



PORTAGE
BANCSHARES, INC.™

2025
ANNUAL REPORT

*A Legacy of
Local Commitment.*



LOCAL DECISIONS
LOCAL INVESTMENT
LASTING IMPACT

PORTAGE BANCSHARES, INC.

RAVENNA, OHIO

DECEMBER 31, 2025

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PORTAGE BANCSHARES, INC.
CONSOLIDATED AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2025

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To Our Fellow Shareholders,

The year ended December 31, 2025, stands as one of the most extraordinary and challenging periods in the history of Portage Bancshares, Inc. (“PBI”), parent company of Portage Community Bank (“PCB”). It was a year defined by both record-setting performance and profound personal and organizational loss. Despite these hardships, our team demonstrated resilience, unity, and unwavering commitment to our mission of serving our communities (as “Neighbors Serving Neighbors”) with strength and integrity.

In early July, we experienced the sudden and heartbreaking loss of our longtime Executive Vice President and Chief Financial Officer (“CFO”), Donald (“Don”) D. Herman, whose leadership, expertise, and character shaped PCB for many years. His passing left a deep void—professionally and personally—for all of us. We worked to stabilize the bank and support our employees through the trying time and we were able to quickly recruit and hire C. Joseph (“Joe”) Assid to help fill the void of the loss of Don and join our leadership team. Joe officially assumed the role of CFO in late September, bringing a wealth of experience with his tenure as a principal at a regional public accounting firm specializing in community bank audit, tax, and attestation services. During the transition period between Don’s passing and Joe’s start date, we are deeply grateful for the leadership and stability provided by our Executive Vice President and Chief Operating Officer, Robert S. Standardi. Robert served as interim CFO during the transition period and was essential for steadying the bank’s overall fiscal health as well as serving as a key partner to Joe as he transitioned into his new role and responsibilities. While we were focused on ensuring a seamless leadership transition for our new CFO, we faced another deeply personal challenge. In late September, our Senior Vice President and Chief Lending Officer, Eric M. Decker, was diagnosed with stage four pancreatic cancer. At the beginning of 2026, we were confronted with another devastating loss as Eric had succumbed to his courageous (just over three-month) battle with pancreatic cancer. Navigating the bank through these devastating losses required a renewed focus on communication, continuity planning, and expanded executive oversight. With the assistance of key staff members, we were able to prioritize the following efforts to help maintain confidence and operational strength during a period of significant emotional and organizational strain:

- Immediate stabilization of financial and lending operations through interim executive leadership assignments and expanded officer oversight.
- Transparent communication with employees, regulators, shareholders, and community partners.
- Support for our teams, including grief resources, redistribution of workloads, and leadership visibility across all branches.
- Acceleration of succession planning to ensure continuity in key functions.

Even as we continue to deeply feel the loss of Don and Eric, who left a lasting legacy through their many years of leadership and dedication, the following financial results reflect the strength and resilience of the team during this difficult period.

It is important to note that the Federal Reserve cut interest rates three times in 2025, with all reductions occurring in the final four months of the year. After holding rates steady for the first eight months, the central bank implemented a series of 25-basis point cuts to support the labor market and move toward a more “neutral” policy stance. The resulting reduction in short-term interest rates during late third quarter and through the fourth quarter allowed us to begin lowering our offering rates on retail and wholesale funding sources which, combined with improving asset yields, led to an expansion in our net interest margin as we ended the year.

As a result of the 2025 interest rate activity and prudent balance sheet and financial management, PCB experienced robust margin expansion with our net interest margin seeing notable improvement, reaching 3.32% for the year-ended December 31,

2025, as compared to 2.91% for the year-ended December 31, 2024. This expansion was driven by sustained yield growth across the loan and investment portfolios, paired with a year-over-year reduction in total funding costs. PCB's yield on earning assets rose from 4.89% to 5.19% year-over-year, while our cost of interest-bearing deposits decreased from 2.65% to 2.46% year-over-year. We were able to grow our balance sheet as total assets increased from \$512.9 million as of December 31, 2024, to \$533.4 million as of December 31, 2025. The growth in total assets included robust loan growth, particularly in nonfarm nonresidential commercial real estate and 1-4 family residential mortgage portfolios. The total asset growth was funded by deposit resilience as PCB's deposit total grew 3.60% in 2025 resulting from competitive pricing and a "flight to safety" beginning to be experienced in the declining rate environment with consumers seeking increased stability.

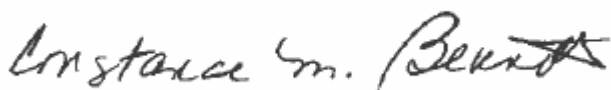
Including a one-time charge of \$289 thousand in the fourth quarter resulting from a balance sheet restructuring strategy designed to increase asset yields, we posted record net earnings of \$4.6 million or \$9.08 earnings per share in 2025 compared to net earnings of \$3.3 million or \$6.36 earnings per share in 2024. Total assets increased \$20.4 million, which was driven by net loan growth of \$25.6 million and net debt securities runoff of \$4.2 million. Our asset quality remains sound as we continue to deploy solid loan underwriting practices, and we feel the balance sheet management initiatives implemented throughout 2025 have positioned the bank well as we enter 2026.

Our steady strong performance enabled our PBI Board of Directors to increase the cash dividend to \$1.35 per share in 2025 from \$1.30 per share in 2024 – a 3.85% increase year-over-year. Dividends to shareholders are at the highest level in our history as PBI continues to utilize its strong earnings to increase the annual shareholder dividend with 2025 representing the eighteenth 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.

We are extremely proud of our sustained financial success and growth, which remained persistent even as we navigated the tragic losses of Don and Eric. Their leadership and legacy remain woven into our vision of "Neighbors Serving Neighbors." By staying true to our core of local ownership, local management, and local decisions, we have honored their memory with positive operating results and a steadfast commitment to our community's performance.

The successful performance of the Company 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 ambitious 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 make our "Company" successful.

Sincerely,

A handwritten signature in cursive script that reads "Constance M. Bennett". The signature is written in dark ink and is positioned above the printed name and title.

