

140

YEARS OF SERVICE



2024 ANNUAL REPORT



Andover Bank

A SUBSIDIARY OF ANDOVER BANCORP, INC.

Mission Statement

140
YEARS OF SERVICE

To remain a profitable, independent financial service company.

To provide you, our customer, with exceptional service in a professional and enthusiastic manner.

To provide our employees with a continuing opportunity to participate in the future success of the holding company, through personal and professional development.

To strengthen the communities we serve.

2024 ANNUAL REPORT

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Message from the President

On behalf of the board of directors of Andover Bancorp, Inc. and the employees of Andover Bank, I am pleased to report on our solid operating performance in 2024, as we celebrate our 140th year in operation.

The economic challenges that traditional banks have faced over the past couple of years continued into 2024. The Federal Reserve Bank's aggressive action to combat inflation increased short-term interest rates at their fastest pace in over 40 years. Higher rates slowed demand for all loans, but it has been particularly tough on our largest lending segment, residential mortgages.

Simultaneously, interest rates on deposits increased significantly as consumer demand for higher yielding products grew. Despite these usually short-term profitability headwinds, the bank has managed through these obstacles well and remains in a strong position to capitalize on opportunities as they present themselves.

While net income for the year of \$3,157,449 decreased by 16.4% from last year's net earnings of \$3,778,297, these results surpassed our budgeted expectations as we anticipated our net interest margin would suffer because of the inverted yield curve, where short-term rates are higher than long-term rates. Nevertheless, growth in core deposits and small business lending positively impacted the results. The higher interest expense mentioned previously was the main factor impacting year-over-year earnings. Interest expense on deposits rose 81.8% over 2023. Net earnings per share of \$1.53 decreased 15.0% from last year's \$1.80 earnings per share. Earnings per share were consistent with pre-Covid results. Return on average assets was 0.56% and return on average equity adjusted for

other comprehensive losses was 6.45%.

In comparing the change from the 2023 balance sheet, record year-end total deposits increased by \$8.6 million, or 1.6% to 533.2 million. Increasing deposits in a competitive rate environment is a testament to our strong community-focused franchise. Additionally, the bank did not have to rely on expensive alternative funding sources and had no outstanding wholesale borrowings at year end. Net loans decreased by \$3.0 million, or 1.2%, to \$263.4 million. Loan runoff was driven by payoffs in larger dollar private placement municipal loans that the bank stopped originating in 2022 as liquidity concerns arose in the banking industry. The mortgage lending portfolio also declined because of the previously mentioned difficulty in originating those types of loans. Conversely, I am happy to report that we originated a record dollar amount of small business loans as our efforts with our first loan production office in Stow, Ohio is paying off nicely. In fact, 86% of all our new small business lending originated from that office. Total assets increased \$7.6 million, or 1.3%, to \$565.6 million.

Stockholders' equity decreased by \$2.6 million, or 12.8%, to \$17.7 million. It was negatively impacted by an increase in market interest rates during the fourth quarter which caused the market value of our securities portfolio to decline.

The bank remains very well-capitalized as our Tier 1 equity capital ratio of 9.5% and Total Risk-Based capital ratio of 22.3% are both significantly above the regulatory requirements to be well-capitalized of 6.0% and 10.5%, respectfully. Asset quality continues to shine as total delinquency remains well below 1% and net charge-offs for the year were below \$20,000 on a loan portfolio of over \$260 million. The bank outperforms its peer group in both delinquency and charge-offs as we continue to focus on operating the bank under the conservative philosophy set forth by our Board of Directors.

I am pleased to report that 2024 marked the 42nd consecutive year the bank has paid a dividend and increased the amount of the dividend from the prior year. This record dividend performance is unmatched in the State of Ohio and serves as a validation of our efforts

to enhance franchise value. Total dividends declared for 2024 were \$0.755 per share, compared to \$0.75 per share in 2023. Since 2019, the bank has returned just under \$17 million to shareholders in the form of cash dividends and market share repurchases. Market share repurchases benefit all shareholders by creating liquidity for the stock, while improving earnings per share and return on average equity. These repurchases also increase the remaining shareholders' ownership percentage of the bank and demonstrate the Board's confidence in our business model and the bank's intrinsic value.

Community banking is a philosophy built around local ownership, leadership and decision-making, with a long-term commitment to community involvement. Community banking is about people who make a difference. I am extremely proud of our organization's efforts to empower our greatest asset, our employees, for the purpose of strengthening the communities we serve. Because of their efforts, the bank continues to receive accolades, including the Reader's Choice Award from

The Star Beacon as Ashtabula County's best bank for the 3rd year in a row and United Way of Ashtabula County's Bronze Award for the highest employee participation rate. Finally, because of our employees, we were again recognized as a Bauer Financial 5-Star rated bank. Bauer Financial is an independent firm that evaluates financial institutions based on factors like capital adequacy, profitability, and asset quality, signifying that Andover Bank is considered to be among the strongest and most financially stable in the country.

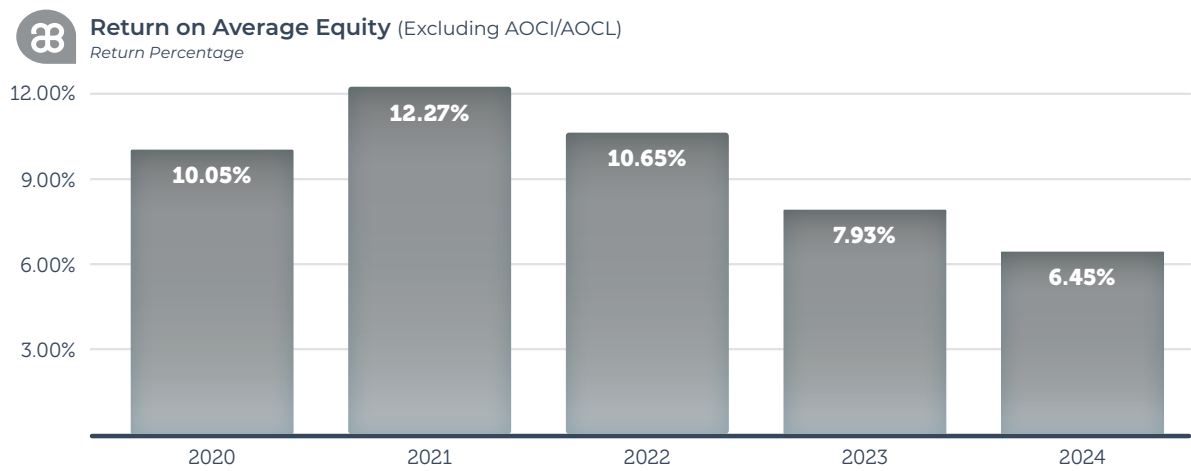
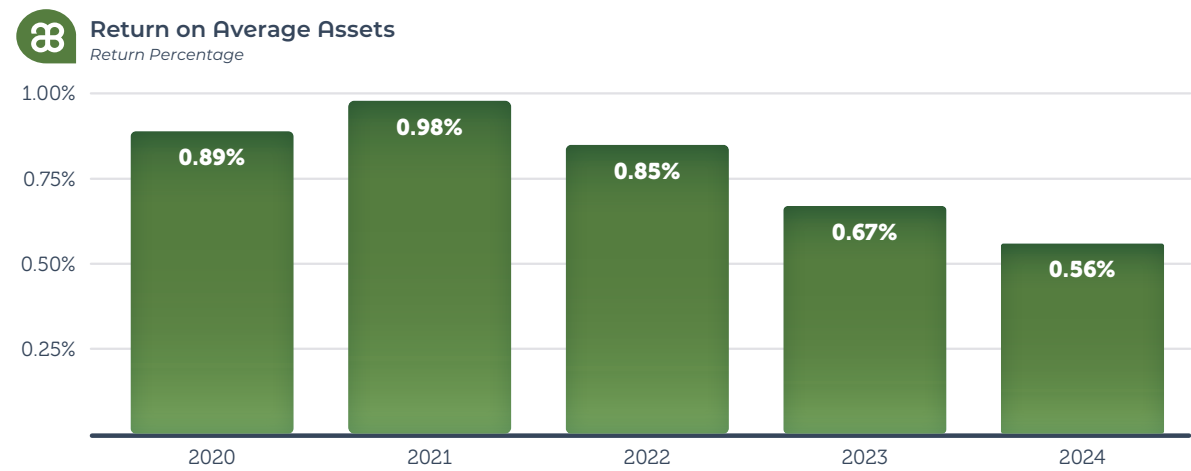
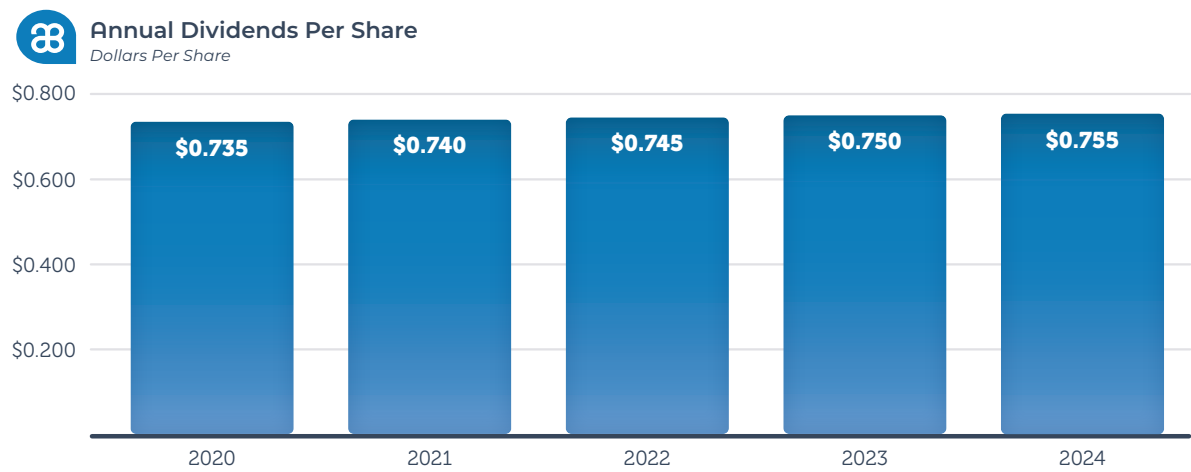
It is an honor and a privilege to serve as President of an institution with **140 years of service** as our foundation.

