

Auditor's Report and Consolidated Financial Statements

June 30, 2025 and 2024

The Farmers Bancorp

June 30, 2025 and 2024

Contents

Independent Auditor's Report	1
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Consolidated Financial Statements

Balance Sheets.....	3
Statements of Income	4
Statements of Comprehensive Income	5
Statements of Changes in Shareholders' Equity	6
Statements of Cash Flows	7
Notes to Financial Statements	8

Independent Auditor's Report

Audit Committee and Board of Directors
The Farmers Bancorp
Frankfort, Indiana

Opinion

We have audited the consolidated financial statements of The Farmers Bancorp and subsidiaries (the Company), which comprise the consolidated balance sheets as of June 30, 2025 and 2024, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company and subsidiaries as of June 30, 2025 and 2024, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Forvis Mazars, LLP

**Indianapolis, Indiana
September 15, 2025**

The Farmers Bancorp
Consolidated Balance Sheet
Years ended June 30, 2025 and 2024
(Dollar Amounts in Thousands)

Assets

	2025	2024
Cash and cash equivalents	\$ 66,242	\$ 46,611
Securities available for sale	190,132	177,420
Loans held for sale	-	772
Loans, net of allowance for credit losses of \$10,306 and \$9,368	780,048	703,419
Premises and equipment, net	16,852	13,720
Restricted stock, at cost	7,143	4,531
Cash value of life insurance	19,569	19,183
Accrued income and other assets	22,506	22,081
	\$ 1,102,492	\$ 987,737

Liabilities and Shareholders' Equity

Liabilities

Demand deposits	\$ 228,352	\$ 246,378
Savings, NOW and money market deposits	439,966	404,036
Time deposits	182,998	108,565
Total deposits	851,316	758,979
Short-term borrowings	39,320	45,613
Federal Home Loan Bank advances	110,000	88,450
Subordinated Debentures, net of issuance costs	14,764	14,729
Accrued expenses and other liabilities	11,293	12,145
	1,026,693	919,916

Shareholders' Equity

Common stock, no par value - 4,800,000 shares authorized, 1,836,068 and 1,826,389 shares issued and outstanding at June 30, 2025 and 2024, respectively	2,419	2,203
Additional paid-in capital	1	1
Retained earnings	93,694	87,212
Accumulated other comprehensive loss	(20,315)	(21,595)
	75,799	67,821
	\$ 1,102,492	\$ 987,737

The Farmers Bancorp
Consolidated Statements of Income
Years ended June 30, 2025 and 2024
(Dollar Amounts in Thousands)

	2025	2024
Interest Income		
Loans	\$ 48,929	\$ 41,959
Securities		
Taxable	4,940	3,161
Tax-exempt	1,444	2,090
Other	674	2,368
	<u>55,987</u>	<u>49,578</u>
Interest Expense		
Deposits	17,074	15,016
Other borrowings	6,504	7,131
	<u>23,578</u>	<u>22,147</u>
Net Interest Income	32,409	27,431
Provision for credit losses	902	2,869
	<u>31,507</u>	<u>24,562</u>
Net Interest Income After Provision for Credit Losses		
Other Operating Income		
Trust fees	1,956	2,133
Service charges and fees on deposit accounts	1,146	1,100
Gain on sale of loans	541	386
Gain (loss) on sale of available for sale securities	-	(681)
Increase in cash value of life insurance	396	381
Interchange income	1,751	1,804
Other	1,051	743
	<u>6,841</u>	<u>5,866</u>
Other Operating Expenses		
Salaries and employee benefits	15,771	15,584
Occupancy	1,613	1,223
Equipment	1,004	746
Data processing	2,970	2,905
Federal deposit insurance corporation premiums	476	445
Professional expense	2,398	940
Marketing	952	1,009
Other	2,303	2,639
	<u>27,487</u>	<u>25,491</u>
Income Before Income Taxes	10,861	4,937
Income Tax Expense	1,594	198
Net Income	<u>\$ 9,267</u>	<u>\$ 4,739</u>
Basic and Diluted Earnings Per Share	<u>\$ 5.07</u>	<u>\$ 2.60</u>

The Farmers Bancorp
Consolidated Statements of Comprehensive Income
Years ended June 30, 2025 and 2024
(Dollar Amounts in Thousands)

	2025	2024
Net Income	\$ 9,267	\$ 4,739
Other Comprehensive Income		
Unrealized gain on securities available for sale, net of tax expense of \$340 and \$94, respectively	1,280	353
Net loss on sale of securities available for sale, net of tax expense (benefit) of \$0 and \$(143) respectively	-	538
Total other comprehensive income	1,280	891
Comprehensive Income	\$ 10,547	\$ 5,630

The Farmers Bancorp
Consolidated Statements of Changes in Shareholders' Equity
Years Ended June 30, 2025 and 2024
(Dollar Amounts in Thousands, Except Per Share Data)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, July 1, 2023	\$ 1,876	\$ 1	\$ 85,098	\$ (22,486)	\$ 64,489
Net income			4,739		4,739
Other comprehensive income				891	891
Stock issued (8,299 shares)	327				327
Cash dividends (\$1.44 per share)			(2,625)		(2,625)
Balance, June 30, 2024	\$ 2,203	\$ 1	\$ 87,212	\$ (21,595)	\$ 67,821
Net income			9,267		9,267
Other comprehensive income				\$ 1,280	\$ 1,280
Stock issued (17,686 shares)	\$ 216				216
Cash dividends (\$1.52 per share)			\$ (2,785)		(2,785)
Balance June 30, 2025	\$ 2,419	\$ 1	\$ 93,694	\$ (20,315)	\$ 75,799

The Farmers Bancorp
Consolidated Statements of Cash Flows
Years Ended June 30, 2025 and 2024
(Dollar Amounts in Thousands)

	2025	2024
Operating Activities		
Net income	\$ 9,267	\$ 4,739
Items not requiring (providing) cash		
Depreciation	918	726
Provision (credit) for credit losses	902	2,869
Deferred income taxes	(626)	(253)
Net amortization on securities	96	648
Net loss on sale of securities	-	681
(Gain) on premise and equipment	(115)	104
Increase in cash value of life insurance	(396)	(381)
Change in assets and liabilities		
Loans held for sale	772	(350)
Interest receivable and other assets	82	3,898
Interest payable and other liabilities	(1,215)	(848)
Net cash provided by operating activities	9,685	11,833
Investing Activities		
Net change in interest-bearing time deposits	-	490
Proceeds from maturities and principal repayments on securities available for sale	16,503	13,192
Purchase of securities available for sale	(27,692)	(30,922)
Proceeds from sales securities available for sale	-	21,531
Purchase of restricted stock	(2,612)	(84)
Proceeds from sale of real estate owned	416	-
Net change in loans	(77,343)	(81,722)
Property and equipment expenditures	(4,351)	(6,017)
Net cash used in investing activities	(95,079)	(83,532)
Financing Activities		
Net change in deposits	92,337	94,104
Net change in short-term borrowings	(6,293)	(20,673)
Proceeds from FHLB advances	267,060	77,000
Repayment of FHLB advances	(245,510)	(65,000)
Stock issued	216	327
Dividends paid	(2,785)	(2,625)
Net cash provided by financing activities	105,025	83,133
Net Change in Cash and Cash Equivalents	19,631	11,434
Cash and Cash Equivalents, Beginning of Year	46,611	35,177
Cash and Cash Equivalents, End of Year	\$ 66,242	\$ 46,611
Supplemental Disclosures of Cash Flows Information		
Cash paid during the year for		
Interest	\$ 23,426	\$ 21,866
Income taxes	1,170	350

The Farmers Bancorp
Notes to Consolidated Financial Statements
June 30, 2025 and 2024
(Dollar Amounts in Thousands)

Note 1: Summary of Significant Accounting Policies

Basis of reporting - The consolidated financial statements include the accounts of The Farmers Bancorp (Company) and its wholly owned subsidiaries, The Farmers Bank (Bank), TFB Risk Management and the bank's wholly owned subsidiaries, FBF Securities and TFB Properties. Significant intercompany accounts and transactions have been eliminated.

