PCB *proud*

Let me take a moment to share what I have witnessed of Portage Community Bank employees during the unprecedented times due to COVID-19:

COMMITMENT
to take care of our customers needs,

LOYALTY
to both the customer and your co-workers,

TEAMWORK
and a sense of unity and high morale.

And even with all the challenges of employees working from their homes, staggered schedules and social distancing guidelines, we continue to maintain our spirit of Neighbors Serving Neighbors.

I could not be PROUDER of our PCB Team!

A message from CEO, Rick Coe to the PCB Team

PBI

PORTAGE BANCSHARES, INC.™

2020 ANNUAL REPORT

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PORTAGE BANCSHARES, INC.
CONSOLIDATED AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2020

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PORTAGE BANCSHARES, INC.

To Our Fellow Shareholders,

On behalf of the Board of Directors and Management, I am pleased to share the financial results and successful performance of Portage Bancshares, Inc. (the "Company"), parent company of Portage Community Bank (the "Bank"), for the year ended December 31, 2020.

Despite encountering an economy that was significantly impacted by the effects of the global COVID-19 pandemic, we experienced a tremendous year as far as lending initiatives and expanded deposit growth. We were able to successfully open our third banking office located at 140 Portage Trail, Cuyahoga Falls as well as complete the acquisition of the former Chemical Bank branch office land and building located at 4183 Tallmadge Road, Rootstown, which will operate as our fourth banking office with an anticipated opening date projected for the 2nd quarter of 2021. Our Company's strategic actions resulted in significant asset growth in 2020 as we eclipsed the $450 million threshold in total assets as of the year ended December 31, 2020. Our operating results reflect the continued progression and strategic execution by our Company during the unprecedented pandemic.

Our staff's exceptional capabilities and expeditious service during this pandemic revealed our Company's ability to cultivate new profitable business and effectively grow the organization in a prudent manner, but with a methodical and persistent process. Our participation and our business lending staff's superior execution of the Small Business Association's Payroll Protection Program ("PPP") initiative resulted in processing over 330 PPP loans and providing in excess of $27 million in funding to help support our small business customers' payroll and other related expenses. With the historically low interest rate environment in place, we experienced tremendous growth with our residential secondary market loan activity during the year. Total annual residential secondary market loan originations totaled $55.7 million in 2020 as compared to $35.7 million in 2019. The communities we serve throughout our footprint continue to grow and expand and we have been well positioned to meet the needs of our customers. A lot has changed since we opened the doors of the Bank in 1998; however, our commitment to the communities we serve has never been greater.

Continued strong performance enabled our Board of Directors to increase the cash dividend to $1.10 per share in 2020 from $1.05 per share in 2019 – a 4.76% increase year-over-year. This represented the thirteenth consecutive year that the Company has declared a dividend since introducing a formal dividend practice. We are extremely proud of our sustained financial success and growth. Our continued emphasis on our vision of "Neighbors Serving Neighbors," along with local ownership, local management, and, most importantly, local decisions have contributed to our positive operating results, which includes record total loan balances, the maintaining of a sound credit quality position, record deposit balances comprised of a stable core deposit base, and a continuing strong capital position.

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 growth initiatives, we are well positioned to continue to meet the high standards we have set and to exceed your expectations. Most of all, thank you to our customers and shareholders for your continued support and having the confidence in us to continually make our "Company" successful.

Sincerely,

Richard J. Coe

Richard J. Coe
Chief Executive Officer

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders
Portage Bancshares, Inc.
Ravenna, Ohio

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Portage Bancshares, Inc. and its subsidiary which comprise the consolidated balance sheet as of December 31, 2020 and 2019, and the related consolidated statements of income, comprehensive income, changes in stockholder's equity and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Portage Bancshares, Inc. and its subsidiary as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Zeno, Pockl, Lilly and Copeland, A.C.

Wheeling, WV
March 24, 2021

980 National Road • Wheeling, WV 26003 • p. 304-233-5030 • f. 304-233-3062
511 North 4th Street, Steubenville, OH 43952
zplcaccounting.com

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PORTAGE BANCSHARES, INC.
CONSOLIDATED BALANCE SHEET

	December 31, 2020	December 31, 2019
ASSETS		
Cash and due from banks	$ 77,481,788	$ 9,925,513
Interest-bearing deposits in other financial institutions	994,983	1,243,149
Federal funds sold	205,000	206,000
Cash and cash equivalents	78,681,771	11,374,662
Investment securities available for sale	76,308,500	62,355,690
Loans held for sale	3,390,817	1,497,941
Loans	276,724,939	265,710,733
Less allowance for loan losses	3,022,749	2,938,484
Net loans	273,702,190	262,772,249
Regulatory stock	1,475,050	1,447,250
Premises and equipment, net	7,658,996	6,733,277
Bank-owned life insurance	10,587,459	8,395,849
Accrued interest receivable	1,621,105	999,039
Other assets	1,146,551	1,309,906
TOTAL ASSETS	$ 454,572,439	$ 356,885,863
LIABILITIES		
Deposits:		
Non-interest-bearing	$ 78,777,670	$ 54,778,227
Interest-bearing demand	52,474,600	43,304,107
Savings	133,758,445	91,470,719
Time	116,182,874	101,808,183
Total deposits	381,193,589	291,361,236
Federal Home Loan Bank advances	20,503,574	15,954,408
Subordinated debentures	2,450,000	2,450,000
Accrued interest payable and other liabilities	4,781,767	4,676,743
TOTAL LIABILITIES	408,928,930	314,442,387
STOCKHOLDERS' EQUITY		
Common stock, no par value; 800,000 shares authorized, (Issued 556,145 and Outstanding 511,333 as of 12/31/20) (Issued 551,970 and Outstanding 510,074 as of 12/31/19)	21,827,780	21,523,912
Retained earnings	26,407,756	24,084,232
Accumulated other comprehensive income	1,572,948	686,389
Treasury stock, at cost (44,812 shares as of 12/31/20, and 41,896 shares as of 12/31/19)	(4,164,975)	(3,851,057)
TOTAL STOCKHOLDERS' EQUITY	45,643,509	42,443,476
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 454,572,439	$ 356,885,863

See accompanying notes to consolidated financial statements.

PORTAGE BANCSHARES, INC.
CONSOLIDATED STATEMENT OF INCOME

	Year Ended December 31, 2020	2019
INTEREST AND DIVIDEND INCOME		
Interest and fees on loans	$ 12,992,524	$ 12,535,100
Federal funds sold and other interest income	78,021	230,898
Investment securities:		
Taxable	844,807	863,402
Exempt from federal income tax	578,395	637,741
Other dividend income	46,430	71,730
Total interest and dividend income	14,540,177	14,338,871
INTEREST EXPENSE		
Deposits	2,387,807	2,751,306
Federal Home Loan Bank advances	351,190	328,444
Subordinated debentures	99,496	137,630
Total interest expense	2,838,493	3,217,380
NET INTEREST INCOME	11,701,684	11,121,491
Provision for loan losses	100,000	-
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	11,601,684	11,121,491
NONINTEREST INCOME		
Service charges on deposit accounts	111,670	131,791
Net gains (losses) on sales of investment securities	2,735	2,870
Secondary market fees	1,374,233	898,012
Earnings on bank-owned life insurance	191,610	186,788
Investment banking fees and commissions	322,102	266,687
Other income	378,716	318,626
Total noninterest income	2,381,066	1,804,774
NONINTEREST EXPENSE		
Salaries and employee benefits	6,113,972	5,592,170
Net occupancy and equipment expenses	700,709	574,303
Data processing	475,644	437,616
Professional fees	203,741	227,025
Marketing and business development	320,404	270,944
Financial institutions tax	336,695	335,000
Federal deposit insurance	81,426	45,555
Net losses from other real estate owned	22,455	9,421
Other expense	2,270,654	2,044,212
Total noninterest expense	10,525,700	9,536,246
Income before income taxes	3,457,050	3,390,019
Income taxes	571,895	532,556
NET INCOME	$ 2,885,155	$ 2,857,463
EARNINGS PER SHARE		
Basic	$ 5.66	$ 5.61
Diluted	5.64	5.58

See accompanying notes to consolidated financial statements.