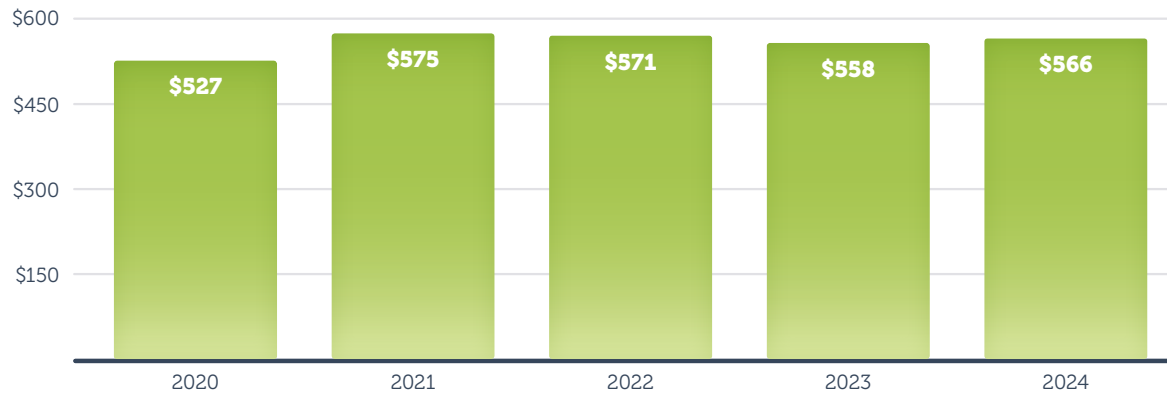
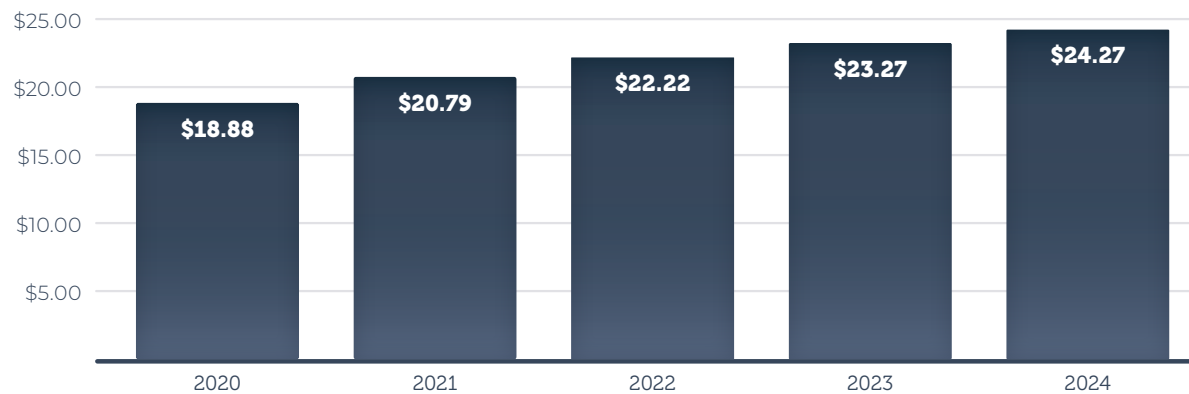
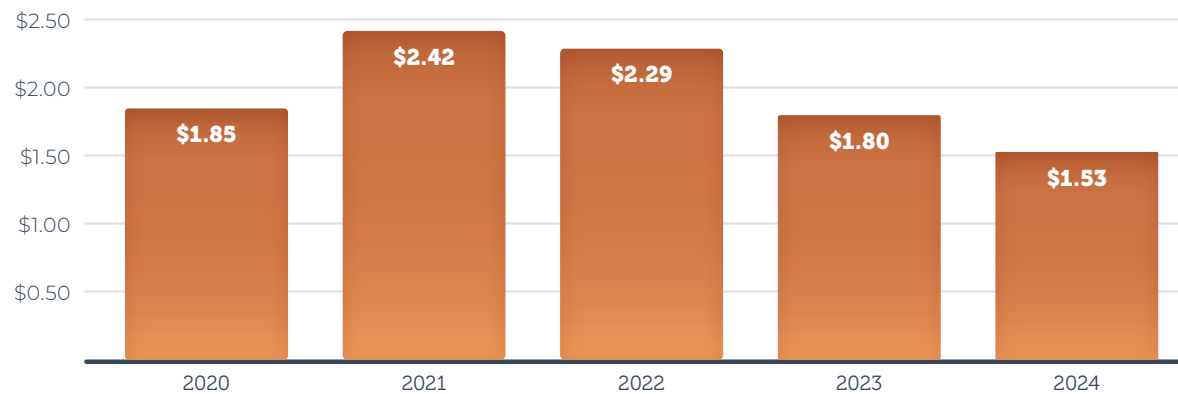
I would like to thank our Board of Directors for their invaluable stewardship, and our senior management and staff for their continued hard work and dedication to the bank. Lastly, I want to thank you, our shareholders, for your continued confidence and support of the bank and the mission we serve.



Stephen E. Varckette
President

Financial Charts



**Total Assets***Millions of Dollars***Book Value Per Share (Excluding AOCI/AOCL)***Dollars Per Share***Net Earnings Per Share***Dollars Per Share*

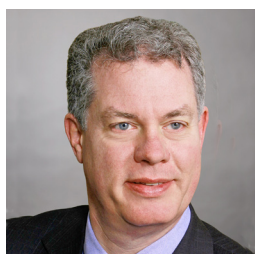
Board of Directors, Executive Officers, & Officers of Andover Bank

BOARD OF DIRECTORS*



Martin R. Cole

Chairman of Andover Bank
Retired CEO



Stuart W. Cordell

President and CEO,
The Business of Good Foundation



Nicholas J. Jammal

Retired President and CEO,
Ashtabula Rubber Co.



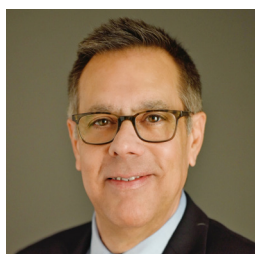
Andrea L. Morris

Vice President and Director,
Great Lakes Power



Dr. Trista S. Warren

Consultant, Real Estate Manager,
Realtor and Writer



Stephen E. Varckette

President and CEO
of Andover Bank



Patrick Groner, Jr.

Broker/Owner,
Pennington Lines Real Estate



Richard J. Mole, CPA (Ret.)

Retired Partner,
S.R. Snodgrass, CPAs



Dr. Edward J. Pollander (Ret.)

Retired Family Dentist, Andover, OH

DIRECTORS EMERITUS

A. David Morrow
Robert L. Taylor

EXECUTIVE OFFICERS

Stephen E. Varckette**

President and Chief Executive Officer

Michael B. Benson**

Senior Vice President, Chief Credit Officer

Edward B. Debevec**

Senior Vice President and Chief Financial Officer

Sean C. Dockery**

Senior Vice President, Chief Banking Officer

Kimberly A. Giddings**

Senior Vice President, Operations

Richard B. Kotila**

Senior Vice President, General Counsel, and Secretary

Brenda R. Sanford**

Senior Vice President, Human Resources

Daniel J. Weber**

Senior Vice President,
Credit Administration and Retail Lending

Timothy A. Birth

Vice President, Retail Banking

Marc D. Hanneman

Vice President, Investment Services

Steven C. Lombard

Vice President and Community Sales Manager,
Edinboro

Eric G. Senior

Vice President, Commercial Banking

Paul W. Skerlong

Vice President, Mortgage Leader

Cathleen A. Square

Vice President and Market Leader, Commercial Banker

Steve C. Vennare

Vice President, Commercial Banking

OFFICERS

Diane M. Brunell

Community Sales Manager, Andover

Dianna L. Culton

Community Sales Manager, Austinburg

Jessica M. Cunningham

Community Sales Manager, Jefferson

Cheryl L. Fink

Community Sales Manager, Millcreek

Rachel M. Gordon

Controller

David C. Gregory

Compliance Manager

Brian M. Hoyt

Community Sales Manager, Madison

Andrew M. Marvin

Assistant Vice President of Operations

Caprice C. Melhuish

Community Sales Manager, Albion

James G. Raabe

Community Sales Manager, Geneva

Benjamin A. Rivera

Human Resources Manager

James S. Savel, Jr.

Assistant Vice President and Loan Processing Manager

Donna M. Shaw

Manager, Loan Administration

Jamie L. Stover

Community Sales Manager, Conneaut

Timothy J. Stroud, Sr.

Assistant Vice President and Community Sales
Manager, Ashtabula

Todd A. Urmson

Mortgage Loan Officer

**Also Officers of Andover Bancorp, Inc.

*The Directors of Andover Bank also serve
as the Directors of Andover Bancorp, Inc.

Independent Auditors' Report



CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Andover Bancorp, Inc. and Subsidiary
Andover, Ohio

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Andover Bancorp, Inc. and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of income, comprehensive (loss) income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Andover Bancorp, Inc. and Subsidiary as of December 31, 2024 and 2023, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Andover Bancorp, Inc. and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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 Andover Bancorp, Inc. and Subsidiary's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Independent Auditors' Report, continued

Auditors' 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 auditors' 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 Andover Bancorp, Inc. and Subsidiary'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 Andover Bancorp, Inc. and Subsidiary'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.

Independent Auditors' Report, continued

Other Information Included in the Annual Report

Management is responsible for the other information included in the Company's Annual Report. The other information comprises the Message from the President, financial information, and nonfinancial information, but it 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 on it.