Description of business - The Company generates commercial, installment and mortgage loans and receives deposits from customers located primarily in north central Indiana. Although the overall loan portfolio is diversified, a substantial portion of its debtors' ability to honor their contracts is dependent upon the agricultural industry. The majority of the Company's loans are secured by specific items of collateral including business assets, consumer assets and real property.

Principles of consolidation - The consolidated financial statements include the accounts of the Bancorp and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of estimates - To prepare financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and future results could differ. The allowance for credit losses and the fair values of financial instruments are particularly subject to change.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for credit losses.

Cash equivalents - The Company considers all liquid investments with original maturities of three months or less to be cash equivalents.

At June 30, 2025, the Company's interest-bearing cash accounts exceeded federally insured limits by approximately \$7,759. Additionally, approximately \$55,548 of cash is held by the Federal Home Loan Bank of Indianapolis and Federal Reserve Bank as of June 30, 2025, which are not federally insured.

Interest-Bearing Time Deposits in Banks - The fair value of interest-bearing time deposits in banks approximates carrying value.

Securities - The Company currently designates all debt securities as available-for-sale, which are reported fair value. Unrealized gains and losses are reported in other comprehensive income, net of tax.

Interest income, adjusted by amortization of premium or discount, is included in earnings using the effective interest method. Purchases and sales of securities are recorded in the consolidated balance sheets on the trade date. Gains and losses from the sale or disposal of securities are recognized as of the trade date in the consolidated statements of income for the period in which securities are sold or otherwise disposed of. Gains and losses on sales of securities are determined using the specific-identification method.

The Farmers Bancorp
Notes to Consolidated Financial Statements
June 30, 2025 and 2024
(Dollar Amounts in Thousands)

Loans - Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoffs are reported at their outstanding principal balances adjusted for unearned income, charge-offs, the allowance for credit losses, any unamortized deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans.

Accrued interest receivable for loans totaled \$3,931 and \$4,079 on June 30, 2025 and 2024, respectively and is excluded from the estimate of credit losses. The Company made the policy election to exclude accrued interest from the amortized cost basis of loans and report accrued interest separately on the consolidated balance sheet.

For loans amortized at cost, interest income is accrued based on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, as well as premiums and discounts, are deferred and amortized as a level yield adjustment over the respective term of the loan.

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

All interest accrued but not collected for loans that are placed on nonaccrual or charged off are reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Discounts and premiums on purchased residential real estate loans are amortized to income using the interest method over the remaining period to contractual maturity, adjusted for anticipated prepayments.

ACL – Available-For-Sale Securities -For AFS debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell, the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For AFS debt securities that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted in credit losses or other factors, such as interest rates or market conditions. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of 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. Changes in the ACL are recorded as a provision for, or recovery of, credit loss expense. Losses are charged against the allowance when management believes that uncollectibility of an AFS debt security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Accrued interest receivable on AFS debt securities totaled \$1,203 and \$1,042 at June 30, 2025 and 2024, respectively, and is excluded from the estimate of credit losses. The Company made the policy election to exclude accrued interest from the amortized cost basis of AFS debt securities and report accrued interest separately on the consolidated balance sheet.

The Farmers Bancorp

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

(Dollar Amounts in Thousands)

ACL Loans - The allowance for credit losses (the “ACL”) is an accounting estimate of expected credit losses over the estimated life of financial assets carried at amortized cost and off-balance-sheet credit exposures in accordance with Accounting Standards Update 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The standard requires the Company’s loan portfolio, measured at amortized cost, to be presented at the net amount expected to be collected.

The Company utilized a discounted cash flow (“DCF”) method to estimate the quantitative portion of the allowance for credit losses for loans. Key assumptions in the DCF model include the probability of default (“PD”), loss given default (“LGD”), and prepayment/curtailment rates. The company utilizes the model-driven PD and a LGD derived from a method referred to as Frye Jacobs. The Frye Jacobs model is a mathematical formula that traces the relationship between LGD and PD over time and projects the LGD based on the level of PD forecasted. In all cases, the Frye Jacobs method is utilized to calculate LGDs during the forecast period, reversion period and long-term historical average. Prepayment and curtailment rates were calculated through third party analysis of the Company’s own data.

Qualitative factors for the DCF include the following:

- Changes in lending policies and procedures, including underwriting, collection, charge-off, and recovery practices
- Changes in local and national economic and business conditions – unemployment rate and housing start data
- Changes in the nature and volume of the portfolio
- Changes in the experience, ability, and depth of lending management
- Changes in the volume and severity of past-due, non-accrual, restricted, or classified loans
- Changes in the quality of loan review system or the degree of oversight by the Board of Directors
- The existence and effect of any concentrations of credit, and changes in the level of such concentrations
- The effect of external factors such as completion and legal and regulatory requirements on the level of estimated credit losses in the institution’s current portfolio

The Company estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for changes in underwriting standards, portfolio mix, delinquency level, changes in environmental conditions, unemployment rates, risk classifications and collateral values. The Company separately assigns allocations for substandard and special mention commercial and agricultural credits as well as other categories of loans based on migration analysis techniques. The migration analysis factors are calculated using a transition matrix to determine the likelihood of a customer’s asset quality rating migrating from its current rating to any other rating.

The Farmers Bancorp
Notes to Consolidated Financial Statements
June 30, 2025 and 2024
(Dollar Amounts in Thousands)

ACL - Allowance for credit losses on off-balance sheet credit exposures – The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit unless that obligation is unconditionally cancellable by the Company. The allowance for credit losses on off-balance sheet credit exposures is adjusted as a provision for credit loss expense included in other expense on the consolidated income statement. 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. Expected utilization rates are compared to the current funded portion of the total commitment amount as a practical expedient for funded exposure at default.

Servicing assets - Mortgage-servicing rights on originated loans that have been sold are initially recorded at fair value and are included in accrued income and other assets on the consolidated balance sheet. Capitalized servicing rights are amortized in proportion to and over the period of estimated servicing revenues. Impairment of mortgage-servicing rights is assessed based on the fair value of those rights. Fair values are estimated using discounted cash flows based on a current market interest rate. For purposes of measuring impairment, the rights are stratified based on the predominant risk characteristics of the underlying loans. The predominant characteristic currently used for stratification is type of loan. The amount of impairment recognized is the amount by which the capitalized mortgage-servicing rights for a stratum exceed their fair value.

Premises and equipment - Land is carried at cost. Premises and equipment are stated at cost, less accumulated depreciation. Premises and equipment are depreciated on the straight-line and declining-balance methods over the estimated useful lives of the assets.