PORTAGE BANCSHARES, INC.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year Ended December 31, 2020	2019
Net income	$ 2,885,155	$ 2,857,463
Other comprehensive income (loss):		
Unrealized holding gain (loss) arising during the period	1,124,962	1,764,660
Tax effect	(236,242)	(370,579)
Reclassification of investment securities (gains) losses recognized in net income	(2,735)	(2,870)
Tax effect	574	603
Total other comprehensive (loss) income	886,559	1,391,814
Comprehensive income	$ 3,771,714	$ 4,249,277

See accompanying notes to consolidated financial statements.

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

	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
Balance, December 31, 2018	$ 21,415,643	$ 21,764,114	$ (705,425)	$ (3,487,227)	$ 38,987,105
Purchase of 6,320 shares of treasury stock				(651,300)	(651,300)
Forfeiture of 100 shares of common stock awards	(9,660)				(9,660)
Exercise of 100 shares of stock options	7,700				7,700
Issuance of 3,836 shares of common stock for subscription and share purchase agreement	110,229			287,470	397,699
Cash dividends paid ($1.05 per share)		(537,345)			(537,345)
Net income		2,857,463			2,857,463
Other comprehensive income			1,391,814		1,391,814
Balance, December 31, 2019	21,523,912	24,084,232	686,389	(3,851,057)	42,443,476
Purchase of 2,916 shares of treasury stock				(313,918)	(313,918)
Exercise of 4,175 shares of stock options	293,625				293,625
Tax benefits from exercise of stock options	10,243				10,243
Cash dividends paid ($1.10 per share)		(561,631)			(561,631)
Net income		2,885,155			2,885,155
Other comprehensive income			886,559		886,559
Balance, December 31, 2020	$ 21,827,780	$ 26,407,756	$ 1,572,948	$ (4,164,975)	$ 45,643,509

See accompanying notes to consolidated financial statements.

PORTAGE BANCSHARES, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 31, 2020	2019
OPERATING ACTIVITIES		
Net income	$ 2,885,155	$ 2,857,463
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	100,000	-
Depreciation of premises and equipment	278,156	191,723
Net amortization of investment securities	539,837	518,538
Net realized (gain) loss on sales of investment securities	(2,735)	(2,870)
Secondary market income	(1,374,233)	(898,012)
Originations of loans held for sale	(55,673,979)	(35,660,298)
Proceeds from sale of loans held for sale	53,781,103	35,068,745
Net realized loss on sales of other real estate owned	22,455	9,421
Earnings on bank-owned life insurance	(191,610)	(186,788)
Deferred income taxes	(143,307)	(75,596)
Net amortization of deferred loan fees	663,925	9,224
Tax benefit from exercise of stock options	(10,243)	-
Net change in:		
Accrued interest receivable and other assets	(550,829)	(72,823)
Accrued interest payable and other liabilities	105,024	343,918
Net cash provided by operating activities	428,719	2,102,645
INVESTING ACTIVITIES		
Available for sale Investment securities:		
Proceeds from sales	507,263	3,542,645
Proceeds from maturities, prepayments, and calls	27,201,580	12,627,362
Purchases	(41,076,528)	(11,136,094)
Purchase of Federal Home Loan Bank stock	(27,800)	(143,400)
Loan originations and payments, net	(10,364,633)	(19,401,123)
Additions to premises and equipment	(1,203,875)	(1,378,212)
Purchase of company owned life insurance	(2,000,000)	-
Proceeds from sale of other real estate owned	32,545	98,799
Net cash used for investing activities	(26,931,448)	(15,790,023)
FINANCING ACTIVITIES		
Net change in deposits	89,832,353	15,026,750
Proceeds from Federal Home Loan Bank advances	6,565,000	6,500,000
Repayment of Federal Home Loan Bank advances	(2,015,834)	(7,964,615)
Purchase of treasury stock	(313,918)	(651,300)
Proceeds from the sale of treasury stock	-	397,699
Tax benefit from exercise of stock options	10,243	-
Proceeds from exercise of stock options	293,625	7,700
Cash dividends paid	(561,631)	(537,345)
Net cash provided by financing activities	93,809,838	12,778,889
Increase (decrease) in cash and cash equivalents	67,307,109	(908,489)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	11,374,662	12,283,151
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 78,681,771	$ 11,374,662

See accompanying notes to consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Nature of Operations and Basis of Presentation

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

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

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

Investment Securities

Currently, the Company's investment securities portfolio is classified as available for sale. The portfolio serves principally as a source of liquidity and is carried at fair value with unrealized holding gains and losses for available for sale securities reported in other comprehensive income, net of tax, until realized. Debt securities acquired with the intent to hold to maturity would be classified as held to maturity and carried at cost adjusted for amortization of premium and accretion of discount, which are computed using the interest method and recognized as adjustments of interest income. Realized security gains and losses are computed using the specific identification method. Interest and dividends on investment securities are recognized as income when earned.

Securities are periodically reviewed for other-than-temporary impairment based upon a number of factors, including, but not limited to, the length of time and extent to which the market value has been less than cost, the financial condition of the underlying issuer, the ability of the issuer to meet contractual obligations, the likelihood of the security's ability to recover any decline in its market value, and whether or not the Company intends to sell the security or whether it's more likely than not that the Company would be required to sell the security before its anticipated recovery in market value. A decline in value that is considered to be other than temporary is recorded as a loss within noninterest income in the Consolidated Statement of Income.

Common stock of the Federal Home Loan Bank ("FHLB") and Federal Reserve Bank represents ownership in institutions which are wholly owned by other financial institutions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Securities (Continued)

The Bank is a member of the FHLB of Cincinnati and, as such, is required to maintain a minimum investment in stock of the FHLB that varies with the level of advances outstanding with the FHLB. The stock is bought from and sold to the FHLB based upon its $100 par value. The stock does not have a readily determinable fair value and, as such, is classified as restricted stock, carried at cost and evaluated by management. The stock's value is determined by the ultimate recoverability of the par value rather than by recognizing temporary declines. The determination of whether the par value will ultimately be recovered is influenced by criteria such as the following: (a) the significance of the decline in net assets of the FHLB as compared with the capital stock amount and the length of time this situation has persisted, (b) commitments by the FHLB to make payments required by law or regulation and the level of such payments in relation to the operating performance, (c) the impact of legislative and regulatory changes on the customer base of the FHLB, and (d) the liquidity position of the FHLB.

