

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

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period March 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.

(Exact name of registrant as specified in its charter)

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)

(419) 446-2501

Registrant's telephone number, including area code
(Former name, former address and former fiscal year, if changed since last report.)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of Each Exchange
Common Stock, No Par Value	FMAO	NASDAQ Capital Market

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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares of each of the issuers' classes of common stock, as of the latest practicable date:

Common Stock, No Par Value
Class

13,718,086
Outstanding as of May 1, 2025

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10Q

FARMERS & MERCHANTS BANCORP, INC.
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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⁾	

⁽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.

PART 1 - FINANCIAL INFORMATION

ITEM 1 FINANCIAL STATEMENTS

FARMERS & MERCHANTS BANCORP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	(In Thousands)	
	March 31, 2025 (Unaudited)	December 31, 2024
Assets		
Cash and due from banks	\$ 172,612	\$ 174,855
Federal funds sold	425	1,496
Total cash and cash equivalents	173,037	176,351
Interest-bearing time deposits	1,992	2,482
Securities - available-for-sale	438,568	426,556
Other securities, at cost	14,062	14,400
Loans held for sale	2,331	2,996
Loans, net of allowance for credit losses of \$26,352 and \$25,826	2,555,552	2,536,043
Premises and equipment	33,163	33,828
Goodwill	86,358	86,358
Loan servicing rights	5,805	5,656
Bank owned life insurance	35,116	34,872
Other assets	42,802	45,181
Total Assets	\$ 3,388,786	\$ 3,364,723
Liabilities and Stockholders' Equity		
Liabilities		
Deposits		
Noninterest-bearing	\$ 502,318	\$ 516,904
Interest-bearing		
NOW accounts	874,881	850,462
Savings	696,635	671,818
Time	626,450	647,581
Total deposits	2,700,284	2,686,765
Securities sold under agreements to repurchase	27,258	27,218
Federal Home Loan Bank (FHLB) advances	245,474	246,056
Subordinated notes, net of unamortized issuance costs	34,846	34,818
Dividend payable	2,997	2,996
Accrued expenses and other liabilities	33,326	31,659
Total liabilities	3,044,185	3,029,512
Commitments and Contingencies		
Stockholders' Equity		
Common stock - No par value 20,000,000 shares authorized; issued 14,564,425 shares 3/31/25 and 12/31/24; outstanding 13,718,336 shares 3/31/25 and 13,699,536 shares 12/31/24	135,407	135,565
Treasury stock - 846,089 shares 3/31/25 and 864,889 shares 12/31/24	(10,768)	(10,985)
Retained earnings	240,079	235,854
Accumulated other comprehensive loss	(20,117)	(25,223)
Total stockholders' equity	344,601	335,211
Total Liabilities and Stockholders' Equity	\$ 3,388,786	\$ 3,364,723

See Notes to Condensed Consolidated Unaudited Financial Statements.

Note: The December 31, 2024, Condensed Consolidated Balance Sheet has been derived from the audited Consolidated Balance Sheet as of that date.

FARMERS & MERCHANTS BANCORP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	(In Thousands, Except Per Share Data)	
	Three Months Ended	
	March 31, 2025	March 31, 2024
Interest Income		
Loans, including fees	\$ 37,072	\$ 35,200
Debt securities:		
U.S. Treasury and government agencies	2,097	1,045
Municipalities	382	394
Dividends	338	333
Federal funds sold	-	7
Other	1,113	1,675
Total interest income	41,002	38,654
Interest Expense		
Deposits	13,988	15,279
Federal funds purchased and securities sold under agreements to repurchase	271	284
Borrowed funds	2,550	2,689
Subordinated notes	284	284
Total interest expense	17,093	18,536
Net Interest Income - Before Provision for Credit Losses		
Losses	23,909	20,118
Provision for (Recovery of) Credit Losses - Loans	811	(289)
Recovery of Credit Losses - Off Balance Sheet Credit Exposures	(260)	(266)
Net Interest Income - After Provision for Credit Losses	23,358	20,673
Noninterest Income		
Customer service fees	381	598
Other service charges and fees	1,124	1,057
Interchange income	1,421	1,429
Loan servicing income	762	539
Net gain on sale of loans	284	107
Increase in cash surrender value of bank owned life insurance	244	216
Loss on sale of other assets owned	(54)	-
Total noninterest income	4,162	3,946
Noninterest Expense		
Salaries and wages	7,878	7,846
Employee benefits	2,404	2,171
Net occupancy expense	1,199	1,027
Furniture and equipment	1,278	1,353
Data processing	557	500
Franchise taxes	397	555
ATM expense	491	473
Advertising	503	530
FDIC assessment	465	580
Servicing rights amortization - net	127	168
Loan expense	228	229
Consulting fees	745	186
Professional fees	559	445
Intangible asset amortization	445	445
Other general and administrative	1,484	1,333
Total noninterest expense	18,760	17,841

(continued)

FARMERS & MERCHANTS BANCORP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited) (Continued)

	(In Thousands, Except Per Share Data)	
	Three Months Ended	
	March 31, 2025	March 31, 2024
Income Before Income Taxes	8,760	6,778
Income Taxes	1,808	1,419
Net Income	\$ 6,952	\$ 5,359
Basic Earnings Per Share	\$ 0.51	\$ 0.39
Diluted Earnings Per Share	\$ 0.51	\$ 0.39
Dividends Declared	\$ 0.22125	\$ 0.22

See Notes to Condensed Consolidated Unaudited Financial Statements

FARMERS & MERCHANTS BANCORP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	(In Thousands)	
	Three Months Ended	
	March 31, 2025	March 31, 2024
Net Income	\$ 6,952	\$ 5,359
Other Comprehensive Income (Loss) (Net of Tax):		
Net unrealized gain (loss) on available-for-sale securities	6,464	(1,995)
Reclassification adjustment for realized loss on sale of available-for-sale securities	-	-
Net unrealized gain (loss) on available-for-sale securities	6,464	(1,995)
Tax expense (benefit)	1,358	(418)
Other comprehensive income (loss)	5,106	(1,577)
Comprehensive Income	\$ 12,058	\$ 3,782

See Notes to Condensed Consolidated Unaudited Financial Statements

FARMERS & MERCHANTS BANCORP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES TO STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2025
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(Unaudited)

	Shares of				Accumulated Other Comprehensiv e Loss	Total Stockholders' Equity
	Common Stock	Common Stock	Treasury Stock	Retained Earnings		
Balance - January 1, 2025	13,699,536	\$ 135,565	\$ (10,985)	\$ 235,854	\$ (25,223)	\$ 335,211
Net income	-	-	-	6,952	-	6,952
Other comprehensive income	-	-	-	-	5,106	5,106
Purchase of treasury stock	(981)	-	(23)	-	-	(23)
Issuance of 20,731 shares of restricted stock (Net of forfeitures - 950)	19,781	(510)	240	270	-	-
Stock-based compensation expense	-	352	-	-	-	352
Cash dividends declared - \$0.22125 per share	-	-	-	(2,997)	-	(2,997)
Balance - March 31, 2025	<u>13,718,336</u>	<u>\$ 135,407</u>	<u>\$ (10,768)</u>	<u>\$ 240,079</u>	<u>\$ (20,117)</u>	<u>\$ 344,601</u>

See Notes to Condensed Consolidated Unaudited Financial Statements

FARMERS & MERCHANTS BANCORP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES TO STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2024
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(Unaudited)

	Shares of				Accumulated Other Comprehensiv e Loss	Total Stockholders' Equity
	Common Stock	Common Stock	Treasury Stock	Retained Earnings		
Balance - January 1, 2024	<u>13,664,641</u>	<u>\$ 135,515</u>	<u>\$ (11,040)</u>	<u>\$ 221,080</u>	<u>\$ (29,012)</u>	<u>\$ 316,543</u>
Net income	-	-	-	5,359	-	5,359
Other comprehensive loss	-	-	-	-	(1,577)	(1,577)
Purchase of treasury stock	(4,490)	-	(94)	-	-	(94)
Issuance of 23,369 shares of restricted stock (Net of forfeitures - 250)	23,119	(467)	283	184	-	-
Stock-based compensation expense	-	434	-	-	-	434
Cash dividends declared - \$0.22 per share	-	-	-	(2,975)	-	(2,975)
Balance - March 31, 2024	<u>13,683,270</u>	<u>\$ 135,482</u>	<u>\$ (10,851)</u>	<u>\$ 223,648</u>	<u>\$ (30,589)</u>	<u>\$ 317,690</u>

See Notes to Condensed Consolidated Unaudited Financial Statements

FARMERS & MERCHANTS BANCORP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	(In Thousands)	
	Three Months Ended	
	March 31, 2025	March 31, 2024
Cash Flows from Operating Activities		
Net income	\$ 6,952	\$ 5,359
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	986	990
Amortization of premiums on available-for-sale securities, net	93	321
Capitalized additions to servicing rights	(276)	(75)
Servicing rights amortization and impairment	127	168
Amortization of core deposit intangible	414	414
Amortization of customer list intangible	31	31
Net accretion of fair value adjustments	(590)	(681)
Amortization of subordinated note issuance costs	28	29
Stock-based compensation expense	352	434
Provision for (recovery of) credit losses - loans	811	(289)
Recovery of credit losses - off balance sheet credit exposures	(260)	(266)
Gain on sale of loans held for sale	(284)	(107)
Originations of loans held for sale	(12,958)	(7,559)
Proceeds from sale of loans held for sale	13,907	6,832
(Gain) loss on derivatives	(8)	14
Loss on sale of other assets owned	54	-
Increase in cash surrender value of bank owned life insurance	(244)	(216)
Change in other assets and other liabilities, net	1,874	(3,916)
Net cash provided by operating activities	<u>11,009</u>	<u>1,483</u>
Cash Flows from Investing Activities		
Activity in available-for-sale securities:		
Maturities, prepayments and calls	8,175	3,909
Purchases	(13,816)	(316)
Activity in other securities, at cost:		
Purchases	(472)	(535)
Proceeds from redemption of FHLB stock	810	548
Change in interest-bearing time deposits	490	5
Additions to premises and equipment	(386)	(219)
Net (increase) decrease on loan originations and principal collections	(19,079)	38,960
Net cash (used in) provided by investing activities	<u>(24,278)</u>	<u>42,352</u>
Cash Flows from Financing Activities		
Net change in deposits	13,519	13,919
Net change in federal funds purchased and securities sold under agreements to repurchase	40	-
Repayment of FHLB advances	(585)	(9,105)
Purchase of treasury stock	(23)	(94)
Cash dividends paid on common stock	(2,996)	(2,974)
Net cash provided by financing activities	<u>9,955</u>	<u>1,746</u>
Net (Decrease) Increase in Cash and Cash Equivalents	<u>(3,314)</u>	<u>45,581</u>
Cash and Cash Equivalents - Beginning of year	<u>176,351</u>	<u>142,201</u>
Cash and Cash Equivalents - End of period	<u>\$ 173,037</u>	<u>\$ 187,782</u>

(continued)

FARMERS & MERCHANTS BANCORP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited) (Continued)

	(In Thousands)	
	Three Months Ended	
	March 31, 2025	March 31, 2024
Supplemental Information		
Supplemental cash flow information:		
Interest paid	\$ 17,567	\$ 18,554
Income taxes paid	2,210	-
Supplemental noncash disclosures:		
Cash dividends declared not paid	2,997	2,975

See Notes to Condensed Consolidated Unaudited Financial Statements

NOTE 1 BASIS OF PRESENTATION AND OTHER

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions for Form 10-Q and Rule 10-01 of Regulation S-X; accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring accruals, considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2025 are not necessarily indicative of the results that are expected for the year ended December 31, 2025. The condensed consolidated balance sheet of the Company as of December 31, 2024, has been derived from the audited consolidated balance sheet of the Company as of that date. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and footnotes thereto included in the Farmers & Merchants Bancorp, Inc. (the "Company")'s Annual Report on Form 10-K for the year ended December 31, 2024.

The Company recognizes revenues as they are earned based on contractual terms, as transactions occur, or as services are provided and collectability is reasonably assured. The Company's principal source of revenue is interest income from loans and investment securities. The Company also earns noninterest income from various banking and financial services offered primarily through Farmers & Merchants State Bank (the "Bank"). Interest income is primarily recognized on an accrual basis according to nondiscretionary formulas written in contracts, such as loan agreements or investment security contracts. The Company also earns noninterest income from various banking and financial services provided to business and consumer clients such as deposit account, debit card, and mortgage banking services. Revenue is recorded for noninterest income based on the contractual terms for the service or transaction performed.

Reclassification

Certain amounts within the noninterest income and noninterest expense section of the Company's consolidated statements of income have been reclassified to conform with current year presentation to provide additional information to the reader.

NOTE 2 BUSINESS COMBINATION AND ASSET PURCHASE

On October 1, 2022, the Company acquired Peoples-Sidney Financial Corporation (PPSF), the bank holding company for Peoples Federal Savings and Loan Association, a community bank with three full-service offices in Sidney, Anna and Jackson Center, Ohio, in addition to a separate drive-thru location in Sidney, Ohio. PPSF shareholders had the opportunity to elect to receive either 0.6597 shares of Farmers & Merchants Bancorp, Inc. (FMAO) stock or \$24.00 per share in cash for each PPSF share owned, subject to a requirement under the Merger Agreement that the minimum number of PPSF shares exchanged for FMAO shares in the merger was no less than 758,566. Fractional shares of FMAO common stock were not issued in respect of fractional interests arising from the merger but were paid in cash pursuant to the merger agreement. PPSF had 1,167,025 shares outstanding on October 1, 2022. The share price of FMAO stock on October 1, 2022 was \$26.87. Total consideration for the acquisition was approximately \$23.2 million of which \$9.8 million was in cash and \$13.4 million in stock. As a result of the acquisition, the Company increased its deposit base in Sidney and the greater Shelby County and reduced transaction costs. The Company has reduced costs through economies of scale.