Restricted stock is a required investment for institutions that are members of the Federal Home Loan Bank (FHLB). The required investment in the common stock is based on a predetermined formula and purchased as needed to support borrowing levels. Restricted stock consists of primarily FHLB stock and is carried at cost.

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

Foreclosed assets - Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value, less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value, less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net income or expense from foreclosed assets.

Derivative financial instruments - The Company uses derivative financial instruments to help manage exposure to interest rate risk and the effects that changes in interest rates may have on net income and the fair value of assets and liabilities. The Company enters into interest rate swap agreements as part of its asset liability management strategy to help manage its interest rate risk position. Designating an interest rate swap as an accounting hedge allows the Company to recognize gains and losses, less any ineffectiveness, in the income statement 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 gain or loss on the related interest rate swaps. The fair value of the interest rate swaps is recorded in other assets in the consolidated balance sheets.

The Farmers Bancorp

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

(Dollar Amounts in Thousands)

Long-term assets - These assets are reviewed for impairment when events indicate their carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at fair value.

Income taxes - The Company accounts for income taxes in accordance with income tax accounting guidance (ASC 740, *Income Taxes*). The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax basis of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all a deferred tax asset will not be realized.

Uncertain tax positions are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to management's judgment.

Repurchase agreements - Substantially all repurchase agreement liabilities represent amounts advanced by various customers. Securities are pledged to cover these liabilities, which are not covered by federal deposit insurance. Repurchase agreements are included in short-term borrowings on the consolidated balance sheet.

Benefit plan - Expense of the 401(k) plan is the amount contributed determined by formula.

Off balance sheet financial instruments - Financial instruments include off balance sheet credit instruments, such as commitments to make loans and standby letters of credit, issued to meet customer financing needs. The face amount of these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Earnings per common share - Basic and dilutive earnings per share is net income divided by the weighted- average number of common shares outstanding during the period, which were 1,829,334 and 1,817,289 for 2025 and 2024, respectively.

Comprehensive income - Comprehensive income consists of net income and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains and losses on securities available for sale, which is also recognized as a separate component of equity.

The Farmers Bancorp
Notes to Consolidated Financial Statements
June 30, 2025 and 2024
(Dollar Amounts in Thousands)

Dividend restriction - Banking regulations require maintaining certain capital levels and may limit the dividends paid by the Bank to the Bancorp or by the Bancorp to shareholders. These restrictions pose no practical limit on the ability of the Bank or the Bancorp to pay dividends at historical levels.

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

Fair value of financial instruments - Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

Revenue from contracts with customers - The Company records revenue from contracts with customers in accordance with Accounting Codification Topic 606, *Revenue from Contracts with Customers* (Topic 66). Under Topic 606, the Company must identify the contract with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, and recognize revenue when (or as) the Company satisfies a performance obligation. Significant revenue has not been recognized in the current reporting period that results from the performance obligations satisfied in previous periods. The majority of the Company's revenue come from interest and dividend income on loans, investment securities, and other financial instruments that are outside the scope of ASC 606. The Company has evaluated the nature of its contracts with customers and determined that further disaggregation of revenue from contracts with customers into more granular categories beyond what is presented in the consolidated statements of income was not necessary. The Company generally fully satisfies its performance obligations on its contracts with customers as services are rendered and the transaction prices are typically fixed; and charged on a periodic basis or based on activity. Because performance obligations are satisfied as services are rendered and the transaction prices are fixed, there is little judgment involved in applying Topic 606 that significantly affects the determination of the amount and timing of revenue from contracts with customers.

The Farmers Bancorp
Notes to Consolidated Financial Statements
June 30, 2025 and 2024
(Dollar Amounts in Thousands)

Note 2: Securities

The fair value of securities available for sale and the related gross unrealized gains and losses recognized in accumulated other comprehensive income were as follows:

	2025			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government and federal agency Mortgage-backed securities - government-sponsored enterprises (GSE) residential	\$ 8,095	\$ 126	\$ (205)	\$ 8,016
State and municipal	137,043	330	(15,654)	121,719
Corporate	68,212	171	(10,295)	58,088
	2,498	-	(189)	2,309
Total	<u>\$ 215,848</u>	<u>\$ 627</u>	<u>\$ (26,343)</u>	<u>\$ 190,132</u>

	2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government and federal agency Mortgage-backed securities - government-sponsored enterprises (GSE) residential	\$ 5,158	\$ 62	\$ (274)	\$ 4,946
State and municipal	132,100	93	(18,220)	113,973
Corporate	64,262	131	(8,863)	55,530
	3,235	-	(264)	2,971
Total	<u>\$ 204,755</u>	<u>\$ 286</u>	<u>\$ (27,621)</u>	<u>\$ 177,420</u>

Certain investments in debt securities are reported in the consolidated financial statements at an amount less than their historical cost. Total fair value of these investments at June 30, 2025 and 2024 was \$147,611 and \$156,772, which is approximately 77.6% and 88.4% of the Company's investment portfolio. These declines primarily resulted from recent changes in market interest rates.

At June 30, 2025, management believes the declines in fair value for these securities are temporary. The Company evaluated credit impairment for individual AFS securities that are in an unrealized loss position and determined that the unrealized losses are unrelated to credit quality and are primarily attributable to changes in interest rates and volatility in the financial markets. It is unlikely that the Company will be required to sell these securities before recovery of their amortized cost basis, so the Company did not record an ACL on these securities.

The Farmers Bancorp
Notes to Consolidated Financial Statements
June 30, 2025 and 2024
(Dollar Amounts in Thousands)

The following tables show our investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at June 30, 2025 and 2024:

Description of Securities	2025					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government and federal agency	\$ -	\$ -	\$ 1,295	\$ (205)	\$ 1,295	\$ (205)
Mortgage-backed securities-						
GSE residential	10,955	(95)	81,599	(15,559)	92,554	(15,654)
State and municipals	3,499	(45)	47,954	(10,250)	51,453	(10,295)
Corporate	-	-	2,309	(189)	2,309	(189)
Total temporarily impaired securities	<u>\$ 14,454</u>	<u>\$ (140)</u>	<u>\$ 133,157</u>	<u>\$ (26,203)</u>	<u>\$ 147,611</u>	<u>\$ (26,343)</u>

Description of Securities	2024					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government and federal agency	\$ 1,700	\$ (1)	\$ 1,227	\$ (273)	\$ 2,927	\$ (274)
Mortgage-backed securities-						
GSE residential	8,947	(60)	89,965	(18,160)	98,912	(18,220)
State and municipals	1,707	(6)	50,255	(8,857)	51,962	(8,863)
Corporate	-	-	2,971	(264)	2,971	(264)
Total temporarily impaired securities	<u>\$ 12,354</u>	<u>\$ (67)</u>	<u>\$ 144,418</u>	<u>\$ (27,554)</u>	<u>\$ 156,772</u>	<u>\$ (27,621)</u>

The Farmers Bancorp
Notes to Consolidated Financial Statements
June 30, 2025 and 2024
(Dollar Amounts in Thousands)

The fair value of debt securities and carrying amount, if different, at June 30, 2025, by contractual maturity, were as follows. Securities not due at a single maturity date, primarily mortgage-backed securities, are shown separately.