Management evaluated the stock and concluded that the stock was not impaired for the periods presented herein. Management considered that the FHLB maintains regulatory capital ratios in excess of all regulatory capital requirements; liquidity appears adequate, new shares of FHLB stock continue to change hands at $100 par value, and the resumption of dividends.

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 $3,390,817 and $1,497,941 at December 31, 2020 and 2019, 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 loan losses.

Interest income is accrued on the interest method based upon the unpaid principal balance and includes amortization of net deferred loan fees and costs over the loan term. 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. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably ensured.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the collectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Loan Losses (Continued)

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective, since it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of specific and general components. The specific component is related to impaired loans, which are commercial and commercial real estate loans for which it is probable that the Company will not be able to collect all amounts due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment 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 classified as impaired. 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. Impairment is measured on a loan-by-loan basis for commercial and commercial mortgage loans by either the present value of expected future cash flows discounted at the loan's effective interest rate or the loan's obtainable market price or the fair value of the collateral if the loan is collateral-dependent. The Company individually evaluates such loans for impairment and does not aggregate loans by major risk classifications. The general component covers non-classified loans and is based on historical loss experience adjusted for qualitative factors. A component is maintained to cover uncertainties that could affect management's estimate of probable losses. This component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

Large groups of smaller-balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Company does not separately identify individual consumer and residential mortgage loans for impairment disclosures, unless such loans are the subject of a restructuring agreement.

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 loan 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.

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

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

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

During the year ended December 31, 2020 and 2019, the Company recorded $3,307 and $3,307 in compensation expenses on the Company's Consolidated Statement of Income. There was $1,929 and $5,236 of unrecognized compensation cost related to unvested share-based compensation awards granted as of December 31, 2020 and 2019, respectively. That remaining cost is expected to be recognized over the next year.

The cash flows from the tax benefits resulting from tax deductions in excess of the compensation cost recognized for stock-based awards (excess tax benefits) are classified as financing cash flows. The Company recognized $10,243 of excess tax benefits included as a financing cash inflow for the year ended December 31, 2020, in the Consolidated Statement of Cash Flows. The Company did not recognize any excess tax benefits for the year ended December 31, 2019, in the Statement of Cash Flows.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 509,621 and 509,082 for December 31, 2020 and 2019, respectively. Diluted weighted-average common shares outstanding totaled 511,607 and 512,152 for December 31, 2020 and 2019, respectively. The diluted weighted-average common shares outstanding are solely the result of stock options.

Comprehensive Income

The Company is required to present comprehensive (loss) income and its components in a full set of general-purpose financial statements for all periods presented. Other comprehensive (loss) income comprises unrealized holding gains (losses) 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 2020 and 2019 were $2,980,207 and $3,132,806, respectively. Income tax payments totaled $630,000 in 2020 and $1,150,000 in 2019. The Company transferred $45,000 and $17,280 of loans from the portfolio to other real estate owned in 2020 and 2019, respectively. Fair value adjustments for securities available for sale in 2020 and 2019 were $1,122,227 and 1,761,791, respectively.

Transfers of Financial Assets

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

Reclassification

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

2. INVESTMENT SECURITIES AVAILABLE FOR SALE

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

	2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government sponsored entities and agencies	$ 9,502,300	$ 129,263	$ (3,529)	$ 9,628,034
Obligations of states and political subdivisions	30,125,315	1,238,426	(22,594)	31,341,147
Mortgage-backed securities: residential	28,322,831	546,822	(12,469)	28,857,184
Mortgage-backed securities: commercial	5,153,014	124,423	(12,151)	5,265,286
Colateralized mortgage obligations	1,213,966	2,883	-	1,216,849
Total	$ 74,317,426	$ 2,041,817	$ (50,743)	$ 76,308,500

	2019			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government sponsored entities and agencies	$ 15,485,007	$ 77,686	$ (17,923)	$ 15,544,770
Obligations of states and political subdivisions	23,816,438	724,579	(4)	24,541,013
Mortgage-backed securities: residential	16,232,663	139,287	(34,932)	16,337,018
Mortgage-backed securities: commercial	5,952,736	12,609	(32,456)	5,932,889
Total	$ 61,486,844	$ 954,161	$ (85,315)	$ 62,355,690

The amortized cost and fair value of investment securities at December 31, 2020, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Due within one year	$ 960,785	$ 967,466
Due after one year through five years	7,444,865	7,691,966
Due after five years through ten years	12,370,063	12,857,285
Due after ten years	18,851,901	19,452,464
Mortgage-backed securities: residential	28,322,831	28,857,184
Mortgage-backed securities: commercial	5,153,014	5,265,286
Collateralized mortgage oblgiations	1,213,966	1,216,849
Total	$ 74,317,426	$ 76,308,500

Investment securities with a carrying value of $28,447,665 and $31,104,100 at December 31, 2020 and 2019, respectively, were pledged to secure deposits and other purposes as required by law.

2. INVESTMENT SECURITIES AVAILABLE FOR SALE (Continued)

In 2020, the Company realized gross gains of $2,735 and no gross losses as a result of proceeds of $507,263 in investment securities available for sale. In 2019, the Company realized gross gains of $16,320 and gross losses of $13,450 as a result of proceeds of $3,542,645 in investment securities available for sale.

The following table shows the Company's gross unrealized losses and fair value, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position, at December 31:

2020	Less than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. government sponsored entities and agencies	$ 2,495,974	$ (3,529)	$ -	$ -	$ 2,495,974	$ (3,529)
Obligations of states and political subdivisions	3,531,814	(22,594)	-	-	3,531,814	(22,594)
Mortgage-backed securities: residential	4,134,522	(8,808)	146,659	(3,661)	4,281,181	(12,469)
Mortgage-backed securities: commercial	-	-	1,954,289	(12,151)	1,954,289	(12,151)
Total	$ 10,162,310	$ (34,931)	$ 2,100,948	$ (15,812)	$ 12,263,258	$ (50,743)

2019	Less than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. government sponsored entities and agencies	$ 2,746,106	$ (4,654)	$ 5,986,147	$ (13,269)	$ 8,732,253	$ (17,923)
Obligations of states and political subdivisions	412,489	(4)	-	-	412,489	(4)
Mortgage-backed securities: residential	2,837,256	(15,871)	3,038,737	(19,061)	5,875,993	(34,932)
Mortgage-backed securities: commercial	3,491,633	(17,185)	874,275	(15,271)	4,365,908	(32,456)
Total	$ 9,487,484	$ (37,714)	$ 9,899,159	$ (47,601)	$ 19,386,643	$ (85,315)

The Company reviews its position quarterly and has asserted that at December 31, 2020, the declines outlined in the above table represent temporary declines and the Company does not intend to sell these securities and does not believe it will be required to sell these securities before recovery of their cost basis, which may be at maturity. There were 24 positions that were temporarily impaired at December 31, 2020. The Company has concluded that the unrealized losses disclosed above are not other than temporary but are the result of interest rate changes that are not expected to result in the non-collection of principal and interest during the period.