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

Independent Auditor's Report

Board of Directors and Audit Committee
Portage Bancshares, Inc.
Ravenna, Ohio

Opinion

We have audited the consolidated financial statements of Portage Bancshares, Inc. and subsidiary, which comprise the consolidated balance sheet as of December 31, 2025, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Portage Bancshares, Inc. and subsidiary as of December 31, 2025, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Consolidated Financial Statements" section of our report. We are required to be independent of Portage Bancshares, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Year Audited by Other Auditors

The 2024 consolidated financial statements were audited by other auditors, and their report thereon, dated March 26, 2025, expressed an unmodified opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 Portage Bancshares, Inc.'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Portage Bancshares, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises a letter to shareholders but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or 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.

Forvis Mazars, LLP

Indianapolis, Indiana
April 2, 2026

PORTAGE BANCSHARES, INC.
CONSOLIDATED BALANCE SHEET

	December 31,	
	2025	2024
ASSETS		
Cash and due from banks	\$ 8,072,122	\$ 6,698,933
Interest-bearing deposits in other financial institutions	76,416	85,380
Federal funds sold	-	1,082,000
Cash and cash equivalents	8,148,538	7,866,313
Debt securities available for sale	101,570,299	105,814,385
Debt securities held to maturity	3,445,000	3,445,000
Less allowance for credit losses	26,970	34,720
Net debt securities held to maturity	3,418,030	3,410,280
Loans held for sale	2,125,159	2,166,912
Loans	395,857,436	369,894,414
Less allowance for credit losses	3,786,833	3,434,544
Net loans	392,070,603	366,459,870
Regulatory stock	1,130,350	1,041,050
Premises and equipment, net	6,815,713	7,011,984
Bank-owned life insurance	12,455,032	12,709,213
Accrued interest receivable	2,218,640	2,148,756
Other assets	3,514,486	4,456,377
TOTAL ASSETS	\$ 533,466,850	\$ 513,085,140
LIABILITIES		
Deposits:		
Non-interest-bearing	\$ 88,959,733	\$ 88,463,462
Interest-bearing demand	133,314,728	99,283,821
Savings	90,812,239	100,662,613
Time	154,487,693	163,050,056
Total deposits	467,574,393	451,459,952
Federal funds purchased	28,000	-
Federal Home Loan Bank advances	4,898,662	6,546,638
Subordinated debentures	2,450,000	2,450,000
Accrued interest payable and other liabilities	7,485,505	7,779,544
TOTAL LIABILITIES	482,436,560	468,236,134
STOCKHOLDERS' EQUITY		
Common stock, no par value; 800,000 shares authorized, (Issued 562,580 and Outstanding 509,493 as of 12/31/25) (Issued 562,330 and Outstanding 516,243 as of 12/31/24)	22,360,168	22,326,368
Retained earnings	39,717,494	35,777,127
Accumulated other comprehensive loss	(5,800,579)	(8,927,846)
Treasury stock, at cost (53,087 shares as of 12/31/25, and and 46,087 shares as of 12/31/24)	(5,246,793)	(4,326,643)
TOTAL STOCKHOLDERS' EQUITY	51,030,290	44,849,006
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 533,466,850	\$ 513,085,140

See accompanying notes to consolidated financial statements.

PORTAGE BANCSHARES, INC.
CONSOLIDATED STATEMENT OF INCOME

	Year Ended December 31,	
	2025	2024
INTEREST AND DIVIDEND INCOME		
Loans, including fees	\$ 22,147,286	\$ 20,307,846
Federal funds sold and other interest income	281,455	599,466
Taxable securities	2,643,792	2,348,520
Tax-exempt securities	397,591	381,892
Other dividend income	85,861	91,980
Total interest and dividend income	25,555,985	23,729,704
INTEREST EXPENSE		
Deposits	9,022,089	9,412,224
Federal Home Loan Bank advances	173,980	207,205
Subordinated debentures	192,778	217,429
Total interest expense	9,388,847	9,836,858
NET INTEREST INCOME	16,167,138	13,892,846
Provision for credit losses	352,176	239,941
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	15,814,962	13,652,905
NONINTEREST INCOME		
Service charges on deposit accounts	117,495	128,865
Fees on sales of loans	609,159	467,655
Loss on sale of debt securities available for sale	(288,966)	-
Earnings on bank-owned life insurance	400,683	383,008
Investment banking fees and commissions	715,624	698,199
Other income	659,345	670,098
Total noninterest income	2,213,340	2,347,825
NONINTEREST EXPENSE		
Salaries and employee benefits	7,142,317	6,821,360
Net occupancy and equipment expenses	763,985	754,483
Data processing	706,663	683,750
Professional fees	332,311	257,269
Advertising and business development	392,120	334,046
Financial institutions tax	358,260	331,887
Federal deposit insurance	234,350	234,923
Other expense	2,398,532	2,634,004
Total noninterest expense	12,328,538	12,051,722
Income before income taxes	5,699,764	3,949,008
Income taxes	1,061,956	665,042
NET INCOME	\$ 4,637,808	\$ 3,283,966
EARNINGS PER SHARE		
Basic	\$ 9.08	\$ 6.36
Diluted	9.08	6.36

See accompanying notes to consolidated financial statements.

PORTAGE BANCSHARES, INC.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year Ended December 31,	
	2025	2024
Net income	\$ 4,637,808	\$ 3,283,966
Other comprehensive income:		
Debt securities available for sale:		
Unrealized holding gains arising during the year	3,669,582	952,510
Tax effect	(770,598)	(200,026)
Reclassification of losses from sales of debt securities	288,966	-
Tax effect	(60,683)	-
Total other comprehensive income	3,127,267	752,484
Comprehensive income	\$ 7,765,075	\$ 4,036,450

See accompanying notes to consolidated financial statements.

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

	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Treasury Stock</u>	<u>Total Stockholders' Equity</u>
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
Purchase of 7,000 shares of treasury stock				(920,150)	(920,150)
Restricted stock awards (250 shares)	33,800				33,800
Cash dividends paid (\$1.35 per share)		(697,441)			(697,441)
Net income		4,637,808			4,637,808
Other comprehensive income			3,127,267		3,127,267
Balance, December 31, 2025	<u>\$ 22,360,168</u>	<u>\$ 39,717,494</u>	<u>\$ (5,800,579)</u>	<u>\$ (5,246,793)</u>	<u>\$ 51,030,290</u>

See accompanying notes to consolidated financial statements.