	Available-for-Sale	
	Amortized Cost	Fair Value
Due in one year	\$ 1,500	\$ 1,490
Due after one year through five years	1,804	1,859
Due after five years through ten years	23,713	22,657
Due after ten years	51,788	42,407
Mortgage-backed securities	137,043	121,719
Total	\$ 215,848	\$ 190,132

There were no sales of securities resulting in a gain or loss within the available for sale securities for 2025 and sales of securities resulting in gross losses of \$681 within the available for sale securities for 2024.

Securities with a carrying value of \$87,006 and \$80,198 at June 30, 2025 and 2024 were pledged to secure public deposits and repurchase agreements and for other purposes required or permitted by law.

Note 3: Loans

Loans at year end are comprised of the following:

	2025	2024
Agricultural	\$ 68,138	\$ 60,495
Commercial	118,821	110,623
Commercial real estate	439,600	400,840
Construction	46,085	36,425
Residential	102,292	88,460
Consumer	15,418	15,944
Subtotal	790,354	712,787
Less: allowance for credit losses	(10,306)	(9,368)
Loans, net	\$ 780,048	\$ 703,419

The Farmers Bancorp
Notes to Consolidated Financial Statements
June 30, 2025 and 2024
(Dollar Amounts in Thousands)

The risk characteristics of each loan portfolio segment are as follows:

Commercial and agricultural loans are primarily based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not be as expected and the collateral securing these loans may fluctuate in value. Most commercial loans are secured by the assets being financed or other business assets, such as accounts receivable or inventory, and may include a personal guarantee. Short-term loans may be made on an unsecured basis. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its customers.

Commercial real estate loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Commercial real estate lending typically involves higher loan principal amounts and the repayment of these loans is generally dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. Commercial real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy. The characteristics of properties securing the Company's commercial real estate portfolio are diverse, but with geographic location almost entirely in the Company's market area. Management monitors and evaluates commercial real estate loans based on collateral, geography, and risk grade criteria. In general, the Company avoids financing single purpose projects unless other underwriting factors are present to help mitigate risk. In addition, management tracks the level of owner-occupied commercial real estate versus non-owner-occupied loans.

Construction loans are underwritten utilizing feasibility studies, independent appraisal reviews, sensitivity analysis of absorption and lease rates and financial analysis of the developers and property owners. Construction loans are generally based on estimates of costs and value associated with the complete project. These estimates may be inaccurate. Construction loans often involve the disbursement of substantial funds with repayment substantially dependent on the success of the ultimate project. Sources of repayment for these types of loans may be pre-committed permanent loans from approved long-term lenders, sales of developed property or an interim loan commitment from the Company until permanent financing is obtained. These loans are closely monitored by on-site inspections and are considered to have higher risks than other real estate loans due to their ultimate repayment being sensitive to interest rate changes, governmental regulation of real property, general economic conditions, and the availability of long-term financing.

Residential and consumer loans consist of two segments - residential mortgage loans and personal loans. For residential mortgage loans that are secured by 1-4 family residences and are generally owner-occupied, the Company generally establishes a maximum loan-to-value ratio and requires private mortgage insurance if that ratio is exceeded. Home equity loans are typically secured by a subordinate interest in 1-4 family residences, and consumer personal loans are secured by consumer personal assets, such as automobiles or recreational vehicles. Some consumer personal loans are unsecured, such as small installment loans and certain lines of credit. Repayment of these loans is primarily dependent on the personal income of the borrowers, which can be impacted by economic conditions in their market areas, such as unemployment levels. Repayment can also be impacted by changes in property values on residential properties. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers.

The Farmers Bancorp
Notes to Consolidated Financial Statements
June 30, 2025 and 2024
(Dollar Amounts in Thousands)

The following tables present, by portfolio segment, the activity in the allowance for credit losses for the years ended June 30, 2025 and 2024:

	2025						
	Agricultural	Commercial	Commercial Real Estate	Construction	Residential	Consumer	Total
Beginning balance	\$ 655	\$ 1,826	\$ 5,428	\$ 460	\$ 769	\$ 230	\$ 9,368
Provision (credit)	76	132	490	51	114	17	\$ 881
Loans charged off	-	(291)	-	-	-	(212)	(503)
Recoveries	12	462	25	-	8	53	560
Ending balance	<u>\$ 743</u>	<u>\$ 2,129</u>	<u>\$ 5,943</u>	<u>\$ 511</u>	<u>\$ 891</u>	<u>\$ 88</u>	<u>\$ 10,306</u>

	2024						
	Agricultural	Commercial	Commercial Real Estate	Construction	Residential	Consumer	Total
Beginning balance	\$ 443	\$ 564	\$ 5,822	\$ 323	\$ 760	\$ 183	\$ 8,095
Provision (credit)	184	2,550	77	137	8	112	3,068
Loans charged off	-	(1,312)	(492)	-	-	(125)	(1,929)
Recoveries	28	24	21	-	1	60	134
Ending balance	<u>\$ 655</u>	<u>\$ 1,826</u>	<u>\$ 5,428</u>	<u>\$ 460</u>	<u>\$ 769</u>	<u>\$ 230</u>	<u>\$ 9,368</u>

Consistent with regulatory guidance, charge-offs on all loan segments are taken when specific loans, or portions thereof, are considered uncollectible. The Company's policy is to promptly charge these loans off in the period the uncollectible loss is reasonably determined.

For all loan portfolio segments except 1-4 family residential properties and consumer, the Company promptly charges off loans, or portions thereof, when available information confirms that specific loans are uncollectible based on information that includes, but is not limited to, (1) the deteriorating financial condition of the borrower, (2) declining collateral values, and/or (3) legal action, including bankruptcy, that impairs the borrower's ability to adequately meet its obligations. For impaired loans that are considered to be solely collateral dependent, a partial charge-off is recorded when a loss has been confirmed by an updated appraisal or other appropriate valuation of the collateral.

The Company charges off 1-4 family residential and consumer loans, or portions thereof, when the Company reasonably determines the amount of the loss. The Company adheres to timeframes established by applicable regulatory guidance, which provides for the charge-down of 1-4 family first and junior lien mortgages to the net realizable value, less costs to sell when the loan is 180 days past due, charge-off of unsecured open-end loans when the loan is 180 days past due, and charge-down to the net realizable value when other secured loans are 120 days past due. Loans at these respective delinquency thresholds for which the Company can clearly document that the loan

The Farmers Bancorp
Notes to Consolidated Financial Statements
June 30, 2025 and 2024
(Dollar Amounts in Thousands)

is both well-secured and in the process of collection, such that collection will occur regardless of delinquency status, need not be charged off.

Provision expense (credit) for credit losses related to unfunded commitments was \$21 and (\$199) during the years ended June 30, 2025 and 2024, respectively, which is included in provision for credit losses on the consolidated income statement.

The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Company over the prior two years. Management believes the historical loss experience methodology is appropriate in the current economic environment, as it captures loss rates that are comparable to the current period being analyzed.