Under the acquisition method of accounting, the total purchase was allocated to net tangible and intangible assets based on their current estimated fair values on the date of acquisition. Of the total purchase price of \$23.2 million, \$6.0 million has been allocated to core deposit intangible included in other assets and is being amortized over seven years on a straight line basis. Goodwill of \$5.9 million, which resulted from the acquisition, consists largely of the synergies and economies of scale expected from combining the operations of the Company and Peoples Federal Savings and Loan Association. Of that total amount, none of the purchase price was deductible for tax purposes.

Changes in accretable yield, or income expected to be collected, are as follows:

ITEM 1 NOTES TO CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS (Continued)

	(In Thousands)	
	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024
Beginning Balance	\$ 335	\$ 566
Additions	-	-
Accretion	(58)	(58)
Reclassification from nonaccretable difference	-	-
Disposals	-	-
Ending Balance	<u>\$ 277</u>	<u>\$ 508</u>

On October 1, 2021, the Company acquired Perpetual Federal Savings Bank, (PFSB), a community bank with one full-service office in Urbana, Ohio. Shareholders of PFSB elected to receive either 1.7766 shares of FMAO stock or \$41.20 per share in cash for each PFSB share owned, subject to adjustment based upon 1,833,999 shares of FMAO to be issued in the merger. PFSB had 2,470,032 shares outstanding on October 1, 2021. The share price of Farmers & Merchants Bancorp, Inc. (FMAO) stock on October 1, 2021 was \$22.40. Total consideration for the acquisition was approximately \$100.3 million consisting of \$59.2 million in cash and \$41.1 million in stock.

Under the acquisition method of accounting, the total purchase was allocated to net tangible and intangible assets based on their current estimated fair values on the date of acquisition. Of the total purchase price of \$100.3 million, \$668 thousand has been allocated to core deposit intangible included in other assets and is being amortized over seven years on a straight line basis. Goodwill of \$25.2 million, which resulted from the acquisition, consists largely of the synergies and economies of scale expected from combining the operations of the Company and Perpetual Federal Savings Bank. Of that total amount, none of the purchase price was deductible for tax purposes.

Changes in accretable yield, or income expected to be collected, are as follows:

	(In Thousands)	
	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024
Beginning Balance	\$ 1,453	\$ 2,795
Additions	-	-
Accretion	(336)	(335)
Reclassification from nonaccretable difference	-	-
Disposals	-	-
Ending Balance	<u>\$ 1,117</u>	<u>\$ 2,460</u>

On April 30, 2021, the Company acquired Ossian Financial Services, Inc., (OFSI), the bank holding company for Ossian State Bank, a community bank based in Ossian, Indiana. Ossian State Bank operated two full-service offices in the northeast Indiana communities of Ossian and Bluffton. Shareholders of OFSI received \$67.71 in cash for each share. OFSI had 295,388 shares outstanding on April 30, 2021. Total consideration for the acquisition was approximately \$20.0 million in cash.

Under the acquisition method of accounting, the total purchase was allocated to net tangible and intangible assets based on their current estimated fair values on the date of acquisition. Of the total purchase price of \$20.0 million, \$980.2 thousand has been allocated to core deposit intangible included in other assets and will be amortized over seven years on a straight line basis. Goodwill of \$7.9 million, which resulted from the acquisition, consists largely of the synergies and economies of scale expected from combining the operations of the Company and Ossian State Bank and is deductible for tax purposes over 15 years.

Changes in accretable yield, or income expected to be collected, are as follows:

	(In Thousands)	
	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024
Beginning Balance	\$ 107	\$ 294
Additions	-	-
Accretion	(40)	(44)
Reclassification from nonaccretable difference	-	-
Disposals	-	-
Ending Balance	<u>\$ 67</u>	<u>\$ 250</u>

On January 1, 2019, the Company acquired Limberlost Bancshares, Inc. (“Limberlost”), the bank holding company for Bank of Geneva, a community bank based in Geneva, Indiana. Bank of Geneva operated six full-service offices in the northeast Indiana communities of Geneva, Berne, Decatur, Monroe, Portland and Monroeville. Shareholders of Limberlost received 1,830 shares of FMAO common stock and \$8,465.00 in cash for each share. Limberlost had 1,000 shares outstanding on January 1, 2019. The share price of FMAO stock on January 1, 2019 was \$38.49. Total consideration for the acquisition was approximately \$78.9 million consisting of \$8.5 million in cash and \$70.4 million in stock.

Under the acquisition method of accounting, the total purchase was allocated to net tangible and intangible assets based on their current estimated fair values on the date of acquisition. Of the total purchase price of \$78.9 million, \$3.9 million has been allocated to core deposit intangible included in other assets and is being amortized over seven years on a straight line basis. Goodwill of \$43.3 million, which resulted from the acquisition, consists largely of the synergies and economies of scale expected from combining the operations of the Company and Bank of Geneva. Of that total amount, none of the purchase price was deductible for tax purposes.

Changes in accretable yield, or income expected to be collected, are as follows:

	(In Thousands)	
	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024
Beginning Balance	\$ -	\$ 363
Additions	-	-
Accretion	-	(109)
Reclassification from nonaccretable difference	-	-
Disposals	-	-
Ending Balance	<u>\$ -</u>	<u>\$ 254</u>

As mentioned previously, 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 \$980.2 thousand in core deposit intangible assets, the acquisition of Perpetual Federal Savings Bank resulted in the recognition of \$668.0 thousand in core deposit intangible assets and the acquisition of Peoples Federal Savings and Loan resulted in the recognition of \$6.0 million in core deposit intangible assets which are all being amortized over its remaining economic useful life of 7 years on a straight line basis. Core deposit intangible is included in other assets on the condensed consolidated balance sheets.

The amortization expense of the core deposit intangible for the three months ended March 31, 2024 was \$414 thousand. Of the approximately \$1.7 million to be expensed in 2025, \$414 thousand has been expensed for the three months ended March 31, 2025. Annual amortization of core deposit intangible assets is as follows:

ITEM 1 NOTES TO CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS (Continued)

	(In Thousands)				
	Geneva	Ossian	Perpetual	Peoples	Total
2025	\$ 560	\$ 140	\$ 95	\$ 861	\$ 1,656
2026	-	140	95	861	1,096
2027	-	140	95	861	1,096
2028	-	47	73	861	981
2029	-	-	-	646	646
	<u>\$ 560</u>	<u>\$ 467</u>	<u>\$ 358</u>	<u>\$ 4,090</u>	<u>5,475</u>

On November 16, 2020, FM Investment Services, a division of the Bank, purchased the assets and clients of Adams County Financial Resources (ACFR), a full-service registered investment advisory firm located in Geneva, Indiana. As of November 30, 2020, ACFR had approximately \$83 million of assets under management and over 450 clients.

Total consideration for the purchase was \$825 thousand which consisted of 40,049 shares of stock. Under the acquisition method of accounting, the total purchase was allocated to net tangible and intangible assets based on their current estimated fair values on the date of acquisition. Of the total purchase price of \$825 thousand, \$800 thousand has been allocated to customer list intangible, included in other assets, to be amortized over 6.5 years on a straight line basis.

The amortization expense of the customer list intangible for the three months ended March 31, 2024 was \$31 thousand. Of the \$123 thousand to be expensed in 2025, \$31 thousand has been expensed for the three months ended March 31, 2025. Annual amortization expense of customer list intangible is as follows:

	(In Thousands)	
	Adams County Financial Resources	
2025	\$	123
2026		123
2027		48
	<u>\$</u>	<u>294</u>

NOTE 3 SECURITIES

Mortgage-backed securities, as shown in the following tables, are all government sponsored enterprises. The amortized cost and fair value of securities, with gross unrealized gains and losses at March 31, 2025 and December 31, 2024, are as follows:

	(In Thousands)			
	March 31, 2025			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-Sale:				
U.S. Treasury	\$ 111,090	\$ 28	\$ (4,235)	\$ 106,883
U.S. Government agencies	145,369	23	(7,687)	137,705
Mortgage-backed securities	140,934	186	(10,242)	130,878
State and local governments	66,639	32	(3,569)	63,102
Total available-for-sale securities	<u>\$ 464,032</u>	<u>\$ 269</u>	<u>\$ (25,733)</u>	<u>\$ 438,568</u>

	(In Thousands)			
	December 31, 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>

Investment securities will at times depreciate to an unrealized loss position. The Company utilizes the following criteria to assess whether the unrealized loss requires an allowance for credit losses on investment securities. No one item by itself will necessarily signal that an allowance for credit losses on investment securities should be established.

1. The fair value of the security has significantly declined from book value.
2. A downgrade has occurred that lowered the credit rating to below investment grade (below Baa3 by Moody and BBB – by Standard and Poors.)
3. Dividends have been reduced or eliminated or scheduled interest payments have not been made.
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.

If the unrealized loss is determined to be the result of credit quality factors, 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 attributable to changes in interest rates, not credit quality.

ITEM 1 NOTES TO CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS (Continued)

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

	(In Thousands)					
	March 31, 2025					
	Less Than Twelve Months		Twelve Months & Over		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
U.S. Treasury	\$ (179)	\$ 35,601	\$ (4,056)	\$ 62,680	\$ (4,235)	\$ 98,281
U.S. Government agencies	-	-	(7,687)	131,113	(7,687)	131,113
Mortgage-backed securities	(147)	31,890	(10,095)	66,396	(10,242)	98,286
State and local governments	(99)	6,316	(3,470)	53,201	(3,569)	59,517
Total available-for-sale securities	\$ (425)	\$ 73,807	\$ (25,308)	\$ 313,390	\$ (25,733)	\$ 387,197

	(In Thousands)					
	December 31, 2024					
	Less Than Twelve Months		Twelve Months & Over		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
U.S. Treasury	\$ (467)	\$ 31,533	\$ (4,948)	\$ 62,151	\$ (5,415)	\$ 93,684
U.S. Government agencies	-	-	(9,494)	131,335	(9,494)	131,335
Mortgage-backed securities	(668)	51,236	(11,986)	66,877	(12,654)	118,113
State and local governments	(224)	8,631	(4,203)	53,091	(4,427)	61,722
Total available-for-sale securities	\$ (1,359)	\$ 91,400	\$ (30,631)	\$ 313,454	\$ (31,990)	\$ 404,854

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 changes in interest rates since the securities were purchased, 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.

There were no gross realized gains or losses for the three months ended March 31, 2025 and March 31, 2024.

Net realized gains (losses) on sales and related tax expense (benefit) is a reclassification out of accumulated other comprehensive income (loss). The net realized gains (losses) are included in net gain (loss) on sale of available-for-sale securities and the related tax expense (benefit) is included in income taxes in the condensed consolidated statements of income and comprehensive income.

The amortized cost and fair value of debt securities at March 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	\$ 61,107	\$ 60,144
After one year through five years	244,691	231,222
After five years through ten years	16,791	15,829
After ten years	509	495
Total	\$ 323,098	\$ 307,690
Mortgage-backed securities	140,934	130,878
Total	\$ 464,032	\$ 438,568

ITEM 1 NOTES TO CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS (Continued)

Investments with a carrying value of \$242.1 million and \$221.9 million at March 31, 2025 and December 31, 2024, respectively, were pledged to secure public deposits and securities sold under repurchase agreements. Investments with a carrying value of \$29.8 million and \$29.9 million were pledged to the Federal Reserve's Discount Window to provide additional borrowing capacity at March 31, 2025 and December 31, 2024, respectively.

Other securities include Federal Home Loan Bank of Cincinnati and Indianapolis stock in the amount of \$14.1 million as of March 31, 2025 and \$14.4 million as of December 31, 2024.

NOTE 4 LOANS

Loan balances as of March 31, 2025 and December 31, 2024 are summarized below:

Loans:	(In Thousands)	
	March 31, 2025	December 31, 2024
Consumer Real Estate	\$ 523,383	\$ 520,114
Agricultural Real Estate	215,898	216,401
Agricultural	153,607	152,080
Commercial Real Estate	1,325,698	1,310,811
Commercial and Industrial	278,254	275,152
Consumer	60,115	63,009
Other	24,985	24,978
	2,581,940	2,562,545
Less: Net deferred loan fees and costs	(1,748)	(1,750)
	2,580,192	2,560,795
Less: Allowance for credit losses	(26,352)	(25,826)
Plus: Basis adjustment related to fair value hedges	1,712	1,074
Loans - Net	\$ 2,555,552	\$ 2,536,043

Other loans primarily fund public improvements in the Bank's service area.

The break out of fixed rate loans and variable rate loans by portfolio segment is as follows as of March 31, 2025 and December 31, 2024:

	(In Thousands)			
	March 31, 2025		December 31, 2024	
	Fixed	Variable	Fixed	Variable
Consumer Real Estate	\$ 291,720	\$ 231,663	\$ 305,062	\$ 215,052
Agricultural Real Estate	113,451	102,447	118,808	97,593
Agricultural	50,487	103,120	54,099	97,981
Commercial Real Estate	890,046	435,652	934,197	376,614
Commercial and Industrial	123,414	154,840	148,542	126,610
Consumer	60,084	31	62,977	32
Other	15,427	9,558	15,270	9,708

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.

As of March 31, 2025 and December 31, 2024 one to four family residential mortgage loans amounting to \$188.1 million and \$190.1 million, respectively, and HELOC loans amounting to \$12.0 million and \$11.9 million, respectively, have been pledged as security for future loans and existing loans the Bank has received from the Federal Home Loan Bank "FHLB". The Bank has also pledged eligible commercial real estate loans of \$333.2 million and \$369.5 million as of March 31, 2025 and December 31, 2024, respectively, to the FHLB. During the second quarter of 2024, the Bank began pledging eligible multi-family real estate loans to the FHLB which amounted to \$49.0 million and \$47.7 million as of March 31, 2025 and December 31, 2024, respectively.