PORTAGE BANCSHARES, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 31,	
	2025	2024
OPERATING ACTIVITIES		
Net income	\$ 4,637,808	\$ 3,283,966
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	352,176	239,941
Depreciation of premises and equipment	282,720	290,128
Net amortization (accretion) of investment securities	(26,179)	55,790
Losses from sales of investment securities	288,966	-
Fees from sale of loans	(609,159)	(467,655)
Originations of loans held for sale	(27,505,156)	(23,546,477)
Proceeds from sale of loans held for sale	28,156,068	21,879,472
Stock-based compensation expense	12,072	28,356
Earnings on bank-owned life insurance	(400,683)	(383,007)
Deferred income taxes	19,275	(94,841)
Net amortization (accretion) of deferred loan fees	(86,307)	(68,074)
Net change in:		
Other assets	123,424	(219,147)
Accrued interest receivable	(69,884)	(86,519)
Other liabilities	22,336	(26,178)
Accrued interest payable	(338,397)	822,166
Net cash provided by operating activities	4,859,080	1,707,921
INVESTING ACTIVITIES		
Available for sale securities:		
Proceeds from maturities, prepayments, and calls	25,906,995	19,592,398
Proceeds from sales	5,931,754	-
Purchases	(23,898,884)	(20,681,968)
Held to maturity securities:		
Proceeds from maturities, prepayments, and calls	-	245,000
Proceeds from Federal Home Loan Bank stock	437,800	567,700
Purchase of Federal Home Loan Bank stock	(527,100)	(224,500)
Loan originations and payments, net	(25,874,402)	(9,072,098)
Additions to premises and equipment	(86,449)	(115,640)
Proceeds from bank-owned life insurance	656,557	-
Net cash used for investing activities	(17,453,729)	(9,689,108)
FINANCING ACTIVITIES		
Net increase in deposits	16,114,441	16,780,750
Proceeds from Federal Home Loan Bank advances	27,000,000	3,000,000
Repayment of Federal Home Loan Bank advances	(28,647,976)	(11,442,401)
Net increase (decrease) in federal funds purchased	28,000	(135,000)
Purchase of treasury stock	(920,150)	(138,943)
Tax benefit from exercise of stock options	-	2,104
Proceeds from exercise of stock options	-	152,845
Cash dividends paid	(697,441)	(677,529)
Net cash provided by financing activities	12,876,874	7,541,826
Increase (decrease) in cash and cash equivalents	282,225	(439,361)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,866,313	8,305,674
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 8,148,538	\$ 7,866,313

See accompanying notes to consolidated financial statements.

PORTAGE BANCSHARES, INC.
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, 2025 and 2024, 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 \$36,826 and \$36,856 as of December 31, 2025 and 2024, respectively and is included within accrued interest receivable on the Consolidated Balance Sheet. This amount is excluded from the estimate of expected credit losses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 \$2,125,159 and \$2,166,912 as of December 31, 2025 and 2024, 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 \$1.8 million as of December 31, 2025 and \$1.6 million as of December 31, 2024, 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 measured 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 \$1,766,640 and \$1,601,088 as of December 31, 2025 and 2024, 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Long-Lived Asset Impairment

The Company evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value, and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2025 and 2024.

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 \$302,574 and \$284,686 during 2025 and 2024, respectively, which is included in 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Stock Options and Restricted Stock Awards (Continued)

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, 2025 and 2024, the Company recorded \$2,817 and \$18,510 in compensation expenses on the Company's Consolidated Statement of Income. There was \$30,983 of unrecognized compensation cost related to unvested share-based compensation awards granted as of December 31, 2025. The remaining cost is expected to be recognized over the next 33 months.

Treasury Stock

Common stock shares repurchased are recorded at cost. Cost of shares retired or reissued is determined using the first-in, first-out method.

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 510,701 and 516,384 for December 31, 2025 and 2024, respectively. Diluted weighted-average common shares outstanding totaled 510,730 and 516,656 for December 31, 2025 and 2024, respectively. The diluted weighted-average common shares outstanding are solely the result of restricted stock awards.

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 2025 and 2024 were \$9,727,244 and \$9,014,692, respectively. Income tax payments totaled \$725,000 in 2025 and \$775,000 in 2024. The Company did not transfer any loans from the portfolio to other real estate owned in 2025 and 2024. Fair value adjustments for securities available for sale in 2025 and 2024 were \$3,958,566 and \$952,510, 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.

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)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Revision

Certain immaterial revisions have been made to the 2024 consolidated financial statements for disclosure of the classification of U.S. treasury and federal agency securities in the Fair Value Measurements footnote. This revision did not have a significant impact on any financial statement line items, including net income.

Revenue Recognition

The majority of the Company's revenues come from interest income and other sources, including loans, and loan sales, that are outside the scope of Topic 606. The Company's services that fall within the scope of Topic 606 are presented within noninterest income in the accompanying statements of income and are recognized as revenue as the Company satisfies its obligation to the customer. Services within the scope of Topic 606 include service charges on deposits and investment banking fees and commissions.

2. DEBT SECURITIES

The following summarizes the amortized cost and fair value of debt securities available-for-sale and securities held-to-maturity as of December 31, 2025 and 2024 and the corresponding amounts of gross unrealized gains and losses:

	2025				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Available-for-sale:					
U.S. treasury and federal agency	\$ 7,254,491	\$ -	\$ (207,811)	\$ -	\$ 7,046,680
U.S. government sponsored entities and agencies	11,104,408	2,577	(933,163)	-	10,173,822
Obligations of states and political subdivisions	31,064,943	38,528	(2,766,697)	-	28,336,774
Corporate bonds	3,000,000	3,190	(50,779)	-	2,952,411
Mortgage-backed securities: residential	30,760,492	80,048	(2,314,938)	-	28,525,602
Mortgage-backed securities: commercial	1,422,996	1,583	(69,319)	-	1,355,260
Collateralized mortgage obligations	24,305,492	167,161	(1,292,903)	-	23,179,750
Total available-for-sale	<u>\$ 108,912,822</u>	<u>\$ 293,087</u>	<u>\$ (7,635,610)</u>	<u>\$ -</u>	<u>\$ 101,570,299</u>
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance for Credit Losses
Held-to-maturity:					
Certificates of deposit	\$ 345,000	\$ -	\$ (4,567)	\$ 340,433	\$ -
Corporate bonds	3,100,000	-	(260,181)	2,839,819	26,970
Total held-to-maturity	<u>\$ 3,445,000</u>	<u>\$ -</u>	<u>\$ (264,748)</u>	<u>\$ 3,180,252</u>	<u>\$ 26,970</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. DEBT SECURITIES (Continued)