The following table presents the credit risk profile of the Company's loan portfolio by loan class and by year of origination for the years indicated based on rating category and payment activity as of June 30, 2025 and 2024:

The Farmers Bancorp

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

(Dollar Amounts in Thousands)

As of June 30, 2025

	Term Loans Amortized Cost Basis by Origination Year				Revolving Loans converted to		Total
	2025	2024	2023	2022 Prior	Revolving Loans	term	
Agricultural:							
Pass (1-4)	\$ 9,388	\$ 5,800	\$ 4,849	\$ 5,966	\$ 14,481	\$ 26,094	\$ 66,578
Special mention (5)	80	74	212	-	174	313	853
Substandard (6)	-	-	2	-	705	-	707
Doubtful (7)	-	-	-	-	-	-	-
Loss (8)	-	-	-	-	-	-	-
Total agricultural loans	\$ 9,468	\$ 5,874	\$ 5,063	\$ 5,966	\$ 15,360	\$ 26,407	\$ 68,138
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial:							
Pass (1-4)	\$ 13,080	\$ 22,840	\$ 7,236	\$ 8,252	\$ 9,360	\$ 53,827	\$ 114,595
Special mention (5)	-	-	406	-	-	100	3,003
Substandard (6)	433	-	214	512	-	-	1,223
Doubtful (7)	-	-	-	-	-	-	-
Loss (8)	-	-	-	-	-	-	-
Total commercial loans	\$ 13,513	\$ 22,840	\$ 7,856	\$ 8,764	\$ 9,360	\$ 53,927	\$ 118,821
Current period gross write offs	\$ 250	\$ -	\$ 41	\$ -	\$ -	\$ -	\$ 291
Commercial real estate:							
Pass (1-4)	\$ 41,996	\$ 29,667	\$ 55,697	\$ 72,495	\$ 145,511	\$ 72,462	\$ 422,802
Special mention (5)	-	190	6,990	1,589	3,750	-	12,519
Substandard (6)	-	-	94	1,097	3,088	-	4,279
Doubtful (7)	-	-	-	-	-	-	-
Loss (8)	-	-	-	-	-	-	-
Total commercial real estate loans	\$ 41,996	\$ 29,857	\$ 62,781	\$ 75,181	\$ 152,349	\$ 72,462	\$ 439,600
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Construction:							
Pass (1-4)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,618	\$ 46,085
Special mention (5)	-	-	-	-	-	-	-
Substandard (6)	-	-	-	-	-	-	-
Doubtful (7)	-	-	-	-	-	-	-
Loss (8)	-	-	-	-	-	-	-
Total construction loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,618	\$ 46,085
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Residential real estate:							
Pass (1-4)	\$ 18,854	\$ 16,681	\$ 11,079	\$ 6,511	\$ 18,266	\$ 30,901	\$ 102,292
Special mention (5)	-	-	-	-	-	-	-
Substandard (6)	-	-	-	-	-	-	-
Doubtful (7)	-	-	-	-	-	-	-
Loss (8)	-	-	-	-	-	-	-
Total residential real estate loans	\$ 18,854	\$ 16,681	\$ 11,079	\$ 6,511	\$ 18,266	\$ 30,901	\$ 102,292
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Consumer:							
Pass (1-4)	\$ 6,139	\$ 3,549	\$ 3,235	\$ 1,151	\$ 987	\$ 357	\$ 15,418
Special mention (5)	-	-	-	-	-	-	-
Substandard (6)	-	-	-	-	-	-	-
Doubtful (7)	-	-	-	-	-	-	-
Loss (8)	-	-	-	-	-	-	-
Total consumer loans	\$ 6,139	\$ 3,549	\$ 3,235	\$ 1,151	\$ 987	\$ 357	\$ 15,418
Current period gross write offs	\$ 124	\$ 31	\$ 29	\$ 15	\$ 13	\$ -	\$ 212
Total loans	\$ 89,970	\$ 78,801	\$ 90,014	\$ 97,573	\$ 196,322	\$ 226,672	\$ 790,354
Total current period gross write offs	\$ 374	\$ 31	\$ 70	\$ 15	\$ 13	\$ -	\$ 503

The Farmers Bancorp

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

(Dollar Amounts in Thousands)

As of June 30, 2024

Agricultural:	Term Loans Amortized Cost Basis by Origination Year				Revolving Loans converted to		Total
	2024	2023	2022 Prior	Revolving Loans	term		
Pass (1-4)	\$ 6,382	\$ 5,710	\$ 6,356	\$ 16,852	\$ 24,361	\$ 1	\$ 59,662
Special mention (5)	-	-	-	44	-	-	44
Substandard (6)	-	5	-	784	-	-	789
Doubtful (7)	-	-	-	-	-	-	-
Loss (8)	-	-	-	-	-	-	-
Total agricultural loans	\$ 6,382	\$ 5,715	\$ 6,356	\$ 17,680	\$ 24,361	\$ 1	\$ 60,495
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial:							
Pass (1-4)	\$ 21,671	\$ 10,994	\$ 9,365	\$ 13,596	\$ 44,378	\$ 6,126	\$ 106,130
Special mention (5)	-	-	-	72	-	3,409	3,481
Substandard (6)	-	272	128	2	610	-	1,012
Doubtful (7)	-	-	-	-	-	-	-
Loss (8)	-	-	-	-	-	-	-
Total commercial loans	\$ 21,671	\$ 11,266	\$ 9,493	\$ 13,670	\$ 44,988	\$ 9,535	\$ 110,623
Current period gross write offs	\$ -	\$ 821	\$ 292	\$ -	\$ 199	\$ -	\$ 1,312
Commercial real estate:							
Pass (1-4)	\$ 27,629	\$ 62,540	\$ 76,385	\$ 161,766	\$ 55,820	\$ 8,372	\$ 392,512
Special mention (5)	-	238	-	3,182	-	-	3,420
Substandard (6)	-	-	1,652	3,256	-	-	4,908
Doubtful (7)	-	-	-	-	-	-	-
Loss (8)	-	-	-	-	-	-	-
Total commercial real estate loans	\$ 27,629	\$ 62,778	\$ 78,037	\$ 168,204	\$ 55,820	\$ 8,372	\$ 400,840
Current period gross write offs	\$ -	\$ -	\$ 492	\$ -	\$ -	\$ -	\$ 492
Construction:							
Pass (1-4)	\$ -	\$ -	\$ -	\$ -	\$ 35,142	\$ 1,283	\$ 36,425
Special mention (5)	-	-	-	-	-	-	-
Substandard (6)	-	-	-	-	-	-	-
Doubtful (7)	-	-	-	-	-	-	-
Loss (8)	-	-	-	-	-	-	-
Total construction loans	\$ -	\$ -	\$ -	\$ -	\$ 35,142	\$ 1,283	\$ 36,425
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Residential real estate:							
Pass (1-4)	\$ 18,845	\$ 12,343	\$ 8,118	\$ 20,683	\$ 28,471	\$ -	\$ 88,460
Special mention (5)	-	-	-	-	-	-	-
Substandard (6)	-	-	-	-	-	-	-
Doubtful (7)	-	-	-	-	-	-	-
Loss (8)	-	-	-	-	-	-	-
Total residential real estate loans	\$ 18,845	\$ 12,343	\$ 8,118	\$ 20,683	\$ 28,471	\$ -	\$ 88,460
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Consumer:							
Pass (1-4)	\$ 5,986	\$ 5,601	\$ 2,041	\$ 1,973	\$ 343	\$ -	\$ 15,944
Special mention (5)	-	-	-	-	-	-	-
Substandard (6)	-	-	-	-	-	-	-
Doubtful (7)	-	-	-	-	-	-	-
Loss (8)	-	-	-	-	-	-	-
Total consumer loans	\$ 5,986	\$ 5,601	\$ 2,041	\$ 1,973	\$ 343	\$ -	\$ 15,944
Current period gross write offs	\$ 92	\$ 17	\$ -	\$ 16	\$ -	\$ -	\$ 125
Total loans	\$ 80,513	\$ 97,703	\$ 104,045	\$ 222,210	\$ 189,125	\$ 19,191	\$ 712,787
Total current period gross write offs	\$ 92	\$ 838	\$ 784	\$ 16	\$ 199	\$ -	\$ 1,929