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.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Maumee, Ohio
March 12, 2025

Consolidated Balance Sheets

December 31, 2024 and 2023

	2024	2023
ASSETS		
Cash and Due from Banks	\$ 12,721,969	\$ 26,196,166
Interest-Bearing Deposits in Banks	104,149	3,102,361
Total Cash and Cash Equivalents	12,826,118	29,298,527
Available for Sale Investment Securities at Fair Value	257,897,463	232,159,443
Loans, Net	263,441,712	266,490,069
Premises and Equipment, Net	7,187,634	7,533,900
Restricted Investment in Stock	885,821	898,171
Bank-Owned Life Insurance	8,872,894	8,676,525
Accrued Interest Receivable	2,167,368	2,089,135
Goodwill	2,654,074	2,654,074
Other Assets	9,647,203	8,219,482
Total Assets	<u>\$ 565,580,287</u>	<u>\$ 558,019,326</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Noninterest-Bearing	\$ 136,483,548	\$ 140,049,738
Interest-Bearing	396,744,154	384,540,790
Total Deposits	533,227,702	524,590,528
Subordinated Debt, net	9,904,297	9,852,368
Accrued Interest Payable	888,397	562,635
Other Liabilities	3,868,062	2,732,508
Total Liabilities	547,888,458	537,738,039
STOCKHOLDERS' EQUITY		
Common Stock, No Par Value, 5,000,000 Shares Authorized, 3,256,950 Shares Issued	814,238	814,238
Additional Paid-In Capital	1,595,764	1,595,764
Retained Earnings	70,376,669	68,767,347
Unearned Employee Stock Ownership Plan Shares	(2,425,491)	(2,700,143)
Treasury Stock, at Cost, 1,221,628 Shares in 2024 and 1,173,520 Shares in 2023	(20,957,088)	(20,001,487)
Accumulated Other Comprehensive Loss	(31,712,263)	(28,194,432)
Total Stockholders' Equity	17,691,829	20,281,287
Total Liabilities and Stockholders' Equity	<u>\$ 565,580,287</u>	<u>\$ 558,019,326</u>

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

December 31, 2024 and 2023

	2024	2023
INTEREST AND DIVIDEND INCOME		
Loans, Including Fees	\$ 12,223,363	\$ 11,282,879
Investment Securities:		
Taxable	4,692,064	3,620,202
Tax-Exempt	2,504,167	2,565,079
Other	964,311	602,217
Total Interest and Dividend Income	20,383,905	18,070,377
INTEREST EXPENSE		
Deposits	5,524,779	3,038,972
Borrowings	460,560	598,854
Total Interest Expense	5,985,339	3,637,826
NET INTEREST INCOME	14,398,566	14,432,551
CREDIT FOR CREDIT LOSSES	(35,400)	(46,900)
NET INTEREST INCOME, AFTER CREDIT FOR CREDIT LOSSES	14,433,966	14,479,451
NONINTEREST INCOME		
Customer Service Fees	1,509,876	1,446,179
Debit Card Fee Income	1,417,343	1,617,562
Earnings on Bank-Owned Life Insurance	196,369	211,002
Mortgage Servicing Fee Income	21,322	24,660
Net Gain on Sale of Securities	-	73,428
Net Gain on Sale of Loans	80,938	84,528
Gain on Sale of Other Real Estate Owned	-	16,301
Other	558,929	305,324
Total Noninterest Income	3,784,777	3,778,984
NONINTEREST EXPENSES		
Salaries and Employee Benefits	6,908,683	6,492,521
Occupancy	919,760	933,170
Furniture and Equipment	1,167,214	1,074,901
ATM Fees	899,195	851,137
Postage and Freight	214,013	174,352
Data Processing Fees	1,749,969	1,762,970
Supplies	252,744	191,875
Telephone	107,422	116,322
Loan and Other Real Estate Expense	295,091	300,583
Advertising	362,479	462,000
Professional Fees	581,525	635,372
FDIC Assessment Expense	249,084	255,403
State Franchise Tax	140,000	94,000
Other	1,095,978	994,402
Total Noninterest Expenses	14,943,157	14,339,008
INCOME BEFORE INCOME TAXES	3,275,586	3,919,427
INCOME TAX EXPENSE	118,137	141,130
NET INCOME	\$ 3,157,449	\$ 3,778,297
EARNINGS PER COMMON SHARE	\$ 1.53	\$ 1.80
WEIGHTED AVERAGE SHARES OUTSTANDING	2,057,286	2,096,799

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income (Loss)

December 31, 2024 and 2023

	2024	2023
NET INCOME	\$ 3,157,449	\$ 3,778,297
OTHER COMPREHENSIVE INCOME (LOSS)		
Change in Unrealized Losses on Available for Sale Securities	(4,452,950)	6,282,120
Reclassification Adjustment for Security Gains in Income	-	(73,428)
Net Unrealized Gains (Losses)	(4,452,950)	6,208,692
INCOME TAX EFFECT	(935,119)	1,303,825
OTHER COMPREHENSIVE INCOME (LOSS)	(3,517,831)	4,904,867
TOTAL COMPREHENSIVE INCOME (LOSS)	\$ (360,382)	\$ 8,683,164

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Stockholder's Equity

December 31, 2024 and 2023

	Common Stock	Additional Paid-In Capital	Retained Earnings	Unearned Employee Stock Ownership Plan Shares	Treasury Stock	Accumulated Other Comprehensive Loss	Total
BALANCE, DECEMBER 31, 2022	<u>\$ 814,238</u>	<u>\$ 1,595,764</u>	<u>\$ 66,839,780</u>	<u>\$ (2,904,292)</u>	<u>\$ (19,563,465)</u>	<u>\$ (33,099,299)</u>	<u>\$ 13,682,726</u>
Adoption of ASC 326, net of tax	-	-	(279,608)	-	-	-	(279,608)
Net Income	-	-	3,778,297	-	-	-	3,778,297
Other Comprehensive Income	-	-	-	-	-	4,904,867	4,904,867
Cash Dividends Declared (\$0.750 Per Share)	-	-	(1,571,122)	-	-	-	(1,571,122)
Purchase of Treasury Stock, 21,898 Shares	-	-	-	-	(438,022)	-	(438,022)
Release of Earned ESOP Shares	-	-	-	488,102	-	-	488,102
Repurchase of ESOP Shares	-	-	-	(283,953)	-	-	(283,953)
BALANCE, DECEMBER 31, 2023	814,238	1,595,764	68,767,347	(2,700,143)	(20,001,487)	(28,194,432)	20,281,287
Net Income	-	-	3,157,449	-	-	-	3,157,449
Other Comprehensive Loss	-	-	-	-	-	(3,517,831)	(3,517,831)
Cash Dividends Declared (\$0.755 Per Share)	-	-	(1,548,127)	-	-	-	(1,548,127)
Purchase of Treasury Stock, 48,108 Shares	-	-	-	-	(955,601)	-	(955,601)
Release of Earned ESOP Shares	-	-	-	533,260	-	-	533,260
Repurchase of ESOP Shares	-	-	-	(258,608)	-	-	(258,608)
BALANCE, DECEMBER 31, 2024	<u>\$ 814,238</u>	<u>\$ 1,595,764</u>	<u>\$ 70,376,669</u>	<u>\$ (2,425,491)</u>	<u>\$ (20,957,088)</u>	<u>\$ (31,712,263)</u>	<u>\$ 17,691,829</u>

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

December 31, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 3,157,449	\$ 3,778,297
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	657,979	693,045
Provision for Loan Losses	(35,400)	(46,900)
Net Amortization on Securities	801,585	842,757
Gain on Sale of Securities	-	(73,428)
Gain on Sale of Loans	(80,938)	(84,528)
Earned ESOP Shares	533,260	488,102
Deferred Tax Credit	(127,880)	(224,226)
Earnings on Bank-Owned Life Insurance	(196,369)	(211,002)
Gain on Sale of Other Real Estate Owned	-	(16,301)
Gain on Sale of Premises and Equipment	(9,827)	(19,063)
Decrease (Increase) in Accrued Interest Receivable	(78,233)	107,021
Increase in Accrued Interest Payable	325,762	396,104
Decrease (Increase) in Other Assets	(364,722)	306,087
Increase in Other Liabilities	1,145,460	34,356
Net Cash Provided by Operating Activities	5,728,126	5,970,321
CASH FLOWS FROM INVESTING ACTIVITIES		
Activity in Available for Sale Securities:		
Purchases	(49,862,023)	(13,528,606)
Sales	-	19,569,266
Maturities, Prepayments, and Calls	18,869,468	15,096,760
Proceeds from Redemption of Restricted Stock	315,700	981,450
Proceeds from Life Insurance	-	154,473
Net Increase in Loans Receivable	3,164,695	8,578,232
Purchases of Premises and Equipment	(261,957)	(535,347)
Proceeds from Sale of Other Real Estate Owned	-	65,400
Proceeds from Sale of Premises and Equipment	12,000	19,063
Purchase of Restricted Stock	(303,350)	-
Net Cash Provided (Used) by Investing Activities	(28,065,467)	30,400,691
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Increase (Decrease) in Deposits	8,637,174	(252,156)
Repayment of Federal Home Loan Bank Borrowings	-	(20,000,000)
Dividends Paid	(1,558,033)	(1,577,845)
Cash Provided to ESOP for Purchase of Shares	(258,608)	(283,953)
Purchase of Treasury Stock	(955,601)	(438,022)
Net Cash Provided (Used) by Financing Activities	5,864,932	(22,551,976)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(16,472,409)	13,819,036
Cash and Cash Equivalents - Beginning of Year	29,298,527	15,479,491
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 12,826,118</u>	<u>\$ 29,298,527</u>
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest Paid on Deposits and Borrowed Funds	<u>\$ 5,607,648</u>	<u>\$ 3,189,792</u>
Income Taxes Paid	<u>\$ 165,000</u>	<u>\$ 105,000</u>
Transfer of Loans to Other Real Estate Owned	<u>\$ -</u>	<u>\$ 39,599</u>

See accompanying Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Andover Bancorp, Inc. (the Company) is a bank holding company with one wholly owned subsidiary, the Andover Bank (the Bank), which is engaged in the business of commercial and retail banking with operations conducted through its corporate headquarters located in Andover, Ohio, as well as 10 branches and a loan production office located in northeast Ohio and western Pennsylvania. These communities are the source of substantially all of the Company's deposit and loan activities. The majority of the Company's income is derived from retail lending activities. During 2024, the Bank formed an investment subsidiary, AB Investment Subsidiary, Inc., to hold certain loans and investments.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and Bank and are collectively referred to as "the Company." All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The material estimates that are particularly susceptible to significant change in the near term include the determination of the allowance for credit losses and the valuation of available-for-sale securities.

