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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

- Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the fiscal year ended December 31, 2025
- or
- Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from ____ to ____
Commission File Number 001-38084

FARMERS & MERCHANTS BANCORP, INC.

OHIO

(State or other jurisdiction of
incorporation or organization)

**307 North Defiance Street
Archbold, Ohio**

(Address of principal
Executive offices)

34-1469491

(IRS Employer
Identification No.)

43502

(Zip Code)

Registrant's telephone number, including area code (419) 446-2501
Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange</u>
Common Stock, No Par Value	FMAO	NASDAQ Capital Market

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or Section 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer

Emerging growth company

Accelerated filer

Smaller reporting company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of June 30, 2025, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$321,142,346.

As of February 20, 2026, the Registrant had 14,564,425 shares of common stock issued of which 13,748,074 shares are outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of Form 10-K – Portions of the definitive Proxy Statement for the 2026 Annual Meeting of Shareholders of Farmers & Merchants Bancorp, Inc.

FARMERS & MERCHANTS BANCORP, INC.
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⁽¹⁾ Pursuant to Rule 406T of Regulation S-T, the interactive Data Files in Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

Total Pages: 151

Forward Looking Statements

This Annual Report on Form 10-K contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, without limitation, statements regarding the Company’s expectations, beliefs, plans, objectives, goals, projections, assumptions, or future events or performance and may be identified by words such as “may,” “will,” “should,” “could,” “anticipate,” “believe,” “expect,” “intend,” “plan,” “estimate,” “project,” “continue,” “potential,” or similar expressions.

Forward-looking statements are based on current expectations and assumptions and are subject to significant risks and uncertainties that could cause actual results, performance, or achievements to differ materially from those expressed or implied by such statements. Factors that could cause such differences include, among others:

- changes in general economic, business, or market conditions, including inflationary pressures or recessionary trends;
- changes in interest rates, yield curves, funding costs, or the availability of liquidity;
- changes in deposit levels, deposit mix, or the behavior of uninsured or rate-sensitive deposits;
- credit risk, including changes in the quality, performance, or concentration of the Company’s loan and investment portfolios, including commercial real estate exposures;
- competitive pressures from financial institutions and non-bank financial service providers;
- legislative, regulatory, or supervisory developments, including changes in capital, liquidity, consumer protection, or compliance requirements, and the results of regulatory examinations or enforcement actions;
- cybersecurity threats, fraud, operational failures, or disruptions to information technology or third-party service providers;
- changes in accounting standards or interpretations;
- the impact of geopolitical events, public health developments, or other external shocks; and
- other risks and uncertainties described in the sections captioned “Risk Factors” and elsewhere in this Form 10-K and in the Company’s other filings with the Securities and Exchange Commission.

The foregoing list of factors is not exclusive. Additional risks and uncertainties not presently known to the Company or that the Company currently deems immaterial also may adversely affect the Company’s business, financial condition, results of operations, or cash flows.

Forward-looking statements speak only as of the date on which they are made. Except as required by applicable law or regulation, the Company undertakes no obligation to update, revise, or publicly disclose the results of any revisions to any forward-looking statement to reflect new information, future events, or otherwise. Readers are cautioned not to place undue reliance on forward-looking statements.

PART I

ITEM 1. BUSINESS

General

Farmers & Merchants Bancorp, Inc. (Company) is a bank holding company incorporated under the laws of Ohio in 1985 and elected to become a financial holding company under the Federal Reserve in 2014. Our primary subsidiary, The Farmers & Merchants State Bank (Bank) is a local independent community bank that has been primarily serving Northwest Ohio, Northeast Indiana and Southeast Michigan since 1897. Our other subsidiary, Farmers & Merchants Risk Management (Captive) was a captive insurance company formed in December 2014, located in Nevada and dissolved in December 2023. The Bank includes F&M Insurance Agency, LLC, a subsidiary offering insurance products, which was formed in November 2023. We report our financial condition and net income on a consolidated basis and have only one segment.

Our executive offices are located at 307 North Defiance Street, Archbold, Ohio 43502, and our telephone number is (419) 446-2501.

For a discussion of the general development of the Company’s business throughout 2025, please see the portion of Management’s Discussion and Analysis of Financial Condition and Results of Operations captioned “2025 in Review.”

Nature of Activities

The Farmers & Merchants State Bank engages in general commercial banking and savings business including commercial, agricultural and residential mortgage as well as consumer lending activities. Because the Bank’s offices are primarily located in

Northwest Ohio, Northeast Indiana and Southeast Michigan, a substantial amount of the loan portfolio is comprised of loans made to customers in the agricultural industry for such items as farmland, farm equipment, livestock and operating loans for seed, fertilizer, and feed. Other types of lending activities include loans for home improvements and loans for such items as autos, trucks, recreational vehicles and motorcycles. With the expansion into newer market areas, the most recent increases in loan activity have been in commercial and industrial, providing operating lines of credit and machinery purchases, and commercial real estate. The Bank also operates three Loan Production Offices (LPOs), two in Ohio and one in Indiana.

The Bank also provides checking account services, as well as savings and time deposit services such as certificates of deposits. In addition, Automated Teller Machines (ATMs) or Interactive Teller Machines (ITMs) are provided at most branch locations along with other independent locations in the market area. ITMs operate as an ATM with the addition of remote teller access to assist the user. The Bank has custodial services for Individual Retirement Accounts (IRAs) and Health Savings Accounts (HSAs). The Bank provides on-line banking access for consumer and business customers. For consumers, this includes bill-pay, on-line statement opportunities and mobile banking. For business customers, it provides the option of electronic transaction origination such as wire and Automated Clearing House (ACH) file transmittal. In addition, the Bank offers remote deposit capture or electronic deposit processing. Upgrades to our digital products and services continue to occur in both retail and business lines. The Bank continues to offer new suites of products as customer preferences change and the Bank adapts and adopts new technologies. The Bank continues to offer products that also meet the needs of our more traditional customers.

The Bank has established underwriting policies and procedures which facilitate operating in a safe and sound manner in accordance with supervisory and regulatory guidance. Within this sphere of safety and soundness, the Bank's practice has been to not promote innovative, unproven credit products which may not be in the best interest of the Bank or its customers. The Bank does offer a hybrid mortgage loan. Hybrid loans are loans that start out as a fixed rate mortgage but after a set number of years automatically adjust to an adjustable rate mortgage. The Bank offers a seven and ten year fixed rate mortgage and a seven year jumbo fixed rate mortgage after which the interest rate will adjust annually for all. In order to offer longer term fixed rate mortgages, the Bank does participate in the Freddie Mac, Farm Service Agency (FSA) guaranteed secondary Agricultural market, and Small Business Lending programs. The Bank also normally retains the servicing rights on these partially or 100% sold loans. In order for the customer to participate in these programs they must meet the requirements established by those agencies. In addition, the Bank does sell some of its longer term fixed rate agricultural mortgages into the secondary market with the aid of brokers. The Bank currently participates in three State of Ohio programs: Ag-Link, Grow Now and Ohio Homebuyers Plus. What all three of these programs have in common, is the ability to provide the Bank an avenue to offer a product that saves both the Bank and the consumer savings over other traditional products. With the acquisition of Perpetual Federal Savings Bank in the fourth quarter of 2021 and the addition of Peoples Federal Savings in the fourth quarter of 2022, the Bank saw an increase in fixed rate, long-term mortgage loans to our portfolio from that banking service area. The Bank began offering a low income home buyer mortgage program, currently Hometown Advantage Mortgage Program, in November of 2023.

The Bank does not have a program to fund sub-prime loans. Sub-prime loans are characterized as a lending program or strategy that targets borrowers who pose a significantly higher risk of default than traditional retail banking customers.

All loan requests are reviewed as to credit worthiness and are subject to the Bank's underwriting guidelines as to secured versus unsecured credit. Secured loans are in turn subject to loan to value (LTV) requirements based on collateral types as set forth in the Bank's Loan Policy. In addition, credit scores of those seeking consumer credit are reviewed and if they do not meet the Bank's Loan Policy guidelines an additional officer approval is required.

Consumer Loans:

- Maximum loan to value (LTV) for cars, SUVs, and trucks is 110% depending on whether direct or indirect.
- Loans above 100% are generally the result of sales tax.
- Boats, campers, motorcycles, RV's and Motor Coaches range from 80%-90% based on age of vehicle.
- 1st or 2nd mortgages on 1-4 family homes maximum LTV range from 80%-85%.
- Raw land LTV maximum ranges from 65%-75% depending on whether or not the property has been improved.

Commercial/Agriculture:

Accounts Receivable:

- Up to 80% LTV less retainages and greater than 90 days.

Inventory:

- Agriculture:
 - o Livestock and grain up to 80% LTV, crops (insured) up to 75% and Warehouse Receipts up to 87%.

- Commercial:
 - Maximum LTV of 50% on raw and finished goods.
- Floor plan:
 - New/used vehicles to 100% of wholesale.
 - New/Used recreational vehicles and manufactured homes to 80% of wholesale.

Equipment:

- New not to exceed (NTE) 80% of invoice, used NTE 50% of listed book or 75% of appraised value.
- Restaurant equipment up to 35% of market value.
- Heavy trucks, titled trailers NTE 75% LTV and aircraft up to 75% of appraised value.

Real Estate:

- Maximum LTVs range from 70%-80% depending on type.
- Maximum LTV on non-traditional borrower loans up to 85%.

FM Investment Services, the brokerage department of the Bank, has served the Bank's customers, providing investment services, since April of 1999. In November of 2020, FM Investment Services purchased the assets and clients of Adams County Financial Resources (ACFR). Securities are offered through Raymond James Financial Services, Inc.

In December of 2014, the Company became a financial holding company within the meaning of the Bank Holding Company Act of 1956 as amended, in order to provide the flexibility to take advantage of the expanded powers available to a financial holding company under the Act. Our holding company is regulated and examined by the Federal Reserve. Our subsidiary Bank is in turn regulated and examined by the Ohio Division of Financial Institutions and the Federal Deposit Insurance Corporation. The activities of our Bank subsidiary are also subject to other federal and state laws and regulations. The Company also formed a Captive insurance company in December 2014 and dissolved it in December 2023. The Captive was located in Nevada and regulated by the State of Nevada Division of Insurance. The Bank formed an insurance agency, F&M Insurance Agency, LLC, in November 2023 to offer insurance products to our customers.

The Bank's primary market includes communities located in the Ohio counties of Butler, Champaign, Defiance, Fulton, Hancock, Henry, Lucas, Shelby, Williams, Wood and in the Indiana counties of Adams, Allen, DeKalb, Jay, Steuben and Wells. The Michigan footprint includes Oakland County. The commercial banking business in this market is highly competitive, with approximately 5 other depository institutions currently doing business in the Bank's primary market. In our banking activities, we compete directly with other commercial banks, credit unions, farm credit services, and savings and loan institutions in each of our operating localities. In a number of our locations, we compete against entities which are much larger than us, including Huntington National Bank, Fifth Third Bank, PNC, Wells Fargo Bank, NA, KeyBank NA and JPMorgan Chase Bank, NA. Based on deposit data as of June 30, 2025 from the FDIC and using zip codes in our markets, the Bank ranked 4th with a 5.14% market share in markets served. The primary factors in competing for loans and deposits are the rates charged as well as location and quality of the services provided.

At December 31, 2025, we had 474 full time equivalent employees. The employees are not represented by a collective bargaining unit. We provide our employees with a comprehensive benefit program, some of which is contributory. We consider our employee relations to be good.

Supervision and Regulation

General

The Company is a corporation organized under the laws of the State of Ohio. The business in which the Company and its subsidiaries are engaged is subject to extensive supervision, regulation and examination by various bank regulatory authorities. The supervision, regulation and examination to which the Company and its subsidiaries are subject to are intended primarily for the protection of depositors and the deposit insurance funds that insure the deposits of banks, rather than for the protection of shareholders.

Several of the more significant regulatory provisions applicable to banks and bank holding companies to which the Company and its subsidiaries are subject are discussed below along with certain regulatory matters concerning the Company and its subsidiaries. To the extent that the following information describes statutory or regulatory provisions, it is qualified in its entirety by reference to the particular statutory provisions. Any change in applicable law or regulation may have a material effect on the business and prospects of the Company and its subsidiaries.

Safety and Soundness Standards

The federal banking agencies have adopted guidelines that establish operational and managerial standards to promote the safety and soundness of federally insured depository institutions. The guidelines set forth standards for internal controls, information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, compensation, fees and benefits, asset quality and earnings.

In general, the safety and soundness guidelines prescribe the goals to be achieved in each area, and each institution is responsible for establishing its own procedures to achieve those goals. If an institution fails to comply with any of the standards set forth in the guidelines, the institution's primary federal regulator may require the institution to submit a plan for achieving and maintaining compliance. If an institution fails to submit an acceptable compliance plan or fails in any material respect to implement a compliance plan that has been accepted by its primary federal regulator, the regulator is required to issue an order directing the institution to cure the deficiency. Until the deficiency cited in the regulator's order is cured, the regulator may restrict the institution's rate of growth, require the institution to increase its capital, restrict the rates the institution pays on deposits or require the institution to take any action the regulator deems appropriate under the circumstances. Noncompliance with the standards established by the safety and soundness guidelines may also constitute grounds for other enforcement action by the federal banking regulators, including cease and desist orders and civil money penalty assessments.

Liquidity and Interest Rate Risk Oversight

In addition to the safety and soundness standards described above, following the 2023 banking sector stress events, federal and state banking regulators have increased supervisory focus on liquidity risk management and contingency funding planning, including the composition and stability of deposit funding (including uninsured and other rate-sensitive deposits), access to contingent sources of liquidity (including Federal Home Loan Bank advances and the Federal Reserve's discount window), and governance and controls around liquidity stress testing and liquidity risk limits. Regulators have also emphasized oversight of interest rate risk management practices and the potential earnings and capital effects of changes in market interest rates, including as they relate to the valuation and duration of securities portfolios and related risk management practices.

Regulatory Agencies

The Company is a financial holding company and is subject to inspection, examination and supervision by the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") pursuant to the Bank Holding Company Act of 1956, as amended. As a financial holding company, the Company is still subject to all the bank holding company regulations.

The Bank is an Ohio chartered commercial bank. It is subject to regulation and examination by both the Ohio Division of Financial Institutions (ODFI) and the Federal Deposit Insurance Corporation (FDIC).

F&M Insurance Agency, LLC is a limited liability company organized in Ohio and regulated by the State of Ohio, Division of Insurance.

Holding Company Activities

As a financial holding company incorporated and doing business within the State of Ohio, the Company is subject to regulation and supervision under the Bank Holding Act of 1956, as amended (the "Act"). The Company is required to file with the Federal Reserve Board on a quarterly basis information pursuant to the Act. The Federal Reserve Board may conduct examinations or inspections of the Company and its subsidiaries.

Enacted in November 1999, the Gramm-Leach-Bliley Act (the "GLB Act"), the GLB Act made sweeping changes with respect to the permissible financial services which various types of financial institutions may provide. The Glass-Steagall Act, which had generally prevented banks from affiliation with securities and insurance firms, was repealed. Pursuant to the GLB Act, bank holding companies may elect to become a "financial holding company," provided that all of the depository institution subsidiaries of the bank holding company are "well capitalized" and "well managed" under applicable regulatory standards.

Under the GLB Act, a bank holding company that has elected to become a financial holding company may affiliate with securities firms and insurance companies and engage in other activities that are financial in nature. Activities that are "financial in nature" include securities underwriting, dealing and market-making, sponsoring mutual funds and investment companies, insurance underwriting and agency, merchant banking, and activities that the Federal Reserve Board has determined to be closely related to banking. Federal Reserve Board approval is not required for the Company to acquire a company, other than a bank holding company, bank or savings association, engaged in activities that are financial in nature or incidental to activities that are financial in nature, as determined by the Federal Reserve Board. Prior Federal Reserve Board approval is required before the Company may acquire the beneficial ownership or control of more than 5% of the voting shares, or substantially all of the assets, of a bank

holding company, bank or savings association. If any subsidiary bank of the Company ceases to be "well capitalized" or "well managed" under applicable regulatory standards, the Federal Reserve Board may, among other actions, order the Company to divest the subsidiary bank. Alternatively, the Company may elect to conform its activities to those permissible for a bank holding company that is not also a financial holding company. If any subsidiary bank of the Company receives a rating under the Community Reinvestment Act of 1977 of less than satisfactory, the Company will be prohibited from engaging in new activities or acquiring companies other than bank holding companies, banks or savings associations.

Affiliate Transactions

Various governmental requirements, including Sections 23A and 23B of the Federal Reserve Act and Regulation W promulgated thereunder limit borrowings by holding companies and non-bank subsidiaries from affiliated insured depository institutions, and also limit various other transactions between holding companies and their non-bank subsidiaries, on the one hand, and their affiliated insured depository institutions on the other. Section 23A of the Federal Reserve Act also generally requires that an insured depository institution's loans to its non-bank affiliates be secured, and Section 23B of the Federal Reserve Act generally requires that an insured depository institution's transactions with its non-bank affiliates be on arms-length terms.

Interstate Banking and Branching

Under the Riegle-Neal Interstate Banking and Branching Efficiency Act ("Riegle-Neal"), subject to certain concentration limits and other requirements, adequately capitalized bank holding companies such as the Company are permitted to acquire banks and bank holding companies located in any state. Any bank that is a subsidiary of a bank holding company is permitted to receive deposits, renew time deposits, close loans, service loans and receive loan payments as an agent for any other bank subsidiary of that bank holding company. Banks are permitted to acquire branch offices outside their home states by merging with out-of-state banks, purchasing branches in other states and establishing de novo branch offices in other states. The Company could from time to time use Riegle-Neal to acquire banks in additional states.

Control Acquisitions

The Change in Bank Control Act prohibits a person or group of persons from acquiring "control" of a bank holding company, unless the Federal Reserve Board has been notified and has not objected to the transaction. Under the rebuttable presumption established by the Federal Reserve Board, the acquisition of 10% or more of a class of voting stock of a bank holding company with a class of securities registered under Section 12 of the Exchange Act, such as the Company, would, under the circumstances set forth in the presumption, constitute acquisition of control of the bank holding company. In addition, a company is required to obtain the approval of the Federal Reserve Board under the Bank Holding Company Act before acquiring 25% (5% in the case of an acquirer that is a bank holding company) or more of any class of outstanding voting stock of a bank holding company, or otherwise obtaining control or a "controlling influence" over that bank holding company.

Liability for Banking Subsidiaries

Under the current Federal Reserve Board policy, a bank holding company is expected to act as a source of financial and managerial strength to each of its subsidiary banks and to maintain resources adequate to support each subsidiary bank. This support may be required at times when the bank holding company may not have the resources to provide it. In the event of a bank holding company's bankruptcy, any commitment by the bank holding company to a U.S. federal bank regulatory agency to maintain the capital of a subsidiary bank would be assumed by the bankruptcy trustee and entitled to priority of payment. Any depository institution insured by the FDIC can be held liable for any loss incurred, or reasonably expected to be incurred, by the FDIC in connection with (1) the "default" of a commonly controlled FDIC-insured depository institution; or (2) any assistance provided by the FDIC to both a commonly controlled FDIC-insured depository institution "in danger of default." The Bank is an FDIC-insured depository institution. If a default occurred with respect to the Bank, any capital loans to the Bank from its parent holding company would be subordinate in right of payment to payment of the Bank's depositors and certain of its other obligations.

Regulatory Capital Requirements

The Company is required by the various regulatory authorities to maintain certain capital levels. Bank holding companies are required to maintain minimum levels of capital in accordance with Federal Reserve Board capital adequacy guidelines. If capital falls below minimum guideline levels, a bank holding company, among other things, may be denied approval to acquire or establish additional banks or non-bank businesses. The required capital levels along with the Bank's capital position at December 31, 2025 and 2024 are summarized in the table included in Note 16 to the consolidated financial statements.

Beginning in 2015, the Company and Bank were required to measure capital adequacy using the Basel III capital framework ("Basel III"). Basel III is a comprehensive set of reform measures, developed by the Basel Committee on Banking Supervision, to

strengthen the regulation, supervision and risk management of the banking sector. Implementation of the rules is overseen by the Federal Reserve, the FDIC and the OCC.

In addition, U.S. federal banking agencies have proposed and continue to evaluate revisions to regulatory capital requirements, including proposals intended to implement elements of the “Basel III endgame” reforms for certain banking organizations. While the applicability and ultimate impact of any such revisions on the Company and the Bank will depend on final rulemaking, supervisory expectations, and the Company’s and the Bank’s size, activities, and risk profile, changes to the capital framework could, if adopted and applicable, affect required capital levels, capital planning, and certain aspects of the Company’s and the Bank’s operations.

FDICIA

The Federal Deposit Insurance Corporation Improvement Act of 1991 (“FDICIA”), and the regulations promulgated under FDICIA, among other things, established five capital categories for insured depository institutions—well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized—and requires U.S. federal bank regulatory agencies to implement systems for “prompt corrective action” for insured depository institutions that do not meet minimum capital requirements based on these categories. Unless a bank is well capitalized, it is subject to restrictions on its ability to offer brokered deposits and on certain other aspects of its operations. An undercapitalized bank must develop a capital restoration plan and its parent bank holding company must guarantee the bank’s compliance with the plan up to the lesser of 5% of the bank’s assets at the time it became undercapitalized and the amount needed to comply with the plan. As of December 31, 2025, the Bank was well capitalized pursuant to these prompt corrective action guidelines.

Dividend Restrictions

The ability of the Company to obtain funds for the payment of dividends and for other cash requirements will be largely dependent on the amount of dividends which may be declared by its banking subsidiary, which are limited to the Bank’s retained earnings during the current year and its prior two years. Various U.S. federal statutory provisions limit the amount of dividends the Company’s banking subsidiary can pay to the Company without regulatory approval. In 2009, The Board of Governors of the Federal Reserve Division of Banking Supervision and Regulation issued SR09-4 regarding the safe and sound payment of dividends by bank holding companies. See Note 17 to the consolidated financial statements for additional information on applicable dividend restrictions.

Deposit Insurance Assessments

The deposits of the Bank are insured up to the regulatory limits set by the FDIC. The FDIC maintains the Deposit Insurance fund (“DIF”) by assessing depository institutions an insurance premium (assessment). The amount assessed to each institution is based on statutory factors that take into consideration the degree of risk the institution poses to the DIF. The primary purposes of the DIF are to (1) insure the deposits and protect the depositors of insured depository institutions; and (2) resolve failed banks. The DIF is primarily funded through quarterly assessments on insured depository institutions, but it also earns interest income on its securities. Decreases in the DIF result from loss provisions associated with the resolution of failed banks and FDIC operating expenses.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“Dodd-Frank Act”) revised the statutory authorities governing the FDIC’s management of the DIF. A key requirement from the Dodd-Frank Act resulted in the FDIC’s adoption of new rules in February 2011 regarding Assessments, Dividends, Assessment Base, and Large Bank Pricing. The new rules implemented the following changes: (1) redefined the definition of an institution’s deposit insurance assessment base from one based on domestic deposits to one based on assets now defined as “average consolidated total assets minus average tangible equity”; (2) changed the assessment rate adjustments to better account for risk based on an institution’s funding sources; (3) revised the deposit insurance assessment rate schedule in light of the new assessment base and assessment rate adjustments; (4) implemented Dodd-Frank Act dividend provisions; (5) revised the large insured depository institution assessment system to better differentiate for risk and to take into account losses the FDIC may incur from large institution failures; and (6) provided technical and other changes to the FDIC’s assessment rules. Though deposit insurance assessments maintain a risk-based approach, the FDIC imposed a more extensive risk-based assessment system on large insured depository institutions with at least \$10 billion in total assets since they are more complex in nature and could pose greater risk.

The Dodd-Frank Act permanently raised the standard maximum deposit insurance coverage amount to \$250,000 and applies per depositor, per insured depository institution for each account ownership category.

Depositor Preference Statute

In the "liquidation or other resolution" of an institution by any receiver, U.S. federal legislation provides that deposits and certain claims for administrative expenses and employee compensation against the insured depository institution would be afforded a priority over general unsecured claims against that institution, including federal funds and letters of credit.

Government Monetary Policy

The earnings of the Company are affected primarily by general economic conditions and to a lesser extent by the fiscal and monetary policies of the federal government and its agencies, particularly the Federal Reserve. Its policies influence, to some degree, the volume of bank loans and deposits, and interest rates charged and paid thereon, and thus have an effect on the earnings of the Company's subsidiary Bank.

Federal Home Loan Bank System

The Bank is a member of the Federal Home Loan Bank (FHLB) of Cincinnati and required to maintain an investment in the capital stock of the FHLB of Cincinnati. FHLBs serve as a credit facility for their members. The eleven FHLBs, primarily funded by proceeds from the sale of obligations of the FHLB system, make loans to their member banks in the form of long- and short-term advances. Advances from the FHLB are required to be fully collateralized as determined by FHLB requirements. Each FHLB must establish standards of community investment or service that its members must maintain for continued access to long-term advances. The criteria used to evaluate these standards considers a member's CRA performance and its record of lending to first-time homebuyers.

Additional Regulation

Consumer Financial Protection Bureau - The Dodd-Frank Act created an independent regulatory body, the Consumer Financial Protection Bureau (CFPB). The CFPB was granted authority and responsibility to set rules and regulations for a broad range of consumer protection laws applicable to providers of consumer financial products and services, including banks. The CFPB was given responsibility for mortgage reform and enforcement, as well as broad new powers over consumer financial activities, including consumer financial products and services and how they are provided as well as authority to prohibit "unfair, deceptive or abusive" acts and practices.

Cybersecurity and Technology Risk - Banking regulators increasingly emphasize cybersecurity, information security, operational resilience, and third-party technology risk management as core safety and soundness priorities, including with respect to oversight of key service providers and incident response preparedness. In addition, SEC rules require public companies to provide specified disclosures regarding cybersecurity risk management, strategy, and governance, and to report certain material cybersecurity incidents.

Gramm-Leach-Bliley Financial Modernization Act of 1999 (the GLB Act) - In accordance with privacy provisions of the GLB Act, federal banking regulators adopted rules that limit the ability of banks and other financial institutions to disclose non-public information about consumers to non-affiliated third parties. These limitations require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to a non-affiliated third party. The privacy provisions of the GLB Act affect how consumer information is transmitted through diversified financial companies and conveyed to outside vendors.

Anti-Money Laundering and Anti-Terrorism Legislation - A major focus of governmental policy on financial institutions has been aimed at combating money laundering and terrorist financing. A series of anti-money laundering and anti-terrorism laws and regulations, commonly referred to as the Bank Secrecy Act (BSA), are designed to prevent criminals and terrorists from accessing financial institutions and using the U.S. financial system to launder criminal proceeds, finance terrorist acts, or move funds for other illicit purposes. Enactment of the USA PATRIOT Act of 2001 (the "USA Patriot Act") substantially broadened the scope of United States anti-money laundering laws and regulations by imposing significant new compliance and due diligence obligations, creating new crimes and penalties and expanding the extra-territorial jurisdiction of the United States. The U. S. Treasury Department has issued a number of regulations that apply various requirements of the USA Patriot Act to financial institutions such as the Bank. These regulations impose obligations on financial institutions to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing and to verify the identity of their customers. Failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing, or to comply with all of the relevant laws or regulations, could have serious legal and reputational consequences for the institution. Penalties for BSA violations can be severe and could include civil money penalties, criminal charges and imprisonment for individuals committing willful violations, and cease and desist orders.

The U.S. Department of the Treasury's Office of Foreign Asset Control (OFAC) administers and enforces economic and trade sanctions against targeted foreign countries and regimes, terrorists, international narcotics traffickers, those engaged in activities related to the proliferation of weapons of mass destruction, and other threats to the national security, foreign policy or economy of the United States. The Bank is responsible for blocking accounts of, and transactions with, sanctioned targets and countries and for reporting of blocked transactions after their occurrence. Failure to comply with these sanctions could result in serious financial, legal, and reputational consequences including civil money penalties and cease and desist orders.

Significant mortgage-related rules - Mandated by the Dodd-Frank Act provisions and implemented by the CFPB or jointly with other regulatory agencies, final rules were enacted in response to the breakdown in the mortgage lending markets and to provide for consumer protections. Final rules regarding mortgage and mortgage-related products addressed matters such as ability-to-repay, qualified mortgage standards, mortgage servicing, mortgage loan originator compensation, escrow requirements for higher-priced mortgage loans, and providing appraisals. These mortgage rules addressed problems consumers faced in the three major steps in buying a home – shopping for a mortgage, closing on a mortgage, and paying off a mortgage.

Final rules and amendments to the integrated mortgage disclosure rules under the Real Estate Settlement Act (RESPA) and Truth in Lending Act (TILA) became effective in October 2015. The TILA-RESPA Integrated Disclosure rule commonly referred to as TRID combined required disclosures into two single forms: 1) The Loan Estimate which is provided shortly after a mortgage loan application and 2) The Closing Disclosure which is provided prior to loan consummation. In addition, a mandated appraisal notice under the Equal Credit Opportunity Act and the servicing application disclosure under RESPA were also combined into the new integrated disclosures. Subsequent amendments to the TRID rules added further clarity to certain provisions. Remaining attentive to the complexities of the TRID rules ensure practices and procedures remain compliant and do not subject the Bank to unnecessary liability.

Qualified Mortgage Loan standards - The Bank focuses on Qualified Mortgage (QM) status for mortgage loans originated as they provide certain presumptions of compliance under the Ability to Repay rules adopted under the Dodd-Frank Act. In satisfying QM requirements, any mortgage lender regardless of their size can make loans which are entitled to the QM presumption of compliance. New final rules, effective October 2022, amended the Ability to Repay/Qualified Mortgage Rules. The General QM Final Rule amended the definition of the QM category to offset the impact of the sunset of the temporary Government Sponsored Enterprise (GSE) QMs; amended the General QM loan definition and removed the 43% debt-to-income limit; eliminated Appendix Q underwriting standards and any requirement to use them as a qualification for General QM status; and instead implemented price-based thresholds. For General QM status, applicable to first-lien mortgage loans offered by the Bank, a loan must still observe existing product features, underwriting requirements and limits on points and fees. On occasion, the Bank does make Non-Qualified Mortgages with approvals and originations of both Non-QM loans and Higher Priced Mortgage Loans which are periodically reported to the Bank's Loan Committee.

Flood Insurance Regulations - Final rules, mostly effective in October 2015, were issued by joint agencies to implement provisions of the Homeowner Flood Insurance Affordability Act of 2014 (HFIAA) and the Biggert-Waters Flood Insurance Reform Act of 2012 (the Biggert-Waters Act). These provisions amended regulations which apply to loans secured by properties located in special flood hazard areas. Final rules for acceptance of private flood insurance policies became effective on July 1, 2019. Fines and penalties continue to be assessed by regulators for non-compliance with flood insurance requirements. A continued focus on adherence to the flood rules and requirements is necessary.

Home Mortgage Disclosure Act - As a reporter under Regulation C which implements the Home Mortgage Disclosure Act (HMDA), the Bank remains attentive to the accuracy and integrity of the data reported. Dodd-Frank Act provisions added new data points for HMDA and authorized the Bureau to require additional information. The types of transactions reportable expanded to include most consumer purpose transactions that are dwelling-secured loans or open-end lines of credit. Collection and disclosure of significant data points reflect applicant and borrower characteristics to identify potential discriminatory lending patterns. The information collected and disclosed is subject to review and evaluation by Federal banking regulators, community-oriented organizations, and the general public. A thorough review and validation of data fields to be reported for each reportable application is conducted throughout the year. Year-end submission of HMDA data utilizes the web-based tool developed by the CFPB.

Economic Growth, Regulatory Relief and Consumer Protection Act (EGRRCPA) - Enactment of EGRRCPA on May 24, 2018, resulted in a regulatory reform law deemed to be relief from certain burdensome provisions of the Dodd-Frank Act. The EGRRCPA included provisions with various effective dates, including some that were effective immediately. Matters impacted included access to mortgage credit; access to credit; protections for veterans, consumers, and homeowners; rules for holding companies; capital access; and protections for student borrowers. Though effective immediately, conforming regulations were required for certain provisions such as Reciprocal Deposits, Examination Cycles, and High Volatility Commercial Real Estate (HVCRE). The Protecting Tenants in Foreclosure Act was restored and permanently extended. Effective in September 2018, consumers could freeze their credit information and place one-year fraud alerts for free. Additionally, parents could freeze the

credit information of their children under age 16 for free. The guidance and final rules issued must be monitored to ensure effectively managed.

Unacceptable Acts or Practices resulting in Consumer Harm - Unfair or deceptive acts or practices (UDAP) standards originally developed years ago by the Federal Trade Commission focused on unacceptable practices that may not specifically be addressed elsewhere in banking or consumer finance law. Banking regulatory agencies have increasingly used this authority over the years to address acts or practices that are deemed harmful, deceptive, or misleading to consumers. The authority of the Federal Trade Commission (FTC) for credit practice rules was repealed as a result of the Dodd-Frank Act. Interagency guidance issued collectively by the regulatory agencies in August 2014 clearly indicated certain consumer credit practices were not permissible and remained subject to Section 5 of the Federal Trade Commission Act, as well as Sections 1031 and 1036 of the Dodd-Frank Act. Agencies continue to have supervisory authority and enforcement authority for practices previously addressed in the former credit practices rules. Understanding and awareness of impermissible consumer credit practices in conjunction with the CFPB's prohibitions regarding "unfair, deceptive or abusive" acts and practices relating to the offering and marketing of Bank products and services remains important.

Equal Credit Opportunity Act (ECOA) / Section 1071 - Small Business Lending Data Collection - On March 30, 2023, the CFPB issued final rules which amend Regulation B to implement changes to the Equal Credit Opportunity Act (ECOA) as made by Section 1071 of the Dodd-Frank Act. Covered financial institutions are required to collect and report data on covered small business credit applications. Court injunctions have stayed mandatory compliance for community banks, including the Bank. The Bank continues to monitor developments and prepare for future rulemaking.

Community Reinvestment Act (CRA) - CRA requires a continuing and affirmative obligation by the Bank to help meet the credit needs of the communities it serves, including low- and moderate-income areas in a manner consistent with safe and sound operations. The Bank's primary regulator, the FDIC, regularly conducts CRA examinations to assess the Bank's CRA performance. A written evaluation of CRA performance is issued assigning a rating of Outstanding, Satisfactory, Needs to Improve, or Substantial Noncompliance. The Bank's assigned CRA performance rating is required to be made public. CRA performance evaluations are considered when applications are submitted for requests such as mergers, acquisitions, and opening of new branches. The Bank's most recent performance evaluation dated July 7, 2025 assigned a CRA rating of "Satisfactory".

A final rule with amendments to the Community Reinvestment Act (CRA) was jointly issued by the OCC, FRB, and FDIC on October 24, 2023. These amendments were intended to strengthen and modernize CRA regulations. The changes were designed to encourage banks to expand access to credit, investment and banking services in low- and moderate-income communities; adapt to changes in the banking industry including mobile and internet banking; provide greater clarity and consistency in the application of the CRA regulations, and tailor CRA evaluations and data collection to bank size and type. Provisions of this final rule were originally supposed to become effective April 1, 2024, with other provisions having later effective dates. The CRA rule is currently subject to ongoing litigation and its implementation is currently paused. The agencies have proposed rescinding the 2023 framework and reverting to pre-October 2023 standards. As a large bank examined for CRA, the Bank continues to operate under the prior framework and monitor regulatory updates.

Other Federal Regulations - The Bank is also subject to federal regulation relating to matters such as required reserves, limitation as to the nature and amount of its loans and investments, regulatory approval of any merger or consolidation, issuance or retirement of their own securities, limitations upon the payment of dividends and other aspects of banking operations. In addition, the activities and operations of the Bank are subject to numerous additional detailed, complex and sometimes overlapping laws and regulations. These include state usury and consumer credit laws, state laws relating to fiduciaries, the federal Equal Credit Opportunity Act and Regulation B, the federal Electronic Funds Transfer Act and Regulation E, the federal Fair Credit Reporting Act and Regulation V, the federal Real Estate Settlement Procedures Act (RESPA) and Regulation X, the federal Truth in Lending Act and Regulation Z, the federal Truth in Savings Act and Regulation DD, the Bank Secrecy Act, the federal Community Reinvestment Act, anti-discrimination laws and legislation, and antitrust laws. Violations of various laws and regulations may result in fines, penalties, and/or reimbursement to customers.

Future Legislation

Changes to the laws and regulations, both at the federal and state levels, can affect the operating environment of the Company and its subsidiaries in substantial and unpredictable ways. The Company cannot accurately predict whether those changes in laws and regulations will occur, and, if those changes occur, the ultimate effect they would have upon the financial condition or results of operations of the Company or its subsidiaries.

Available Information

The Company maintains an Internet web site at the following internet address: www.fm.bank. The Company files reports with the Securities and Exchange Commission (SEC). Because the Company makes its filings with the SEC electronically, you may access such reports at the SEC's website (www.sec.gov). The Company makes available, free of charge through its internet address, copies of its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to these reports as soon as reasonably practicable after such materials have been filed with or furnished to the SEC. Copies of these documents may also be obtained, either in electronic or paper form, by contacting Barbara J. Britenriker, Chief Financial Officer of the Company at (419) 446-2501.

ITEM 1a. RISK FACTORS

Credit Risk

The risk of nonpayment of loans is inherent in commercial banking. Such nonpayment could have an adverse effect on the Company's earnings and our overall financial condition as well as the value of our common stock. Management attempts to reduce the Bank's credit exposure by carefully monitoring the concentration of its loans within specific industries, geographies, loan types and through the loan approval process. However, there can be no assurance that such monitoring and procedures will totally mitigate the risks. Credit losses can cause insolvency and failure of a financial institution and, in such event, its shareholders could lose their entire investment. For more information on the exposure of the Company and the Bank to credit risk, see the section under Part II, Item 7 of this Form 10-K captioned "Loan Portfolio." Under the credit loss model, we are required to present certain financial assets carried at amortized cost, such as loans held for investment and held-to-maturity debt securities, at the net amount expected to be collected. The Company only has available-for-sale securities.

Dependence upon the Accuracy and Completeness of Information

In deciding whether to extend credit or enter into other transactions with customers and counterparties, we may rely on information furnished by or on behalf of customers and counterparties, including financial statements and other financial information. We also may rely on representations of clients and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors and accountants if made available. If this information is inaccurate, we may be subject to regulatory action, reputational harm or other adverse effects with respect to the operation of our business, our financial condition and our results of operation.

Our Loan Portfolio has a Large Concentration of Real Estate Loans

Real estate loans, which constitute a large portion of our loan portfolio, include home equity, agricultural, commercial, construction and residential loans, and such loans are concentrated in the Bank's primary markets in Northwest Ohio, Northeast Indiana and Southern Michigan and complimented with additional exposure in new areas from our LPOs. The market value of real estate can fluctuate significantly in a short period of time as a result of market conditions in the geographic area in which the real estate is located. Adverse developments affecting real estate values in our market could increase the credit risk associated with our loan portfolio. Also, real estate lending typically involves higher loan principal amounts and the repayment of the loans generally is dependent, in large part, on sufficient income from the properties securing the loans to cover operating expenses and debt service. Economic events or governmental regulations outside of the control of the borrower could negatively impact the future cash flow and market values of the affected properties.

If the loans that are collateralized by real estate become troubled during a time when market conditions are declining or have declined, then we may not be able to realize the amount of security that we anticipated at the time of originating the loan, which could cause us to increase our provision for credit losses and adversely affect our operating results and financial condition.

Our real estate loans also include construction loans, including land acquisition and development. Construction, land acquisition and development lending involve additional risks because funds are advanced based upon estimates of costs and the estimated value of the completed project. Because of the uncertainties inherent in estimating construction costs, as well as the market value of the completed project and the effects of governmental regulation on real property, it is relatively difficult to evaluate accurately the total funds required to complete a project and the related loan-to-value ratio. As a result, commercial construction loans often involve the disbursement of substantial funds with repayment dependent, in part, on the success of the ultimate project and the ability of the borrower to sell or lease the property, rather than the ability of the borrower or guarantor to repay principal and interest. If our appraisal of the value of the completed project proves to be overstated, we may have inadequate security for the repayment of the loan upon completion of construction of the project.

Payments on agricultural real estate loans are dependent on the profitable operation or management of the farm property securing the loan. The success of the farm may be affected by many factors outside the control of the borrower, including adverse weather conditions that prevent the planting of a crop or limit crop yields (such as hail, drought and floods), loss of livestock due to

disease or other factors, declines in market prices for agricultural products (both domestically and internationally) and the impact of government regulations (including changes in price supports, subsidies and environmental regulations). In addition, many farms are dependent on a limited number of key individuals whose injury or death may significantly affect the successful operation of the farm. If the cash flow from a farming operation is diminished, the borrower's ability to repay the loan may be impaired. The primary crops in our market areas are corn, wheat and soybeans. Accordingly, adverse circumstances affecting these crops could have an adverse effect on our agricultural real estate loan portfolio segment.

Commercial Loans Make Up a Significant Portion of our Loan Portfolio

Our commercial loans are primarily made based on the identified cash flow of the borrower and secondarily on the underlying collateral provided by the borrower. Repayment of our commercial loans is often dependent on the cash flows of the borrower, which may be unpredictable. Most often, this collateral is accounts receivable, inventory, machinery or real estate. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its customers. The other types of collateral securing these loans may depreciate over time, may be difficult to appraise, and may fluctuate in value based on the success of the business.

We also originate agricultural operating loans. As with agricultural real estate loans, the repayment of operating loans is dependent on the successful operation or management of the farm property. Likewise, agricultural operating loans involve a greater degree of risk than lending on residential properties, particularly in the case of loans that are unsecured or secured by rapidly depreciating assets such as farm equipment or assets such as livestock or crops. The primary livestock in our market areas is hogs and beef calves. In these cases, any repossessed collateral for a defaulted loan may not provide an adequate source of repayment of the outstanding loan balance as a result of the greater likelihood of damage, loss or depreciation. The majority of our agricultural customers utilize crop insurance to mitigate the possibility of a large loss within one year on their grain operations. Crop insurance can be structured to be triggered by different factors and claim payment may also be customized, such as based on harvest yields or income generation. Farmers may also use hedging techniques to lock in crop prices and input costs for future production.

Susceptibility to Changes in Regulation

Any changes to state and federal banking laws and regulations may negatively impact our ability to expand services and to increase the value of our business. We are subject to extensive state and federal regulation, supervision, and legislation that govern almost all aspects of our operations. These laws may change from time to time and are primarily intended for the protection of consumers, depositors and the deposit insurance funds. In addition, the Company's earnings are affected by the monetary policies of the Board of Governors of the Federal Reserve. These policies, which include regulating the national supply of bank reserves and bank credit, can have a major effect upon the source and cost of funds and the rates of return earned on loans and investments. The Federal Reserve influences the size and distribution of bank reserves through its open market operations and changes in cash reserve requirements against member bank deposits. We cannot predict what effect any presently contemplated or future changes in the laws or regulations or their interpretations would have on us, but such changes could be materially adverse to our financial performance. For more information on this subject, see the section under Part I, Item 1 of this Form 10-K captioned "Supervision and Regulation."

Liquidity Risk

Liquidity measures the ability to meet current and future cash flow needs as they become due. The liquidity of a financial institution reflects its ability to meet loan requests, to accommodate possible outflows in deposits, and to take advantage of interest rate market opportunities. The ability of a financial institution to meet its current financial obligations is a function of its balance sheet structure, its ability to liquidate assets, and its access to alternative sources of funds. The bank failures in 2023 exemplify the potentially catastrophic results of the unexpected inability of insured depository institutions to obtain needed liquidity to satisfy deposit withdrawal requests, including how quickly such requests can accelerate once uninsured depositors lose confidence in an institution's ability to satisfy its obligations to depositors. We continually strive to ensure our funding needs are met by maintaining a level of liquidity through asset and liability management. If we become unable to obtain funds when needed, it could have a material adverse effect on our business, financial condition, and results of operations.

Quantitative Modeling Risk

We rely on quantitative modeling to measure risks and to estimate certain financial values. Quantitative models may be used to help manage certain aspects of our business and to assist with certain business decisions, including estimating expected lifetime credit losses, measuring the fair value of financial instruments when reliable market prices are unavailable, estimating the effects of changing interest rates and other market measures on our financial condition and results of operations, managing risk, and for capital planning purposes. All models have certain limitations. For instance, these methodologies inherently rely on assumptions,

historical analyses, and correlations which may not capture or fully incorporate all relevant conditions and circumstances. As a consequence, such limitations may result in losses, particularly in times of market distress. Additionally, as businesses and markets continue to rapidly evolve, our measurements may not accurately reflect this evolution. Even if the underlying assumptions and historical correlations used in our models are adequate, our models may be deficient due to errors in computer code, inaccurate data, misuse of data, or the use of a model for a purpose outside the scope of the model's design.

Reliance on such models presents the risk that our resulting business decisions will be adversely affected due to incorrect, missing, or misleading information. If our models fail to produce reliable results on an ongoing basis, we may not make appropriate risk management, capital planning, or other business or financial decisions. Strategies that we employ to manage and govern the risks associated with our use of models may not be effective or fully reliable. Also, information that we provide to the public or regulators based on poorly designed models could be inaccurate or misleading.

Uninsured Deposit Risk

Uninsured deposits based on FDIC coverage as a percentage of total deposits was 20.6% as of December 31, 2025, and as of the same date, total uninsured deposits (includes public deposits with protection over FDIC) was 12.8%. The use of the financial network products, such as the Certificate of Deposit Account Registry (CDARS) and an Insured Cash Sweep which makes FDIC coverage available to larger depositors, contributes to the low uninsured percentage. Uninsured deposits historically have been viewed by the FDIC as less stable than insured deposits. According to statements made by the FDIC staff and the leadership of the federal banking agencies, customers with larger uninsured deposit account balances often are small- and mid-sized businesses that rely upon deposit funds for payment of operational expenses and, as a result, are more likely to closely monitor the financial condition and performance of their depository institutions. As a result, in the event of financial distress, uninsured depositors historically have been more likely to withdraw their deposits. If a significant portion of our deposits were to be withdrawn within a short period of time such that additional sources of funding would be required to meet withdrawal demands, we may be unable to obtain funding at favorable terms, which may have an adverse effect on our net interest margin. Moreover, our ability to attract core deposit funding during a time of actual or perceived distress or instability in the marketplace may also be severely limited, and interest rates paid for non-deposit borrowings generally exceed the interest rates paid on deposits.

Interest Rate Risk

Changes in interest rates affect our operating performance and financial condition in diverse ways. Our profitability depends in substantial part on our "net interest spread," which is the difference between the rates we receive on loans and investments and the rates we pay for deposits and other sources of funds. Our net interest spread will depend on many factors that are partly or entirely outside our control, including competition, federal economic, monetary and fiscal policies, and economic conditions generally. Net interest spreads have widened and narrowed in response to these and other factors, which are often collectively referred to as "interest rate risk." The Federal Reserve began increasing the Federal Funds rate in 2022 and continued into 2023 in an effort to tame inflation. These rate increases totaling 550 basis points have negatively impacted our interest spread. Beginning in September of 2024, the Federal Reserve began decreasing the Federal Funds rate which totaled 100 basis points throughout the remainder of 2024 and 75 basis points in 2025. These rate decreases have increased our interest spread to 2.65% in 2025 from 2.05% in 2024.

The Bank manages interest rate risk within an overall asset/liability management framework. The principal objectives of asset/liability management are to manage sensitivity of net interest spreads and net interest income to potential changes in interest rates. The Bank also utilizes the net interest margin to analyze the interest rate risk. While the net interest spread measures the asset yield compared to the cost of funds, the net interest margin is equivalent to net interest income divided by earning assets. Both net interest spread and net interest margin are presented in the interest charts within the Management's Discussion and Analysis on interest income and expense. Funding positions are kept within predetermined limits designed to ensure that risk-taking is not excessive and that liquidity is properly managed. In the event that our asset/liabilities management strategies are unsuccessful, our profitability may be adversely affected. For more information regarding the Company's exposure to interest rate risk, see Part II, Item 7A of this Form 10-K.