3. LOANS

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

	2020	2019
Commercial loans	$ 38,846,218	$ 24,556,201
Commercial real estate loans	138,269,172	135,629,572
Consumer loans	5,937,291	6,239,516
Residential loans	70,096,574	75,905,199
Home equity lines of credit	23,836,517	23,547,508
	276,985,772	265,877,996
Net deferred loan fees	(260,833)	(167,263)
Less allowance for loan losses	(3,022,749)	(2,938,484)
Net loans	$ 273,702,190	$ 262,772,249

The Company's primary business activity is with customers located within its local trade area, which is concentrated in Portage County in Ohio. Commercial loans, commercial real estate loans, consumer loans, residential loans, and home equity lines of credit are granted. Although the Company has a diversified loan portfolio at December 31, 2020 and 2019, a substantial portion of its debtors' ability to honor their loan agreements is dependent upon the economic stability of its immediate trade area.

Management has an established methodology to determine the adequacy of the allowance for loan losses that assesses the risks and losses inherent in the loan portfolio. For purposes of determining the allowance for loan losses, the Company has segmented certain loans in the portfolio by product type. Loans are segmented into the following pools: commercial loans, commercial real estate loans, consumer loans, residential loans, and home equity lines of credit. Historical loss percentages for each risk category are calculated and used as the basis for calculating allowance allocations. These historical loss percentages are calculated over a 60-month period for all portfolio segments. Certain qualitative factors are then added to the historical allocation percentage to get the adjusted factor to be applied to non-classified loans. The following qualitative factors are analyzed for each portfolio segment:

- Changes in trends in lending policies and procedures
- Changes in economic trends
- Changes in volume and terms
- Changes in experience, depth,
- Changes in levels and trends in delinquencies
- Changes in historical loss allocations
- Changes in trends determined through loan review
- Changes in collateral dependent loan values
- Changes in concentrations of credit
- Changes in trends in external factors

These qualitative factors are reviewed each quarter and adjusted based upon relevant changes within the portfolio. During 2020, the qualitative factor percentages for home equity lines of credit slightly decreased while the qualitative factors for commercial loans, commercial real estate loans, consumer loans, and residential loans marginally increased during the year. The effect of the economic trends, trends in risk volume and terms, as well as levels and trends in delinquencies contributed to the fluctuation in qualitative factor percentages for commercial loans and commercial real estate loans. The primary factor contributing to the fluctuation in the qualitative factors relating to residential loans and home equity lines of credit was primarily due to economic trends and the trends in risk volume and terms. The improvement in the levels and trends in delinquencies and nonaccruals in home equity lines of credit was the primary factor contributing to the improvement in the qualitative factors within the portfolio during the year. The ending reserve balance for commercial loans increased as compared to the prior end of year reserve balances, while the ending reserve balances for commercial real estate loans, consumer loans, residential loans, and home equity lines of credit decreased slightly across the particular portfolios as compared to the prior end of year reserve balances. The increase within the commercial loan ending reserve balance was primarily affected by the current environment related to the COVID-19 pandemic and resulting affects to financial institutions services. Overall, a lower level of charge-off and recovery activity had been experienced in 2020 and 2019 as compared to prior years.

3. LOANS (Continued)

The total allowance reflects management's estimate of loan losses inherent in the loan portfolio at the balance sheet date. The Company considers the allowance for loan losses of $3.0 million adequate to cover loan losses inherent in the loan portfolio, at December 31, 2020. The following tables presents, by portfolio segment, the changes in the allowance for loan losses and the recorded investment in loans as of December 31:

2020

	Commercial	Commercial Real Estate	Consumer	Residential	Home Equity Lines of Credit	Unallocated	Total
Allowance for loan losses:							
Beginning balance	$ 230,036	$ 1,435,477	$ 130,694	$ 844,249	$ 209,568	$ 88,460	$ 2,938,484
Charge-offs	-	-	(26,938)	(36,359)	-	-	(63,297)
Recoveries	3,329	-	42,557	1,676	-	-	47,562
Provision	225,443	(4,112)	(70,987)	(5,431)	(12,446)	(32,467)	100,000
Ending Balance	$ 458,808	$ 1,431,365	$ 75,326	$ 804,135	$ 197,122	$ 55,993	$ 3,022,749
Ending balance: individually evaluated for impairment	$ -	$ 20,367	$ 38,885	$ 162,566	$ -	$ -	$ 221,818
Ending balance: collectively evaluated for impairment	$ 458,808	$ 1,410,998	$ 36,441	$ 641,569	$ 197,122	$ 55,993	$ 2,800,931
Loans Receivable:							
Ending Balance	$ 38,846,218	$ 138,269,172	$ 5,937,291	$ 70,096,574	$ 23,836,517	$ -	$ 276,985,772
Ending balance: individually evaluated for impairment	$ 6,697	$ 3,835,161	$ 249,872	$ 282,095	$ -	$ -	$ 4,373,825
Ending balance: collectively evaluated for impairment	$ 38,839,521	$ 134,434,011	$ 5,687,419	$ 69,814,479	$ 23,836,517	$ -	$ 272,611,947

2019

	Commercial	Commercial Real Estate	Consumer	Residential	Home Equity Lines of Credit	Unallocated	Total
Allowance for loan losses:							
Beginning balance	$ 318,961	$ 1,210,586	$ 118,769	$ 792,750	$ 180,133	$ 340,836	$ 2,962,035
Charge-offs	-	-	(2,533)	(60,614)	-	-	(63,147)
Recoveries	36,456	-	3,140	-	-	-	39,596
Provision	(125,381)	224,891	11,318	112,113	29,435	(252,376)	-
Ending Balance	$ 230,036	$ 1,435,477	$ 130,694	$ 844,249	$ 209,568	$ 88,460	$ 2,938,484
Ending balance: individually evaluated for impairment	$ -	$ 24,203	$ 81,839	$ 145,100	$ -	$ -	$ 251,142
Ending balance: collectively evaluated for impairment	$ 230,036	$ 1,411,274	$ 48,855	$ 699,149	$ 209,568	$ 88,460	$ 2,687,342
Loans Receivable:							
Ending Balance	$ 24,556,201	$ 135,629,572	$ 6,239,516	$ 75,905,199	$ 23,547,508	$ -	$ 265,877,996
Ending balance: individually evaluated for impairment	$ 22,197	$ 4,108,462	$ 260,233	$ 288,507	$ -	$ -	$ 4,679,399
Ending balance: collectively evaluated for impairment	$ 24,534,004	$ 131,521,110	$ 5,979,283	$ 75,616,692	$ 23,547,508	$ -	$ 261,198,597

3. LOANS (Continued)

Credit Quality Information

The following tables represent credit exposures by internally assigned grades for the years ended December 31, 2020 and 2019, 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.

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.