The Farmers Bancorp
Notes to Consolidated Financial Statements
June 30, 2025 and 2024
(Dollar Amounts in Thousands)

Internal Risk Categories

Loan grades are numbered 1 through 8. Grades 1 through 4 are considered satisfactory grades. The grade of 5, or Watch or Special Mention, represents loans of lower quality and is considered criticized. The grades of 6, or Substandard, 7 or Doubtful and 8 or Loss, refer to assets that are classified. The use and application of these grades by the Company will be uniform and shall conform to the Company's policy.

Prime (1) Loans are of superior quality with excellent credit strength and repayment ability providing a nominal credit risk.

Good (2) Loans are of above average credit strength and repayment ability providing only a minimal credit risk.

Satisfactory (3) Loans of reasonable credit strength and repayment ability providing an average credit risk due to one or more underlying weaknesses.

Acceptable (4) Loans of the lowest acceptable credit strength and weakened repayment ability providing a cautionary credit risk due to one or more underlying weaknesses. New borrowers are typically not underwritten within this classification.

Special Mention (5) A special mention asset has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the institution's credit position at some future date. Special mention assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification. Ordinarily, special mention credits have characteristics which corrective management action would remedy.

Substandard (6) loans are inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

Doubtful (7) Loans classified as doubtful have all the weaknesses inherent in those classified Substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of current known facts, conditions and values, highly questionable and improbable.

Loss (8) Loans classified as loss are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the loan has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off even though partial recovery may be affected in the future.

The Farmers Bancorp
Notes to Consolidated Financial Statements
June 30, 2025 and 2024
(Dollar Amounts in Thousands)

The following tables present the Company's loan portfolio aging analysis as of June 30, 2025 and 2024:

	2025					
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans
Agricultural	\$ 910	\$ 293	\$ 639	\$ 1,842	\$ 66,296	\$ 68,138
Commercial	4	12	501	517	118,304	118,821
Commercial real estate	1,238	94	-	1,332	438,268	439,600
Construction	2,404	-	-	2,404	43,681	46,085
Residential	1,144	296	114	1,554	100,738	102,292
Consumer	56	23	-	79	15,339	15,418
Total loans	<u>\$ 5,756</u>	<u>\$ 718</u>	<u>\$ 1,254</u>	<u>\$ 7,728</u>	<u>\$ 782,626</u>	<u>\$ 790,354</u>

	2024					
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans
Agricultural	\$ 750	\$ -	\$ -	\$ 750	\$ 59,745	\$ 60,495
Commercial	634	356	613	1,603	109,020	110,623
Commercial real estate	107	-	500	607	400,233	400,840
Construction	-	-	-	-	36,425	36,425
Residential	543	180	114	837	87,623	88,460
Consumer	45	1	50	96	15,848	15,944
Total loans	<u>\$ 2,079</u>	<u>\$ 537</u>	<u>\$ 1,277</u>	<u>\$ 3,893</u>	<u>\$ 708,894</u>	<u>\$ 712,787</u>

The entire balance of a loan is considered delinquent if the minimum payment contractually required to be made is not received by the specified due date.

Loans are reclassified to non-accruing status when, in management's judgment, the collateral value and financial condition of the borrower do not justify accruing interest. At the time the accrual is discontinued, all unpaid accrued interest is reversed against earnings. Interest income accrued in prior years, if any, is charged to the allowance for credit losses. Payments subsequently received on nonaccrual loans are applied to principal. A loan is returned to accrual status when principal and interest are no longer past due and collectability is probable, typically after a minimum of six months of performance.

The Farmers Bancorp
Notes to Consolidated Financial Statements
June 30, 2025 and 2024
(Dollar Amounts in Thousands)

The following table presents the Company's nonaccrual loans at June 30, 2025 and 2024:

	2025		
	Nonaccrual loans with no allowance	Nonaccrual loans with allowance	Loans > 90 days and accruing
Agricultural	\$ 639	\$ -	\$ -
Commercial	497	-	5
Commercial real estate	1,364	-	-
Construction	-	-	-
Residential	240	-	-
Consumer	23	-	-
	<u>2,763</u>	<u>-</u>	<u>5</u>
Total nonaccrual loans	<u>\$ 2,763</u>	<u>\$ -</u>	<u>\$ 5</u>
	2024		
	Nonaccrual loans with no allowance	Nonaccrual loans with allowance	Loans > 90 days and accruing
Agricultural	\$ 750	\$ -	\$ -
Commercial	295	-	546
Commercial real estate	561	-	-
Construction	-	-	-
Residential	-	-	114
Consumer	-	-	50
	<u>-</u>	<u>-</u>	<u>50</u>
Total nonaccrual loans	<u>\$ 1,606</u>	<u>\$ -</u>	<u>\$ 710</u>

Determining fair value for collateral dependent loans requires obtaining a current independent appraisal of the collateral and applying a discount factor, which includes selling costs if applicable, to the value. The fair value of real estate is generally based on appraisals by qualified licensed appraisers. The appraisers typically determine the value of the real estate by utilizing an income or market valuation approach. If an appraisal is not available, the fair value may be determined using a cash flow analysis. Fair value on other collateral such as business assets is typically ascertained by assessing, either singularly or some combination of, asset appraisals, accounts receivable aging reports, inventory listings and/or customer financial statements. Both appraisal values and values based on borrower's financial information are discounted as considered appropriate based on age and quality of the information and current market conditions.

The Farmers Bancorp
Notes to Consolidated Financial Statements
June 30, 2025 and 2024
(Dollar Amounts in Thousands)

The following table presents the amortized cost basis of collateral dependent loans, which are individually evaluated to determine expected credit losses at June 30, 2025 and 2024:

	2025			Total
	Commercial Real Estate	Residential Real Estate	Other	
Agricultural	\$ -	\$ -	\$ 1,026	\$ 1,026
Commercial	-	-	530	530
Commercial real estate	1,445	-	-	1,445
Construction	-	-	-	-
Residential	-	253	-	253
Consumer	-	-	24	24
	<u>\$ 1,445</u>	<u>\$ 253</u>	<u>\$ 1,580</u>	<u>\$ 3,278</u>
Total collateral dependent loans				
	2024			Total
	Commercial Real Estate	Residential Real Estate	Other	
Agricultural	\$ 1,069	\$ -	\$ -	\$ 1,069
Commercial	-	-	254	254
Commercial real estate	609	-	-	609
Construction	-	-	-	-
Residential	-	73	-	73
Consumer	-	-	-	-
	<u>\$ 1,678</u>	<u>\$ 73</u>	<u>\$ 254</u>	<u>\$ 2,005</u>
Total collateral dependent loans				

Subsequent payments on nonaccrual loans are recorded as a reduction of principal, and interest income is recorded only after principal recovery is reasonably assured. Nonaccrual loans are returned to accrual status when, in the opinion of management, the financial position of the borrower indicates there is no longer any reasonable doubt as to the timely collection of interest or principal. The Company requires a period of satisfactory performance of not less than six months before returning a nonaccrual loan to accrual status.