	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	<u>\$ 117,115,456</u>	<u>\$ 47,450</u>	<u>\$ (11,348,521)</u>	<u>\$ -</u>	<u>\$ 105,814,385</u>
	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	<u>\$ 3,445,000</u>	<u>\$ -</u>	<u>\$ (400,058)</u>	<u>\$ 3,044,942</u>	<u>\$ 34,720</u>

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	\$ 6,106,540	\$ 6,023,273
Due after one year through five years	14,161,580	13,644,669
Due after five years through ten years	21,508,976	19,877,737
Due after ten years	10,646,746	8,964,008
Mortgage-backed securities: residential	30,760,492	28,525,602
Mortgage-backed securities: commercial	1,422,996	1,355,260
Collateralized mortgage obligations	24,305,492	23,179,750
Total available-for-sale	<u>\$ 108,912,822</u>	<u>\$ 101,570,299</u>
Held-to-maturity		
Due within one year	\$ 345,000	\$ 340,433
Due after one year through five years	-	-
Due after five years through ten years	3,100,000	2,839,819
Due after ten years	-	-
Total held-to-maturity	<u>\$ 3,445,000</u>	<u>\$ 3,180,252</u>

Securities pledged at December 31, 2025 and 2024, respectively, had a carrying amount of \$32,343,490 and \$32,983,813 and were pledged to secure public deposits.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. DEBT SECURITIES (Continued)

At December 31, 2025 and 2024, 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.

The Company had proceeds of \$5,931,754 from the sale of debt securities available-for-sale during 2025, resulting in gross realized losses of \$288,966. During the year ended December 31, 2024, there were no debt securities available-for-sale sold by the Company. The Company sold no held-to-maturity debt securities during 2025 or 2024.

The following tables summarize debt securities available-for-sale in an unrealized loss position for which an allowance for credit losses has not been recorded as of December 31, 2025 and 2024, aggregated by major security type and length of time in a continuous unrealized loss position:

	2025					
	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	\$ -	\$ -	\$ 7,046,680	\$ (207,811)	\$ 7,046,680	\$ (207,811)
U.S. government sponsored entities and agencies	-	-	9,171,245	(933,163)	9,171,245	(933,163)
Obligations of states and political subdivisions	2,324,754	(9,217)	18,784,407	(2,757,480)	21,109,161	(2,766,697)
Corporate bonds	497,020	(2,980)	952,201	(47,799)	1,449,221	(50,779)
Mortgage-backed securities: residential	3,508,926	(20,543)	16,948,517	(2,294,395)	20,457,443	(2,314,938)
Mortgage-backed securities: commercial	177,283	(3,007)	1,036,052	(66,312)	1,213,335	(69,319)
Collateralized mortgage obligations	2,706,017	(9,680)	6,667,133	(1,283,223)	9,373,150	(1,292,903)
Total available-for-sale	<u>\$ 9,214,000</u>	<u>\$ (45,427)</u>	<u>\$ 60,606,235</u>	<u>\$ (7,590,183)</u>	<u>\$ 69,820,235</u>	<u>\$ (7,635,610)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. DEBT SECURITIES (Continued)

	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)
Collateralized mortgage obligations	4,619,391	(47,625)	5,919,019	(1,579,676)	10,538,410	(1,627,301)
Total available-for-sale	<u>\$ 15,504,890</u>	<u>\$ (196,937)</u>	<u>\$ 82,112,828</u>	<u>\$ (11,151,584)</u>	<u>\$ 97,617,718</u>	<u>\$ (11,348,521)</u>

There were 192 and 248 available-for-sale debt securities with unrealized losses at December 31, 2025 and 2024, respectively.

The Company measures expected credit losses on available-for-sale debt securities when the Company does not intend to sell, or when it is not more likely than not that it will be required to sell, the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For available-for-sale debt securities that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, the Company considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. Mortgage-backed securities issued by U.S. government agencies or U.S. government-sponsored enterprises carry the explicit and/or implicit guarantee of the U.S. government and have a long history of zero credit loss. Debt securities issued by corporations are of high credit quality and the issuers continue to make timely principal and interest payments.

As of December 31, 2025 and 2024, no allowance for credit losses has been recognized on available for sale securities in an unrealized loss position as management does not believe any of the securities are impaired due to reasons of credit quality. This is based upon our analysis of the underlying risk characteristics, including credit ratings, and other qualitative factors related to our available for sale securities and in consideration of our historical credit loss experience and internal forecasts. The issuers of these securities continue to make timely principal and interest payments under the contractual terms of the securities. Furthermore, management does not have the intent to sell any of the securities classified as available for sale in the table above and believes that it is more likely than not that we will not have to sell any such securities before a recovery of cost. The unrealized losses are due to increases in market interest rates over the yields available at the time the underlying securities were purchased. The fair value is expected to recover as the securities approach their maturity date or repricing date or if market yields for such investments decline.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. DEBT SECURITIES (Continued)

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:

	2025				
	Beginning Balance	Charge-offs	Recoveries	Provisions (Reductions)	Ending Balance
Allowance for credit losses:					
Certificates of deposit	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate bonds	34,720	-	-	(7,750)	26,970
	<u>\$ 34,720</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,750)</u>	<u>\$ 26,970</u>
	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
	<u>\$ 43,090</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,370)</u>	<u>\$ 34,720</u>

3. LOANS

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

	2025	2024
Commercial loans	\$ 39,747,333	\$ 40,101,064
Commercial real estate loans	169,765,749	158,638,156
Consumer loans	6,883,134	7,635,714
Residential loans	143,820,356	134,410,959
Home equity lines of credit	36,088,528	29,536,958
	<u>396,305,100</u>	<u>370,322,851</u>
Net deferred loan fees	(447,664)	(428,437)
Less allowance for credit losses	<u>(3,786,833)</u>	<u>(3,434,544)</u>
Net loans	<u>\$ 392,070,603</u>	<u>\$ 366,459,870</u>

The Company's primary business activity is with customers located within its local trade area, which is concentrated in Portage and Summit counties in Northeast 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, 2025 and 2024, a substantial portion of its debtors' ability to honor their loan agreements is dependent upon the economic stability of its immediate trade area.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. LOANS (Continued)

Related Party Loans

The amount of loans to principal officers, directors, and their affiliates at December 31, 2025 and 2024 totaled approximately \$9,160,673 and \$793,678, respectively. The increased activity is primarily due to changes in related-party status.