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, cash and cash equivalents includes cash and due from banks and interest-bearing deposits in other banks, which are carried at cost.

Concentrations of Credit Risk

The Company grants residential, commercial, and consumer loans to customers primarily in the communities discussed above. The loan portfolio was comprised of 54% residential real estate mortgage loans, 34% commercial and commercial real estate loans, and 12% consumer and other loans at December 31, 2024.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Securities

Securities are classified as available-for-sale and carried at fair value with unrealized holding gains and losses reported in other comprehensive income (loss). Gains and losses on sales of securities are determined using the specific identification method on the trade date based on the amortized cost of the security sold and are included in noninterest income.

Premiums and discounts are recognized in interest income using the interest method over the terms of the securities. For callable debt securities purchased at a premium, such premium is amortized over the period ending with the earliest call date.

For available for sale debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of these criteria is met, the security's amortized cost basis is written down to fair value through income. If these criteria are not met, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes in the underlying credit rating of the security, and adverse conditions specifically related to the security, among other factors. If it is determined that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of the cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded, which is limited by the amount that the fair value is less than the amortized costs basis. Any impairment that has not been recorded through an allowance for credit losses is recognized as a component of other comprehensive income (loss). Changes in the allowance for credit losses are recorded as a provision for credit loss.

As of December 31, 2024 and 2023, no allowance for credit losses was required for available-for-sale securities.

Restricted Investment in Stock

The Bank is a member of the Federal Home Loan Bank of Cincinnati (FHLB), Federal Reserve Bank (FRB), and United Bankers Bank. Members are required to own a certain amount of stock based on the level of borrowings and other factors. FHLB, FRB, and United Bankers Bank stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment. Because this stock is viewed as a long-term investment, impairment is based on ultimate recovery at par value. Both cash and any stock dividends are reported as income.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 fees, an allowance for credit losses, and premiums or discounts on loans purchased.

Interest income on mortgage and commercial loans is discontinued at the time the loan is 90 days delinquent unless the loan is well secured and in process of collection. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. The cash-basis is used when a determination has been made that the principal and interest of the loan is collectible. If collectability of the principal and interest is in doubt, payments are applied to loan principal. The determination of ultimate collectability is supported by a current, well documented credit evaluation of the borrower's financial condition and prospects for repayment, including consideration of the borrower's sustained historical repayment performance and other relevant factors.

Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current, the borrower has demonstrated a period of sustained performance, and future payments are reasonably assured. A sustained period of repayment performance generally would be a minimum of six months.

Allowance for Credit Losses

The allowance for credit losses on loans is a valuation account that is deducted from the amortized cost basis of loans to present the net amount expected to be collected. The allowance for credit losses on loans is adjusted through the provision for credit losses to the amount of amortized cost basis not expected to be collected at the balance sheet date. Loans are charged off against the allowance for credit losses on loans in the period in which they are deemed uncollectible, and recoveries are credited to the allowance for credit losses on loans when received.

The Company utilizes the Weighted Average Remaining Maturity (WARM) method in determining expected future credit losses for each of the loan categories. The WARM method considers an estimate of expected credit losses over the remaining life of the financial assets and uses average annual charge-off rates to estimate the allowance for credit losses. For amortizing assets, the remaining contractual life is adjusted by the expected scheduled payments and prepayments. The average annual charge-off rate is applied to the amortization-adjusted remaining life to determine the unadjusted lifetime historical charge-off rate.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Credit Losses (Continued)

The Company's expected loss rate is anchored in historical credit loss experience, with an emphasis on all available portfolio data. Expected credit losses are estimated on a collective basis for groups of loans that share similar risk characteristics. Factors that may be considered in aggregating loans for this purpose include but are not necessarily limited to product or collateral type, geography, and internal risk ratings. For loans that do not share similar risk characteristics with other loans such as collateral dependent loans, expected credit losses are estimated on an individual basis. The Company's historical look-back period ranges over a 15-year rolling period on a quarterly basis.

Qualitative reserves reflect management's overall estimate of the extent to which current expected credit losses on collectively evaluated loans will differ from historical loss experience. The analysis takes into consideration other analytics performed within the organization, such as enterprise and concentration management, along with other credit-related analytics as deemed appropriate. Management attempts to quantify qualitative reserves whenever possible. The current expected credit loss (CECL) methodology applied focuses on evaluation of qualitative and environmental factors, including but not limited to: (i) The nature and volume of the institutions financial assets. (ii) The existence, growth and effect of any concentrations of credit. (iii) The volume and severity of past due financial assets, the volume of nonaccrual assets, and the volume and severity of adversely classified or graded assets. (iv) The value of the underlying collateral for loans that are not collateral-dependent. (v) The institution's lending policies and procedures, including changes in underwriting standards and practices for collections, write-offs, and recoveries. (vi) The quality of the institution's credit review function. (vii) The experience, ability and depth of the institution's lending, investment, collection, and other relevant management and staff. (viii) The effect of other external factors such as the regulatory, legal and technical environments; competition; and events such as natural disasters; and (ix) actual and expected changes in international, national, regional, and local economic and business conditions and developments in which the institution operates that could affect the collectability of financial assets.

Management utilized national, regional and local leading economic indexes, as well as management judgment, as the basis for the forecast period. The historical loss rate was utilized as the base rate, and qualitative adjustments were utilized to reflect the forecast and other relevant factors. The CECL estimate incorporates a reasonable and supportable economic forecast through the use of externally developed macroeconomic scenarios applied in the model. The length of the reasonable and supportable forecast period is evaluated at each reporting period and adjusted if deemed necessary. Currently, the Company uses a 2-year reasonable and supportable forecast period in estimating the allowance for credit losses on loans. The model reverts to historic loss estimates over one year on a straight line basis.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Collateral Dependent Loans

A loan is considered to be collateral dependent when, based upon management's assessment, the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. For collateral dependent loans, expected credit losses are based on the estimated fair value of the collateral at the balance sheet date, with consideration for estimated selling costs if satisfaction of the loan depends on the sale of the collateral.

Collateral dependent commercial real estate loans, both owner occupied and non-owner occupied are valued by independent external appraisals. These external appraisals are prepared using the sales comparison approach and income approach valuation techniques. Estimated fair values are reduced to account for sales commissions, broker fees, unpaid property taxes and additional selling expenses to arrive at an estimated net realizable value.

Management may make subsequent unobservable adjustments to the collateral dependent loan appraisals. Collateral dependent loans other than commercial real estate are not considered material.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transfers of Financial Assets and Participating Interests

Transfers of an entire financial asset or a participating interest in an entire financial asset 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.

The transfer of a participating interest in an entire financial asset must also meet the definition of a participating interest. A participating interest in a financial asset has all of the following characteristics: (1) from the date of transfer, it must represent a proportionate (pro rata) ownership interest in the financial asset, (2) from the date of transfer, all cash flows received, except any cash flows allocated as any compensation for servicing or other services performed, must be divided proportionately among participating interest holders in the amount equal to their share ownership, (3) the rights of each participating interest holder must have the same priority, and (4) no party has the right to pledge or exchange the entire financial asset unless all participating interest holders agree to do so.

Premises and Equipment

Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the useful lives of the individual assets which generally range from 3 to 10 years for furniture, fixtures, and equipment, and 39 years for buildings.

Bank-Owned Life Insurance

The Company has purchased life insurance policies on certain key executives. Bank-owned life insurance is recorded at its cash surrender value, or the amount that can be realized, if lower.

Other Real Estate Owned

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less estimated selling cost at the date of foreclosure, establishing a new cost basis. Any write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for loan losses. Subsequent to foreclosure, valuations are periodically performed by management and the assets held for sale are carried at the lower of the new cost basis or fair value less cost to sell. This evaluation is inherently subjective and requires estimates that are susceptible to significant revisions as more information becomes available. Costs of significant asset improvements are capitalized, whereas costs relating to holding assets are expensed. Revenue and expenses from operations and changes in the valuation allowance are included in other noninterest expenses.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill

Goodwill resulting from the 2015 acquisition of Community National Bank of Northwestern Pennsylvania (CNB) is tested for impairment at least annually to determine if an impairment loss has occurred. The Company assesses qualitative and other factors in evaluating goodwill for possible impairment.

Significant judgment is applied when assessing goodwill for possible impairment, including developing cash flow projections, selecting appropriate discount rates, identifying relevant market comparisons, incorporating general economic and market conditions, and selecting an appropriate control premium.

Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there are such matters that will have a material effect on the consolidated financial statements.

Income Taxes

The Company and Bank are currently subject only to federal income taxes. Deferred income taxes are provided on temporary differences between financial statement and income tax reporting. Temporary differences are differences between the amounts of assets and liabilities reported for financial statement purposes and their tax bases.

Deferred tax assets are recognized for temporary differences that will be deductible in future years' tax returns and for operating loss and tax credit carryforwards. Deferred tax assets are recognized only if it is more likely than not that a tax position will be realized or sustained upon examination by the relevant taxing authority. A tax position that meets the more likely than not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information.

Deferred tax assets are reduced by a valuation allowance if it is deemed more likely than not that some or all of the deferred tax assets will not be realized. Deferred tax liabilities are recognized for temporary differences that will be taxable in future years.

Management does not believe the Company has any significant uncertain tax positions at December 31, 2024. Tax years that remain open and subject to examination at December 31, 2024 are years 2021 – 2024.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Earnings Per Share

Earnings per share is calculated using the weighted-average number of shares outstanding for the periods.

Comprehensive Income (Loss)

Recognized revenue, expenses, gains, and losses are included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on securities available for sale, are reported as a separate component of the equity section of the consolidated balance sheet. Such items, along with net income, are components of comprehensive income (loss).

Advertising Costs

Advertising costs are expensed as the costs are incurred.

Subsequent Events

In preparing these consolidated financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through March 12, 2025, the date the consolidated financial statements were available to be issued.

Recently Adopted Accounting Standard

Effective January 1, 2023, the Company adopted ASU 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments* (ASC 326), which is applicable to financial assets measured at amortized cost, including loans. It also applies to off-balance sheet credit exposures such as loan commitments and standby letters of credit. In addition, changes were made to the accounting for available for sale securities, which requires credit losses to be presented as an allowance rather than as a direct write-down of the available for sale securities when management does not intend to sell or believes that it is more likely than not that they will be required to sell.