ITEM 1 NOTES TO CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS (Continued)

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

(In Thousands)

March 31, 2025	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Financing Receivables
Consumer Real Estate	\$ 2,530	\$ 46	\$ 1,293	\$ 3,869	\$ 519,835	\$ 523,704
Agricultural Real Estate	79	-	125	204	215,452	215,656
Agricultural	1,436	-	79	1,515	152,406	153,921
Commercial Real Estate	-	-	500	500	1,322,762	1,323,262
Commercial and Industrial	49	-	28	77	277,866	277,943
Consumer	178	6	33	217	60,504	60,721
Other	-	-	-	-	24,985	24,985
Total	<u>\$ 4,272</u>	<u>\$ 52</u>	<u>\$ 2,058</u>	<u>\$ 6,382</u>	<u>\$ 2,573,810</u>	<u>\$ 2,580,192</u>

(In Thousands)

December 31, 2024	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Financing Receivables
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>

ITEM 1 NOTES TO CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS (Continued)

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

	(In Thousands)		
	March 31, 2025		
	Nonaccrual With No Allowance for Credit Loss	Nonaccrual	Loans Past Due Over 89 Days Still Accruing
Consumer Real Estate	\$ 2,561	\$ 3,289	\$ -
Agricultural Real Estate	463	463	-
Agricultural	90	90	-
Commercial Real Estate	552	552	-
Commercial & Industrial	28	28	-
Consumer	70	70	-
Total	<u>\$ 3,764</u>	<u>\$ 4,492</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>

The Company recognized interest income of \$20 thousand for the three months ended March 31, 2025 on nonaccrual loans. The Company recognized interest income of \$24 thousand and \$93 thousand on nonaccrual loans for the three and twelve months ending December 31, 2024.

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.

Following are the characteristics and underwriting criteria for each portfolio segment 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 re-finance of capital assets such as machinery and equipment and livestock. The production of crops and livestock is especially vulnerable to commodity prices and weather. The vulnerability to commodity prices is offset by the farmer's ability to hedge their position by the use of the future contracts. The risk related to weather is often mitigated by requiring crop insurance.

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 others. The Bank does employ 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.

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. The Bank does employ 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.

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.

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.

ITEM 1 NOTES TO CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS (Continued)

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

(In Thousands)										
March 31, 2025										
	Term Loans Amortized Cost Basis by Origination Year						Term Total	Revolvi ng Loans Amortiz ed Cost Basis	Revolvi ng Loans Convert ed to Term	Grand Total
	2025	2024	2023	2022	2021	Prior				
Consumer Real Estate										
Risk Rating										
						175,38	454,56			519,06
Pass (1-4)	\$ 15,212	\$ 38,267	\$ 59,741	\$ 77,759	\$ 88,204	\$ 4	\$ 7	\$ 64,194	\$ 305	\$ 6
Special Mention (5)	-	-	-	36	135	117	288	19	-	307
Substandard (6)	-	143	233	523	1,280	1,903	4,082	234	15	4,331
Doubtful (7)	-	-	-	-	-	-	-	-	-	-
Total Consumer Real Estate	\$ 15,212	\$ 38,410	\$ 59,974	\$ 78,318	\$ 89,619	\$ 4	\$ 7	\$ 64,447	\$ 320	\$ 4
Gross charge-offs YTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Agricultural Real Estate										
Risk Rating										
							209,42			209,51
Pass (1-4)	\$ 6,366	\$ 22,431	\$ 26,912	\$ 33,661	\$ 22,633	\$ 97,422	\$ 5	\$ 88	\$ -	\$ 3
Special Mention (5)	-	-	-	-	-	12	12	-	-	12
Substandard (6)	-	5,669	-	371	-	91	6,131	-	-	6,131
Doubtful (7)	-	-	-	-	-	-	-	-	-	-
Total Agricultural Real Estate	\$ 6,366	\$ 28,100	\$ 26,912	\$ 34,032	\$ 22,633	\$ 97,525	\$ 8	\$ 88	\$ -	\$ 6
Gross charge-offs YTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Agricultural										
Risk Rating										
										148,93
Pass (1-4)	\$ 9,944	\$ 12,389	\$ 9,423	\$ 11,856	\$ 4,985	\$ 6,327	\$ 54,924	\$ 94,013	\$ -	\$ 7
Special Mention (5)	-	-	-	373	6	-	379	3,116	-	3,495
Substandard (6)	-	-	18	-	-	-	18	1,471	-	1,489
Doubtful (7)	-	-	-	-	-	-	-	-	-	-
Total Agricultural	\$ 9,944	\$ 12,389	\$ 9,441	\$ 12,229	\$ 4,991	\$ 6,327	\$ 55,321	\$ 98,600	\$ -	\$ 1
Gross charge-offs YTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

ITEM 1 NOTES TO CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS (Continued)

(In Thousands)										
March 31, 2025										
	Term Loans Amortized Cost Basis by Origination Year						Term Total	Revolvi ng Loans Amortiz ed Cost Basis	Revolvi ng Loans Convert ed to Term	Grand Total
	2025	2024	2023	2022	2021	Prior				
Commercial Real Estate										
Risk Rating										
Pass (1-4)	\$ 52,969	\$ 145,421	\$ 204,446	\$ 404,021	\$ 214,795	\$ 249,291	\$ 1,270,943	\$ -	\$ -	\$ 943
Special Mention (5)	1,356	-	-	12,514	313	1,944	16,127	-	-	16,127
Substandard (6)	-	52	34,079	1,347	-	714	36,192	-	-	36,192
Doubtful (7)	-	-	-	-	-	-	-	-	-	-
Total Commercial Real Estate	\$ 54,325	\$ 145,473	\$ 238,525	\$ 417,882	\$ 215,108	\$ 251,949	\$ 1,323,262	\$ -	\$ -	\$ 262
Gross charge-offs YTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial & Industrial										
Risk Rating										
Pass (1-4)	\$ 9,415	\$ 28,287	\$ 46,818	\$ 35,844	\$ 13,786	\$ 10,925	\$ 145,075	\$ 127,302	\$ 78	\$ 272,455
Special Mention (5)	-	-	127	-	182	386	695	480	-	1,175
Substandard (6)	-	38	327	-	37	28	430	3,883	-	4,313
Doubtful (7)	-	-	-	-	-	-	-	-	-	-
Total Commercial & Industrial	\$ 9,415	\$ 28,325	\$ 47,272	\$ 35,844	\$ 14,005	\$ 11,339	\$ 146,200	\$ 131,665	\$ 78	\$ 277,943
Gross charge-offs YTD	\$ -	\$ -	\$ -	\$ 25	\$ -	\$ -	\$ 25	\$ -	\$ -	\$ 25
Other										
Risk Rating										
Pass (1-4)	\$ 600	\$ -	\$ -	\$ -	\$ 15,666	\$ 8,719	\$ 24,985	\$ -	\$ -	\$ 24,985
Special Mention (5)	-	-	-	-	-	-	-	-	-	-
Substandard (6)	-	-	-	-	-	-	-	-	-	-
Doubtful (7)	-	-	-	-	-	-	-	-	-	-
Total Other	\$ 600	\$ -	\$ -	\$ -	\$ 15,666	\$ 8,719	\$ 24,985	\$ -	\$ -	\$ 24,985
Gross charge-offs YTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

ITEM 1 NOTES TO CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS (Continued)

(In Thousands)										
December 31, 2024										
	Term Loans Amortized Cost Basis by Origination Year						Term Total	Revolvi ng Loans Amortiz ed Cost Basis	Revolvi ng Loans Convert ed to Term	Grand Total
	2024	2023	2022	2021	2020	Prior				
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	\$ 40,400	\$ 64,555	\$ 80,069	\$ 91,137	\$ 75,461	\$ 107,166	\$ 458,788	\$ 61,352	\$ 252	\$ 520,392
Gross charge-offs YTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13	\$ 13	\$ -	\$ -	\$ 13
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	\$ 29,513	\$ 28,088	\$ 34,840	\$ 22,983	\$ 23,639	\$ 76,982	\$ 216,045	\$ 92	\$ -	\$ 216,137
Gross charge-offs YTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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	\$ 14,915	\$ 10,534	\$ 14,381	\$ 5,624	\$ 3,233	\$ 3,911	\$ 52,598	\$ 99,783	\$ -	\$ 152,381
Gross charge-offs YTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

ITEM 1 NOTES TO CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS (Continued)

(In Thousands)										
December 31, 2024										
	Term Loans Amortized Cost Basis by Origination Year						Term Total	Revolvi ng Loans Amortiz ed Cost Basis	Revolvi ng Loans Convert ed to Term	Grand Total
	2024	2023	2022	2021	2020	Prior				
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	\$ 128,608	\$ 234,491	\$ 425,696	\$ 218,309	\$ 111,787	\$ 189,570	\$ 1,308,461	\$ -	\$ -	\$ 1,308,461
Gross charge-offs YTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15	\$ 15	\$ -	\$ -	\$ 15
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	\$ 31,972	\$ 55,066	\$ 39,694	\$ 15,235	\$ 13,506	\$ 1,738	\$ 157,211	\$ 117,386	\$ 222	\$ 274,819
Gross charge-offs YTD	\$ -	\$ -	\$ -	\$ -	\$ 101	\$ -	\$ 101	\$ -	\$ 5	\$ 106
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	\$ -	\$ -	\$ -	\$ 15,829	\$ 5,068	\$ 4,081	\$ 24,978	\$ -	\$ -	\$ 24,978
Gross charge-offs YTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

ITEM 1 NOTES TO CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS (Continued)

For consumer, the Company also 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 and assigned risk grading as of March 31, 2025 and December 31, 2024 by year of origination.

(In Thousands)									
March 31, 2025									
	Term Loans Amortized Cost Basis by Origination Year						Term Total	Revolvin g Loans Amortize d Cost Basis	Grand Total
	2025	2024	2023	2022	2021	Prior			
Consumer									
Payment Performance									
Performing	\$ 5,760	\$ 11,803	\$ 12,036	\$ 23,711	\$ 4,923	\$ 2,184	\$ 60,417	\$ 234	\$ 60,651
Nonperforming	-	23	2	30	12	3	70	-	70
Total Consumer	\$ 5,760	\$ 11,826	\$ 12,038	\$ 23,741	\$ 4,935	\$ 2,187	\$ 60,487	\$ 234	\$ 60,721
Gross charge-offs YTD	\$ 40	\$ 43	\$ 19	\$ 162	\$ 46	\$ -	\$ 310	\$ -	\$ 310

(In Thousands)									
December 31, 2024									
	Term Loans Amortized Cost Basis by Origination Year						Term Total	Revolvin g Loans Amortize d Cost Basis	Grand Total
	2024	2023	2022	2021	2020	Prior			
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 tables present collateral-dependent loans grouped by collateral as of March 31, 2025 and December 31, 2024:

	(In Thousands)	
	March 31, 2025	
	Collateral Dependent Loans	
Consumer Real Estate	\$	3,123
Agricultural Real Estate		371
Agricultural		50
Commercial Real Estate		500
Commercial & Industrial		28
Consumer		41
Total	\$	4,113

	(In Thousands)	
	December 31, 2024	
	Collateral Dependent Loans	
Consumer Real Estate	\$	2,384
Agricultural Real Estate		125
Agricultural		50
Commercial Real Estate		360
Commercial & Industrial		28
Consumer		41
Total	\$	2,988

Modification programs focus 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. During the three months ended March 31, 2025, there were no new loan modifications to borrowers experiencing financial difficulty.

During the three months ended March 31, 2024, no new loans were considered a modification to a borrower experiencing financial difficulty. One modified loan previous to 2024 paid off during the first quarter of 2024.

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

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 was every 12 months for chattels and titled vehicles and every two years for real estate. In this process, third party evaluations were obtained. Until such time that updated appraisals were received, the Bank may have discounted the collateral value used.

The Bank used the following guidelines as stated in policy to determine when to realize a charge-off, whether a partial or full loan balance. A charge-off in whole or in part was realized when unsecured consumer loans and overdraft lines of credit reached 90 days delinquency. At 90 days delinquent, secured consumer loans were charged down to the value of the collateral, if repossession of the collateral was assured and/or in the process of repossession. Consumer mortgage loan deficiencies were charged down upon the sale of the collateral or sooner upon the recognition of collateral deficiency. A broker's price opinion or appraisal was completed on all home loans in litigation and any deficiency was charged off before reaching 150 days delinquent. Commercial and agricultural credits were charged down/allocated at 120 days delinquency, unless an established and approved work-out plan was in place or litigation of the credit was likely to result in recovery of the loan balance. Upon notification of bankruptcy, unsecured debt was charged off. Additional charge-off was realized as further unsecured positions were recognized.

As of March 31, 2025, the Company had no foreclosed residential real estate property obtained by physical possession and \$1.9 million of consumer mortgage loans secured by residential real estate properties for which foreclosure proceedings are in

process according to local jurisdictions. This compares to the Company having no foreclosed residential real estate property obtained by physical possession and \$1.3 million of consumer mortgage loans secured by residential real estate properties for which foreclosure proceeding were in process according to local jurisdictions as of December 31, 2024. As of March 31, 2024, the Company had no foreclosed residential real estate property obtained by physical possession and \$270 thousand of consumer mortgage loans secured by residential real estate properties for which foreclosure proceedings were in process according to local jurisdictions.

The Company accounts for the allowance for credit losses in accordance with Accounting Standards Update ("ASU") No. 2016-13 - "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" and uses 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 on loans and unfunded commitments in the amount of \$4.5 million, or \$3.4 million, net of tax.

The 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 ACL and the Allowance for Unfunded Loan Commitments and Letters of Credit (AULC). When combined, these reserves constitute the total Current Expected Credit Losses (CECL).

The allowance does not include an accretible yield of \$1.5 million and \$1.9 million as of March 31, 2025 and December 31, 2024, respectively, related to the acquisitions of Bank of Geneva in 2019 and Ossian State Bank and Perpetual Federal Savings Bank in 2021 and Peoples Federal Savings and Loan Bank in 2022 as previously discussed in Note 2.

The AULC is reported within other liabilities while the ACL portion associated with loans is netted within the loans, net asset line on the condensed consolidated balance sheets.