Interest Rate Risk with Respect to the Value of Our Securities Portfolio

As a result of inflationary pressures and the resulting rapid increases in interest rates over the prior two fiscal years, the trading value of previously issued government and other fixed income securities has declined significantly. These securities make up a majority of the securities portfolio of most banks in the U.S., including the Company's, resulting in unrealized losses embedded in the available-for-sale portion of U.S. banks' securities portfolios. While the Company does not currently intend to sell these securities, if the Company were required to sell such securities to meet liquidity needs, it may incur losses, which could impair the Company's capital, financial condition, and results of operations and require the Company to raise additional capital on

unfavorable terms, thereby negatively impacting its profitability. While the Company has taken actions to maximize its funding sources, there is no guarantee that such actions will be successful or sufficient in the event of sudden liquidity needs.

Inflation Risk

Periods of inflation may impact our profitability by negatively impacting our fixed costs and expenses, including increasing funding costs and expense related to talent acquisition and retention. Additionally, inflation may lead to a decrease in our customers' purchasing power and negatively affect the need or demand for our products and services. If significant inflation continues, our business could also be negatively affected by, among other things, increased default rates leading to credit losses which could decrease our appetite for new credit extensions.

Attraction and Retention of Key Personnel

Our success depends upon the continued service of our senior management team and upon our ability to attract and retain qualified financial services personnel. Competition for qualified employees is intense. In our experience, it can take a significant period of time to identify and hire personnel with the combination of skills and attributes required in carrying out our strategy. If we lose the services of our key personnel or are unable to attract additional qualified personnel, our business, financial condition, results of operations and cash flows could be adversely affected.

A key component of employee retention is providing a fair compensation base combined with the opportunity for additional compensation for above average performance. Compensation and incentive arrangements may not be sufficient to retain key personnel in a highly competitive labor market, and increased compensation costs or turnover could adversely affect our business, financial condition, and results of operations.

Dividend Payout Restrictions

We currently pay a quarterly dividend on our common shares. However, there is no assurance that we will be able to pay dividends in the future. Dividends are subject to determination and declaration by our Board, which takes into account many factors. The declaration of dividends by us on our common stock is subject to the discretion of our Board and to applicable state and federal regulatory limitations. The Company may receive dividends from the Bank which is subject to restrictions and limitations in the amount and timing of the dividends it may pay to the Company. The Bank declared additional dividends the fourth quarter to provide this liquidity to the Company. In prior years, the Captive upstreamed dividends to the Company when reserve levels were adequately provided for and did not exceed the net income of the prior twelve months. Please see Note 17 in the notes to consolidated financial statements for additional information on dividend payout restrictions.

Maintaining Compliance with Regulatory Capital Requirements

Under regulatory capital adequacy guidelines, we must meet guidelines that involve quantitative measures of assets, liabilities and certain off balance sheet items. Failure to meet minimum capital requirements could have a material effect on our financial condition and could subject us to a variety of enforcement actions, as well as certain restrictions on our business. Failure to maintain the status of "well-capitalized" under the regulatory framework could adversely affect the confidence that our customers have in us, which may lead to a decline in the demand for or a reduction in the prices that we are able to charge for our products and services. Failure to meet the guidelines could also limit our access to liquidity sources.

Compliance Obligations of Bank Holding Companies and Insured Depositories

We and our bank subsidiary operate within an extensive and evolving framework of federal and state laws, regulations, and supervisory expectations that govern nearly all aspects of our operations. As a bank holding company, we are subject to the Bank Holding Company Act and related regulations, while our bank is overseen by federal and state regulators through examination and enforcement authority. We are also subject to numerous requirements under consumer protection, privacy, anti-money laundering, sanctions, community reinvestment, and securities laws, as well as payment system and third-party risk management standards.

These obligations restrict permissible activities, affect capital, liquidity, and growth strategies, and impose significant compliance and operational costs. Examinations may result in Matters Requiring Attention or enforcement actions, and deficiencies in our risk, compliance, or governance programs could lead to penalties, remediation orders, restrictions on dividends or expansion, and reputational harm.

The regulatory landscape continues to evolve through new legislation, rulemaking, and supervisory guidance in areas such as consumer protection, AML and sanctions, fintech partnerships, model risk, payments modernization, data privacy, and fair access.

Future changes—or differing federal and state requirements—could increase compliance costs, limit product or service offerings, or otherwise adversely affect our business, financial condition, and results of operations.

Access to New Capital

We may at some point need to raise additional capital to maintain our “well-capitalized” status. Any capital we obtain may result in the dilution of the interests of existing holders of our stock. Our ability to raise additional capital, if needed, will depend on conditions in the capital markets at that time, which are outside our control, and on our financial condition and performance. Accordingly, we cannot make assurances of our ability to raise additional capital if needed, or if the terms will be acceptable to us.

Anti-Takeover Provisions

Provisions of our Articles of Incorporation and Ohio law could have the effect of discouraging takeover attempts which certain stockholders might deem to be in their interest. These anti-takeover provisions may make us a less attractive target for a takeover bid or merger, potentially depriving shareholders of an opportunity to sell their shares of common stock at a premium over prevailing market prices as a result of a takeover bid or merger.

Compliance with Environmental Laws

A significant portion of our loan portfolio is secured by real property. We may foreclose on and take title to certain real property. There is a risk that hazardous substances could be found on the property and we may be liable for remediation costs, personal injury and/or property damage. We may incur substantial expenses to comply with environmental laws which may materially reduce the property's value or limit our ability to dispose of the property. The remediation costs and any other financial liabilities associated with the property could have a material adverse effect on our financial condition and results of operations.

Climate Change and Agricultural Sector Risk

The Company operates in a region of the United States that is heavily reliant on the agricultural sector, which represents a significant portion of the local economy. The Company's operations and loan portfolio are concentrated in northwest Ohio and northeast Indiana, regions that have been increasingly affected by extreme weather events such as heavy rainfall, flooding, tornadoes, and droughts. As climate change continues to impact weather patterns and environmental conditions in our geographic region, the agricultural sector faces increased risks associated with increased volatility in crop yields, more frequent and severe extreme weather events (such as droughts, floods, and storms), and changing agricultural growing seasons. Such climate-related factors may result in greater financial strain on the agricultural businesses and farming communities that form a substantial part of our customer base. This, in turn, could lead to higher default rates on loans, lower demand for agricultural credit, and decreased collateral values for agricultural loans. Additionally, disruptions to regional supply chains, rising insurance costs, and the potential for reduced investment in the area may exacerbate the overall economic instability in our market.

While we have implemented practices to mitigate against these risks, including monitoring agricultural sector exposure and diversifying our loan portfolio, the long-term financial stability of the regional economy remains vulnerable to the potential impacts of climate change. As a result, our financial condition and results of operations could be materially adversely affected by the consequences of climate change on the agricultural sector and the broader regional economy.

Significant Competition from an Array of Financial Service Providers

Our ability to achieve strong financial performance and a satisfactory return on investment to shareholders will depend in part on our ability to expand our available financial services. In addition to the challenge of attracting and retaining customers for traditional banking services, our competitors now include securities dealers, brokers, mortgage bankers, investment advisors and finance and insurance companies who seek to offer one-stop financial services to their customers that may include services that banks have not been able or allowed to offer to their customers in the past. The increasingly competitive environment is a result primarily of changes in regulation, changes in technology and product delivery systems and the accelerating pace of consolidation among financial services providers. If we fail to adequately address each of the competitive pressures in the banking industry, our financial condition and results of operations could be adversely affected.

Technological Change

Our industry is susceptible to significant technological changes in the future as there continue to be a high level of new technology driven products and services introduced. Technological advancement aids the Company in providing customer service and increases efficiency. Our national competitors have more resources to invest in technological changes and associated required

resources. As a result, they may be able to offer products and services that are more technologically advanced and that may put us at a competitive disadvantage. Our future depends on our ability to analyze technological changes to determine the best course of action for our business, customers and shareholders.

Potential Impact of Artificial Intelligence and Quantum Computing on Our Operations and Competitiveness

The rapid development and implementation of advanced technologies, including artificial intelligence ("AI") and quantum computing, present both opportunities and risks to our business. AI technologies are being increasingly adopted across the financial services industry to enhance operational efficiencies, optimize decision-making, and improve customer experience. Similarly, quantum computing, though still in early stages, has the potential to revolutionize areas such as data encryption, portfolio optimization, and risk modeling. However, the pace at which competitors and other financial institutions adopt these technologies may create challenges for our ability to remain competitive. For instance, if we are unable to effectively implement or keep pace with advancements in AI and quantum computing, we may experience a competitive disadvantage, which could result in decreased market share, reduced profitability, and strained customer relationships. Furthermore, the integration of these technologies into banking operations may require significant investments in infrastructure, talent acquisition, and cybersecurity measures, which could have a material adverse effect on our financial performance and operations.

In addition to competitive risks, there is also the potential for AI and quantum computing to be misused, including by malicious actors seeking to exploit these technologies for fraudulent activities. As a result, our systems could be targeted for exploitation by such actors, leading to risks such as unauthorized transactions, identity theft, and other forms of financial fraud. Similarly, quantum computing, when it matures, could potentially undermine the security of current encryption methods, exposing us and our customers to heightened cybersecurity risks. While we are actively monitoring and investing in security measures to address these emerging threats, there is no guarantee that we will be able to prevent all potential risks associated with the misuse of these technologies.

As a result, the risks associated with the rapid evolution of AI and quantum computing may have an adverse effect on our ability to compete effectively, as well as expose us to new forms of fraud and cybersecurity threats, which could materially affect our business, financial condition, and results of operations.

Emerging Financial Technologies

Advances in payment technologies and other financial innovations—including offerings by non-bank financial service providers—may increase competitive pressures on traditional deposit, payment, and lending products. Even if we do not offer such products or services, changes in customer preferences and the growth of alternative payment mechanisms could reduce demand for certain traditional banking services, compress fee income or net interest margins, and adversely affect our business, financial condition, and results of operations.

“Debanking,” Fair Access and Supervisory Expectations

Evolving federal and state scrutiny of account onboarding, offboarding, and access to banking services—often referred to as “debanking” or “fair access”—could increase our compliance, legal, and reputational risks. Policymakers and regulators are reconsidering the role of “reputation risk” in supervision and adopting laws that limit account decisions based on perceived political or non-risk factors. These measures may conflict with each other or with our obligations under existing law.

Supervisory expectations emphasizing individualized, risk-based decisions and enhanced documentation may require policy and system changes and greater resources. We could face criticism or penalties if regulators find our account actions insufficiently supported or discriminatory, or if we must maintain accounts beyond our risk appetite. Conflicting standards and rising public attention to alleged “debanking” may increase complaint volume, compliance costs, and reputational exposure. Any of these developments could materially affect our business, financial condition, or results of operations.

Data Privacy, Cybersecurity, and Information Security Compliance

We are subject to extensive federal and state data privacy, cybersecurity, and information security requirements. Expanding state privacy regimes, incident-notification rules, and vendor-oversight standards have increased the complexity and cost of compliance, particularly across multiple jurisdictions and third-party relationships. Failure to comply with applicable laws or to safeguard customer or confidential information could result in regulatory inquiries, penalties, litigation, remediation costs, and reputational harm. Ongoing changes in privacy and cybersecurity laws may require additional investment in systems, controls, and personnel, and could adversely affect our operations and financial results.

Consumer Compliance, CRA Modernization, and Fair Lending

We are subject to extensive consumer protection, fair lending, and Community Reinvestment Act (CRA) obligations. CRA modernization and evolving fair-lending expectations may require changes to our assessment areas, data collection, monitoring, product offerings, and governance. The use of models or analytics in pricing, marketing, or underwriting increases fair-lending and conduct risk if not properly controlled. Failure to meet supervisory expectations could result in criticism, penalties, remediation obligations, restrictions on growth or activities, or reputational harm.

Payments, Fee Practices, and Operational Risk

Regulatory and supervisory scrutiny of consumer fees—including overdraft and other service charges—continues to evolve. Changes to fee practices, disclosure requirements, or remediation obligations could reduce noninterest income and increase compliance costs. Adoption of faster payment systems and real-time networks heightens operational, fraud, and funds-availability risks, requiring ongoing enhancements to risk controls, vendor oversight, and reconciliation processes. Network rule changes or settlement obligations could further increase costs or operational complexity and adversely affect our results.

Consumer Credit Normalization and Portfolio Risk

Consumer credit performance is normalizing from historically strong conditions, reflecting higher interest rates, elevated prices, and reduced savings. Deterioration in borrower cash flows, labor-market weakness, or persistent inflation could increase delinquencies and charge-offs in our retail portfolios, including unsecured consumer loans. Higher loss emergence would increase our allowance for credit losses under CECL, potentially leading to earnings volatility, elevated provision levels and slower loan growth.

Operational Risks

We are subject to certain operational risks, including, but not limited to, data processing system failures and errors, customer or employee fraud and catastrophic failures resulting from terrorist acts or natural disasters. We maintain a system of internal controls to mitigate against such occurrences and maintain insurance coverage for such risks that are insurable, but should such an event occur that is not prevented or detected by our internal controls, uninsured or in excess of applicable insurance limits, it could have a significant adverse impact on our business, financial condition or results of operations.

Our operations are dependent on our ability to process financial transactions in a secure manner. Failure in or breach of our operational or security systems or infrastructure, or those of our third-party vendors and other service providers, could disrupt our business or the businesses of our customers, result in the disclosure or misuse of confidential or proprietary information, damage our reputation, increase our costs and cause losses. We must ensure that information is properly protected from a variety of threats such as cyber attacks, error, fraud, sabotage, terrorism, industrial espionage, privacy violation, service interruption, and natural disaster. These threats arise from numerous sources including human error, fraud on the part of employees or third parties, technological failure, telecommunication outages, and severe weather conditions. Information security risks for financial institutions like us have increased recently in part because of new technologies, the increased use of the internet and telecommunications technologies (including mobile devices and cloud computing) to conduct financial and other business transactions, political activism, and the increased sophistication and activities of organized crime. Although we employ detection and response mechanisms designed to contain and mitigate security incidents, early detection may be thwarted by persistent sophisticated attacks and malware designed to avoid detection.

Any activity that jeopardizes our network and the security of the information stored thereon may result in significant cost and have a significant adverse effect on our reputation. We maintain insurance coverage that may, subject to policy terms and conditions, cover certain aspects of cyber risks. Such insurance coverage may be insufficient to cover all losses.

Any successful cyber attack or other security breach involving the misappropriation or other unauthorized disclosure of confidential customer information or that compromises our ability to function could severely damage our reputation, erode confidence in the security of our systems, products and services, expose us to the risk of litigation and liability, disrupt our operations and have a material adverse effect on our business. Any successful cyber attack may also subject the Company to regulatory investigations, litigation or enforcement, or require the payment of regulatory fines or penalties or undertaking costly remediation efforts with respect to third parties affected by a cybersecurity incident, all or any of which could adversely affect the Company's business, financial condition or results of operations and damage its reputation.

Risk of Increased Losses from Fraud

Criminals are committing fraud at an increasing rate and are using more sophisticated techniques. In some cases, these individuals are part of larger criminal rings, which allow them to be more effective. Such fraudulent activity has taken many forms, ranging from debit card fraud, check fraud, mechanical devices attached to ATM machines, social engineering and phishing attacks to obtain personal information, or impersonation of clients through the use of falsified or stolen credentials. Additionally, an individual or business entity may properly identify itself, yet seek to establish a business relationship for the purpose of perpetrating fraud. An emerging type of fraud even involves the creation of synthetic identification in which fraudsters "create" individuals for the purpose of perpetrating fraud. Further, in addition to fraud committed directly against us, the Company may suffer losses as a result of fraudulent activity committed against third parties. Increased deployment of technologies, such as chip card technology and dual authentication, defray and reduce certain aspects of fraud; however, criminals are turning to other sources to steal personally identifiable information, such as unaffiliated healthcare providers and government entities, in order to impersonate the consumer and thereby commit fraud.

Potential Inadequacy of our Allowance for Credit Losses

Like all financial institutions, we maintain an allowance for credit losses to provide for loan defaults and non-performance. Our allowance for credit losses is based on our historical loss experience and forward-looking data as well as an evaluation of the risks associated with our loan portfolio, including the size and composition of the loan portfolio, current economic conditions and concentrations within the portfolio. The determination of the appropriate level of the allowance for credit losses inherently involves a high degree of subjectivity and requires us to make significant estimates of current credit risks and future trends, all of which may undergo material changes. Economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of our control, may require an increase in the allowance for credit losses. In addition, bank regulatory agencies periodically review our allowance for credit losses and may require an increase in the provision for credit losses or the recognition of further loan charge-offs, based on judgments different than those of management. In addition, if charge-offs in future periods exceed expectations, we will need additional provisions to increase the allowance for credit losses. Any increases in the allowance for credit losses may result in a decrease in net income and capital and may have a material adverse effect on our financial condition and results of operations.

The Company accounts for the allowance for credit losses in accordance with ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments," which utilizes an "expected loss" model referred to as the Current Expected Credit Loss model, or "CECL." Under the CECL model, we are required to present certain financial assets carried at amortized cost, such as loans held for investment and held-to-maturity debt securities, at the net amount expected to be collected. The measurement of expected credit losses is based on information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. This measurement takes place at the time the financial asset is first added to the balance sheet and periodically thereafter. If we are required to increase our level of allowance for credit losses for any reason, such increase could adversely affect our business, financial condition and results of operations. Please see Note 1 in the notes to consolidated financial statements for additional information.

Attraction of Deposits and other Short-term Funding

In managing our liquidity, our primary source of short-term funding is customer deposits. Our ability to continue to attract these deposits, and other short-term funding sources, is subject to variability based upon a number of factors, including the relative interest rates we are prepared to pay for these liabilities and the perception of safety of those deposits or short-term obligations relative to alternative short-term investments. The availability and cost of credit in short-term markets depends upon market perceptions of our liquidity and creditworthiness. Our efforts to monitor and manage liquidity risk may not be successful or sufficient to deal with dramatic or unanticipated changes in event-driven reductions in liquidity. In such events, our cost of funds may increase, thereby reducing our net interest revenue, or we may need to dispose of a portion of our investment portfolio, which, depending on market conditions, could result in our realizing a loss or experiencing other adverse consequences.

Global Economic and Geopolitical Instability Trade Policy, and Inflationary Risks

Geopolitical conditions, terrorist attacks, military conflicts, natural disasters, severe weather, widespread health emergencies or pandemics, information security or cybersecurity incidents (including intrusion into or degradation or unavailability of systems or technology by cyberattacks), operational incidents and other catastrophic events can have a material adverse effect on our business. Political and social conditions, including actions upending geopolitical stability, such as from tensions involving China and the U.S., and other geopolitical tensions like the ongoing conflicts between Russia and Ukraine and Israel and Hamas, may escalate or result in additional conflicts. In addition, fiscal and monetary policies, trade wars and tariffs, labor shortages, regional or domestic hostilities, economic sanctions and the prospect or occurrence of more widespread conflicts could also negatively

affect our business, operations and partners, consumer and business spending, including consumer spending patterns and business investment, and demand for credit.

Many of our commercial borrowers operate in agriculture, food processing, and manufacturing; industries that are particularly sensitive to changes in trade policy and global supply chains. The imposition of tariffs on imported goods, the added potential for retaliatory tariffs by foreign governments, or other similar restrictions on international trade could increase costs for domestic manufacturers and consumers alike, as well as reduce demand abroad for U.S. exports, and disrupt supply chains. Any prolonged trade tensions could negatively impact the broader economic environment in the Midwest where the Bank operates, potentially leading to reduced consumer spending, lower economic growth, and decreased demand for other banking products and services. If these factors lead to financial strain on our borrowers, we may experience increased credit risk, higher loan delinquencies, and a potential decline in loan demand.

As a result, our financial performance, including credit quality and loan growth, could be adversely affected by these policy changes. While we actively monitor these developments and work closely with our agricultural customers, there is no assurance that we can fully mitigate the risks posed by tariff initiatives or other trade-related disruptions. These factors could materially affect our business, financial condition, and results of operations.

Pandemic, Public-Health, and Agricultural Disease Risks

Future widespread health emergencies, pandemics, or agricultural disease outbreaks could adversely affect economic activity, disrupt supply chains, or impair the financial condition of industries operating in our markets.

Indiana and Ohio are leading producers of poultry, eggs and poultry products, and rank at the top in the country in production of ducks, eggs, turkeys, and are significant producers of broilers. In January 2025, there was a documented regional increase in incidents of a highly contagious avian influenza known as H5N1 bird flu, which occurred in the Indiana counties of Jay, Allen and Adams, and the Ohio counties of Mercer and Van Wert. The Bank currently has loan customers in these counties who operate in the poultry industry and whose operations may be highly vulnerable to any significant outbreak of the virus, which could materially affect their ability to operate and therefore repay their loans. Similar future outbreaks or public-health events affecting key borrower industries could increase credit losses, reduce loan demand, or otherwise adversely affect our business, financial condition, and results of operations. The Bank continues to actively monitor flu outbreaks affecting our customers.

Limited Trading Market

The Company has its shares of stock listed and traded on the NASDAQ Capital Market. The Company's trading symbol is "FMAO."

ITEM 1b. UNRESOLVED STAFF COMMENTS

None.

ITEM 1c. CYBERSECURITY

Board Oversight Responsibilities

The Board of Directors bears the ultimate responsibility for ensuring that an adequate cyber and information technology risk (IT risk) management framework is in place and functioning as intended. IT risk focuses on information and information systems, especially the most critical and vital information assets. Without reliable and properly secured information systems, business operations could be severely disrupted. Likewise, the preservation and enhancement of the Company's reputation is directly linked to the way in which both information and information systems are managed. Maintaining an adequate level of security is one of several important aspects of managing IT risk. The Board's oversight responsibility in this respect includes oversight of the Company's vendor management program and the periodic evaluation of the Company's IT risk management controls.

The Board of Directors implements its IT risk oversight obligations primarily through the Board's Enterprise Risk Management Committee (ERM Committee). The primary function of the ERM Committee is to advise the Board of Directors regarding the enterprise risk management framework of the Company and to provide oversight to assist the Board of Directors in supervising enterprise risk management activities. The ERM Committee reviews and defines risk exposure limits for each specified risk category, including IT risk, while taking into consideration strategic goals and objectives and current market conditions. The Board ERM Committee reviews and approves any necessary changes to risk exposure limits after careful consideration of any

changes in market conditions or corporate strategy and adopts guidelines, through the input of the Management Risk Committee's analysis and discussion, regarding the maximum loss exposure the Bank is able and willing to assume.

In addition, the Board of Directors has established a Cybersecurity Committee comprised of two outside members of the Board and select members of management to assist the Board in fulfilling its oversight responsibilities with respect to the Company's information technology use and protection. Specifically, the Cybersecurity Committee oversees the effectiveness of the Company's cybersecurity risk management program, including practices for identifying, assessing, and mitigating cybersecurity risks, monitoring the threat environment, vulnerability assessments, third-party cybersecurity risks, and the Company's controls to prevent, detect, and respond to cybersecurity incidents. The Cybersecurity Committee also oversees cyber resiliency matters, including incident response planning, business continuity, and disaster recovery capabilities, and reviews investments in cybersecurity infrastructure and program needs. The Cybersecurity Committee meets at least quarterly and reports directly to the Board of Directors.

The Management Risk Committee is comprised of various members of Senior Management, Department Leaders, Compliance, Internal Audit and Risk Management. The Management Risk Committee is responsible for loss control and day-to-day oversight of the risk management function. Management Risk Committee meetings are held monthly. Results of the monthly review of risk categories are reported to the Board of Directors Enterprise Risk Management Committee (ERM) each quarter. In addition, the Company's risk position is reported to the Board of Directors quarterly.

At least annually, the Board of Directors reviews and approves the risk management program and policies based on information presented throughout the year from the ERM Committee and the Management Risk Committee.

In addition, the Information Systems (IS) Steering Committee, which is chaired by the Company's Chief Information Officer, serves as an advisory group providing assistance and guidance to management regarding customer information security, information systems planning, systems management organization, systems performance, business continuity, information security, system related expenditures, vendor management, and related policies and procedures. The IS Steering Committee meets on a monthly basis. Formal meeting minutes serve to document decisions and recommendations by the IS Steering Committee and are reported to both the Management Risk Committee and the Board ERM Committee. Management has appointed the Chief Information Officer the responsibility for overall management of the Company's "front line" IT risk. The Company's Chief Information Officer, Chief Risk Officer, and other members of management responsible for cybersecurity risk management have experience in information security, technology operations, and risk management developed through prior work experience, professional training, and industry certifications.

Despite these efforts, the Company's cybersecurity measures may not be effective in preventing or detecting all cybersecurity incidents or breaches.

Material Impact of Cyber Risk

As discussed more thoroughly below, the Company devotes significant resources to implement, maintain, monitor and regularly upgrade its systems and networks with measures such as intrusion detection and prevention, access controls, data encryption, and firewalls to safeguard critical business applications and customer information. The additional cost to the Company of our cybersecurity monitoring and protection systems and controls includes the cost of hardware and software, third party technology providers, consulting, and legal fees, in addition to the incremental cost of personnel dedicated to cybersecurity. With the assistance of third-party service providers, the Company continues to implement security technology and establish procedures to maintain network security. As cyber threats continue to evolve, the Company may be subject to risks relevant to financial institutions, including unauthorized access to or disclosure of information, ransomware or other malware incidents, phishing and social engineering schemes, disruptions to online or payment systems, and vulnerabilities involving third-party service providers, any of which could result in financial loss, regulatory scrutiny, reputational harm, operational disruption, or remediation costs. The Company may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities. In addition, we maintain insurance coverage that may, subject to policy terms and conditions, cover certain aspects of cyber risks, but such insurance coverage may not always be sufficient to cover all losses. To date, cybersecurity incidents have not materially affected the Company's business strategy, results of operations, or financial condition. However, future cybersecurity threats or incidents could materially adversely affect the Company's business strategy, results of operations, or financial condition.

IT Risk and Vendor Management

We rely on third-party service providers to leverage subject matter expertise and industry best practice, provide enhanced products and services, and reduce costs. Although there are benefits in entering into third-party relationships with vendors and others, there are risks associated with such activities. When entering a third-party relationship, the risks associated with that activity are not passed to the third-party but remain our responsibility. At the direction of the Board and pursuant to its ultimate oversight, management is charged with the development and maintenance of a comprehensive vendor management program. In that respect, Company management has appointed the IS Steering Committee, chaired by the Chief Information Officer, to oversee the Company's vendor management program. The vendor management program is used to identify, measure, monitor, and control the risks associated with outsourcing arrangements. While focusing on information and operational risks, outsourced relationships are reviewed through structured assessments and addressed from an end-to-end perspective. While we have implemented a vendor management program to actively manage the risks associated with the use of third-party service providers, any problems caused by third-party service providers could adversely affect our ability to deliver products and services to our customers and to conduct our business. Replacing a third-party service provider could also take a long period of time and result in increased expenses.

Internal and External Risk Evaluations

An annual Information Technology Audit, which is facilitated by the Audit Committee, is conducted via a co-sourcing agreement with a third-party auditor. The objective of the IT audit is to evaluate the effectiveness and efficiency of operations, test the reliability of data and IT controls, and ensure compliance with applicable laws, regulations, guidance, and industry best practices. The audit scope addresses IT Governance, IT Management, IT Operations, and IT Security. Testing of the internal network environment and external network perimeter are included in the Results of the IT Audit and are reviewed with the IS Steering Committee and Company management. For any exceptions identified, a responsible party is assigned, and action plans are developed to address corrective measures. The final results of the IT Audit are reviewed with the Board Audit Committee. The status of unresolved audit issues along with their priority ratings is reported to both Management's IS Steering Committee and the Board Audit Committee at each meeting.

In addition, in accordance with Gramm-Leach-Bliley Act requirements regarding safeguarding and protecting customer information, an Information Security Risk Assessment is conducted at least annually by the Risk Department and reviewed with the Management Risk Committee, the ERM Committee, and the Board of Directors. A risk analysis is performed to evaluate current processes, identify information assets, and determine the adequacy of the safeguarding and protection of confidential customer information collected and maintained. For each information asset identified, the criticality of the asset, the threats to the defined asset, the likelihood of compromise of the asset, the business impact if an asset is compromised, and an overall risk rating for each asset are defined. The results of this assessment are reviewed with the IS Steering Committee and the Risk Committee and reported at least annually to the Board ERM Committee.

ITEM 2. PROPERTIES

Our principal office is located in Archbold, Ohio.

The Bank operates from its principal office located at 307 North Defiance Street, Archbold, Ohio. In addition, the Bank owns the property from 200 to 208 Ditto Street, Archbold, Ohio, which it uses for Bank parking and a community mini-park area. The Bank owns real estate at two locations, 207 Ditto Street and 209 Ditto Street in Archbold, Ohio upon which the bank built a commercial building to be used for storage, and a parking lot for company vehicles and employee parking. The Bank also owns real estate across from the main facilities to provide for parking.

The Bank occupies an Operations Center at 620 S. Clyde's Way in Archbold, Ohio to accommodate our growth over the years which includes drive-up services. The Bank owns a parking lot in downtown Montpelier which is provided for community use.

The Bank owns all of its office locations, with the exception of the asterisked offices below. These nine office locations are leased.

The Bank currently maintains retail banking offices at the following locations:

<u>Office</u>	<u>Location</u>	<u>Date Opened</u>
Archbold, Ohio	307 N Defiance Street	04/1897
Wauseon, Ohio	1130 N Shoop Avenue	11/1973
Stryker, Ohio	300 S Defiance Street	03/1981
West Unity, Ohio	200 W Jackson Street	10/1981
Delta, Ohio	101 Main Street	06/1985
Bryan, Ohio	1000 S Main Street	06/1992
Napoleon, Ohio	2255 Scott Street	02/1995
Montpelier, Ohio	1150 E Main Street	06/1998
Swanton, Ohio	7 Turtle Creek Circle	11/1999
Defiance, Ohio	1175 Hotel Drive	07/2001
Perrysburg, Ohio	7001 Lighthouse Way	11/2007
Butler, Indiana	200 S Broadway	12/2007
Auburn, Indiana*	406 Smaltz Way	12/2007
Angola, Indiana*	2310 N Wayne Street	08/2008
Hicksville, Ohio	100 N Main Street	07/2010
Waterville, Ohio	8720 Waterville-Swanton Road	05/2013
Custar, Ohio	22973 Defiance Pike	12/2013
Sylvania, Ohio	5830 Monroe Street	08/2014
Fort Wayne, Indiana	12106 Lima Road	04/2016
Bowling Green, Ohio*	1072 N Main Street	10/2016
Findlay, Ohio	1660 Tiffin Avenue	01/2018
Geneva, Indiana	215 E Line Street	01/2019
Monroe, Indiana	150 W Washington Street	01/2019
Berne, Indiana	718 US Highway 27 N	01/2019
Portland, Indiana	1451 N Meridian Street	01/2019
Decatur, Indiana	1118 S 13th Street	01/2019
Fort Wayne, Indiana	7370 Illinois Road	04/2021
Ossian, Indiana	102 N Jefferson Street	04/2021
Bluffton, Indiana*	111 E Oak Forest Drive	04/2021
Urbana, Ohio	120 N Main Street	10/2021
Sidney, Ohio	101 E Court Street	10/2022
Anna, Ohio	403 S Pike Street	10/2022
Jackson Center, Ohio	115 E Pike Street	10/2022
Oxford, Ohio*	335 S College Avenue	04/2023
Toledo, Ohio*	120 N Summit Street	06/2023
Birmingham, Michigan*	220 Park Street, Suite 104	10/2023
Fort Wayne, Indiana*	128 W Wayne Street	10/2023
Troy, Michigan*	3001 West Big Beaver Road	10/2025

All offices except the Butler, Indiana location have onsite ATM services.

The Bank's LPOs at the following locations are all leased:

<u>LPO</u>	<u>Location</u>
Muncie, Indiana	1208 W White River Boulevard
Bryan, Ohio	206 W High Street
Perrysburg, Ohio	5203 Levis Commons Boulevard

F&M Insurance Agency, LLC operates from our principal office at 307 North Defiance Street; Archbold, OH 43502.

ITEM 3. LEGAL PROCEEDINGS

There are no material pending legal proceedings, other than ordinary routine proceedings incidental to the business of the Company or its subsidiaries, to which we are a party or of which any of our properties are the subject.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

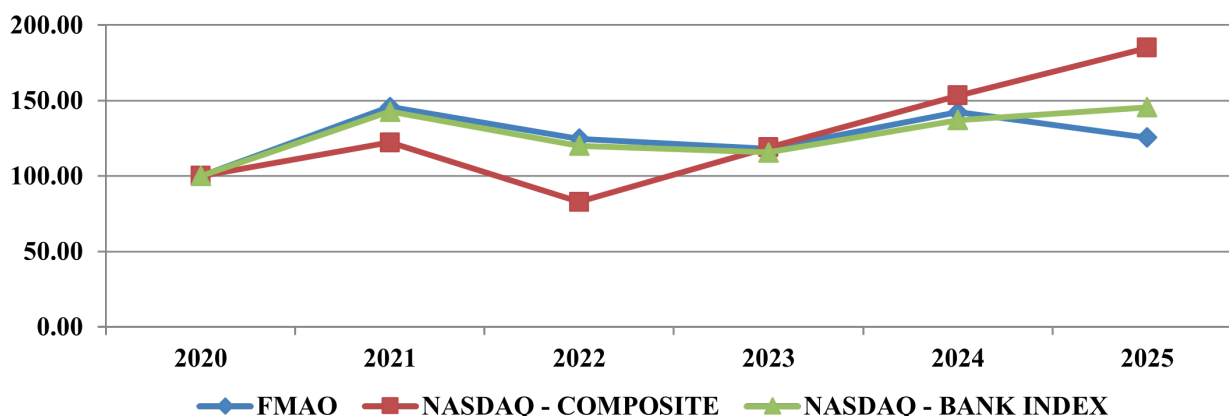
The Company’s common stock is listed on the NASDAQ Stock Market LLC under the trading symbol “FMAO.”

The Company utilizes Broadridge Corporate Issuer Solutions, LLC as its transfer agent.

As of December 31, 2025, there were 1,909 record holders of our common stock of which 64.29% of the outstanding shares are being held in brokerage accounts or “street name” and only considered as one record holder.

Below is a line-graph presentation comparing the cumulative total shareholder returns for the Company, an index for NASDAQ Stock Market (U.S. Companies) comprised of all domestic common shares traded on the NASDAQ National Market System and the NASDAQ Bank Index for the five-year period ended December 31, 2025. The chart compares the value of \$100 invested in the Company and each of the indices and assumes investment on December 31, 2020 with all dividends reinvested.

The Board of Directors recognizes that the market price of stock is influenced by many factors, only one of which is performance. The stock price performance shown on the graph is not necessarily indicative of future performance.



	2021	2022	2023	2024	2025
FMAO	145.83	124.79	118.14	142.20	125.54
NASDAQ - COMPOSITE	122.15	82.78	118.95	153.30	184.87
NASDAQ - BANK INDEX	142.65	120.10	115.65	137.06	145.62

Dividends are declared and paid quarterly. Per share dividends declared for the years ended 2025 and 2024 are as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
2025	\$ 0.22125	\$ 0.22125	\$ 0.22750	\$ 0.23000	\$ 0.90000
2024	\$ 0.22000	\$ 0.22000	\$ 0.22125	\$ 0.22125	\$ 0.88250

Dividends declared during 2025 were \$0.90 per share totaling \$12.2 million, 2.0% higher than 2024 declared dividends of \$0.8825 per share. During 2025, the Company awarded 60,673 shares to 131 employees and 6,707 shares were forfeited under its long term incentive plan. At year-end 2025, the Company held 816,351 shares in Treasury stock and 164,667 in unearned stock awards.

Dividends declared during 2024 were \$0.8825 per share totaling \$11.9 million, 3.8% higher than 2023 declared dividends of \$0.85 per share. During 2024, the Company awarded 60,169 shares to 111 employees and 5,811 shares were forfeited under its long term incentive plan. At year-end 2024, the Company held 864,889 shares in Treasury stock and 158,183 in unearned stock awards.

The Company currently expects to continue to maintain the payment of its quarterly dividend consistent with its past practices.

The Company continues to have a strong capital base.

	2025	2024
Tier I Leverage Ratio	8.81%	8.12%
Risk Based Capital Tier I	10.68%	10.44%
Total Risk Based Capital	12.97%	12.80%
Stockholders' Equity/Total Assets	10.80%	9.96%

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan or Programs	Remaining Share Repurchases Authorization ⁽¹⁾
10/1/2025				
to	-	-	-	650,000
10/31/2025				
11/1/2025				
to	-	-	-	650,000
11/30/2025				
12/1/2025				
to	63 ⁽²⁾	26.74	-	650,000
12/31/2025				
Total	63	26.74	-	650,000

⁽¹⁾ From time to time, the Company purchases shares in the market pursuant to a stock repurchase program publicly announced on January 28, 2025. On that date, the Board of Directors authorized the repurchase of up to 650,000 common shares between January 28, 2025 and December 31, 2025.

⁽²⁾ Shares which are returned to account for tax payable on vested stock awards are outside of the Company's stock repurchase program.

On January 27, 2026, the Company announced the authorization by its Board of Directors for the Company's repurchase, either on the open market, or in privately negotiated transactions, of up to 650,000 shares of its outstanding common stock commencing January 27, 2026 and ending December 31, 2026.

ITEM 6. RESERVED

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Reclassification

Certain 2024 and 2023 amounts within the loans disclosure (Note 4) and the loan section of Management's Discussion and Analysis have been reclassified to conform with current year presentation to provide additional information to the reader. The reclassifications had no effect on income.

Critical Accounting Estimates

The Company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, and the Company follows general practices within the financial services industry in which it operates. At times the application of these principles requires management to make assumptions, estimates and judgments that affect the amounts reported in the financial statements and accompanying notes. These assumptions, estimates and judgments are based on information available as of the date of the financial statements. As this information changes, the financial statements could reflect different assumptions, estimates and judgments. Certain policies inherently have a greater reliance on assumptions, estimates and

judgments and as such have a greater possibility of producing results that could be materially different than originally reported. Examples of critical assumptions, estimates and judgments are when assets and liabilities are required to be recorded at fair value, when a decline in the value of an asset not required to be recorded at fair value warrants an impairment write-down or valuation reserve to be established, or when an asset or liability must be recorded contingent upon a future event.

All significant accounting policies followed by the Company are presented in Note 1 to the consolidated financial statements. These policies, along with the disclosures presented in the notes to the consolidated financial statements and in the management's discussion and analysis of financial condition and results of operations, provide information on how significant assets and liabilities are valued and how those values are determined for the financial statements. Based on the valuation techniques used and the sensitivity of financial statement amounts to assumptions, estimates and judgments underlying those amounts, management has identified the Allowance for Credit Losses (ACL) as the accounting area that requires the most subjective or complex judgments, and as such could be the most subject to revision as new information becomes available.

The total allowance for credit losses represents management's estimate of credit losses inherent in the Bank's loan portfolio and unfunded loan commitments at the report date. The estimate is a composite of a variety of factors including experience, collateral value, and the general economy. The collection and ultimate recovery of the book value of the collateral, in most cases, is beyond our control.

For more information regarding the estimate and calculation used to establish the ACL, please see Note 1 to the consolidated financial statements provided herewith.

2025 in Review

The focus for 2025 was to improve profitability through the control of loan growth and improvement in the customer gathering of core deposits to fund loans. Cost control, balance sheet management and overall revenue enhancement were included. The Bank strove to reduce dependency on high-cost deposits and expand our contingent liability funding options. As the numbers show, we have been successful in all these areas and begin 2026 with a continuing focus on strong core deposit growth, moderate loan growth and controlling costs.

The largest contributor to better profitability was the increase in the net interest margin from 2.72% to 3.28%, a 56-basis point increase and net interest spread increasing 60 basis points in comparing year-end 2024 to year-end 2025. Loan growth at just under 6%, was funded by a decreased cash position by 44.6%, a 1.6% increase in deposits and a slight 1.3% decrease in investments. Most importantly, both sides of the balance sheet showed improved profitability. The asset yield improved from 5.17% for 2024 to 5.45% for 2025, a nice 28 basis point increase in a declining interest rate environment. The cost of interest-bearing liabilities decreased by 32 basis points for the year, 2024 at 3.12% and 2025 at 2.80%, respectively. In terms of dollars, net interest income increased \$18.4 million year over year, easily surpassing the \$4.5 million gain in 2024 over 2023.

The provision for credit losses related to loans increased by \$1.65 million, predominately resultant from loan growth and, to a lesser extent, some weaker macro-economic data. Please refer to Note 4 for further analysis of both our loan portfolio and the associated allowance for credit loss.

The loan growth mentioned previously occurred mostly in the commercial and agricultural portfolios. F&M Commercial Banking Division had increased demand in the fourth quarter 2025 and overall solid growth for 2025. The commercial and the commercial real estate portfolios, combined, grew \$84.0 million in outstandings year over year. Solid loan growth in the Commercial & Industrial sector was \$17.9 million, or 6% in the last quarter of 2025 and \$37.2 million for the year or 12%. We saw overall higher line of credit utilization as well as some new customers were added in the fourth quarter in the transportation sector. Lending rates and terms remained consistent with the previous quarter and an overall downward trend for 2025. Economic factors, inflation, and the impact on potential tariffs remained the largest concerns to commercial business in the F&M footprint in 2025. The commercial team continues to monitor the portfolio and borrowing bases closely for the impact from credit and inflationary pressures. Credit quality and past dues remained sound and collateral values and auction values are still holding consistent with previous quarters and 2024.

The largest single portfolio growth occurred in Agricultural, increasing 44% or \$66.2 million in 2025 as compared to 2024. The Agricultural and Elevator portfolio saw increased usage in the 4th quarter of 2025, as our clients managed through the harvest season. Elevator line of credit usage increased from 29% at December 31, 2024 to 61% at December 31, 2025, and resulted in balances outstanding of \$37.5 million at year-end 2025 compared to \$14.1 million at year-end 2024. Throughout our market area grain farmers were affected by the late season drought, but overall yields were better than anticipated. Margins continue to be tight for grain farmers as commodity prices have remained lower due to ample supply. Crop insurance and government payments will provide support. Agricultural businesses have performed well, but the decline in net farm income has had the greatest impact on those in equipment sales resulting in higher Agricultural equipment dealer line utilization from additional usage from existing customers as well as new business with new customers. Seasonal demand of short-term borrowings was strong in last quarter of 2025 but moving forward is anticipated to be flat. Delinquencies continue to be low with positive performance within the Agricultural portfolio.

The Home Loan Division saw an increase to our production but predominantly in our HELOC balances. This growth was \$21.7 million for the year or a 34% increase over 2024. We saw overall higher line of credit utilization, up from 40% on December 31, 2024, to 45% on December 31, 2025, as well as additional new customer growth. This is due to mortgage rates still being higher than what most borrowers have on their current mortgages thus making home equities the best option for borrowers in most cases. We did see a slight increase in construction loans which is a sign of communities looking to increase housing inventory. Fixed mortgage rates started declining in the 3rd quarter of 2025 which increased refinance opportunities. Limited inventory, while better than previous years, was still prevalent in most of the communities F&M Bank serves.

The aforementioned growth in the other portfolio sectors has reduced the Bank's overall relative concentration in Commercial Real Estate (CRE) and Development, and our growth rate in non-owner-occupied CRE has decreased. The largest sector increases within CRE were hospitality and retail. The largest geographic increase with CRE was in the state of Michigan.

Overall, past due loans remain low, though increasing slightly, with some increase in Agriculture and Farmland portfolio. Non-accruals remain low, though increasing, with the larger increase in the Agriculture and Farmland portfolio. Special Mention and Substandard loans rose again in the fourth quarter and were up significantly for the year. While we have experienced migration to more criticized and classified assets, our adversely classified loans as a percentage of capital remain sound. We have also

experienced a migration to our less risky grades (2- and 3-grades) that increased \$156 million in 2025 from 35% of the Commercial/Agricultural portfolio to 40%, which has resulted in a much lower concentration of baseline 4-grade loans. There was some further migration within the Criticized assets from Special Mention to Substandard in the fourth quarter, but we don't expect to incur any losses at this time.

The Bank continues to see the benefit of originating higher yielding loans and having our longer duration loans amortize down. The Bank has much more floating-rate loans today than at this time last year and the concentration of longer-term, fixed-rate loans is decreasing.

A \$1.5 million improvement occurred in noninterest income items for 2025 as compared 2024. Apart from net gain (loss) on sale of other assets owned and interchange income, all other line-item components experienced increased revenue over prior year. Items of note are the increase in cash surrender values in the Bank Owned Life Insurance due to the additional purchase of \$18 million and the approximately \$6.8 million surrender of policies. This improvement is expected to continue through 2026 with additional surrenders over the next 2 years. Loan servicing income and net gain on sale of loans increased reflecting the additional sale of loans both in the home loan portfolio and in the agricultural real estate partial sales. The Bank continues to earn servicing income as those managed portfolio balances continue to increase. Lastly, the additional revenue from our Treasury management team and the FM Investments division are evident in the other service charges and fees increase over 2024. The Bank also leased out a portion of our excess office space in Hicksville to medical providers. The Bank will continue to look for other opportunities to turn excess space at our offices into revenue opportunities.

In 2024, we focused on investing in our infrastructure and technology. These investments, along with a higher incentive expense (due to improved performance) for 2025, are much of the reason for the increase in noninterest expense of \$8.1 million for 2025 as compared to 2024. The Bank also opened an additional office in the 3rd quarter of 2025 in Troy, Michigan. This office brings our total to 2 located in Michigan. Those offices manage over \$514 million in loans and \$64.6 million in deposits. ATM expense reports a significant increase of \$923 thousand due to 2024 being lower from contract credits having been applied. It is in line with 2023 at \$18 thousand lower than 2023. Data processing has the same experience and for the same reason as the ATM expense. 2025 is \$2.24 million higher than 2024 though \$540 thousand higher than 2023. The only noninterest expense that did not increase was in the FDIC assessments. This is a regulatory fee imposed by the FDIC. It fluctuates quarterly and the decrease reflects improved metrics at the Bank upon which they base the charges along with deposit balances.

Overall, a strong last quarter helped to complete the strong year for F&M. Improvement in the bottom line of \$7.4 million or a 28.4% increase over year-end 2024. Declared dividends per share were increased in the last two quarters of the year to reflect the improved profitability. Capital increased 10.6% or \$35.7 million. The Company's previous 3-year strategic plan has closed, and the next 3-year plan is being finalized. The Company has laid a framework from which to build continued improvement.

Material Changes in Results of Operations

Net Interest Income

The discussion now centers on the individual line items of the Company's consolidated statement of income and their effect on net income. This section will focus on the most traditional and impactful source of revenue contributing to the profitability of the Company which is net interest income.

Net interest income is the difference between interest income earned on interest earning assets, such as loans and securities, and interest expense paid on interest-bearing liabilities used to fund those assets, such as interest-bearing deposits and other borrowings. Net interest income is affected by changes in both interest rates and the amount and composition of earning assets and liabilities. The change in net interest income is most often measured by two statistics – interest spread and net interest margin. The difference between the yields earned on earning assets and the rates paid for interest-bearing liabilities represents the interest spread. The net interest margin is the difference of funds (interest expense) between the yield on earning assets and the cost as a percentage of earning assets. Because noninterest-bearing sources of funds such as demand deposits and stockholders' equity also support earning assets, the net interest margin exceeds the net interest spread.

The work began in 2024 to focus on increasing profitability through management of the balance sheet and thereby improving our net interest margin and spread. The success of that strategy became apparent in 2024 and expanded in 2025. The Company utilized new pricing models in both loans and deposits that worked in tandem with each other. Introduced in mid-2024, the models continue to be tweaked to improve effectiveness and are updated collaboratively within multiple divisions of the Bank. The goal is to keep the models simple for ease of use and to remain focused on improving profitability.