The adoption of ASC 326 resulted in the Company recording an increase of \$342,934 to the allowance for credit losses on loans and the establishment of an \$11,000 reserve for unfunded loan commitments. A one-time, cumulative effect charge to capital for these amounts, net of tax, of \$279,608, was recognized as of January 1, 2023.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

NOTE 2 SECURITIES

The amortized cost, fair value, and related gross unrealized gains and losses of securities available for sale at December 31 were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<u>December 31, 2024</u>				
Debt Securities:				
Obligations of State and Political Subdivisions	\$ 110,885,062	\$ 513	\$ 16,680,435	\$ 94,205,140
Collateralized Mortgage Obligations	70,689,879	11,531	5,413,481	65,287,929
GSE Residential Mortgage-Backed	116,464,627	14,304	18,074,537	98,404,394
Total Debt Securities	<u>\$ 298,039,568</u>	<u>\$ 26,348</u>	<u>\$ 40,168,453</u>	<u>\$ 257,897,463</u>
<u>December 31, 2023</u>				
Debt Securities:				
Obligations of State and Political Subdivisions	\$ 112,288,257	\$ 14,538	\$ 13,843,077	\$ 98,459,718
Collateralized Mortgage Obligations	27,088,244	-	4,909,746	22,178,498
GSE Residential Mortgage-Backed	128,472,096	12,923	16,963,792	111,521,227
Total Debt Securities	<u>\$ 267,848,597</u>	<u>\$ 27,461</u>	<u>\$ 35,716,615</u>	<u>\$ 232,159,443</u>

The amortized cost and fair value of securities as of December 31, 2024, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because the securities may be called or prepaid with or without any penalties.

	Amortized Cost	Fair Value
Due in One Year or Less	\$ 11,511,735	\$ 10,178,518
Due After One Year through Five Years	42,729,602	35,878,719
Due After Five Years through Ten Years	49,046,334	41,668,795
Due After Ten Years	7,597,391	6,479,108
Subtotal	110,885,062	94,205,140
Mortgage-Backed Securities - GSE Residential	116,464,627	98,404,394
Collateralized Mortgage Obligations	70,689,879	65,287,929
Total	<u>\$ 298,039,568</u>	<u>\$ 257,897,463</u>

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

NOTE 2 SECURITIES (CONTINUED)

The following table shows the Company's unrealized losses at December 31, 2024 and 2023, that have not been recognized in income aggregated by investment category and length of time that individual securities have been in a continuous loss position:

	Less than 12 Months		Over 12 Months		Total
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Unrealized Losses
<u>December 31, 2024</u>					
Obligations of State and Political Subdivisions	\$ 3,940,096	\$ 24,928	\$ 88,749,531	\$ 16,655,507	\$ 16,680,435
Collateralized Mortgage Obligations	42,459,620	383,183	14,585,419	5,030,298	5,413,481
GSE Residential Mortgage-Backed	-	-	92,037,395	18,074,537	18,074,537
Total	<u>\$ 46,399,716</u>	<u>\$ 408,111</u>	<u>\$ 195,372,345</u>	<u>\$ 39,760,342</u>	<u>\$ 40,168,453</u>
<u>December 31, 2023</u>					
Obligations of State and Political Subdivisions	\$ 2,786,707	\$ 60,700	\$ 91,850,390	\$ 13,903,777	\$ 13,843,077
Collateralized Mortgage Obligations	-	-	22,178,498	4,909,746	4,909,746
GSE Residential Mortgage-Backed	9,747,967	68,394	95,263,583	17,032,187	16,963,792
Total	<u>\$ 12,534,674</u>	<u>\$ 129,094</u>	<u>\$ 209,292,471</u>	<u>\$ 35,845,710</u>	<u>\$ 35,716,615</u>

At December 31, 2024, there were 250 securities in a loss position, 229 of which were in a loss position for 12 months or more. At December 31, 2023, there were 239 securities in a loss position, 226 of which were in a loss position for 12 months or more.

The Company's available for sale securities are invested in government sponsored enterprise securities, collateralized mortgage obligations, and government-sponsored enterprise residential mortgage-backed securities, including obligations of the FHLB, Government National Mortgage Association, Federal Home Loan Mortgage Association, and Federal National Mortgage Association. These securities carry the explicit and/or implicit guarantee of the U.S. government, and State and Local government, and have a long history of zero credit loss.

The Company has also invested in municipal obligations of public entities located in various states, principally Ohio and Pennsylvania. The Bank performs a quarterly stress test of the municipal bond portfolio and performs a more in-depth analysis of any securities identified for potential credit concerns.

Management believes total gross unrealized losses are attributable to changes in interest rates, relative to when the securities were purchased, and not due to the credit quality of the investment securities. The fair value of these securities typically changes as market interest rates change and as each security approaches its contractual maturity date. Because these unrealized losses are the result of customary and unexpected fluctuations in the bond market, they have not been recognized into income. Management has the intent and believes the Bank has the ability to hold the investments to maturity or for a period of time sufficient to recover the loss. The Company currently does not believe it is probable that it will be unable to collect all amounts according to the contractual terms of the investments. Therefore, the Company did not record an allowance for credit losses for these securities as of December 31, 2024 and 2023.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

NOTE 2 SECURITIES (CONTINUED)

Sales of securities available for sale were as follows for the years ended December 31:

	2024	2023
Proceeds	\$ -	\$ 19,569,266
Gross Gains	-	221,361
Gross Losses	-	147,933
Net Gain	<u>\$ -</u>	<u>\$ 73,428</u>

The tax provision related to net realized gains on security sales was \$15,420 in 2023.

Securities available for sale with carrying values approximating \$111,494,000 and \$65,493,000 at December 31, 2024 and 2023, respectively, were pledged to secure public deposits, and for other purposes as required or permitted by law.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

NOTE 3 LOANS, NET

Loans as of December 31 are summarized as follows:

	2024	2023
Commercial	\$ 90,311,315	\$ 90,292,314
Real Estate	142,460,970	149,604,410
Consumer	10,659,380	10,962,403
Premier	20,956,338	16,624,369
Other	661,425	666,579
Subtotal	265,049,428	268,150,075
Less: Allowance for Credit Losses	1,607,716	1,660,006
Loans, net	<u>\$ 263,441,712</u>	<u>\$ 266,490,069</u>

The Company has elected to exclude accrued interest receivable from the amortized cost basis of loans. Accrued interest receivable on loans amounted to \$948,874 and \$941,369 at December 31, 2024 and 2023 and is included in accrued interest receivable in the accompanying consolidated balance sheets.

In the normal course of business, loans are extended to directors, executive officers, and their Related business interests. These loans totaled \$900,300 and \$527,016 at December 31, 2024 and 2023, respectively. There were advances of \$441,568 during the year ended December 31, 2024. Repayments during the years ended December 31, 2024 and 2023 totaled \$68,284 and \$104,262, respectively.

The Bank grants consumer, commercial, and residential loans to customers throughout its trade area that is concentrated in Ashtabula and Lake Counties in Ohio, northwestern Pennsylvania, and Stow, Ohio. Although the Bank has a diversified loan portfolio the ability of the Bank's loan customer's to honor their repayment commitments is highly dependent upon the economic stability of the Bank's immediate trade area.

Loans to local political subdivisions represented 17% and 21% of the Bank's total loan portfolio at December 31, 2024 and 2023, respectively. These loans primarily represent general obligation bonds and leases and are included in the commercial loan portfolio segment. The Bank's ability to collect these loans is dependent upon proceeds from tax levies, in the case of revenue bonds, and upon available municipality operating funds, in the case of general obligation bonds. Municipalities are subject to general economic risks which could have an impact on the ability of their citizens to meet tax levy and other obligations to the municipality. Credit losses arising from the Bank's lending experience with political subdivisions compares favorably with the Bank's loss experience on its portfolio as a whole.

Loans serviced for other institutions totaled \$28,473,718 and \$27,762,517 at December 31, 2024 and 2023, respectively. These loans are not included in the Company's consolidated balance sheets.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

NOTE 3 LOANS, NET (CONTINUED)

The Company maintains a separate general valuation allowance for each portfolio segment. These portfolio segments include commercial, real estate, consumer, premier, and other with risk characteristics described as follows:

Commercial: Commercial loans generally possess a lower inherent risk of loss than real estate portfolio segments because these loans are generally underwritten to existing cash flows of operating businesses. Debt coverage is provided by business cash flows and economic trends influenced by unemployment rates and other key economic indicators closely correlated to the credit quality of these loans.

Real Estate: The degree of risk in residential mortgage lending depends primarily on the loan amount in relation to collateral value, the interest rate, and the borrower's ability to repay in an orderly fashion. These loans generally possess a lower inherent risk of loss than other real estate portfolio segments. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends indicate that the borrowers' capacity to repay their obligations may be deteriorating.

Consumer: The consumer loan portfolio is usually comprised of a large number of small loans scheduled to be amortized over a specific period. Most consumer loans are term loans secured by real estate, automobiles, or other personal assets. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends indicate the borrowers' capacity to repay their obligations may be deteriorating.

Premier: The premier loan portfolio is comprised of home equity lines of credit secured by real estate. The risks associated with this portfolio are generally higher than other residential real estate loans as these loans are open ended and typically interest only when draws are being taken on the loans. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans as repayment is based on personal cash flow. Weak economic trends indicate the borrowers' capacity to repay their obligations may be deteriorating.