	As of December 31, 2020		
	Commercial	Commercial Real Estate	Total
Pass	$ 37,575,072	$ 131,644,119	$ 169,219,191
Special mention	51,205	1,216,375	1,267,580
Substandard	1,219,941	5,408,678	6,628,619
Doubtful	-	-	-
Loss	-	-	-
Total	$ 38,846,218	$ 138,269,172	$ 177,115,390

	As of December 31, 2019		
	Commercial	Commercial Real Estate	Total
Pass	$ 22,878,230	$ 129,869,075	$ 152,747,305
Special mention	567,344	1,048,373	1,615,717
Substandard	1,110,627	4,712,124	5,822,751
Doubtful	-	-	-
Loss	-	-	-
Total	$ 24,556,201	$ 135,629,572	$ 160,185,773

3. LOANS (Continued)

Credit Quality Information (Continued)

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:

	2020			
	Consumer	Residential	Home Equity Lines of Credit	Total
Performing	$ 5,894,185	$ 69,851,964	$ 23,702,151	$ 99,448,300
Nonperforming	43,106	244,610	134,366	422,082
Total	$ 5,937,291	$ 70,096,574	$ 23,836,517	$ 99,870,382

	2019			
	Consumer	Residential	Home Equity Lines of Credit	Total
Performing	$ 6,190,449	$ 75,489,069	$ 23,390,434	$ 105,069,952
Nonperforming	49,067	416,130	157,074	622,271
Total	$ 6,239,516	$ 75,905,199	$ 23,547,508	$ 105,692,223

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:

	2020						
	30-59 Days Past Due	60-89 Days Past Due	90 Days Or Greater & Accruing	Total Past Due	Current	Nonaccrual	Total Loans
Commercial loans	$ -	$ -	$ -	$ -	$ 35,407,544	$ 3,438,674	$ 38,846,218
Commercial real estate loans	46,253	211,814	-	258,067	138,004,408	6,697	138,269,172
Consumer loans	23,191	75,490	-	98,681	5,795,504	43,106	5,937,291
Residential loans	554,518	-	-	554,518	69,297,446	244,610	70,096,574
Home equity lines of credit	34,674	-	-	34,674	23,667,477	134,366	23,836,517
Total	$ 658,636	$ 287,304	$ -	$ 945,940	$ 272,172,379	$ 3,867,453	$ 276,985,772

	2019						
	30-59 Days Past Due	60-89 Days Past Due	90 Days Or Greater & Accruing	Total Past Due	Current	Nonaccrual	Total Loans
Commercial loans	$ -	$ -	$ -	$ -	$ 21,730,792	$ 2,825,409	$ 24,556,201
Commercial real estate loans	39,788	-	-	39,788	135,567,587	22,197	135,629,572
Consumer loans	22,003	-	-	22,003	6,168,446	49,067	6,239,516
Residential loans	988,173	73,301	-	1,061,474	74,427,595	416,130	75,905,199
Home equity lines of credit	413,655	25,075	869	439,599	22,951,704	156,205	23,547,508
Total	$ 1,463,619	$ 98,376	$ 869	$ 1,562,864	$ 260,846,124	$ 3,469,008	$ 265,877,996

3. LOANS (Continued)

Interest income that would have been recorded had nonaccrual loans not been placed on nonaccrual status was $187,604 and $157,929 in 2020 and 2019, respectively.

Impaired Loans

The following tables present the recorded investment and unpaid principal balances of impaired loans by class, segregated by those for which a specific allowance was required and those for which a specific allowance was not necessary as of December 31:

	2020				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial loans	$ 6,697	$ 30,164	$ -	$ 15,779	$ 3,563
Commercial real estate loans	3,746,238	3,793,564	-	3,912,046	29,115
Consumer loans	-	-	-	5,150	481
Residential loans	-	-	-	-	-
Home equity lines of credit	-	-	-	-	-
	$ 3,752,935	$ 3,823,728	$ -	$ 3,932,975	$ 33,159
With an allowance recorded:					
Commercial loans	$ -	$ -	$ -	$ -	$ -
Commercial real estate loans	88,924	88,924	20,367	88,709	1,743
Consumer loans	249,872	249,872	38,885	254,663	10,409
Residential loans	282,095	282,095	162,566	285,109	16,442
Home equity lines of credit	-	-	-	-	-
	$ 620,891	$ 620,891	$ 221,818	$ 628,481	$ 28,594
Total:					
Commercial loans	$ 6,697	$ 30,164	$ -	$ 15,779	$ 3,563
Commercial real estate loans	3,835,162	3,882,488	20,367	4,000,755	30,858
Consumer loans	249,872	249,872	38,885	259,813	10,890
Residential loans	282,095	282,095	162,566	285,109	16,442
Home equity lines of credit	-	-	-	-	-
	$ 4,373,826	$ 4,444,619	$ 221,818	$ 4,561,456	$ 61,753

3. LOANS (Continued)

Impaired Loans (Continued)

	2019				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial loans	$ 22,197	$ 45,664	$ -	$ 30,633	$ 4,339
Commercial real estate loans	4,016,747	4,064,073	-	3,043,503	95,122
Consumer loans	-	-	-	263	1,165
Residential loans	-	-	-	-	-
Home equity lines of credit	-	-	-	-	-
	$ 4,038,944	$ 4,109,737	$ -	$ 3,074,399	$ 100,626
With an allowance recorded:					
Commercial loans	$ -	$ -	$ -	$ -	$ -
Commercial real estate loans	91,715	91,715	24,203	96,237	1,952
Consumer loans	260,233	291,409	81,839	248,004	11,652
Residential loans	288,507	288,507	145,100	291,417	17,321
Home equity lines of credit	-	-	-	-	-
	$ 640,455	$ 671,631	$ 251,142	$ 635,658	$ 30,925
Total:					
Commercial loans	$ 22,197	$ 45,664	$ -	$ 30,633	$ 4,339
Commercial real estate loans	4,108,462	4,155,788	24,203	3,139,740	97,074
Consumer loans	260,233	291,409	81,839	248,267	12,817
Residential loans	288,507	288,507	145,100	291,417	17,321
Home equity lines of credit	-	-	-	-	-
	$ 4,679,399	$ 4,781,368	$ 251,142	$ 3,710,057	$ 131,551

As of December 31, 2020, the Company had $27,300 of 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.

Troubled Debt Restructurings

The Company had a recorded investment in troubled debt restructurings of $988,894 and $1,003,617, as of December 31, 2020 and 2019, respectively. The Company allocated $221,818 and $251,142 of specific allowance for those loans at December 31, 2020 and 2019, respectively.

The tables below summarize the Company's troubled debt restructurings before and after modifications for the years ended December 31:

	2020		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Troubled Debt Restructurings:			
Commercial real estate loans	1	$ 6,341	$ 5,209
Consumer loans	1	$ 15,400	$ 13,522

3. LOANS (Continued)

Troubled Debt Restructurings (Continued)

	2019		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Troubled Debt Restructurings:			
Consumer loans	2	$ 53,727	$ 52,018

The consumer loans were modified by lowering the stated interest rates and/or extending the terms of the original loans. No principal reductions were made. Additional interest income of $33,548 and $31,539 would have been recognized for the years ended December 31, 2020 and 2019, respectively, at the original interest rate as compared to the adjusted interest rate on the troubled debt restructurings.

The Company did not have any payment defaults on troubled debt restructuring contracts during 2020 and 2019.

4. PREMISES AND EQUIPMENT

Major classifications of premises and equipment are summarized as follows:

	2020	2019
Land and land improvements	$ 2,026,056	$ 2,026,056
Building and leasehold improvements	6,572,144	5,514,680
Furniture, fixtures, and equipment	2,562,514	2,418,071
	11,160,714	9,958,807
Less accumulated depreciation	(3,501,718)	(3,225,530)
Total	$ 7,658,996	$ 6,733,277

Depreciation charged to operations was $278,156 in 2020 and $191,723 in 2019.