ITEM 1 NOTES TO CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS (Continued)

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 three months ended March 31, 2025 and March 31, 2024 in addition to the activity within the ACL for each portfolio segment and ending balances as of and for the year ended December 31, 2024:

(In Thousands)

	Consumer Real Estate	Agricultura l Real Estate	Agricultura l	Commercia l Real Estate	Commerci al and Industrial	Consumer	Other	Total
Three Months Ended March 31, 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	139	(124)	12	344	215	219	6	811
Charge-offs	-	-	-	-	(25)	(310)	-	(335)
Recoveries	1	-	9	3	6	31	-	50
Ending Balance	\$ 3,683	\$ 771	\$ 306	\$ 16,907	\$ 3,165	\$ 952	\$ 568	\$ 26,352

(In Thousands)

	Consumer Real Estate	Agricultura l Real Estate	Agricultura l	Commercia l Real Estate	Commerci al and Industrial	Consumer	Other	Total
Three Months Ended March 31, 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	(290)	859	41	(1,450)	517	(123)	157	(289)
Charge-offs	(10)	-	-	-	(101)	(81)	-	(192)
Recoveries	4	-	-	3	66	64	-	137
Ending Balance	\$ 3,285	\$ 1,171	\$ 377	\$ 15,953	\$ 2,248	\$ 1,162	\$ 484	\$ 24,680

ITEM 1 NOTES TO CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS (Continued)

(In Thousands)

	Consumer Real Estate	Agricultura l Real Estate	Agricultura l	Commercia l Real Estate	Commerci al and Industrial	Consumer	Other	Total
Year Ended December 31, 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>

ITEM 1 NOTES TO CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS (Continued)

The following tables present the activity in the AULC for the three months ended March 31, 2025 and March 31, 2024 in addition to the activity in the AULC and ending balances as of and for the year ended December 31, 2024:

	(In Thousands)	
	Unfunded Loan Commitment & Letters of Credit	
Three Months Ended March 31, 2025		
ALLOWANCE FOR UNFUNDED LOAN COMMITMENTS AND LETTERS OF CREDIT		
Beginning balance	\$	1,541
Recovery of credit losses - off balance sheet credit exposures		(260)
Charge-offs		-
Recoveries		-
Ending Balance	\$	1,281

	(In Thousands)	
	Unfunded Loan Commitment & Letters of Credit	
Three Months Ended March 31, 2024		
ALLOWANCE FOR UNFUNDED LOAN COMMITMENTS AND LETTERS OF CREDIT		
Beginning balance	\$	2,212
Recovery of credit losses - off balance sheet credit exposures		(266)
Charge-offs		-
Recoveries		-
Ending Balance	\$	1,946

	(In Thousands)
	Unfunded Loan Commitment & Letters of Credit
Year Ended December 31, 2024	
ALLOWANCE FOR UNFUNDED LOAN COMMITMENTS AND LETTERS OF CREDIT	
Beginning balance	\$ 2,212
Recovery of credit losses-off balance sheet credit exposures	(671)
Charge-offs	-
Recoveries	-
Ending Balance	<u>\$ 1,541</u>

NOTE 5 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, \$363.6 and \$364.3 million at March 31, 2025 and 2024 and at December 31, 2024, respectively. Unpaid principal balances of agricultural real estate loans serviced for others were \$145.3, \$132.9 and \$141.9 million at March 31, 2025 and 2024 and at December 31, 2024, respectively.

The balance of capitalized servicing rights included in assets at March 31, 2025 and 2024 and at December 31, 2024 for 1-4 family real estate loans, was \$3.5, \$3.4 and \$3.5 million, respectively. Agricultural real estate loan servicing rights, established in 2023, were \$2.3, \$2.1 and \$2.2 million at March 31, 2025 and 2024 and at December 31, 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 March 31, 2025 and 2024 was \$5.0 million and \$5.5 million, respectively, and at December 31, 2024 was \$4.8 million. Capitalized servicing rights for agricultural real estate loans had a fair value of \$2.6 million and \$2.1 million as of March 31, 2025 and 2024, respectively, and was \$2.7 million at December 31, 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 7.8% and 5.4% were utilized at March 31, 2025 and 2024, respectively, and 8.1% at December 31, 2024. Agricultural real estate loans utilize an average constant prepayment rate based on the Bank's last twelve months of data. The average constant prepayment rate was 0.259% and 0.596% for fixed rate agricultural real estate loans at March 31, 2025 and 2024, respectively, compared to 0.184% at December 31, 2024. At March 31, 2025, two 1-4 family real estate strata, which included 80 of the total 3,656 loans, were slightly below the carrying value using a discount yield of 5.77% which resulted in the need to establish a \$2 thousand valuation allowance. At March 31, 2025, the carrying value of eleven agricultural real estate strata, which included 34 of the total 636 loans, using an approximate discount rate of 8.54% were lower than fair value requiring a \$46 thousand valuation allowance to be established.

	(In Thousands)	
	Three Months Ended	
	March 31, 2025	March 31, 2024
Beginning Balance	\$ 5,753	\$ 5,655
Capitalized Additions	276	75
Amortization	(176)	(168)
Ending Balance, March 31,	5,853	5,562
Valuation Allowance	(48)	(7)
Servicing Rights net, March 31,	<u>\$ 5,805</u>	<u>\$ 5,555</u>

NOTE 6 EARNINGS PER SHARE

Basic earnings per share are 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 employee stock-based compensation plans.

The Compensation Committee of the Company has determined that it is appropriate to award shares of the common stock of the Company to Outside Directors and Employees that are officers of the Company or the Bank who also serve as Directors of the Company and the Bank as a portion of their retainer for services rendered as Directors of the Company and the Bank. 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 in June of 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

ITEM 1 NOTES TO CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS (Continued)

closing price. On June 6, 2024, twelve directors each received \$15,007 which equated to 716 shares and one director received \$5,911 which equated to 282 shares. On December 5, 2024, one new Director received 54 prorated shares worth approximately \$1,730. The use of stock for Directors' retainer, does not have an effect on diluted earnings per share as it is immediately vested.

Any stock awards to senior management are made in March with other officers receiving any awards in August. On March 1, 2025, senior management received stock awards of 19,767 shares worth \$508,012. On March 1, 2024, senior management received stock awards of 23,369 shares worth \$472,054 while other officers received stock awards of 36,800 shares worth \$979,616 during third quarter 2024.

	(In Thousands, Except Per Share Data)	
	Three Months Ended	
	March 31, 2025	March 31, 2024
Earnings per share		
Net income	\$ 6,952	\$ 5,359
Less: distributed earnings allocated to participating securities	(39)	(35)
Less: undistributed earnings allocated to participating securities	(44)	(26)
Net earnings available to common shareholders	<u>\$ 6,869</u>	<u>\$ 5,298</u>
Weighted average common shares outstanding including participating securities	13,706,003	13,671,166
Less: average unvested restricted shares	(164,156)	(156,506)
Weighted average common shares outstanding	<u>13,541,847</u>	<u>13,514,660</u>
Basic and diluted earnings per share	<u>\$ 0.51</u>	<u>\$ 0.39</u>

NOTE 7 DERIVATIVE FINANCIAL INSTRUMENTS

The Bank 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 Bank enters into interest rate swap agreements as part of its asset/liability management strategy to help manage its interest rate risk position.

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. 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 statement 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.

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 March 31, 2025 and December 31, 2024.

Line Item in the Consolidated Balance Sheets in which the Hedged Item is Included	(In Thousands)			
	March 31, 2025		December 31, 2024	
	Carrying Amount of the Hedged Assets	Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Assets	Carrying Amount of the Hedged Assets	Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Assets
Loans	\$ 243,278	\$ 1,712	\$ 249,127	\$ 1,075

The following tables present 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 March 31, 2025 and December 31, 2024, identified by the underlying interest rate-sensitive instruments.

Instruments Associated With	Notional Value (In Thousands)	Weighted Average Remaining Maturity (In Years)	Fair Value (In Thousands)	Weighted Average Rate	
				Receive	Pay
Loans	\$ 100,000	2.3	\$ (1,605)	USD-SOFR-OIS	4.47%
Total swap portfolio at March 31, 2025	\$ 100,000	2.3	\$ (1,605)	USD-SOFR-OIS	4.47%

Instruments Associated With	Notional Value (In Thousands)	Weighted Average Remaining Maturity (In Years)	Fair Value (In Thousands)	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%

ITEM 1 NOTES TO CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS (Continued)

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 March 31, 2025 and December 31, 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 March 31, 2025 and December 31, 2024.

	(In Thousands)			
	March 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	\$ (1,605)	\$ 100,000	\$ (976)
Total contracts	\$ 100,000	\$ (1,605)	\$ 100,000	\$ (976)

The following table presents the effects of the Bank's interest rate swap agreements on the Company's consolidated statement of income during the three month period ended March 31, 2025 and March 31, 2024.

Line Item in the Consolidated Statements of Income	(In Thousands)	
	Three Months Ended	
	March 31, 2025	March 31, 2024
Interest Income		
Loans, including fees	\$ (24)	\$ (14)
Other	25	211
Total interest income	\$ 1	\$ 197

NOTE 8 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.

At March 31, 2025 and December 31, 2024, the balance of the Company's investments in qualified affordable housing projects was \$3.5 million and \$3.6 million, respectively. This balance is reflected in the other assets line on the condensed consolidated balance sheets. The unfunded commitments related to the investments in qualified housing projects totaled \$574 and \$880 thousand at March 31, 2025 and December 31, 2024, respectively. These balances are reflected in the accrued expense and other liabilities line on the condensed consolidated balance sheets.

The funded balance in qualified affordable housing projects was \$3.4 million and \$3.1 million at March 31, 2025 and December 31, 2024, respectively, out of a total of \$4.0 million committed.

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 March 31, 2025 and December 31, 2024 along with the related expenses and tax credits recognized as of March 31, 2025 and March 31, 2024.

	(In Thousands)	
	March 31, 2025	December 31, 2024
Low-income-housing tax credit investments	\$ 4,000	\$ 4,000
Unfunded commitments	(574)	(880)
Net funded low-income-housing tax credit investments	<u>\$ 3,426</u>	<u>\$ 3,120</u>

	(In Thousands)	
	Three Months Ended	
	March 31, 2025	March 31, 2024
Amortization expense	\$ 112	\$ 110
Tax credits recognized	112	108

NOTE 9 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, are valued using the quoted price and are classified as Level 1.

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 three 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.

ITEM 1 NOTES TO CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS (Continued)

The following summarizes financial assets measured at fair value on a recurring basis as of March 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)		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
March 31, 2025			
Assets - (Securities Available-for-Sale)			
U.S. Treasury	\$ 106,883	\$ -	\$ -
U.S. Government agencies	30,703	107,002	-
Mortgage-backed securities	152	130,726	-
State and local governments	-	61,642	1,460
Total Securities Available-for-Sale	\$ 137,738	\$ 299,370	\$ 1,460
Interest rate swap liabilities	\$ -	\$ (1,605)	\$ -

	(In Thousands)		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2024			
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 represent the changes in the Level 3 fair-value category of which unobservable inputs are relied upon as of the three month periods ended March 31, 2025 and March 31, 2024.

	(In Thousands)		
	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) State and Local Governments		
	Tax-Exempt	Taxable	Total
Balance at January 1, 2025	\$ 353	\$ 1,274	\$ 1,627
Change in Fair Value	1	2	3
Payments, Maturities & Calls	(170)	-	(170)
Balance at March 31, 2025	\$ 184	\$ 1,276	\$ 1,460

ITEM 1 NOTES TO CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS (Continued)

	(In Thousands)		
	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) State and Local Governments		
	Tax-Exempt	Taxable	Total
Balance at January 1, 2024	\$ 1,188	\$ 1,272	\$ 2,460
Change in Fair Value	(2)	2	-
Payments, Maturities & Calls	(665)	-	(665)
Balance at March 31, 2024	<u>\$ 521</u>	<u>\$ 1,274</u>	<u>\$ 1,795</u>

ITEM 1 NOTES TO CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS (Continued)

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.

The Company also has assets that, under certain conditions, are subject to measurement at fair value on a non-recurring basis. At March 31, 2025 and December 31, 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 March 31, 2025 and December 31, 2024, fair value of collateral dependent loans categorized as Level 3 was \$4.1 million and \$3.0 million, respectively. The specific allocation for collateral dependent loans was \$159 thousand as of March 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 2025 and 2024, impairment was recognized on loan servicing rights based upon the independent third party's quarterly valuation. 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. Impairment was \$48 thousand (\$2 thousand on 1-4 family real estate loans and \$46 thousand on agricultural real estate loans) at March 31, 2025 compared to \$97 thousand (\$2 thousand on 1-4 family real estate loans and \$95 thousand on agricultural real estate loans) at December 31, 2024.

The following table presents assets measured at fair value on a nonrecurring basis at March 31, 2025 and December 31, 2024:

(In Thousands)				
Assets Measured at Fair Value on a Nonrecurring Basis at March 31, 2025				
	Balance at March 31, 2025	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Collateral dependent loans	\$ 4,113	\$ -	\$ -	\$ 4,113
Loan servicing rights	(6)	-	-	(6)

(In Thousands)				
Assets Measured at Fair Value on a Nonrecurring Basis at December 31, 2024				
	Balance at December 31, 2024	Quoted Prices in Active 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)

ITEM 1 NOTES TO CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS (Continued)

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

	(In Thousands) Fair Value at March 31, 2025	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
State and local government	\$ 1,460	Discounted Cash Flow	Credit strength of underlying project or entity / discount rate	3.42-4.26% (4.15%)
Collateral dependent loans	4,113	Collateral based measurements	Discount to reflect current market conditions and ultimate collectability	20.00-30.00% (26.64%)
Loan servicing rights	(6)	Discounted Cash Flow	Constant prepayment rate and probability of default / discount rate	9.80-550.0% (114.89%)

	(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%)

The estimated fair values, and related carrying or notional amounts, for on and off-balance sheet financial instruments as of March 31, 2025 and December 31, 2024 are reflected below. The aggregate fair values in the table below do not represent the total fair value of the Bank's assets and liabilities. The table excludes the following: available-for-sale securities, premises and equipment, derivatives (which are included in other assets or other liabilities), goodwill, loan servicing rights, bank owned life insurance, other assets, dividends payable, accrued expenses and other liabilities.