4. ALLOWANCE FOR CREDIT LOSSES

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

	<u>2025</u>	<u>2024</u>
Allowance for credit losses – loans	\$ 3,786,833	\$ 3,434,544
Allowance for credit losses – debt securities held to maturity	26,970	34,720
Allowance for credit losses – off-balance sheet commitments	<u>122,141</u>	<u>112,191</u>
Total allowance for credit losses	<u>\$ 3,935,944</u>	<u>\$ 3,581,455</u>

The following table presents the activity in the allowance for credit losses for 2025 and 2024:

	<u>ACL – loans</u>	<u>ACL – debt securities held to maturity</u>	<u>ACL – off-balance sheet commitments</u>
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	<u>3,434,544</u>	<u>34,720</u>	<u>112,191</u>
Charge-offs	-	-	-
Recoveries	2,313	-	-
Provision for credit losses	349,976	(7,750)	9,950
Balance at December 31, 2025	<u>\$ 3,786,833</u>	<u>\$ 26,970</u>	<u>\$ 122,141</u>

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:

	<u>2025</u>						
	<u>Commercial</u>	<u>Commercial Real Estate</u>	<u>Consumer</u>	<u>Residential</u>	<u>Home Equity Lines of Credit</u>	<u>Unallocated</u>	<u>Total</u>
Allowance for credit losses:							
Beginning balance	\$ 451,855	\$ 1,391,519	\$ 59,147	\$ 1,372,858	\$ 159,165	\$ -	\$ 3,434,544
Charge-offs	-	-	-	-	-	-	-
Recoveries	-	-	-	2,313	-	-	2,313
Provision	(43,227)	209,823	1,707	135,546	46,127	-	349,976
Ending Balance	<u>\$ 408,628</u>	<u>\$ 1,601,342</u>	<u>\$ 60,854</u>	<u>\$ 1,510,717</u>	<u>\$ 205,292</u>	<u>\$ -</u>	<u>\$ 3,786,833</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. ALLOWANCE FOR CREDIT LOSSES (Continued)

	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	<u>\$ 451,855</u>	<u>\$ 1,391,519</u>	<u>\$ 59,147</u>	<u>\$ 1,372,858</u>	<u>\$ 159,165</u>	<u>\$ -</u>	<u>\$ 3,434,544</u>

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.

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

Credit Quality Information

The following tables represent credit exposures by internally assigned grades for the years ended December 31, 2025 and 2024, 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.

	2025				
	Nonaccrual with No ACL	Nonaccrual with ACL	Total Nonaccrual	Loans Past Due Over 90 Days Still Accruing	Total Nonperforming
Commercial Loans	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial Real Estate	-	770,301	770,301	-	770,301
Consumer	-	15,120	15,120	-	15,120
Residential	229,168	-	229,168	-	229,168
Home Equity Lines of Credit	105,696	-	105,696	-	105,696
	<u>\$ 334,864</u>	<u>\$ 785,421</u>	<u>\$ 1,120,285</u>	<u>\$ -</u>	<u>\$ 1,120,285</u>

	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
	<u>\$ 1,459,871</u>	<u>\$ 15,120</u>	<u>\$ 1,474,991</u>	<u>\$ 138,917</u>	<u>\$ 1,613,908</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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, 2025 is as follows:

	Term Loans Amortized Costs Basis by Origination Year						Revolving Loans Amortized Cost Basis	Total
	2025	2024	2023	2022	2021	Prior		
December 31, 2025								
Commercial loans:								
Risk rating								
Pass	\$ 7,866,153	\$ 7,043,386	\$ 7,104,314	\$ 6,484,518	\$ 1,979,620	\$ 2,004,932	\$ 6,288,485	\$ 38,771,408
Special mention	-	-	44,484	-	-	-	110,100	154,584
Substandard	-	-	253,464	-	317,877	-	250,000	821,341
Doubtful	-	-	-	-	-	-	-	-
Total	<u>\$ 7,866,153</u>	<u>\$ 7,043,386</u>	<u>\$ 7,402,262</u>	<u>\$ 6,484,518</u>	<u>\$ 2,297,497</u>	<u>\$ 2,004,932</u>	<u>\$ 6,648,585</u>	<u>\$ 39,747,333</u>
Commercial loans:								
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial real estate loans:								
Risk rating								
Pass	\$ 22,242,153	\$ 22,570,753	\$ 16,380,190	\$ 22,888,853	\$ 18,524,703	\$ 50,029,623	\$ 8,407,779	\$ 161,044,054
Special mention	2,734,072	-	129,830	1,786,265	-	932,486	167,005	5,749,658
Substandard	-	-	257,576	346,711	321,133	2,016,617	30,000	2,972,037
Doubtful	-	-	-	-	-	-	-	-
Total	<u>\$ 24,976,225</u>	<u>\$ 22,570,753</u>	<u>\$ 16,767,596</u>	<u>\$ 25,021,829</u>	<u>\$ 18,845,836</u>	<u>\$ 52,978,726</u>	<u>\$ 8,604,784</u>	<u>\$ 169,765,749</u>
Commercial real estate loans:								
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Consumer loans:								
Risk rating								
Pass	\$ 1,187,821	\$ 1,317,688	\$ 1,391,223	\$ 984,768	\$ 272,536	\$ 1,729,098	\$ -	\$ 6,883,134
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total	<u>\$ 1,187,821</u>	<u>\$ 1,317,688</u>	<u>\$ 1,391,223</u>	<u>\$ 984,768</u>	<u>\$ 272,536</u>	<u>\$ 1,729,098</u>	<u>\$ -</u>	<u>\$ 6,883,134</u>
Consumer loans:								
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Residential loans:								
Risk rating								
Pass	\$ 20,489,256	\$ 11,396,154	\$ 19,207,859	\$ 26,437,449	\$ 34,911,085	\$ 30,853,959	\$ -	\$ 143,295,762
Special mention	-	-	-	228,419	-	-	-	228,419
Substandard	-	46,546	-	-	-	249,629	-	296,175
Doubtful	-	-	-	-	-	-	-	-
Total	<u>\$ 20,489,256</u>	<u>\$ 11,442,700</u>	<u>\$ 19,207,859</u>	<u>\$ 26,665,868</u>	<u>\$ 34,911,085</u>	<u>\$ 31,103,588</u>	<u>\$ -</u>	<u>\$ 143,820,356</u>
Residential loans:								
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Home equity lines of credit:								
Risk rating								
Pass	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,049,838	\$ 36,049,838
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	38,690	38,690
Doubtful	-	-	-	-	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,088,528</u>	<u>\$ 36,088,528</u>
Home equity lines of credit:								
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total:								
Risk rating								
Pass	\$ 51,785,383	\$ 42,327,981	\$ 44,083,586	\$ 56,795,588	\$ 55,687,944	\$ 84,617,612	\$ 50,746,102	\$ 386,044,196
Special mention	2,734,072	-	174,314	2,014,684	-	932,486	277,105	6,132,661
Substandard	-	46,546	511,040	346,711	639,010	2,266,246	318,690	4,128,243
Doubtful	-	-	-	-	-	-	-	-
Total	<u>\$ 54,519,455</u>	<u>\$ 42,374,527</u>	<u>\$ 44,768,940</u>	<u>\$ 59,156,983</u>	<u>\$ 56,326,954</u>	<u>\$ 87,816,344</u>	<u>\$ 51,341,897</u>	<u>\$ 396,305,100</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. ALLOWANCE FOR CREDIT LOSSES (Continued)