Following the rapid rise of interest rates from March of 2020 to July of 2023, to the cuts beginning in September 2024, the Company has experienced the most volatile interest rate environment in decades. The Federal Reserve decreased rates three times during 2025 by 25 basis points each time on September 17th, October 29th and December 10th. The charts to follow will emphasize how well we managed the switch in rate positions from 2023.

For 2025, net interest income grew 21.4% or almost \$18.4 million over 2024's. The growth was split almost equally between interest income improvement and interest expense. 54.3% of the improvement was in interest income, increasing by nearly \$10 million. Interest expense decreased by \$8.4 million when comparing 2025 to 2024. The next step in reviewing the improvement is to determine what drove the improvement. Our goal for 2025 was to hold the loan portfolio mostly flat and increase core deposits, especially in transaction accounts. The following charts show in totality, interest income improvement was due to rate improvement exclusively. The only category impacted negatively in both volume and rate change was Federal Funds sold and other, as would be expected with the Fed rate drops and putting excess cash to better use in loans. Average balances in loans grew \$75.2 million which is basically flat considering the overall portfolio is over \$2.6 billion. Security activity for the year was limited to replacement purchases and for CRA investments. Both loans and investments' profitability benefited more due to rate changes than due to growth. Increasing rates in a falling rate environment is a feat and credit goes to both lenders and use of the loan pricing model.

In 2024, the focus was on increasing profitability while also repositioning the balance sheet. The effects of which can be seen in the improvement of \$4.5 million to net interest income as compared to 2023. Total interest income increased \$23.8 million which was offset by increased interest expense of approximately \$19.3 million. Interest and fee income from loans were responsible for \$16.0 million of the improved interest income with rate accounting for 78.6% of this increase. Average loan balances increased \$65.7 million from the prior year and accounted for 21.4% of the increased loan interest income. As of December 31, 2024, the Company's loan portfolio was 36.0% variable with 31.4% of total loans subject to repricing within the next twelve months. The Company's loan portfolio on December 31, 2023, was 31.6% variable with 24.9% of total loans repricing within the next twelve months. The security portfolio, used for purposes of liquidity and contingency planning as a means of balance sheet gap management, increased \$11.8 million in average during 2024 as compared to 2023 with associated interest income increasing \$1.9 million over 2023. Average federal funds sold and interest-bearing deposit balances increased \$91.3 million as compared to the prior year and generated an additional \$5.9 million in interest income. During 2024, the prime rate decreased 50 basis points in September and 25 basis points in both November and December to end the year at 7.50%.

During the first quarter of 2023, securities of \$21.6 million with an annual yield of \$274 thousand were swapped at a loss of \$891 thousand with securities with an annual yield of \$1.6 million. In 2023, there were four additional 25 basis point increases in February, March, May and July to end the year at 8.50%. Overall, total interest income was \$23.8 million higher for 2024 than 2023 on an additional \$168.8 million in total average earning assets.

Interest expense (which includes deposits, federal funds purchased, securities sold under agreement to repurchase, borrowed funds and subordinated notes) all decreased in 2025 as compared to 2024, while for 2024 as compared to 2023, they all increased from all interest-bearing funding sources with the exception of federal funds purchased and securities sold under agreement to repurchase. Interest expense decreased \$8.4 million on lower average balances from interest-bearing liabilities of \$18.6 million in 2025 versus 2024. Average interest-bearing balances decreased in 2025 in all areas except for NOW accounts and savings deposits and subordinated notes. Borrowed funds decreased \$49.4 million as maturing prior year borrowings were able to be paid off and not replaced with new borrowings during 2025. The best result is the increase in noninterest-bearing demand deposits, average balances increased \$22.4 million in the core deposit gathering efforts in 2025. Time deposits decreased in average balances during 2025 as compared to 2024 with the impact being a decrease of interest expense of \$3.8 million. The lower interest expense was driven more by changing rates than in decreased average balances. The largest interest expense decrease due to changes in rate, was in NOW accounts and savings deposits. The decrease attributed to rate was \$4.5 million while volume change drove an increase in interest expense of \$2.0 million. The net result being a decrease of interest expense due to NOW accounts and savings deposits of over \$2.4 million.

For 2024, average interest-bearing liabilities increased \$183.3 million over 2023 with approximately \$19.3 million additional interest expense. Overall, the funding goal the last three years has been to grow core deposits. Two strategies have been employed through the years, one of allowing expensive time deposits to run off until needed for funding and secondly to offer new noninterest-bearing deposit products. Both strategies were designed to assist in controlling interest expense while also providing funding for loan growth. In 2024 and 2023, liquidity needs and loan growth created the need to quickly generate deposits. Competition within the market areas forced us to increase rates for deposits during the prior two years. In 2024, average interest-bearing deposits increased \$149.0 million compared to 2023. During 2024, interest expense from deposits increased by \$17.5 million from 2023. The majority, 81.7%, of the increased deposit expense of 2024 and 95.5%, of the increased expense of 2023 was influenced by rates rather than due to additional cost associated with deposit growth. Borrowed fund balances increased in 2024 \$41.9 million as a means to provide liquidity which resulted in an additional interest expense of \$2.1 million.

Total interest expense equaled \$69.3, \$77.7, and \$58.4 million for 2025, 2024, and 2023, respectively. The decreased expense for 2025 as compared to 2024 was 79.1% due to change in rates being paid in a falling rate environment. The increased expense was approximately 76.2% attributable to the higher interest rate environment in 2024 as compared to 2023.

This concludes the discussion by the independent components of the ratios. Now the discussion moves on to the percentages and the change in the net interest margin and spread.

For 2025, we saw a reversal of the trend of a declining net interest margin and spread comparing 2023 to 2024. The improved interest income and reduced interest expense for 2025 resulted in a 56 and 60 basis points improvement in net interest margin and spread, respectively. The asset yield for 2025 improved 28 basis points as compared to 2024 and the interest expense/cost decreased 32 basis points in the same comparison. Net interest margin for 2025 was 3.28% compared to 2024's 2.72%. Net interest spread was 2.65% for 2025 versus 2.05% for 2024. Disciplined loan growth, payoffs of expensive borrowings and using excess liquidity to accomplish those improvements were the primary factors. The Company had predicted improved profitability in a declining rate environment.

The increased interest expense of 2024 resulted in the net interest margin remaining flat while interest spread decreased 9 basis points compared to 2023 due to the cost of funds increasing more than the increase in asset yield. For 2024, average loan balances increased \$65.7 million over the prior year with increased interest income of \$16.0 million. In 2024, the Bank was able to see the impact of a higher rate environment with 78.6% of the increased interest income related to rate changes as presented in the charts below. Average balances of federal funds sold and interest-bearing deposits with other institutions increased \$91.3 million and increased interest rates generated an additional \$5.9 million in interest income over 2023. The overall asset yield for 2024 increased 50 basis points as compared to 2023.

Interest expense for 2025 was lower by \$8.4 million than 2024. In comparing interest expense/cost, 2025 was lower by 32 basis points compared to 2024, capturing back some of the higher 2024 increase in cost. 2024 was 59 basis points higher than 2023. 2.80%, 3.12% and 2.53% was the interest expense/cost for 2025, 2024 and 2023, respectively. 2025 improvement was driven 79.1% by changes in interest rates and the other 20.9% by volume changes in the portfolio.

For 2024, interest expense continued to increase and was 33.0% higher than 2023 and was 76.2% impacted by changes in interest rates. Competition for deposits continued to be extremely high and rate shopping between financial institutions was apparent. The Company's goal was to increase core deposits, including savings deposits, which increased \$126.0 million while noninterest-bearing demand deposits decreased \$14.8 million in average balances, respectively as compared to 2023. In 2024, time deposits increased \$41.9 million in average balances year over year. The increased interest expense in 2024 for savings deposits and time deposits accounted for 91.1% of the total interest expense increase. Overall, cost of funds increased 59 basis points or 23.3% over 2023 with only 23.8% due to volume increases. The remaining 76.2% was related to changes in interest rates.

The Company will always prefer to see improvement in real dollars over percentages. The strategy for increasing core deposits, to mitigate the higher cost of funds and to continue the opportunity for fee dollars from services provided, continues to be a top focus for 2026.

Total assets of the Company increased overall as did the earning assets in both average and year-end during 2025 and 2024. This matched the increase in interest dollars. The percentage of average earning assets to total average assets reflects the best utilization of funds. The total increase in average earning assets was \$19.1 million with the ratio of earning assets to assets decreasing to 94.63% versus 95.06% for 2024. The ratio was 93.81% for 2023. For 2023 and 2025, the addition of new offices increased the non-earning assets with cash balances held at the new offices and the investment in the capital assets of their building and furniture. One office in Troy, MI was added in 3rd quarter 2025. One of the areas that has helped to improve the profitability over the years was the percentage of average loans to total assets. For 2025, the average balance of loans to total average assets was 78.25%, 76.82% for 2024 and 78.02% for 2023. Overall yield improves when the balances of the highest yielding asset, which is loans, increases. The goal is, as always, to improve the net interest margin and spread and thereby improve profitability.

Net interest spread is the difference between what the Company earns on its assets and what it pays on its liabilities. It is generally from this spread that the Company must fund its operations and generate profit. When the asset yield decreases so must funding costs in order to maintain the same profitability. It becomes increasingly challenging as the asset yield gets closer to the prime lending rate, or the break-even point, of operations. In a rising rate environment, the challenge is to hold the cost steady while allowing time for the asset portfolio to rise. Floors and ceilings on variable products also impact the level of increase in either scenario. The floors provide yield protection in a lower rate environment while the rising rates will not benefit the asset yield until the spread plus prime is higher than the floor. The challenge is to increase the spread during renewals and on new loans. After the

rate hikes in 2022 and 2023, most loans had increased over the floors in 2024 and the falling rates in 2025 now puts the spotlight on this key factor to profitability.

The following tables present net interest income, interest spread and net interest margin for the three years 2023 through 2025, comparing average outstanding balances of earning assets and interest-bearing liabilities with the associated interest income and expense. The tables show the corresponding average rates of interest earned and paid. Average outstanding loan balances include non-performing loans, real estate loans held for sale and carrying value adjustments related to interest rate swaps of \$1.7, \$1.1, and \$2.7 million for 2025, 2024 and 2023, respectively. Average outstanding security balances are computed based on carrying values including unrealized gains and losses on available-for-sale securities.

The yield on tax-exempt investment securities shown in the following charts were computed on a tax equivalent basis. The yield on loans has also been tax adjusted for the portion of tax-exempt IDB loans included in the total. Total interest earning assets is therefore also reflecting a tax equivalent yield in both line items, also within the net interest spread and margin. The adjustments were based on a 21% tax rate for all years. The tax-exempt interest income was \$697, \$503, and \$590 thousand for 2025, 2024 and 2023, respectively which resulted in a federal income tax savings of \$121, \$106, and \$124 thousand, respectively.

	2025		
	(In Thousands)		
	Average Balance	Interest/ Dividends	Yield/Rate
ASSETS			
Interest Earning Assets:			
Loans	\$ 2,632,363	\$ 158,614	6.03%
Taxable investment securities	450,636	11,202	2.49%
Tax-exempt investment securities	16,473	296	2.27%
Federal funds sold and other	84,017	3,432	4.08%
Total Interest Earning Assets	3,183,489	\$ 173,544	5.45%
Noninterest Earning Assets:			
Cash and cash equivalents	47,096		
Other assets	133,462		
Total Assets	\$ 3,364,047		
LIABILITIES AND SHAREHOLDERS' EQUITY			
Interest-Bearing Liabilities:			
NOW accounts and savings deposits	\$ 1,579,552	\$ 37,314	2.36%
Time deposits	618,230	20,865	3.37%
Borrowed funds	212,720	8,893	4.18%
Federal funds purchased and securities sold under agreement to repurchase	26,263	1,042	3.97%
Subordinated notes	34,871	1,138	3.26%
Total Interest-Bearing Liabilities	2,471,636	\$ 69,252	2.80%
Noninterest-Bearing Liabilities:			
Noninterest-bearing demand deposits	501,423		
Other	37,688		
Total Liabilities	3,010,747		
Shareholders' Equity	353,300		
Total Liabilities and Shareholders' Equity	\$ 3,364,047		
Interest/Dividend income/yield		\$ 173,544	5.45%
Interest Expense/cost		69,252	2.80%
Net Interest Spread		\$ 104,292	2.65%
Net Interest Margin			3.28%

	2024		
	(In Thousands)		
	Average Balance	Interest/ Dividends	Yield/Rate
ASSETS			
Interest Earning Assets:			
Loans	\$ 2,557,213	\$ 145,329	5.68%
Taxable investment securities	410,764	8,129	1.98%
Tax-exempt investment securities	20,154	328	2.06%
Federal funds sold and other	176,307	9,786	5.55%
Total Interest Earning Assets	<u>3,164,438</u>	<u>\$ 163,572</u>	<u>5.17%</u>
Noninterest Earning Assets:			
Cash and cash equivalents	47,223		
Other assets	117,241		
Total Assets	<u>\$ 3,328,902</u>		
LIABILITIES AND SHAREHOLDERS' EQUITY			
Interest-Bearing Liabilities:			
NOW accounts and savings deposits	\$ 1,502,365	\$ 39,750	2.65%
Time deposits	663,320	24,713	3.73%
Borrowed funds	262,094	10,948	4.18%
Federal funds purchased and securities sold under agreement to repurchase	27,750	1,111	4.00%
Subordinated notes	34,755	1,138	3.27%
Total Interest-Bearing Liabilities	<u>2,490,284</u>	<u>\$ 77,660</u>	<u>3.12%</u>
Noninterest-Bearing Liabilities:			
Noninterest-bearing demand deposits	479,059		
Other	34,529		
Total Liabilities	<u>3,003,872</u>		
Shareholders' Equity	<u>325,030</u>		
Total Liabilities and Shareholders' Equity	<u>\$ 3,328,902</u>		
Interest/Dividend income/yield		\$ 163,572	5.17%
Interest Expense/cost		77,660	3.12%
Net Interest Spread		<u>\$ 85,912</u>	<u>2.05%</u>
Net Interest Margin			<u>2.72%</u>

	2023		
	(In Thousands)		
	Average Balance	Interest/ Dividends	Yield/Rate
ASSETS			
Interest Earning Assets:			
Loans	\$ 2,491,502	\$ 129,344	5.19%
Taxable investment securities	394,424	6,204	1.57%
Tax-exempt investment securities	24,686	366	1.88%
Federal funds sold and other	85,018	3,894	4.58%
Total Interest Earning Assets	<u>2,995,630</u>	<u>\$ 139,808</u>	<u>4.67%</u>
Noninterest Earning Assets:			
Cash and cash equivalents	40,021		
Other assets	157,705		
Total Assets	<u>\$ 3,193,356</u>		
LIABILITIES AND SHAREHOLDERS' EQUITY			
Interest-Bearing Liabilities:			
NOW accounts and savings deposits	\$ 1,376,318	\$ 27,424	1.99%
Time deposits	640,390	19,499	3.04%
Borrowed funds	220,175	8,876	4.03%
Federal funds purchased and securities sold under agreement to repurchase	35,421	1,474	4.16%
Subordinated notes	34,640	1,138	3.29%
Total Interest-Bearing Liabilities	<u>2,306,944</u>	<u>\$ 58,411</u>	<u>2.53%</u>
Noninterest-Bearing Liabilities:			
Noninterest-bearing demand deposits	493,820		
Other	87,111		
Total Liabilities	<u>2,887,875</u>		
Shareholders' Equity	<u>305,481</u>		
Total Liabilities and Shareholders' Equity	<u>\$ 3,193,356</u>		
Interest/Dividend income/yield		\$ 139,808	4.67%
Interest Expense/cost		58,411	2.53%
Net Interest Spread		<u>\$ 81,397</u>	<u>2.14%</u>
Net Interest Margin			<u>2.72%</u>

The following tables show changes in interest income, interest expense and net interest resulting from changes in volume and rate variances for major categories of earnings assets and interest-bearing liabilities.

	2025 vs 2024		
	(In Thousands)		
	Net Change	Change Due to Volume	Change Due to Rate
Interest Earning Assets:			
Loans	\$ 13,285	\$ 4,272	\$ 9,013
Taxable investment securities	3,073	789	2,284
Tax-exempt investment securities	(32)	(76)	44
Federal funds sold and other	(6,354)	(5,123)	(1,231)
Total Interest Earning Assets	<u>\$ 9,972</u>	<u>\$ (138)</u>	<u>\$ 10,110</u>
Interest-Bearing Liabilities:			
NOW accounts and savings deposits	\$ (2,436)	\$ 2,042	\$ (4,478)
Time deposits	(3,848)	(1,680)	(2,168)
Borrowed funds	(2,055)	(2,062)	7
Federal funds purchased and securities sold under agreement to repurchase	(69)	(60)	(9)
Subordinated notes	-	4	(4)
Total Interest-Bearing Liabilities	<u>\$ (8,408)</u>	<u>\$ (1,756)</u>	<u>\$ (6,652)</u>

	2024 vs 2023		
	(In Thousands)		
	Net Change	Change Due to Volume	Change Due to Rate
Interest Earning Assets:			
Loans	\$ 15,985	\$ 3,413	\$ 12,572
Taxable investment securities	1,925	257	1,668
Tax-exempt investment securities	(38)	(85)	47
Federal funds sold and other	5,892	4,181	1,711
Total Interest Earning Assets	<u>\$ 23,764</u>	<u>\$ 7,766</u>	<u>\$ 15,998</u>
Interest-Bearing Liabilities:			
NOW accounts and savings deposits	\$ 12,326	\$ 2,512	\$ 9,814
Time deposits	5,214	698	4,516
Borrowed funds	2,072	1,690	382
Federal funds purchased and securities sold under agreement to repurchase	(363)	(319)	(44)
Subordinated notes	-	4	(4)
Total Interest-Bearing Liabilities	<u>\$ 19,249</u>	<u>\$ 4,585</u>	<u>\$ 14,664</u>

Noninterest Income

The discussion now focuses on the noninterest income and expense generated by the Company for the years ended 2023 through 2025. For 2025, noninterest income was \$17.1 million, an increase of \$1.5 million or 9.7% from 2024. Noninterest income decreased \$284 thousand or 1.8% in total for 2024 as compared to 2023 which ended at \$15.9 million.

Other service charges increased \$517 thousand as compared to 2024. Of this total, service charges increased \$252 thousand while overdraft, returned check charges and recurring overdraft fees increased \$206 thousand over 2024. Business charges accounted for \$236 thousand while consumer charges accounted for the remaining \$222 thousand of the aforementioned. Wire transfers increased \$52 thousand as compared to 2024. Customer service fees increased \$94 thousand over 2024 which was mainly comprised of increased credit card fees of \$100 thousand, rental income primarily from excess office space in the Hicksville branch of \$49 thousand, merchant services of \$38 thousand and release fees of \$25 thousand offset by decreased miscellaneous fees of \$101 thousand. Other service charges and fees increased \$130 thousand during 2024 as compared to 2023 with overdraft, returned check charges and recurring overdraft fees accounting for \$68 thousand of the increase. Wire transfer fees and service charges accounted for \$29 and \$22 thousand, respectively, of the increase as compared to 2023.

Interchange revenue and fees collected on foreign ATM usage (noncustomers utilizing our ATMs) continues to be a significant contributor to overall noninterest income at \$5.2 million for 2025 which was a decrease of \$168 thousand when comparing to 2024. Interchange revenue increased \$78 thousand to \$5.4 million during 2024 as compared to 2023. Included in interchange revenue is a Mastercard growth credit of \$240 thousand, \$213 thousand and \$196 thousand for 2025, 2024 and 2023, respectively. In December of 2019, the Bank became a principal with Mastercard and received a \$1.75 million signing bonus. The signing bonus was based on achieving \$1.1 billion in signature transactions over five years. The bonus was recognized over 60 months with \$319 thousand included in 2024's \$5.4 million and \$351 thousand included in 2023's \$5.3 million. While more depositors are using electronic methods for purchasing, the expense attributable to card fraud has offset a portion of the revenue gain. Further discussion can be found in the noninterest expense section regarding the net effect of debit card activity.

Loan servicing income increased \$346 thousand as compared to 2024. Capitalized servicing rights for 1-4 family real estate loans and agricultural real estate loans accounted for \$277 thousand of the increase. Loan servicing income decreased \$1.9 million during 2024 as compared to 2023. The establishment of agricultural real estate servicing rights during 2023 recognized \$2.3 million of servicing income that was not present in prior years.

The Bank has seen an increase in its mortgage production volume and the corresponding gains on the sale of these loans. Loan originations have increased from \$36.4 million in 2023 to \$53.7 million in 2024 to \$62.8 million in 2025 as a direct result of lower interest rates. Net gain on sales of loans was \$1.3 million, \$859 thousand and \$699 thousand in 2025, 2024 and 2023, respectively. The net gain on sale of loans is derived from sales of real estate loans into the secondary market. Of these loan types, the Bank sells 100% of the residential loans and 90% of the agricultural loans. Residential loans contributed to 39.8% of the gains in 2025, 45.9% in 2024 and 84.3% in 2023. In conjunction with these sales, the Bank maintains servicing rights. The income from

one to four mortgage servicing rights was \$645 thousand, \$502 thousand and \$415 thousand for 2025, 2024 and 2023, respectively. Agriculture mortgage servicing rights income was \$458 thousand, \$324 thousand and \$2.3 million in 2025, 2024 and 2023, respectively.

The cash surrender value of bank owned life insurance increased \$405 thousand or 42.0% as compared to 2024, the result of an additional purchase of \$18.0 million of bank owned life insurance in October 2025, and \$131 thousand or 15.7% in 2024 compared to 2023.

For 2025, net gain (loss) on sale of other assets owned consisted of a loss of \$43 thousand on disposal of assets and a \$2 thousand gain on the sale of other real estate owned which compared to a gain on disposal of assets of \$71 thousand for 2024 and a \$135 thousand loss on disposal of assets in 2023.

The last item in the noninterest income section is the net gain or loss on sale of investments. During the first quarter of 2023, securities were swapped at a loss of \$891 thousand with securities with a higher annual yield. The loss was recouped by the higher yield during the first eight months of 2023. The Bank did not sell any securities in 2025 or 2024. The available-for-sale security portfolio has improved to approximately a \$15.0 million unrealized loss position as of December 31, 2025, from a \$36.7 million unrealized loss position as of December 31, 2023.

Noninterest Expense

Noninterest expense increased 11.8% in 2025 to \$76.8 million as compared to 2024 and was preceded by a 2.2% increase in 2024 as compared to 2023. Represented in dollars, 2025 was \$8.1 million higher than 2024 and 2024 was \$1.5 million higher than 2023. One of the largest factors behind the increase in both years was the expense of employee salaries and wages. During 2025, an additional \$1.4 million was spent over 2024 which correlates to a 4.7% increase. When making the same analysis for 2024 as compared to 2023, 2024's costs increased \$3.3 million or 12.1%. Three main components flow into salaries and wages: base salary, deferred costs, and incentives comprised of restricted stock award expense and performance incentives. 2025 and 2024 saw an increase due to our continued investment in people and staffing needs. Normal yearly increases to the employees were included in all years. Base pay was up \$1.6 million for 2025 over the previous year and 2024 was up \$1.4 million over 2023. The offsetting deferred cost increased \$791 thousand in 2025 as compared to 2024 and \$433 thousand in 2024 as compared to 2023. The full time equivalent number of employees at each year-end increased to 474 for 2025, 473 for 2024 and 456 for 2023.

Incentive pay as it relates to performance was up \$533 thousand in 2025 over 2024 and \$2.2 million in 2024 over 2023. The Return on Assets multiple used to award incentive pay increased in 2025 to 1.135 compared to 1.043 in 2024 and 0.36 in 2023. The expense for the restricted stock awards increased in 2025 due to an additional 504 shares granted, a higher market price and \$34 thousand for the acceleration of stock awards for retirement. Restricted stock award expense increased in 2024 even though 4,056 fewer shares were granted. This was due to higher market value rates and \$108 thousand for the acceleration of stock awards for executive retirements. Restricted stock award expense increased in total \$34 thousand in 2025 over 2024 and \$79 thousand in 2024 over 2023. The awards incorporate a three year vesting period so the increase of any one year carries forward through the next two years. This expense should continue to increase as the Company continues its expansion strategy. For further discussion in incentive pay and restricted stock awards, see Note 12 of the consolidated financial statements.

Employee benefits expense increased \$785 thousand or 9.2% in 2025 as compared to 2024. Employee group insurance expense with an increase of \$571 thousand accounted for the largest portion of the increase. Employers FICA expense increased \$225 thousand for 2025. The cost of the 401(k) retirement plan decreased \$7 thousand for 2025 as compared to 2024. The contribution portion relating to the discretionary profit-sharing percentage was 4.40% in 2025. Employee benefits expense increased in 2024 as compared to 2023. The 401(k) retirement plan accounted for the largest portion of the increase, which was an increase of \$601 thousand over 2023. The contribution portion relating to the discretionary profit-sharing percentage was 4.5% in 2024 compared to 1.7% in 2023. Overall, employee benefits increased \$1.0 million or 13.6% from 2023.

Net occupancy expense typically increases as the Company expands. Net occupancy expense increased \$278 thousand for 2025 and \$319 thousand in 2024. One factor that can offset occupancy expense is the receipt by the Company of building rent as it is netted out of occupancy expense. The greatest contributor to building rent comes from the division of FM Investments within the Bank. Building rent as generated from FM Investments increased by \$125 thousand in 2025 as compared to 2024. Rent is received in lieu of commissions. This revenue was able to partially offset increased lease expense of \$147 thousand, utilities of \$116 thousand, building repair and maintenance expenses of \$76 thousand and building depreciation of \$43 thousand. Building rent as generated by FM Investments was higher by \$195 thousand in 2024 which offset increased lease expense of \$439 thousand, building depreciation expense of \$328 thousand and building repair and maintenance expenses of \$39 thousand.

Furniture and equipment steadily increase as we continue to add facilities and invest in technology. Annual maintenance costs continue to grow and become a greater piece of the overall cost. As new services are provided to our customers, the backroom cost to supply them continues to rise. The Company accepts it is an expected cost of doing business and keeping our services relevant to the industry. Furniture and fixture expense increased \$312 thousand for 2025 as compared to 2024 with increased maintenance contracts of \$399 thousand and repairs of \$75 thousand which were offset by decreased depreciation of \$132 thousand and rental expenses of \$21 thousand. For 2024, furniture and fixtures increased \$242 thousand over 2023 with increased maintenance contracts of \$192 thousand and depreciation of \$63 thousand offset by decreased rental expenses of \$15 thousand.

The largest noninterest expense increase for 2025 as compared to 2024 was data processing costs at \$2.2 million. ATM expense also increased \$923 thousand over 2024. Both expense lines had a much smaller usage of flex credits as compared to 2024. Beginning in December of 2025, flex credits of \$75 thousand per month will be used until they are exhausted in August of 2028. Data processing costs and ATM expense were lower in 2024 as compared to 2023 by \$1.7 million and \$941 thousand, respectively, as a result of using credits from the 67 month amended agreement commencing on January 1, 2024. Some of the flex credits may be used on a wide range of services while others are product specific. As the pricing on many services is based on number of accounts which the Bank fully expects to increase with the growth from the newer offices and overall Bank growth, data processing costs are expected to increase. Included in ATM expense are the debit card fees incurred which offset the debit card income as discussed in the noninterest income section.

Advertising and public relations only increased \$55 thousand as compared to 2024 and decreased in 2024 by \$463 thousand as compared to 2023. 2023 included additional expenses related to new office and the launch of our new logo.

FDIC assessments decreased \$390 thousand in 2025 from 2024 due to a decrease in the quarterly assessment multiplier. 2024 FDIC assessments increased \$127 thousand due to an increase in the assessment base as compared to 2023. With continued growth, the assessment base increases which can lead to a greater expense.

A correlating expense to the Company's refinancing activity as it relates to loans sold to the secondary market, is the amortization of servicing rights for 1-4 family real estate loans and agricultural real estate loans. The amortization is the expense that offsets the income recognized when the loan is first sold. Income is recorded when the real estate loan is first sold with servicing retained and is therefore recognized immediately. The amortization, however, is calculated over the life of the loan and accelerated as loans are paid off early. An increase in this expense can be driven by two activities: an increase in the number of sold loans and/or by the acceleration of the expense from payoff and refinance activity. The best picture of the bottom line impact is achieved by netting the income with the expense each year. During 2025, combined servicing rights yielded a net loss of \$305 thousand which included an increase to the valuation allowance of \$786 thousand of which all but \$3 thousand was attributable to agricultural real estate servicing rights. For 2024, combined servicing rights yielded a net income of \$98 thousand along with the establishment of a \$97 thousand valuation allowance. For 2023, combined servicing rights yielded a net income of \$2.1 million along with the establishment of a \$7 thousand valuation allowance. Included in the capitalized additions for 2023 was \$2.3 million for the initial establishment of agricultural real estate servicing rights offset by corresponding amortization of \$123 thousand. The value (or income) of the servicing right when the loans are sold also impacts the net position. As of December 31, 2025, 3,597 1-4 family real estate loans and 658 agricultural loans were being serviced with corresponding balances of \$362.6 million and \$153.4 million, respectively. At December 31, 2024, 3,677 1-4 family real estate loans and 619 agricultural loans were being serviced with corresponding balances of \$364.3 million and \$141.9 million, respectively. At December 31, 2023, 3,749 1-4 family real estate loans and 593 agricultural loans were being serviced with corresponding balances of \$367.8 million and \$135.8 million, respectively.

The impact of servicing rights to both noninterest income and expense is shown in the following table:

	(In Thousands)		
	2025	2024	2023
Beginning of Year	\$ 5,753	\$ 5,655	\$ 3,549
Capitalized Additions	1,103	826	2,710
Amortization	(798)	(728)	(604)
Ending Balance, December 31	6,058	5,753	5,655
Valuation Allowance	(883)	(97)	(7)
Servicing Rights net, December 31	<u>\$ 5,175</u>	<u>\$ 5,656</u>	<u>\$ 5,648</u>

Loan and collection related expenses, included in the loan expense, increased \$284 thousand as compared to 2024 while 2024's expenses decreased \$73 thousand from 2023. The other component of loan expense is approval fees which decreased \$34 and \$22 thousand in 2025 from 2024 and 2024 to 2023, respectively.

Consulting fees increased \$786 thousand to \$1.7 million as compared to 2024 with most of the increase attributed to the time spent to our core banking operating system for the base contract negotiation, additional ancillary products and monthly invoice reviews. In looking at 2024, consulting fees only increased \$45 thousand over 2023.

Professional fees which consist of legal fees and audit, accounting and exam fees increased \$136 thousand in 2025 over 2024. Auditing, accounting and exam fees accounted for \$98 thousand of the increase while legal fees were the remaining \$38 thousand. In 2024, professional fees increased \$363 thousand over 2023 with increased auditing, accounting and exam fees accounting for \$289 thousand of the increase primarily the result of outsourcing internal audit.

Other general and administrative expense increased \$516 thousand as compared to 2024 but decreased \$952 thousand in 2024 as compared to 2023. For 2025, the largest increases were miscellaneous expenses of \$340 thousand which included \$133 thousand for the MEC penalty owed on the gain on cash surrender value of bank owned life insurance policies and \$76 thousand in penalties, miscellaneous NSF check and other losses of \$169 thousand and CDARs fees of \$114 thousand. Credit card expense decreased \$340 thousand from 2024 and decreased \$576 thousand from 2023. 2023 included \$351 thousand that was returned in 2025 which was used as a retainer to cover any delinquencies that occurred after the conversion. Postage and stationery, supplies and printing decreased \$171 and \$140 thousand, respectively, as 2023 included additional costs in these categories related to the launch of the new logo.

Allowance for Credit Losses

The total allowance for credit losses (ACL) represents management's estimate of expected credit losses inherent in the Bank's loan portfolio and unfunded loan commitments at the report date. Please see Note 1 in the consolidated financial statements for additional information related to the ACL.

Provision expense increased by approximately \$1.7 million for 2025 as compared to 2024 and decreased by \$754 thousand for 2024 as compared to 2023. The increase in provision for 2025 was attributed to loan growth, net charge-off activity, a rise in nonaccrual loans and adjustments to qualitative factors reflecting elevated credit risk in certain portfolio segments. Sustained strong asset quality and reduced loan balances kept the provision expense lower in 2024. Management continues to monitor asset quality, making adjustments to the provision as necessary. Total net charge-offs were \$734, \$142 and \$551 thousand for 2025, 2024 and 2023, respectively. The consumer portfolio segment had the largest charge-off activity during 2025 at \$758 thousand which was up from \$346 and \$425 thousand in 2024 and 2023, respectively. Of the total 2025 consumer charge-offs, \$364 thousand was for automobiles and trucks and \$157 thousand was for recreational vehicles. The commercial and industrial portfolio segment had \$250 and \$106 thousand of charge-offs in 2025 and 2024, respectively; however, had the highest level of charge-off activity in 2023 at \$565 thousand. The 2025 commercial and industrial charge-offs were for four relationships with one of the relationships accounting for approximately 59% of the total. Consumer recoveries were \$221, \$189 and \$197 thousand for 2025, 2024 and 2023, respectively. Of the total 2025 consumer recoveries, \$53 thousand was for automobiles and trucks and \$60 thousand was for recreational vehicles. Consumer net charge-offs were \$537, \$157 and \$228 thousand in 2025, 2024 and 2023, respectively. Net charge-offs in the commercial and industrial portfolio segment were \$216 and \$481 thousand in 2025 and 2023, respectively with 2024 being a net recovery of \$27 thousand.

Watch list loan balances are comprised of loans graded 5-8. At year-end December 31, 2025, these loans totaled \$169.4 million and were \$102.9 million higher than December 31, 2024. Grade 5 increased \$52.9 million in 2025 as compared to 2024, Grade 6 and Grade 7 increased \$49.9 million and \$134 thousand, respectively, in the same comparison. Commercial real estate, agricultural and commercial loans saw the largest increases over 2024 at \$64.9, \$19.6 and \$11.5 million, respectively. These three categories comprised approximately 90.0% of the watch list loans. Of the total \$169.4 million of watch list loans at December 31, 2025, 41.1% were classified as special mention, 58.8% were classified as substandard and 0.01% were classified as doubtful.

At year-end December 31, 2024, these loans totaled \$66.5 million and were \$38.4 million lower than December 31, 2023. Commercial real estate, agricultural real estate and commercial loans comprised \$49.6 million, \$6.1 million and \$5.2 million of the watch list loans, respectively. Grade 5 decreased \$62.9 million in 2024 as compared to 2023 and Grade 6 increased \$24.9 million in the same comparison. There were no Grade 7 loans at December 31, 2024, a decrease of \$257 thousand from 2023. At December 31, 2024, of the \$66.5 million watch list loans, 25.1% were classified as special mention and 74.9% were classified as substandard. No loans were classified as doubtful.

At year-end December 31, 2023, these loans totaled \$104.9 million and were \$44.9 million higher than December 31, 2022. Grade 5 increased \$54.9 million in 2023 as compared to 2022 and Grade 6 decreased \$10.4 million in the same comparison. Grade 7 increased \$257 thousand over 2022. Of the aggregate watch list loan balances, as of December 31, 2023, 75.8% of the watch list was classified as special mention, with an additional 23.8% classified as substandard and a small 0.2% or \$257 thousand of the \$104.9 million watch list was classified as doubtful.

In response to these fluctuations and the offset by loan growth during 2023 through 2025, the Bank's ACL to outstanding loan coverage percentage changed to 1.02% as of December 31, 2025, 1.01% as of December 31, 2024 and 0.97% as of December 31, 2023. In addition, for 2023, our allowance for credit losses does not include a \$363 thousand credit mark associated with the Bank of Geneva acquisition. No credit mark for Bank of Geneva remained at December 31, 2024. For 2024 and 2023, our allowance for credit losses also does not include a \$107 thousand or a \$294 thousand credit mark associated with the Ossian State Bank acquisition. No credit mark for Ossian State Bank remained at December 31, 2025. The credit mark not included in the allowance for credit losses associated with the Perpetual Federal Savings Bank acquisition for 2025, 2024 and 2023 was \$112 thousand, \$1.5 million and \$2.8 million, respectively. 2025, 2024 and 2023 also include a \$104 thousand, \$335 thousand and \$566 thousand credit mark associated with the Peoples Federal Savings and Loan acquisition. Together, all of the credit marks further support the current position of the ACL.

All commercial and agricultural relationships with lines of credit greater than \$100,000 and aggregate loan exposure greater than \$250,000 are reviewed annually by the Bank's Credit Department. All commercial and agricultural relationships with term debt only and aggregate loan exposure greater than \$1,000,000 are also reviewed by the Bank's Credit Department. These reviews are conducted to identify early signs of deterioration.

To establish the specific reserve allocation for real estate, a discount to the market value is established to account for liquidation expenses. The discounting percentage used for real estate mirrors the discounting of real estate as provided for in the Bank's Loan Policy. However, unique or unusual circumstances may be present which will affect the real estate value and, when appropriately identified, can adjust the discounting percentage at the discretion of management.

The ACL increased approximately \$1.4 million during 2025 which was comprised of an increase to the allowance for credit losses of approximately \$1.9 million and a decrease to unfunded loan commitments of \$506 thousand. During 2024, the ACL increased \$131 thousand which included an increase to the allowance for credit losses of \$802 thousand and a decrease to unfunded loan commitments of \$671 thousand. The ACL increased \$5.7 million during 2023. The loans past due 30+ days to total loans percentages were 0.29%, 0.22% and 0.44% for December 31, 2025, 2024 and 2023, respectively.

Please see Note 4 in the consolidated financial statements for additional tables regarding the composition of the ACL.

Income Taxes

Income tax expense was \$2.6 million higher for 2025 as compared to 2024 as result of increased pretax income of approximately \$10.0 million in addition to a taxable \$1.3 million gain on cash surrender value of bank owned life insurance policies. For 2024, income tax expense was \$1.1 million higher than 2023 due to an increase in pretax income of \$4.2 million. Amortization of qualified affordable housing projects as discussed in Note 19 caused income tax expense to increase \$436 and \$417 thousand for 2025 and 2024, respectively. Effective tax rates were 21.67%, 20.37% and 19.63% for 2025, 2024 and 2023 respectively. Excluding the \$280 thousand tax expense from the gain on bank owned life insurance and the amortization of the qualified housing projects, the effective tax rate would have been 20.0% and 19.1% for 2025 and 2024, respectively. The effect of tax-exempt interest from holding tax-exempt securities and Industrial Development Bonds (IDBs) was \$146, \$127 and \$149 thousand for 2025, 2024 and 2023, respectively less the TEFRA adjustments of \$25, \$21 and \$20 thousand respectively. Beginning in 2025, the effect of tax-exempt interest also includes 25% of the qualified interest income from loans secured by rural or agricultural real estate. During 2025 and 2024, the effect of investments reported under the proportional amortization method was \$436 and \$422 thousand, respectively.

Material Changes in Financial Condition

The shifts in the balance sheet during 2023 through 2025 have positioned the Company for continued improvement in profitability. On the asset side, interest income increased primarily from loan growth with funding for the increase provided by growth in core deposits, other time deposits and growth in other borrowings. The cost of funds beginning in 2023 has been impacted by the increase of both interest-bearing liabilities, the pressure on rates from competition for funds and a rising rate environment. In 2023 and 2024, the rate pressure from competition was extremely high with many depositors rate shopping. Going forward, there is a heightened focus on controlling the cost of funds. Loan growth contributed to an increase in interest income in 2023 through 2025.

Average earning assets increased in balances for all years during 2023 through 2025 with loan growth the primary factor for the increase.

SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA

Summary of Consolidated Statements of Income

	(In Thousands, except share data)				
	2025	2024	2023	2022	2021
Summary of Income:					
Interest income	\$ 173,544	\$ 163,572	\$ 139,808	\$ 101,149	\$ 76,840
Interest expense	69,252	77,660	58,411	14,362	7,342
Net Interest Income	104,292	85,912	81,397	86,787	69,498
Provision for Credit Losses - Loans*	2,596	944	1,698	4,600	3,444
Provision for (Recovery of) Credit Losses - Off Balance Sheet Credit Exposures*	(506)	(671)	46	-	-
Net Interest Income After Provision for Credit Losses*	102,202	85,639	79,653	82,187	66,054
Noninterest income (expense), net	(59,677)	(53,066)	(51,299)	(41,712)	(36,557)
Net Income Before Income Taxes	42,525	32,573	28,354	40,475	29,497
Income Taxes	9,216	6,635	5,567	7,960	6,002
Net Income	\$ 33,309	\$ 25,938	\$ 22,787	\$ 32,515	\$ 23,495
Per Share of Common Stock:					
Earnings per common share outstanding**					
Net Income	\$ 2.43	\$ 1.90	\$ 1.67	\$ 2.46	\$ 2.01
Dividends	\$ 0.9000	\$ 0.8825	\$ 0.8500	\$ 0.8125	\$ 0.7100
Weighted average number of shares outstanding, including participating securities	13,727,541	13,684,961	13,641,336	13,206,713	11,664,852

*ASU 2016-13 was adopted during the first quarter of 2023; therefore, 2021 and 2022 provision amounts reflect the incurred loss method.

**Based on weighted average number of shares outstanding.

Summary of Consolidated Balance Sheets

	(In Thousands)				
	2025	2024	2023	2022	2021
Total assets	\$ 3,434,382	\$ 3,364,723	\$ 3,283,229	\$ 3,015,351	\$ 2,638,300
Loans, net	2,685,990	2,536,043	2,556,167	2,336,074	1,841,177
Total deposits	2,730,735	2,686,765	2,607,463	2,468,864	2,193,462
Stockholders' equity	370,862	335,211	316,543	298,140	297,167
Key Ratios					
Return on average equity	9.43%	7.98%	7.46%	11.30%	9.09%
Return on average assets	0.99%	0.78%	0.71%	1.17%	1.05%
Loans to deposits	98.36%	94.39%	97.93%	94.62%	83.94%
Capital to assets	10.80%	9.96%	9.64%	9.89%	11.26%
Dividend payout	36.67%	46.05%	50.37%	32.74%	35.08%

Securities

The investment portfolio is primarily used to provide overall liquidity for the Bank. It is also used to provide required collateral for pledging to the Bank's Ohio public depositors for amounts on deposit in excess of the FDIC coverage limits. It may also be used to pledge for additional borrowings from third parties. Investments are made with the above criteria in mind while still seeking a fair market rate of return and looking for maturities that fall within the projected overall strategy of the Bank. The possible need to fund future loan growth is also a consideration.

The Bank uses Intrafi's ICS product which utilizes a nation-wide bank network to provide FDIC insurance coverage to the Bank's depositors to protect balances over \$250 thousand. The Bank is using the product to replace pledging securities for the Bank's Ohio public customers and commercial sweep customers; thereby increasing liquidity.

All of the Bank's security portfolio is categorized as available for sale and as such is recorded at fair value. All mortgage-backed securities are government sponsored enterprises.

The Company increased its security portfolio in 2024 for purposes of liquidity, Community Reinvestment Act (CRA), and contingency planning as a means of balance sheet gap management. Security balances as of December 31 are summarized below:

	(In Thousands)		
	2025	2024	2023
U.S. Treasury	\$ 89,853	\$ 105,999	\$ 80,270
U.S. Government agencies	131,961	135,166	128,222
Mortgage-backed securities	143,382	120,631	82,132
State and local governments	56,876	64,760	67,854
	<u>\$ 422,072</u>	<u>\$ 426,556</u>	<u>\$ 358,478</u>

The following table sets forth the maturities of investment securities as of December 31, 2025 and the weighted average yields of such securities calculated on the basis of cost and effective yields weighted for the scheduled maturity of each security. Tax-equivalent adjustments, using a twenty-one percent rate, have been made in yields on obligations of state and political subdivisions. Stocks of domestic corporations have not been included. Maturities of mortgage-backed securities are based on the average life at the prepayment speed rather than the stated maturity date of the security. Due to prepayments, actual maturities may be different.

	Maturities (Amounts in Thousands)			
	Within One Year		After One Year	
			Within Five Years	
	Amount	Yield	Amount	Yield
U.S. Treasury	\$ 7,296	0.70%	\$ 80,533	2.24%
U.S. Government agencies	54,018	1.32%	77,943	1.45%
Mortgage-backed securities	1,508	0.62%	50,751	3.50%
State and local governments	2,380	2.60%	4,080	2.09%
Taxable state and local governments	3,635	3.02%	38,567	2.14%

	After Five Years		After Ten Years	
	Within Ten Years		After Ten Years	
	Amount	Yield	Amount	Yield
U.S. Treasury	\$ 2,024	3.70%	-	0.00%
U.S. Government agencies	-	0.00%	-	0.00%
Mortgage-backed securities	61,399	2.75%	29,724	5.19%
State and local governments	4,106	3.14%	-	0.00%
Taxable state and local governments	4,108	3.55%	-	0.00%

As of December 31, 2025, the Bank also holds stock in the Federal Home Loan Bank of Cincinnati and Indianapolis at a cost of \$13.0 million. This is required in order to obtain Federal Home Loan Bank loans, with the Indianapolis relationship having stock and a letter of credit which originated from the Bank of Geneva acquisition.

Loan Portfolio

The Bank's various loan portfolio segments are subject to varying levels of credit risk. Management mitigates these risks through portfolio diversification and through standardization of lending policies and procedures.

Risks are mitigated through an adherence to the Bank's loan policies, with any exception being recorded and approved by senior management or committees comprised of senior management. The Bank's loan policies define parameters to essential underwriting guidelines such as loan-to-value ratio, cash flow and debt-to-income ratio, loan requirements and covenants, financial information tracking, collection practice and others. The maximum loan amount to any one borrower is limited by the Bank's legal lending limits and is stated in policy. On a broader basis, the Bank restricts total aggregate funding in comparison to Bank capital to any one business or agricultural sector by an approved sector percentage to capital limitation.

For agricultural loans, the vulnerability to commodity prices is offset by the farmer's ability to hedge their position with the use of the future contracts whereas the risk related to weather is often mitigated by requiring crop insurance. For commercial real estate and commercial and industrial loans, the Bank employs stress testing on higher balance loans to mitigate risk by ensuring the customer's ability to repay in a changing rate environment before granting loan approval.

The following table shows the Bank's gross loan portfolio by segment, excluding loans held for sale, by category of loan as of December 31 of each year:

Loans:	(In Thousands)				
	2025	2024	2023	2022	2021
Consumer Real Estate	\$ 526,439	\$ 520,114	\$ 521,895	\$ 494,423	\$ 395,873
Agricultural Real Estate	217,034	216,401	223,791	220,819	198,343
Agricultural	218,050	152,080	132,560	128,733	118,368
Commercial Real Estate	1,355,571	1,310,811	1,337,766	1,152,603	848,477
Commercial and Industrial	314,405	275,152	254,935	242,360	208,270
Consumer	58,838	63,009	79,591	89,147	57,737
Other	23,133	24,978	30,136	29,818	32,089
	<u>\$ 2,713,470</u>	<u>\$ 2,562,545</u>	<u>\$ 2,580,674</u>	<u>\$ 2,357,903</u>	<u>\$ 1,859,157</u>

The Bank maintains a well-balanced, diverse and high performing commercial real estate loan portfolio. Commercial real estate loans, excluding deferred loan fees and other costs, represented 49.96% of the Company's total gross loan portfolio as of December 31, 2025. The below tables present the commercial real estate (CRE) portfolio segment by category, location and loan grade:

CRE Category	Dollar Balance	Percent of CRE Portfolio	Percent of Total Loan Portfolio
Industrial	\$ 265,009	19.55%	9.77%
Multi-family	237,902	17.55%	8.77%
Retail	234,754	17.32%	8.65%
Hotels	163,855	12.09%	6.04%
Office	136,564	10.07%	5.03%
Gas Stations	78,701	5.81%	2.90%
Food Service	51,561	3.80%	1.90%
Development	40,705	3.00%	1.50%
Auto Dealers	28,490	2.10%	1.05%
Senior Living	21,787	1.61%	0.80%
Other	96,243	7.10%	3.55%
Total CRE	<u>\$ 1,355,571</u>	<u>100.00%</u>	<u>49.96%</u>

CRE Category ^(*)	Dollar Balance	Percent of CRE Portfolio
Owner occupied	\$ 548,152	40.44%
Non-owner occupied	528,812	39.01%
Multi-family	237,902	17.55%
Land & Development	40,705	3.00%
Total CRE	<u>\$ 1,355,571</u>	<u>100.00%</u>

* Categories assume construction loans converted to either owner or non-owner occupied.