ITEM 1 NOTES TO CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS (Continued)

	(In Thousands)				
	March 31, 2025				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial Assets:					
Cash and cash equivalents	\$ 173,037	\$ 173,037	\$ 173,037	\$ -	\$ -
Interest-bearing time deposits	1,992	2,000	-	2,000	-
Other securities	14,062	14,062	-	-	14,062
Loans held for sale	2,331	2,331	-	-	2,331
Loans, net	2,555,552	2,512,106	-	-	2,512,106
Interest receivable	13,002	13,002	-	-	13,002
Financial Liabilities:					
Non-interest bearing deposits	\$ 502,318	\$ 502,318	\$ 502,318	\$ -	\$ -
Interest bearing deposits	1,571,516	1,571,919	-	-	1,571,919
Time deposits	626,450	624,340	-	-	624,340
Total Deposits	2,700,284	2,698,577	502,318	-	2,196,259
Federal funds purchased and securities sold under agreement to repurchase	27,258	27,258	-	-	27,258
Federal Home Loan Bank advances	245,474	245,352	-	-	245,352
Subordinated notes, net of unamortized issuance costs	34,846	32,693	-	32,693	-
Interest payable	6,142	6,142	-	-	6,142

	(In Thousands)				
	December 31, 2024				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial Assets:					
Cash and cash equivalents	\$ 176,351	\$ 176,351	\$ 176,351	\$ -	\$ -
Interest-bearing time deposits	2,482	2,472	-	2,472	-
Other securities	14,400	14,400	-	-	14,400
Loans held for sale	2,996	2,996	-	-	2,996
Loans, net	2,536,043	2,485,297	-	-	2,485,297
Interest receivable	12,657	12,657	-	-	12,657
Financial Liabilities:					
Non-interest bearing deposits	\$ 516,904	\$ 516,904	\$ 516,904	\$ -	\$ -
Interest bearing deposits	1,522,280	1,521,097	-	-	1,521,097
Time deposits	647,581	644,849	-	-	644,849
Total Deposits	2,686,765	2,682,850	516,904	-	2,165,946
Federal funds purchased and securities sold under agreement to repurchase	27,218	27,218	-	-	27,218
Federal Home Loan Bank advances	246,056	245,373	-	-	245,373
Subordinated notes, net of unamortized issuance costs	34,818	31,983	-	31,983	-
Interest payable	6,618	6,618	-	-	6,618

ITEM 1 NOTES TO CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS (Continued)

NOTE 10 FEDERAL FUNDS PURCHASED AND SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

The Company had no federal funds purchased at March 31, 2025 or at December 31, 2024. Securities sold under agreement to repurchase were as follows at March 31, 2025 and December 31, 2024.

(In Thousands)					
March 31, 2025					
Remaining Contractual Maturity of the Agreements					
	Overnight & Continuous	Up to 30 days	30-90 days	Greater Than 90 days	Total
Repurchase agreements					
US Treasury & agency securities	\$ 40	\$ -	\$ -	\$ 27,218	\$ 27,258
Total	\$ 40	\$ -	\$ -	\$ 27,218	\$ 27,258

(In Thousands)					
December 31, 2024					
Remaining Contractual Maturity of the Agreements					
	Overnight & Continuous	Up to 30 days	30-90 days	Greater Than 90 days	Total
Repurchase agreements					
US Treasury & agency securities	\$ -	\$ -	\$ -	\$ 27,218	\$ 27,218
Total	\$ -	\$ -	\$ -	\$ 27,218	\$ 27,218

NOTE 11 SUBORDINATED NOTES

On July 30, 2021, the Company completed a private placement of \$35 million aggregate principal amount of its 3.25% fixed-to-floating rate subordinated notes due July 30, 2031 (the “Notes”) to various accredited investors (the “Offering”). The price for the Notes was 100% of the principal amount of the Notes. The Notes qualify as Tier 2 capital for regulatory purposes in proportionate amounts 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 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)	March 31, 2025		December 31, 2024	
	Principal	Unamortized Note Issuance Costs	Principal	Unamortized Note Issuance Costs
Subordinated Notes	\$ 35,000	\$ (154)	\$ 35,000	\$ (182)

NOTE 12 - 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 management's discussion and analysis of the financial condition and results of operations of the Company. 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, 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 13 RECENT ACCOUNTING PRONOUNCEMENTS

In October 2023, the FASB issued 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 November 2023, the FASB issued ASU 2023-07 *"Segment Reporting (Topic 280) - Improvements to Reportable Segment Disclosures."* The amendments in this Update improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The amendments in this Update primarily require that a public entity disclose, on an annual and interim basis, significant segment expenses that are regularly provided to the chief operating decision maker; require that a public entity disclose the title and position of the chief operating decision maker and an explanation of how the chief operating decision maker uses the reported measure(s) of segment profit or loss in assessing segment performance and deciding how to allocate resources; require that a public entity that has a single reportable segment provide all the disclosures required by the amendments in this Update and all existing segment disclosures in Topic 280. The amendments in this Update are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. A public entity should apply the amendments in this Update retrospectively to all prior periods presented in the financial statements. Management adopted this Update effective December 31, 2024, without material effect on the Company's financial position or results of operations.

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 is 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 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, (c) depreciation, and (d) 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.

OVERVIEW

The largest improvement in profitability of the first quarter 2025 as compared to both last quarter and the same quarter last year is in the Company's net interest income generated from the highest net interest margin since 4th quarter 2022. Net interest income for first quarter 2025 is up \$3.8 million over the same quarter last year and \$1.1 million over last quarter. This represents a solid base from which to continue improvement for the remainder of 2025 as we expect loan repricing and continued growth in low-cost core deposits to increase the margin going forward. The improvement compared to last quarter was driven by a 25-basis point reduction in the cost of funding. The reduction was larger by another 5 basis points, or a 30-basis point reduction in the cost of funding comparing to the first quarter 2024. The difference in the net interest margin of 3.03% for first quarter 2025 as compared to first quarter 2024's 2.60% is also attributed to a 19-basis point improvement in the asset yield.

There were two primary reasons behind the decrease in the cost of funds for the quarter, the first being the lower repricing of higher cost certificate of deposits (CDs), combined with a balance sheet shift or reduction in CD balances. The second primary reason was a reduction in interest expense due to rate changes in the savings bucket which includes interest bearing checking, money market accounts and savings accounts. The Company experienced a full quarter of the advantage of interest rate cuts implemented due to the Federal Reserve dropping rates over the last four months of 2024.

Higher credit cost in the first quarter 2025 had the opposite impact on profitability and was due to higher net charge-offs from consumer loans coupled with provision related expense from loan growth during the quarter. Provision for credit losses was \$811 thousand for the quarter compared to \$944 thousand for all of 2024. First quarter 2024 was in a recovery position for the quarter of \$289 thousand while fourth quarter 2024 had a provision of \$346 thousand.

F&M Commercial Banking Division saw loan demand grow in late 2024 and continue into first quarter 2025. Lending rates and terms remained consistent from fourth quarter 2024 into first quarter 2025. Commercial clients' primary concerns so far in 2025 remain inflation and any impact on potential tariffs to their business. Credit quality of the commercial portfolio remains strong and first quarter collateral values and auction values are still holding consistent with previous quarters. Past dues and delinquencies remained low for the F&M portfolio, but the team continues to monitor the portfolio closely for the impact from inflationary pressures, input costs and margin compression on the portfolio. Borrowers have plenty availability on lines of credit overall.

As we review the results of our farm and agribusiness clients from 2024, the performance of our customer base was steady. Yields were average with declined commodity prices making net income less than prior years. Marketing and crop insurance coverage was and will continue to be important. Most of our customer base's financial position was sound as we enter a period where they anticipate they may have declining net income. Our anticipation is 2025 will be similar to 2024. We have communicated regularly with our clients potentially affected by the bird flu outbreak and have developed options for individual clients. To date, this portion of our portfolio continues to perform as agreed. Our agribusiness clientele continue to perform well, but declined farm income will potentially affect certain sectors. Global political pressures continue to be monitored. The performance of our agricultural portfolio continues to be monitored but continues to perform well.

Home loan activity has improved slightly in all areas, including with respect to both purchases and refinances, and with respect to loans both held in-house by the Bank and also those sold into the secondary market. The biggest product remains home equity lines as existing borrowers do not want to refinance the lower fixed mortgage rates from previous years. A 300+ basis point difference remains in current fixed rates compared to the lows of the early 2020s. The Bank participated in the "Welcome Home" program offered through the Federal Home Loan Bank of Cincinnati ("FHLB"). This program assists with grants for down payments. The funds are open to all members of FHLB and capped by overall funds available. The funds were depleted in a matter of hours so the Bank is pleased to have received approval for some of our customers. Inventory in our market areas has improved in the midrange values.

Consumer loans increased towards the end of the first quarter, primarily with respect to direct and indirect automobile loans. Consumer interest in used cars increased along with prices recently over concerns related to the potential impact of tariffs. Our activity is and has been more in the used car market than in brand new.

Overall, asset quality metrics are still favorable. However, while it remains too early to tell the overall impact of pending tariffs, we're expecting past dues and non-accruals to increase throughout the year. Our credit department continues to monitor all areas and complete stress testing to better prepare our responsiveness to market events.

Noninterest income went over the \$4 million mark for the quarter without any single line item increasing significantly, all under \$150 thousand. Treasury services and interchange revenue from increased debit card usage are primarily credited for the improvement.

Noninterest expense was higher in first quarter 2025 by \$919 thousand as compared to same quarter 2024 and almost \$2.7 million higher than fourth quarter 2024. Looking at the difference between the first quarter comparisons, increased employee benefits, specifically group medical insurance was up \$192 thousand in 2025 along with payroll taxes increasing by \$64 thousand. The largest increase was in consulting services, which increased by \$559 thousand. Much of the expense was related to the use of a consultant to negotiate our core processor services. While the base contract negotiation is complete, the consultant will continue to be used as we explore additional ancillary products to the core banking system. The benefits of using the consultant have far outweighed the cost and will continue to be realized after our consultant services have ended. In comparing first quarter 2025 to fourth quarter 2024, almost \$1.5 million of the increase is attributable to salary, benefits and occupancy expenses. Another \$900 thousand in the difference is due to data processing and consulting expenses. Fourth quarter 2024 included a much higher usage of flex credits that were provided in the renegotiation of which some may be used on a wider range of services than others that are product specific. Smaller levels of flex credit will be realized going forward along with lower consulting fee levels throughout 2025.

The Company is encouraged by the higher-than-expected improvement in the net interest margin in the first quarter of 2025. Overall net income, which was \$1.6 million higher than first quarter 2024, sets the stage for a more profitable 2025. As with every year, challenges will present opportunities and the Bank has additional projects in the works to improve revenue while keeping an eye on costs. The Company remains well-capitalized with sound liquidity levels and strong asset quality; the future appears bright.

NATURE OF ACTIVITIES

Farmers & Merchants Bancorp, Inc. (the “Company”) is a financial holding company incorporated under the laws of Ohio in 1985. Our subsidiary is The Farmers & Merchants State Bank (the “Bank”), a local independent community bank that has been primarily serving Northwest Ohio, Northeast Indiana and Southeast Michigan since 1897. The Bank includes F&M Insurance Agency, LLC, a subsidiary offering insurance products, which was formed in November of 2023. We report our financial condition and net income on a consolidated basis and we 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. The Bank operates thirty-seven full-service banking offices throughout Northwest Ohio, Northeast Indiana and Southeast Michigan along with a drive-up facility in Archbold. The Bank also operates four Loan Production Offices (LPOs), two in Ohio with one in Indiana and one in Michigan.

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. The largest segment of the lending business relates to commercial, both real estate and non-real estate. The type of commercial business ranges from small business to multi-million dollar companies. The loans are a reflection of business located within the Banks’ market area of Ohio, Indiana and Michigan. 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 farming industry for such items as farmland, farm equipment and operating loans for seed, fertilizer, and feed. Other types of lending activities include loans for home improvements, and loans for the purchase of autos, trucks, recreational vehicles, motorcycles, and other consumer goods.

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. Mobile banking has been widely accepted and used by consumers. 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 three year, a five year and a seven year fixed rate mortgage after which the interest rate will adjust annually. In order to offer longer term fixed rate mortgages, the Bank does participate in the Freddie Mac, Farmer Mac 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. 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 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:
 - o Maximum LTV of 50% on raw and finished goods.
- Floor plan:
 - o New/used vehicles to 100% of wholesale.
 - o 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 loan up to 85%.

FM Investment Services, the brokerage department of the Bank, opened for business in April 1999. Securities are offered through Raymond James Financial Services, Inc. In November of 2020, FM Investment Services purchased the assets and clients of Adams County Financial Resources (ACFR) which is discussed in further detail in Note 2 to the Company's financial statements.

In December of 2014, the Company became a financial holding company within the meaning of the Bank Holding Company Act of 1956 as amended (the "Act"), 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 Bank formed an insurance agency, F&M Insurance Agency, LLC, in November 2023 to offer insurance products to our customers. The insurance agency is organized in Ohio and regulated by the State of Ohio, Division of Insurance.

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. 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. The primary factors in competing for loans and deposits are the rates charged as well as location and quality of the services provided.

At March 31, 2025, we had 482 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.

RECENT REGULATORY DEVELOPMENTS

The Company and the Bank remain attentive to the current regulatory environment in light of the regulatory agencies' risk-based approach to examinations and the change in presidential administration. Regulatory changes and the complexity of new and amended rules have resulted in challenges and uncertainties which could pose an increased risk of noncompliance. Various significant mortgage rules require monitoring by means of testing, validation of results, additional training, and further research or consultation to ensure ongoing compliance.

Under the Truth in Lending Act (TILA) Ability to Repay requirements, 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. The General QM loan definition amended 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. Since the Bank, on occasion, does make Non-Qualified Mortgages, approvals and originations of both Non-QM loans and Higher Priced Mortgage Loans are periodically reported to the Bank's Loan Committee.