Risk Categoric of Loans (Continued)

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

December 31, 2024	Term Loans Amortized Costs Basis by Origination Year						Revolving Loans Amortized Cost Basis	Total
	2024	2023	2022	2021	2020	Prior		
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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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:

	2025			
	Consumer	Residential	Home Equity Lines of Credit	Total
Performing	\$ 6,868,014	\$ 143,591,188	\$ 36,049,838	\$ 186,509,040
Nonperforming	15,120	229,168	38,690	282,978
Total	<u>\$ 6,883,134</u>	<u>\$ 143,820,356</u>	<u>\$ 36,088,528</u>	<u>\$ 186,792,018</u>

	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	<u>\$ 7,635,714</u>	<u>\$ 134,410,959</u>	<u>\$ 29,536,958</u>	<u>\$ 171,583,631</u>

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:

	2025					
	30-59 Days Past Due	60-89 Days Past Due	90 Days Or Greater Past Due	Total Past Due	Current	Total Loans
Commercial loans	\$ -	\$ -	\$ -	\$ -	\$ 39,747,333	\$ 39,747,333
Commercial real estate loans	424,559	-	770,301	1,194,860	168,570,889	169,765,749
Consumer loans	7,781	-	15,120	22,901	6,860,233	6,883,134
Residential loans	2,310,380	952,909	95,465	3,358,754	140,461,602	143,820,356
Home equity lines of credit	34,660	-	38,690	73,350	36,015,178	36,088,528
Total	<u>\$ 2,777,380</u>	<u>\$ 952,909</u>	<u>\$ 919,576</u>	<u>\$ 4,649,865</u>	<u>\$ 391,655,235</u>	<u>\$ 396,305,100</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. ALLOWANCE FOR CREDIT LOSSES (Continued)

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

	2024					
	30-59 Days	60-89 Days	90 Days	Total Past	Current	Total
	Past Due	Past Due	Or Greater Past Due			
Commercial loans	\$ -	\$ -	\$ 28,690	\$ 28,690	\$ 40,072,374	\$ 40,101,064
Commercial real estate loans	583,623	-	1,253,957	1,837,580	156,800,576	158,638,156
Consumer loans	2,194	33,761	57,500	93,455	7,542,259	7,635,714
Residential loans	619,322	172,088	200,210	991,620	133,419,339	134,410,959
Home equity lines of credit	266,131	38,990	-	305,121	29,231,837	29,536,958
Total	<u>\$ 1,471,270</u>	<u>\$ 244,839</u>	<u>\$1,540,357</u>	<u>\$ 3,256,466</u>	<u>\$ 367,066,385</u>	<u>\$ 370,322,851</u>

Collateral-Dependent Loans

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

	2025		
	Real	Business	Total
	Estate	Assets	
Commercial Real Estate	\$ 770,301	\$ -	\$ 770,301
Consumer	15,120	-	15,120
	<u>\$ 785,421</u>	<u>\$ -</u>	<u>\$ 785,421</u>

	2024		
	Real	Business	Total
	Estate	Assets	
Commercial Real Estate	\$ 1,253,957	\$ -	\$ 1,253,957
Consumer	15,120	-	15,120
	<u>\$ 1,269,077</u>	<u>\$ -</u>	<u>\$ 1,269,077</u>

As of December 31, 2025 and 2024, 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, 2025 and 2024.

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, 2025 and 2024.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. PREMISES AND EQUIPMENT

Major classifications of premises and equipment are summarized as follows:

	<u>2025</u>	<u>2024</u>
Land and land improvements	\$ 2,026,056	\$ 2,026,056
Building and leasehold improvements	6,809,194	6,782,594
Furniture, fixtures, and equipment	<u>2,936,290</u>	<u>2,876,441</u>
	11,771,540	11,685,091
Less accumulated depreciation	<u>(4,955,827)</u>	<u>(4,673,107)</u>
Total	<u>\$ 6,815,713</u>	<u>\$ 7,011,984</u>

Depreciation charged to operations was \$282,720 in 2025 and \$290,128 in 2024.

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.

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 \$6,551 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, 2025, are as follows:

2026	\$ 7,608
2027	-
2028	-
2029	-
2030	-
Thereafter	-
Total	<u>\$ 7,608</u>
Less imputed interest	<u>1,057</u>
Net lease liabilities	<u><u>\$ 6,551</u></u>

7. DEPOSITS

Time deposits as of December 31, 2025, mature \$140,002,947, \$9,515,419, \$3,830,545, \$773,808, \$246,663, and \$118,311 during 2026, 2027, 2028, 2029, 2030 and thereafter respectively.