Location	Dollar Balance	Percent of CRE Portfolio
Southeast Michigan	\$ 494,950	36.51%
Northwest Ohio	305,414	22.53%
Fort Wayne, Indiana	153,824	11.35%
Columbus, Ohio	120,649	8.90%
Greater Indianapolis, Indiana	88,343	6.52%
Dayton/Cincinnati, Ohio	61,625	4.54%
Other	130,766	9.65%
Total CRE	<u>\$ 1,355,571</u>	<u>100.00%</u>

CRE Grades	December 31, 2025	December 31, 2024	December 31, 2023
2	1.78%	0.53%	0.55%
3	44.21%	38.99%	36.33%
4	45.55%	56.69%	58.00%
5	4.16%	1.12%	5.07%
6	4.30%	2.67%	0.05%
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

The following table shows the contractual maturity by portfolio segment at amortized cost excluding fair value adjustments related to acquisitions as of December 31, 2025:

	(In Thousands)			
	Within One Year	After One Year Within Five Years	After Five Years Within Fifteen Years	After Fifteen Years
Consumer Real Estate	\$ 11,427	\$ 25,060	\$ 188,320	\$ 302,571
Agricultural Real Estate	10,367	8,974	67,475	130,126
Agricultural	117,961	64,885	31,115	4,386
Commercial Real Estate	60,694	569,512	545,044	177,786
Commercial and Industrial	139,242	114,499	59,486	922
Consumer	2,588	41,292	15,660	35
Other	194	1,618	21,321	-
	<u>\$ 342,473</u>	<u>\$ 825,840</u>	<u>\$ 928,421</u>	<u>\$ 615,826</u>

The following table shows the distribution of fixed and variable rate loans by portfolio segment as of December 31, 2025:

	(In Thousands)	
	Fixed Rate	Variable Rate
Consumer Real Estate	\$ 267,368	\$ 259,071
Agricultural Real Estate	104,902	112,132
Agricultural	63,789	154,261
Commercial Real Estate	800,127	555,444
Commercial and Industrial	147,465	166,940
Consumer	58,809	29
Other	13,709	9,424
	<u>\$ 1,456,169</u>	<u>\$ 1,257,301</u>

Variable rate loans that have reached ceiling or floor limits are reported as fixed rate loans until such time as their rates adjust away from those limits.

The following tables present the Company's amortized cost of nonaccrual loans by portfolio segment as of December 31, 2025 and 2024:

	(In Thousands)		
	December 31, 2025		
	Nonaccrual With No Allowance for Credit Loss	Nonaccrual	Loans Past Due Over 89 Days Still Accruing
Consumer Real Estate	\$ 3,339	\$ 4,050	\$ -
Agricultural Real Estate	5,347	5,347	-
Agricultural	1,441	1,441	-
Commercial Real Estate	141	141	-
Commercial & Industrial	-	134	-
Consumer	143	143	-
Total	<u>\$ 10,411</u>	<u>\$ 11,256</u>	<u>\$ -</u>

	(In Thousands)		
	December 31, 2024		
	Nonaccrual With No Allowance for Credit Loss	Nonaccrual	Loans Past Due Over 89 Days Still Accruing
Consumer Real Estate	\$ 1,637	\$ 2,369	\$ -
Agricultural Real Estate	130	130	-
Agricultural	90	90	-
Commercial Real Estate	360	360	-
Commercial & Industrial	57	57	-
Consumer	118	118	-
Total	<u>\$ 2,392</u>	<u>\$ 3,124</u>	<u>\$ -</u>

Although loans may be classified as non-performing, some pay on a regular basis, and many continue to pay interest irregularly or at less than original contractual rates. Interest income that would have been recorded under the original terms of these loans would have aggregated \$1.2 million as of December 31, 2025, \$794 thousand as of December 31, 2024 and \$1.2 million as of December 31, 2023. Any collections of interest on nonaccrual loans are included in interest income when collected unless it is on a loan with expected credit loss and with a specific allocation. A collection of interest on a loan with an expected credit loss and with a

specific allocation is applied to the loan balance to decrease the allocation. Total interest collections, whether on an accrued or cash basis, amounted to \$152 thousand for 2025, \$1.2 million for 2024 and \$431 thousand for 2023.

Loans are placed on nonaccrual status in the event that the loan is in past due status for more than 90 days or payment in full of principal and interest is not expected. The Bank had nonaccrual loan balances of \$11.3 million at December 31, 2025 compared to balances of \$3.1 million and \$22.4 million as of year-end 2024 and 2023, respectively. All of the balances of nonaccrual loans for the past three years were collaterally secured.

As of December 31, 2025, the Bank had \$164.3 million of loans which it considers to be “potential problem loans” in that the borrowers are experiencing financial difficulties which are not reflected in the table above. Commercial real estate, agriculture, commercial and agricultural real estate loans totaled \$113.0 million, \$21.0 million, \$18.2 million and \$7.9 million respectively. As of December 31, 2024, the Bank had \$63.0 million of these loans. Commercial real estate, agricultural real estate, commercial and agricultural loans comprised \$49.8 million, \$6.1 million, \$5.0 million and \$1.5 million respectively. At December 31, 2023, the Bank had \$102.8 million of these loans. These loans are subject to constant management attention and are reviewed at least monthly. The amount of the potential problem loans was considered in management’s determination of the allowance for credit losses at December 31, 2025, 2024 and 2023.

In extending credit to families, businesses and governments, banks accept a measure of risk against which an allowance for possible credit losses is established by way of expense charges to earnings. This expense is determined by management based on a detailed monthly review of the risk factors affecting the loan portfolio, including general economic conditions, changes in the portfolio mix, past due loan-loss experience and the financial condition of the Bank’s borrowers.

As of December 31, 2025, the Bank had loans outstanding to individuals and firms engaged in the various fields of agriculture in the amount of \$218.1 million with an additional \$217.0 million in agricultural real estate loans which compared to \$152.1 and \$216.4 million, respectively, as of December 31, 2024. The ratio of this segment of loans to the total loan portfolio is not considered unusual for a bank engaged in and servicing rural communities.

As of December 31, 2025 and 2024, the Bank had \$51 and \$65 thousand, respectively, of its loans that were considered modified for borrowers experiencing financial difficulty, none of which was included in nonaccrual loans. As of December 31, 2023, the Bank had \$357 thousand of its loans that were considered modified for borrowers experiencing financial difficulty, of which \$255 thousand was included in nonaccrual loans. Such loans do not include interest rate modifications to reflect a decrease in market interest rates or maintain a relationship with the debtor, where the debtor is not experiencing financial difficulty and can obtain funding from other sources.

Updated appraisals are required on all collateral dependent loans. The Bank may also require an updated appraisal of a watch list loan which the Bank monitors under its loan policy. On a quarterly basis, Bank management reviews properties supporting asset dependent loans to consider market events that may indicate a change in value has occurred.

To determine observable market value, collateral asset values securing a collateral dependent loan are periodically evaluated. Maximum time of re-evaluation is every 12 months for chattels and titled vehicles and every two years for real estate. In this process, third party evaluations are obtained and heavily relied upon. Until such time that updated appraisals are received, the Bank may discount the existing collateral value used.

Performing “non-watch list” loans secured in whole or in part by real estate, do not require an updated appraisal unless the loan is rewritten and additional funds advanced. Watch List loans secured in whole or in part by real estate require updated appraisals every two years. All loans are subject to loan-to-value limitations as found in the Bank’s loan policies irrespective of their grade. The Bank’s watch list is reviewed on a quarterly basis by management and any questions as to value are addressed at that time.

The majority of the Bank’s loans are made by lenders who live and work in the market area. Thus, their evaluation of the independent valuation is also valuable and serves as a double check.

On extremely rare occasions, the Bank will make adjustments to the recorded values of collateral securing commercial real estate loans without acquiring an updated appraisal for the subject property. The Bank has no formalized policy for determining when collateral value adjustments between regularly scheduled appraisals are necessary, nor does it use any specific methodology for applying such adjustments. However, on a quarterly basis as part of its normal operations, the Bank’s senior management and the Credit Analyst Department will meet to review all commercial credits either deemed to be collateral dependent or on the Bank’s watch list. An external review by an independent firm of 35% of our larger credits is also completed annually. In addition to analyzing the recent performance of these loans, management and the Enterprise Risk Management Committee will also consider any general market conditions that might warrant adjustments to the value of particular real estate collateralizing commercial

loans. In addition, management conducts annual reviews of all commercial loans exceeding certain outstanding balance thresholds. In each of these situations, any information available to management regarding market conditions impacting a specific property or other relevant factors are considered, and lenders familiar with a particular commercial real estate loan and the underlying collateral may be present to provide their opinion on such factors. If the available information leads management to conclude a valuation adjustment is warranted, such an adjustment may be applied on the basis of the information available. If management concludes that an adjustment is warranted but lacks the specific information needed to reasonably quantify the adjustment, management will order a new appraisal on the subject property even though one may not be required under the Bank's general policies for updating appraisals.

Note 4 of the consolidated financial statements may also be reviewed for additional tables dealing with the Bank's loans and ACL.

The Company adopted ASU 2016-13 on January 1, 2023, using the modified retrospective method for all financial assets measured at amortized cost and off balance sheet credit exposures. ASU 2016-13 requires an expected credit losses approach, referred to as the Current Expected Credit Losses (CECL) approach to evaluating the allowance for credit losses.

The transition adjustment of the CECL adoption included an increase in the allowance for credit losses of \$3.6 million, increase in the allowance for unfunded loan commitment and letters of credit of \$0.9 million and a \$3.4 million decrease to the retained earnings account to reflect the cumulative effect of adopting CECL on our consolidated balance sheets, with the \$1.1 million tax impact portion being recorded as part of the deferred tax asset in other assets on our consolidated balance sheets. Actual charge-off of loan balances is based upon periodic evaluations of the loan portfolio by management. These evaluations consider several factors, including, but not limited to, general economic conditions, financial condition of the borrower, and collateral. For regulatory capital calculations, the capital decrease of \$3.4 million was amortized over a 3 year period.

As discussed previously and presented in the table on the next page, charge-offs increased to \$1.0 million for 2025. 73.7% of the charge-offs stemmed from the consumer portfolio segment. Charge-offs were \$480 thousand for 2024 and \$990 thousand for 2023. Recoveries were \$294 thousand in 2025 compared to \$338 and \$439 thousand for 2024 and 2023, respectively. The net charge-offs for the last three years were all under \$800 thousand with 2025 the highest at \$734 thousand and 2024 the lowest at \$142 thousand. Management has factored in the continuing impact of high interest rates and inflationary pressures on borrowers' repayment capacity, especially in rate-sensitive consumer real estate, agricultural and commercial portfolio segments. These trends resulted in a higher modeled loss rate and adjustment to qualitative reserves.

During 2025, nonaccrual loans increased \$8.1 million or 260.3% as compared to 2024 to \$11.3 million. This increase was comprised of \$1.7 million in consumer real estate, \$5.2 million in agricultural real estate and \$1.4 million in agricultural portfolio segments. One relationship accounts for \$6.3 million of 2025 nonaccruals in the agricultural related portfolio segments. The increase to nonaccruals caused the ratio of the allowance for credit losses to nonaccrual loans to decrease to 245.98% at December 31, 2025. At December 31, 2024, two borrower relationships resulted in a decrease to nonaccrual totals in the agricultural real estate and agricultural portfolio segments. The decrease to nonaccruals caused the ratio of the allowance for credit losses to nonaccrual loans to increase from 111.95% at December 31, 2023 to 826.70% at December 31, 2024.

For 2025, increased net charge-offs and loan growth contributed to an increase in provision expense as compared to 2024 and 2023 where controlled loan originations resulted in lower provision expense. Overall, the ACL increased from \$25.0 million at year-end 2023 to \$27.7 million at year-end 2025. After adding the allowance for unfunded loan commitments, the ACL ended 2025 at \$28.7 million.

The following table breaks down the activity within the ACL for each portfolio segment and shows the contribution provided by both the recoveries and the provision along with the reduction of the allowance caused by charge-offs for the years ended December 31, 2025, 2024 and 2023:

	(In Thousands)		
	2025	2024	2023
Loans, amortized cost	\$ 2,711,959	\$ 2,560,795	\$ 2,578,472
Daily average of outstanding loans	\$ 2,630,673	\$ 2,555,701	\$ 2,491,502
Nonaccrual loans	\$ 11,256	\$ 3,124	\$ 22,353
Nonperforming loans*	\$ 11,256	\$ 3,124	\$ 22,353
Allowance for Credit Losses - Jan 1	\$ 25,826	\$ 25,024	\$ 20,313
Adjust for accounting change (ASU 2016-13)	-	-	3,564
Loans Charged off:			
Consumer Real Estate	20	13	-
Agricultural Real Estate	-	-	-
Agricultural	-	-	-
Commercial Real Estate	-	15	-
Commercial and Industrial	250	106	565
Consumer	758	346	425
	<u>1,028</u>	<u>480</u>	<u>990</u>
Loan Recoveries:			
Consumer Real Estate	5	6	35
Agricultural Real Estate	-	-	105
Agricultural	10	1	10
Commercial Real Estate	24	9	8
Commercial and Industrial	34	133	84
Consumer	221	189	197
	<u>294</u>	<u>338</u>	<u>439</u>
Net Charge-offs (Recoveries):			
Consumer Real Estate	15	7	(35)
Agricultural Real Estate	-	-	(105)
Agricultural	(10)	(1)	(10)
Commercial Real Estate	(24)	6	(8)
Commercial and Industrial	216	(27)	481
Consumer	537	157	228
	<u>734</u>	<u>142</u>	<u>551</u>
Provision for credit losses	2,596	944	1,698
Allowance for Credit Losses - Dec 31	27,688	25,826	25,024
Allowance for Unfunded Loan			
Commitments & Letters of Credit - Dec 31	1,035	1,541	2,212
Total Allowance for Credit Losses - Dec 31	<u>\$ 28,723</u>	<u>\$ 27,367</u>	<u>\$ 27,236</u>
Ratio of Net Charge-offs to Average			
Outstanding Loans	<u>0.03%</u>	<u>0.01%</u>	<u>0.02%</u>
Ratio of Nonaccrual Loans to Loans	<u>0.42%</u>	<u>0.12%</u>	<u>0.87%</u>
Ratio of the Allowance for Credit			
Losses to Loans	<u>1.02%</u>	<u>1.01%</u>	<u>0.97%</u>
Ratio of the Allowance for Credit			
Losses to Nonaccrual Loans	<u>245.98%</u>	<u>826.70%</u>	<u>111.95%</u>
Ratio of the Allowance for Credit			
Losses to Nonperforming Loans	<u>245.98%</u>	<u>826.70%</u>	<u>111.95%</u>

*Nonperforming loans are defined as all loans on nonaccrual, plus any loans past due 90 days not on nonaccrual.

The balance of loans, amortized cost at December 31, 2025, 2024 and 2023 within this chart do not include a fair value basis adjustment for derivatives of \$1.7 million, \$1.1 million and \$2.7 million, respectively, or a daily average outstanding balance of \$1.7 million and \$1.5 million at December 31, 2025 and 2024, respectively.

The following table presents the balances for allowance for credit losses per portfolio segment in terms of dollars, as a percentage of ACL and as a percentage of loans:

	2025			2024			2023		
	Amount (000's)	% of ACL	% of Loan	Amount (000's)	% of ACL	% of Loan	Amount (000's)	% of ACL	% of Loan
Balance at End of Period									
Applicable To:									
Consumer Real Estate	\$ 4,266	15.41	19.44	\$ 3,543	13.72	20.32	\$ 3,581	14.31	20.24
Agricultural Real Estate	735	2.65	8.00	895	3.47	8.44	312	1.25	8.67
Agricultural	474	1.71	8.05	285	1.10	5.95	336	1.34	5.15
Commercial Real Estate	17,428	62.95	49.89	16,560	64.12	51.10	17,400	69.53	51.77
Commercial and Industrial	3,286	11.87	11.58	2,969	11.50	10.73	1,766	7.06	11.05
Consumer	953	3.44	2.19	1,012	3.92	2.48	1,302	5.20	1.95
Other	546	1.97	0.85	562	2.17	0.98	327	1.31	1.17
Allowance for Credit Losses	\$ 27,688	100.00	100.00	\$ 25,826	100.00	100.00	\$ 25,024	100.00	100.00
Off Balance Sheet									
Commitments	1,035			1,541			2,212		
Total Allowance for Credit Losses	<u>\$ 28,723</u>			<u>\$ 27,367</u>			<u>\$ 27,236</u>		

Deposits

The amount of outstanding time certificates of deposits and other time deposits in amounts of \$100,000 or more by maturity both in total and uninsured greater than \$250,000 as of December 31, 2025 are as follows:

	(In Thousands)			
	Under Three Months	Over Three Months Less Than Six Months	Over Six Months Less Than One Year	Over One Year
Time Deposits	\$ 117,806	\$ 84,914	\$ 93,967	\$ 75,521
Uninsured Time Deposits	\$ 44,572	\$ 39,158	\$ 27,850	\$ 52,898

The following table presents the average amount of and average rate paid on each deposit category:

	(In Thousands)			
	Noninterest DDAs	Interest DDAs	Savings Accounts	Time Accounts
December 31, 2025:				
Average balance	\$ 501,423	\$ 872,302	\$ 707,250	\$ 618,230
Average rate	0.00%	2.93%	1.67%	3.38%
December 31, 2024:				
Average balance	\$ 479,059	\$ 832,358	\$ 670,007	\$ 663,320
Average rate	0.00%	3.30%	1.84%	3.73%
December 31, 2023:				
Average balance	\$ 493,820	\$ 766,158	\$ 610,160	\$ 640,390
Average rate	0.00%	2.84%	0.93%	3.10%

Uninsured deposits greater than \$250,000 are presented by year in the table below:

	(In Thousands)		
	2025	2024	2023
Uninsured Deposits	\$ 349,421	\$ 278,677	\$ 282,991

Liquidity

Competition for deposits has become a constant factor in the liquidity challenge for financial institutions. Gone are the years of abundant deposits provided through government intervention during the COVID years. Time deposits which had been off the balance sheets of many, returned vigorously in 2023 and 2024. In 2025, we strived to limit the reliance on these instruments due to the expense and the focus on short term rates due to the inverted and still slightly inverted yield curve. Time deposits (CDs) reached a high in average balances in 2024 at \$663.3 million costing 3.73%. Average balances of CDs dropped to \$618.2 million with a carrying cost of 3.38% in 2025 by design. Overall deposits still grew at just over 2% or \$54.3 million in 2025 as compared to 2024. Nice increases can be seen in all the other three categories and especially in the beneficial noninterest-bearing DDAs. A new product, “Bank at Work” was introduced in 2025 along with increasing commercial relationships and focused on the gathering of DDAs. The Bank began testing “smart safes” enabling our commercial customers to have safes on site and receiving credit for the cash balances being held in their deposit accounts at the Bank. The Bank continues to offer this service to more of our cash heavy customers. Interest and noninterest-bearing DDAs accounted for \$62.3 million of growth over 2024 average balances. These are vital to the success of the Bank as they also provide opportunities for additional noninterest fee revenue with service charges and Treasury management fees.

The Company continued holding bi-weekly, what is termed “sub-ALCO”, meetings along with continuing the use of a liquidity dashboard and cashflow projection in 2025. The liquidity dashboard and cashflow projection are actively managed documents which continue to be enhanced to provide the most accurate forecast of liquidity positions for the next five months. The cashflow projection includes loan pipeline expectations and runoffs and maturities of both sources and uses of funds.

The strategy of 2024 of slowing loan growth was modified to leveling and providing additional funds in our newer markets and to meet the needs of existing customers. Loan balances reversed the decreasing position of 2024 and grew in average

balances 2.9% or \$75.2 million. Excess cash balances funded a portion of this growth, decreasing \$70.1 million. The Bank obtained additional sources for funding and the interest rate earned on cash balances was no longer as favorable in the declining rate environment of 2025 which fostered maintaining a lower cash holding position.

In addition to cash and cash equivalent balances of \$97.7 million, the Bank has access to \$213 million in unsecured Federal Funds lines for overnight funds from our correspondent banking relationships, of which a \$50 million line of credit was added in the fourth quarter. The Company also has a \$15 million line of credit. Federal Home Loan Bank borrowings decreased \$18.7 million during the year and the Bank currently has \$227.4 million borrowed at various terms and rates as of December 31, 2025. A cash management advance access of \$167.9 million also exists with the FHLB. The Bank has also established four market sources for brokered CDs which were utilized in 2024 to fund similar termed fixed rate loans to maintain margin for profitability for a total of \$26.9 million and verify accessibility of funds. Lastly, the Bank's secured borrowing capacity limits at the FHLB would have allowed draws based on current collateral pledging of \$103.4 million in availability to borrow; however, any amount borrowed over \$10.3 million may require additional stock purchases. Pledged collateral included eligible 1-4 family, home equity, and specific commercial and multi-family real estate loans.

The investment portfolio of the Bank has \$266.5 million of pledged securities with \$149.2 million available to use as collateral for future pledged borrowings. Currently, securities may be pledged to offset public deposits, our repurchase agreement portfolio or at the Federal Discount Window. Purchases of \$49.7 million in the portfolio during 2025 were mainly to increase our holdings in Community Reinvestment Act (CRA) qualifying securities, liquidity, and contingency planning and as a means of balance sheet gap management.

The Company has the tools to monitor liquidity and can manage the risks to ensure adequate liquidity is maintained. With multiple funding sources and daily access, the Company put the money to work with earning assets at 95% of total assets for 2025.

Asset/Liability Management

The primary functions of asset/liability management are to assure adequate liquidity and maintain an appropriate balance between interest earning assets and interest-bearing liabilities. It involves the management of the balance sheet mix, maturities, re-pricing characteristics and pricing components to provide an adequate and stable net interest margin with an acceptable level of risk. Interest rate sensitivity management seeks to avoid fluctuating net interest margins and to enhance consistent growth of net interest income through periods of changing interest rates.

Changes in net income, other than those related to volume arise when interest rates on assets re-price in a time frame or interest rate environment that is different from that of the re-pricing period for liabilities. Changes in net interest income also arise from changes in the mix of interest-earning assets and interest-bearing liabilities.

Historically, the Bank has maintained liquidity through cash flows generated in the normal course of business, loan repayments, maturing earning assets, the acquisition of new deposits, and borrowings. The Bank's asset and liability management program is designed to maximize net interest income over the long term while taking into consideration both credit and interest rate risk. Interest rate sensitivity varies with different types of interest-earning assets and interest-bearing liabilities. Overnight federal funds on which rates change daily and loans that are tied to the market rate differ considerably from long-term investment securities and fixed rate loans. Similarly, time deposits over \$100,000 and money market accounts are much more interest rate sensitive than passbook savings accounts. The Bank utilizes shock analysis to examine the amount of exposure an immediate rate change of 100, 200, 300, 400 and 500 basis points in both increasing and decreasing directions would have on the financials. The Bank may also utilize shock analysis to examine predicted federal fund rate changes to expedite our ability to respond more quickly with our adjustments. Acceptable ranges of earnings and equity at risk are established and decisions are made to maintain those levels based on the shock results.

Throughout 2025, the Bank held bi-weekly "sub-ALCO" meetings to discuss various topics and rate scenarios.

Impact of Inflation and Changing Prices

The consolidated financial statements and notes thereto presented herein have been prepared in accordance with generally accepted accounting principles, which require the measurement of financial position and operating results in terms of historical dollars without considering the changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased cost of the Company's operations. Unlike most industrial companies, nearly all the assets and liabilities of the Company are monetary in nature. As a result, interest rates have a greater impact on the

Company's performance than do the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and service.

Contractual Obligations

Contractual obligations of the Company totaled \$909.5 million as of December 31, 2025. Time deposits, contractual agreements for certificates of deposits held by its customers, were \$597.8 million. Securities sold under agreement to repurchase were \$22.7 million. Short term debt consisted of \$15.0 million of federal funds purchased at December 31, 2025. Long term debt was comprised of borrowings with the Federal Home Loan Bank of \$227.4 million and subordinated notes of \$35.0 million. Short term and long term debt is further defined in Note 10 of the consolidated financial statements.

Capital Resources

A strong capital base is essential for the Company and the Bank. As of December 31, 2025, the Company had capital of \$370.9 million, up \$35.7 million, over December 31, 2024's balance. Accumulated other comprehensive income (AOCI) improved \$13.3 million to a loss position of \$11.9 million at December 31, 2025 compared to a loss position of \$25.3 million at December 31, 2024 which was the result of interest rate movements and the available-for-sale securities portfolio. Due to the commitment to provide a steady and ever-increasing dividend and improved profitability of the Company in 2025 over 2024, two dividend declaration increases occurred during 2025, one in the 3rd quarter and one in the 4th quarter. Dividends declared in 2025 totaled \$0.90 per share at a cost of over \$12.3 million. Dividend payments received by our shareholders in 2024 were \$0.89125 at a cost of \$12.2 million. These costs encompass the additional expense associated with our restricted stock award program.

The Company approved a Stock Repurchase Plan on January 28, 2025, by which 650,000 shares could be purchased in the open market, or in privately negotiated transactions, of our outstanding stock through December 31, 2025. No shares were purchased in 2025. A similar resolution was passed on January 27, 2026, authorizing share purchases of 650,000 under the same conditions and valid through December 31, 2026. On December 31, 2025, the Company held 816,351 shares in treasury stock compared to 864,889 shares as of the same date in 2024. The reduction in treasury stock for 2025 is attributed to the issuance of 60,673 shares of restricted stock awards and 8,200 shares as a portion of the Directors' retainer which was offset by forfeitures of restricted stock awards of 6,707 shares and 13,628 shares returned to account for tax payable on vested stock awards.

The Company switched stock transfer agents on May 29, 2025, from Computershare to Broadridge Corporate Issuer Solutions, LLC.

Shareholders approved a 10-year long term stock incentive plan at our 2025 annual meeting under which Company stock may be used for employee stock awards and director compensation. This plan replaced the previous plan which had expired almost concurrently. Stock awarded to employees is generally a 3-year cliff vesting restricted stock offering. Shares totaling 60,673 were awarded to Senior Management on March 1, 2025, and other officers of the Company were awarded restricted stock shares on August 26, 2025, totaling 131 employees receiving restricted shares at those times. The Company may also use stock as a tool for new hires. During 2024, the Company awarded 60,169 shares to 111 employees with forfeits of 5,811. Shares forfeited during 2025 amounted to 6,707. During the vesting period of the aforementioned restricted stock awards, employees receive dividends or dividend equivalent compensation on the shares. The vesting period may be accelerated by approval of the Board or the Compensation Committee of the Board for terms stated in the agreement, generally for retirement of employees. Shares from restricted stock awards may also be returned to the Company to cover the tax liability of vested shares. 13,628 shares were returned to cover employees' tax liability in 2025 compared to 16,891 shares in 2024. As of December 31, 2025, 164,667 shares are being held in restricted stock awards to employees as compared to 158,183 the year prior. For more detailed information, please see Note 12: Employee Benefit Plans in the consolidated financial statements. 7,912 shares were given as part of our Director compensation on June 5, 2025, compared to 8,874 on June 6, 2024. Prorated shares of 288 and 54 were awarded to new Directors in 2025 and 2024, respectively. The number of shares given is impacted by the share price on day of grant.

The Company's strong capital base is supported by our regulatory capital ratios where a well-capitalized status is maintained by both the Company and the Bank. On December 31, 2025, the Bank had total risk-based capital ratio of 12.53% compared to 12.40% same date 2024. Core capital to risk-based assets ratio of 11.51% on December 31, 2025, compares to 11.40% on December 31, 2024. Both ratios are above regulatory guidelines. The Bank's leverage ratio is 9.47% at yearend 2025 compared to 8.81% for yearend 2024 and is in excess of regulatory guidelines. Under Basel III, the common equity tier 1 capital to risk weighted assets ratio is well above the required 4.5% and 6.5% well capitalized levels with the Bank at 11.51%.

Adding on the required conservation buffer of 2.5% to the previous regulatory ratios and the Bank remains well above the requirements. The Bank's capital conservation buffer was 4.53% on December 31, 2025, and was 4.40% on December 31, 2024. For further discussion and analysis of regulatory capital requirements, refer to Note 16 of the Consolidated Audited Financial Statements.

The Company's subsidiary, the Bank, is restricted by regulations from making dividend distributions in excess of certain prescribed amounts. Upon prior regulatory approval, the Bank may be allowed to pay above the prescribed amounts. No such request was needed in 2024 or 2025.

ITEM 7a. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk

Market risk is the exposure to loss resulting from changes in interest rates and equity prices. The primary market risk to which we are subject is interest rate risk. Much of our interest rate risk arises from the instruments, positions and transactions entered for purposes other than trading such as loans, available for sale securities, interest bearing deposits, short-term borrowings and long-term borrowings. Interest rate risk occurs when interest bearing assets and liabilities reprice at different times as market interest rates change. For example, if fixed rate assets are funded with variable rate debt, the spread between asset and liability rates will decline or turn negative if rates increase.

Interest rate risk is managed within an overall asset/liability framework. The principal objectives of asset/liability management are to manage sensitivity of net interest spreads and net income to potential changes in interest rates. Funding positions are kept within predetermined limits designed to ensure that risk-taking is not excessive and that liquidity is effectively managed. If our asset/liabilities management strategies are unsuccessful, our profitability may be adversely affected. The Company employs a sensitivity analysis utilizing interest rate shocks to help in this analysis. The shocks presented below assume instantaneous rates shocks on a static balance sheet as of December 31, 2025.

At December 31, 2025, the shocks presented below assume an immediate change of rate in the percentages and directions shown:

Interest Rate Shock on Net Interest Margin		Interest Rate Shock on Net Interest Income			
Net Interest Margin (Ratio)	% Change to Flat Rate	Rate Direction	Rate changes by	Cumulative Total (\$000)	% Change to Flat Rate
3.06%	-11.63%	Rising	3.00%	98,692	-11.78%
3.18%	-8.23%	Rising	2.00%	102,534	-8.34%
3.39%	-2.14%	Rising	1.00%	109,433	-2.18%
3.46%	0.00%	Flat	0.00%	111,866	0.00%
3.48%	0.49%	Falling	-1.00%	112,429	0.50%
3.35%	-3.21%	Falling	-2.00%	108,246	-3.24%
3.30%	-4.64%	Falling	-3.00%	106,639	-4.67%

The Bank's balance sheet is slightly asset-sensitive after coming through 175 basis points of Fed rate cuts from September 2024 through December 2025. The net interest margin represents the forecasted twelve-month margin. The Company also reviews shocks with a 5.00% fluctuation and over a 24-month time frame, as well as alternate yield curve scenarios. The goal of the Company is to gather more core deposits, such as checking and savings accounts. Checking accounts are preferable for the lower cost of funds and the opportunity to garner noninterest revenue from services provided. Savings and money market accounts are beneficial due to the variability of the interest in both rate and immediate option to reprice. Many of the CD renewals in 2025 went into shorter terms which are beneficial to the Bank in a falling rate environment.

The Bank was aggressive in dropping its non-maturity deposit rates while the Fed was cutting their rate over the past 15 months. We will have less of an opportunity to be as aggressive with future Fed rate cuts. The Bank's monthly cost of funds dropped from 2.89% at December 31, 2024 to 2.58% at December 31, 2025. Older loans and investments will continue to reprice higher, in aggregate, in the next twelve months based on current rates. The Bank continues to review and adjust its assumptions concerning decay rates, deposit betas, key rate ties, and loan prepayment speeds. Rates are modified as index rates change. Directional changes shown above are within the Bank's risk tolerance. The effect of the rate shocks may be mitigated to the extent that not all lines of business are directly tied to an external index and actual balance sheet composition may differ from prediction.

Overall, the Company must continue its trajectory of improved pricing discipline for its new loans and deposits.

ITEM 8. FINANCIAL STATEMENTS

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Report of Independent Registered Public Accounting Firms.

Consolidated Balance Sheets at December 31, 2025 and 2024.

Consolidated Statements of Income for the years ended December 31, 2025, 2024 and 2023.

Consolidated Statements of Comprehensive Income for the years ended December 31, 2025, 2024 and 2023.

Consolidated Statements of Changes to Shareholders' Equity for the years ended December 31, 2025, 2024 and 2023.

Consolidated Statements of Cash Flows for the years ended December 31, 2025, 2024 and 2023.

Notes to Consolidated Financial Statements.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of Farmers & Merchants Bancorp, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheet of Farmers & Merchants Bancorp, Inc (the “Company”) as of December 31, 2025, the related consolidated statements of income, comprehensive income, changes to stockholders' equity, and cash flows for the year ended December 31, 2025, and the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of December 31, 2025, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the “COSO framework”).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2025, and the results of its operations and its cash flows for the ended December 31, 2025, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2025, based on criteria established in the COSO framework.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report Regarding Internal Control and Compliance with Designated Laws and Regulations. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relate.

Allowance for Credit Losses on Collectively Evaluated Loans – Refer to Notes 1 and 4 to the consolidated financial statements

Critical Audit Matters Description

Management's estimate of the allowance for credit losses (ACL) at December 31, 2025, includes a reserve on collectively evaluated loans. In the current year, significant assumptions in management's estimate of the reserve on collectively evaluated loans include (i) the determination of its peer group, (ii) the determination of the estimated remaining life of each portfolio segment, and (iii) qualitative factor adjustments. In evaluating whether qualitative factor adjustments are necessary, management considers internal and external qualitative and credit market risk factors to reflect credit risks not fully captured by historical loss experience or forecast economic conditions.

Significant judgment was required by management in the selection and application of these subjective assumptions. Accordingly, performing audit procedures to evaluate the Company's estimated ACL involved a high degree of auditor judgment and required significant effort, including the involvement of professionals with specialized skill and knowledge.

How the Critical Audit Matter was Addressed in the Audit

Our audit procedures related to the Company's estimate of the ACL on collectively evaluated loans included, but were not limited to, the following:

- Testing the design and operating effectiveness of management's controls over key assumptions and judgments.
- Testing the completeness and accuracy of data utilized by management.
- Evaluating the relevance and reliability of information used by management in the development of the estimate.
- Evaluating the reasonableness of significant assumptions used in management's estimate through a combination of evaluating the reasonableness of certain assumptions and developing an independent range of reasonable outcomes for the collectively evaluated component of the ACL for comparison to management's estimate.

/s/ Plante & Moran, PLLC

Columbus, Ohio
February 27, 2026

We have served as the Company's auditor since 2025.

Report of Independent Registered Public Accounting Firm

Shareholders, Board of Directors, and Audit Committee
Farmers & Merchants Bancorp, Inc.
Archbold, Ohio

Opinion on the Consolidated Financial Statements

We have audited, before the effects of the retrospective adjustments to the income tax disclosures for the adoption of Accounting Standards Update 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* (“ASU 2023-09”), discussed in Notes 1 and 11 to the consolidated financial statements, the accompanying consolidated balance sheet of Farmers and Merchants Bancorp, Inc. (the “Company”) as of December 31, 2024, the related consolidated statements of income, comprehensive income, changes to stockholders’ equity, and cash flows for each of the years in the two-year period ended December 31, 2024, and the related notes (collectively referred to as the “financial statements”). In our opinion, before the effects of the retrospective adjustments to the Company’s income tax disclosures for the adoption of ASU 2023-09 discussed in Notes 1 and 11, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2024, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

We were not engaged to audit, review, or apply any procedures to the retrospective adjustments to the Company’s income tax disclosures discussed in Notes 1 and 11, and accordingly, we do not express an opinion or any other form of assurance about whether such retrospective adjustments are appropriate and have been properly applied. Those adjustments were audited by Plante & Moran, PLLC.

Change in Accounting Principle

As discussed in Note 1 and Note 4 to the financial statements, in 2023, the Company changed its method of accounting for credit losses on financial instruments due to the adoption of Accounting Standards Codification Topic 326: *Financial Instruments – Credit Losses*.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits.

We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

We served as the Company’s auditor from 2014 to 2025.

/s/ Forvis Mazars, LLP

Fort Wayne, Indiana

February 26, 2025

Farmers & Merchants Bancorp, Inc. and Subsidiaries

Consolidated Balance Sheets
December 31, 2025 and 2024
(000's Omitted, Except Share Data)

	2025	2024
Assets		
Assets		
Cash and due from banks	\$ 97,249	\$ 174,855
Federal funds sold	469	1,496
Total cash and cash equivalents	97,718	176,351
Interest-bearing time deposits	1,498	2,482
Securities - available-for-sale	422,072	426,556
Other securities, at cost	13,032	14,400
Loans held for sale	3,934	2,996
Loans, net of allowance for credit losses of \$27,688 and \$25,826	2,685,990	2,536,043
Premises and equipment	31,864	33,828
Goodwill	86,358	86,358
Loan servicing rights	5,175	5,656
Bank owned life insurance	47,410	34,872
Other assets	39,331	45,181
Total Assets	\$ 3,434,382	\$ 3,364,723
Liabilities and Stockholders' Equity		
Liabilities		
Deposits		
Noninterest-bearing	\$ 527,327	\$ 516,904
Interest-bearing		
NOW accounts	876,151	850,462
Savings	729,472	671,818
Time	597,785	647,581
Total deposits	2,730,735	2,686,765
Federal funds purchased and securities sold under agreement to repurchase	37,718	27,218
Federal Home Loan Bank (FHLB) advances	227,377	246,056
Subordinated notes, net of unamortized issuance costs	34,933	34,818
Dividend payable	3,125	2,996
Accrued expenses and other liabilities	29,632	31,659
Total liabilities	3,063,520	3,029,512
Commitments and Contingencies		
Stockholders' Equity		
Common stock - No par value authorized 40,000,000 shares 12/31/25 and 20,000,000 shares 12/31/24; issued 14,564,425 shares 12/31/25 and 12/31/24; outstanding 13,748,074 shares 12/31/25 and 13,699,536 shares 12/31/24	135,531	135,565
Treasury stock - 816,351 shares 12/31/25 and 864,889 shares 12/31/24	(10,636)	(10,985)
Retained earnings	257,855	235,854
Accumulated other comprehensive loss	(11,888)	(25,223)
Total stockholders' equity	370,862	335,211
Total Liabilities and Stockholders' Equity	\$ 3,434,382	\$ 3,364,723

See Notes to Consolidated Financial Statements

Farmers & Merchants Bancorp, Inc. and Subsidiaries

Consolidated Statements of Income
Years Ended December 31, 2025, 2024 and 2023
(000's Omitted, Except Per Share Data)

	2025	2024	2023
Interest Income			
Loans, including fees	\$ 158,614	\$ 145,329	\$ 129,344
Debt securities:			
U.S. Treasury and government agencies	8,811	5,542	4,090
Municipalities	1,479	1,554	1,598
Dividends	1,208	1,361	882
Federal funds sold	-	45	44
Other	3,432	9,741	3,850
Total interest income	<u>173,544</u>	<u>163,572</u>	<u>139,808</u>
Interest Expense			
Deposits	58,179	64,463	46,923
Federal funds purchased and securities sold under agreements to repurchase	1,042	1,111	1,474
Borrowed funds	8,893	10,948	8,876
Subordinated notes	1,138	1,138	1,138
Total interest expense	<u>69,252</u>	<u>77,660</u>	<u>58,411</u>
Net Interest Income - Before Provision for Credit Losses	<u>104,292</u>	<u>85,912</u>	<u>81,397</u>
Provision for Credit Losses - Loans	2,596	944	1,698
Provision for (Recovery of) Credit Losses - Off Balance Sheet			
Credit Exposures	(506)	(671)	46
Net Interest Income - After Provision for Credit Losses	<u>102,202</u>	<u>85,639</u>	<u>79,653</u>
Noninterest Income			
Customer service fees	1,418	1,324	1,332
Other service charges and fees	4,990	4,473	4,343
Interchange income	5,228	5,396	5,318
Loan servicing income	2,879	2,533	4,405
Net gain on sale of loans	1,291	859	699
Increase in cash surrender value of bank owned life insurance	1,370	965	834
Net gain (loss) on sale of other assets owned	(41)	71	(135)
Net loss on sale of available-for-sale securities	-	-	(891)
Total noninterest income	<u>17,135</u>	<u>15,621</u>	<u>15,905</u>
Noninterest Expense			
Salaries and wages	31,590	30,168	26,915
Employee benefits	9,328	8,543	7,520
Net occupancy expense	4,430	4,152	3,833
Furniture and equipment	5,576	5,264	5,022
Data processing	3,687	1,447	3,147
Franchise taxes	1,588	1,542	1,487
ATM expense	2,593	1,670	2,611
Advertising	2,199	2,144	2,606
FDIC assessment	1,718	2,108	1,982
Servicing rights amortization - net	1,584	818	611
Loan expense	1,210	960	1,055
Consulting fees	1,663	877	832
Professional fees	1,929	1,793	1,430
Intangible asset amortization	1,780	1,780	1,780
Other general and administrative	5,937	5,421	6,373
Total noninterest expense	<u>76,812</u>	<u>68,687</u>	<u>67,204</u>

Farmers & Merchants Bancorp, Inc. and Subsidiaries

Consolidated Statements of Income (continued)
Years Ended December 31, 2025, 2024 and 2023
(000's Omitted, Except Per Share Data)

	2025	2024	2023
Income Before Income Taxes	42,525	32,573	28,354
Income Taxes	9,216	6,635	5,567
Net Income	<u>\$ 33,309</u>	<u>\$ 25,938</u>	<u>\$ 22,787</u>
Basic Earnings Per Share	<u>\$ 2.43</u>	<u>\$ 1.90</u>	<u>\$ 1.67</u>
Diluted Earnings Per Share	<u>\$ 2.43</u>	<u>\$ 1.90</u>	<u>\$ 1.67</u>
Dividends Declared	<u>\$ 0.9000</u>	<u>\$ 0.8825</u>	<u>\$ 0.8500</u>

See Notes to Consolidated Financial Statements

Farmers & Merchants Bancorp, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income
Years Ended December 31, 2025, 2024 and 2023
(000's Omitted)

	2025	2024	2023
Net Income	<u>\$ 33,309</u>	<u>\$ 25,938</u>	<u>\$ 22,787</u>
Other Comprehensive Income (Net of Tax):			
Net unrealized gain on available-for-sale securities	16,880	4,797	10,781
Reclassification adjustment for realized loss on sale of available-for-sale securities	-	-	891
Net unrealized gain on available-for-sale securities	<u>16,880</u>	<u>4,797</u>	<u>11,672</u>
Tax expense	<u>3,545</u>	<u>1,008</u>	<u>2,451</u>
Other comprehensive income	<u>13,335</u>	<u>3,789</u>	<u>9,221</u>
Comprehensive Income	<u><u>\$ 46,644</u></u>	<u><u>\$ 29,727</u></u>	<u><u>\$ 32,008</u></u>

See Notes to Consolidated Financial Statements

Farmers & Merchants Bancorp, Inc. and Subsidiaries

Consolidated Statements of Changes to Stockholders' Equity
For the Years Ended December 31, 2025, 2024 and 2023
(000's Omitted, Except Per Share Data)

	Shares of Common Stock	Common Stock	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance - January 1, 2023	13,608,422	135,497	(11,573)	212,449	(38,233)	298,140
Cumulative change in accounting principle	-	-	-	(3,371)	-	(3,371)
Balance - January 1, 2023 (as adjusted for change in accounting principle)	13,608,422	135,497	(11,573)	209,078	(38,233)	294,769
Net income	-	-	-	22,787	-	22,787
Other comprehensive income	-	-	-	-	9,221	9,221
Purchase of treasury stock	(10,704)	-	(218)	-	-	(218)
Issuance of 64,425 shares of restricted stock (Net of forfeitures - 6,350)	57,875	(1,263)	641	622	-	-
Stock-based compensation expense	-	1,281	-	-	-	1,281
Director stock awards	9,048	-	110	70	-	180
Cash dividends declared - \$0.85 per share	-	-	-	(11,477)	-	(11,477)
Balance - December 31, 2023	13,664,641	135,515	(11,040)	221,080	(29,012)	316,543
Net income	-	-	-	25,938	-	25,938
Other comprehensive income	-	-	-	-	3,789	3,789
Purchase of treasury stock	(28,391)	-	(664)	-	-	(664)
Issuance of 60,169 shares of restricted stock (Net of forfeitures - 5,811)	54,358	(1,311)	608	703	-	-
Stock-based compensation expense	-	1,361	-	-	-	1,361
Director stock awards	8,928	-	111	77	-	188
Cash dividends declared - \$0.8825 per share	-	-	-	(11,944)	-	(11,944)
Balance - December 31, 2024	13,699,536	135,565	(10,985)	235,854	(25,223)	335,211
Net income	-	-	-	33,309	-	33,309
Other comprehensive income	-	-	-	-	13,335	13,335
Purchase of treasury stock	(13,628)	-	(362)	-	-	(362)
Issuance of 60,673 shares of restricted stock (Net of forfeitures - 6,707)	53,966	(1,428)	607	821	-	-
Stock-based compensation expense	-	1,394	-	-	-	1,394
Director stock awards	8,200	-	104	85	-	189
Cash dividends declared - \$0.90 per share	-	-	-	(12,214)	-	(12,214)
Balance - December 31, 2025	<u>13,748,074</u>	<u>\$ 135,531</u>	<u>\$ (10,636)</u>	<u>\$ 257,855</u>	<u>\$ (11,888)</u>	<u>\$ 370,862</u>

See Notes to Consolidated Financial Statements

Farmers & Merchants Bancorp, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended December 31, 2025, 2024 and 2023
(000's Omitted)

	2025	2024	2023
Cash Flows from Operating Activities			
Net income	\$ 33,309	\$ 25,938	\$ 22,787
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation	3,624	3,774	3,383
Amortization of premiums on available-for-sale securities, net	37	1,087	1,500
Capitalized additions to servicing rights	(1,103)	(826)	(2,710)
Servicing rights amortization and impairment	1,584	818	611
Amortization of core deposit intangible	1,657	1,657	1,657
Amortization of customer list intangible	123	123	123
Net accretion of fair value adjustments	(2,372)	(2,672)	(3,569)
Amortization of subordinated note issuance costs	115	116	116
Stock-based compensation expense	1,394	1,361	1,281
Director stock awards	189	188	180
Deferred income taxes	(126)	307	2,228
Provision for credit losses - loans	2,596	944	1,698
Provision for (recovery of) credit losses - off balance sheet credit exposures	(506)	(671)	46
Gain on sale of loans held for sale	(1,291)	(859)	(699)
Originations of loans held for sale	(62,841)	(53,650)	(36,399)
Proceeds from sale of loans held for sale	63,194	52,157	36,349
Gain on derivatives	(66)	(59)	(40)
Loss (gain) on sale of other assets owned	41	(71)	135
Loss on sales of available-for-sale securities	-	-	891
Increase in cash surrender value of bank owned life insurance	(1,370)	(965)	(834)
Change in other assets and other liabilities, net	(1,449)	3,777	(6,588)
Net cash provided by operating activities	<u>36,739</u>	<u>32,474</u>	<u>22,146</u>
Cash Flows from Investing Activities			
Activity in available-for-sale securities:			
Maturities, prepayments and calls	69,700	34,759	24,021
Sales	1,374	-	21,963
Purchases	(49,747)	(99,127)	(4,392)
Activity in other securities, at cost:			
Purchases	-	-	(698)
Purchases of FHLB stock	(2,715)	(1,789)	(8,306)
Proceeds from redemption of FHLB stock	4,083	2,146	1,665
Purchase of bank owned life insurance	(18,000)	-	-
Proceeds from bank owned life insurance	6,832	-	-
Change in interest-bearing time deposits	984	258	1,702
Proceeds from sale of other assets owned	170	92	219
Additions to premises and equipment	(1,767)	(1,871)	(10,929)
Net (increase) decrease on loan originations and principal collections	(149,617)	21,170	(219,333)
Net cash used in investing activities	<u>(138,703)</u>	<u>(44,362)</u>	<u>(194,088)</u>
Cash Flows from Financing Activities			
Net change in deposits	43,970	79,302	138,939
Net change in federal funds purchased and securities sold under agreements to repurchase	10,500	(1,000)	(25,988)
Proceeds of FHLB advances	40,000	15,000	324,000
Repayment of FHLB advances	(58,692)	(34,678)	(185,664)
Repayment of other borrowings	-	-	(10,000)
Purchase of treasury stock	(362)	(664)	(218)
Cash dividends paid on common stock	(12,085)	(11,922)	(11,335)
Net cash provided by financing activities	<u>23,331</u>	<u>46,038</u>	<u>229,734</u>
Net (Decrease) Increase in Cash and Cash Equivalents	<u>(78,633)</u>	<u>34,150</u>	<u>57,792</u>
Cash and Cash Equivalents - Beginning of Year	<u>176,351</u>	<u>142,201</u>	<u>84,409</u>
Cash and Cash Equivalents - End of Year	<u>\$ 97,718</u>	<u>\$ 176,351</u>	<u>\$ 142,201</u>

Farmers & Merchants Bancorp, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (continued)
Years Ended December 31, 2025, 2024 and 2023
(000's Omitted)

	2025	2024	2023
Supplemental Information			
Supplemental cash flow information:			
Interest paid	\$ 69,906	\$ 76,498	\$ 55,119
Federal income taxes paid	8,710	3,000	4,900
State income taxes paid	202	100	521
Supplemental noncash disclosures:			
Transfer of loans to other real estate owned	150	-	-
Transfer of loans from loans held for sale	-	932	-
Cash dividends declared not paid	3,125	2,996	2,974

See Notes to Consolidated Financial Statements

Note 1 - Summary of Significant Accounting Policies

Nature of Operations

The Farmers & Merchants Bancorp, Inc. (the Company) through its bank subsidiary, The Farmers & Merchants State Bank (the Bank) provides a variety of financial services to individuals and small businesses through its offices in Northwest Ohio, Northeast Indiana and Southeast Michigan.