5. DEPOSITS

Time deposits at December 31, 2020, mature $85,246,544, $18,400,605, $6,626,492, $1,552,471, $2,072,862, and $2,283,900 during 2021, 2022, 2023, 2024, 2025, and thereafter respectively.

Time deposits include certificates of deposit in denominations of $100,000 or more. Such deposits aggregated $27,704,322 and $32,230,966 at December 31, 2020 and 2019, respectively.

The aggregate amount of time deposit accounts that meet or exceed the FDIC insurance limit of $250,000 totaled $14,590,997 and $17,910,909 at December 31, 2020 and 2019, respectively.

5. DEPOSITS (Continued)

Included in certificates of deposit at December 31, 2020 and 2019, were $36,372,731 and $15,641,449, respectively, obtained through the Certificate of Deposit Account Registry Services (CDARS). This service allows deposit customers to maintain fully insured balances in excess of the $250,000 FDIC insurance limit without the inconvenience of having multi-banking relationships. Under the reciprocal program, which the Company is currently participating in, customers agree to allow the Company to place their deposits with participating banks in the CDARS program, in insurable amounts under $250,000. In exchange, other banks in the program agree to place their deposits with Portage Community Bank, also in insurable amounts under $250,000.

Related-party deposits were $1,237,382 and $1,286,473 at December 31, 2020 and 2019, respectively.

6. FHLB ADVANCES

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

Description	Maturity range from	Maturity range to	Weighted-average interest rate	At December 31, 2020	At December 31, 2019
Mortgage match - amortizing	02/01/21	02/01/30	1.83 %	$ 6,938,574	$ 7,954,408
Mortgage match - non-amortizing	02/01/21	01/31/25	2.11	10,000,000	8,000,000
RISE Program - non-amortizing	09/29/20	03/26/21	-	3,565,000	-
Total			1.65 %	$ 20,503,574	$ 15,954,408

At December 31, 2020, the Bank had a cash management line of credit enabling it to borrow up to $15.0 million from the Federal Home Loan Bank of Cincinnati ("FHLB"). The line of credit must be renewed on an annual basis. There were no borrowings from the line of credit outstanding as of December 31, 2020 and 2019, respectively. The Bank has a remaining borrowing capacity of $48.6 million at December 31, 2020.

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 $1,111,400 and $1,083,600 at December 31, 2020 and 2019, respectively, is pledged to secure these advances. Maturities over the next five years and thereafter were as follows:

Year Ending December 31,	Amount	Weighted-Average Rate
2021	$ 8,349,216	2.02 %
2022	3,973,394	2.08
2023	1,191,926	2.12
2024	3,442,401	1.84
2025	2,647,977	2.01
Thereafter	898,660	1.90
Total	$ 20,503,574	1.65 %

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

The Company and Bank each maintain a $1,000,000 unsecured line of credit with another financial institution. No amounts were outstanding under these lines of credit at December 31, 2020 and 2019.

7. 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 London Interbank Offered Rate (LIBOR) plus 2.85 percent, which was 3.08 percent and 4.76 percent at December 31, 2020 and 2019, respectively.

8. INCOME TAXES

The provision for federal income taxes consists of:

	2020	2019
Current payable	$ 715,202	$ 608,152
Deferred	(143,307)	(75,596)
Total provision	$ 571,895	$ 532,556

No valuation allowance was established at December 31, 2020 and 2019, 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:

	2020	2019
Deferred tax assets		
Allowance for loan losses	$ 426,116	$ 405,116
Accrued expenses and employee benefits	699,137	619,127
Unrealized loss on available-for-sale securities	-	-
Deferred loan fees	54,775	35,125
Deferred tax assets	1,180,028	1,059,368
Deferred tax liabilities:		
Depreciation	38,600	58,291
Unrealized gain on available-for-sale securities	418,126	182,458
Federal Home Loan Bank stock dividends	28,119	28,119
Prepaid expenses	22,683	25,756
Security accretion	(958)	1,359
Stock-based compensation	8,799	6,365
Deferred tax liabilities	515,369	302,348
Net deferred tax assets	$ 664,659	$ 757,020

8. INCOME TAXES (Continued)

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

	2020		2019	
	Amount	% of Pretax Income	Amount	% of Pretax Income
Provision at statutory rate	$ 725,981	21.0 %	$ 711,904	21.0 %
Tax-exempt interest	(123,808)	(3.6)	(142,757)	(4.2)
Earnings on bank-owned life insurance	(40,238)	(1.2)	(39,225)	(1.2)
Other	9,960	0.3	2,634	0.1
Actual tax expense and effective rate	$ 571,895	16.5 %	$ 532,556	15.7 %

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

There is currently no liability for uncertain tax positions and no known unrecognized tax benefits. The Bank recognizes, when applicable, interest and penalties related to unrecognized tax benefits in the income taxes in the Consolidated Statement of Income. With few exceptions, the Bank is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2017.

9. 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 $275,403 and $237,722 for the years ended December 31, 2020 and 2019, respectively.

Supplemental Retirement Plan

The Company sponsors a supplemental retirement plan ("SERP") which covers several key members of management. Participants will receive annually a percentage of their base compensation at the time of their retirement for a maximum of ten years. The liability recorded at December 31, 2020 and 2019, was $2,027,851 and $1,915,555, respectively. The expense related to the plan was $112,296 and $115,743 for 2020 and 2019, respectively. There were no distributions to participants in 2020 and $9,185 in distributions to participants in 2019.

9. EMPLOYEE BENEFITS (Continued)

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 a portion or all 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 on a tax-deferred basis. The liability recorded at December 31, 2020 and 2019, was $1,301,372 and $1,032,670, respectively. The expense related to the plan was $288,166 and $273,878 for 2020 and 2019, respectively.

Stock Option Plan

The Company has two shared based compensation plans. The Company's 2004 and 2016 Stock Inventive Plans, which are shareholder approved, both permit the grant of share option s 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.

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

`

	2020	Weighted-Average Exercise Price	2019	Weighted-Average Exercise Price
Outstanding, January 1	10,290	$ 72.90	10,390	$ 72.94
Granted	-	-	-	-
Exercised	(4,175)	70.33	(100)	77.00
Forfeited	-	-	-	-
Outstanding, December 31	6,115	$ 74.65	10,290	$ 72.90
Exercisable at year-end	6,115	$ 74.65	10,290	$ 72.90

The following table summarizes the characteristics of stock options at December 31, 2020:

		Outstanding			Exercisable	
Grant Date	Exercise Price	Shares	Remaining Average Life	Average Exercise Price	Shares	Average Exercise Price
1/24/2011	$ 63.10	300	0.06	$ 63.10	300	$ 63.10
1/25/2012	67.65	650	1.06	67.65	650	67.65
1/31/2013	71.50	750	2.08	71.50	750	71.50
2/19/2014	77.00	1,450	3.13	77.00	1,450	77.00
4/23/2014	77.00	2,965	3.30	77.00	2,965	77.00
		6,115		$ 74.65	6,115	$ 74.65

10. LOAN COMMITMENTS

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

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

	2020		2019	
	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate
Unused business lines of credit	$ 127,835	$ 32,198,531	$ 723,695	$ 23,829,499
Unused construction lines of credit	1,566,902	1,506,045	587,845	2,962,262
Unused consumer lines of credit	48,646	26,590,218	52,574	21,705,003
Standby letters of credit	-	60,000	-	57,500
Total	$ 1,743,383	$ 60,354,794	$ 1,364,114	$ 48,554,264

Commitments to make loans are generally made for periods of 60 days or less. The fixed rate loan commitments have interest rates ranging from 3.25 percent to 18.00 percent at December 31, 2020 and 3.875 percent to 18.00 percent at December 31, 2019.