The aggregate amount of time deposit accounts that meet or exceed the FDIC insurance limit of \$250,000 totaled \$24,764,080 and \$24,748,291 at December 31, 2025 and 2024, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. DEPOSITS (Continued)

Included in certificates of deposit at December 31, 2025 and 2024, were \$9,704,834 and \$10,190,796, 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 \$3,091,518 and \$1,938,505 as of December 31, 2025 and 2024, respectively.

8. FHLB ADVANCES

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

Description	Maturity range		Weighted- average interest rate	At December 31,	
	from	to		2025	2024
Mortgage match - amortizing	02/01/25	02/01/30	2.01 %	\$ 898,662	\$ 1,546,638
Mortgage match - non-amortizing	01/22/25	01/31/25	1.76	-	2,000,000
Cash mgmt. advance - non-amortizing	11/20/25	02/18/26	3.89	4,000,000	3,000,000
Total			3.55 %	\$ 4,898,662	\$ 6,546,638

At December 31, 2025, the Bank had a cash management line of credit enabling it to borrow up to \$25.0 million from the Federal Home Loan Bank of Cincinnati (“FHLB”). The line of credit must be renewed on an annual basis. There was \$4.0 million and \$3.0 million outstanding from the line of credit as of December 31, 2025 and 2024, respectively. The average balance on the line of credit was \$3,194,521 for 2025 and the average rate paid during 2025 was 4.46%. The Company also has a Repo Based Advance line of credit for \$15.0 million which is approved annually and no amounts were outstanding during 2025. In addition, the Company has an irrevocable letter of credit with the FHLB for \$15.0 million to be used solely for the collateralization of Public Unit Deposits.

The Bank has a remaining borrowing capacity of \$95.3 million as of December 31, 2025.

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 \$766,700 and \$677,400 as of December 31, 2025 and 2024, respectively, is pledged to secure these advances. Maturities over the next five years and thereafter, excluding balances on short-term lines of credit, were as follows:

Year Ending December 31,	Amount	Weighted- Average Rate
2026	442,510	1.99 %
2027	296,797	2.10
2028	91,568	1.92
2029	64,268	1.80
2030	3,519	1.76
Thereafter	-	0.15
Total	\$ 898,662	2.01 %

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. FHLB ADVANCES (Continued)

payments are due on the mortgage match fixed rate non-amortizing borrowings and principal payments are paid in total at maturity.

The Company maintains a \$1,000,000 unsecured line of credit with another financial institution. No amounts were outstanding under this line of credit at December 31, 2025 and 2024.

The Bank has a \$5,000,000 unsecured federal funds line of credit with United Bankers Bank. There was \$28,000 in federal funds purchased outstanding as of December 31, 2025 and no federal funds purchased outstanding at December 31, 2024.

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 6.97 percent and 7.74 percent at December 31, 2025 and 2024, respectively.

10. INCOME TAXES

The provision for federal income taxes consists of:

	<u>2025</u>	<u>2024</u>
Current payable	\$ 1,042,681	\$ 759,883
Deferred	<u>19,275</u>	<u>(94,841)</u>
Total provision	<u>\$ 1,061,956</u>	<u>\$ 665,042</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. INCOME TAXES (Continued)

No valuation allowance was established at December 31, 2025 and 2024, 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:

	<u>2025</u>		<u>2024</u>
Deferred tax assets			
Allowance for credit losses	\$ 608,147	\$	536,281
Accrued expenses and employee benefits	845,598		908,485
Unrealized loss on available-for-sale securities	1,541,930		2,373,225
Deferred loan fees	94,010		89,971
Stock-based compensation	592		12,199
Deferred tax assets	<u>3,090,277</u>		<u>3,920,161</u>
Deferred tax liabilities:			
Depreciation	77,192		66,270
Federal Home Loan Bank stock dividends	1,700		4,805
Prepaid expenses	47,203		38,865
Debt security accretion	58,629		54,098
Deferred tax liabilities	<u>184,724</u>		<u>164,038</u>
Net deferred tax assets	\$ <u>2,905,553</u>	\$	\$ <u>3,756,123</u>

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

	<u>2025</u>		<u>2024</u>	
	<u>Amount</u>	% of Pretax Income	<u>Amount</u>	% of Pretax Income
Provision at statutory rate	\$ 1,196,950	21.0 %	\$ 829,292	21.0 %
Tax-exempt interest	(93,521)	(1.6)	(102,337)	(2.6)
Earnings on bank-owned life insurance	(82,656)	(1.5)	(80,432)	(2.0)
Other	41,183	0.7	18,519	0.5
Actual tax expense and effective rate	\$ <u>1,061,956</u>	<u>18.6 %</u>	\$ <u>665,042</u>	<u>16.9 %</u>

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. INCOME TAXES (Continued)

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 2022.

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 \$275,843 and \$292,020 for the years ended December 31, 2025 and 2024, 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 as of December 31, 2025 and 2024, was \$1,698,079 and \$2,152,368, respectively. The expense related to the plan was \$105,732 and \$141,320 for 2025 and 2024, respectively. There was \$217,852 in distributions to participants in 2025 and 2024, 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 as of December 31, 2025 and 2024, was \$2,328,577 and \$2,173,753, respectively. The expense related to the plan was \$217,195 and \$201,074 for 2025 and 2024, respectively.

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. There were no outstanding stock options as of December 31, 2025 and 2024.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. EMPLOYEE BENEFITS (Continued)

Restricted Stock Awards

The following table details the vesting, awarding and forfeiting of unearned restricted stock during 2025:

	Shares	Weighted- Average Exercise Price
Outstanding, beginning of year	570	\$ 118.15
Granted	250	135.20
Forfeited	-	-
Vested	(570)	118.15
Outstanding, end of year	<u>250</u>	<u>\$ 135.20</u>

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.