Consolidation Policy

The consolidated financial statements include the accounts of Farmers & Merchants Bancorp, Inc. and its wholly-owned subsidiaries, The Farmers & Merchants State Bank (the Bank), a commercial banking institution and Farmers & Merchants Risk Management, Inc. (the Captive), a Captive insurance company which was dissolved in December 2023. The Bank includes F&M Insurance Agency, LLC, a subsidiary offering insurance products which was formed in November 2023. All significant inter-company balances and transactions have been eliminated.

Reclassification

Certain 2024 and 2023 amounts within the loans disclosure (Note 4) and the loan section of Management's Discussion and Analysis have been reclassified to conform with current year presentation to provide additional information to the reader. The reclassifications had no effect on income.

Use of Estimates

The preparation of 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. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses. Actual results could differ from those estimates.

The determination of the adequacy of the allowance for credit losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. In connection with the determination of the estimated losses on loans, management obtains independent appraisals for significant collateral.

The Bank's loans are generally secured by specific items of collateral including real property, consumer assets, and business assets. Although the Bank has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on local economic conditions in the communities we serve.

While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in local economic conditions. Because of these factors, it is reasonably possible that the estimated losses on loans may change materially in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. This includes cash on hand, amounts due from banks, and federal funds sold. Generally, federal funds sold are outstanding for one day periods.

Restrictions on Cash and Amounts Due from Banks

The Federal Reserve Bank did not require the Company to maintain minimum balances of cash on hand during the past three years. The Company and its subsidiaries maintain cash balances with high quality financial institutions. At times such balances may be in excess of the federally insured limits.

Securities

Debt securities are classified as available-for-sale. Securities available-for-sale are carried at fair value with unrealized gains and losses reported in other comprehensive income (loss). Net realized gains and losses on securities available for sale are included in noninterest income and, when applicable, are reported as a reclassification adjustment, net of tax, in other comprehensive income (loss). Gains and losses on sales of securities are determined on the specific identification method.

Investment securities will at times depreciate to an unrealized loss position. Declines in the fair value of securities below their cost that are deemed to result from a deterioration in the credit quality of the issuer are recorded in the Company's consolidated statement of income as a component of the provision for credit loss. In estimating whether the unrealized loss requires an allowance for credit losses, management considers whether (1) the fair value of the security has significantly declined from book value, (2) a downgrade has occurred that lowered the credit rating, (3) dividends have been reduced or eliminated or scheduled interest payments have not been made and (4) management does not possess both the intent and ability to hold the security for a period of time sufficient to allow for any anticipated recovery in fair value. This situation would require an immediate write down to fair value. With the exception of the fourth factor, no one item by itself will necessarily signal that an allowance for credit losses on investment securities should be established,

If the unrealized loss is determined to be the result of a credit quality concerns, the present value of the cash flows expected to be collected is compared to the amortized cost basis. 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, limited by the amount that the fair value is less than the amortized cost basis. Adjustments to the allowance are recorded in the Company's consolidated statement of income as a component of the provision for credit losses. The Company did not record an allowance for credit losses on its investment securities available for sale as the unrealized losses were attributed to changes in interest rates, not credit quality. Accrued interest receivable on available-for-sale debt securities totaled \$1.8 million and \$1.9 million at December 31, 2025 and 2024, respectively, and is included within other assets on the consolidated balance sheets. These amounts are excluded from the estimate of expected credit losses.

Other Securities

Other securities consist of stock in the Federal Home Loan Banks of Cincinnati and Indianapolis (the "FHLBs"), which is held to enable the Bank to conduct business with the entities. The FHLBs sell and purchase their stock at par. The FHLBs stock is carried at cost and held as collateral security for all indebtedness of the Bank to the Federal Home Loan Bank. The FHLBs stock is evaluated for impairment as conditions warrant.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at amortized cost. Amortized cost is the principal balance outstanding, net of purchase premiums and discounts, deferred loan fees and costs. Accrued interest receivable totaled \$11.7 and \$10.7 million at December 31, 2025 and December 31, 2024, respectively, and was reported in Other Assets on the Company's consolidated balance sheets and is excluded from the estimate of credit losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method without anticipated repayments.

Interest income on mortgage and commercial loans is discontinued and placed on nonaccrual status at the time the loan is 90 days delinquent unless the loan is well secured and in process of collection. All interest accrued but not received for loans placed on nonaccrual is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Under the cost-recovery method, interest income is not recognized until the loan balance is reduced to zero. Under the cash-basis method, interest income is recorded when the payment is received in cash. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

The Bank uses the following guidelines as stated in policy to determine when to realize a charge-off, whether a partial or full loan balance. Consumer loans are charged off at 90 days delinquent, unless the loan is secured and repossession of the collateral is assured and in process; then in lieu of charging off the entire loan balance, the loan may be written down to the discounted value of the collateral. Mortgage loans are charged off or charged down at 180 days delinquent or if there is a deficiency balance upon sale of collateral. Partial charge offs can occur upon recognition of lack of collateral value, but no later than 180 days past due. Commercial loans are charged off or charged down at 120 days delinquent, unless an established and approved work-out plan is agreed upon or the litigation of the loan will likely result in recovery of the loan balance. In the event of a bankruptcy filing by a borrower, unsecured debt is charged off upon notification and a partial charge off is made for under-secured portions of debt.

Loan origination and commitment fees and certain direct loan origination costs are deferred and amortized as a net adjustment to the related loan's yield. The Bank is generally amortizing these costs over the contractual life of such loans.

Allowance for Credit Losses

The Allowance for Credit Losses (ACL) represents management's estimate of expected credit losses inherent in the Bank's loan portfolio and unfunded loan commitments at the report date. The ACL methodology is regularly reviewed for its appropriateness and is approved annually by the Board of Directors or a sub-committee of the Board of Directors, such as the Enterprise Risk Management Committee. This written methodology is consistent with Generally Accepted Accounting Principles which provides for a consistently applied analysis.

The ACL is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off. The ACL reflects the Company's estimated credit losses over the life of the loan. Management assesses changes in prepayment assumptions, interest rates, collateral values, portfolio composition, trends in non-performing loans, and other economic factors. In addition to an extensive internal loan monitoring process, the Company also aims to have an annual external, independent loan review of approximately 35% of its commercial and agricultural loan portfolio segment. Management in turn assesses the results from the reviews to make changes in internal risk ratings of loans and the related ACL.

The Bank's methodology provides an estimate of the expected credit losses either by calculating a reserve per credit or by applying our methodology to groupings based on similar risk characteristics. The loan portfolio was grouped based on loans of similar type, including acquired loans. The loan groupings for the ACL calculation consist of Commercial Real Estate, Commercial & Industrial, Agricultural Real Estate, Agricultural, Consumer Real Estate, and Consumer. All groups use the average charge-off method for calculating the ACL. This incorporates a historical loss period from March 2000, since Call Report data became more granular regarding loan groupings, and includes several economic cycles. As a percentage, the reserves are the highest against construction and development loans, while farmland loans have the lowest overall reserve due to having such low loss rates.

The Company is utilizing peer data from a peer group of banks in the region of Ohio, Michigan and Indiana with asset sizes less than \$5 billion as of December 31, 2025. The reserves are calculated at the loan level and based on the note characteristics, essentially balances times loss rate + qualitative factors + forward look, with the forward looking forecast eliminated after 12 months. In order to provide a reasonable and supportable forward looking forecast, a regression analysis of the Bank's historical loss rates against the Federal Open Market Committee (FOMC) quarterly economic projections for National Unemployment is completed. Annual projections are broken down using a straight-line approach for quarterly changes.

In addition to this quantitative analysis, management also utilizes qualitative analysis each quarter as a component of the ACL. The qualitative factors include nine categories: ability of staff, changes in collateral values, changes in loan concentration levels, economic conditions, external factors such as regulatory, level and trends in non-accrual or adversely classified loans, loan review results, nature and volume of the portfolio and loan terms, and changes in lending policies and procedures. The methodology allows for additional qualitative factors as other risks emerge.

Items within these categories are ranked as baseline, low, medium, or high levels of risk, and the related risk level per categories dictates the level of qualitative factor that is used depending on the standard deviation level from historical loss.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not included in the collective evaluation; reserves for expected credit losses for collateral-dependent loans are based on the expected shortfall of the loan based on the discounted collateral value. This specific reserve portion of the ACL was \$145 thousand at December 31, 2025 and \$52 thousand at December 31, 2024. When management determines that foreclosure is probable, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate. At 90 days delinquent, secured consumer loans are charged down to the value of the collateral, if repossession of the collateral is assured and/or in the process of repossession. Consumer mortgage loan deficiencies are charged down upon the sale of the collateral or sooner upon the recognition of collateral deficiency.

Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a modification to a borrower experiencing financial difficulty will be executed with an individual borrower or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Company.

The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The allowance for credit losses on off balance sheet credit exposures is adjusted as a provision for credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. The loan categories of off balance sheet exposures are the same as the loan categories for the ACL. The funding assumptions are updated each quarter based on expected utilization percentages.

For more information regarding the actual composition and classification of loans involved in the establishment of the allowance for credit loss, please see Note 4 provided here with the notes to consolidated financial statements.

Loans Held for Sale

Loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate. Net unrealized losses, if any, are recognized in a valuation allowance by charges to income.

Derivative Financial Instruments

The Company uses derivative financial instruments to help manage exposure to interest rate risk and the effects that changes in interest rates may have on net income and the fair value of assets and liabilities. The Company enters into interest rate swap agreements as part of its asset liability management strategy to help manage its interest rate risk position.

Designating an interest rate swap as an accounting hedge allows the Company to recognize gains and losses, less any ineffectiveness, in the Company's consolidated statements of income within the same period that the hedged item affects earnings. The Company includes the gain or loss on the hedged items in the same line item as the offsetting loss or gain on the related interest rate swaps. The fair value of interest rate swaps with a positive fair value are reported in other assets in the Company's consolidated balance sheets while interest rate swaps with a negative fair value are reported in accrued expenses and other liabilities in the Company's consolidated balance sheets.

Net cash settlements on derivative financial instruments that qualify as hedge accounting are recorded in interest income or interest expense, based on the item being hedged. Cash flows on hedges are classified in the Company's consolidated statements of cash flows in the same line as the cash flows of the item being hedged.

Servicing Assets

Servicing assets are recognized as separate assets when rights are acquired through purchase or sale of financial assets. These rights are composed of servicing rights for 1-4 family real estate loans and agricultural real estate loans. The Bank's servicing rights relating to fixed rate 1-4 family real estate loans and agricultural real estate loans that it has sold without recourse but services for others for a fee represent an asset on the Bank's balance sheet.

Capitalized servicing rights are amortized into noninterest expense in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets. Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to capitalized servicing rights. Impairment is determined by stratifying rights by predominant characteristics, such as interest rates and terms. The 1-4 family real estate and agricultural real estate valuations are similar in concept; however, utilize different strata, prepayment speeds and other assumptions in order to account for the differences in behavior between agricultural real estate loans and 1-4 family real estate loans. Fair value is determined using prices for similar assets with similar characteristics, when available, or based upon discounted cash flows using market-based assumptions. Impairment is recognized through a valuation allowance for an individual stratum, to the extent that fair value is less than the capitalized amount for the stratum. Fees received for servicing loans owned by investors are based on a percentage of the outstanding monthly principal balance of such loans and are included in operating income as loan payments are received. Costs of servicing loans are charged to expense as incurred.

Goodwill and Other Intangible Assets

Goodwill results from business acquisitions and represents the excess of the purchase price over the fair value of acquired tangible assets and liabilities and identifiable intangible assets. Goodwill is assessed for impairment at least annually. If possible impairment is likely, the Bank will utilize the assistance of an independent third party for an appraisal and any such impairment is recognized in the period identified. The goodwill impairment analysis consists of a first step goodwill impairment test which is used to identify potential impairment by comparing the fair value of the relevant reporting entity with its carrying value, including goodwill. The analysis is performed under guidance of FASB ASC 350. As of December 31, 2025, the Bank concluded it is unlikely impairment of goodwill has occurred from the goodwill established from the Bank's prior acquisitions. Since the establishment of goodwill, there has been no impairment recognized.

Other intangible assets consist of core deposit and customer list intangible assets arising from business acquisitions. They are initially measured at fair value and then are amortized on a straight-line method over their estimated useful lives and evaluated for impairment. These assets are included in other assets on the Company's consolidated balance sheets.

Qualified Affordable Housing Project Investments

The Company invests in certain qualified affordable housing projects. The Company has elected to account for its investment in qualified affordable housing projects using the proportional amortization method described in FASB ASU 2014-01, "Investments - Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Low-Income housing Tax Credit Projects (A Consensus of the FASB Emerging Issues Task Force)", which was updated in March 2023 and released as FASB ASU 2023-02. Under the proportional amortization method, an investor amortizes the initial cost of the investment to income tax expense in proportion to the tax credits and other tax benefits received and recognizes the net investment performance in the income statement as a component of income tax expense. See Note 11 of the Notes to the Consolidated Financial Statements.

Off Balance Sheet Instruments

In the ordinary course of business, the Bank has entered into commitments to extend credit, including commitments, commercial letters of credit and standby letters of credit. Such financial instruments are recorded when they are funded.

Other Real Estate Owned

Other real estate held for sale is carried at the lower of fair value of the real estate minus estimated costs to sell the asset, or the cost of the assets. Costs of holding other real estate are charged to expense in the current period, except for significant property improvements, which are capitalized. Valuations are periodically performed by management and an allowance is established by a charge to noninterest expense if the carrying value exceeds the fair value minus the estimated costs to sell. The net loss from operations of other real estate held for sale is reported in noninterest expense. The Bank held no other real estate at December 31, 2025 or December 31, 2024.

Premises and Equipment

Land is carried at cost. Bank premises and equipment are stated at cost less accumulated depreciation. Depreciation is based on the estimated useful lives of the various properties and is computed using straight-line and accelerated methods. Costs for maintenance and repairs are charged to operations as incurred. Gains and losses on dispositions are included in current operations.

Bank Owned Life Insurance

Bank owned life insurance policies are carried at their cash surrender value. The Bank recognizes tax-free income from the periodic increases in the cash surrender value of these policies and from death benefits.

Revenue Recognition

Accounting Standards Codification 606, "Revenue from Contracts with Customers" (ASC 606) provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue generated from financial instruments, including loans and investment securities, are not included within the scope of ASC 606. Revenue-generating activities that are within the scope of ASC 606 that are presented as noninterest income in the Company's consolidated statements of income include:

- o Customer service fees – these include miscellaneous service fees and transaction-based fees charged for certain services, such as credit card. Revenue is recognized when the performance obligation is completed, which is generally after a transaction is completed or monthly for account maintenance services.
- o Other service charges and fees – these include service fees charged for deposit account maintenance and activity along with transaction-based fees charged for certain services, such as overdraft activities, returned check charges and wire transfers. Revenue is recognized when the performance obligation is completed, which is generally after a transaction is completed or monthly for account maintenance services.
- o Interchange income – transaction-based fees charged for debit card. Revenue is recognized when the performance obligation is completed, which is generally after a transaction is completed or monthly for account maintenance services.

Income Tax

The Company's income tax expense consists of the following components for federal and state: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. 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 percent likelihood of being realized upon settlement

with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

The Company recognizes interest and penalties, if any, related to unrecognized tax benefits in tax expense. Based on management's analysis, the Company did not have any uncertain tax positions as of December 31, 2025 and 2024. With a few exceptions, the Company is no longer subject to U.S. Federal, state or local examinations by tax authorities for years before 2022.

Earnings Per Share

Basic earnings per share is calculated using the two-class method. The two-class method is an earnings allocation formula under which earnings per share is calculated from common stock and participating securities according to dividends declared and participation rights in undistributed earnings. Under this method, all earnings distributed and undistributed, are allocated to participating securities and common shares based on their respective rights to receive dividends. Unvested share-based payment awards that contain non-forfeitable rights to dividends are considered participating securities (i.e. unvested restricted stock), not subject to performance based measures. Basic earnings per share is calculated by dividing net income available to common shareholders by the weighted average number of common shares outstanding. Application of the two-class method for participating securities results in a more dilutive basic earnings per share as the participating securities are allocated the same amount of income as if they are outstanding for purposes of basic earnings per share. There is no additional potential dilution in calculating diluted earnings per share, therefore basic and diluted earnings per share are the same amounts. Other than the restricted stock plan, the Company has no other stock-based compensation plans.

Stock-Based Compensation

The fair value of restricted common stock is the fair market value on the date of grant. The fair value of restricted stock is amortized as compensation expense on a straight-line basis over the vesting period of the grants. Compensation expense recognized is included in salaries and wages in the consolidated statements of income.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Corporation – put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership, (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 Corporation does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

Treasury Stock

Common stock shares repurchased are recorded at market value on date of purchase. Restricted shares when awarded are removed from treasury stock using the weighted average method.

Other Comprehensive Income (Loss)

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the balance sheet. Such items, along with net income, are components of other comprehensive income (loss).

The components of other comprehensive income and related tax expense are as follows:

	(In Thousands)		
	2025	2024	2023
Net unrealized gain on available-for-sale securities	\$ 16,880	\$ 4,797	\$ 10,781
Reclassification adjustment for loss on sale of available-for-sale securities	-	-	891
Net unrealized gain on available-for-sale securities	16,880	4,797	11,672
Tax expense	3,545	1,008	2,451
Other comprehensive income	<u>\$ 13,335</u>	<u>\$ 3,789</u>	<u>\$ 9,221</u>

Advertising Expense

Advertising costs are generally expensed as incurred and are recorded as advertising, a component of noninterest expense.

Recent Accounting Pronouncements

In October 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-06 "*Disclosure Improvements - Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative.*" The amendments in this Update are the result of the FASB's decision to incorporate into the Accounting Standards Codification certain disclosure requirements, referred to by the SEC, that require incremental information to US GAAP. Topics in the ASU that have applicability to the Company are as follows:

- * *Statement of Cash Flows* - requires an accounting policy disclosure in annual periods of where cash flows associated with derivative instruments and their related gains and losses are presented in the statement of cash flows.
- * *Debt* - requires disclosure of amounts and terms of unused lines of credit and unfunded commitments and the weighted-average interest rate on outstanding short-term borrowings.
- * *Derivatives and Hedging* - adds cross-reference to disclosure requirements related to where cash flows associated with derivative instruments and their related gains and losses are presented in the statement of cash flows.

The effective date for each amendment will be the date on which the SEC's removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective, with early adoption prohibited. If by June 30, 2027, the SEC has not removed the applicable requirement from Regulation S-X or Regulation S-K, the pending content of the related amendment will be removed from the Accounting Standards Codification and will not become effective for any entity. Management is reviewing the provisions of ASU 2023-06, and does not expect the adoption of the ASU to have a material effect on the Company's financial statements.

In December 2023, the FASB issued ASU 2023-09 "*Income Taxes (Topic 740) - Improvements to Income Tax Disclosures.*" The amendments in this Update require that public business entities on an annual basis (1) disclose specific categories in the rate reconciliation and (2) provide additional information for reconciling items that meet a quantitative threshold (if the effect of those reconciling items is equal to or greater than 5 percent of the amount computed by multiplying pretax income [or loss] by the applicable statutory income tax rate). The amendments also require disclosure of the amount of income taxes paid (net of refunds received) disaggregated by federal (national) and state jurisdictions. For public business entities, the amendments in this Update are effective for annual periods beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The amendments in this Update should be applied on a prospective basis and retrospective application is permitted. Management adopted the Update effective December 31, 2025, as required, without material effect on the Company's financial position or results of operations.

In November 2024, the FASB issued ASU 2024-03 "*Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40).*" The amendments in this Update require disclosure, in the notes to financial statements, of specified information about certain costs and expenses. The amendments require that at each

interim and annual reporting period (1) the Company disclose the amounts of (a) employee compensation, (b) depreciation, and (c) intangible asset amortization included in each relevant expense caption. A relevant expense caption is an expense caption presented on the face of the income statement within continuing operations that contains any of the expense categories listed. (2) Include certain amounts that are already required to be disclosed under current generally accepted accounting principles (GAAP) in the same disclosure as the other disaggregation requirements. (3) Disclose a qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively. (4) Disclose the total amount of selling expenses and, in annual reporting periods, the Company's definition of selling expenses. The amendments in this Update are effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The amendments in this Update should be applied either (1) prospectively to financial statements issued for reporting periods after the effective date of this Update or (2) retrospectively to any or all prior periods presented in the financial statements. Management is currently evaluating the Update and does not expect adoption of the Update to have a material effect on the Company's financial position or results of operations.

In November 2025, the FASB issued ASU 2025-08 *Financial Instruments—Credit Losses (Topic 326) — Purchased Loans*. The amendments in this Update expand the population of acquired financial assets subject to the gross-up approach in Topic 326. In accordance with the amendments in this Update, loans (excluding credit cards) acquired without credit deterioration and deemed “seasoned” are purchased seasoned loans and accounted for using the gross-up approach at acquisition. All non-PCD (purchased financial asset with credit deterioration) loans (excluding credit cards) that are acquired in a business combination are deemed seasoned. Other non-PCD loans (excluding credit cards) are seasoned if they were purchased at least 90 days after origination and the acquirer was not involved in the origination of the loans. The amendments in this Update are effective for all entities for annual reporting periods beginning after December 15, 2026, and interim reporting periods within those annual reporting periods. The amendments in this Update should be applied prospectively to loans that are acquired on or after the initial application date. Early adoption is permitted in an interim or annual reporting period in which financial statements have not yet been issued or made available for issuance. Management is currently evaluating the Update and does not expect adoption of the Update to have a material effect on the Company's financial position or results of operations.

In November 2025, the FASB issued ASU 2025-09 *Derivatives and Hedging (Topic 815) — Hedge Accounting Improvements*. The amendments in this Update are intended to more closely align hedge accounting with the economics of an entity's risk management activities. The amendments included in five issues addressed in this Update are intended to better reflect those strategies in financial reporting by enabling entities to achieve and maintain hedge accounting for highly effective economic hedges of forecasted transactions. The issues addressed in the ASU include:

- (1) expanding the hedged risks permitted to be aggregated in a group of individual forecasted transactions in a cash flow hedge by changing the requirement to designate a group of individual forecasted transactions from having a shared risk exposure to having a similar risk exposure;
- (2) providing a model to facilitate the application of cash flow hedge accounting to forecasted interest payments on variable-rate debt instruments with contractual terms that permit the borrower to change the interest rate index and interest rate tenor (that is, reset frequency) upon which interest is accrued (commonly referred to as “choose-your-rate” debt instruments);
- (3) expanding hedge accounting for forecasted purchases and sales of nonfinancial assets;
- (4) updating the hedge accounting guidance to accommodate differences in the loan and swap markets that developed after the cessation of the London Interbank Offered Rate. Specifically, the amendments in this Update eliminate the requirement to apply the net written option test to a compound derivative comprising a swap and a written option designated as the hedging instrument in a cash flow hedge or a fair value hedge of interest rate risk; and
- (5) eliminating the recognition and presentation mismatch related to a dual hedge strategy (that is, a hedge for which a foreign currency-denominated debt instrument is both designated as the hedging instrument in a net investment hedge and designated as the hedged item in a fair value hedge of interest rate risk).

For public business entities, the amendments in this Update are effective for annual reporting periods beginning after December 15, 2026, and interim periods within those annual reporting periods. Early adoption is permitted on any date on or after the issuance of this Update. Entities should apply the amendments in this Update on a prospective basis for all hedging relationships. An entity may elect to adopt the amendments in this Update for hedging relationships that exist as of the date of adoption. Upon adoption of the amendments in this Update, entities are permitted to modify certain critical terms of certain existing hedging relationships without de-designating the hedge. Management is currently evaluating the Update and does not expect adoption of the Update to have a material effect on the Company's financial position or results of operations.

In December 2025, the FASB issued ASU 2025-11 *Interim Reporting (Topic 270) -- Narrow-Scope Improvements*. The amendments in this Update clarify interim disclosure requirements and the applicability of Topic 270. The amendments in this Update result in a comprehensive list of interim disclosures that are required by GAAP. In developing the list of disclosures required by other Topics, the FASB Board focused on identifying the interim disclosures that are currently required under GAAP. The objective of the amendments is to provide clarity about the current requirements, rather than evaluate whether to expand or reduce interim disclosure requirements. The amendments in this Update also include a disclosure principle that requires entities to disclose events since the end of the last annual reporting period that have a material impact on the entity. The amendments in this Update are effective for public business entities for interim reporting periods within annual reporting periods beginning after December 15, 2027. Early adoption is permitted. The amendments in this Update can be applied either (1) prospectively or (2) retrospectively to any or all prior periods presented in the financial statements. Management is currently evaluating the Update and does not expect adoption of the Update to have a material effect on the Company's financial position or results of operations.

In December 2025, the FASB issued ASU 2025-12 *Codification Improvements*. The amendments in this Update represent changes to the Codification that (1) clarify, (2) correct errors, or (3) make minor improvements. The amendments make the Codification easier to understand and apply. The amendments in this Update are varied in nature and may affect the application of guidance in cases in which the original guidance may have been unclear. Codification improvements are generally not expected to have a significant effect on current accounting practice or result in significant costs to most entities. The amendments in this Update are effective for all entities for annual reporting periods beginning after December 15, 2026, and interim reporting periods within those annual reporting periods. Early adoption is permitted in both interim and annual reporting periods in which financial statements have not yet been issued or made available for issuance. Management is currently evaluating the Update and does not expect adoption of the Update to have a material effect on the Company's financial position or results of operations.

Note 2 – Business Combination & Asset Purchase

Changes in accretible yield, or income expected to be collected, for the acquisition of Peoples Federal Savings and Loan completed in 2022, are as follows:

	(In Thousands)	
	2025	2024
Beginning Balance	\$ 335	\$ 566
Accretion	(231)	(231)
Disposals	-	-
Ending Balance	\$ 104	\$ 335

Changes in accretable yield, or income expected to be collected, for the acquisition of Perpetual Federal Savings Bank completed in 2021, are as follows:

	(In Thousands)	
	2025	2024
Beginning Balance	\$ 1,453	\$ 2,795
Additions	-	-
Accretion	(1,341)	(1,342)
Ending Balance	<u>\$ 112</u>	<u>\$ 1,453</u>

Changes in accretable yield, or income expected to be collected, for the acquisition of Ossian State Bank completed in 2021, are as follows:

	(In Thousands)	
	2025	2024
Beginning Balance	\$ 107	\$ 294
Additions	2	-
Accretion	(108)	(175)
Disposals	(1)	(12)
Ending Balance	<u>\$ -</u>	<u>\$ 107</u>

Accretable yield, or income expected to be collected, for the acquisition of Bank of Geneva completed in 2019, are as follows:

	(In Thousands)
	2024
Beginning Balance	\$ 363
Additions	1
Accretion	(364)
Ending Balance	<u>\$ -</u>

The acquisition of Bank of Geneva resulted in the recognition of \$3.9 million in core deposit intangible assets, the acquisition of Ossian State Bank resulted in the recognition of \$980 thousand in core deposits assets, the acquisition of Perpetual Federal Savings Bank resulted in the recognition of \$668 thousand in core deposits and the acquisition of Peoples Federal Savings and Loan resulted in the recognition of \$6.0 million in core deposits which are all being amortized over the remaining economic useful life of 7 years on a straight-line basis. Core deposit intangible is included in other assets on the Company's consolidated balance sheets.

The amortization expense for the years ended December 31, 2025, 2024 and 2023 was \$1.7 million for each of the three years presented.

Future amortization expense of core deposit intangible assets is as follows:

	(In Thousands)			
	Ossian	Perpetual	Peoples	Total
2026	\$ 140	\$ 95	\$ 861	\$ 1,096
2027	140	95	861	1,096
2028	47	72	861	980
2029	-	-	646	646
Total	<u>\$ 327</u>	<u>\$ 262</u>	<u>\$ 3,229</u>	<u>\$ 3,818</u>

The purchase of Adams County Financial Resources in 2020 resulted in the allocation of \$800 thousand to customer list intangible, included in other assets, to be amortized over 6.5 years on a straight-line basis.

The customer list intangible amortization expense for the years ended December 31, 2025, 2024 and 2023 was \$123 thousand for each of the three years presented. Future amortization expense of customer list intangible is as follows:

	(In Thousands)	
2026	\$	123
2027		49
Total	\$	<u>172</u>

Note 3 – Securities

The amortized cost and fair value of securities, with gross unrealized gains and losses, follows:

	(In Thousands)			
	2025			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-Sale:				
U.S. Treasury	\$ 91,988	\$ 157	\$ (2,292)	\$ 89,853
U.S. Government agencies	136,026	116	(4,181)	131,961
Mortgage-backed securities	150,081	1,034	(7,733)	143,382
State and local governments	59,025	71	(2,220)	56,876
Total available-for-sale securities	<u>\$ 437,120</u>	<u>\$ 1,378</u>	<u>\$ (16,426)</u>	<u>\$ 422,072</u>

	(In Thousands)			
	2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-Sale:				
U.S. Treasury	\$ 111,397	\$ 17	\$ (5,415)	\$ 105,999
U.S. Government agencies	144,660	-	(9,494)	135,166
Mortgage-backed securities	133,268	17	(12,654)	120,631
State and local governments	69,159	28	(4,427)	64,760
Total available-for-sale securities	<u>\$ 458,484</u>	<u>\$ 62</u>	<u>\$ (31,990)</u>	<u>\$ 426,556</u>

Information pertaining to securities with gross unrealized losses at December 31, 2025 and 2024, aggregated by investment category and length of time that individual securities have been in a continuous loss position are as follows:

	(In Thousands)			
	2025			
	Less Than Twelve Months		Twelve Months & Over	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
U.S. Treasury	\$ (5)	\$ 7,038	\$ (2,287)	\$ 50,161
U.S. Government agencies	-	-	(4,181)	120,103
Mortgage-backed securities	(50)	8,214	(7,683)	59,386
State and local governments	(6)	2,534	(2,214)	45,202
Total available-for-sales securities	<u>\$ (61)</u>	<u>\$ 17,786</u>	<u>\$ (16,365)</u>	<u>\$ 274,852</u>

Notes to Consolidated Financial Statements
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	(In Thousands)			
	2024			
	Less Than Twelve Months		Twelve Months & Over	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
U.S. Treasury	\$ (467)	\$ 31,533	\$ (4,948)	\$ 62,151
U.S. Government agencies	-	-	(9,494)	131,335
Mortgage-backed securities	(668)	51,236	(11,986)	66,877
State and local governments	(224)	8,631	(4,203)	53,091
Total available-for-sales securities	\$ (1,359)	\$ 91,400	\$ (30,631)	\$ 313,454

Unrealized losses on securities have not been recognized into income because the issuers' bonds are of high credit quality, values have only been impacted by rate changes, and the Company has the intent and ability to hold the securities for the foreseeable future. The fair value is expected to recover as the bonds approach the maturity date.

The Company had no realized gains on sales of investment securities during the years ended December 31, 2025 and 2024. Sales of \$22.0 million in 2023 generated gross realized losses for the year ended December 31, 2023 as presented below:

	(In Thousands)		
	2025	2024	2023
Gross realized gains	\$ -	\$ -	\$ -
Gross realized losses	-	-	(891)
Net realized losses	\$ -	\$ -	\$ (891)
Tax benefit related to net realized losses	\$ -	\$ -	\$ (187)

The net realized loss on sales and related tax benefit is a reclassification out of accumulated other comprehensive loss. The net realized loss is included in net loss on sale of securities available-for-sale and the related tax benefit is included in income taxes in the consolidated statements of income.

The amortized cost and fair value of debt securities at December 31, 2025, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	(In Thousands)	
	Amortized Cost	Fair Value
One year or less	\$ 68,153	\$ 67,329
After one year through five years	208,527	201,123
After five years through ten years	10,359	10,238
After ten years	-	-
Total	\$ 287,039	\$ 278,690
Mortgage-backed securities	150,081	143,382
Total	\$ 437,120	\$ 422,072

Investments with a carrying value and fair value of \$238.2 million at December 31, 2025 and \$221.9 million at December 31, 2024 were pledged to secure public deposits and securities sold under repurchase agreements. Investments with a carrying value of \$28.3 million and \$29.9 million as of December 31, 2025 and December 31, 2024, respectively, were pledged to the Federal Reserve's Discount Window to provide additional borrowing capacity.

Note 4 - Loans

The Company had \$3.9 million in loans held for sale at December 31, 2025 as compared to \$3.0 million in loans held for sale at December 31, 2024.

Loan balances at December 31 are summarized below:

Loans:	(In Thousands)	
	2025	2024
Consumer Real Estate	\$ 526,439	\$ 520,114
Agricultural Real Estate	217,034	216,401
Agricultural	218,050	152,080
Commercial Real Estate	1,355,571	1,310,811
Commercial and Industrial	314,405	275,152
Consumer	58,838	63,009
Other	23,133	24,978
	<u>2,713,470</u>	<u>2,562,545</u>
Less: Net deferred loan fees and costs	(1,511)	(1,750)
	<u>2,711,959</u>	<u>2,560,795</u>
Less: Allowance for credit losses	(27,688)	(25,826)
Less: Basis adjustment related to fair value hedges	1,719	1,074
Loans - Net	<u>\$ 2,685,990</u>	<u>\$ 2,536,043</u>

Following are the characteristics and underwriting criteria for each major type of loan the Bank offers:

Consumer Real Estate: Purchase, refinance, or equity financing of one to four family owner occupied dwelling. Success in repayment is subject to borrower's income, debt level, character in fulfilling payment obligations, employment, and other factors.

Agricultural Real Estate: Purchase of farm real estate or for permanent improvements to the farm real estate. Cash flow from the farm operation is the repayment source and is therefore subject to the financial success of the farm operation.

Agricultural: Loans for the production and housing of crops, fruits, vegetables, and livestock or to fund the purchase or refinance of capital assets such as machinery and equipment and livestock. The production of crops and livestock is especially vulnerable to commodity prices and weather.

Commercial Real Estate: Construction, purchase, and refinance of business purpose real estate. Risks include potential construction delays and overruns, vacancies, collateral value subject to market value fluctuations, interest rate, market demands, borrower's ability to repay in orderly fashion, and other factors.

Commercial and Industrial: Loans to proprietorships, partnerships, or corporations to provide temporary working capital and seasonal loans as well as long term loans for capital asset acquisition. Risks include adequacy of cash flow, reasonableness of projections, financial leverage, economic trends, management ability and estimated capital expenditures during the fiscal year.

Consumer: Funding for individual and family purposes. Success in repayment is subject to borrower's income, debt level, character in fulfilling payment obligations, employment and other factors.

Other: Primarily funds public improvements in the Bank's service area. Repayment ability is based on the continuance of the taxation revenue as the source of repayment.

Notes to Consolidated Financial Statements
December 31, 2025, 2024, 2023

The following table shows the contractual maturity by portfolio segment at amortized cost excluding fair value adjustments related to acquisitions at December 31, 2025:

	(In Thousands)				Total
	Within One Year	After One Year Within Five Years	After Five Years Within Fifteen Years	After Fifteen Years	
Consumer Real Estate	\$ 11,427	\$ 25,060	\$ 188,320	\$ 302,571	\$ 527,378
Agricultural Real Estate	10,367	8,974	67,475	130,126	216,942
Agricultural	117,961	64,885	31,115	4,386	218,347
Commercial Real Estate	60,694	569,512	545,044	177,786	1,353,036
Commercial and Industrial	139,242	114,499	59,486	922	314,149
Consumer	2,588	41,292	15,660	35	59,575
Other	194	1,618	21,321	-	23,133
	<u>\$ 342,473</u>	<u>\$ 825,840</u>	<u>\$ 928,421</u>	<u>\$ 615,826</u>	<u>\$ 2,712,560</u>

The distribution of fixed rate loans and variable rate loans by portfolio segment is as follows as of December 31, 2025:

	(In Thousands)	
	Fixed Rate	Variable Rate
Consumer Real Estate	\$ 267,368	\$ 259,071
Agricultural Real Estate	104,902	112,132
Agricultural	63,789	154,261
Commercial Real Estate	800,127	555,444
Commercial and Industrial	147,465	166,940
Consumer	58,809	29
Other	13,709	9,424
	<u>\$ 1,456,169</u>	<u>\$ 1,257,301</u>

Variable rate loans that have reached ceiling or floor limits are reported as fixed rate loans until such time as their rates adjust away from those limits.

The following table represents the contractual aging at amortized cost in past due loans by portfolio segment of loans as of December 31, 2025 and 2024:

	(In Thousands)					
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Financing Receivables
December 31, 2025						
Consumer Real Estate	\$ 3,536	\$ 919	\$ 766	\$ 5,221	\$ 521,822	\$ 527,043
Agricultural Real Estate	516	-	130	646	216,184	216,830
Agricultural	-	1,444	50	1,494	216,851	218,345
Commercial Real Estate	56	-	141	197	1,352,822	1,353,019
Commercial and Industrial	-	-	-	-	314,096	314,096
Consumer	198	35	83	316	59,177	59,493
Other	-	-	-	-	23,133	23,133
Total	<u>\$ 4,306</u>	<u>\$ 2,398</u>	<u>\$ 1,170</u>	<u>\$ 7,874</u>	<u>\$ 2,704,085</u>	<u>\$ 2,711,959</u>

	(In Thousands)					
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Financing Receivables
December 31, 2024						
Consumer Real Estate	\$ 2,533	\$ 547	\$ 559	\$ 3,639	\$ 516,753	\$ 520,392
Agricultural Real Estate	651	-	-	651	215,486	216,137
Agricultural	44	-	79	123	152,258	152,381
Commercial Real Estate	54	141	360	555	1,307,906	1,308,461
Commercial and Industrial	122	5	57	184	274,635	274,819
Consumer	365	19	62	446	63,181	63,627
Other	-	-	-	-	24,978	24,978
Total	<u>\$ 3,769</u>	<u>\$ 712</u>	<u>\$ 1,117</u>	<u>\$ 5,598</u>	<u>\$ 2,555,197</u>	<u>\$ 2,560,795</u>

The following tables present the amortized cost of nonaccrual loans by portfolio segment as of December 31, 2025 and December 31, 2024:

	(In Thousands)		
	December 31, 2025		
	Nonaccrual With No Allowance for Credit Loss	Nonaccrual	Loans Past Due Over 89 Days Still Accruing
Consumer Real Estate	\$ 3,339	\$ 4,050	\$ -
Agricultural Real Estate	5,347	5,347	-
Agricultural	1,441	1,441	-
Commercial Real Estate	141	141	-
Commercial & Industrial	-	134	-
Consumer	143	143	-
Total	\$ 10,411	\$ 11,256	\$ -

	(In Thousands)		
	December 31, 2024		
	Nonaccrual With No Allowance for Credit Loss	Nonaccrual	Loans Past Due Over 89 Days Still Accruing
Consumer Real Estate	\$ 1,637	\$ 2,369	\$ -
Agricultural Real Estate	130	130	-
Agricultural	90	90	-
Commercial Real Estate	360	360	-
Commercial & Industrial	57	57	-
Consumer	118	118	-
Total	\$ 2,392	\$ 3,124	\$ -

Interest income on nonaccrual loans, recognized on a cash basis, was \$146 thousand and \$93 thousand for the years ended December 31, 2025 and 2024, respectively.

The Bank uses a nine tier risk rating system to grade its loans. The grade of a loan may change during the life of the loan.

The risk ratings are described as follows.

1. Zero (0) Unclassified. Any loan which has not been assigned a classification.
2. One (1) Excellent. Credit to premier customers having the highest credit rating based on an extremely strong financial condition, which compares favorably with industry standards (upper quartile of RMA ratios). Financial statements indicate a sound earnings and financial ratio trend for several years with satisfactory profit margins and excellent liquidity exhibited. Prime credits may also be borrowers with loans fully secured by highly liquid collateral such as traded stocks, bonds, certificates of deposit, savings account, etc. No credit or collateral exceptions exist, and the loan adheres to The Bank's loan policy in every respect. Financing alternatives would be readily available and would qualify for unsecured credit. This rate is summarized by high liquidity, minimum risk, strong ratios, and low handling costs.
3. Two (2) Good. Desirable loans of somewhat less stature than rate 1, but with strong financial statements. Loan supported by financial statements containing strong balance sheets and a history of profitability.

Probability of serious financial deterioration is unlikely. Possessing a sound repayment source (and a secondary source), which would allow repayment in a reasonable period of time. Individual loans backed by liquid personal assets, established history and unquestionable character.

4. Three (3) Satisfactory. Satisfactory loans of average or slightly above average risk – having some deficiency or vulnerability to changing economic conditions, but still fully collectible. Projects should normally demonstrate acceptable debt service coverage. There may be some weakness but with offsetting features of other support readily available. Loans that are meeting the terms of repayment.

Loans may be rated 3 when there is no recent information on which to base a current risk evaluation and the following conditions apply:

At inception, the loan was properly underwritten and did not possess an unwarranted level of credit risk;

- a. At inception, the loan was secured with collateral possessing a loan-to-value adequate to protect The Bank from loss;
 - b. The loan exhibited two or more years of satisfactory repayment with a reasonable reduction of the principal balance;
 - c. During the period that the loan has been outstanding, there has been no evidence of any credit weakness. Some examples of weakness include slow payment, lack of cooperation by the borrower, breach of loan covenants, or the business is in an industry which is known to be experiencing problems. If any of these credit weaknesses is observed, a lower risk rating is warranted.
5. Four (4) Satisfactory / Monitored. A “4” (Satisfactory/Monitored) risk rating may be established for a loan considered satisfactory but which is of average credit risk due to financial weakness or uncertainty. The loans warrant a higher than average level of monitoring to ensure that weaknesses do not advance. The level of risk in Satisfactory/Monitored classification is considered acceptable and within normal underwriting guidelines, so long as the loan is given management supervision.
 6. Five (5) Special Mention. Loans that possess some credit deficiency or potential weakness which deserve close attention, but which do not yet warrant substandard classification. Such loans pose unwarranted financial risk that, if not corrected, could weaken the loan and increase risk in the future. The key distinctions of a 5 (Special Mention) classification are that (1) it is indicative of an unwarranted level of risk, and (2) weaknesses are considered “potential” versus “defined” impairments to the primary source of loan repayment and collateral.
 7. Six (6) Substandard. One or more of the following characteristics may be exhibited in loans classified substandard:
 - a. Loans which possess a defined credit weakness and the likelihood that a loan will be paid from the primary source are uncertain. Financial deterioration is underway and very close attention is warranted to ensure that the loan is collected without loss.
 - b. Loans are inadequately protected by the current net worth and paying capacity of the borrower.
 - c. The primary source of repayment is weakened, and The Bank is forced to rely on a secondary source of repayment such as collateral liquidation or guarantees.
 - d. Loans are characterized by the distinct possibility that The Bank will sustain some loss if deficiencies are not corrected.
 - e. Unusual courses of action are needed to maintain a high probability of repayment.
 - f. The borrower is not generating enough cash flow to repay loan principal; however, continues to make interest payments.
 - g. The lender is forced into a subordinate position or unsecured collateral position due to flaws in documentation.

- h. Loans have been restructured so that payment schedules, terms and collateral represent concessions to the borrower when compared to the normal loan terms.
 - i. The lender is seriously contemplating foreclosure or legal action due to the apparent deterioration in the loan
 - j. There is significant deterioration in the market conditions and the borrower is highly vulnerable to these conditions.
8. Seven (7) Doubtful. One or more of the following characteristics may be exhibited in loans classified Doubtful:
- a. Loans have all of the weaknesses of those classified as Substandard. Additionally, however, these weaknesses make collection or liquidation in full based on existing conditions improbable.
 - b. The primary source of repayment is gone, and there is considerable doubt as to the quality of the secondary source of repayment.
 - c. The possibility of loss is high, but, because of certain important pending factors which may strengthen the loan, loss classification is deferred until its exact status is known. A Doubtful classification is established deferring the realization of the loss.
9. Eight (8) Loss. Loans are considered uncollectable and of such little value that continuing to carry them as assets on the institution's financial statements is not feasible. Loans will be classified Loss when it is neither practical nor desirable to defer writing off or reserving all or a portion of a basically worthless asset, even though partial recovery may be possible at some time in the future.