Loans serviced for others are not included in the accompanying consolidated balance sheets. The risks inherent in mortgage-servicing assets relate primarily to changes in prepayments that result from shifts in mortgage interest rates. The unpaid principal balances of mortgage and other loans serviced for others were \$153,680 and \$151,822 at June 30, 2025 and 2024, respectively.

The Farmers Bancorp
Notes to Consolidated Financial Statements
June 30, 2025 and 2024
(Dollar Amounts in Thousands)

Activity in the balance of servicing assets was as follows:

	<u>2025</u>	<u>2024</u>
Servicing rights		
Balance at the beginning of the year	\$ 1,198	\$ 1,378
Assumption of servicing obligations	276	217
Amortization	(362)	(397)
Balance at end of year	<u>\$ 1,112</u>	<u>\$ 1,198</u>
Valuation allowance		
Balance at the beginning of the year	\$ -	\$ -
Subtractions	-	-
Balance at the end of the year	<u>-</u>	<u>-</u>
Mortgage servicing assets, net	<u>\$ 1,112</u>	<u>\$ 1,198</u>
Fair value disclosures		
Fair value as of the beginning of the period	\$ 1,688	\$ 1,570
Fair value as of the end of the period	1,633	1,688

Comparable market values and a valuation model that calculates the present value of future cash flows were used to estimate fair value. For purposes of measuring impairment, risk characteristics including product type, investor type and interest rates, were used to stratify the originated mortgage-servicing rights.

Note 4: Premises and Equipment

Year-end premises and equipment were as follows:

	<u>2025</u>	<u>2024</u>
Land	\$ 3,585	\$ 3,886
Buildings and improvements	20,135	15,631
Furniture and equipment	7,107	5,851
Construction in process	215	1,622
	<u>31,041</u>	<u>26,990</u>
Accumulated depreciation	<u>(14,189)</u>	<u>(13,270)</u>
	<u>\$ 16,852</u>	<u>\$ 13,720</u>

The Farmers Bancorp
Notes to Consolidated Financial Statements
June 30, 2025 and 2024
(Dollar Amounts in Thousands)

Note 5: Deposits

Certificates of deposits of \$250 or more totaled approximately \$60,936 and \$54,105 at June 30, 2025 and 2024. Additionally, included within time deposits are brokered deposits of \$60,624 and \$0 at June 30, 2025 and 2024. At June 30, 2025, the scheduled maturities of time deposits are as follows:

2026	\$ 148,723
2027	17,227
2028	2,427
2029	299
2030	14,322
Thereafter	<u>-</u>
	<u>\$ 182,998</u>

Note 6: Short-Term Borrowings

Short-term borrowings included the following at June 30:

	<u>2025</u>	<u>2024</u>
Federal Reserve Discount Window	\$ -	\$ -
Repurchase agreements	39,320	45,613
Total short-term borrowings	<u>\$ 39,320</u>	<u>\$ 45,613</u>

Borrowings at the Federal Reserve Discount Window mature daily and are collateralized by a pledge of Mortgage-backed securities.

Repurchase agreements are borrowings from customers that are collateralized by a pledge of Mortgage-backed securities. The repurchase agreements mature daily.

The Company retains possession of and control over such securities pledged as collateral.

Information regarding repurchase agreements for the years ended June 30, 2025 and 2024 is presented below:

	<u>2025</u>	<u>2024</u>
Average balance during the year	\$ 42,052	\$ 47,521
Average rate paid during the year	3.51%	3.99%
Maximum month end balance during the year	\$ 46,127	\$ 52,106

The following table represents the remaining contractual maturity of repurchase agreements disaggregated by the class of securities pledged as of June 30:

The Farmers Bancorp
Notes to Consolidated Financial Statements
June 30, 2025 and 2024
(Dollar Amounts in Thousands)

		2025				
		Overnight &				
		Continuous	< 30 Days	30-90 Days	> 90 Days	Total
Mortgage-backed securities government-sponsored enterprises (GSE) residential		\$ 39,320	\$ -	\$ -	\$ -	\$ 39,320
		2024				
		Overnight &				
		Continuous	< 30 Days	30-90 Days	> 90 Days	Total
Mortgage-backed securities government-sponsored enterprises (GSE) residential		\$ 45,613	\$ -	\$ -	\$ -	\$ 45,613

Note 7: Federal Home Loan Bank Advances (FHLB)

FHLB advances are secured by a blanket pledge of the Company’s mortgage loans and other assets require monthly interest payments and are generally due in full at maturity. Advances, at interest rates from 3.49% to 4.68%, are subject to restrictions or penalties in the event of prepayment. Generally, penalties, based on market rates at the time of prepayment, will be assessed if advances are prepaid. However, certain advances may be prepaid at specified times without penalty.

As of June 30, 2025, the Company has one putable advance totaling \$10,000 that is subject to put options after 180 days, which became effective at the issuance of the advance date. If the FHLB elects to not exercise that call option, the advances will stay at the fixed rate

At June 30, 2025, the scheduled maturities of FHLB advances are as follows:

2026	15,000
2027	35,000
2028	40,000
2029	10,000
2030	10,000
Thereafter	-
	\$ 110,000

The Farmers Bancorp
Notes to Consolidated Financial Statements
June 30, 2025 and 2024
(Dollar Amounts in Thousands)

Note 8: Subordinated Debt

In March 2022, the Company issued \$10.0 million aggregate principal amount of 3.75% Fixed-to-Floating Rate Subordinated Notes due March 2032 (the “2032 Notes”). The 2032 Notes initially had a fixed interest rate of 3.75% per year to, but excluding March 14, 2027, and thereafter a floating rate equal to the current three-month SOFR rate plus 219 basis points. All interest on the 2032 Notes is payable quarterly. The 2032 Notes are scheduled to mature on March 14, 2032. The 2032 Notes are unsecured subordinated obligations of the Company and may be repaid, without penalty, on any interest payment date on or after March 14, 2027. The 2032 Notes are intended to qualify as Tier 2 capital under regulatory guidelines.

In March 2022, the Company issued \$5.0 million aggregate principal amount of 4.50% Fixed-to-Floating Rate Subordinated Notes due March 2037 (the “2037 Notes”). The 2037 Notes initially had a fixed interest rate of 4.50% per year to, but excluding March 14, 2032, and thereafter a floating rate equal to the current three-month SOFR rate plus 284 basis points. All interest on the 2037 Notes is payable quarterly. The 2037 Notes are scheduled to mature on March 14, 2037. The 2037 Notes are unsecured subordinated obligations of the Company and may be repaid, without penalty, on any interest payment date on or after March 14, 2032. The 2037 Notes are intended to qualify as Tier 2 capital under regulatory guidelines.

The following table presents the principal balance and unamortized debt issuance costs for the 2032 Notes and the 2037 Notes as of June 30, 2025 and 2024.