Other: The remaining loan portfolio consists of ready cash loans which operate as personal lines of credit and are unsecured. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

NOTE 3 LOANS, NET (CONTINUED)

The allowance for credit losses and recorded investment in loans is as follows:

<u>December 31, 2024</u>	<u>Commercial</u>	<u>Real Estate</u>	<u>Consumer</u>	<u>Premier</u>	<u>Other</u>	<u>Total</u>
Allowance for Credit Losses						
Balance - Beginning of Year	\$ 299,313	\$ 1,138,796	\$ 132,953	\$ 80,986	\$ 7,958	\$ 1,660,006
Provision (Credit) for Loan Losses	47,114	(73,015)	(18,665)	(3,543)	12,709	(35,400)
Loans Charged-Off	-	-	(3,977)	-	(12,913)	(16,890)
Recoveries of Loans	-	-	-	-	-	-
Previously Charged Off	-	-	-	-	-	-
Balance - End of Year	<u>\$ 346,427</u>	<u>\$ 1,065,781</u>	<u>\$ 110,311</u>	<u>\$ 77,443</u>	<u>\$ 7,754</u>	<u>\$ 1,607,716</u>
Allowance Related to Collateral Dependent Loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Collateral Dependent Loans	<u>\$ -</u>	<u>\$ 493,157</u>	<u>\$ 79,259</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 572,416</u>
<u>December 31, 2023</u>	<u>Commercial</u>	<u>Real Estate</u>	<u>Consumer</u>	<u>Premier</u>	<u>Other</u>	<u>Total</u>
Allowance for Credit Losses	\$ 517,228	\$ 621,166	\$ 90,891	\$ 115,827	\$ 16,572	\$ 1,361,684
Balance - Beginning of Year	(145,329)	473,416	49,496	(27,286)	(7,363)	342,934
Provision (Credit) for Loan Losses	(72,586)	44,214	1,278	(7,555)	(1,251)	(35,900)
Loans Charged-Off	-	-	(14,657)	-	-	(14,657)
Recoveries of Loans	-	-	-	-	-	-
Previously Charged Off	-	-	5,945	-	-	5,945
Balance - End of Year	<u>\$ 299,313</u>	<u>\$ 1,138,796</u>	<u>\$ 132,953</u>	<u>\$ 80,986</u>	<u>\$ 7,958</u>	<u>\$ 1,660,006</u>
Allowance Related to Collateral Dependent Loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Collateral Dependent Loans	<u>\$ -</u>	<u>\$ 108,492</u>	<u>\$ 56,627</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 165,119</u>

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

NOTE 3 LOANS, NET (CONTINUED)

The Company utilizes the WARM method in determining expected future credit losses for each of the loan categories. The WARM method considers an estimate of expected credit losses over the remaining life of the financial assets and uses average annual charge-off rates to estimate the allowance for credit losses. For amortizing assets, the remaining contractual life is adjusted by the expected scheduled payments and prepayments. The average annual charge-off rate is applied to the amortization-adjusted remaining life to determine the unadjusted lifetime historical charge-off rate.

The Company's allowance for credit loss estimate applies a forecast that incorporates trends and other environmental factors. Management utilized national, regional, and local leading economic indexes, as well as managements judgement, as the basis for the forecast. The historical loss rate was utilized as the base rate, and qualitative adjustments were utilized to reflect the forecast and other relevant factors.

The Company segments the portfolio into pools based on the following risk characteristics: collateral type, credit characteristics, loan origination balance, and outstanding loan balance.

In addition, the Company has established a reserve for unfunded loan commitments, classified in other liabilities on the consolidated balance sheets. This reserve is maintained at a level that management believes is sufficient to absorb losses arising from unfunded loan commitments and is determined quarterly based on methodology similar to the methodology for determining the allowance for credit losses for loans. At December 31, 2024 and 2023 no reserve for unfunded loan commitments was necessary.

Credit for Credit Losses: The provision or credit for credit losses is determined by the Bank as the amount to be added to the allowance for various types of financial instruments including loans, investment securities, and unfunded commitment credit exposures after net charge-offs have been deducted to bring the allowance to a level that, in management's judgment, is necessary to absorb expected credit losses over the lives of the respective financial instruments. The following table presents the components of the credit for credit losses for the years ended December 31, 2024 and 2023:

Credit for loan losses:	2024	2023
Loans	\$ 35,400	\$ 35,900
Unfunded loan commitments	-	11,000
Investment securities	-	-
Total credit for credit losses	\$ 35,400	\$ 46,900

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

NOTE 3 LOANS, NET (CONTINUED)

The Company assigns a risk rating to all loans except pools of homogeneous loans and periodically performs detailed internal reviews of all such loans over a certain threshold to identify credit risks and to assess the overall collectability of the portfolio. These risk ratings are also subject to examination by the Company's regulators. During the internal reviews, management monitors and analyzes the financial condition of borrowers and guarantors, trends in the industries in which the borrowers operate and the fair values of collateral securing the loans. These credit quality indicators are used to assign a risk rating to each individual loan. The risk ratings can be grouped into four major categories, defined as follows:

Pass: A pass loan is a credit with no existing or known potential weaknesses deserving of management's close attention.

Special Mention: Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, this potential weakness may result in deterioration of the repayment prospects for the loan or of the Company's credit position at some future date. Special mention loans are not adversely classified and do not expose the Company to sufficient risk to warrant adverse classification.

Substandard: Loans classified as substandard are not adequately protected by the current net worth and paying capacity of the borrower or of the collateral pledged, if any. Loans classified as substandard have a well-defined weakness or weaknesses that jeopardize the repayment of the debt. Well-defined weaknesses include a borrower's lack of marketability, inadequate cash flow, or collateral support, failure to complete construction on time, or the failure to fulfill economic expectations. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

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

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

NOTE 3 LOANS, NET (CONTINUED)

The following table is a summary of loans allocated by management's internal risk ratings:

Commercial

Risk Rating	2024	2023
Pass	\$90,082,686	\$90,041,099
Special Mention	-	251,215
Substandard	228,629	-
Total	\$90,311,315	\$90,292,314

The following table is a summary of homogeneous loans allocated by payment activity (nonperforming represents loans on nonaccrual of interest):

	Real Estate	Consumer	Premier	Other	Total
December 31, 2024					
Payment Activity:					
Performing	\$ 141,967,813	\$ 10,580,121	\$ 20,956,338	\$ 661,425	\$ 174,165,697
Non-Performing (nonaccrual)	493,157	79,259	-	-	572,416
Total	\$ 142,460,970	\$ 10,659,380	\$ 20,956,338	\$ 661,425	\$ 174,738,113
December 31, 2023					
Payment Activity:					
Performing	\$ 149,495,918	\$ 10,905,776	\$ 16,624,369	\$ 666,579	\$ 177,692,642
Non-Performing (nonaccrual)	108,492	56,627	-	-	165,119
Total	\$ 149,604,410	\$ 10,962,403	\$ 16,624,369	\$ 666,579	\$ 177,857,761

The following table presents the aging of the recorded investment in past due and nonaccrual loans:

	Accruing Interest			Total Nonaccrual	Total Loans
	Current	30 - 89 Days Past Due	More Than 90 Days Past Due		
December 31, 2024					
Commercial	\$ 90,311,315	\$ -	\$ -	\$ -	\$ 90,311,315
Real Estate	141,917,146	50,667	-	493,157	142,460,970
Consumer	10,575,621	4,500	-	79,259	10,659,380
Ready Cash	661,425	-	-	-	661,425
Total	\$ 264,421,845	\$ 55,167	\$ -	\$ 572,416	\$ 265,049,428
	Accruing Interest			Total Nonaccrual	Total Loans
	Current	30 - 89 Days Past Due	More Than 90 Days Past Due		
December 31, 2023					
Commercial	\$ 90,292,314	\$ -	\$ -	\$ -	\$ 90,292,314
Real Estate	149,103,640	392,278	-	\$108,492	149,604,410
Consumer	10,826,517	79,259	-	\$56,627	10,962,403
Ready Cash	666,579	-	-	-	666,579
Total	\$ 267,513,419	\$ 471,537	\$ -	\$ 165,119	\$ 268,150,075

The amortized costs basis for loans on nonaccrual status for which there is no related allowance for credit losses was \$572,416 and \$165,119 as of December 31, 2024 and 2023, respectively.

Modifications to borrowers experiencing financial difficulty may include interest rate reductions, principal or interest forgiveness, forbearances, term extensions, and other actions intended to minimize economic loss and to avoid foreclosure or repossession of collateral. There were no modifications to borrowers experiencing financial difficulty during the years ended December 31, 2024 and 2023.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

NOTE 3 LOANS, NET (CONTINUED)

The following table presents loans by risk grade and origination year at December 31, 2024:

	2024	2023	2022	Prior	Revolving Loans	Total
Commercial						
Risk Rating						
Not Rated/Pass	\$ 12,634,602	\$ 11,210,396	\$ 18,491,790	\$ 43,464,977	\$ 4,280,921	\$ 90,082,686
Special Mention	-	-	-	-	-	-
Substandard	-	-	-	228,629	-	228,629
Doubtful	-	-	-	-	-	-
Total	<u>\$ 12,634,602</u>	<u>\$ 11,210,396</u>	<u>\$ 18,491,790</u>	<u>\$ 43,693,606</u>	<u>\$ 4,280,921</u>	<u>\$ 90,311,315</u>
Gross Charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Real Estate						
Risk Rating						
Not Rated/Pass	\$ 10,669,883	\$ 9,898,152	\$ 21,431,254	\$ 98,283,581	\$ 1,628,921	\$ 141,911,791
Special Mention	-	-	-	-	-	-
Substandard	-	-	246,136	303,042	-	549,179
Doubtful	-	-	-	-	-	-
Total	<u>\$ 10,669,883</u>	<u>\$ 9,898,152</u>	<u>\$ 21,677,390</u>	<u>\$ 98,586,623</u>	<u>\$ 1,628,921</u>	<u>\$ 142,460,970</u>
Gross Charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Consumer						
Risk Rating						
Not Rated/Pass	\$ 3,865,450	\$ 2,731,235	\$ 2,351,159	\$ 1,632,277	\$ -	\$ 10,580,121
Special Mention	-	-	-	-	-	-
Substandard	-	-	-	79,259	-	79,259
Doubtful	-	-	-	-	-	-
Total	<u>\$ 3,865,450</u>	<u>\$ 2,731,235</u>	<u>\$ 2,351,159</u>	<u>\$ 1,711,536</u>	<u>\$ -</u>	<u>\$ 10,659,380</u>
Gross Charge-offs	\$ -	\$ -	\$ -	\$ 3,977	\$ -	\$ 3,977
Premiere/Other						
Risk Rating						
Not Rated/Pass	\$ -	\$ 156,363	\$ -	\$ 29,741	\$ 21,427,159	\$ 21,613,263
Special Mention	-	-	-	-	-	-
Substandard	-	-	-	-	4,500	4,500
Doubtful	-	-	-	-	-	-
Total	<u>\$ -</u>	<u>\$ 156,363</u>	<u>\$ -</u>	<u>\$ 29,741</u>	<u>\$ 21,431,659</u>	<u>\$ 21,617,763</u>
Gross Charge-offs	\$ 4,966	\$ 2,794	\$ -	\$ 5,153	\$ -	\$ 12,913

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

NOTE 4 PREMISES AND EQUIPMENT, NET

Premises and equipment consist of the following as of December 31:

	2024	2023
Land and Improvements	\$ 3,423,980	\$ 3,395,423
Building and Improvements	8,699,625	8,681,652
Furniture and Equipment	10,788,954	11,345,473
Subtotal	22,912,559	23,422,548
Less: Accumulated Depreciation	(15,724,925)	(15,888,648)
Premises and Equipment, Net	<u>\$ 7,187,634</u>	<u>\$ 7,533,900</u>

Depreciation of premises and equipment amounted to \$606,050 in 2024 and \$595,321 in 2023.