The following tables present the risk category of loans at amortized cost by portfolio segment and year of origination, based on the most recent analysis performed as of December 31, 2025 and 2024:

(In Thousands)										
December 31, 2025										
Term Loans Amortized Cost Basis by Origination Year										
	2025	2024	2023	2022	2021	Prior	Term Total	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Grand Total
Consumer Real Estate										
Risk Rating										
Pass (1-4)	\$ 52,684	\$ 28,385	\$ 52,324	\$ 71,008	\$ 82,628	\$ 150,780	\$ 437,809	\$ 83,296	\$ 462	\$ 521,567
Special Mention (5)	-	-	-	-	131	47	178	19	-	197
Substandard (6)	259	746	578	492	1,318	1,694	5,087	23	169	5,279
Doubtful (7)	-	-	-	-	-	-	-	-	-	-
Total Consumer Real Estate	<u>\$ 52,943</u>	<u>\$ 29,131</u>	<u>\$ 52,902</u>	<u>\$ 71,500</u>	<u>\$ 84,077</u>	<u>\$ 152,521</u>	<u>\$ 443,074</u>	<u>\$ 83,338</u>	<u>\$ 631</u>	<u>\$ 527,043</u>
Gross charge-offs YTD	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20</u>
Agricultural Real Estate										
Risk Rating										
Pass (1-4)	\$ 28,079	\$ 20,758	\$ 23,792	\$ 30,919	\$ 20,242	\$ 84,889	\$ 208,679	\$ 88	\$ -	\$ 208,767
Special Mention (5)	-	-	-	32	-	282	314	-	-	314
Substandard (6)	-	4,890	863	845	1,065	86	7,749	-	-	7,749
Doubtful (7)	-	-	-	-	-	-	-	-	-	-
Total Agricultural Real Estate	<u>\$ 28,079</u>	<u>\$ 25,648</u>	<u>\$ 24,655</u>	<u>\$ 31,796</u>	<u>\$ 21,307</u>	<u>\$ 85,257</u>	<u>\$ 216,742</u>	<u>\$ 88</u>	<u>\$ -</u>	<u>\$ 216,830</u>
Gross charge-offs YTD	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Agricultural										
Risk Rating										
Pass (1-4)	\$ 40,636	\$ 7,157	\$ 6,692	\$ 8,617	\$ 3,157	\$ 4,373	\$ 70,632	\$ 126,147	\$ 419	\$ 197,198
Special Mention (5)	53	22	-	305	11	-	391	4,417	-	4,808
Substandard (6)	2,293	29	90	44	-	-	2,456	13,883	-	16,339
Doubtful (7)	-	-	-	-	-	-	-	-	-	-
Total Agricultural	<u>\$ 42,982</u>	<u>\$ 7,208</u>	<u>\$ 6,782</u>	<u>\$ 8,966</u>	<u>\$ 3,168</u>	<u>\$ 4,373</u>	<u>\$ 73,479</u>	<u>\$ 144,447</u>	<u>\$ 419</u>	<u>\$ 218,345</u>
Gross charge-offs YTD	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(In Thousands)										
December 31, 2025										
Term Loans Amortized Cost Basis by Origination Year										
	2025	2024	2023	2022	2021	Prior	Term Total	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Grand Total
Commercial Real Estate										
Risk Rating										
Pass (1-4)	\$ 244,689	\$ 132,260	\$ 157,885	\$ 362,675	\$ 175,569	\$ 160,103	\$ 1,233,181	\$ 5,369	\$ -	\$ 1,238,550
Special Mention (5)	4,355	1,211	23,915	12,380	12,381	2,088	56,330	-	-	56,330
Substandard (6)	1,814	55	34,868	13,274	1,357	6,771	58,139	-	-	58,139
Doubtful (7)	-	-	-	-	-	-	-	-	-	-
Total Commercial Real Estate	<u>\$ 250,858</u>	<u>\$ 133,526</u>	<u>\$ 216,668</u>	<u>\$ 388,329</u>	<u>\$ 189,307</u>	<u>\$ 168,962</u>	<u>\$ 1,347,650</u>	<u>\$ 5,369</u>	<u>\$ -</u>	<u>\$ 1,353,019</u>
Gross charge-offs YTD	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commercial & Industrial										
Risk Rating										
Pass (1-4)	\$ 58,239	\$ 20,557	\$ 38,008	\$ 28,674	\$ 10,454	\$ 6,310	\$ 162,242	\$ 135,200	\$ 45	\$ 297,487
Special Mention (5)	545	42	2,418	63	165	-	3,233	1,049	-	4,282
Substandard (6)	-	33	259	21	135	-	448	11,745	-	12,193
Doubtful (7)	-	134	-	-	-	-	134	-	-	134
Total Commercial & Industrial	<u>\$ 58,784</u>	<u>\$ 20,766</u>	<u>\$ 40,685</u>	<u>\$ 28,758</u>	<u>\$ 10,754</u>	<u>\$ 6,310</u>	<u>\$ 166,057</u>	<u>\$ 147,994</u>	<u>\$ 45</u>	<u>\$ 314,096</u>
Gross charge-offs YTD	<u>\$ -</u>	<u>\$ 27</u>	<u>\$ 147</u>	<u>\$ 26</u>	<u>\$ -</u>	<u>\$ 50</u>	<u>\$ 250</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 250</u>
Other										
Risk Rating										
Pass (1-4)	\$ 600	\$ -	\$ -	\$ -	\$ 14,870	\$ 3,997	\$ 19,467	\$ -	\$ -	\$ 19,467
Special Mention (5)	-	-	-	-	-	3,666	3,666	-	-	3,666
Substandard (6)	-	-	-	-	-	-	-	-	-	-
Doubtful (7)	-	-	-	-	-	-	-	-	-	-
Total Other	<u>\$ 600</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,870</u>	<u>\$ 7,663</u>	<u>\$ 23,133</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,133</u>
Gross charge-offs YTD	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(In Thousands)										
December 31, 2024										
Term Loans Amortized Cost Basis by Origination Year										
	2024	2023	2022	2021	2020	Prior	Term Total	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Grand Total
Consumer Real Estate										
Risk Rating										
Pass (1-4)	\$ 40,257	\$ 64,316	\$ 79,503	\$ 89,800	\$ 74,996	\$ 106,007	\$ 454,879	\$ 61,097	\$ 237	\$ 516,213
Special Mention (5)	-	-	37	551	-	119	707	19	-	726
Substandard (6)	143	239	529	786	465	1,040	3,202	236	15	3,453
Doubtful (7)	-	-	-	-	-	-	-	-	-	-
Total Consumer Real Estate	<u>\$ 40,400</u>	<u>\$ 64,555</u>	<u>\$ 80,069</u>	<u>\$ 91,137</u>	<u>\$ 75,461</u>	<u>\$ 107,166</u>	<u>\$ 458,788</u>	<u>\$ 61,352</u>	<u>\$ 252</u>	<u>\$ 520,392</u>
Gross charge-offs YTD	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13</u>	<u>\$ 13</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13</u>
Agricultural Real Estate										
Risk Rating										
Pass (1-4)	\$ 23,817	\$ 28,088	\$ 34,469	\$ 22,983	\$ 23,639	\$ 76,964	\$ 209,960	\$ 92	\$ -	\$ 210,052
Special Mention (5)	-	-	-	-	-	13	13	-	-	13
Substandard (6)	5,696	-	371	-	-	5	6,072	-	-	6,072
Doubtful (7)	-	-	-	-	-	-	-	-	-	-
Total Agricultural Real Estate	<u>\$ 29,513</u>	<u>\$ 28,088</u>	<u>\$ 34,840</u>	<u>\$ 22,983</u>	<u>\$ 23,639</u>	<u>\$ 76,982</u>	<u>\$ 216,045</u>	<u>\$ 92</u>	<u>\$ -</u>	<u>\$ 216,137</u>
Gross charge-offs YTD	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Agricultural										
Risk Rating										
Pass (1-4)	\$ 14,915	\$ 10,500	\$ 14,381	\$ 5,616	\$ 3,204	\$ 3,911	\$ 52,527	\$ 98,283	\$ -	\$ 150,810
Special Mention (5)	-	13	-	8	-	-	21	30	-	51
Substandard (6)	-	21	-	-	29	-	50	1,470	-	1,520
Doubtful (7)	-	-	-	-	-	-	-	-	-	-
Total Agricultural	<u>\$ 14,915</u>	<u>\$ 10,534</u>	<u>\$ 14,381</u>	<u>\$ 5,624</u>	<u>\$ 3,233</u>	<u>\$ 3,911</u>	<u>\$ 52,598</u>	<u>\$ 99,783</u>	<u>\$ -</u>	<u>\$ 152,381</u>
Gross charge-offs YTD	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(In Thousands)										
December 31, 2024										
Term Loans Amortized Cost Basis by Origination Year										
	2024	2023	2022	2021	2020	Prior	Term Total	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Grand Total
Commercial Real Estate										
Risk Rating										
Pass (1-4)	\$ 128,608	\$ 200,192	\$ 413,106	\$ 218,309	\$ 110,435	\$ 188,239	\$ 1,258,889	\$ -	\$ -	\$ 1,258,889
Special Mention (5)	-	-	12,590	-	1,352	753	14,695	-	-	14,695
Substandard (6)	-	34,299	-	-	-	578	34,877	-	-	34,877
Doubtful (7)	-	-	-	-	-	-	-	-	-	-
Total Commercial Real Estate	<u>\$ 128,608</u>	<u>\$ 234,491</u>	<u>\$ 425,696</u>	<u>\$ 218,309</u>	<u>\$ 111,787</u>	<u>\$ 189,570</u>	<u>\$ 1,308,461</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,308,461</u>
Gross charge-offs YTD	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15</u>	<u>\$ 15</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15</u>
Commercial & Industrial										
Risk Rating										
Pass (1-4)	\$ 31,933	\$ 54,581	\$ 39,665	\$ 15,047	\$ 13,480	\$ 1,294	\$ 156,000	\$ 113,446	\$ 222	\$ 269,668
Special Mention (5)	-	137	-	188	26	416	767	459	-	1,226
Substandard (6)	39	348	29	-	-	28	444	3,481	-	3,925
Doubtful (7)	-	-	-	-	-	-	-	-	-	-
Total Commercial & Industrial	<u>\$ 31,972</u>	<u>\$ 55,066</u>	<u>\$ 39,694</u>	<u>\$ 15,235</u>	<u>\$ 13,506</u>	<u>\$ 1,738</u>	<u>\$ 157,211</u>	<u>\$ 117,386</u>	<u>\$ 222</u>	<u>\$ 274,819</u>
Gross charge-offs YTD	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101</u>	<u>\$ -</u>	<u>\$ 101</u>	<u>\$ -</u>	<u>\$ 5</u>	<u>\$ 106</u>
Other										
Risk Rating										
Pass (1-4)	\$ -	\$ -	\$ -	\$ 15,829	\$ 5,068	\$ 4,081	\$ 24,978	\$ -	\$ -	\$ 24,978
Special Mention (5)	-	-	-	-	-	-	-	-	-	-
Substandard (6)	-	-	-	-	-	-	-	-	-	-
Doubtful (7)	-	-	-	-	-	-	-	-	-	-
Total Other	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,829</u>	<u>\$ 5,068</u>	<u>\$ 4,081</u>	<u>\$ 24,978</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,978</u>
Gross charge-offs YTD	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

For consumer loans, the Company evaluates credit quality based on the aging status of the loan, as was previously stated, and by payment performance. Consumer loans are placed on nonperforming status in the event that the loan is in past due status for more than 90 days or payment in full of principal and interest is not expected. The following tables present the amortized cost based on payment performance as of December 31, 2025 and 2024 by year of origination:

(In Thousands)									
December 31, 2025									
Term Loans Amortized Cost Basis by Origination Year									
	2025	2024	2023	2022	2021	Prior	Term Total	Revolving Loans Amortized Cost Basis	Grand Total
Consumer									
Payment Performance									
Performing	\$ 24,156	\$ 8,134	\$ 7,852	\$ 15,191	\$ 2,671	\$ 816	\$ 58,820	\$ 527	\$ 59,347
Nonperforming	92	1	20	14	15	4	146	-	146
Total Consumer	\$ 24,248	\$ 8,135	\$ 7,872	\$ 15,205	\$ 2,686	\$ 820	\$ 58,966	\$ 527	\$ 59,493
Gross charge-offs YTD	\$ 339	\$ 58	\$ 129	\$ 169	\$ 61	\$ 2	\$ 758	\$ -	\$ 758

(In Thousands)									
December 31, 2024									
Term Loans Amortized Cost Basis by Origination Year									
	2024	2023	2022	2021	2020	Prior	Term Total	Revolving Loans Amortized Cost Basis	Grand Total
Consumer									
Payment Performance									
Performing	\$ 13,437	\$ 13,521	\$ 27,264	\$ 5,917	\$ 2,310	\$ 582	\$ 63,031	\$ 477	\$ 63,508
Nonperforming	40	-	40	35	4	-	119	-	119
Total Consumer	\$ 13,477	\$ 13,521	\$ 27,304	\$ 5,952	\$ 2,314	\$ 582	\$ 63,150	\$ 477	\$ 63,627
Gross charge-offs YTD	\$ 201	\$ 69	\$ 62	\$ 14	\$ -	\$ -	\$ 346	\$ -	\$ 346

The following table presents collateral-dependent loans grouped by portfolio segment as of December 31, 2025 and 2024:

	(In Thousands)	
	Collateral Dependent Loans	
	December 31, 2025	December 31, 2024
Consumer Real Estate	\$ 4,016	\$ 2,384
Agricultural Real Estate	1,433	125
Agricultural	5,261	50
Commercial Real Estate	141	360
Commercial & Industrial	40	28
Consumer	14	41
Total	<u>\$ 10,905</u>	<u>\$ 2,988</u>

The Bank periodically evaluates collateral asset values for collateral dependent loans to determine fair value and to measure any anticipated shortfall. Maximum time of re-evaluation is every 12 months for chattels and titled vehicles and every two years for real estate. In this process, third party evaluations are obtained. Until such time that updated appraisals are received, the Bank may discount the collateral value used.

The collateral securing the agricultural collateral dependent loans as of December 31, 2025 includes primarily farmland and rental properties, and to a lesser extent, farm and transportation equipment.

The specific reserve portion of the ACL for collateral dependent loans was \$145 thousand and \$52 thousand at December 31, 2025 and 2024, respectively.

The Company periodically modifies a loan for a borrower experiencing financial difficulty in an effort to enhance the borrowers' performance on the note. Modification programs focused on payment pattern changes and/or modified maturity dates with most receiving a combination of the two concessions. The modifications normally do not result in the contractual forgiveness of principal. No modifications to borrowers experiencing financial difficulty were made during 2025 or 2024.

For the years ended December 31, 2025 and 2024, there were no modifications to borrowers experiencing financial difficulty that subsequently defaulted after modification.

As of December 31, 2025, the Company had no foreclosed residential real estate property obtained by physical possession and \$1.4 million of consumer real estate loans secured by residential real estate properties for which foreclosure proceedings were in process according to local jurisdictions. This compares to the Company having no foreclosed residential real estate property obtained by physical possession and \$890 thousand of consumer real estate loans secured by residential real estate properties for which foreclosure proceedings were in process according to local jurisdictions as of December 31, 2024.

On January 1, 2023, the Company adopted Accounting Standards Update ("ASU") No. 2016-13 - "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" and implemented the current expected credit losses accounting standard. As a result, the Company recorded a one-time adjustment from equity into the allowance for credit losses and unfunded commitment liability in the amount of \$4.5 million, or \$3.4 million, net of tax.

Allowance for Credit Losses (ACL) has a direct impact on the provision expense. An increase in the ACL is funded through recoveries and provision expense.

The Company segregates its allowance into two reserves: The Allowance for Credit Losses (ACL) and the Allowance for Unfunded Loan Commitments and Letters of Credit (AULC). When combined, these reserves constitute the total ACL calculated under the Current Expected Credit Losses (CECL) methodology.

The following tables present the activity within the ACL for each portfolio segment and shows the contribution provided by both the recoveries and the provision along with the reduction of the allowance caused by charge-offs for the years ended December 31, 2025 and 2024:

	(In Thousands)							
	Consumer Real Estate	Agricultural Real Estate	Agricultural	Commercial Real Estate	Commercial and Industrial	Consumer	Other	Total
2025								
ALLOWANCE FOR CREDIT LOSSES								
Beginning balance	\$ 3,543	\$ 895	\$ 285	\$ 16,560	\$ 2,969	\$ 1,012	\$ 562	\$ 25,826
Provision for (recovery of) credit losses - loans	738	(160)	179	844	533	478	(16)	2,596
Charge-offs	(20)	-	-	-	(250)	(758)	-	(1,028)
Recoveries	5	-	10	24	34	221	-	294
Ending Balance	<u>\$ 4,266</u>	<u>\$ 735</u>	<u>\$ 474</u>	<u>\$ 17,428</u>	<u>\$ 3,286</u>	<u>\$ 953</u>	<u>\$ 546</u>	<u>\$ 27,688</u>

	(In Thousands)
	Unfunded Loan Commitment & Letters of Credit
2025	
ALLOWANCE FOR UNFUNDED LOAN COMMITMENTS AND LETTERS OF CREDIT	
Beginning balance	\$ 1,541
Recovery of credit losses - off balance sheet credit exposures	(506)
Ending Balance	<u>\$ 1,035</u>

	(In Thousands)							
	Consumer Real Estate	Agricultural Real Estate	Agricultural	Commercial Real Estate	Commercial and Industrial	Consumer	Other	Total
2024								
ALLOWANCE FOR CREDIT LOSSES								
Beginning balance	\$ 3,581	\$ 312	\$ 336	\$ 17,400	\$ 1,766	\$ 1,302	\$ 327	\$ 25,024
Provision for (recovery of) credit losses - loans	(31)	583	(52)	(834)	1,176	(133)	235	944
Charge-offs	(13)	-	-	(15)	(106)	(346)	-	(480)
Recoveries	6	-	1	9	133	189	-	338
Ending Balance	<u>\$ 3,543</u>	<u>\$ 895</u>	<u>\$ 285</u>	<u>\$ 16,560</u>	<u>\$ 2,969</u>	<u>\$ 1,012</u>	<u>\$ 562</u>	<u>\$ 25,826</u>

	(In Thousands)
	Unfunded Loan Commitment & Letters of Credit
2024	
ALLOWANCE FOR UNFUNDED LOAN COMMITMENTS AND LETTERS OF CREDIT	
Beginning balance	\$ 2,212
Recovery of credit losses - off balance sheet credit exposures	(671)
Ending Balance	<u>\$ 1,541</u>

Note 5 – Premises and Equipment

The major categories of banking premises and equipment and accumulated depreciation at December 31 are summarized below:

	(In Thousands)	
	2025	2024
Land	\$ 6,803	\$ 6,803
Buildings (useful life 15-39 years)	41,636	41,306
Furnishings (useful life 3-15 years)	31,289	31,378
	79,728	79,487
Less: Accumulated depreciation	(47,864)	(45,659)
Premises and Equipment (Net)	<u>\$ 31,864</u>	<u>\$ 33,828</u>

Depreciation expense for the years ended December 31, 2025, 2024 and 2023 amounted to \$3.6, \$3.8 and \$3.4 million, respectively.

Note 6 - Leases

The Bank leases space for retail branches, LPOs and ATMs. Our leases have remaining lease terms of 4 months to just under 13 years, some of which may include options to renew the leases and some of which may include options to terminate the leases prior to the end date of the lease term. The Bank does receive rental income for the leasing of available space.

The below tables provide information on the Bank's operating leases:

	(In Thousands)		
	December 31, 2025	December 31, 2024	December 31, 2023
Operating lease cost ⁽¹⁾	\$ 1,125	\$ 979	\$ 540
Operating cash flows ⁽²⁾	\$ 90	\$ 42	\$ 45

⁽¹⁾ Included in net occupancy expense on Company's consolidated statement of income

⁽²⁾ Included in customer service fees on Company's consolidated statement of income

	(In Thousands)	
	December 31, 2025	December 31, 2024
Operating lease assets ⁽¹⁾	\$ 5,594	\$ 6,403
Operating lease liabilities ⁽²⁾	\$ 5,740	\$ 6,403

⁽¹⁾ Included in other assets on Company's consolidated balance sheets

⁽²⁾ Included in accrued interest and other liabilities on Company's consolidated balance sheets

Operating lease term and discount rates of our lessee arrangements at December 31, 2025 and 2024 were as follows:

	December 31, 2025	December 31, 2024
Weighted average remaining lease term (years)	8.12	11.07
Weighted average discount rate	4.46%	5.49%

The future lease payments based on maturity for our lessee liability arrangements at December 31, 2025 are as follows:

	(In Thousands)
2026	\$ 962
2027	911
2028	832
2029	776
2030	779
2031 and thereafter	2,555
Total future lease payments	\$ 6,815
Less: interest	1,075
Present value of operating lease liability arrangements	\$ 5,740

Note 7 - Servicing

Loans serviced for others are not included in the accompanying Company's consolidated balance sheets. The unpaid principal balances of 1-4 family real estate loans serviced for others were \$362.6 and \$364.3 million at December 31, 2025 and 2024, respectively. Unpaid principal balances of agricultural real estate loans serviced for others were \$153.4 million at December 31, 2025 and \$141.9 million at December 31, 2024.

The balance of capitalized servicing rights at December 31, 2025 and 2024 for 1-4 family real estate loans, was \$3.6 million and \$3.5 million, respectively. Agricultural real estate loan servicing rights, established in 2023, were \$2.4 million and \$2.2 million at December 31, 2025 and 2024, respectively. The capitalized addition of servicing rights is included in loan servicing income on the Company's consolidated statement of income.

The fair value of the capitalized servicing rights for 1-4 family real estate loans as of December 31, 2025 and 2024 was \$4.5 million and \$4.8 million, respectively. Capitalized servicing rights for agricultural real estate loans had a fair value of \$1.5 million and \$2.7 million as of December 31, 2025 and 2024. The valuations were completed by stratifying the loans into like groups based on loan type and term. Impairment was measured by estimating the fair value of each stratum, taking into consideration an estimated level of prepayment based upon current market conditions. An average constant prepayment rate for 1-4 family real estate loans of 9.8% and 6.1% were utilized for December 31, 2025 and 2024, respectively. Agricultural real estate loans utilize an average constant prepayment rate based on the Bank's last twelve months of data. The average monthly constant prepayment rate was 1.054% and 0.184% for fixed rate agricultural loans at December 31, 2025 and 2024, respectively. In 2025, two 1-4 family real estate strata, which included 72 of the total 3,597 loans, were slightly below the carrying value using a discount yield of 5.48% which resulted in the need to establish an additional \$3 thousand valuation allowance for a total valuation allowance of \$5 thousand. In 2024, two 1-4 family real estate strata, which included 82 of the total 3,677 loans, were slightly below the carrying value using a discount yield of 5.98% which resulted in the need to establish a \$2 thousand valuation allowance. At December 31, 2025, the carrying value of all fourteen agricultural real estate strata, which included 658 loans, using an approximate discount rate of 7.97% were higher than the fair value requiring an additional \$783 thousand valuation allowance to be established for a total valuation allowance of \$878 thousand. During 2024, the carrying value of 10 agricultural real estate strata, which included 33 of the total 619

loans, using an approximate discount rate of 8.62% were higher than fair value requiring a \$95 thousand valuation allowance to be established.

The following summarizes servicing rights capitalized and amortized during each year:

	(In Thousands)	
	2025	2024
Beginning of Year	\$ 5,753	\$ 5,655
Capitalized Additions	1,103	826
Amortization	(798)	(728)
Ending Balance, December 31	6,058	5,753
Valuation Allowance	(883)	(97)
Servicing Rights net, December 31	<u>\$ 5,175</u>	<u>\$ 5,656</u>

Note 8 - Deposits

Time deposits as of December 31 consist of the following:

	(In Thousands)	
	2025	2024
Time deposits under \$250,000	\$ 433,307	\$ 505,949
Time deposits of \$250,000 or more	164,478	141,632
	<u>\$ 597,785</u>	<u>\$ 647,581</u>

At December 31, 2025 the scheduled maturities for time deposits are as follows:

	(In Thousands)
2026	\$ 482,056
2027	77,090
2028	28,895
2029	4,966
2030	4,617
Thereafter	161
	<u>\$ 597,785</u>

Note 9 – Federal Funds Purchased and Securities Sold Under Agreement to Repurchase

The Bank's policy requires qualifying securities to be used as collateral for the underlying repurchase agreements. As of December 31, 2025 and 2024, securities with a fair value of \$40.3 million and \$43.0 million, respectively, were pledged to secure the repurchase agreements. The table below presents the daily securities sold under agreement to repurchase and the term repurchase agreements. It does not include the Bank's federal funds purchased.

Daily Securities Sold Under Agreement to Repurchase

	Amount Outstanding at End of Period (000's)	Weighted Average Rate End of Period	Maximum Amount Borrowings Outstanding Month End (000's)	Approximate Average Outstanding in Period (000's)	Approximate Weighted Average Interest Rate For the Period
2025	\$ -	0.00%	\$ 1,663	\$ 71	0.10%
2024	\$ -	0.00%	\$ 523	\$ 79	3.77%

Securities Sold Under Agreement to Repurchase

	Amount Outstanding at End of Period (000's)	Weighted Average Rate End of Period	Maximum Amount Borrowings Outstanding Month End (000's)	Approximate Average Outstanding in Period (000's)	Approximate Weighted Average Interest Rate For the Period
2025	\$ 22,718	0.87%	\$ 27,218	\$ 26,028	3.98%
2024	\$ 27,218	0.99%	\$ 27,218	\$ 27,574	4.00%

The Company had \$15.0 million of federal funds purchased as of December 31, 2025 and no federal funds purchased as of December 31, 2024. The \$22.7 million in securities sold under agreements to repurchase were comprised of U.S. Treasuries and government agency securities. The table below shows the remaining contractual maturity in the repurchase agreements and the collateral pledged as of December 31, 2025:

	(In Thousands)				
	December 31, 2025				
	Remaining Contractual Maturity of the Agreements				
	Overnight & Continuous	Up to 30 days	30-90 days	Greater Than 90 days	Total
Federal funds purchased	\$ 15,000	\$ -	\$ -	\$ -	\$ 15,000
Repurchase agreements					
US Treasury & agency securities	-	-	-	22,718	22,718
Total	\$ 15,000	\$ -	\$ -	\$ 22,718	\$ 37,718

Note 10 – Borrowings and Subordinated Notes**Federal Home Loan Bank Advances**

Long term debt consists of various loans from the Federal Home Loan Banks. Repayment structures vary, ranging from monthly installments, annual payments or upon maturity. Interest payments are due monthly. Total borrowings were \$227.4 million excluding an amortizing \$26 thousand for fair value related to the acquisitions with a weighted average rate of 4.07% for December 31, 2025 compared to \$246.1 million excluding an amortizing \$39 thousand for fair value with a weighted average rate of 4.21% for December 31, 2024. In 2024, the Bank entered a \$15 million, 10 year, 3 month Bermudan Putable advance with a fixed rate of 3.40% and quarterly put options owned by FHLB. The put options have not been exercised to date and the next possible putable exercise date is February 6, 2026. This advance is included with the 2026 maturities in the below table. The advances were secured by a pledge of \$191.6 and \$202.0 million of 1-4 family real estate and HELOC loans as of December 31, 2025 and 2024, respectively under a blanket collateral agreement. The Bank has also pledged eligible commercial real estate loans of \$231.8 and \$369.5 million as of December 31, 2025 and December 31, 2024, respectively, to the FHLB. During the second quarter of 2024, the Bank also began pledging eligible multi-family real estate loans to the FHLB which amounted to \$29.1 and \$47.7 million as of December 31, 2025 and December 31, 2024, respectively.

The advances are subject to pre-payment penalties and the provisions and conditions of the credit policy of the Federal Home Loan Bank. The table below shows the maturities of the borrowings outstanding at December 31, 2025, exclusive of the fair value adjustment.

	(In Thousands)	
2026	\$	105,000
2027		48,152
2028		74,251
Total	\$	<u>227,403</u>

The Bank also had access to \$167.9 million and \$163.7 million through a Cash Management Advance with the Federal Home Loan Bank as of December 31, 2025 and December 31, 2024, respectively. An additional \$103.4 million at December 31, 2025, and \$159.5 million at December 31, 2024, were available from the Federal Home Loan Bank based on current pledging.

Other

The Bank had access to \$213 million, which includes a new \$50 million line of credit, and \$163 million of unsecured borrowings through correspondent banks as of December 31, 2025 and December 31, 2024, respectively. The Bank had a borrowing capacity under the Federal Reserve's Discount Window of \$28.3 million and \$29.9 million at December 31, 2025 and 2024, respectively. The Company has established a \$15 million variable line of credit tied to prime with a correspondent bank that matures on September 27, 2027. As of December 31, 2025, there were no outstanding borrowings on the line of credit.

Subordinated Notes

The Company has \$35 million aggregate principal amount of 3.25% fixed-to-floating rate subordinated notes due July 30, 2031 (the “Notes”). The Notes qualify as Tier 2 capital for regulatory purposes until July 30, 2026. Beginning July 31, 2026, the Note amount that qualifies as Tier 2 capital is reduced in proportionate amounts until July 30, 2031.

Interest on the Notes accrues at a rate equal to (i) 3.25% per annum from the original issue date of July 2021 to, but excluding, the five-year anniversary, payable semi-annually in arrears, and (ii) a floating rate per annum equal to a benchmark rate, which is expected to be the Three-Month Term SOFR (as defined in the Notes), plus a spread of 263 basis points from and including the five-year anniversary until maturity, payable quarterly in arrears. Beginning on or after the fifth anniversary of the issue date through maturity, the Notes may be redeemed, at the Company’s option, on any scheduled interest payment date. Any redemption will be at a redemption price equal to 100% of the principal amount of Notes being redeemed, plus accrued and unpaid interest.

(In Thousands)	December 31, 2025		December 31, 2024	
	Principal	Unamortized	Principal	Unamortized
		Note Issuance		Note Issuance
		Costs		Costs
Subordinated Notes	\$ 35,000	\$ (67)	\$ 35,000	\$ (182)

Note 11 – Income Taxes

The components of income tax expense for the years ended December 31 are as follows:

	(In Thousands)		
	2025	2024	2023
Current:			
Federal	\$ 8,846	\$ 6,144	\$ 3,052
State	496	184	287
Total current	9,342	6,328	3,339
Deferred:			
Federal	(119)	271	2,182
State	(7)	36	46
Total deferred	(126)	307	2,228
Total Income Tax	\$ 9,216	\$ 6,635	\$ 5,567

The following is a reconciliation of the statutory federal income tax rate to the effective tax rate:

	2025		2024		2023	
	Amount (000's)	% of Pretax Income	Amount (000's)	% of Pretax Income	Amount (000's)	% of Pretax Income
Federal income tax at statutory rates	\$ 8,930	21.00%	\$ 6,840	21.00%	\$ 5,954	21.00%
(Decrease) increase resulting from:						
State income tax, net of federal benefit	386	0.91%	174	0.53%	264	0.93%
Tax exempt interest	(121)	-0.29%	(106)	-0.32%	(129)	-0.46%
Investments reported under proportional amortization method	46	0.11%	65	0.20%	-	0.00%
Section 831 deduction	-	0.00%	-	0.00%	(187)	-0.66%
Other	(25)	-0.06%	(338)	-1.04%	(335)	-1.18%
Total Income Tax	\$ 9,216	21.67%	\$ 6,635	20.37%	\$ 5,567	19.63%

Deferred tax assets and liabilities at December 31 are comprised of the following:

	(In Thousands)	
	2025	2024
Deferred Tax Assets:		
Allowance for credit losses	\$ 6,332	\$ 6,009
Deferred compensation	564	578
Net unrealized loss on available-for-sale securities	3,160	6,705
Fair value adjustments	127	623
Other	173	58
Total deferred tax assets	<u>10,356</u>	<u>13,973</u>
Deferred Tax Liabilities:		
Accreted discounts on bonds	312	169
Depreciation	1,870	2,066
FHLB stock dividends	580	762
Intangible amortization	1,941	2,178
Loan servicing rights	1,141	1,247
Prepays	605	560
Other	796	462
Total deferred tax liabilities	<u>7,245</u>	<u>7,444</u>
Net Deferred Tax Asset	<u>\$ 3,111</u>	<u>\$ 6,529</u>

For the years ended December 31, 2025, 2024 and 2023, all state income taxes were paid to the State of Indiana.

The Peoples Federal Savings and Loan acquisition included a net operating loss (NOL) carryforward of approximately \$2.8 million that had a remaining balance of \$824 thousand and \$1.4 million at December 31, 2025 and 2024, respectively. The NOL carryforward will expire in 2027.

The Company has additional paid-in capital that is considered restricted resulting from the acquisition of Perpetual in 2021 of approximately \$2.8 million and from the acquisition of Peoples in 2022 of approximately \$2.2 million. No deferred tax liability is required to be recorded for the Company's tax bad debt reserves arising before December 31, 1987, unless it is apparent that the reserves will reverse in the near future. Unrecognized deferred taxes on these reserves would total \$1.0 million. If the portion of retained earnings representing these reserves is used for any purpose other than to absorb bad debts, it will be added to future taxable income and the related tax will be recognized as expense.

Note 12 - Employee Benefit Plans

The Bank has established a 401(k) defined contribution plan which allows eligible employees to save at a minimum one percent of eligible compensation on a pre-tax or post-tax basis, subject to certain Internal Revenue Service limitations. The Bank will match 50% of employee 401(k) contributions up to six percent of total eligible compensation. In addition, the Bank may make a discretionary contribution from time to time as is deemed advisable. A participant is 100% vested in the participant's deferral contributions. Employer matching contributions are funded each payroll period and are immediately vested. Non-elective employer contributions are immediately vested at 100%. Employees are immediately eligible upon hire to contribute to the plan and receive matching contributions. In order to be eligible for discretionary contributions, employees must work 1,000 hours in the plan year and be employed on the last day of the year. Contributions expensed for the 401(k) profit sharing plan for both the employer matching contribution and the discretionary contribution were \$2.1 million, \$2.0 million and \$1.4 million for 2025, 2024 and 2023, respectively.

Restricted Stock Awards

The Company has a Long-Term Stock Incentive Plan which provides for shares of the Company's restricted stock to be issued to employees. Under the plan, the shares generally vest 100% in three years. During the 3 year vesting period, the employees receive dividends or dividend equivalent compensation on the shares. Compensation expense applicable to the

restricted stock awards totaled \$1.4 million, \$1.4 million and \$1.3 million for the years ending December 31, 2025, 2024, and 2023, respectively.

The table below summarizes the details of the restricted shares issued, vested, and forfeited for the years ending December 31, 2025, 2024 and 2023:

	Year Ended December 31,					
	2025		2024		2023	
	Number of Shares	Number of Employees	Number of Shares	Number of Employees	Number of Shares	Number of Employees
Restricted shares issued	60,673	131	60,169	111	64,225	113
Restricted shares vested	41,800	81	38,825	74	32,427	69
Restricted shares awarded due to retirement	5,682	2	8,700	2	2,350	4
Restricted shares awarded for other	-	-	-	-	700	1
Restricted shares forfeited	6,707	13	5,811	7	6,350	8

The following table summarizes the activity of restricted stock awards as of December 31:

	Year Ended December 31,					
	2025		2024		2023	
	Number of Shares	Weighted average fair value per award	Number of Shares	Weighted average fair value per award	Number of Shares	Weighted average fair value per award
Beginning of period	158,183	\$ 25.17	151,350	\$ 25.00	128,952	\$ 25.75
Granted	60,673	26.09	60,169	24.13	64,225	22.24
Vested	(47,482)	30.00	(47,525)	23.42	(35,477)	22.54
Forfeited	(6,707)	25.94	(5,811)	24.89	(6,350)	21.72
Nonvested, end of period	<u>164,667</u>	\$ 24.13	<u>158,183</u>	\$ 25.17	<u>151,350</u>	\$ 25.00

As of December 31, 2025, there was \$2.1 million of unrecognized compensation cost related to the nonvested portion of restricted stock awards under the plan to be recognized over the next three years.

Note 13 – Earnings Per Share

The Compensation Committee of the Company has determined that it is appropriate to award shares of the common stock of the Company to Directors, whether outside or also an officer of the Company or the Bank, as a portion of their retainer for services rendered. The Committee believes that it is appropriate to award the Directors shares equal to a specific dollar amount, rounded to the nearest whole share on an annual basis commencing on June 5, 2020 and thereafter on the first Thursday of June. Directors receive a prorated dollar value of shares for a partial year of service. The value for the shares is to be based upon the prior day closing price. On June 5, 2025, ten Directors each received \$17,496 which equated to 762 shares and one Director received \$6,704 which equated to 292 shares. On July 29, 2025, one new Director received 288 prorated shares worth \$7,436. On June 7, 2024, twelve Directors each received \$15,007 worth of shares which equated to 716 shares while one Director received a prorated dollar amount of \$5,911 which equated to 282 shares. On December 5, 2024, one new Director received 54 prorated shares worth approximately \$1,730. On June 2, 2023, twelve Directors each received

\$14,997 worth of shares which equated to 754 shares. The use of stock for Directors' retainer, does not have an effect on diluted earnings per share as it is immediately vested.

The table below presents basic and diluted earnings per share for the years ended December 31, 2025, 2024, and 2023:

	(In Thousands, Except Per Share Data)		
	Year Ended		
	December 31, 2025	December 31, 2024	December 31, 2023
Earnings per share			
Net income	\$ 33,309	\$ 25,938	\$ 22,787
Less: distributed earnings allocated to participating securities	(153)	(143)	(128)
Less: undistributed earnings allocated to participating securities	(254)	(362)	(120)
Net earnings available to common shareholders	<u>\$ 32,902</u>	<u>\$ 25,433</u>	<u>\$ 22,539</u>
Weighted average common shares outstanding including participating securities	13,727,541	13,684,961	13,641,336
Less: average unvested restricted shares	<u>(167,668)</u>	<u>(266,232)</u>	<u>(148,433)</u>
Weighted average common shares outstanding	<u>13,559,873</u>	<u>13,418,729</u>	<u>13,492,903</u>
Basic and diluted earnings per share	<u>\$ 2.43</u>	<u>\$ 1.90</u>	<u>\$ 1.67</u>

Note 14 – Related Party Transactions

In the ordinary course of business, the Bank has granted loans to senior officers and directors and their affiliated companies amounting to \$2.4 million and \$56.2 million at December 31, 2025 and 2024, respectively. Two new loans were approved during 2025 for \$416 thousand. During 2025, subsequent advances totaled \$130 thousand and payments of \$19.5 million were received. Loans of \$34.8 million at December 31, 2024 were no longer reportable in 2025 due to changes in the Board composition and/or their outside related responsibilities. The difference in related borrowings amounted to \$53.8 million, net decrease. Deposits of directors, executive officers and companies in which they have a direct or indirect ownership as of December 31, 2025 and 2024, amounted to \$8.3 million and \$43.2 million, respectively.

Note 15 - Off Balance Sheet Activities

Credit Related Financial Instruments

The Bank is a party to credit related financial instruments with off balance sheet risk in the normal course of business to meet the financing need of its customers. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the Company's consolidated balance sheets.

The Bank's exposure to credit loss is represented by the contractual amount of these commitments. The Bank follows the same credit policies in making commitments as it does for on-balance sheet instruments. The allowance for credit losses as it relates to unfunded loan commitments (AULC) is included under other liabilities (see Note 4).

At December 31, 2025 and 2024, the following financial instruments were outstanding whose contract amounts represent credit risk:

	(In Thousands)	
	2025	2024
Commitments to extend credit	\$ 635,100	\$ 594,419
Standby letters of credit	2,517	184

Commitments to extend credit and Standby Letters of Credit all include exposure to some credit loss in the event of nonperformance of the customer. The Bank's credit policies and procedures for credit commitments and financial guarantees are the same as those for extensions of credit that are recorded in the financial statements. Due to the fact that these instruments have fixed maturity dates, and because many of them expire without being drawn upon, they generally do not present any significant liquidity risk to the Bank.

Collateral Requirements

To reduce credit risk related to the use of credit-related financial instruments, the Bank might deem it necessary to obtain collateral. The amount and nature of the collateral obtained is based on the Bank's credit evaluation of the customer. Collateral held varies but may include cash, securities, accounts receivable, inventory, property, plant, and real estate.

Legal Contingencies

Various legal claims also arise from time to time in the normal course of business, which, in the opinion of management, will have no material effect on the Company's consolidated financial statements.

Note 16 - Minimum Regulatory Capital Requirements

The Company (on a consolidated basis) and 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 Company's and Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off balance sheet items as calculated under regulatory accounting practices.

The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Prompt corrective action provisions are not applicable to bank holding companies.

Quantitative measures established by the Basel III Capital Rules, the comprehensive capital framework for U.S. banking organizations, to ensure capital adequacy require the maintenance of minimum amounts and ratios (set forth in the table below) of Common Equity Tier 1 capital, Tier 1 capital and Total capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital to adjusted quarterly average assets (as defined).

In connection with the adoption of the Basel III Capital Rules, we elected to opt-out of the requirement to include most components of accumulated other comprehensive income in Common Equity Tier 1.

Common Equity Tier 1 is reduced by goodwill and other intangible assets, net of associated deferred tax liabilities, and subject to transition provisions.

The Common Equity Tier 1, Tier 1 and Total capital ratios are calculated by dividing the respective capital amounts by risk-weighted assets. Risk-weighted assets are calculated based on regulatory requirements and include total assets, with certain exclusions, allocated by risk weight category, and certain off balance sheet items, among other things. The leverage ratio is calculated by dividing Tier 1 capital by adjusted quarterly average total assets, which exclude goodwill and other intangible assets, among other things.

The Basel III Capital Rules require the Company and Bank to maintain (i) a minimum ratio of Common Equity Tier 1 capital to risk-weighted assets of at least 4.5%, plus a 2.5% “capital conservation buffer” (which is added to the 4.5% Common Equity Tier 1 capital ratio, effectively resulting in a minimum ratio of Common Equity Tier 1 capital to risk-weighted assets of at least 7.0%), (ii) a minimum ratio of Tier 1 capital to risk-weighted assets of at least 6.0%, plus the capital conservation buffer (which is added to the 6.0% Tier 1 capital ratio, effectively resulting in a minimum Tier 1 capital ratio of 8.5%), (iii) a minimum ratio of Total capital (that is, Tier 1 plus Tier 2) to risk-weighted assets of at least 8.0%, plus the capital conservation buffer (which is added to the 8.0% total capital ratio, effectively resulting in a minimum total capital ratio of 10.5%) and (iv) a minimum leverage ratio of 4.0%, calculated as the ratio of Tier 1 capital to average quarterly assets.

The capital conservation buffer is designed to absorb losses during periods of economic stress and, as detailed above, effectively increases the minimum required risk-weighted capital ratios. Banking institutions with a ratio of Common Equity Tier 1 capital to risk-weighted assets below the effective minimum (4.5% plus the capital conservation buffer) will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall.

Management believes, as of December 31, 2025, that the Bank meets all the capital adequacy requirements to which it is subject.

As of December 31, 2025, the most recent notification from the FDIC indicated the Bank was categorized as well capitalized under the regulatory framework for prompt corrective action. To remain categorized as well capitalized, the Bank will have to maintain minimum total risk-based, Tier I risk-based, Common Equity Tier 1 and Tier I leverage ratios as disclosed in the table to follow. There are no conditions or events since the most recent notification that management believes have changed the Bank’s prompt corrective action category.

The following tables present actual and required capital ratios as of December 31, 2025 and December 31, 2024 under the Basel III Capital Rules. Capital levels required to be considered well capitalized are based upon prompt corrective action regulations, as amended to reflect the changes under the Basel III Capital Rules.

The Company and Bank's actual and required capital amounts and ratios as of December 31, 2025 and 2024 are as follows:

As of December 31, 2025	Actual		Minimum Capital Required		Required to be Considered Well-Capitalized	
	(000's) Amount	Ratio	(000's) Amount	Ratio	(000's) Amount	Ratio
Common Equity Tier 1 Capital (to Risk Weighted Assets):						
Consolidated	\$ 292,403	10.68%	\$ 123,226	4.50%	\$ 177,992	6.50%
Farmers & Merchants State Bank	315,009	11.51%	123,176	4.50%	177,921	6.50%
Total Risk-Based Capital (to Risk Weighted Assets):						
Consolidated	355,216	12.97%	219,068	8.00%	273,835	10.00%
Farmers & Merchants State Bank	342,889	12.53%	218,979	8.00%	273,724	10.00%
Tier 1 Capital (to Risk Weighted Assets):						
Consolidated	292,403	10.68%	164,301	6.00%	219,068	8.00%
Farmers & Merchants State Bank	315,009	11.51%	164,234	6.00%	218,979	8.00%
Tier 1 Leverage Capital (to Adjusted Total Assets):						
Consolidated	292,403	8.81%	132,799	4.00%	165,999	5.00%
Farmers & Merchants State Bank	315,009	9.47%	133,119	4.00%	166,399	5.00%

As of December 31, 2024	Actual		Minimum Capital Required		Required to be Considered Well-Capitalized	
	(000's) Amount	Ratio	(000's) Amount	Ratio	(000's) Amount	Ratio
Common Equity Tier 1 Capital (to Risk Weighted Assets):						
Consolidated	\$ 268,308	10.44%	\$ 115,611	4.50%	\$ 166,993	6.50%
Farmers & Merchants State Bank	292,845	11.40%	115,583	4.50%	166,954	6.50%
Total Risk-Based Capital (to Risk Weighted Assets):						
Consolidated	328,808	12.80%	205,530	8.00%	256,913	10.00%
Farmers & Merchants State Bank	318,527	12.40%	205,482	8.00%	256,852	10.00%
Tier 1 Capital (to Risk Weighted Assets):						
Consolidated	268,308	10.44%	154,148	6.00%	205,530	8.00%
Farmers & Merchants State Bank	292,845	11.40%	154,111	6.00%	205,482	8.00%
Tier 1 Leverage Capital (to Adjusted Total Assets):						
Consolidated	268,308	8.12%	132,235	4.00%	165,294	5.00%
Farmers & Merchants State Bank	292,845	8.81%	132,967	4.00%	166,209	5.00%

The above tables exclude the capital conservation buffer requirements.

Note 17 - Restrictions of Dividends & Inter-company Borrowings

The Bank is restricted as to the amount of dividends that can be paid. Dividends declared by the Bank that exceed the net income for the current year plus retained income for the preceding two years must be approved by federal and state regulatory agencies. Under this formula, dividends of \$52.7 million may be paid without prior regulatory approval. Regardless of formal regulatory restrictions, the Bank may not pay dividends that would result in its capital levels being reduced below the minimum requirements shown above. Under current Federal Reserve regulations, the Bank is limited as to the amount and type of loans it may make to the Company. These loans are subject to qualifying collateral requirements on which the amount of the loan may be based.

Note 18 - Derivative Financial Instruments

The Bank entered into three pay-fixed receive variable interest rate swap transactions, with a combined notional value of \$100 million, designated and qualifying as accounting hedges during the last quarter of 2023.

The following table presents amounts that were recorded on the Company's consolidated balance sheets related to cumulative basis adjustments for interest rate swap derivatives designated as fair value accounting hedges as of December 31, 2025 and 2024:

Line Item in the Consolidated Balance Sheets in which the Hedged Item is Included	(In Thousands)			
	Carrying Amount of the Hedged Assets December 31, 2025	Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Assets December 31, 2025	Carrying Amount of the Hedged Assets December 31, 2024	Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Assets December 31, 2024
Loans	\$ 214,513	\$ 1,719	\$ 249,127	\$ 1,074

The following table presents a summary of interest rate swap derivatives designated as fair value accounting hedges of fixed-rate receivables used in the Bank's asset/liability management activities at December 31, 2025 and 2024, identified by the underlying interest rate-sensitive instruments:

Instruments Associated With	Notional Value (000's)	Weighted Average Remaining Maturity (years)	Fair Value (000's)	Weighted Average Rate	
				Receive	Pay
Loans	\$ 100,000	1.6	\$ (1,555)	USD-SOFR-OIS	4.47%
Total swap portfolio at December 31, 2025	\$ 100,000	1.6	\$ (1,555)	USD-SOFR-OIS	4.47%

Instruments Associated With	Notional Value (000's)	Weighted Average Remaining Maturity (years)	Fair Value (000's)	Weighted Average Rate	
				Receive	Pay
Loans	\$ 100,000	2.6	\$ (976)	USD-SOFR-OIS	4.47%
Total swap portfolio at December 31, 2024	\$ 100,000	2.6	\$ (976)	USD-SOFR-OIS	4.47%

These derivative financial instruments were entered into for the purpose of managing the interest rate risk of certain assets and liabilities. The Bank pledged \$2.3 million of cash collateral to counterparties as security for its obligations related to these interest rate swap transactions at both December 31, 2025 and 2024. Collateral posted and received is dependent on the market valuation of the underlying hedges.

The following table presents the notional amount and fair value of interest rate swaps utilized by the Bank at December 31, 2025 and 2024:

	(In Thousands)			
	December 31, 2025		December 31, 2024	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Asset Derivatives				
Derivatives designated as hedging instruments				
Interest rate swaps associated with loans	\$ -	\$ -	\$ -	\$ -
Total contracts	\$ -	\$ -	\$ -	\$ -
Liability Derivatives				
Derivatives designated as hedging instruments				
Interest rate swaps associated with loans	\$ 100,000	\$ (1,555)	\$ 100,000	\$ (976)
Total contracts	\$ 100,000	\$ (1,555)	\$ 100,000	\$ (976)

The following table presents the effects of the Bank's interest rate swap agreements on the Company's consolidated statements of income during the years ended December 31, 2025 and 2024.