The Company's exposure to credit loss from nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual amount of these instruments. Financial instruments, whose contract amounts represent credit risk as of December 31, 2025 and 2024, are as follows:

	<u>2025</u>	<u>2024</u>
Commitments to extend credit	\$ 87,773,490	\$ 91,039,734
Standby letters of credit	<u>65,000</u>	<u>50,000</u>
Total	<u>\$ 87,838,490</u>	<u>\$ 91,089,734</u>

Commitments to make loans are generally made for periods of 60 days or less.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. REGULATORY RESTRICTIONS (Continued)

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 2025 is \$7,057,465 plus 2026 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, 2025, 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 2025 and 2024, 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
2025						
Total Capital (to risk-weighted assets):						
Consolidated	\$ 60,694,844	15.18 %	\$ 31,987,834	8.00 %	\$ 39,984,792	10.00
Portage Community Bank	62,757,824	15.70	31,979,040	8.00	39,973,800	10.00
Tier 1 (Core) Capital (to risk-weighted assets):						
Consolidated	\$ 56,758,900	14.20 %	\$ 23,990,875	6.00 %	\$ 31,987,834	8.00
Portage Community Bank	58,821,880	14.72	23,984,280	6.00	31,979,040	8.00
Common Equity Tier 1 (CET1) Capital (to risk-weighted assets):						
Consolidated	\$ 56,758,900	14.20 %	\$ 17,993,156	4.50 %	\$ 25,990,115	6.50
Portage Community Bank	58,821,880	14.72	17,988,210	4.50	25,982,970	6.50
Tier 1 (Core) Capital (to average assets):						
Consolidated	\$ 56,758,900	10.68 %	\$ 21,262,663	4.00 %	\$ 26,578,328	5.00
Portage Community Bank	58,821,880	10.92	21,536,840	4.00	26,921,050	5.00

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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
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

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 as of December 31:

	2025			
	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	\$ 7,046,680	\$ 7,046,680	\$ -	\$ -
U.S. government sponsored entities and agencies	10,173,822	-	10,173,822	-
Obligations of states and political subdivisions	28,336,774	-	28,336,774	-
Corporate bonds	2,952,411	-	2,952,411	-
Mortgage-backed securities: residential	28,525,602	-	28,525,602	-
Mortgage-backed securities: commercial	1,355,260	-	1,355,260	-
Collateralized mortgage obligations	23,179,750	-	23,179,750	-
Total	\$ 101,570,299	\$ 7,046,680	\$ 94,523,619	\$ -

	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	\$ 17,887,656	\$ 87,926,729	\$ -

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 as of December 31:

		2025			
		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 loans	\$	712,322	\$ -	\$ -	\$ 712,322

		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 loans	\$	1,268,335	\$ -	\$ -	\$ 1,268,335

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:

		2025			
		Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Averages)
Individually evaluated loans (collateral-dependent)	\$	712,322	Appraisal of collateral (1)	Appraisal adjustments (2)	0% - 20.0% (20.0%)

		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%)

(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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. ACCUMULATED OTHER COMPREHENSIVE LOSS

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

	Net Unrealized Gains (Losses) Investment Securities (a)	
	<u>2025</u>	<u>2024</u>
Accumulated other comprehensive loss, January 1	\$ <u>(8,927,846)</u>	\$ <u>(9,680,330)</u>
Other comprehensive income before reclassification, net of tax	2,898,984	752,484
Amount reclassified from accumulated other comprehensive loss	<u>228,283</u>	<u>-</u>
Total other comprehensive income	<u>3,127,267</u>	<u>752,484</u>
Accumulated other comprehensive loss, December 31	\$ <u><u>(5,800,579)</u></u>	\$ <u><u>(8,927,846)</u></u>

(a) Amounts in parenthesis indicate debits to net income

The following table presents the significant amounts reclassified out of each component of accumulated other comprehensive loss for the years ended December 31, 2025:

Details About Accumulated Other Comprehensive Income (Loss) Components	Amount Reclassified From Accumulated Other Comprehensive Income (Loss) (a)	Affected Line Item on the Consolidated Statement of Income
Unrealized losses on debt securities available for sale	\$ (288,966)	Losses on sales of debt securities available for sale
Tax effect	<u>60,683</u>	Income taxes
	\$ <u><u>(228,283)</u></u>	

(a) Amounts in parenthesis indicate debits

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

17. 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. SEGMENT REPORTING (Continued)

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.

18. SUBSEQUENT EVENTS

The Company assessed events occurring subsequent to December 31, 2025, through April 2, 2026, 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 April 2, 2026.

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Margaret F. Medzie, *President*

Thomas S. Siciliano, *Treasurer*

Timothy E. Crock, *Secretary*

PORTAGE COMMUNITY BANK – Directors

Timothy E. Crock, *Chairman of the Board*

Constance M. Bennett, *Director*

Paul Huchok, *Director*

Kevin T. Lewis, *Director*

Dr. Aaron A. Moats, *Director*

Richard J. Coe, *Director Emeritus*

Richard L. Leonard, *Director Emeritus*

Paul Huchok, *Vice Chairman of the Board*

Ann H. Durr, *Director*

Lee L. Jenior, *Director*

Margaret F. Medzie, *Director*

James V. Hauch, *Director*

James V. Damicone, *Director Emeritus*

Dr. Emilio D. Ferrara, *Posthumus Director Emeritus*

PORTAGE COMMUNITY BANK – Officers

Constance M. Bennett

Chief Executive Officer

C. Joseph Assid

Executive Vice President, Chief Financial Officer

Lisa R. Ohler

Senior Vice President, Chief Lending Officer

Jodi DeStefanis

Vice President, Human Resources Officer

Timothy Naftzger

Vice President, Commercial Lender

Ina M. Sayre

Vice President, Ravenna Bank Managing Officer

Aaron M. White

Vice President, Cuyahoga Falls Bank Managing Officer

Joy A. Pahls

Assistant Vice President, Kent Managing Officer

Charles W. Bevan

Information Technology Officer

Pamela M. England

Marketing and Public Relations Officer

Angela F. Kozma

Rootstown Managing Officer

Ann H. Durr

President

Robert S. Standardi

Executive Vice President, Chief Operating Officer

James M. Williams

Senior Vice President, Chief Credit Officer

Sara K. McCarty

Vice President, Commercial Lender

Marissa Platt

Vice President, Mortgage Underwriting Manager

Valarie M. Stephenson

Vice President, Operations Officer

Paul T. Leidy

Assistant Vice President, IT Manager, Information Security Officer

Jessica M. Bejger

Loan Servicing Officer

Julee M. Brockman

Universal Lending Officer

Jodi M. Illner

Executive Administrative Officer

Donald D. Herman

Posthumous Executive Vice President, Chief Financial Officer

Eric T. Decker

Posthumous Senior Vice President, Chief Lending Officer

DIVISIONAL RESPONSIBILITIES

Adam B. Rubin

Senior Vice President, Mortgage Lending Manager

Dennis P. Juvan

Registered Representative, Portage Community Financial Services

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