NOTE 5 CORE DEPOSIT INTANGIBLE ASSET

Amortization of the core deposit intangible asset was \$91,586 in 2023 and is included in other noninterest expenses in the accompanying consolidated statements of income. As of December 31, 2023 the core deposit intangible has been fully amortized.

NOTE 6 DEPOSITS

Deposits at the years ended December 31 were as follows:

	2024	2023
Noninterest-Bearing Demand	\$ 136,483,548	\$ 140,049,738
Interest-Bearing Demand	94,141,064	107,011,833
Savings	117,919,090	125,001,996
Money Market	53,240,498	50,322,780
Time Deposits	131,443,502	102,204,181
Total	<u>\$ 533,227,702</u>	<u>\$ 524,590,528</u>

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

NOTE 6 DEPOSITS (CONTINUED)

Time deposits of \$250,000 or more were \$21,968,167 and \$19,076,541 at December 31, 2024 and 2023, respectively. Scheduled maturities of time deposits at December 31, 2024 were as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2025	\$ 122,689,374
2026	5,573,693
2027	1,895,303
2028	762,585
2029	522,547
Total	<u>\$ 131,443,502</u>

NOTE 7 BORROWING ARRANGEMENTS

The Company has available at December 31, 2024, various borrowing arrangements with the FHLB of Cincinnati, including a \$40,000,000 CMA variable line-of credit, a \$30,000,000 repurchase line, and \$4,850,000 of standby letters of credit. These borrowing arrangements are subject to annual renewal and incur no service charges. Outstanding borrowings are secured by the Company's investment in FHLB stock and a blanket security agreement on outstanding residential mortgage loans. The principal balance of advances is payable at maturity with interest payments made monthly. There were no outstanding FHLB borrowings as of December 31, 2024 and 2023.

At December 31, 2024, the Company's maximum borrowing capacity with the FHLB was \$82,103,965.

In February 2023, the Company entered into a credit agreement with the Federal Reserve Bank of Cleveland to borrow funds at the Discount Window. The line is subject to annual renewal and incurs no service charges. Outstanding borrowings at the Discount Window are secured by a blanket security agreement on commercial loans, multi-family loans, and residential second mortgage loans. There were no outstanding borrowings under the agreement as of December 31, 2024 and 2023. At December 31, 2024, the Company's maximum borrowing capacity with the Federal Reserve Bank was \$43,396,799.

On November 18, 2021, the Company completed a private placement of \$10,000,000 of subordinated notes due December 1, 2031. The notes bear interest at a fixed rate of 3.625% through December 1, 2026, after which time, until maturity, the rate will reset quarterly to an annual floating rate equal to the then-current 3-month SOFR plus 266 basis points. The notes are redeemable at the Company's option, in whole or in part, on or after December 1, 2026, but are not redeemable at the option of the holders. The balance of the notes, net of unamortized debt issuance costs amounted to \$9,904,297 as of December 31, 2024 and \$9,852,368 as of December 31, 2023. Amortization of debt issuance costs, which is included in interest expense, amounted to \$51,924 in 2024 and \$51,930 in 2023. Future amortization of debt issuance costs is \$51,930 in 2025 and \$43,773 in 2026.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

NOTE 8 EMPLOYEE AND DIRECTOR BENEFITS

The Company sponsors an ESOP for the benefit of employees who meet the eligibility requirements of the ESOP, including attaining age 21. Participants are permitted to make contributions through salary reductions, up to statutory limits. The Company matches 100% of the participant's contributions up to 6% of compensation. The Company makes these matching cash contributions to the ESOP on a per pay basis. The Company also makes safe harbor contributions equal to 3% of the employee's compensation. Notwithstanding these matching contributions, Company contributions must also be sufficient to meet the payment conditions of any ESOP loan obligations that cannot be met with available funds of the ESOP. The Company also makes contributions to the ESOP for the payment of interest on any outstanding loans. As contributions are made to the ESOP to repay loans, shares are released and allocated among active participants in the ESOP. Matching contributions made by the Company amounted to \$243,827 and \$246,132 in 2024 and 2023, respectively. Safe harbor contributions amounted to \$161,100 and \$146,995 in 2024 and 2023, respectively.

Shares purchased with the proceeds from any loan where the shares are pledged as collateral, are reported as unearned ESOP shares in the consolidated balance sheet. As shares are released from collateral, the Company reports compensation expense equal to the fair value of the shares, and the shares become outstanding for earnings per share computations.

Shares held by the ESOP as of December 31 were as follows:

	2024	2023
Beginning Allocated Shares	180,472	173,683
Shares Repurchased	(13,979)	(13,521)
Shares Released for Allocation	22,361	20,310
Ending Allocated Shares	188,854	180,472
Unreleased Shares	108,941	117,323
Total ESOP Shares	297,795	297,795
Fair Value of Unearned Shares	\$ 2,015,409	\$ 2,463,783
Fair Value of Allocated Shares Subject to Repurchase Obligation	\$ 3,493,799	\$ 3,789,912

In addition to the ESOP, the Company also provides other benefits to certain officers, as well as directors, including a phantom stock plan and supplemental retirement benefits. Supplemental retirement benefits include split-dollar life insurance arrangements for certain officers and directors to provide for supplemental retirement and death benefits. The Company's liability for estimated benefits under the phantom stock plan and supplemental retirement arrangements amounted to \$773,962 and \$856,565 as December 31, 2024 and 2023, respectively. Payments made to former directors under the phantom stock plan amounted to \$62,279 in 2024 and \$83,140 in 2023.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

NOTE 9 INCOME TAXES

The provision for income taxes for the years ended December 31 consists of the following:

	2024	2023
Federal:		
Current	\$ 246,017	\$ 365,356
Deferred	(127,880)	(224,226)
Total	<u>\$ 118,137</u>	<u>\$ 141,130</u>

The provision for federal income taxes differed from the amounts computed by applying the U.S. federal income tax rate of 21% to earnings before federal income taxes as a result of the following:

	2024	2023
Provision at Statutory Rate	\$ 687,900	\$ 823,100
Tax Exempt Interest on State and Municipal Securities and Political Subdivision Loans	(538,300)	(642,500)
Bank-Owned Life Insurance	(41,200)	(44,300)
Deductible Dividends Paid to ESOP	(47,200)	(46,900)
Other	56,937	51,730
Income Tax Provision	<u>\$ 118,137</u>	<u>\$ 141,130</u>

The deferred income tax credit of \$127,880 in 2024 and \$224,226 in 2023 resulted from the tax effects of temporary differences. There was no impact for changes in tax laws and rates or changes in the valuation allowance for deferred tax assets.

The tax effects of temporary differences that give rise to deferred tax assets and deferred tax liabilities as of December 31 were as follows:

	2024	2023
Deferred Tax Assets:		
Allowance for Loan Losses	\$ 258,500	\$ 268,700
Deferred Compensation	162,500	179,900
Unrealized Loss on Available for Sale Securities	8,429,842	7,494,723
Deferred Incentive Revenue	108,000	-
Other, Net	13,658	2,277
Total	<u>8,972,500</u>	<u>7,945,600</u>
Deferred Tax Liabilities:		
FHLB Stock Dividend	39,200	64,800
Deferred Loan Fees	95,600	112,000
Premises and Equipment	290,800	296,800
Prepaid Expenses	51,900	40,000
Total	<u>477,500</u>	<u>513,600</u>
Net Deferred Tax Assets	<u>\$ 8,495,000</u>	<u>\$ 7,432,000</u>

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

NOTE 9 INCOME TAXES (CONTINUED)

Net deferred tax assets are included in other assets in the accompanying consolidated balance sheets.

Management believes it is more likely than not that the benefit of deferred tax assets will be realized. Therefore, no valuation allowance for deferred tax assets is deemed necessary as of December 31, 2024 and 2023.

NOTE 10 FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

In the normal course of business, the Bank has outstanding commitments and contingent liabilities, such as commitments to extend credit and standby letters of credit, which are not included in the accompanying financial statements. The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual or notional amount of those instruments. The Bank uses the same credit policies in making such commitments as it does for instruments that are included in the consolidated balance sheets.

At December 31, 2024 and 2023, the following financial instruments whose contract amount represents credit risk were approximately as follows:

	2024	2023
Unfunded Commitments to extend credit	\$ 60,175,776	\$ 50,261,728
Standby Letters of Credit	154,400	164,400
Total	<u>\$ 60,330,176</u>	<u>\$ 50,426,128</u>

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation. Collateral held varies but may include accounts receivable, inventory, property and equipment, and income producing commercial properties.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Standby letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Bank's policy for obtaining collateral, and the nature of such collateral, is essentially the same as that involved in making commitments to extend credit.

The Bank was not required to perform on any financial guarantees and did not incur any losses on its commitments during the past two years.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

NOTE 11 REGULATORY MATTERS

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements.

Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measure of its assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and the classifications are also subject to qualitative judgment by the regulator in regard to components, risk weighting, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the following table) of Common Equity Tier 1, Tier 1, and Total Capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier 1 Capital (as defined) to average assets (as defined). Management believes as of December 31, 2024 and 2023, that the Bank met all capital adequacy requirements to which it is subject. In addition to these requirements, banking organizations must maintain a 2.5% capital conservation buffer consisting of Common Tier 1 equity.