Line Item in the Consolidated Statements of Income	(In Thousands)		
	December 31, 2025	December 31, 2024	December 31, 2023
Interest Income			
Loans, including fees	\$ (153)	\$ 59	\$ 40
Other	99	687	144
Total interest income	\$ (54)	\$ 746	\$ 184

Note 19 - Qualified Affordable Housing Project Investments

The Company invests in certain qualified affordable housing projects. The Company has elected to account for its investment in qualified affordable housing projects using the proportional amortization method. Under the proportional amortization method, an investor amortizes the initial cost of the investment to income tax expense in proportion to the tax credits and other tax benefits received and recognizes the net investment performance in the income statement as a component of income tax expense. See Note 11 of the Notes to the Consolidated Financial Statements.

At December 31, 2025 and December 31, 2024, the balance of the Company's investments in qualified affordable housing projects was \$3.1 million and \$3.6 million, respectively. This balance is reflected in the other assets line on the consolidated balance sheets. The unfunded commitments related to the investments in qualified affordable housing projects totaled \$418 thousand and \$880 thousand at December 31, 2025 and December 31, 2024, respectively. This balance is reflected in the accrued expense and other liabilities line on the consolidated balance sheets.

The Company did not incur any impairment losses related to its investments in qualified affordable housing projects in 2025 or 2024.

The following tables present the Company's investments in qualified affordable housing projects as of December 31, 2025 and 2024 along with the related expenses and tax credits recognized for the years ended December 31, 2025 and 2024:

	(In Thousands)	
	December 31, 2025	December 31, 2024
Low-income-housing tax credit investments	\$ 4,000	\$ 4,000
Unfunded commitments	(418)	(880)
Net funded low-income-housing tax credit investments	<u>\$ 3,582</u>	<u>\$ 3,120</u>

	(In Thousands)	
	Year to Date Ended	
	December 31, 2025	December 31, 2024
Amortization expense	\$ 436	\$ 422
Tax credits recognized	\$ 434	\$ 417

Note 20 - Fair Value of Financial Instruments

Fair values of financial instruments are management's estimate of the values at which the instruments could be exchanged in a transaction between willing parties. These estimates are subjective and may vary significantly from amounts that would be realized in actual transactions. In addition, other significant assets are not considered financial assets including deferred tax assets, Bank premises and equipment and intangibles. Further, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on the fair value estimates and have not been considered in any of the estimates.

Fair Value Measurements

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities in active markets that the Company has the ability to access.

Available-for-sale securities - When quoted prices are available in an active market, securities are valued using the quoted price and are classified as Level 1. The quoted prices are not adjusted.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Available-for-sale securities classified as Level 2 are valued using the prices obtained from an independent pricing service. The prices are not adjusted. Securities of obligations of state and political subdivisions are valued using a type of matrix, or grid, pricing in which securities are benchmarked against the treasury rate based on credit rating. Substantially all assumptions used by the independent pricing service 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.

Interest rate swaps classified as Level 2 are valued using the prices obtained from an independent pricing service and not adjusted. The fair value of interest rate swaps with a positive fair value are reported as assets while interest rate swaps with a negative fair value are reported as liabilities.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. The Bank holds four local municipals that the Bank evaluates based on the credit strength of the underlying project. The fair value is determined by valuing similar credit payment streams at similar rates.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Company's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The estimated fair values, and related carrying or notional amounts, for on and off balance sheet financial instruments not carried at fair value as of December 31, 2025 and 2024, are reflected below.

	(In Thousands)									
	December 31, 2025					December 31, 2024				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial Assets:										
Cash and cash equivalents	\$ 97,718	\$ 97,718	\$ 97,718	\$ -	\$ -	\$ 176,351	\$ 176,351	\$ 176,351	\$ -	\$ -
Interest-bearing time deposits	1,498	1,491	-	1,491	-	2,482	2,472	-	2,472	-
Other securities	13,032	13,032	-	-	13,032	14,400	14,400	-	-	14,400
Loans held for sale	3,934	3,934	-	-	3,934	2,996	2,996	-	-	2,996
Loans, net	2,685,990	2,653,152	-	-	2,653,152	2,536,043	2,485,297	-	-	2,485,297
Interest receivable	13,621	13,621	-	-	13,621	12,657	12,657	-	-	12,657
Financial Liabilities:										
Noninterest-bearing deposits	\$ 527,327	\$ 527,327	\$ 527,327	\$ -	\$ -	\$ 516,904	\$ 516,904	\$ 516,904	\$ -	\$ -
Interest-bearing deposits	1,605,623	1,605,435	-	-	1,605,435	1,522,280	1,521,097	-	-	1,521,097
Time deposits	597,785	596,189	-	-	596,189	647,581	644,849	-	-	644,849
Total Deposits	2,730,735	2,728,951	527,327	-	2,201,624	2,686,765	2,682,850	516,904	-	2,165,946
Fed funds purchased and securities sold under agreement to repurchase	37,718	37,718	-	-	37,718	27,218	27,218	-	-	27,218
Federal Home Loan Bank advances	227,377	228,232	-	-	228,232	246,056	245,373	-	-	245,373
Subordinated notes	34,933	33,834	-	33,834	-	34,818	31,983	-	31,983	-
Interest payable	5,950	5,950	-	-	5,950	6,618	6,618	-	-	6,618

The following tables presents information about the Company's assets and liabilities measured at fair value on a recurring basis as of December 31, 2025 and December 31, 2024 segregated by level within the fair value hierarchy utilized to measure fair value:

Assets and Liabilities Measured at Fair Value on a Recurring Basis (In Thousands)

December 31, 2025	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Observable Inputs (Level 3)
Assets-(Securities Available-for-Sale)			
U.S. Treasury	\$ 89,853	\$ -	\$ -
U.S. Government agencies	30,080	101,881	-
Mortgage-backed securities	-	143,382	-
State and local governments	1,483	53,938	1,455
Total Securities Available-for-Sale	\$ 121,416	\$ 299,201	\$ 1,455
Interest rate swaps liabilities	\$ -	\$ (1,555)	\$ -

December 31, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Observable Inputs (Level 3)
Assets-(Securities Available-for-Sale)			
U.S. Treasury	\$ 105,999	\$ -	\$ -
U.S. Government agencies	20,035	115,131	-
Mortgage-backed securities	-	120,631	-
State and local governments	-	63,133	1,627
Total Securities Available-for-Sale	\$ 126,034	\$ 298,895	\$ 1,627
Interest rate swaps liabilities	\$ -	\$ (976)	\$ -

The following tables present the changes in the Level 3 fair value category of which unobservable inputs are relied upon for the years ended December 31, 2025 and December 31, 2024:

	(In Thousands)		
	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	State and Local Governments Tax-Exempt	State and Local Governments Taxable	State and Local Governments Total
Balance at January 1, 2025	\$ 353	\$ 1,274	\$ 1,627
Change in Fair Value	2	(4)	(2)
Payments & Maturities	(170)	-	(170)
Balance at December 31, 2025	\$ 185	\$ 1,270	\$ 1,455

	(In Thousands)		
	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	State and Local Governments Tax-Exempt	State and Local Governments Taxable	State and Local Governments Total
	Tax-Exempt	Taxable	Total
Balance at January 1, 2024	\$ 1,188	\$ 1,272	\$ 2,460
Change in Fair Value	-	2	2
Payments & Maturities	(835)	-	(835)
Balance at December 31, 2024	<u>\$ 353</u>	<u>\$ 1,274</u>	<u>\$ 1,627</u>

Most of the Company's available for sale securities, including any bonds issued by local municipalities, have CUSIP numbers or have similar characteristics of those in the municipal markets, making them marketable and comparable as Level 2.

There were no securities that transferred in or out of Level 3 during 2025 or 2024.

The Company also has assets that, under certain conditions, are subject to measurement at fair value on a nonrecurring basis. At December 31, 2025 and 2024, such assets consist of collateral dependent loans and loan servicing rights. Collateral dependent loans categorized as Level 3 assets consist of non-homogeneous loans that have expected credit losses. The Company may also estimate the fair value of certain nonperforming loans using a discounted cash flow method of future cash flows using management's best estimate of key assumptions. These assumptions include future payment ability, timing of payment streams and estimated realizable values of available collateral (typically based on outside appraisals).

At December 31, 2025, collateral dependent loans categorized as Level 3 were \$860 thousand and \$3.0 million at December 31, 2024. The specific allocation for collateral dependent loans was \$145 thousand as of December 31, 2025 and \$52 thousand as of December 31, 2024. The specific allocations are accounted for in the allowance for credit losses (see Note 4).

During 2024 and 2023, impairment was recognized on loan servicing rights based upon the independent third party's quarterly valuations. A valuation allowance was established by strata to quantify the likely impairment of the value of the loan servicing rights to the Company. If the carrying amount of an individual strata exceeds the fair value, impairment was recorded on that strata so the servicing asset was carried at fair value.

The following tables present assets measured at fair value on a nonrecurring basis:

(In Thousands)				
Assets Measured at Fair Value on a Nonrecurring Basis at December 31, 2025				
	Balance at December 31, 2025	Quoted Prices in Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Collateral dependent loans	\$ 715	\$ -	\$ -	\$ 715
Loan servicing rights	1,556	-	-	1,556

(In Thousands)				
Assets Measured at Fair Value on a Nonrecurring Basis at December 31, 2024				
	Balance at December 31, 2024	Quoted Prices in Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Collateral dependent loans	\$ 2,988	\$ -	\$ -	\$ 2,988
Loan servicing rights	(4)	-	-	(4)

The following table presents quantitative information about unobservable inputs used in recurring and nonrecurring Level 3 fair value measurements:

(In Thousands)				
	Fair Value at December 31, 2025	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
State and local government	\$ 1,455	Discounted Cash Flow	Credit strength of underlying project or entity / Discount rate	3.26-3.75% (3.68%)
Collateral dependent loans	715	Collateral based measurements	Discount to reflect current market conditions and ultimate collectability	20.00-50.00% (24.68%)
Loan servicing rights	1,556	Discounted Cash Flow	Constant prepayment rate and probability of default / Discount rate	22.72-583.71% (36.21%)

(In Thousands)				
	Fair Value at December 31, 2024	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
State and local government	\$ 1,627	Discounted Cash Flow	Credit strength of underlying project or entity / Discount rate	-3.61-4.52% (4.33%)
Collateral dependent loans	2,988	Collateral based measurements	Discount to reflect current market conditions and ultimate collectability	20.00-30.00% (20.78%)
Loan servicing rights	(4)	Discounted Cash Flow	Constant prepayment rate and probability of default / Discount rate	9.36-618.70% (107.90%)

Note 21 – Condensed Financial Statements of Parent Company

Balance Sheets

	(In Thousands)	
	2025	2024
Assets		
Cash	\$ 4,576	\$ 4,554
Interest-bearing time deposits	1,473	2,457
Related party receivables:		
Dividends and accounts receivable from subsidiary	4,420	4,010
Accrued interest receivable - available-for-sale securities / interest-bearing time deposits	39	47
Securities - available-for-sale	6,352	4,391
Investment in subsidiaries	392,653	358,127
Other assets	54	49
Total Assets	<u>\$ 409,567</u>	<u>\$ 373,635</u>
Liabilities		
Subordinated notes, net of unamortized issuance costs	34,933	34,818
Dividends payable	3,125	2,996
Accrued interest payable	474	474
Accrued expenses	173	136
Total Liabilities	<u>38,705</u>	<u>38,424</u>
Stockholders' Equity	<u>370,862</u>	<u>335,211</u>
Total Liabilities and Stockholders' Equity	<u>\$ 409,567</u>	<u>\$ 373,635</u>

Statements of Income and Comprehensive Income

	(In Thousands)		
	2025	2024	2023
Income			
Dividends from subsidiaries	\$ 13,700	\$ 12,100	\$ 7,500
Distributed earnings of dissolved subsidiary	-	-	1,005
Interest - available-for-sale securities / interest-bearing time deposits	269	240	162
Noninterest income	-	23	4
Total income	<u>13,969</u>	<u>12,363</u>	<u>8,671</u>
Expenses			
Interest expense	1,138	1,138	1,258
Operating expenses	1,203	1,178	1,143
Total expenses	<u>2,341</u>	<u>2,316</u>	<u>2,401</u>
Income Before Income Taxes and Equity in Undistributed Earnings of Subsidiaries	<u>11,628</u>	<u>10,047</u>	<u>6,270</u>
Income Tax Benefit	<u>(453)</u>	<u>(452)</u>	<u>(495)</u>
	12,081	10,499	6,765
Equity in undistributed earnings of subsidiaries	21,228	15,439	16,022
Net Income	<u>33,309</u>	<u>25,938</u>	<u>22,787</u>
Other Comprehensive Income:			
Unrealized gains on securities, net of taxes	13,335	3,789	9,221
Comprehensive Income	<u>\$ 46,644</u>	<u>\$ 29,727</u>	<u>\$ 32,008</u>

Statements of Cash Flows

	(In Thousands)		
	2025	2024	2023
Cash Flows from Operating Activities			
Net income	\$ 33,309	\$ 25,938	\$ 22,787
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed earnings of subsidiaries	(21,228)	(15,439)	(16,022)
Amortization of premiums on available-for-sale securities, net	(49)	13	29
Amortization of subordinated notes issuance fees	115	116	116
Stock-based compensation expense	1,394	1,361	1,281
Director stock awards	189	188	180
Changes in assets and liabilities:			
Other assets and liabilities	(380)	(100)	(1,981)
Net cash provided by operating activities	13,350	12,077	6,390
Cash Flows from Investing Activities			
Activity in available-for-sale securities:			
Maturities, prepayments and calls	855	1,580	1,445
Sales	-	-	1,105
Purchases	(2,720)	(316)	-
Activity in certificates of deposit			
Maturities	1,233	739	-
Purchases	(249)	(730)	(498)
Net cash (used in) provided by investing activities	(881)	1,273	2,052
Cash Flows from Financing Activities			
Repayments of other borrowings	-	-	(10,000)
Purchase of treasury stock	(362)	(664)	(218)
Payment of dividends	(12,085)	(11,922)	(11,335)
Net cash used in financing activities	(12,447)	(12,586)	(21,553)
Net Change in Cash and Cash Equivalents	22	764	(13,111)
Cash and Cash Equivalents - Beginning of year	4,554	3,790	16,901
Cash and Cash Equivalents - End of year	<u>\$ 4,576</u>	<u>\$ 4,554</u>	<u>\$ 3,790</u>

Note 22 – Quarterly Financial Data

Quarterly Financial Data - UNAUDITED

	(In Thousands, Except Per Share Data)			
	Quarter Ended in 2025			
	Mar 31	June 30	Sep 30	Dec 31
Summary of Income:				
Interest income	\$ 41,002	\$ 43,492	\$ 44,484	\$ 44,566
Interest expense	17,093	17,781	17,583	16,795
Net Interest Income	23,909	25,711	26,901	27,771
Provision for Credit Losses - Loans	811	661	557	567
Provision for (Recovery of) Credit Losses - Off Balance				
Sheet Credit Exposures	(260)	27	(272)	(1)
Net Interest Income After Provision for Credit Losses	23,358	25,023	26,616	27,205
Other expense	(14,598)	(15,325)	(15,382)	(14,372)
Net income before income taxes	8,760	9,698	11,234	12,833
Income taxes	1,808	1,988	2,380	3,040
Net income	\$ 6,952	\$ 7,710	\$ 8,854	\$ 9,793
Earnings per Common Share	\$ 0.51	\$ 0.56	\$ 0.64	\$ 0.71
Average common shares outstanding	13,706,003	13,720,339	13,733,858	13,749,420

	(In Thousands, Except Per Share Data)			
	Quarter Ended in 2024			
	Mar 31	June 30	Sep 30	Dec 31
Summary of Income:				
Interest income	\$ 38,654	\$ 41,166	\$ 41,901	\$ 41,851
Interest expense	18,536	19,791	20,312	19,021
Net Interest Income	20,118	21,375	21,589	22,830
Provision for (Recovery of) Credit Losses - Loans	(289)	605	282	346
Recovery of Credit Losses - Off Balance				
Sheet Credit Exposures	(266)	(18)	(267)	(120)
Net Interest Income After Provision for Credit Losses	20,673	20,788	21,574	22,604
Other expense	(13,895)	(13,629)	(13,465)	(12,077)
Net income before income taxes	6,778	7,159	8,109	10,527
Income taxes	1,419	1,477	1,593	2,146
Net income	\$ 5,359	\$ 5,682	\$ 6,516	\$ 8,381
Earnings per Common Share	\$ 0.39	\$ 0.42	\$ 0.48	\$ 0.61
Average common shares outstanding	13,671,166	13,681,501	13,687,119	13,699,869

Note 23 - Segment Reporting

The Company has one reportable operating segment, commercial banking. While our chief operating decision makers (CODM) monitor revenue streams of various products and services, the identifiable segments' operations are managed, and financial performance is evaluated on a Company wide basis. The commercial banking segment provides a broad array of financial products and services including commercial, agricultural, and residential mortgage as well as consumer lending activities, commercial and consumer banking services, wealth advisory services and insurance to individual and business clients through most of its banking center locations in Ohio, Indiana, and Michigan.

The accounting policies of the commercial banking segment are the same as those described in Note 1 of the Notes to Consolidated Financial Statements. The CODM assess performance for the commercial banking segment and decide how to allocate resources based on net income which is also reported on the Consolidated Statements of Income as net income. The measure of segment assets is reported on the Consolidated Balance Sheets as total assets.

The CODM use net income to evaluate income generated from segment assets (return on average total assets) in deciding whether to reinvest profits into the commercial banking segment or to pay dividends or fund acquisitions. Net income is also used by the CODM to monitor budget versus actual results. Net income as well as other common company-wide financial performance and credit quality metrics such as return on average assets, return on average equity, earnings per common share, net interest margin, operating efficiency and nonaccrual loans to total loans, among others, are used for competitive analysis by benchmarking to the Company's competitors as well as used in assessing the performance of the segment and for establishing management's compensation. Loans, investments and deposits provide revenue in the banking operation. Interest expense, provisions for credit losses, salaries, wages and associated employee benefits, and data processing are the significant expenses in the banking operation.

The Company's CODM are the President and senior management team of the Company.

Note 24 – Subsequent Events

On January 27, 2026, the Company announced the authorization by its Board of Directors for the Company's repurchase, either on the open market, or in privately negotiated transactions, of up to 650,000 shares of its outstanding common stock commencing January 27, 2026 and ending December 31, 2026.

ITEM 9. CHANGE IN AND DISAGREEMENTS WITH ACCOUNTING AND FINANCIAL DISCLOSURE

No disagreements exist on accounting and financial disclosures or related matter.

ITEM 9a. CONTROLS AND PROCEDURES

MANAGEMENT REPORT REGARDING DISCLOSURE CONTROLS AND PROCEDURES

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of December 31, 2025, pursuant to Exchange Act 13a-15. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2025, in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic SEC filings.

MANAGEMENT REPORT REGARDING INTERNAL CONTROL AND COMPLIANCE WITH DESIGNATED LAWS AND REGULATIONS

Management of Farmers & Merchants Bancorp, Inc. and its subsidiary is responsible for preparing the Bank's annual financial statements. Management is also responsible for establishing and maintaining internal control over financial reporting presented in conformity with both generally accepted accounting principles and regulatory reporting in conformity with the Federal Financial Institutions Examination Council Instructions for Consolidated Reports of Condition and Income (call report instructions). The Bank's internal control contains monitoring mechanisms, and actions are taken to correct deficiencies identified.

There are inherent limitations in the effectiveness of any internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal control can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal control may vary over time.

It is also management's responsibility to ensure satisfactory compliance with all designated laws and regulations and in particular, those laws and regulations concerning loans to insiders. The federal laws concerning loans to insiders are codified at 12 USC 375a and 375b, and the federal regulations are set forth at 12 CFR 23.5, 31, and 215.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of our management, including our Principal Executive Officer and Principal Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in the 2013 Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in Internal Control – Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2025.

Our independent registered public accounting firm, Plante & Moran, PLLC, has audited the effectiveness of our internal control over financial reporting. The report of our independent registered public accounting firm is included in Item 8, Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

There was no change in the Company's internal control over financial reporting that occurred during the Company's fiscal quarter ended December 31, 2025 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9b. OTHER INFORMATION

Andrew J. Briggs entered into a 10b5-1 Trading Plan dated December 16, 2025.

ITEM 9c. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

BOARD OF DIRECTORS

The information called for herein is presented below:

<u>Name</u>	<u>Age</u>	<u>Principal Occupation or Employment for Past Five Years</u>	<u>Year First Became Director</u>
Ahmed Alomari	55	Executive Vice President Buchanan Technologies	2025
Ian D. Boyce	58	Founding Member and Managing Partner Dickmeyer Boyce Financial Management	2024
Andrew J. Briggs	71	Retired and former Chairman of Limberlost Bancshares, Inc. and President of its wholly-owned subsidiary Bank of Geneva	2019
Lars B. Eller	59	President and CEO of the Company and The Farmers & Merchants State Bank	2018
Kevin G. Frey	55	President of E.H. Frey & Sons, Inc.	2024
Lori A. Johnston	64	EVP-President, Paramount Health Care at Medical Mutual	2020
Dr. Marcia S. Latta	64	Principal, Latta Strategies Retired Vice President of University Advancement, The University of Findlay	2009
Steven J. Planson	66	President, Planson Farms, Inc.	2008
Kevin J. Sauder	65	Retired and former President, Chief Executive Officer, Sauder Woodworking Co.	2004
Frank R. Simon	56	Founder & Managing Member / Attorney Simon PLC Attorneys & Counselors	2021
David P. Vernon	59	Owner, Licensed Funeral Director & Embalmer Vernon Family Funeral Homes	2021

Directors are elected annually at the annual meeting of shareholders.

NAMED EXECUTIVE OFFICERS

<u>Name</u>	<u>Age</u>	<u>Principal Occupation & Offices Held with Corporation & Bank for Past Five Years</u>
Kevin J. Sauder	65	Chairman
Lars B. Eller	59	President and Chief Executive Officer (“PEO”) ⁽¹⁾
Barbara J. Britenriker	64	Executive Vice President Chief Financial Officer (“PFO”) ⁽¹⁾ and Chief Retail Banking Officer ⁽²⁾
David R. Gerken	54	Executive Vice President and Chief Lending Officer ⁽³⁾
Eric D. Faust	39	Executive Vice President and Chief Risk Officer ⁽⁴⁾
Andrew S. Baker	53	Senior Vice President and Chief Strategy Officer and Chief Retail Banking Officer ⁽⁵⁾

⁽¹⁾ The designation PEO means principal executive officer and PFO means principal financial officer under the rules of the SEC.

⁽²⁾ Ms. Britenriker was Executive Vice President and Chief Financial Officer of the Company. Ms. Britenriker served as Executive Vice President and Chief Retail Banking Officer of the Bank from January 7, 2019 to October 16, 2023 and resumed the position of Executive Vice President and Chief Financial Officer of the Bank on October 16 2023.

⁽³⁾ Mr. Gerken served as Senior Vice President and Senior Commercial Banking Manager from January 18, 2019 to January 21, 2024. Mr. Gerken was named Executive Vice President and Chief Lending Officer on January 22, 2024.

⁽⁴⁾ Mr. Faust served as Senior Vice President and Chief Risk Officer from September 14, 2022 to May 19, 2025. Mr. Faust was named Executive Vice President and Chief Risk Officer on May 20, 2025.

⁽⁵⁾ Mr. Baker was named Senior Vice President and Retail Banking Officer on October 16, 2023, and served as Chief Retail Banking Officer until January 8, 2025. Mr. Baker was named Chief Strategy Officer on January 19, 2025.

Any remaining information required by Item 401 of Regulation S-K is presented in the proxy statement to be furnished in connection with the solicitation of proxies on behalf of the Board of Directors of the Registrant for use at its Annual Meeting to be held on April 20, 2026, and is incorporated herein by reference to the sections of the proxy statement captioned “ Nominations for Members of the Board of Director, ““Our Board Composition” and “PROPOSAL ONE – Election of Directors and Information Concerning Directors and Officers.” The information called for under Item 405 of Regulation S-K and called for under paragraphs (d)(4) and (d)(5) of Item 407 is presented in the proxy statement to be furnished in connection with the solicitation of proxies on behalf of the Board of Directors of the Registrant for use at its Annual Meeting to be on April 20, 2026 and incorporated herein by reference to sections of the proxy statement captioned “Delinquent Section 16(a) Reports,” “Audit Committee Report” and “Committees of the Board of Directors.” The information called for under paragraph (b) of Item 408 is presented in the proxy statement to be furnished in connection with the solicitation of proxies on behalf of the Board of Directors of the Registrant for use at its Annual Meeting to be on April 20, 2026 and incorporated herein by reference to the section of the proxy statement captioned “Insider Trading Arrangements and Policies.”

The Board of Directors of the Company adopted a Code of Business Conduct and Ethics (the “Code”) at its meeting on February 13, 2004. While the Sarbanes-Oxley Act of 2002 mandates the adoption of a code of ethics for the most senior executive officers of all public companies, the Code adopted by the Corporation's Board of Directors is broader in the activities covered and applies to all officers, directors and employees of the Corporation and the Bank, including the chief executive officer, chief financial officer, principal accounting officer and other senior

officers performing accounting, auditing, financial management or similar functions. The administration of the Code has been delegated to the Audit Committee of the Board of Directors, a Committee comprised entirely of “independent directors.” The Code addresses topics such as compliance with laws and regulations, honest and ethical conduct, conflicts of interest, confidentiality and protection of Corporation assets, fair dealing and accurate and timely periodic reports, and also provides for enforcement mechanisms. The Board and management of the Corporation intends to continue to monitor not only the developing legal requirements in this area, but also the best practices of comparable companies, to assure that the Corporation maintains sound corporate governance practices in the future. Annual testing and review of the Code is conducted and attested to by signatures of all officers and directors of the Company.

A copy of the Corporation's Code is available on the website of the Bank (www.fm.bank). In addition, a copy of the Code is available to any shareholder free of charge upon request. Shareholders desiring a copy of the Code should address written requests to Mr. Lars B. Eller, President, Chief Executive Officer of Farmers & Merchants Bancorp, Inc., 307 North Defiance Street, Archbold, Ohio 43502, and are asked to mark Code of Business Conduct and Ethics on the outside of the envelope containing the request.

ITEM 11. EXECUTIVE COMPENSATION

The information called for herein by Item 402 and paragraphs (e)(4) and (e)(5) of Item 407, Regulations S-K is presented in the proxy statement to be furnished in connection with the solicitation of proxies on behalf of the Board of Directors of the Registrant for use at its Annual Meeting to be held on April 20, 2026, and is incorporated herein by reference to the sections of the proxy statement captioned “Compensation Discussion and Analysis,” “Compensation Committee Report on Executive Compensation,” and “Related Party Transactions.”

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information called for by Item 403 of Regulation S-K is presented in the proxy statement to be furnished in connection with the solicitation of proxies on behalf of the Board of Directors of the Registrant for use at its Annual Meeting to be held Monday, April 20, 2026 and is incorporated herein by reference to the section of the proxy statement captioned “Security Ownership of Certain Beneficial Owners and Named Executive Officers.”

On April 16, 2015, the Company’s shareholders approved the Farmers & Merchants Bancorp, Inc. 2015 Long-Term Stock Incentive Plan (which replaced the expired 2005 Long-Term Stock Incentive Plan). The plan authorizes the issuance of up to 1,600,000 (adjusted for a two-for-one stock split) of the Company’s common shares in the form of stock options, restricted stock, performance shares, and unrestricted stock to employees of the Company and its subsidiaries. The Company has made awards of restricted stock under the Plan, which awards are subject to time vesting. This requires the executive or employee to remain employed with the Company or the Bank, as the case may be, until the awards have vested, or such shares of restricted stock will be forfeited. During 2025, 20,731 shares were awarded to 14 employees and 5,000 were forfeited under its long term incentive plan.

	Equity Compensation 2015 Plan Information		
	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	-	\$ -	1,156,650
Equity compensation plans not approved by security holders	-	-	-
Total	-	-	1,156,650

On April 14, 2025, the Company’s shareholders approved the Farmers & Merchants Bancorp, Inc. 2025 Long-Term Stock Incentive Plan (which replaced the expired 2015 Long-Term Stock Incentive Plan). The plan authorizes the issuance of up to 2,000,000 of the Company’s common shares in the form of stock options, restricted stock, performance shares, and unrestricted stock to employees of the Company and its subsidiaries. The Company has made awards of restricted stock under the Plan, which awards are subject to time vesting. This requires the executive or employee to remain employed with the Company or the Bank, as the case may be, until the awards have vested, or such shares of restricted stock will be forfeited. During 2025, 48,142 shares were awarded to 129 employees and 1,707 were forfeited under its long term incentive plan. At year-end, 2025, the Company held 816,351 shares in Treasury stock and 164,667 in unearned stock awards.

The Compensation Committee of the Company has determined that it is appropriate to award shares of the common stock of the Company to Directors, whether outside or also an officer of the Company or the Bank, as a portion of their retainer for services rendered. The Committee believes that it is appropriate to award the Directors shares equal to a specific dollar amount, rounded to the nearest whole share on an annual basis commencing on June 5, 2020 and thereafter on the first Thursday of June. Directors receive a prorated dollar value of shares for a partial year of service. The value for the shares is to be based upon the prior day closing price. On June 5, 2025, ten Directors each received \$17,496 which equated to 762 shares and one Director received \$6,704 which equated to 292 shares. On July 29, 2025, one new Director received 288

prorated shares worth \$7,436. On June 7, 2024, twelve Directors each received \$15,007 worth of shares which equated to 716 shares while one Director received a prorated dollar amount of \$5,911 which equated to 282 shares. On December 5, 2024, one new Director received 54 prorated shares worth approximately \$1,730. On June 2, 2023, twelve Directors each received \$14,997 worth of shares which equated to 754 shares. The use of stock for Directors' retainer, does not have an effect on diluted earnings per share as it is immediately vested.

<u>Equity Compensation 2025 Plan Information</u>			
	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	-	\$ -	1,953,565
Equity compensation plans not approved by security holders	-	-	-
Total	-	-	1,953,565

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information called for herein by Item 404 and paragraph (a) of Item 407 is presented in the proxy statement to be furnished in connection with the solicitation of proxies on behalf of the Board of Directors of the Registrant for use at its Annual Meeting to be held on April 20, 2026, and is incorporated herein by reference to the sections of the proxy statement captioned “Related Party Transactions.”

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information called for by this Item is presented in the proxy statement to be furnished in connection with the solicitation of proxies on behalf of the Board of Directors of the Registrant for use at its Annual Meeting to be held on April 20, 2026, and is incorporated herein by reference to the section of the proxy statement captioned “Selection of Auditors/Principal Accounting Firm Fees.”

Independent Registered Public Accounting Firm:

Name: Plante & Moran, PLLC
 Location: Columbus, Ohio
 PCAOB ID: 166

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENTS SCHEDULES

a. The Following documents are filed as part of this report.

- (1) Financial Statements (included in this 10-K under Item 8)
Report of Independent Accountants
Consolidated Balance Sheets
Consolidated Statements of Income
Consolidated Statements of Changes in Shareholders' Equity
Consolidated Statements of Cash Flows
Note to Consolidated Financial Statements
- (2) Financial Statement Schedules
Five Year Summary of Operations

b. Exhibits Required by Item 601 of Regulation S-K

- (3.1.a) Amended Articles of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 to Registrant's Quarterly Report on Form 10-Q filed with the Commission on October 25, 2017).
- (3.1.b) Amendment to Articles of Incorporation of the Registrant (incorporated by reference to 3.1.b to Registrant's Quarterly Report on Form 10-Q filed with the Commission on August 4, 2025).
- (3.2) Code of Regulations of the Registrant (incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q that was filed with the Commission on July 26, 2017).
- (4.1) Description of Registrant's Common Stock (incorporated by reference to Exhibit 4.1 to Registrant's Annual Report on Form 10-K filed with the Commission on February 26, 2020).
- (4.2) Form of 3.25% Fixed to Floating Rate Subordinated Note due July 30, 2031 (included as Exhibit A to the Purchase Agreement filed as Exhibit 10.6 hereto).
- (10.1) Form of Change in Control Agreement executed by and between the Company and Barbara J. Britenriker on December 26, 2012 (incorporated by reference to Exhibit 10.1 to the Annual Report on Form 10-K filed with the Commission on February 25, 2013).
- (10.2) Employment Agreement executed by and between The Farmers & Merchants State Bank and Lars B. Eller on September 1, 2024 (incorporated by reference to Exhibit 10.1 to Registrant's Report on Form 8-K filed with the Commission on September 3, 2024).
- (10.3) Farmers & Merchants Bancorp, Inc. 2015 Long-Term Stock Incentive Plan (incorporated by reference to Appendix A to Registrant's Definitive 14A Proxy Statement, File No. 000-14492, filed with the Commission on March 16, 2015).
- (10.4) Form on Restricted Stock Agreement (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q filed with the Commission on October 27, 2005).
- (10.5) Form of Restricted Stock Award with Non-solicit Covenants (incorporated by reference to Exhibit 10.5 to the Annual Report on Form 10-K filed with the Commission on February 26, 2025).
- (10.6) Form of Restricted Stock Award for Senior Officers with Non-competition Covenants (incorporated by reference to Exhibit 10.6 to the Annual Report on Form 10-K filed with the Commission on February 26, 2025).
- (10.7) Form of Subordinated Note Purchase Agreement, dated July 30, 2021, by and among Farmers & Merchants Bancorp, Inc, and the Purchasers (as defined therein) (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the Commission on August 2, 2021).
- (10.8) Form of Change in Control Agreement executed by and between the Company and Eric D. Faust on September 14, 2022 (incorporated by reference to Exhibit 10.8 to the Annual Report on Form 10-K filed with the Commission on February 26, 2025).
- (10.9) Farmers & Merchants Bancorp, Inc. 2025 Long-Term Stock Incentive Plan.
- (19) Farmers & Merchants Bancorp, Inc. Insider Trading Policy (incorporated by reference to Exhibit 19 to the Annual Report on Form 10-K filed with the Commission on February 26, 2025).
- (21) Subsidiaries of Farmers & Merchants Bancorp, Inc.
- (31.1) Certification of the Chief Executive Officer Required under Rule 13(a)-14(a)/15d-14(a).

- (31.2) Certification of the Chief Financial Officer Required under Rule 13(a)-14(a)/15d-14(a).
- (32.1) Certification of the Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- (32.2) Certification of the Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- (97) Farmers & Merchants Bancorp, Inc. Clawback Policy (incorporated by reference to Exhibit 19 to the Annual Report on Form 10-K filed with the Commission on February 26, 2025).
- 101.INS Inline XBRL Instance Document – The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. ⁽¹⁾
- 101.SCH Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents ⁽¹⁾
- 104 The cover page from the Company’s Annual Report on Form 10-K for the year ended December 31, 2025, has been formatted in Inline XBRL and contained in Exhibit 101.

⁽¹⁾ Pursuant to Rule 406T of Regulation S-T, the interactive Data Files in Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

ITEM 16. FORM 10-K SUMMARY

None.

FARMERS & MERCHANTS BANCORP, INC.

Signatures

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934. The registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

By /s/ Lars B. Eller Date: February 27, 2026
Lars B. Eller
Chief Executive Officer
President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>/s/ Lars B. Eller</u> Date: <u>February 27, 2026</u> Lars B. Eller Chief Executive Officer (Principal Executive Officer)	<u>/s/ Barbara J. Britenriker</u> Date: <u>February 27, 2026</u> Barbara J. Britenriker Chief Financial Officer (Principal Financial Officer/Principal Accounting Officer)
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<u>/s/ Ahmed Alomari</u> Date: <u>February 27, 2026</u> Ahmed Alomari, Director	<u>/s/ Ian D. Boyce</u> Date: <u>February 27, 2026</u> Ian D. Boyce, Director
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<u>/s/ Andrew J. Briggs</u> Date: <u>February 27, 2026</u> Andrew J. Briggs, Director	<u>/s/ Kevin G. Frey</u> Date: <u>February 27, 2026</u> Kevin G. Frey, Director
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<u>/s/ Lori A. Johnston</u> Date: <u>February 27, 2026</u> Lori A. Johnston, Director	<u>/s/ Marcia S. Latta</u> Date: <u>February 27, 2026</u> Marcia S. Latta, Director
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<u>/s/ Steven J. Planson</u> Date: <u>February 27, 2026</u> Steven J. Planson, Director	<u>/s/ Kevin J. Sauder</u> Date: <u>February 27, 2026</u> Kevin J. Sauder, Director
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<u>/s/ Frank R. Simon</u> Date: <u>February 27, 2026</u> Frank R. Simon, Director	<u>/s/ David P. Vernon</u> Date: <u>February 27, 2026</u> David P. Vernon, Director
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**FARMERS & MERCHANTS BANCORP, INC.
2025 LONG-TERM STOCK INCENTIVE PLAN**

**ARTICLE 1
General Purpose of Plan; Definitions**

1.1 Purposes. The purpose of this Farmers & Merchants Bancorp, Inc. 2025 Long-Term Stock Incentive Plan (the "Plan") is to advance the interests of the Company through providing select key Employees and Directors of the Company and its Affiliates with the opportunity to acquire Shares. By encouraging such stock ownership, the Company seeks to attract, retain and motivate the best available personnel for positions of substantial responsibility and to provide additional incentive to Directors and key Employees of the Company or any Affiliate to promote the success of the business.

1.2 Certain Definitions. Unless the context otherwise indicates, the following words used herein shall have the following meanings whenever used in this instrument:

- (a) "Affiliate" means any Parent or Subsidiary of the Company or any other corporation, partnership, joint venture or other entity, directly or indirectly, through one or more intermediaries, controlling, controlled by, or under common control with the Company, as determined by the Board of Directors in its discretion.
- (b) "Award" means any grant under this Plan of a Stock Option, Stock Appreciation Right, Restricted Share, Restricted Share Unit or Performance Share to any Plan participant.
- (c) "Bank" means - *The Farmers & Merchants State Bank*.
- (d) "Board of Directors" means the Board of Directors of the Company, as constituted from time to time.
- (e) "Cause" with respect to an employee of the Bank, the Company or any other affiliate of the Company, who has not entered into an employment agreement with the Bank or the Company, or such an affiliate, means and is limited to (a) criminal dishonesty, (b) refusal to perform duties on an exclusive and substantially full-time basis, (c) refusal to act in accordance with any specific substantive instructions given by the Bank, the Company or any affiliate of the Company with respect to performance of duties normally associated with such employee's position, or (d) engaging in conduct which could be materially damaging to the Bank, the Company or any affiliate of the Company without a reasonable good faith belief that such conduct was in the best interest of the Bank, the Company or any affiliate of the Company. With respect to an employee who is employed pursuant to an employment agreement with the Bank, the Company, or such an affiliate, "Cause" shall mean "cause" as defined in the terms of such employment agreement (as it may be amended from time to time).
- (f) "Change of Control" means and shall be deemed to have occurred on (i) the date upon which a Schedule 13D would be required to be filed pursuant to Section 13(d) of the Securities Exchange Act of 1934 indicating that a group or person, as defined in Rule 13d-3 under said Act, has become the beneficial owner of 35% or more of the outstanding Voting Shares; (ii) the date of a change in the composition of the Board such that individuals who were members of the Board on the date one year prior to such change (or who were subsequently elected to fill a vacancy in the Board, or were subsequently nominated for election by the Company's shareholders, by the affirmative vote of a majority of the directors then still in office who were directors at the beginning of such one year period) no longer constitute a majority of the Board; (iii) the effective date of the closing of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the Voting Shares of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Shares of the surviving entity) at least 50% of the total voting power represented by the Voting Shares of the Company or such surviving entity outstanding immediately after such merger or consolidation; or (iv) the effective date of a sale or disposition by the Company of all or substantially all the Company's assets; provided however, that notwithstanding the forgoing a Change of

Control shall not be deemed to have occurred in connection with any transaction or series of transactions if such does not constitute a permitted change as defined by Section 409(a)(2)(A)(v) of the Code, Treasury Regulation 1.409A-3(i)(5) and any subsequent Treasury Regulations issued thereunder.

- (g) "Code" means the Internal Revenue Code of 1986, as amended, and any lawful regulations or guidance promulgated thereunder. Whenever reference is made to a specific Internal Revenue Code section, such reference shall be deemed to be a reference to any successor Internal Revenue Code section or sections with the same or similar purpose.
- (h) "Committee" means the committee administering this Plan as provided in Section 2.1.
- (i) "Common Shares" mean the common shares no par value per share, of the Company.
- (j) "Company" means Farmers & Merchants Bancorp, Inc., a corporation organized under the laws of the State of Ohio and, except for purposes of determining whether a Change in Control has occurred, any corporation or entity that is a successor to Farmers & Merchants Bancorp, Inc. or substantially all of the assets of Farmers & Merchants Bancorp, Inc. and that assumes the obligations of Farmers & Merchants Bancorp, Inc. under this Plan by operation of law or otherwise.
- (k) "Date of Grant" means the date on which the Committee grants an Award.
- (l) "Director" means a member of the Board of Directors.
- (m) "Disability" means the person (a) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving disability or other income replacement benefits for a period of not less than 3 months under an accident and health plan of the Bank, the Company or an affiliate covering the person, or (b) has been determined to be totally disabled by the United States Social Security Administration.
- (n) "Eligible Participant" is defined in Article 4.
- (o) "Exchange Act" means the Securities Exchange Act of 1934, as amended, and any lawful regulations or guidance promulgated thereunder.
- (p) "Exercise Price" means the purchase price of a Share pursuant to a Stock Option, or the exercise price per Share related to a Stock Appreciation Right.
- (q) "Fair Market Value" of a Share means the value on any relevant date, determined under the following rules:

(a) If the Shares are traded on an exchange, the reported "closing price" on the day prior to the relevant date if it is a trading day, otherwise on the next trading day.

(b) If the Shares are traded over-the-counter with no reported closing price, the mean between the lowest bid and the highest asked prices on that quotation system on the day prior to the relevant date if it is a trading day, otherwise on the next trading day.

(c) If neither (a) nor (b) applies, (i) with respect to Options, Stock Appreciation Rights and any Award that is subject to Section 409A of the Code, the value as determined by the Committee through the reasonable application of a reasonable valuation method, taking into account all information material to the value of the Company, within the meaning of Section 409A.

(d) Notwithstanding the foregoing, as of any date, the "Fair Market Value" of Shares shall be determined in a manner consistent with Code Section 409A and the guidance then-existing thereunder.

- (r) "Family Member" means any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, and any person sharing the Participant's household (other than a tenant or employee).
- (s) "Incentive Stock Option" and "ISO" mean a Stock Option that is identified as such and which is intended to meet the requirements of Section 422 of the Code.
- (t) "Non-Qualified Stock Option" and "NQSO" mean a Stock Option that: (i) is governed by Section 83 of the Code; and (ii) is not intended to meet the requirements of Section 422 of the Code.
- (u) "Outside Director" means a nonemployee Director. In addition, at all times during which the Company is subject to the reporting requirements of the Exchange Act, "Outside Director" means a nonemployee Director who meets the definitions of the terms "independent director" set forth in The Nasdaq Stock Market rules, and "non-employee director" set forth in Rule 16b-3, or any successor definitions adopted by The Nasdaq Stock Market and Securities and Exchange Commission, respectively, and similar requirements under any other applicable laws and regulations.
- (v) "Parent" means any corporation which qualifies as a "parent corporation" of the Company under Section 424(e) of the Code.
- (w) "Participant" means an Eligible Participant who has been granted an award of Stock Options, Stock Appreciation Rights, Restricted Shares, Restricted Share Units or Performance Shares under this Plan.
- (x) "Performance Shares" is defined in Article 9.
- (y) "Performance Period" is defined in Section 9.2.
- (z) "Permitted Transferees" means (i) a Participant's Family Member, (ii) one or more trusts in which Family Members have more than fifty percent of the beneficial interest, (iii) a foundation in which the Participant or Family Members control the management of assets; or (iv) any other entity in which the Participants or Family Members own more than fifty percent of the voting interests.
- (aa) "Plan" means this Farmers & Merchants Bancorp, Inc. 2025 Long-Term Stock Incentive Plan, as amended from time to time.
- (bb) "Restricted Share Units" is defined in Article 8.
- (cc) "Restricted Shares" is defined in Article 8.
- (dd) "Rule 16b-3" means Securities and Exchange Commission Rule 16b-3 under the Securities Exchange Act of 1934, as amended from time to time.
- (ee) "Share" or "Shares" mean one or more of the Common Shares.
- (ff) "Shareholder" means an individual or entity that owns one or more Shares.
- (gg) "SOSAR" is defined in Section 7.1(d).
- (hh) "Stock Appreciation Rights" and "SARs" mean any right to receive the appreciation in Fair Market Value of a specified number of Shares over a specified Exercise Price pursuant to an Award granted under Article 7.
- (ii) "Stock Option" means any right to purchase a specified number of Shares at a specified price which is granted pursuant to Article 5 and may be an Incentive Stock Option or a Non-Qualified Stock Option.

- (jj) "Stock Power" means a power of attorney executed by a participant and delivered to the Company which authorizes the Company to transfer ownership of Restricted Shares, Performance Shares or Common Shares from the participant to the Company or a third party.
- (kk) "Subsidiary" means any corporation which qualifies as a "subsidiary corporation" of the Company under Section 424(f) of the Code.
- (ll) "Vested" means, with respect to a Stock Option, that the time has been reached when the option to purchase Shares first becomes exercisable; and with respect to a Stock Appreciation Right, when the Stock Appreciation Right first becomes exercisable for payment; with respect to Restricted Shares, when the Shares are no longer subject to forfeiture and restrictions on transferability; with respect to Restricted Share Units and Performance Shares, when the units or Performance Shares are no longer subject to forfeiture and are converted to Shares. The words "Vest" and "Vesting" have meanings correlative to the foregoing.

ARTICLE 2

Administration

2.1 Authority and Duties of the Committee.

- (a) The Plan shall be administered by a Committee of at least three Directors who are appointed by the Board of Directors. Unless otherwise determined by the Board of Directors, the Compensation Committee of the Board of Directors (or any subcommittee thereof) shall serve as the Committee, and all of the members of the Committee shall be Outside Directors. Notwithstanding the requirement that the Committee consist exclusively of Outside Directors, no action or determination by the Committee or an individual then considered to be an Outside Director shall be deemed void because a member of the Committee or such individual fails to satisfy the requirements for being an Outside Director, except to the extent required by applicable law.
- (b) The Committee has the power and authority to grant Awards pursuant to the terms of this Plan to Eligible Participants. The Committee may, at any time and from time to time, at the request of a Participant or at the discretion of the Committee, designate that a portion of such Participant's compensation otherwise payable in cash be payable in Common Shares, Restricted Shares, Stock Options, SARs, Restricted Share Units or Performance Shares. The Committee shall have the sole discretion to determine the value of the Common Shares, Restricted Shares, Options, SARs, Restricted Share Units or Performance Shares so payable and the terms and conditions under which such Common Shares or Restricted Shares shall be issued or such Stock Options, SARs, Restricted Share Units or Performance Shares shall be granted.
- (c) The Committee has the sole and exclusive authority, subject to any limitations specifically set forth in this Plan, to:
 - (i) select the Eligible Participants to whom Awards are granted;
 - (ii) determine the types of Awards granted and the timing of such Awards;
 - (iii) determine the number of Shares to be covered by each Award granted hereunder;
 - (iv) determine the other terms and conditions, not inconsistent with the terms of this Plan, of any Award granted hereunder; such terms and conditions include, but are not limited to, the Exercise Price, the time or times when Stock Options or Stock Appreciation Rights may be exercised (which may be based on performance objectives), any Vesting, acceleration or waiver of forfeiture restrictions, any performance criteria applicable to an Award, and any restriction or limitation regarding any Stock Option or Stock Appreciation Right or the Common Shares relating thereto, based in each case on such factors as the Committee, in its sole discretion, shall determine;

- (v) determine whether any conditions or objectives related to Awards have been met, including but not limited to any determination of whether the performance objectives for Performance Shares or other performance-based awards have been satisfied;
 - (vi) subsequently amend, modify or waive any terms and conditions of Awards, not inconsistent with the terms of this Plan;
 - (vii) adopt, alter and repeal such administrative rules, guidelines and practices governing this Plan as it deems advisable from time to time;
 - (viii) promulgate such administrative forms as it from time to time deems necessary or appropriate for administration of the Plan;
 - (ix) construe, interpret, administer and implement the terms and provisions of this Plan, any Award and any related agreements;
 - (x) correct any defect, supply any omission and reconcile any inconsistency in or between the Plan, any Award and any related agreements;
 - (xi) prescribe any legends to be affixed to certificates representing Shares or other interests granted or issued under the Plan; and
 - (xii) otherwise supervise the administration of this Plan.
- (d) All decisions made by the Committee pursuant to the provisions of this Plan are final and binding on all persons, including the Company, its shareholders and participants, but may be made by their terms subject to ratification or approval by, the Board of Directors, another committee of the Board of Directors or shareholders.
- (e) The Company shall furnish the Committee with such clerical and other assistance as is necessary for the performance of the Committee's duties under the Plan.