On March 30, 2023, the Consumer Financial Protection Bureau (CFPB) issued final rules which amended 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 were required to collect and report data on covered credit applications involving small businesses, including those businesses owned by women or minorities. Small businesses were defined as those businesses (including agricultural businesses) which had gross annual revenue of \$5 million or less during its most recent fiscal year. Data collection involved demographic information collected from a loan applicant regarding that applicant's status as a minority-owned business, a women-owned business, and an LGBTQI+-owned business, as well as the applicant's principal owners' ethnicity, race, and sex. Applicants could refuse to provide demographic information. Implementation of these final rules would involve significant changes to processes and procedures along with new software configurations to accommodate and capture required data points regarding applications and final action taken. Data would be reported to the CFPB which would then make aggregated information publicly available. These new final rules had a phased implementation period with the largest lenders being required to collect and report data first. A Lender, such as the Bank, that originated at least 500 covered small business loans annually, data collection would have originally commenced on April 1, 2025.

A lawsuit filed in April 2023 by the Texas Bankers Association and Rio Bank based in McAllen, Texas in the U.S. District Court for the Southern District of Texas challenged the CFPB's final rule implementing Section 1071 of the Dodd-Frank Act. Shortly thereafter, the American Bankers Association joined the lawsuit as a plaintiff. The argument was the final rule far exceeded the statutory scope of Section 1071, failed to take into consideration relevant industry comments, and did not conduct appropriate cost-benefit analysis. Additionally, the constitutionality of the CFPB was challenged based on its funding structure, and was also based upon another pending lawsuit which awaited a hearing by the U.S. Supreme Court regarding CFPB's funding. On July 31, 2023, an injunction was granted by a federal judge in the Southern District of Texas banning the CFPB from requiring Rio Bank, and members of both the Texas Bankers Association and the American Bankers Association from complying with the final rules implementing Section 1071 of the Dodd-Frank Act until the Supreme Court of the United States rules on the CFPB's funding. On August 4, 2023, a motion was filed by the Independent Community Bankers of America, the Independent Bankers Association of Texas, and Texas First Bank in the U.S. District Court for the Southern District of Texas requesting expansion of the injunction previously granted. In late October 2023, the federal judge granted the expansion of the injunctive relief to provide a nationwide injunction to all community banks and covered financial institutions thus ensuring relief was not limited by trade association membership. The U.S. Supreme Court issued its long-awaited decision on the challenge to the CFPB's funding mechanism on May 16, 2024. The Supreme Court ruled that the CFPB's funding does not violate the U.S. Constitution's Appropriations Clause. Subsequently, the CFPB issued an interim final rule on June 25, 2024, to make date related adjustments on a day for day basis based on recent court orders involving ongoing litigation. This extended compliance dates for beginning data collection by 290 days. As of February 7, 2025, an order issued by the New Orleans First

Circuit Court of Appeals granted a stay pending appeal and deadlines for compliance were extended further. Recently, the Bank remains attentive to the ongoing arguments, appeals, and related cases in the litigation involving the Section 1071 final rule, as well as the CFPB's actions on further rulemaking to replace or change the current rule.

A final rule to amend the Community Reinvestment Act (CRA) was jointly released by the Federal Reserve, the FDIC, and Office of the Comptroller of the Currency on October 24, 2023. These amendments were intended to update how CRA activities qualify for consideration, where CRA activities are considered, and how CRA activities are evaluated. The final rule was effective on April 1, 2024, with certain amendments effective April 1, 2024, through January 1, 2031, and other amendments in the final rule were delayed indefinitely. The final CRA rules were published in the *Federal Register* on February 1, 2024. On February 5, 2024, the American Bankers Association, the U.S. Chamber of Commerce, the Independent Community Bankers of America, along with four state associations jointly sued the Federal Reserve, FDIC, and Office of Comptroller of the Currency for exceeding their statutory authority. The lawsuit filed in the U.S. District Court for the Northern District of Texas requested the regulatory agencies vacate the rule and sought a preliminary injunction pausing the new rules while the court decided the merits of the case. On March 21, 2024, the joint regulatory agencies issued an interim final rule and a technical corrections final rule related to the CRA final rule both effective on April 1, 2024. The Agencies also requested comments on the interim final rule for a period of 45 days after publication in the *Federal Register*. The interim final rule extended two provisions of the CRA final rule from April 1, 2024, to January 1, 2026. Then on March 29, 2024, the district court judge granted a temporary injunction to pause the implementation of CRA final rule while the case moves forward. The injunction extended implementation dates on a day for day basis for each day the injunction remains in place. A joint press release on March 28, 2025, announced the joint agencies intent to rescind the 2023 Community Reinvestment Act Final Rule and reinstate the CRA framework that existed prior to the October 2023 final rule. As a large bank examined for its CRA performance, the Bank remains attentive to the CRA framework in place prior to the October 2023 final rule.

With regard to all regulatory matters, the Company and the Bank remain committed in making good faith efforts to comply with technical requirements of the laws, rules, regulations, and guidance from both federal and state agencies which govern its activities.

CRITICAL ACCOUNTING POLICIES AND 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. These policies, along with the disclosures presented in the notes to the condensed consolidated financial statements and in the management's discussion and analysis of the 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.

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 \$10.9 million and \$10.7 million at March 31, 2025 and December 31, 2024, respectively, and was reported in Other Assets on the condensed 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 anticipation of 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. Mortgage loans are charged off at 180 days past due and commercial loans are charged off to the extent principal or interest is deemed uncollectible. Consumer loans continue to accrue interest until they are charged off no later than 120 days past due unless the loan is in the process of collection. Past-due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not 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 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. 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 and expected to be 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. 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 CECL 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 316 banks in the region of Ohio, Michigan and Indiana with asset sizes less than \$5 billion as of March 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 \$159 thousand at March 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 with the notes to consolidated financial statements.

MATERIAL CHANGES IN FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

For 2025, the Company plans to have modest loan growth and continue to focus on earnings improvement. Paydowns and payoffs will be used to fund originations to existing customers and to build relationships in our newer markets. Loan balances as of March 31, 2025, were \$19.4 million or 0.08% higher than December 31, 2024 balances and there remains \$97.8 million of funds committed to complete construction projects of business customers as of March 31, 2025.

The Company continues to focus on growth in the areas of core deposits and the expansion of contingency funding. Growing deposits has been a focus especially in our newer markets throughout 2024 and continues into 2025. Core deposits provide additional opportunities for noninterest income. The Bank offers the Insured Cash Sweep (ICS) product and CDARS, a certificate of deposit registry, accessed through the IntraFi network of financial institutions which helps to reduce the amount of pledged securities needed. The Bank's uninsured deposit ratio remains low at 12.1%. As of March 31, 2025, total uninsured deposits of the Bank were \$327.0 million of \$2.7 billion total deposits. If the amount of coverage is adjusted for what is insured by FDIC alone, the percentage is 21.5% or \$579.3 million of uninsured deposits as of March 31, 2025. The underlying difference between these two percentages is the protection required for public funds for which the Bank pledges securities. A State insurance fund exists for public funds in Indiana. The state of Michigan also does not require the pledging of collateral for public funds though some entities do request it.

Deposits have increased \$13.5 million as of March 31, 2025 since December 31, 2024, while cash and cash equivalents have decreased \$3.3 million over the same time period. The nearly \$173.0 million of cash holdings represents 5.1% of total assets and 6.4% of total deposits as of March 31, 2025. The Bank is comfortable with operating at this level as 5% is the guideline the Bank has established. Since March 31, 2024, deposits have increased \$78.9 million, or 3.0%, while cash and cash equivalents have decreased \$14.7 million or 7.9%. Management has continued to hold biweekly meetings to discuss liquidity in order to be more responsive to opportunities and threats as they arise.

During the first quarter 2025, borrowings from the FHLB decreased \$585 thousand through normal paydowns. The Bank has utilized four sources for brokered CDs in 2024 for a total of \$26.9 million. This was done to establish relationships to test the access of such funds and decrease the cost of funds going forward. To assure a proper net interest margin over the 3 and 4-year time period of these CDs, the Bank internally looked at loan originations in the first quarter with similar or slightly longer fixed interest rate periods. The Bank also tested all correspondent borrowing lines during the first quarter of 2025 to assure availability should the need arise. The availability for overnight borrowing on unsecured Federal Funds lines is \$163.0 million. Combining the available line of credit at the holding company level, the Company has \$178 million overnight borrowing availability.

In comparing to the same prior year period, the March 31, 2025 (at amortized cost) loan balances of \$2.6 billion accounted for \$39.8 million or 1.6% increase when compared to 2024. The year over year improvement was made up of an increase in commercial and industrial related loans of 4.1%. Individual growth was comprised of 8.7% in non-real estate commercial loans, 1.6% in commercial real estate loans and 20.3% in agricultural loans as we saw a slightly heightened use in lines of credit. Consumer real estate loans decreased by 0.3% while consumer loans decreased by 19.6%. Agricultural related loans increased 4.1% year over year. Individual growth was comprised of 20.3% in non-real estate agricultural loans partially offset by a decline of 5.1% in agricultural real estate loans. Other loans decreased by 6.7%. The Company's strong team of lenders remain focused on providing customers valuable localized services and thereby increasing our market share. The acquisition of Peoples Federal Savings and Loan Association in the fourth quarter of 2022 brought \$101.8 million of loans to the portfolio. See Note 2 to the consolidated financial statements.

The chart below shows the breakdown by portfolio segment as of March 31, for the last three years, at amortized cost.

	(In Thousands)		
	March 31, 2025	March 31, 2024	March 31, 2023
Consumer Real Estate	\$ 523,704	\$ 525,243	\$ 502,968
Agricultural Real Estate	215,656	227,150	227,599
Agricultural	153,921	127,913	131,677
Commercial Real Estate	1,323,262	1,301,981	1,223,163
Commercial and Industrial	277,943	255,797	241,541
Consumer	60,721	75,538	90,388
Other	24,985	26,776	29,316
Total Loans, amortized cost	\$ 2,580,192	\$ 2,540,398	\$ 2,446,652

The Bank maintains a well-balanced, diverse and high performing commercial real estate loan portfolio. Gross commercial real estate loans, excluding deferred loan fees and costs, represented 51.34% of the Company's total gross loan portfolio as of March 31, 2025. The below charts break out 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	\$ 281,484	21.23%	10.90%
Retail	217,903	16.44%	8.44%
Multi-family	213,281	16.09%	8.26%
Hotels	157,139	11.85%	6.08%
Office	139,069	10.49%	5.39%
Gas Stations	70,983	5.35%	2.75%
Food Service	52,827	3.98%	2.04%
Senior Living	31,400	2.37%	1.22%
Development	29,907	2.26%	1.16%
Auto Dealers	27,294	2.06%	1.06%
Other	104,411	7.88%	4.04%
Total CRE	\$ 1,325,698	100.00%	51.34%

CRE Category ^(*)	Dollar Balance	Percent of CRE Portfolio
Owner occupied	\$ 552,097	41.64%
Non-owner occupied	530,413	40.01%
Multi-family	213,281	16.09%
Land & Development	29,907	2.26%
Total CRE	\$ 1,325,698	100.00%

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

Location	Dollar Balance	Percent of CRE Portfolio
Southeast Michigan	\$ 447,553	33.76%
Northwest Ohio	331,504	25.01%
Fort Wayne, Indiana	160,860	12.13%
Columbus, Ohio	145,829	11.00%
Greater Indianapolis, Indiana	74,823	5.64%
Dayton/Cincinnati, Ohio	52,991	4.00%
Other	112,138	8.46%
Total CRE	\$ 1,325,698	100.00%

CRE Grades	March 31, 2025	December 31, 2024	December 31, 2023
2	0.59%	0.53%	0.55%
3	45.42%	38.99%	36.33%
4	50.03%	56.69%	58.00%
5	1.22%	1.12%	5.07%
6	2.74%	2.67%	0.05%
	100.00%	100.00%	100.00%

The following is a contractual maturity schedule by portfolio segment at amortized cost excluding fair value adjustments related to acquisitions as of March 31, 2025.

	(In Thousands)			
	March 31, 2025			
	Within One Year	After One Year Within Five Years	After Five Years Within Fifteen Years	After Fifteen Years
Consumer Real Estate	\$ 15,735	\$ 24,687	\$ 161,421	\$ 323,582
Agricultural Real Estate	6,148	8,326	65,586	135,897
Agricultural	86,046	53,127	10,330	4,427
Commercial Real Estate	100,724	439,035	582,445	201,120
Commercial and Industrial	109,669	103,464	64,548	397
Consumer	2,378	47,631	10,792	34
Other	227	609	24,149	-

Management feels confident that liquidity needs can be met through additional maturities from the security portfolio, increased deposit generating efforts and additional borrowings. For short term needs, the Bank has the unsecured borrowing capacity through its correspondent banks mentioned above along with access to \$163.7 million through a Cash Management Advance with the FHLB as of March 31, 2025. The Bank's secured borrowing capacity limits at the FHLB would have allowed draws based on current collateral pledging of \$197.7 million on March 31, 2025.

While the security portfolio has been utilized to fund loan growth in previous periods, additional sources have been cultivated during 2024 and 2025. The security portfolio increased in the first three months of 2025 from year end 2024 due to purchases of \$13.8 million offset by maturities and paydowns of \$8.2 million, net amortization of \$0.1 million and a \$6.5 million decrease in unrealized losses. The amount of pledged investment securities increased by \$20.2 million as compared to year end and increased \$13.9 million as compared to March 31, 2024. As of March 31, 2025 pledged investment securities totaled \$271.9 million. The Company does plan to do additional purchases of securities the remainder of the year for the purposes of increasing our investment holdings in Community Reinvestment Act (CRA) qualifying securities, liquidity and contingency planning and as a means of balance sheet gap management.

