input.

The following table presents additional quantitative information about assets measured at fair value on a nonrecurring basis for which the Company has utilized level III inputs to determine fair value at December 31:

	2024			
	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Averages)
Individually evaluated loans (collateral-dependent)	$ 1,268,335	Appraisal of collateral (1)	Appraisal adjustments (2)	0% - 20.0% (20.0%)

	2023			
	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Averages)
Individually evaluated loans (collateral-dependent)	$ 1,307,101	Appraisal of collateral (1)	Appraisal adjustments (2)	0% - 20.0% (20.0%)

(1) Fair value is generally determined through independent appraisals of the underlying collateral, which include various Level III inputs which are not identifiable.

(2) Appraisals may be adjusted by management for qualitative factors such as economic conditions, aging, and/or estimated liquidation expenses incurred when selling collateral. The range and weighted average of appraisal adjustments and liquidation expenses are presented as a percentage of the appraisal.

(3) Includes qualitative adjustments by management and estimated liquidation expenses.

16. FAIR VALUE DISCLOSURE OF FINANCIAL INSTRUMENTS

The carrying amounts and estimated fair values of the Company's financial instruments at December 31 is as follows:

	2024			
	Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:				
Cash and cash equivalents	$ 7,866,313	$ 7,866,313	$ -	$ -
Debt securities available for sale	105,814,385	-	105,814,385	-
Debt securities held to maturity	3,445,000	-	3,044,942	-
Loans held for sale	2,166,912	2,166,912	-	-
Net loans	366,459,870	-	-	349,099,000
Bank-owned life insurance	12,709,213	12,709,213	-	-
Regulatory stock	1,041,050	1,041,050	-	-
Accrued interest receivable	2,148,756	2,148,756	-	-
Financial liabilities:				
Deposits	$ 451,459,952	$ 288,409,896	$ -	$ 162,248,000
Federal Home Loan Bank advances	6,546,638	-	-	6,492,000
Subordinated debentures	2,450,000	-	-	2,407,125
Accrued interest payable	1,616,111	1,616,111	-	-

	2023			
	Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:				
Cash and cash equivalents	$ 8,305,674	$ 8,305,674	$ -	$ -
Debt securities available for sale	103,828,095	-	103,828,095	-
Debt securities held to maturity	3,646,910	-	3,142,543	-
Loans held for sale	499,907	499,907	-	-
Net loans	357,090,684	-	-	328,933,000
Bank-owned life insurance	12,326,206	12,326,206	-	-
Regulatory stock	1,384,250	1,384,250	-	-
Accrued interest receivable	2,062,237	2,062,237	-	-
Financial liabilities:				
Deposits	$ 434,679,202	$ 287,326,408	$ -	$ 145,765,000
Federal Home Loan Bank advances	14,989,039	-	-	14,814,000
Subordinated debentures	2,450,000	-	-	2,413,250
Accrued interest payable	793,945	793,945	-	-

Financial instruments are defined as cash, evidence of ownership interest in an entity, or a contract which creates an obligation or right to receive or deliver cash or another financial instrument from/to a second entity on potentially favorable or unfavorable terms.

17. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table presents the changes in accumulated other comprehensive income (loss) by component net of tax at year-end:

	Net Unrealized Gains (Losses) Investment Securities	
	2024	2023
Accumulated other comprehensive loss, January 1	$ (9,680,330)	$ (10,901,458)
Other comprehensive gain before reclassification, net of tax	752,484	1,221,128
Amount reclassified from accumulated other comprehensive income	-	-
Total other comprehensive income	752,484	1,221,128
Accumulated other comprehensive loss, December 31	$ (8,927,846)	$ (9,680,330)

There were no significant amounts reclassified out of each component of accumulated other comprehensive loss for the years ended December 31, 2024 and 2023, respectively.

18. SEGMENT REPORTING

ASC Topic 280 – Segment Reporting identifies operating segments as components of an enterprise which are evaluated regularly by the Corporation's Chief Operating Decision Maker, our Chief Executive Officer, in deciding how to develop strategy, allocate resources and assess performance.

While the Company monitors the revenue streams of the various products and services, operations are managed, and financial performance is evaluated on an entity-wide basis. The Corporation provides a variety of financial services to individuals and small businesses in Portage and Summit Counties of Ohio and the surrounding communities through its branch network. Its primary deposit products are checking, savings, certificates of deposit, and individual retirement accounts and its primary lending products are commercial, commercial real estate, residential and construction mortgages, home equity lines of credit, and consumer loans.

Management has determined that the Company has one reportable segment consisting of Community Banking. Operating segments are aggregated into one segment, as operating results for all segments are similar. Accordingly, all the financial service operations are considered by management to be aggregated in one reportable operating segment. The accounting policies for the Community Banking segment are the same as those of our consolidated entity.

The Chief Operating Decision Maker assesses performance and decides how to allocate resources based on net income that also is reported on the income statement as consolidated net income. The measure of segment assets is reported on the balance sheet as total consolidated assets.

Net income is used to monitor budget versus actual results. The Chief Operating Decision Maker uses two primary performance measures to gauge performance: return on average assets (ROA) and return on average equity (ROE). ROA measures how efficiently a bank generates income based on the amount of assets or size of a company. ROE measures the efficiency of a company in generating income based on the amount of equity or capital utilized. The Chief Operating Decision Maker also uses net income in competitive analysis by benchmarking to the Company's competitors.

19. SUBSEQUENT EVENTS

The Company assessed events occurring subsequent to December 31, 2024, through March 26, 2025, for potential recognition and disclosure in the consolidated financial statements. No events have occurred that would require additional adjustments to or disclosure in the consolidated financial statements, which were issued on March 26, 2025.

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Thomas S. Siciliano, *Treasurer*
Timothy E. Crock, *Secretary*

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Constance M. Bennett, *Director*
Paul Huchok, *Director*
Kevin T. Lewis, *Director*
Dr. Aaron A. Moats, *Director*
Richard J. Coe, *Director Emeritus*
Dr. Emilio D. Ferrara, *Posthumus Director Emeritus*
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Lee L. Jenior, *Director*
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Marketing and Public Relations Officer
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Rootstown, Bank Managing Officer

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Dennis P. Juvan
Registered Representative, Portage Community Financial Services

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