2.2 Delegation of Duties. The Committee may delegate ministerial duties to any other person or persons, and it may employ attorneys, consultants, accountants, or other professional advisers for the purposes of plan administration at the expense of the Company. The power to delegate provided for herein does not include the power to grant an Award.

2.3 Limitation of Liability. Members of the Board of Directors, members of the Committee and Company employees who are their designees acting under this Plan shall be fully protected in relying in good faith upon the advice of counsel and shall incur no liability except for gross or willful misconduct in the performance of their duties hereunder.

ARTICLE 3

Stock Subject to Plan

3.1 Total Shares Limitation. Subject to the provisions of this Article, the maximum number of shares of Common Stock that may be issued or transferred under this Plan shall not exceed in the aggregate 2,000,000 Common Shares. Shares to be issued under the Plan may be authorized and unissued shares, issued shares that have been reacquired by the Company (in the open-market or in private transactions) and that are being held in treasury, or a combination thereof.

3.2 Awards Not Exercised: Effect of Receipt of Shares. If any outstanding Award or portion thereof, expires, or is terminated, canceled or forfeited, the Shares that would otherwise be issuable or released from restrictions with respect to the unexercised or non-Vested portion of such expired, terminated, canceled or forfeited Award shall be available for subsequent Awards under this Plan. If the Exercise Price of an Award is paid in Shares, or if Shares are withheld by the Company to cover a Participant's tax obligations with respect to an Award pursuant to Section 15.1 or 15.2 of the Plan, the Shares received by the Company in connection therewith shall not be added to the maximum aggregate number of Shares which may be issued under Section 3.1. Where Stock Appreciation Rights are settled by delivery of Shares, the

actual number of Shares delivered to the Participant shall be counted against the maximum aggregate number of Shares which may be issued under Section 3.1.

3.3 Dilution and Other Adjustments. In the event that the Committee determines that any dividend or other distribution (whether in the form of cash, Shares, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, redesignation, reclassification, merger, consolidation, liquidation, split-up, reverse split, spin-off, combination, repurchase or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company or other similar corporate transaction or event affects the Shares such that an adjustment is determined by the Committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under this Plan, then the Committee shall, in such manner as it deems equitable, adjust any or all of (i) the number and type of Shares (or other securities or other property) which thereafter may be made the subject of Awards, (ii) the number and type of Shares (or other securities or other property) subject to outstanding Awards, (iii) the limitations set forth above and (iv) the purchase or exercise price or any performance objective with respect to any Award; provided, however, that the number of Shares or other securities covered by any Award or to which such Award relates is always a whole number. Notwithstanding the foregoing, the foregoing adjustments shall be made in compliance with: (i) Sections 422 and 424 of the Code with respect to ISOs; (ii) Treasury Department Regulation Section 1.424-1 (and any successor) with respect to NQSOs, applied as if the NQSOs were ISOs; and (iii) Section 409A of the Code, to the extent necessary to avoid its application or avoid adverse tax consequences thereunder. In applying the provisions of this Section 3.3, the Committee shall lack discretion with respect to any adjustment which is required to prevent enlargement or dilution of rights under any Award and shall promptly make such adjustments as are required to prevent an enlargement or dilution of rights.

ARTICLE 4 Participants

4.1 Eligibility. Directors, Officers and all other key employees of the Bank, the Company or any of its Affiliates (each an "Eligible Participant") who are selected by the Committee in its sole discretion are eligible to participate in this Plan.

4.2 Award Agreements. Awards shall be evidenced by a written agreement in a form prescribed by the Committee (hereinafter "Award Agreement"). Execution of an Award Agreement shall constitute the Participant's irrevocable agreement to, and acceptance of, the terms and conditions of the Award set forth in such agreement and of the terms and conditions of the Plan applicable to such Award. Award Agreements may differ from time to time and from participant to participant.

ARTICLE 5 Stock Option Awards

5.1 Option Grant. Each Stock Option granted under this Plan will be evidenced by minutes of a meeting, or by a unanimous written consent without a meeting, of the Committee and by an Award Agreement dated as of the Date of Grant and executed by the Company and by the appropriate Participant.

5.2 Terms and Conditions of Grants. Stock Options granted under this Plan are subject to the following terms and conditions and may contain such additional terms, conditions, restrictions and contingencies with respect to exercisability and/or with respect to the Shares acquired upon exercise as may be provided in the relevant agreement evidencing the Stock Options, so long as such terms and conditions are not inconsistent with the terms of this Plan, as the Committee deems desirable:

- (a) Exercise Price. Subject to Section 3.3, the Exercise Price shall never be less than 100% of the Fair Market Value of the Shares on the Date of Grant. Except as otherwise provided in Section 3.3, no subsequent amendment of an outstanding Stock Option may reduce the Exercise Price to less than 100% of the Fair Market Value of the Shares on the Date of Grant. Nothing in this Section 5.2(a) shall be construed as limiting the Committee's authority to grant premium price Stock Options which do not become exercisable until the Fair Market Value of the underlying Shares exceeds a specified percentage (e.g., 110%) of the Exercise Price; provided, however, that such percentage will never be less than 100%.

- (b) Option Term. Any unexercised portion of a Stock Option granted hereunder shall expire at the end of the stated term of the Stock Option. The Committee shall determine the term of each Stock Option at the time of grant, which term shall not exceed 10 years from the Date of Grant. The Committee may extend the term of a Stock Option, in its discretion, but not beyond the date immediately prior to the tenth anniversary of the original Date of Grant. If a definite term is not specified by the Committee at the time of grant, then the term is deemed to be 10 years. Nothing in this Section 5.2(b) shall be construed as limiting the Committee's authority to grant Stock Options with a term shorter than 10 years.
- (c) Vesting. Stock Options or portions thereof, are exercisable at such time or times as determined by the Committee in its discretion at or after grant. The Committee may provide that a vesting schedule shall be specified in an Award Agreement. If the Committee provides that any Stock Option becomes Vested over a period of time or upon performance events, in full or in installments, the Committee may waive or accelerate such Vesting provisions at any time. Unless otherwise determined by the Committee in connection with the grant and set forth in the Award Agreement, all unvested Stock Options shall immediately vest upon the Death or Disability of the holder.
- (d) Method of Exercise. Vested portions of any Stock Option may be exercised in whole or in part at any time during the option term by giving written notice of exercise to the Company specifying the number of Shares to be purchased. The notice must be given by or on behalf of a person entitled to exercise the Stock Option, accompanied by payment in full of the Exercise Price, along with any tax withholding pursuant to Article 15. Subject to the approval of the Committee, the Exercise Price may be paid:
- (i) in cash in any manner satisfactory to the Committee;
 - (ii) by tendering (by either actual delivery of Shares or by attestation) unrestricted Shares owned by the person entitled to exercise the Stock Option having an aggregate Fair Market Value on the date of exercise equal to the Exercise Price applicable to such Stock Option exercise, and, with respect to the exercise of NQSOs, including restricted Shares;
 - (iii) by a combination of cash and unrestricted Shares that are owned on the date of exercise by the person entitled to exercise the Stock Option; and
 - (iv) by any other method permitted by law and affirmatively approved by the Committee which assures full and immediate payment or satisfaction of the Exercise Price, which may, during any periods in which the Common Stock is publicly traded, include a broker-assisted cashless exercise.

The Committee may withhold its approval for any method of payment for any reason, in its sole discretion, including but not limited to concerns that the proposed method of payment will result in adverse financial accounting treatment for the Company, adverse tax treatment for the Company or a participant or a violation of any law applicable to the Company from time to time, and related regulations and guidance.

If the Exercise Price of an NQSO is paid by tendering Restricted Shares, then the Shares received upon the exercise will contain restrictions that are no less restrictive than the Restricted Shares so tendered.

- (a) Form. Unless the grant of a Stock Option is expressly designated at the time of grant as an ISO, it is deemed to be an NQSO. ISOs are subject to the additional terms and conditions in Article 6.
- (b) Special Limitations on Stock Option Awards. Unless an Award Agreement approved by the Committee provides otherwise, Stock Options awarded under this Plan are intended to meet the requirements for exclusion from coverage under Code Section 409A and applicable Treasury regulations and all Stock Option Awards shall be construed and administered accordingly.

5.3 Termination of Grants Prior to Expiration. Subject to Article 6 with respect to ISOs, if the employment of a Participant with the Bank, the Company or its Affiliates terminates for any reason, all unexercised Stock Options may be

exercised only in accordance with rules established by the Committee or as specified in the relevant agreement evidencing the Stock Options. Such rules may provide, as the Committee deems appropriate, for the expiration, continuation (but only to the originally scheduled expiration date), or acceleration of the vesting of all or part of the Stock Options.

ARTICLE 6

Special Rules Applicable to Incentive Stock Options

6.1 Eligibility. Notwithstanding any other provision of this Plan to the contrary, an ISO may only be granted to an Eligible Participant who is a full or part-time employee (including officers) of the Bank, the Company or of an Affiliate which is a Parent or Subsidiary of the Company.

6.2 Special ISO Rules.

- (a) Term. No ISO may be exercisable on or after the tenth anniversary of the Date of Grant, and no ISO may be granted under this Plan on or after the tenth anniversary of the effective date of this Plan.
- (b) Ten Percent Shareholder. No Participant may receive an ISO under this Plan if such Participant, at the time the Award is granted, owns (after application of the rules contained in Section 424(d) of the Code) equity securities possessing more than 10% of the total combined voting power of all classes of equity securities of the Company, its Parent or any Subsidiary, unless (i) the option price for such ISO is at least 110% of the Fair Market Value of the Shares as of the Date of Grant, and (ii) such ISO is not exercisable on or after the fifth anniversary of the Date of Grant.
- (c) Limitation on Grants. The aggregate Fair Market Value (determined with respect to each ISO at the time of grant) of the Shares with respect to which ISOs are exercisable for the first time by a Participant during any calendar year (under this Plan or any other plan adopted by the Company or its Parent or its Subsidiary) shall not exceed \$100,000. Unless otherwise set forth in an Award Agreement, if such aggregate Fair Market Value shall exceed \$100,000, such number of ISOs as shall have an aggregate Fair Market Value equal to the amount in excess of \$100,000 shall be treated as NQSOs.
- (d) Non-Transferability. Notwithstanding any other provision herein to the contrary, no ISO granted hereunder (and, if applicable, related Stock Appreciation Right) may be transferred except by will or by the laws of descent and distribution, nor may such ISO (or related Stock Appreciation Right) be exercisable during the Participant's lifetime other than by him (or his guardian or legal representative to the extent permitted by applicable law).
- (e) Termination of Employment. No ISO may be exercised more than three months following termination of employment for any reason (including retirement) other than death or Disability, nor more than one year following termination of employment for the reason of death or Disability (as defined in Section 422 of the Code). If the Award Agreement for an ISO permits exercise after such date such option will no longer qualify as an ISO and shall thereafter be, and receive the tax treatment applicable to, an NQSO. For this purpose, a termination of employment is cessation of employment such that no employment relationship exists between the Participant and the Bank, the Company, a Parent or a Subsidiary.
- (f) Fair Market Value. For purposes of any ISO granted hereunder (or, if applicable, related Stock Appreciation Right), the Fair Market Value of Shares shall be determined in the manner required by Section 422 of the Code and any Treasury regulations thereunder.

6.3 Subject to Code Amendments. The foregoing limitations are designed to comply with the requirements of Section 422 of the Code and shall be automatically amended or modified to comply with amendments or modifications to Section 422 of the Code. Any ISO which fails to comply with Section 422 of the Code is automatically treated as an NQSO appropriately granted under this Plan provided it otherwise meets the Plan's requirements for NQSOs.

ARTICLE 7
Stock Appreciation Rights

7.1 SAR Grant and Agreement. Stock Appreciation Rights (including SOSARs as set forth below) may be granted under this Plan and each SAR granted under this Plan will be evidenced by minutes of a meeting, or by a unanimous written consent without a meeting, of the Committee and by an Award Agreement dated as of the Date of Grant and executed by the Company and by the appropriate Participant.

- (a) Term. Any unexercised portion of a Stock Appreciation Right granted hereunder shall expire at the end of the stated term of the Stock Appreciation Right. The Committee shall determine the term of each Stock Appreciation Right at the time of grant, which term shall not exceed ten years from the Date of Grant. The Committee may extend the term of a Stock Appreciation Right, in its discretion, but not beyond the date immediately prior to the tenth anniversary of the original Date of Grant. If a definite term is not specified by the Committee at the time of grant, then the term is deemed to be ten years.
- (b) Vesting. A Stock Appreciation Right is exercisable, in whole or in part, at such time or times as determined by the Committee at or after the time of grant. Unless otherwise determined by the Committee in connection with the grant and set forth in the Award Agreement, all unvested Stock Appreciation Rights shall immediately vest upon the Death or Disability of the Participant.
- (c) Exercise Price. Subject to Section 3.3, the Exercise Price of a Stock Appreciation Right will never be less than 100% of the Fair Market Value of the related Shares on the Date of Grant. Except as otherwise provided in Section 3.3, no subsequent amendment of an outstanding Stock Appreciation Right may reduce the Exercise Price to less than 100% of the Fair Market Value of the Shares on the Date of Grant. Nothing in this Section 7.1(c) shall be construed as limiting the Committee's authority to grant premium price Stock Appreciation Rights which do not become exercisable until the Fair Market Value of the related Shares exceeds a specified percentage (e.g., 110%) of the Exercise Price; provided, however, that such percentage will never be less than 100%.
- (d) Method of Exercise. A Stock Appreciation Right may be exercised in whole or in part during the term by giving written notice of exercise to the Company specifying the number of Shares in respect of which the Stock Appreciation Right is being exercised. The notice must be given by or on behalf of a person entitled to exercise the Stock Appreciation Right. Upon the exercise of a Stock Appreciation Right, subject to satisfaction of the tax withholding requirements pursuant to Article 15, the holder of the Stock Appreciation Right is entitled to receive Shares or cash as specified in the original Award Agreement (as set forth below) equal in value to the excess of the Fair Market Value of a Share on the exercise date over the Exercise Price of the SAR multiplied by the number of Stock Appreciation Rights being exercised. At any time the Fair Market Value of a Share on a proposed exercise date does not exceed the Exercise Price of the SAR, the holder of the Stock Appreciation Right shall not be permitted to exercise such right.
 - (i) Stock Appreciation Right designated as a Stock Only Stock Appreciation Right ("SOSAR") in the original Award Agreement. With respect to an Award designated by the Company in the original Award Agreement as a SOSAR, the Participant shall be entitled to receive only Shares of the Company upon exercise.
 - (ii) All Other Stock Appreciation Rights. With respect to all other Awards the holder shall be entitled to the cash or other property set forth in the Award Agreement.
- (e) Early Termination Prior to Expiration. If the employment of a Participant with the Bank, the Company or its Affiliates terminates for any reason, all unexercised Stock Appreciation Rights may be exercised only in accordance with rules established by the Committee or as specified in the relevant agreement evidencing such Stock Appreciation Rights. Such rules may provide, as the Committee deems appropriate, for the expiration, continuation (but only to the originally scheduled expiration date), or acceleration of the vesting of all or part of such Stock Appreciation Rights.

7.2 Other Terms and Conditions of SAR Grants. Stock Appreciation Rights are subject to such other terms and conditions, not inconsistent with the provisions of this Plan, as are determined from time to time by the Committee.

7.3 Special Limitations on SAR Awards. Unless an Award Agreement approved by the Committee provides otherwise, Stock Appreciation Rights awarded under this Plan are intended to meet the requirements for the stock rights exemption from coverage under Code Section 409A described in Treasury Regulation Section 1.409A-1(b)(5) and all Stock Appreciation Rights Awards shall be construed and administered accordingly.

ARTICLE 8

Restricted Share and Restricted Share Unit Awards

8.1 Restricted Share Grants and Agreements. Restricted Share Awards consist of Shares which are issued by the Company to a participant at no cost or at a purchase price determined by the Committee which may be below their Fair Market Value but which are subject to forfeiture and restrictions on their sale or other transfer by the Participant ("Restricted Shares"). Each Restricted Share Award granted under this Plan will be evidenced by minutes of a meeting, or by a unanimous written consent without a meeting, of the Committee and by an Award Agreement dated as of the Date of Grant and executed by the Company and by the Participant. The timing of Restricted Share Awards and the number of Shares to be issued are to be determined by the Committee in its discretion. By accepting a grant of Restricted Shares, the Participant consents to any tax withholding as provided in Article 15.

8.2 Terms and Conditions of Restricted Share Grants. Restricted Shares granted under this Plan are subject to the following terms and conditions, which, except as otherwise provided herein, need not be the same for each Participant, and may contain such additional terms, conditions, restrictions and contingencies not inconsistent with the terms of this Plan and any operative employment or other agreement, as the Committee deems desirable:

- (a) Purchase Price. The Committee shall determine the prices, if any, at which Restricted Shares are to be issued to a Participant, which may vary from time to time and from Participant to Participant and which may be below the Fair Market Value of such Restricted Shares at the Date of Grant.
- (b) Restrictions. All Restricted Shares issued under this Plan will be subject to such restrictions as the Committee may determine, which may include, without limitation, the following:
 - (i) a prohibition against the sale, transfer, pledge or other encumbrance of the Restricted Shares, such prohibition to lapse at such time or times as the Committee determines (whether in installments or otherwise, but subject to the Change in Control provisions in Article 11);
 - (ii) a requirement that the Participant forfeit such Restricted Shares in the event of termination of the Participant's employment with the Bank, the Company or its Affiliates prior to Vesting;
 - (iii) a prohibition against employment or retention of the Participant by any competitor of the Bank, the Company or its Affiliates, or against dissemination by the Participant of any secret or confidential information belonging to the Company or an Affiliate;
 - (iv) any applicable requirements arising under the Securities Act of 1933, as amended, other securities laws, the rules and regulations of any stock exchange or transaction reporting system upon which such Restricted Shares may then be listed or quoted and any state laws, rules and regulations, including "blue sky" laws;
 - (v) such additional restrictions as are required to avoid adverse tax consequences under Code Section 409A; and
 - (vi) delivery of a valid election under Code Section 83(b).

The Committee may at any time waive such restrictions or accelerate the date or dates on which the restrictions will lapse.

- (c) Performance-Based Restrictions. The Committee may, in its sole discretion, provide restrictions that lapse upon the attainment of specified performance objectives. In such case, the provisions of Sections 9.2 and 9.3 will apply (including, but not limited to, the enumerated performance objectives). If the Award Agreement governing an Award provides that such Award is intended to be performance based compensation, the provisions of Article 9 will also apply.
- (d) Delivery of Shares. Any Restricted Stock granted under the Plan may be evidenced in such manner as the Committee may deem appropriate, including, without limitation, book-entry registration or issuance of a stock certificate or certificates. In the event any stock certificate is issued in respect of Shares of Restricted Stock granted under the Plan, such certificate shall be registered in the name of the Participant and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock. At the end of any time period during which the Restricted Shares are subject to forfeiture and restrictions on transfer, and after any tax withholding, such Shares will be delivered free of all restrictions (except for any pursuant to Article 14) to the Participant or other appropriate person and with the foregoing legend removed from the stock certificate.
- (e) Forfeiture of Shares. If a Participant who holds Restricted Shares fails to satisfy the restrictions, vesting requirements and other conditions relating to the Restricted Shares prior to the lapse, satisfaction or waiver of such restrictions and conditions, except as may otherwise be determined by the Committee, the Participant shall forfeit the Shares and transfer them back to the Company in exchange for a refund of any consideration paid by the Participant or such other amount which may be specifically set forth in the Award Agreement. A Participant shall execute and deliver to the Company one or more Stock Powers with respect to Restricted Shares granted to such Participant.
- (f) Voting and Other Rights. Except as otherwise required for compliance with the terms of the applicable Restricted Share Agreement, during any period in which Restricted Shares are subject to forfeiture and restrictions on transfer, the Participant holding such Restricted Shares shall have all the rights of a Shareholder with respect to such Shares, including, without limitation, the right to vote such Shares and the right to receive any dividends paid with respect to such Shares.

8.3 Restricted Share Unit Awards and Agreements. Restricted Share Unit Awards consist of Shares that will be issued to a Participant at a future time or times at no cost, or at a purchase price determined by the Committee which purchase price may be below their Fair Market Value, if continued employment and/or other terms and conditions specified by the Committee are satisfied (“Restricted Share Unit”). Each Restricted Share Unit Award granted under this Plan will be evidenced by minutes of a meeting, or by a unanimous written consent without a meeting, of the Committee and by an Award Agreement dated as of the Date of Grant and executed by the Company and the Participant. The timing of Restricted Share Unit Awards and the number of Restricted Share Units to be awarded are to be determined by the Committee in its sole discretion. By accepting a Restricted Share Unit Award, the Participant agrees to remit to the Company when due any tax withholding as provided in Article 15.

8.4 Terms and Conditions of Restricted Share Unit Awards. Restricted Share Unit Awards are subject to the following terms and conditions, which, except as otherwise provided herein, need not be the same for each Participant, and may contain such additional terms, conditions, restrictions and contingencies not inconsistent with the terms of this Plan and any operative employment or other agreement, as the Committee deems desirable:

- (a) Purchase Price. The Committee shall determine the prices, if any, at which Shares are to be issued to a Participant after Vesting of Restricted Share Units, which may vary from time to time and among Participants and which may be below the Fair Market Value of Shares at the Date of Grant.
- (b) Restrictions. All Restricted Share Units awarded under this Plan will be subject to such restrictions as the Committee may determine, which may include, without limitation, the following:
 - (i) a prohibition against the sale, transfer, pledge or other encumbrance of the Restricted Share Unit;
 - (ii) a requirement that the Participant forfeit such Restricted Share Unit in the event of termination of the Participant's employment with the Bank, the Company or its Affiliates prior to Vesting;

- (iii) a prohibition against employment of the Participant by, or provision of services by the Participant to, any competitor of the Bank, the Company or its Affiliates, or against dissemination by the Participant of any secret or confidential information belonging to the Bank, the Company or an Affiliate;
- (iv) any applicable requirements arising under the Securities Act of 1933, as amended, other securities laws, the rules and regulations of any stock exchange or transaction reporting system upon which the Common Shares may then be listed or quoted and any state laws, rules and interpretations, including "blue sky" laws; and
- (v) such additional restrictions as are required to avoid adverse tax consequences under Code Section 409A.

The Committee may at any time waive such restrictions or accelerate the date or dates on which the restrictions will lapse.

- (c) Performance-Based Restrictions. The Committee may, in its sole discretion, provide restrictions that lapse upon the attainment of specified performance objectives. In such case, the provisions of Sections 9.2 and 9.3 will apply (including, but not limited to, the enumerated performance objectives). If the Award Agreement governing an Award provides that such Award is intended to be performance based compensation, the provisions of Article 9 will also apply.
- (d) Voting and Other Rights. A Participant holding Restricted Share Units shall not be deemed to be a Shareholder of the Company solely because of such units. Such Participant shall have no rights of a Shareholder with respect to such units; provided, however, that an Award Agreement may provide for payment of an amount of money (or Shares with a Fair Market Value equivalent to such amount) equal to the dividends paid from time to time on the number of Common Shares that would become payable upon vesting of a Restricted Share Unit Award.
- (e) Lapse of Restrictions. If a Participant who holds Restricted Share Units satisfies the restrictions and other conditions relating to the Restricted Share Units prior to the lapse or waiver of such restrictions and conditions, the Restricted Share Units shall be converted to, or replaced with, Shares which are free of all restrictions except for any restrictions pursuant to Article 14.
- (f) Forfeiture of Restricted Share Units. If a Participant who holds Restricted Share Units fails to satisfy the restrictions, Vesting requirements and other conditions relating to the Restricted Share Units (prior to the lapse, satisfaction or waiver of such restrictions and conditions), except as may otherwise be determined by the Committee, the Participant shall forfeit the Restricted Share Units.
- (g) Special Limitations on Restricted Share Unit Awards. Unless an Award Agreement approved by the Committee provides otherwise, Restricted Share Units awarded under this Plan are intended to meet the requirements for the short-term deferral exemption from coverage under Code Section 409A described in Treasury Regulation Section 1.409A-1(b)(4) and all Restricted Stock Unit Awards shall be construed and administered accordingly.

8.5 Time Vesting of Restricted Share and Restricted Share Unit Awards. Restricted Shares or Restricted Share Units, or portions thereof, are exercisable at such time or times as determined by the Committee in its discretion at or after grant, subject to the restrictions on time Vesting set forth in this Section. If the Committee provides that any Restricted Shares or Restricted Share Unit Awards become Vested over time (with or without a performance component), the Committee may waive or accelerate such Vesting provisions at any time, subject to the restrictions on time Vesting set forth in this Section. Unless otherwise determined by the Committee in connection with the grant and set forth in the Award Agreement, all unvested Restricted Share and Restricted Share Unit Awards shall immediately Vest with respect to any required time vesting upon the Death or Disability of the holder.

ARTICLE 9 Performance Share Awards

9.1 Performance Share Awards and Agreements. A Performance Share Award is a right to receive Shares in the future conditioned upon the attainment of specified performance objectives and such other conditions, restrictions and contingencies as the Committee may determine ("Performance Share"). Each Performance Share Award granted under this Plan will be evidenced by minutes of a meeting, or by a unanimous written consent without a meeting, of the Committee and by an Award Agreement dated as of the Date of Grant and executed by the Company and by the Participant. The timing of Performance Share Awards and the number of Shares covered by each Award are to be determined by the Committee in its discretion. By accepting a grant of Performance Shares, the Participant agrees to remit to the Company when due any tax withholding as provided in Article 15.

9.2 Performance Objectives. At the time of grant of a Performance Share Award, the Committee will specify the performance objectives which, depending on the extent to which they are met, will determine the number of Shares that will be distributed to the Participant. The Committee will also specify the time period or periods (the "Performance Period") during which the performance objectives must be met. With respect to awards intended to be "performance based compensation," the Committee may use performance objectives based on one or more financial criteria or other objective performance measures as the Committee may determine to be appropriate, including, but not limited to, one or more of the following: earnings per share, total revenue, net interest income, non-interest income, net income, net income before tax, non-interest expense, efficiency ratio, return on equity, return on assets, economic profit added, loans, deposits, tangible equity, assets, net charge-offs, new market growth, product line developments, and nonperforming assets. The Committee may designate a single goal criterion or multiple goal criteria for performance measurement purposes. Performance measurement may be described in terms of objectives that are related to the performance by the Company, by the Bank, by any Subsidiary, or by any employee or group of employees in connection with services performed by that employee or those employees for the Company, the Bank, a Subsidiary, or one or more subunits of the Company, the Bank or of any Subsidiary. The performance objectives may be made relative to the performance of other companies. The performance objectives and periods need not be the same for each participant or for each Award.

9.3 Adjustment of Performance Objectives. The Committee may modify, amend or otherwise adjust the performance objectives specified for outstanding Performance Share Awards if it determines that an adjustment would be consistent with the objectives of this Plan and taking into account the interests of the affected Participants and the public Shareholders of the Company and such adjustment complies with any applicable legal requirements. The types of events which could cause an adjustment in the performance objectives include, without limitation, accounting changes which substantially affect the determination of performance objectives, changes in applicable laws or regulations which affect the performance objectives, and divisive corporate reorganizations, including spin-offs and other distributions of property or stock.

9.4 Other Terms and Conditions. Performance Share Awards granted under this Plan are subject to the following terms and conditions and may contain such additional terms, conditions, restrictions and contingencies not inconsistent with the terms of this Plan and any operative employment or other agreement as the Committee deems desirable:

- (a) Delivery of Shares. As soon as practicable after the applicable Performance Period has ended, the Participant will receive a distribution of the number of Shares earned during the Performance Period, depending upon the extent to which the applicable performance objectives were achieved. Such Shares will be registered in the name of the Participant and will be free of all restrictions except for any restrictions pursuant to Article 14. Notwithstanding the forgoing, the distribution of Shares provided for herein shall occur not later than two and one-half months following the end of the calendar year in which the Performance Period has ended.
- (b) Termination. A Performance Share Award or unearned portion thereof will terminate without the issuance of Shares on the termination date specified at the time of grant or upon the termination of employment of the Participant during the Performance Period. If a Participant's employment with the Bank, the Company or its Affiliates terminates by reason of his or her death, disability or retirement, the Committee in its discretion at or after the time of grant may determine, notwithstanding any Vesting requirements, that the Participant (or the heir, legatee or legal representative of the Participant's estate) will receive a distribution based on a portion of the Participant's then-outstanding Performance Share Awards in an

amount which is not more than the number of shares which would have been earned by the participant if 100% of the performance objectives for the current Performance Period had been achieved prorated based on the ratio of the number of months of active employment in the Performance Period to the total number of months in the Performance Period.

- (c) Voting and Other Rights. Awards of Performance Shares do not provide the Participant with voting rights or rights to dividends prior to the Participant becoming the holder of record of Shares issued pursuant to an Award; provided, however, that an Award Agreement may provide for payment of an amount of money (or Shares with a Fair Market Value equivalent to such amount) equal to the dividends paid from time to time on the number of Common Shares that would become payable upon vesting of a Performance Share Award. Prior to the issuance of Shares, Performance Share Awards may not be sold, transferred, pledged, assigned or otherwise encumbered.

9.5 Special Limitations on Performance Share Awards. Unless an Award Agreement approved by the Committee provides otherwise, Performance Shares awarded under this Plan are intended to meet the requirements for the short-term deferral exemption from coverage under Code Section 409A described in Treasury Regulation Section 1.409A-1(b)(4) and all Performance Share Awards shall be construed and administered accordingly.

ARTICLE 10

Transfers and Leaves of Absence

10.1 Transfer of Participant. For purposes of this Plan, the transfer of a Participant among the Bank, the Company and other Affiliates of the Company is deemed not to be a termination of employment.

10.2 Effect of Leaves of Absence. For purposes of this Plan, the following leaves of absence are deemed not to be a termination of employment:

- (a) a leave of absence, approved in writing by the Bank or the Company, for military service, sickness or any other purpose approved by the Bank or the Company, if the period of such leave does not exceed 90 days;
- (b) a leave of absence in excess of 90 days, approved in writing by the Bank or the Company, but only if the employee's right to reemployment is guaranteed either by a statute or by contract, and provided that, in the case of any such leave of absence, the employee returns to work within 30 days after the end of such leave; and
- (c) any other absence determined by the Committee in its discretion not to constitute a termination of employment.

ARTICLE 11

Effect of Change in Control

11.1 Change in Control Defined. "Change in Control" shall have the meaning set forth in Article 1 of this Plan.

11.2 Effect of Change in Control. Unless otherwise determined by the Committee in connection with the grant and expressly set forth in the Award Agreement, following a Change in Control,:

- (a) all Stock Options or SARs, notwithstanding any limitations set forth in the Plan shall become fully Vested and immediately exercisable;
- (b) all Restricted Shares, notwithstanding any limitations set forth in the Plan shall become fully Vested; and
- (c) all Restricted Share Units and Performance Shares, notwithstanding any limitations set forth in the Plan, shall become fully Vested.

11.3 Other Actions upon Change in Control. The Committee or the Board of the Company may, in its discretion, to the extent determined to be permitted under Code Section 409A, take one or more of the following actions with respect to any

outstanding Awards: (i) settle such Awards for an amount of cash or securities equal to their value, where in the case of stock options and SARs, the value of such awards, if any, will be equal to their in-the-money spread value (if any), as determined in the sole discretion of the Committee; (ii) provide for the assumption of or the issuance of substitute awards that will substantially preserve the otherwise applicable terms of any affected Awards previously granted under the Plan, as determined by the Committee in its sole discretion; or (iii) modify the terms of such awards to add events, conditions or circumstances upon which the vesting of such Awards or lapsing of restrictions thereon will accelerate, including but not limited to the ability to accelerate vesting of any outstanding Award in the event of an individual's separation from employment or service prior to but in anticipation of the Change in Control.

ARTICLE 12

Transferability of Awards

12.1 Awards Are Non-Transferable. Except as provided in Sections 12.2 and 12.3, Awards are non-transferable and any attempts to assign, pledge, hypothecate or otherwise alienate or encumber (whether by operation of law or otherwise) any Award shall be null and void.

12.2 Inter-Vivos Exercise of Awards. During a Participant's lifetime, Awards are exercisable only by the Participant or, as permitted by applicable law and notwithstanding Section 12.1 to the contrary, the Participant's guardian or other legal representative.

12.3 Limited Transferability of Certain Awards. Notwithstanding Section 12.1 to the contrary, Awards may be transferred by will and by the laws of descent and distribution. Moreover, the Committee, in its discretion, may allow at or after the time of grant the transferability of Awards which are Vested, provided that the permitted transfer is made (a) if the Award is an Incentive Stock Option, the transfer is consistent with Section 422 of the Code; (b) to the Company (for example in the case of forfeiture of Restricted Shares), an Affiliate or a person acting as the agent of the foregoing or which is otherwise determined by the Committee to be in the interests of the Company; or (c) by the Participant for no consideration to Family Members or other Permitted Transferees (as defined in this Plan). No transfer may be made to the extent that transferability would cause Form S-8 or any successor form thereto not to be available to register Shares related to an Award. The Committee in its discretion may impose additional terms and conditions upon transferability.

ARTICLE 13

Amendment and Discontinuation

13.1 Amendment or Discontinuation of this Plan. The Board of Directors may amend, alter, or discontinue this Plan at any time, provided that no amendment, alteration, or discontinuance may be made:

- (a) which would materially and adversely affect the rights of a Participant under any Award granted prior to the date such action is adopted by the Board of Directors without the Participant's written consent thereto; and
- (b) without Shareholder approval, if Shareholder approval is required under applicable laws, regulations or exchange requirements (including Section 422 of the Code with respect to ISOs).

Notwithstanding the foregoing, this Plan may be amended without Participants' consent to: (i) comply with any law; (ii) preserve any intended favorable tax effects for the Company, the Plan or Participants; or (iii) avoid any unintended unfavorable tax effects for the Company, the Plan or Participants.

13.2 Amendment of Grants. The Committee may amend, prospectively or retroactively, the terms of any outstanding Award, provided that no such amendment may be inconsistent with the terms of this Plan (specifically including the prohibition on granting Stock Options or SARs with an Exercise Price less than 100% of the Fair Market Value of the Common Shares on the Date of Grant) or would materially and adversely affect the rights of the Participant holding the grant without his or her written consent.

ARTICLE 14
Issuance of Shares and Share Certificates

14.1 Issuance of Shares. The Company will issue or cause to be issued Shares as soon as practicable upon exercise or conversion of an Award that is payable in Shares. No certificates for Shares will be issued until full payment has been made, to the extent payment is required. Until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the stock certificate evidencing such Shares, no right to vote or receive dividends or any other rights as a shareholder will exist with respect to the Shares, notwithstanding the exercise or conversion of the Award payable in shares.

14.2 Delivery of Share Certificates. The Company is not required to issue or deliver any certificates for Shares issuable with respect to Awards under this Plan prior to the fulfillment of all of the following conditions:

- (a) payment in full for the Shares and for any tax withholding (see Article 15);
- (b) completion of any registration or other qualification of such Shares under any Federal or state laws or under the rulings or regulations of the Securities and Exchange Commission or any other regulating body which the Committee in its discretion deems necessary or advisable;
- (c) admission of such Shares to listing on any stock exchange on which the Shares are listed;
- (d) in the event the Shares are not registered under the Securities Act of 1933, qualification as a private placement under said Act or qualification for another applicable exemption from registration under the Securities Act of 1933;
- (e) obtaining of any approval or other clearance from any Federal or state governmental agency which the Committee in its discretion determines to be necessary or advisable; and
- (f) the Committee is fully satisfied that the issuance and delivery of Shares under this Plan is in compliance with applicable Federal, state or local law, rule, regulation or ordinance or any rule or regulation of any other regulating body, for which the Committee may seek approval of counsel for the Company.

14.3 Applicable Restrictions on Shares. Shares issued with respect to awards may be subject to such stock transfer orders and other restrictions as the Committee may determine necessary or advisable under any applicable Federal or state securities law rules, regulations and other requirements, the rules, regulations and other requirements of any stock exchange upon which the Shares are then listed, and any other applicable Federal or state law and will include any restrictive legends on stock certificates that the Committee may deem appropriate to include.

14.4 Book Entry. In lieu of the issuance of stock certificates evidencing Shares, the Company may use a "book entry" system in which a computerized or manual entry is made in the records of the Company to evidence the issuance of such Shares. Such Company records are, absent manifest error, binding on all parties.

ARTICLE 15
Satisfaction of Tax Liabilities

15.1 In General. The Company or the Bank shall withhold any taxes which the Committee determines the Company or the Bank is required by law or required by the terms of this Plan to withhold in connection with any payments incident to this Plan. The Participant or other recipient shall provide the Committee with such additional information or documentation as may be necessary for the Company and the Bank to discharge their obligations under this Section. The Company may withhold: (a) cash, (b) subject to any limitations under Rule 16b-3, Common Shares to be issued, or (c) any combination thereof, in an amount equal to the amount which the Committee determines is necessary to satisfy the obligations of the Company, the Bank, a Subsidiary or a Parent to withhold federal, state and local income taxes or other amounts incurred by reason of the grant, vesting or exercise of an Award, its disposition, or the disposition of the underlying Common Shares. Alternatively, the Company may require the holder to pay to the Company or the Bank such amounts, in cash, promptly upon demand.

15.2 Withholding from Share Distributions. With respect to a distribution in Shares pursuant to a Restricted Share, Restricted Share Unit or Performance Share Award under the Plan, the Committee may cause the Company to sell the number of such Shares with a value (net proceeds of such sale) equal to (or exceed by not more than that actual sale price of a single Share) the Company's required tax withholding relating to such distribution. The Committee may withhold the proceeds of such sale for purposes of satisfying such tax withholding obligation.

15.3 Section 83(b) Election. The Committee may, where applicable, provide in an Award Agreement the right of the Participant to make an election pursuant to Section 83(b) of the Code, or comparable provisions of any state tax law, to include in the Participant's gross income the fair market value as of the Award as of the Date of Grant. The Participant may make such an election only if, prior to making any such election, the Participant (a) notifies the Company of the Participant's intention to make such election in accordance with any notice requirements set forth in the Award Agreement, and (b) pays to the Company an amount sufficient to satisfy any taxes or other amounts required by any governmental authority to be withheld or paid over to such authority for the Participant's account, or otherwise makes arrangements satisfactory to the Company for the payment of such amounts through withholding or otherwise.

15.4 Section 83(i) Elections Not Available. The shares of Common Stock issued pursuant to Stock Options or Restricted Share Units granted under this Plan are not intended to be qualified stock for purposes of Section 83(i) of the Code, and Participants may not make elections under Section 83(i) of the Code with respect to such shares. The Company will not create any escrow arrangements consistent with the requirements set forth in Section III.B.2 of IRS Notice 2018-97 in connection with the issuance of shares of Common Stock to participants under this Plan.

ARTICLE 16

General Provisions

16.1 No Implied Rights to Awards. No potential participant has any claim or right to be granted an Award under this Plan, and there is no obligation of uniformity of treatment of participants under this Plan.

16.2 No Implied Rights to Employment. Neither this Plan nor any Award thereunder shall be construed as giving any individual any right to continued employment with the Bank, the Company or any Affiliate. The Plan does not constitute a contract of employment, and the Bank, the Company and each Affiliate expressly reserve the right at any time to terminate employees free from liability, or any claim, under this Plan, except as may be specifically provided in this Plan or in an Award Agreement.

16.3 Other Compensation Plans. Nothing contained in this Plan prevents the Board of Directors from adopting other or additional compensation arrangements, subject to shareholder approval if such approval is required, and such arrangements may be either generally applicable or applicable only in specific cases.

16.4 Rule 16b-3 Compliance. The Plan is intended to comply with all applicable conditions of Securities and Exchange Commission Rule 16b-3. All transactions involving any Participant subject to Section 16(a) of the Exchange Act shall be subject to the conditions set forth in Rule 16b-3, regardless of whether such conditions are expressly set forth in this Plan. Any provision of this Plan that is contrary to Rule 16b-3 does not apply to such Participants.

16.5 Successors. All obligations of the Company with respect to Awards granted under this Plan are binding on any successor to the Company, whether as a result of a direct or indirect purchase, merger, consolidation or otherwise of all or substantially all of the business and/or assets of the Company.

16.6 Severability. In the event any provision of this Plan, or the application thereof to any person or circumstances, is held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of this Plan, or other applications, and this Plan is to be construed and enforced as if the illegal or invalid provision had not been included.

16.7 Governing Law. To the extent not preempted by Federal law, this Plan and all Award Agreements pursuant thereto are construed in accordance with and governed by the laws of the State of Ohio. This Plan is not intended to be governed by the Employee Retirement Income Security Act and shall be so construed and administered.

16.8 Legal Requirements. No Awards shall be granted and the Company shall have no obligation to make any payment under the Plan, whether in Shares, cash, or a combination thereof, unless such payment is, without further action by the

Committee, in compliance with all applicable Federal and state laws and regulations, including, without limitation, the Code and Federal and state securities laws.

16.9 Forfeiture by Employees in Connection with Termination for Cause. Notwithstanding any other provision of this Plan, subject to the provisions of the Award Agreement to which such Award relates, upon the termination of employment of a Participant for Cause, such Participant shall forfeit all benefits associated with any Award as provided for herein. Pursuant to this provision, a Participant shall forfeit all unexercised Options whether or not previously vested, all unexercised SARs whether or not previously vested and all Restricted Shares, Restricted Share Units and Performance Shares for which the delivery of Shares has not yet occurred.

16.10 Awards Subject to Clawback Policy. Notwithstanding any other provision of this Plan to the contrary, all Awards granted under this Plan shall be subject to any policy of the Company regarding recoupment of executive compensation and each Award Agreement for such a grant under this Plan shall be deemed to incorporate the provisions hereof into such Award Agreement to provide that the Participant will be obligated to repay to the Company, all amounts received with respect to awards granted to the Participant under this Plan, to the extent such a repayment is required by the terms of any Company policy on recoupment of executive compensation that may be in place and as may be amended from time to time.

16.11 Section 409A of the Code. The Plan is, and all Awards made hereunder are, intended to and shall be interpreted, to provide compensation that is exempt from the requirements of Section 409A pursuant to the “stock rights” exemption provided by Treasury Regulation Section 1.409A-1(b)(5) or the “short-term deferral” exemption provided by Treasury Regulation Section 1.409A-1(b)(4). The Company does not warrant that the Plan will comply with Section 409A of the Code with respect to any Award to any Participant or with respect to any payment. In no event shall the Company, the Bank, any Subsidiary or any director, officer, or employee of the Company, the Bank or any member of the Committee be liable for any additional tax, interest, or penalty incurred by a Participant as a result of the Plan’s failure to satisfy the requirements of an exemption from Section 409A of the Code, or as a result of the Plan’s failure to satisfy any other requirements of applicable tax laws. Notwithstanding any provision of this Plan or the provision of any Award made under this Plan:

- (i) The Committee may unilaterally amend any provision of this Plan and unilaterally amend any provision of any Award made under this Plan, whether or not such amendment shall result in a reduction in the benefits of any Award, and whether or not such Award is vested, if in the sole opinion of the Committee such amendment is necessary or desirable to make such Award exempt from Code Section 409A, or if applicable, to comply with any provision of Code Section 409A; and
- (ii) Any Award and related Award Agreement which constitutes deferred compensation or a deferred compensation plan, within the meaning of Code Section 409A and all Treasury Regulations issued thereunder, shall be subject to and shall be deemed to incorporate, the following additional terms which terms shall supersede and negate any conflicting terms contained in an Award Agreement:
 - (a) If the individual granted this Award is a “specified employee” (i.e., a “key employee” of a publicly traded company within the meaning of Section 409A of the Code and the final regulations issued thereunder) and any payment under this Award Agreement is triggered due to Executive's Separation from Service, then solely to the extent necessary to avoid penalties under Section 409A of the Code, no payment shall be made during the first six (6) months following Executive's Separation from Service. Rather, any payment which would otherwise be paid to Executive during such period shall be accumulated and paid to Executive in a lump sum on the first day of the seventh month following such Separation from Service. All subsequent payments shall be paid in the manner specified in this Award Agreement.
 - (b) In the event this Award and related Award Agreement is determined to be deferred compensation and a deferred compensation plan within the meaning of Section 409A of the Code and the Treasury Regulations issued thereunder, then any provision of this Award and related Award Agreement that violates Section 409A, or the Treasury Regulations issued thereunder, shall be stricken and deemed void *ab initio*, whether such shall result in a reduction in the benefits of any Award and whether or not such Award is vested.

ARTICLE 17
Effective Date and Term

17.1 Effective Date. The effective date of this Farmers & Merchants Bancorp, Inc. 2025 Long-Term Stock Incentive Plan is the date on which the Shareholders of the Company approve it at a duly held shareholders' meeting.

17.2 Termination Date. This Plan will continue in effect until midnight on the day before the tenth anniversary of the effective date specified in Section 17.1; provided, however, that Awards granted on or before that date may extend beyond that date.

Exhibit 21

SUBSIDIARIES OF FARMERS & MERCHANTS BANCORP, INC
FARMERS & MERCHANTS STATE BANK
FARMERS & MERCHANTS RISK MANAGEMENT, INC.*

* Subsidiary was dissolved in December 2023.

[Remainder of this page intentionally left blank.]

Exhibit 31.1

CERTIFICATIONS

I, Lars B. Eller, President and Chief Executive Officer of Farmers & Merchants Bancorp, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of Farmers & Merchants Bancorp, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2026

/s/ Lars B. Eller
Lars B. Eller
President and CEO

Exhibit 31.2

CERTIFICATIONS

I, Barbara J. Britenriker, Chief Financial Officer of Farmers & Merchants Bancorp, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of Farmers & Merchants Bancorp, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2026

/s/ Barbara J. Britenriker

Barbara J. Britenriker
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ENACTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

FARMERS & MERCHANTS BANCORP, INC.

In connection with the Annual Report on Form 10-K of Farmers & Merchants Bancorp, Inc. for the year ended December 31, 2025, as filed with the Securities and Exchange Commission (the "Report"), I, Lars B. Eller, Chief Executive Officer, of the Company, certify, pursuant to 18 U.S.C. 1350, as added by 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirement of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and;
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 27, 2026

/s/ Lars B. Eller

Lars B. Eller

Chief Executive Officer

A signed original of this written statement required by section 906 has been provided to Farmers & Merchants Bancorp, Inc. and will be retained by Farmers & Merchants Bancorp, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ENACTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

FARMERS & MERCHANTS BANCORP, INC.

In connection with the Annual Report on Form 10-K of Farmers & Merchants Bancorp, Inc. for the year ended December 31, 2025, as filed with the Securities and Exchange Commission (the "Report"), I, Barbara J. Britenriker, Chief Financial Officer, of the Company, certify, pursuant to 18 U.S.C. 1350, as added by 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirement of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and;
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 27, 2026

/s/ Barbara J. Britenriker

Barbara J. Britenriker

Chief Financial Officer

A signed original of this written statement required by section 906 has been provided to Farmers & Merchants Bancorp, Inc. and will be retained by Farmers & Merchants Bancorp, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

FARMERS & MERCHANTS
STATE BANK



**FARMERS &
MERCHANTS**
BANCORP, INC.

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