As mentioned previously, an additional \$197.7 million is also available to the Bank from the FHLB based on current amounts of pledged collateral. The Bank has pledged eligible 1-4 family, home equity, commercial real estate, multifamily real estate portfolios and specific securities. Multifamily real estate was added to our assets pledged to the FHLB in second quarter 2024 and additional commercial real estate holdings were designated as pledges to increase the availability in first quarter 2024. The CRE holdings may be adjusted quarterly to replace paydowns or increase availability of funds. Based on total asset capacity, the Bank would have nearly \$1.1 billion available to borrow.

With the exception of FHLB stocks, carried at cost, which is shown as other securities, all of the Company's security portfolio is categorized as "available-for-sale" and as such is recorded at fair value.

Overall total assets increased only 0.7% or \$24.1 million since year end 2024. The largest areas of growth occurred in the loan portfolio of \$19.4 million and in the security portfolio of \$12.0 million which was discussed above.

Total deposits accounted for the largest growth within liabilities of \$13.5 million or 0.5%. The mix of deposits saw increases in interest bearing checking, savings and money market deposits offset by decreases in time deposit accounts and noninterest bearing accounts since December 31, 2024. The Bank is adjusting its checking product offerings to decrease the number of overall types and provide better service to our customers.

Shareholders' equity increased by \$9.4 million as of the first quarter of 2025 compared to year end 2024. Earnings exceeded dividend declarations during the three months ended March 31, 2025. Accumulated other comprehensive loss decreased in unrealized loss position by \$5.1 million from December 2024 to an unrealized loss of \$20.1 million on March 31, 2025. Dividends declared remained unchanged from the prior quarter at \$0.22125 per share and were 0.6% over first quarter 2024's \$0.22 per share. Compared to March 31, 2024, shareholders' equity increased 8.5% or \$26.9 million with \$10.5 million attributed to an improvement in accumulated other comprehensive loss. Net income was higher for the quarter ended March

2025 compared to March 2024 by \$1.6 million; however, \$1.4 million lower than fourth quarter 2024. We are encouraged that net interest income has continued to improve quarter over quarter since third quarter 2023.

Basel III regulatory capital requirements include a capital conservation buffer of 2.5%. As of March 31, 2025, the Company and the Bank are both positioned well above the current requirement.

While the Holding Company generally has sufficient liquidity to maintain its dividend policy without relying on the upstreaming of dividends from the Bank, the Bank declared a \$3.5 million dividend during the first quarter of 2025.

The Bank continues to be well-capitalized at March 31, 2025 in accordance with Federal regulatory capital requirements as the capital ratios below show:

Tier I Leverage Ratio	9.10%
Risk Based Capital Tier I	11.37%
Total Risk Based Capital	12.40%
Stockholders' Equity/Total Assets	10.86%
Capital Conservation Buffer	4.40%

The implementation of ASU 2016-13 (CECL) resulted in an entry which reduced retained earnings \$3.4 million on January 1, 2023. This adjustment is permitted to be spread over three years when calculating regulatory capital, which for 2023 was over \$2.5 million. This adjustment decreased to \$1.7 million for 2024 and \$843 thousand for 2025.

MATERIAL CHANGES IN RESULTS OF OPERATIONS

Comparison of Results of Interest Earnings and Expenses for three month periods ended March 31, 2025 and 2024

Interest Income

When comparing first quarter 2025 to first quarter 2024, average loan balances only grew \$1.4 million which represented a 0.1% increase in a one-year time period. Interest income on loans increased \$1.9 million or 5.3% as compared to the quarter ended March 31, 2024. The Company's loan portfolio is 40.2% variable rate with 23.2% of total loans subject to repricing within the next three months and 33.8% of total loans subject to repricing within the next twelve months.

The available-for-sale securities portfolio increased in average balances by \$70.8 million when comparing to the same quarter in 2024 while the income associated with the security portfolio increased \$1.0 million over first quarter 2024. The increased balances were the result of increasing our holdings for liquidity and contingency planning purposes and to improve our investments in CRA qualifying securities. Federal funds sold and interest bearing deposits decreased in average balances by \$4.6 million as compared to the same quarter in 2024 with decreased income of \$569 thousand for the current quarter. The decreased balances are the result of funding loan growth, purchases of available-for-sale securities and repayment of other borrowed money.

The overall total average balance of the Bank's earning assets increased by \$67.6 million and interest income for the quarter comparisons was higher for first quarter 2025 by 6.1% or \$2.3 million as compared to first quarter 2024. Rate changes between periods have contributed to approximately 89.1% of the growth.

Annualized yield, for the quarter ended March 31, 2025, was 5.19% as compared to 5.00% for the quarter ended March 31, 2024. The following charts demonstrate rate increases accounted for 99.0% of the increased loan interest income while increased loan balances accounted for the remaining 1.0%. The yields on tax-exempt securities and the portion of the tax-exempt IDB loans included in loans have been tax adjusted based on a 21% tax rate in the charts to follow. The tax-exempt interest income was \$115 and \$157 thousand for the first quarter 2025 and 2024 which resulted in a federal tax savings of \$24 and \$33 thousand, respectively.

	(In Thousands)			
	Quarter to Date Ended March 31, 2025		Annualized Yield/Rate	
	Average Balance	Interest/Dividends	March 31, 2025	March 31, 2024
Interest Earning Assets:				
Loans	\$ 2,578,531	\$ 37,072	5.75%	5.46%
Taxable investment securities	458,519	2,739	2.39%	1.75%
Tax-exempt investment securities	18,310	78	2.16%	2.06%
Fed funds sold & other	105,770	1,113	4.21%	6.09%
Total Interest Earning Assets	\$ 3,161,130	\$ 41,002	5.19%	5.00%

Change in Interest Income Quarter to Date March 31, 2025 Compared to March 31, 2024

	(In Thousands)		
	Total Change	Change Due to Volume	Change Due to Rate
Interest Earning Assets:			
Loans	\$ 1,872	\$ 19	\$ 1,853
Taxable investment securities	1,053	322	731
Tax-exempt investment securities	(8)	(14)	6
Fed funds sold & other	(569)	(70)	(499)
Total Interest Earning Assets	\$ 2,348	\$ 257	\$ 2,091

Interest Expense

Contributing to the increased net interest income for the quarter was a decrease in interest expense of just under \$1.5 million or 7.8% compared to first quarter 2024. Since 2024, average interest bearing deposit balances have increased \$77.1 million or 3.7% while the Company recognized \$1.3 million less in interest expense for the most recent quarter. During 2024, the Federal Reserve decreased the federal funds rate by 50 basis points in September and 25 basis points in November and December. Deposit rates have been adjusted numerous times with all the rate changes. The following charts demonstrate increased average interest bearing deposit balances accounted for 34.4% of additional interest bearing deposit expense while rate decreases accounted for decreased interest bearing deposit expense of 134.4%.

Interest expense on FHLB borrowings and other borrowings decreased \$139 thousand in the first quarter 2025 over the same time frame in 2024 due to the repayment of FHLB advances. During the current quarter, FHLB borrowings of \$585 thousand were paid down. Interest expense on fed funds purchased and securities sold under agreement to repurchase decreased \$13 thousand compared to first quarter 2024 due to the decrease of \$978 thousand in average balances. Cost of funds decreased even with growth in interest bearing deposit balances offset by decreased borrowings and decreased noninterest bearing deposits balances of \$13.9 million compared to first quarter 2024. The Bank continues to focus on capturing the full customer relationship; however, it has sometimes resulted in more expensive deposits being brought in. The average cost of funds decreased to 2.76% in first quarter 2025 compared to 3.06% in first quarter 2024. Refer to Note 11 for additional information on subordinated notes.

	(In Thousands)			
	Quarter to Date Ended March 31, 2025		Annualized Yield/Rate	
	Average Balance	Interest	March 31, 2025	March 31, 2024
Interest Bearing Liabilities:				
NOW accounts and savings deposits	\$ 1,543,665	\$ 8,564	2.22%	2.61%
Time deposits	627,498	5,424	3.46%	3.61%
Other borrowed money	245,734	2,550	4.15%	4.09%
Fed funds purchased & securities				
sold under agreement to repurchase	27,480	271	3.94%	3.99%
Subordinated notes	34,828	284	3.26%	3.27%
Total Interest Bearing Liabilities	\$ 2,479,205	\$ 17,093	2.76%	3.06%

Change in Interest Expense Quarter to Date March 31, 2025 Compared to March 31, 2024

	(In Thousands)		
	Total Change	Change Due to Volume	Change Due to Rate
Interest Bearing Liabilities:			
NOW accounts and savings deposits	\$ (843)	\$ 653	\$ (1,496)
Time deposits	(448)	(208)	(240)
Other borrowed money	(139)	(179)	40
Fed funds purchased & securities sold under agreement to repurchase	(13)	(10)	(3)
Subordinated notes	-	1	(1)
Total Interest Bearing Liabilities	\$ (1,443)	\$ 257	\$ (1,700)

As the following chart indicates, the improvement in yields on interest earning assets of 19 basis points combined with the decreased cost of funds of 30 basis points equated to a 49 basis point improvement in net interest spread when comparing to the same period a year ago. Competition for deposits remains intense with most competitors offering special rates for specific terms.

	March 31, 2025	March 31, 2024	March 31, 2023
Interest/Dividend income/yield	5.19%	5.00%	4.41%
Interest Expense/cost	2.76%	3.06%	1.85%
Net Interest Spread	2.43%	1.94%	2.56%
Net Interest Margin	3.03%	2.60%	3.01%

Net Interest Income

Net interest income increased approximately \$3.8 million for the first quarter 2025 over the same time frame in 2024 due to the increase in interest income of \$2.3 million combined with the interest expense decrease of approximately \$1.5 million as previously mentioned. As the new loans added in 2024 and 2025 generate more income, management expects the benefits of the Company's strategy of repositioning the balance sheet to increase interest income in the long run. Loans as a percentage of earning assets decreased to 81.6% in first quarter 2025 compared to 83.3% in first quarter 2024. Loans to total assets decreased to 77.5% in first quarter 2025 compared to 79.2% for the same period 2024. The percentage of earning assets to total assets decreased slightly to 95.0% in 2025 compared to 95.1% in 2024. In terms of net interest margin, the Bank recognizes competition for deposits will continue; however, there is a greater opportunity for gradual improvement with loans repricing upwards in the next year and a likely continuing decrease in cost of funds.

Comparison of Noninterest Results of Operations for three month periods ended March 31, 2025 and 2024

Provision Expense

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

Total provision for credit losses increased \$1.1 million for the three months ended March 31, 2025 as compared to the same period in 2024. Management continues to monitor asset quality, making adjustments to the provision as necessary. The impact of higher interest rates and inflation are taken into consideration when reviewing qualitative factors. Loan charge-offs were \$143 thousand higher during the three months ended March 31, 2025 than the same period in 2024. Recoveries were \$87 thousand lower during the three months ended March 31, 2025 as compared to same period in 2024. Combined net charge-offs were \$230 thousand higher in the three months ended March 31, 2025 than the same time period 2024.

Loans past due 30 or more days decreased \$12.5 million at March 31, 2025 as compared to March 31, 2024. The largest changes were attributed to the combined decrease of past due balances of \$14.6 million in the agricultural and agricultural real estate portfolio segments. The consumer real estate portfolio segment past due balances increased \$2.5 million for the same time period.

The following table breaks down the activity within the ACL for each portfolio segment and shows the contribution provided by both recoveries and the provision, along with the reduction of the allowance caused by charge-offs. The time period covered is for the three months ended March 31, 2025, 2024, and 2023.

	(In Thousands)		
	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Loans, amortized cost	\$ 2,580,192	\$ 2,540,398	\$ 2,446,652
Daily average of outstanding loans	\$ 2,577,288	\$ 2,575,096	\$ 2,397,061
Nonaccrual loans	\$ 4,492	\$ 19,391	\$ 7,713
Nonperforming loans*	\$ 4,492	\$ 19,391	\$ 7,713
Allowance for Credit Losses - January 1,	\$ 25,826	\$ 25,024	\$ 20,313
Loans Charged off:			
Consumer Real Estate	-	10	-
Agriculture Real Estate	-	-	-
Agricultural	-	-	-
Commercial Real Estate	-	-	-
Commercial and Industrial	25	101	-
Consumer	310	81	122
	<u>335</u>	<u>192</u>	<u>122</u>
Loan Recoveries:			
Consumer Real Estate	1	4	7
Agriculture Real Estate	-	-	-
Agricultural	9	-	-
Commercial Real Estate	3	3	2
Commercial and Industrial	6	66	6
Consumer	31	64	47
	<u>50</u>	<u>137</u>	<u>62</u>
Net Charge Offs (Recoveries):			
Consumer Real Estate	(1)	6	(7)
Agriculture Real Estate	-	-	-
Agricultural	(9)	-	-
Commercial Real Estate	(3)	(3)	(2)
Commercial and Industrial	19	35	(6)
Consumer	279	17	75
	<u>285</u>	<u>55</u>	<u>60</u>
Provision for (recovery of) Credit Losses	811	(289)	817
Allowance for Credit Losses - March 31,	26,352	24,680	24,634
Allowance for Unfunded Loan Commitments & Letters of Credit - March 31,	1,281	1,946	2,228
Total Allowance for Credit Losses - March 31,	\$ 27,633	\$ 26,626	\$ 26,862
Ratio of Net Charge-offs to Average Outstanding Loans	0.01%	0.00%	0.00%
Ratio of Nonaccrual Loans to Loans	0.17%	0.76%	0.32%
Ratio of the Allowance for Credit Losses to Loans	1.02%	0.97%	1.01%
Ratio of the Allowance for Credit Losses to Nonaccrual Loans	586.64%	127.28%	319.38%
Ratio of the Allowance for Credit Losses to Nonperforming Loans*	586.64%	127.28%	319.38%

*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 March 31, 2025 and March 31, 2024 within this chart does not include a fair value basis adjustment for derivatives of \$1.7 million and \$969 thousand, respectively, or a daily average outstanding balance of \$1.2 million and \$2.0 million, respectively.