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.

11. 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.

Restriction on Cash and Due From Banks

The Bank is required to maintain reserve funds in cash or on deposit with the Federal Reserve Bank. There was no required reserve for the year ended December 31, 2020 and the required reserve was $1,868,000 for the years ended December 31, 2019.

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.

11. 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 2019 is $6,039497 plus 2020 profits retained up to the date of the dividend declaration.

12. 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, 2020, 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 2020 and 2019, 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 at year-end.

	Actual		Required for Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Regulations	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
2020						
Total Capital (to risk-weighted assets):						
Consolidated	$ 47,023,310	17.75 %	$ 21,189,573	8.00 %	$ 26,486,966	10.00
Portage Community Bank	48,979,249	18.50	21,183,488	8.00	26,479,360	10.00
Tier 1 (Core) Capital (to risk-weighted assets):						
Consolidated	$ 44,000,561	16.61 %	$ 15,892,180	6.00 %	$ 21,189,573	8.00
Portage Community Bank	45,956,500	17.36	15,887,616	6.00	21,183,488	8.00
Common Equity Tier 1 (CET1) Capital (to risk-weighted assets):						
Consolidated	$ 44,000,561	16.61 %	$ 11,919,135	4.50 %	$ 17,216,528	6.50
Portage Community Bank	45,956,500	17.36	11,915,712	4.50	17,211,584	6.50
Tier 1 (Core) Capital (to average assets):						
Consolidated	$ 44,000,561	9.77 %	$ 18,009,916	4.00 %	$ 22,512,395	5.00
Portage Community Bank	45,956,500	10.26	17,914,600	4.00	22,393,250	5.00

12. 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
2019						
Total Capital (to risk-weighted assets):						
Consolidated	$ 44,625,571	17.14 %	$ 20,823,242	8.00 %	$ 26,029,053	10.00
Portage Community Bank	45,886,164	17.63	20,816,480	8.00	26,020,600	10.00
Tier 1 (Core) Capital (to risk-weighted assets):						
Consolidated	$ 41,687,087	16.02 %	$ 15,617,432	6.00 %	$ 20,823,242	8.00
Portage Community Bank	42,947,681	16.51	15,612,360	6.00	20,816,480	8.00
Common Equity Tier 1 (CET1) Capital (to risk-weighted assets):						
Consolidated	$ 41,687,087	16.02 %	$ 11,713,074	4.50 %	$ 16,918,884	6.50
Portage Community Bank	42,947,681	16.51	11,709,270	4.50	16,913,390	6.50
Tier 1 (Core) Capital (to average assets):						
Consolidated	$ 41,687,087	11.56 %	$ 14,421,617	4.00 %	$ 18,027,022	5.00
Portage Community Bank	42,947,681	11.94	14,389,720	4.00	17,987,150	5.00

13. 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.

13. FAIR VALUE MEASUREMENTS (Continued)

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

	2020			
	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. government sponsored entities and agencies	$ 9,628,034	$ -	$ 9,628,034	$ -
Obligations of states and political subdivisions	31,341,147	-	31,341,147	-
Mortgage-backed securities: residential	28,857,184	-	28,857,184	-
Mortgage-backed securities: commercial	5,265,286	-	5,265,286	-
Collateralized mortgage obligations	1,216,849	-	1,216,849	-
Total	$ 76,308,500	$ -	$ 76,308,500	$ -

	2019			
	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. government sponsored entities and agencies	$ 15,544,770	$ -	$ 15,544,770	$ -
Obligations of states and political subdivisions	24,541,013	-	24,541,013	-
Mortgage-backed securities: residential	16,337,018	-	16,337,018	-
Mortgage-backed securities: commercial	5,932,889	-	5,932,889	-
Total	$ 62,355,690	$ -	$ 62,355,690	$ -

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.

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.

13. FAIR VALUE MEASUREMENTS (Continued)

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

	2020			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Impaired loans	$ 4,152,008	$ -	$ -	$ 4,152,008
Other real estate owned	27,300	-	-	27,300

	2019			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Impaired loans	$ 4,428,257	$ -	$ -	$ 4,428,257
Other real estate owned	37,300	-	-	37,300

Impaired 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.

Other real estate owned ("OREO") is measured at fair value, less cost to sell at the date of the foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management. The assets are carried at fair value, less cost to sell. Income and expense from operations and changes in valuation allowance are included in the net expenses from OREO.

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:

	2020			
	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Averages)
Impaired loans (collateral-dependent)	$ 4,152,008	Appraisal of collateral (1)	Appraisal adjustments (2)	0% - 42.0% (32.9%)
Other real estate owned	27,300	Appraisal of collateral (1), (3)	Appraisal adjustments (2)	9%

	2019			
	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Averages)
Impaired loans (collateral-dependent)	$ 4,428,257	Appraisal of collateral (1)	Appraisal adjustments (2)	0% - 40.5% (32.5%)
Other real estate owned	37,300	Appraisal of collateral (1), (3)	Appraisal adjustments (2)	9%

13. FAIR VALUE MEASUREMENTS (Continued)

(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.

14. FAIR VALUE DISCLOSURE OF FINANCIAL INSTRUMENTS

The estimated fair value of the Company's financial instruments at December 31 is as follows:

	2020			
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:				
Cash and cash equivalents	$ 78,681,771	$ 78,681,771	$ -	$ -
Investment securities available for sale	76,308,500	-	76,308,500	-
Loans held for sale	3,390,817	3,390,817	-	-
Net loans	273,702,190	-	-	272,100,000
Bank-owned life insurance	10,587,459	10,587,459	-	
Regulatory stock	1,475,050	1,475,050	-	
Accrued interest receivable	1,621,105	1,621,105	-	
Financial liabilities:				
Deposits	$ 381,193,589	$ 265,010,715	$ -	$ 117,110,000
Federal Home Loan Bank advances	20,503,574	-	-	21,163,362
Subordinated debentures	2,450,000	-	-	2,237,500
Accrued interest payable	208,283	208,283	-	-

15. FAIR VALUE DISCLOSURE OF FINANCIAL INSTRUMENTS (Continued)

	2019			
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:				
Cash and cash equivalents	$ 11,374,662	$ 11,374,662	$ -	$ -
Investment securities available for sale	62,355,690	-	62,355,690	-
Loans held for sale	1,497,941	1,497,941	-	-
Net loans	262,772,249	-	-	262,725,000
Bank-owned life insurance	8,395,849	8,395,849	-	
Regulatory stock	1,447,250	1,447,250	-	
Accrued interest receivable	999,039	999,039	-	
Financial liabilities:				
Deposits	$ 291,361,236	$ 189,553,053	$ -	$ 102,082,000
Federal Home Loan Bank advances	15,954,408	-	-	16,149,194
Subordinated debentures	2,450,000	-	-	2,082,500
Accrued interest payable	349,997	349,997	-	-

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

Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties other than in a forced liquidation sale. If a quoted market price is available for a financial instrument, the estimated fair value would be calculated based upon the market price per trading unit of the instrument.