As of December 31, 2024, the most recent notification from the Federal Deposit Insurance Corporation, categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since the notification that management believes have changed the Bank's category. The Bank believes it meets all of the fully phased-in Basel III capital requirements.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

NOTE 11 REGULATORY MATTERS (CONTINUED)

The following table reflects the capital ratios and minimum requirements as of December 31:

	Actual		Minimum Capitalized Requirement		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
(Dollars in Thousands)						
December 31, 2024						
Total Capital To Risk-Weighted Assets	\$ 56,269	22.3%	\$ 20,184	8.0%	\$ 26,492	10.5%
Common Equity Tier 1 Capital to Risk Weighted Assets	54,801	21.7%	11,354	4.5%	\$ 17,661	7.0%
Tier I Capital to Risk-Weighted Assets	54,801	21.7%	15,138	6.0%	21,446	8.5%
Tier I Capital to Average Assets	54,801	9.5%	23,087	4.0%	34,630	6.0%
December 31, 2023						
Total Capital To Risk-Weighted Assets	\$ 54,308	22.8%	\$ 19,061	8.0%	\$ 25,017	10.5%
Common Equity Tier 1 Capital to Risk Weighted Assets	52,858	22.2%	10,722	4.5%	16,678	7.0%
Tier I Capital to Risk-Weighted Assets	52,858	22.2%	14,296	6.0%	20,252	8.5%
Tier I Capital to Average Assets	52,858	9.8%	21,659	4.0%	32,489	6.0%

NOTE 12 REGULATORY RESTRICTIONS

The Federal Reserve Bank may require the Company to maintain certain reserve balances. As of December 31, 2024 and 2023, the Company had no cash reserve requirements.

By regulation, banks are limited in the amount of retained earnings available for the payment of dividends. These limitations generally restrict dividend payments to current and prior two years' retained earnings without prior regulatory approval. In addition, banks are precluded from paying dividends that would reduce regulatory capital below established minimums. As of December 31, 2024, the Company was not precluded from making normal dividend payments from the more restrictive of the two limitations.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

NOTE 13 FAIR VALUE MEASUREMENTS

The Company categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Certain financial assets and liabilities are measured at fair value on a recurring basis while others are measured on a nonrecurring basis. Subsequent to initial recognition, the Company may re-measure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

There were no financial instruments measured at fair value that moved to a lower level in the fair value hierarchy due to the lack of observable quotes in inactive markets for those instruments at December 31, 2024 and 2023.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Company adopted the policy to value certain financial instruments at fair value. The Company has not elected to measure any existing financial instruments at fair value; however, it may elect to measure newly acquired financial instruments at fair value in the future.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table summarizes financial and nonfinancial assets (there were no financial liabilities) measured at fair value as of December 31, 2024 and 2023, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

December 31, 2024	Level 1	Level 2	Level 3	Total
Available for Sale Securities:				
Obligations of State and				
Political Subdivisions	\$ -	\$ 94,205,140	\$ -	\$ 94,205,140
Collateralized Mortgaged Obligations	-	65,287,929	-	65,287,929
GSE Residential Mortgage-Backed	-	98,404,394	-	98,404,394
Total Securities Available for Sale	<u>\$ -</u>	<u>\$ 257,897,463</u>	<u>\$ -</u>	<u>\$ 257,897,463</u>

December 31, 2023	Level 1	Level 2	Level 3	Total
Available for Sale Securities:				
Obligations of State and				
Political Subdivisions	\$ -	\$ 98,459,718	\$ -	\$ 98,459,718
Collateralized Mortgaged Obligations	-	22,178,498	-	22,178,498
GSE Residential Mortgage-Backed	-	111,521,227	-	111,521,227
Total Securities Available for Sale	<u>\$ -</u>	<u>\$ 232,159,443</u>	<u>\$ -</u>	<u>\$ 232,159,443</u>

Following is a description of the valuation methodologies used for significant instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Available-for-Sale Securities

When available, the Company uses quoted market prices to determine the fair value of investment securities; such items are classified in Level 1 of the fair value hierarchy. For the Company's investments in government agencies, residential mortgage-backed securities, and obligations of states and political subdivisions for which quoted prices are not available for identical securities in an active market, the Company determines fair value utilizing vendors who apply matrix pricing for similar bonds for which no price is observable or may compile prices from various sources. These models are primarily industry-standard models that consider various assumptions, including time value, yield curve, volatility factors, prepayment speeds, default rates, loss severity, current market, and contractual prices for the underlying financial instruments, as well as other relevant economic measures.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

Substantially all of these assumptions are observable in the marketplace, can be derived from observable data, or are supported by observable levels at which transactions are executed in the marketplace. Fair values from these models are verified, where possible, against quoted market prices for recent trading activity of assets with similar characteristics to the security being valued. Such methods are generally classified as Level 2. However, when prices from independent sources vary, cannot be obtained, or cannot be corroborated, a security is generally classified as Level 3.

Collateral Dependent Loans

From time to time, an allowance for credit loss may be established for certain collateral dependent loans based on an appraised value of the underlying collateral. Such collateral dependent loans are considered to be measured at fair value and recorded as nonrecurring Level 3 financial instruments.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

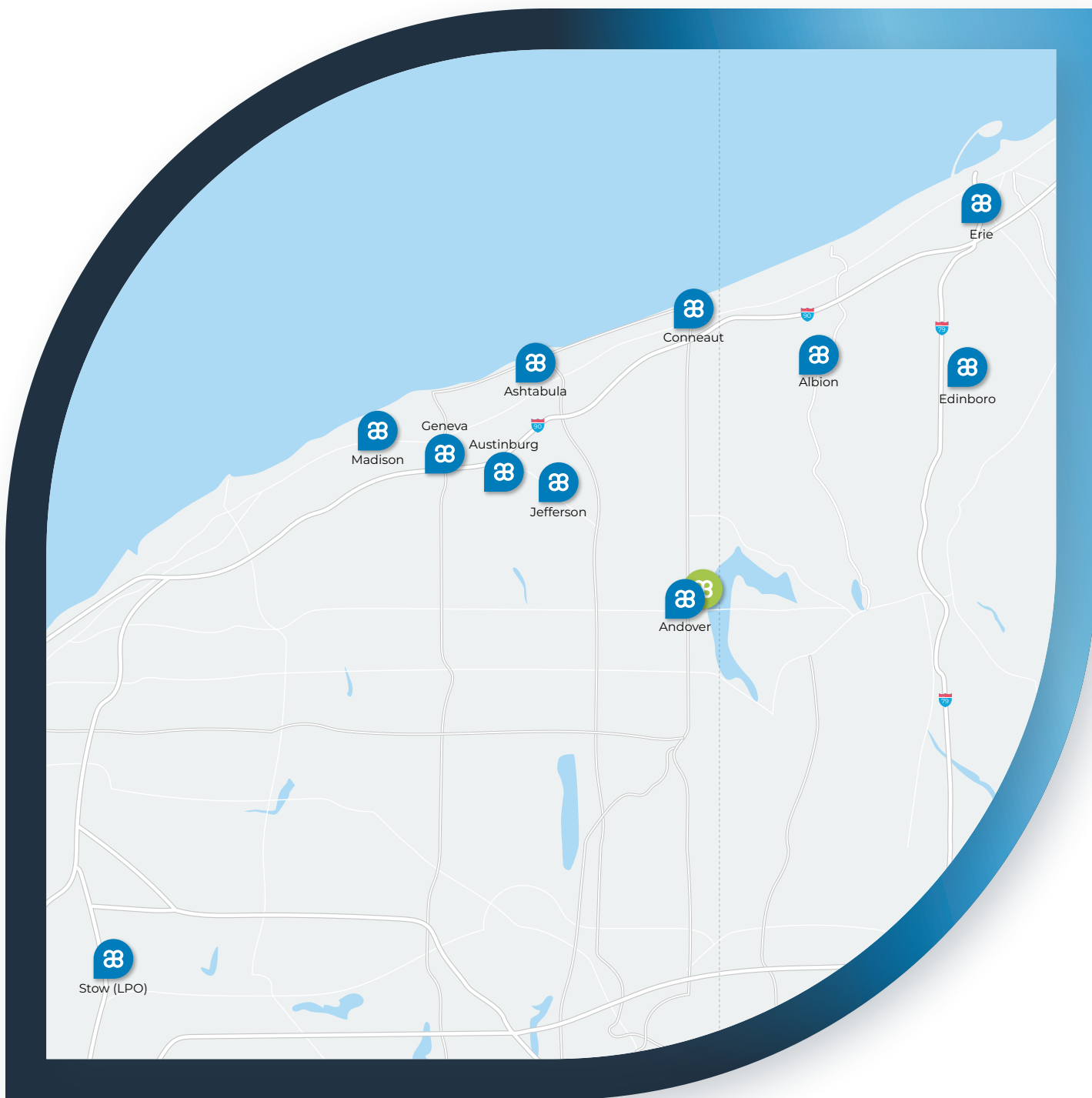
NOTE 14 REVENUE FROM CONTRACTS WITH CUSTOMERS

All of the Company's revenue from contracts with customers in the scope of ASC 606 is recognized in the noninterest income category.

A description of the Company's revenue streams accounted for under ASC 606 follows:

Customer Service Fees – The Company earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which include automated teller machine (ATM) use fees, stop-payment charges, late fees on loans, statement rendering, and ACH fees, are recognized at the time the transaction is executed as that is the point in time the Company fulfills the customer's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Company satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the customer's account balance.

Debit Card Fee Income – The Company earns interchange fees from debit cardholder transactions conducted through the Visa and Mastercard payment networks. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder.



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Quick Facts



4,258,082
Digital Transactions



7,211
Mobile Users



11,608
Online Users



2,989
Credit Monitoring Users



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Austinburg, OH 44010

CONNEAUT
339 State Street
Conneaut, OH 44030

EDINBORO
212 Plum Street
Edinboro, PA 16412

GENEVA
665 South Broadway
Geneva, OH 44041

JEFFERSON
150 North Chestnut Street
Jefferson, OH 44047

MADISON
6611 North Ridge Road
Madison, OH 44057

MILLCREEK
2420 Zimmerly Road
Erie, PA 16506

STOW LPO
3924 Clock Pointe Trail, Ste. 101
Stow, OH 44224



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