Loans classified as nonaccrual were lower as of March 31, 2025 at \$4.5 million as compared to \$19.4 million as of March 31, 2024. The agricultural real estate portfolio segment accounted for 79.2% or \$11.8 million of the decrease as compared to March 31, 2024. The agricultural portfolio segment decreased \$4.3 million compared to March 31, 2024. The commercial and industrial portfolio segment decreased \$473 thousand while the consumer real estate portfolio segment increased \$1.7 million compared to March 31, 2024.

The agricultural portfolio segment along with the consumer portfolio segment accounted for the largest component of recoveries while the consumer portfolio segment accounted for the largest component of charge-offs for the three months ended March 31, 2025 versus the commercial and industrial portfolio segment and consumer portfolio segment which accounted for the largest components of recoveries and the largest component of charge-offs for the three months ended March 31, 2024.

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 at March 31, 2025 and March 31, 2024.

	March 31, 2025			March 31, 2024		
	Amount (In Thousands)	% of ACL	% of Loan Category	Amount (In Thousands)	% of ACL	% of Loan Category
Balance at End of Period Applicable To:						
Consumer Real Estate	\$ 3,683	13.98%	20.30%	\$ 3,285	13.31%	20.68%
Agricultural Real Estate	771	2.93%	8.36%	1,171	4.74%	8.94%
Agricultural	306	1.16%	5.97%	377	1.53%	5.04%
Commercial Real Estate	16,907	64.15%	51.28%	15,953	64.64%	51.25%
Commercial and Industrial	3,165	12.01%	10.77%	2,248	9.11%	10.07%
Consumer	952	3.61%	2.35%	1,162	4.71%	2.97%
Other	568	2.16%	0.97%	484	1.96%	1.05%
Allowance for Credit Losses	26,352	100.00%	100.00%	24,680	100.00%	100.00%
Off Balance Sheet Commitments	1,281			1,946		
Total Allowance for Credit Losses	<u>\$ 27,633</u>			<u>\$ 26,626</u>		

Noninterest Income

Noninterest income was up \$216 thousand, or 5.5%, for the three months ended March 31, 2025 over the same time frame in 2024. Other service fees increased by \$67 thousand as compared to the three months ended March 31, 2024. Customer service fees decreased by \$217 thousand compared to the same period in 2024. Mortgage release fees, which are included in customer service fees, decreased \$148 thousand over the same time period in 2024. Servicing rights income for 1-4 family real estate and agricultural real estate loans increased \$223 thousand as compared to the same period in 2024 due to an increase in real estate loans sold as discussed below. Bank owned life insurance cash surrender value increased \$28 thousand.

The Company has seen improvement in mortgage production volume partially due to the improvement of midrange value housing inventory in many of our markets. The gain on the sale of these loans was \$177 thousand higher for the three months ended March 31, 2025 over the same period in 2024. Total originations of loans held for sale for the three months ended March 31, 2025 were \$13.0 million with proceeds from sale at \$13.9 million for 2025 compared to 2024's activity of \$8.5 million in originations and \$6.8 million in sales. The mortgages sold were both 1-4 family real estate and agricultural real estate loans originated for sale.

The impact of loan servicing rights, both to income and expense, is shown in the following table which reconciles the value of loan servicing rights. The capitalization runs through noninterest income while the amortization thereof is included in noninterest expense. For the three months ended March 31, 2025 and 2024, loan servicing rights caused a net \$100 thousand in income and \$93 thousand in expense, respectively. Capitalized additions of agricultural real estate loan servicing rights were \$170 thousand for the three months ended March 31, 2025. There were no capitalized additions during the comparable period in 2024. Amortization of agricultural real estate loan servicing rights were \$65 thousand and \$60 thousand for the same time periods, respectively. For 1-4 family real estate loans of 15 years and less, the market value of the loan servicing rights was 1.277% in the first quarter 2025 versus 1.177% in first quarter 2024. For 1-4 family real estate loans over 15 years, the value was 1.520% versus 1.354% for the same periods respectively. At March 31, 2025, the carrying value of certain strata were slightly below the market value thus requiring the establishment of a \$2 thousand valuation allowance for 1-4 family real estate and a \$46 thousand valuation allowance for agricultural real estate servicing rights.

	(In Thousands)	
	Three Months Ended	
	March 31, 2025	March 31, 2024
Beginning Balance	\$ 5,753	\$ 5,655
Capitalized Additions	276	75
Amortization	(176)	(168)
Ending Balance, March 31,	5,853	5,562
Valuation Allowance	(48)	(7)
Servicing Rights net, March 31,	<u>\$ 5,805</u>	<u>\$ 5,555</u>

Noninterest Expense

For the three months ended March 31, 2025, noninterest expenses were \$919 thousand or 5.2% higher than for the same period in 2024. Salaries and wages, including normal merit increases, restricted stock expense and incentive payouts, increased \$32 thousand in total. Salaries and deferred costs decreased \$128 thousand from last year. Restricted stock expense decreased \$81 thousand. An increase to our incentive accrual to match potential payout accounted for \$242 thousand. The increase was due to the investment in people for our strategic growth initiative and staffing of new offices. Benefits increased over 2024 with the increased medical expense of \$192 thousand and taxes of \$114 thousand offset with reductions in pension of \$88 thousand. The additional cost of the offices is also evident in the increased expenses in net occupancy with additional lease expense of \$172 thousand and building depreciation of \$59 thousand. Furniture and equipment decreased \$75 thousand.

Consulting fees increased \$560 thousand over the same period in 2024. Data processing expenses and ATM expense increased a combined \$75 thousand. General and administrative expense increased \$151 thousand. The other items on this line of significance include an increase in charitable giving and postage and printing expenses of \$93 thousand combined and debit card losses of \$19 thousand.

Income Taxes

Income tax expense was \$389 thousand higher for the three months ended March 31, 2025 compared to the same period in 2024 based mainly on higher earnings. Amortization of qualified affordable housing projects caused income tax expense to increase \$112 thousand and \$110 thousand for the three months ended March 31, 2025 and 2024, respectively, as presented in Note 8. Effective tax rates were 20.64% and 20.94% for 2025 and 2024, respectively. Excluding the additional \$112 and \$110 thousand of income tax expense, the effective tax rates would have been 19.36% and 19.31% for the three months ended March 31, 2025 and 2024, respectively.

Net Income

Overall, net income in the three months ended March 31, 2025 was up \$1.6 million or 29.7% to \$7.0 million as compared to last year's \$5.4 million. The biggest contributor to the improvement was net interest income. Net interest income was up \$3.8 million or 18.8% as the increased interest income exceeded the increased interest expense. Provision for credit losses for loans and unfunded commitments increased \$1.1 million compared to 2024. Noninterest income increased \$216 thousand and noninterest expense increased \$919 thousand as described above. The Company remains strong, stable, and well capitalized and has the capacity to continue to cover the increased costs of expansion. The Company is optimistic for continued improvement in profitability due to the opportunity for continued expansion in the net interest margin.

FORWARD LOOKING STATEMENTS

Statements contained in this portion of the Company's report may be forward-looking statements, as that term is defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of words such as "intend," "believe," "expect," "anticipate," "should," "planned," "estimated," and "potential." Such forward-looking statements are based on current expectations, but actual results may differ materially from those currently anticipated due to a number of factors, which include, but are not limited to, factors discussed in documents filed by the Company with the Securities and Exchange Commission from time to time. Other factors which could have a material adverse effect on the operations of the Company and its subsidiaries include, but are not limited to, changes in interest rates, general economic conditions, legislative and regulatory changes, monetary and fiscal policies of the U.S. Government, including policies of the U.S. Treasury and the Federal Reserve Board, the quality and composition of the loan or investment portfolios, demand for loan products, deposit flows, competition, demand for financial services in the Bank's market area, changes in relevant accounting principles and guidelines and other factors over which management has no control. The forward-looking statements are made as of the date of this report, and the Company assumes no obligation to update the forward-looking statements or to update the reasons why actual results differ from those projected in the forward-looking statements.

ITEM 3 QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT 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/liability 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.

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

<u>Interest Rate Shock</u> <u>on Net Interest Margin</u>				<u>Interest Rate Shock</u> <u>on Net Interest Income</u>	
Net Interest Margin (Ratio)	% Change to Flat Rate	Rate Direction	Rate Changes by	Cumulative Total (\$000)	% Change to Flat Rate
3.26%	-3.63%	Rising	3.00%	96,037	-7.53%
3.31%	-2.09%	Rising	2.00%	98,683	-4.99%
3.45%	1.98%	Rising	1.00%	104,065	0.20%
3.38%	0.00%	Flat	0.00%	103,860	0.00%
3.26%	-3.57%	Falling	-1.00%	102,005	-1.79%
3.04%	-10.22%	Falling	-2.00%	97,194	-6.42%
2.85%	-15.84%	Falling	-3.00%	93,646	-9.84%

The Bank's balance sheet is slightly asset-sensitive after coming through 100 bps of Fed rate cuts from September through December 2024. The net interest margin represents the forecasted twelve-month margin. The Company also reviews shocks with a 4.00% fluctuation and over a 24-month time frame. 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 whereas savings and money market accounts are beneficial due to the variability of the interest in both rate and immediate option to reprice. CD pricing is more favorable for the Bank in shorter terms now that the yield curve has normalized somewhat for longer term rates.

The Bank was aggressive in dropping its non-maturity deposit rates in the last 4 months of 2024 while the Fed was cutting their rate. We will have some continued opportunity to be aggressive with future Fed rate cuts, particularly with our higher deposit rates. While net interest income drops in a falling interest rate environment, there are potential revenues and other factors that can insulate the Bank's overall income, such as prepayment penalty fees, mortgage fees, and rate floors. The Bank's monthly cost of funds dropped from 2.89% in December 2024 to 2.81% in March 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 4 CONTROLS AND PROCEDURES

As of the end of the period covered by this quarterly report on Form 10-Q, an evaluation was performed under the supervision and with the participation of the Company's management including the CEO and CFO, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report. There have been no changes in the Company's internal control over financial reporting that occurred during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1 LEGAL PROCEEDINGS

None

ITEM 1A RISK FACTORS

Except as indicated below, there have been no material changes in the Company's risk factors from those disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2024.

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.

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.

Trade Policy Risk

The ongoing trade policies and tariff initiatives being pursued by the U.S. government under the administration of President Trump could present potential risks unique to the markets within which we operate. Many of our commercial borrowers operate in agriculture, food processing, and manufacturing; industries that are particularly sensitive to changes in trade policy. 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.

ITEM 2 UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Treasury stock repurchased the quarter ended March 31, 2025.

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plan or Programs ⁽¹⁾	(d) Maximum Number of Shares that may yet be purchased under the Plans or Programs ⁽¹⁾
1/1/2025 to 1/31/2025	189 ⁽²⁾	26.54	—	650,000
2/1/2025 to 2/28/2025	—	—	—	650,000
3/1/2025 to 3/31/2025	792 ⁽²⁾	24.15	—	650,000
Total	981	24.61	—	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 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.

ITEM 3 DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4 MINE SAFETY DISCLOSURES

Not applicable

ITEM 5 OTHER INFORMATION

During the most recently completed fiscal quarter, no director or officer of the Company adopted or terminated:

- (1) Any contract, instruction or written plan for the purchase or sale of securities of the registrant intended to satisfy the affirmative defense conditions of SEC Rule 10b5-1(c); or
- (2) Any "non-Rule 10b5-1 trading arrangement" as defined in paragraph (c) of Item 408 of SEC Regulation S-K.

ITEM 6 EXHIBITS

- 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 Exhibit 3.1\(b\) to Registrant's Annual Report on Form 10-K filed with the Commission on February 27, 2024\).](#)
- 3.2 [Amended and Restated Code of Regulations of the Registrant \(incorporated by reference to Exhibit 3.2 to Registrant's Quarterly Report on Form 10-Q filed with the Commission on July 26, 2017\).](#)
- 4.1 [Description of Registrant's Common Stock \(incorporated by reference to Exhibit 4.1 to Registrant's Annual Report on Form 10-K filed with the Commission on February 26, 2020\).](#)
- 31.1 [Rule 13-a-14\(a\) Certification - CEO](#)
- 31.2 [Rule 13-a-14\(a\) Certification - CFO](#)
- 32.1 [Section 1350 Certification - CEO](#)
- 32.2 [Section 1350 Certification - CFO](#)
- 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 Quarterly Report on Form 10-Q for the quarter ended March 31, 2025, has been formatted in Inline XBRL.

⁽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.

SIGNATURES

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Farmers & Merchants Bancorp, Inc.,

Date: May 5, 2025

By: /s/ Lars B. Eller
Lars B. Eller
President and Chief Executive Officer

Date: May 5, 2025

By: /s/ Barbara J. Britenriker
Barbara J. Britenriker
Executive Vice-President and
Chief Financial Officer

Exhibit 31.1

CERTIFICATIONS

I, Lars B. Eller, President and CEO of Farmers & Merchants Bancorp, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 quarterly 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 the Exchange Acts 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 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 controls 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: May 5, 2025

/s/ Lars B. Eller

Lars B. Eller

President and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Barbara J. Britenriker, Executive Vice President and CFO of Farmers & Merchants Bancorp, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 quarterly 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 the Exchange Acts 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 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 controls 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: May 5, 2025

/s/ Barbara J. Britenriker
Barbara J. Britenriker
Executive Vice President and
Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Quarterly Report of Farmers & Merchants Bancorp, Inc. on Form 10-Q for the period ending March 31, 2025, as filed with the Securities and Exchange Commission ("the report"), I, Lars B. Eller, President and Chief Executive Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements 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 Farmers & Merchants Bancorp, Inc. as of the dates and for the periods expressed in the Report.

Date: May 5, 2025

/s/ Lars B. Eller

Lars B. Eller

President and 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 OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Quarterly Report of Farmers & Merchants Bancorp, Inc. on Form 10-Q for the period ending March 31, 2025, as filed with the Securities and Exchange Commission ("the report"), I, Barbara J. Britenriker, Executive Vice President and Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements 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 Farmers & Merchants Bancorp, Inc. as of the dates and for the periods expressed in the Report.

Date: May 5, 2025

/s/ Barbara J. Britenriker

Barbara J. Britenriker
Executive Vice President and
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.