If no readily available market exists, the fair value estimates for financial instruments should be based upon management's judgment regarding current economic conditions, interest rate risk, expected cash flows, future estimated losses, and other factors as determined through various option pricing formulas or simulation modeling. As many of these assumptions result from judgments made by management based upon estimates which are inherently uncertain, the resulting estimated fair values may not be indicative of the amount realizable in the sale of a particular financial instrument. In addition, changes in assumptions on which the estimated fair values are based may have a significant impact on the resulting estimated fair values.

As certain assets such as deferred tax assets and premises and equipment are not considered financial instruments, the estimated fair value of financial instruments would not represent the full value of the Company.

The Company employed simulation modeling in determining the estimated fair value of financial instruments for which quoted market prices were not available based upon the following assumptions:

Cash and Cash Equivalents, Regulatory Stock, Accrued Interest Receivable, and Accrued Interest Payable

The fair value is equal to the current carrying value.

14. FAIR VALUE DISCLOSURE OF FINANCIAL INSTRUMENTS (Continued)

Investment Securities Available for Sale

The fair value of investment securities available for sale is equal to the available quoted market price. If no quoted market price is available, fair value is estimated using the quoted market price for similar securities.

Loans Held for Sale

The carrying amount of loans held for sale is the amount funded and approximates fair value due to the insignificant time between origination and date of sale.

Net Loans

The fair value is estimated by discounting the future cash flows using a simulation model that estimates future cash flows through the utilization of current market inputs at which loans with similar terms and qualities would be made to borrowers of similar credit quality. Where quoted market prices were available, primarily for certain residential mortgage loans, such market rates were utilized as estimates of fair value.

Bank-Owned Life Insurance

The fair value is equal to the cash surrender value of the life insurance policies.

Deposits, Federal Home Loan Bank Advances, and Subordinated Debentures

Demand, savings, and money market deposit accounts are valued at the amount payable on demand as of year-end. Fair value for time deposits, Federal Home Loan Bank advances, and subordinated debentures is estimated by discounting the future cash flows using a simulation model which estimates future cash flows and constructs discount rates that consider reinvestment opportunities, operating expenses, noninterest income, credit quality, and prepayment risk.

Commitments to Extend Credit

These financial instruments are generally not subject to sale, and estimated fair values are not readily available. The carrying value, represented by the net deferred fee arising from the unrecognized commitment or letter of credit, and the fair value, determined by discounting the remaining contractual fee over the term of the commitment using fees currently charged to enter into similar agreements with similar credit risk, are not considered material for disclosure. The contractual amounts of unfunded commitments and letters of credit are presented in Note 10.

15. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

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

	Net Unrealized Gains (Losses) Investment Securities	
	2020	2019
Accumulated other comprehensive income (loss), January 1	$ 686,390	$ (705,425)
Other comprehensive gain (loss) before reclassification, net of tax	888,720	1,394,082
Amount reclassified from accumulated other comprehensive income	(2,161)	(2,267)
Total other comprehensive income (loss)	886,559	1,391,815
Accumulated other comprehensive income (loss), December 31	$ 1,572,949	$ 686,390

15. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) (Continued)

The following is significant amounts reclassified out of each component of accumulated other comprehensive income (loss) for the year ended December 31, 2020:

Details About Accumulated Other Comprehensive Income (Loss) Components		Amount Reclassified From Accumulated Other Comprehensive Income (Loss)	Affected Line Item on the Consolidated Statement of Income
Unrealized gains on available-for-sale securities	$	(2,735)	Net gains on sales of investment securities
Realized gains on securities available-for-sale		574	Income taxes
	$	(2,161)	Net of tax

The following is significant amounts reclassified out of each component of accumulated other comprehensive income (loss) for the year ended December 31, 2019:

Details About Accumulated Other Comprehensive Income (Loss) Components		Amount Reclassified From Accumulated Other Comprehensive Income (Loss)	Affected Line Item on the Consolidated Statement of Income
Unrealized gains on available-for-sale securities	$	(2,870)	Net gains on sales of investment securities
Realized gains on securities available-for-sale		603	Income taxes
	$	(2,267)	Net of tax

16. SUBSCRIPTION AND SHARE PURCHASE AGREEMENT

The Company offered shares of no par common stock for purchase through the terms of the Agreement entered into on November 4, 2019 and ending on December 31, 2019. The Agreement allowed the Company to sell up to 10,000 shares of common stock at an offering price of $104.40 per share to a limited number of offerees. The minimum purchase by a subscriber was 300 shares. The Company reissued treasury shares for all of the common stock sold through the Subscription and Share Purchase Agreement. Through the Agreement, the Company sold 3,836 shares of its common stock and received proceeds of $397,699, net of offering expenses of $2,780.

17. SUBSEQUENT EVENTS

The Company assessed events occurring subsequent to December 31, 2020, through March 24, 2021, for potential recognition and disclosure in the consolidated financial statements. No events have occurred that would require additional adjustments to or disclosure in the consolidated financial statements, which were issued on March 24, 2021.

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PORTAGE BANCSHARES, INC. - Officers

Margaret F. Medzie, *President*
Thomas S. Siciliano, *Treasurer*
Timothy E. Crock, *Secretary*

PORTAGE COMMUNITY BANK – Directors

Lee L. Jenior, *Chairman of the Board*
Thomas S. Siciliano, *Director*
Richard J. Coe, *Director*
James V. Damicone, *Director*
Paul Huchok, *Director*

Margaret F. Medzie, *Vice Chairman of the Board*
Dr. Aaron A. Moats, *Director*
Kevin T. Lewis, *Director*
Timothy E. Crock, *Director*
Richard L. Leonard, *Director Emeritus*
Emilio Ferrara, *Director Emeritus*

PORTAGE COMMUNITY BANK – Officers

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Chief Executive Officer
Donald D. Herman
Vice President & Chief Financial Officer
Jill M. Conard
Vice President & Customer Relations Officer
Dominic Bellino
Vice President, Loan Operations
Thomas K. Cargo
Vice President, Commercial Lending
Lisa R. Ohler
Vice President, Commercial Lending
Robert S. Standardi
Vice President, Controller
Charles W. Bevan
IT Officer
Eric B. Decker
Commercial Lending Officer
Stormie L. Gross
Compliance Officer
Adriana M. Rucci-Kobus
Operations Manager
Christine L. Petroff
Cuyahoga Falls Office Manager
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Market President
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Vice President, Commercial Lending
Karen L. Duffy
Vice President, Kent Office Manager
Ina M. Sayre
Vice President, Main Office Manager
Tracy L. Cettomai
Assistant Vice President, Consumer Lending
Thomas M. Biltz
Loan Operations Officer
Pamela M. England
Marketing Officer
Maria A. Hydell
Portfolio Manager
Sara K. McCarty
Commercial Lending Officer
Marissa L. Platt
Mortgage Loan Underwriting Officer
Valarie L. Stephenson
Security Officer

DIVISIONAL RESPONSIBILITIES

Adam B. Rubin
Vice President, Real Estate Division
Dennis P. Juvan
Registered Representative, Portage Community Financial Services

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