		June 30, 2025	
		Unamortized Debt	
		Principal	Issuance Costs
	2032 Notes	\$ 10,000	\$ (157)
	2037 Notes	5,000	(79)
		\$ 15,000	\$ (236)
		June 30, 2024	
		Unamortized Debt	
		Principal	Issuance Costs
	2032 Notes	\$ 10,000	\$ (181)
	2037 Notes	5,000	(90)
		\$ 15,000	\$ (271)

Note 9: Benefit Plans

The Company maintains a 401(k) benefit for eligible employees. Employer contributions include discretionary contributions and the matching of a portion of employee contributions. Expense recognized for this plan was \$478 and \$498 for 2025 and 2024, respectively.

The Farmers Bancorp
Notes to Consolidated Financial Statements
June 30, 2025 and 2024
(Dollar Amounts in Thousands)

Note 10: Income Taxes

Income taxes consist of the following components:

	2025	2024
Income tax expense		
Current	\$ 2,220	\$ 451
Deferred	(626)	(253)
	\$ 1,594	\$ 198

The following is a reconciliation of income tax expense (benefit) and the amount computed by applying the statutory federal income tax rate of 21% to income before income taxes:

	2025	2024
Statutory rate applied to income before income taxes	\$ 2,281	\$ 1,036
Add (deduct) tax effect of		
Tax-exempt interest income	(321)	(460)
Cash value of life insurance	(83)	(76)
Benefit of low income housing partnership	(6)	(70)
Insurance premium section 831 exclusion	-	-
State taxes	(149)	(256)
Other, net	(128)	24
	\$ 1,594	\$ 198

The Farmers Bancorp
Notes to Consolidated Financial Statements
June 30, 2025 and 2024
(Dollar Amounts in Thousands)

The net deferred tax asset reflected in the consolidated balance sheets is comprised of the following components:

	2025	2024
Deferred tax assets from		
Securities available for sale	\$ 5,400	\$ 5,743
Provision for credit losses	2,706	2,509
Deferred compensation plans	193	215
Accrued expenses	206	141
Accrued compensation	396	320
Nonaccrual interest	220	207
Other	586	496
	<u>9,707</u>	<u>9,631</u>
Deferred tax liabilities for		
FHLB stock dividends	(25)	(25)
Prepaid expenses	(22)	(185)
Depreciation	(354)	(326)
Mortgage-servicing rights	(288)	(310)
Investment in low income housing partnership	(156)	(242)
State income tax	(207)	(174)
Deferred loan costs	(221)	(218)
	<u>(1,273)</u>	<u>(1,480)</u>
	<u>\$ 8,434</u>	<u>\$ 8,151</u>

The Company has not identified any uncertain tax positions that it believes should be recognized in the consolidated financial statements. The Company's tax years still subject to examination by taxing authorities are years subsequent to 2020.

As of June 30, 2025 and 2024 the Company had state net operating loss (NOL) carryforwards of approximately \$9.1 million and \$6.7 million, respectively. This represents \$446 as of June 30, 2025 and \$338 as of June 30, 2024, included in Other assets above. For Indiana income tax purposes, the NOL expires beginning in the tax year ending June 30, 2038.

The Farmers Bancorp
Notes to Consolidated Financial Statements
June 30, 2025 and 2024
(Dollar Amounts in Thousands)

Note 11: Commitments and Off-Balance-Sheet Items

The Company, in the ordinary course of business, has commitments and contingent liabilities, such as guarantees and commitments to extend credit which are not reflected in the accompanying consolidated balance sheets. The exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to make loans, standby letters of credit and financial guarantees is represented by the contractual amount of those instruments. The same credit policy is used to make such commitments as is used for on-balance-sheet items.

At June 30, 2025 and 2024, these financial instruments are summarized as follows:

	2025	2024
Financial instruments which contract amount represents credit risk:		
Unused commercial lines of credit	\$ 104,011	\$ 103,795
Unused revolving lines of credit	41,489	40,522
Commitments to make loans	17,572	23,392
Standby letters of credit	3,564	3,733

The unused revolving and commercial lines of credit are predominantly variable rate agreements. The commitments are agreements to lend to a customer, provided they accept the terms and conditions offered. These commitments are generally extended for terms of up to 60 days and, in many cases, allow the customer to select from one of several financing options offered. Since many commitments to make loans expire without being used, the amount does not necessarily represent future cash commitments. Collateral obtained upon exercise of the commitment is determined using management's credit evaluation of the borrower, and may include accounts receivable, inventory, property, land and other items.

At June 30, 2025 and 2024, the Company was not required to have deposits with the Federal Reserve or as cash on hand.

The Farmers Bancorp
Notes to Consolidated Financial Statements
June 30, 2025 and 2024
(Dollar Amounts in Thousands)

Note 12: Capital Requirements

Banks and holding companies are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involved quantitative measures of assets, liabilities, and certain off balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgements by regulators. Failure to meet capital requirements can initiate regulatory action. The net unrealized gain or loss on available-for-sale securities is not included in computing regulatory capital. Management believes as of June 30, 2025 and 2024 the Bank meets all capital adequacy requirements to which it is subject.

Prompt corrective action regulations provide five classifications: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At June 30, 2025 and 2024, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category.

In 2019, the federal banking agencies jointly issued a final rule that provides for an optional, simplified measure of capital adequacy, the community bank leverage ratio framework (CBLR framework), for qualifying community bank organizations, consistent with Section 201 of the Economic Growth, Regulatory Relief, and Consumer Protection Act.

The community bank leverage ratio removes the requirement for qualifying organizations to calculate and report risk-based capital but rather only requires a Tier 1 to average assets (leverage) ratio. Qualifying banking organizations that elect to use the community bank leverage ratio framework and maintain a leverage ratio greater than the required minimum will be considered to have satisfied the generally applicable risk based and leverage capital requirements in the agencies' capital rules (generally applicable rule) and, if applicable, will be considered to have met the well capitalized ratio requirements for the purposes of section 38 of the Federal Deposit Insurance Act. The community bank leverage ratio minimum requirement is 9%. An eligible banking organization is provided a two-quarter grace period to correct a ratio that falls below this requirement amount, provided that the bank maintains a leverage ratio greater than 8%.

An eligible banking organization can opt out of the CBLR framework and revert to the risk-weighting framework without restriction. As of June 30, 2025 the Bank was a qualifying community bank organization as defined by the federal banking agencies and elected to measure capital adequacy under the CBLR framework.

The Farmers Bancorp
Notes to Consolidated Financial Statements
June 30, 2025 and 2024
(Dollar Amounts in Thousands)

Year-end actual and required capital amounts and ratios are presented below:

	Actual		Minimum Required For Capital Adequacy		Minimum Required To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of June 30, 2025						
Tier 1 Capital to average assets Bank	107,666	10.1%	N/A	N/A	95,913	9.0%
As of June 30, 2024						
Total Capital to risk-weighted assets Bank	107,536	12.5%	69,070	8.0%	86,337	10.0%
Tier 1 Capital to risk-weighted assets Bank	98,240	11.4%	51,802	6.0%	69,070	8.0%
Common Equity Tier 1 capital (to risk-weighted assets) Bank	98,240	11.4%	38,852	4.5%	56,119	6.5%
Tier 1 Capital to average assets Bank	98,240	10.1%	38,900	4.0%	48,625	5.0%

The Farmers Bancorp
Notes to Consolidated Financial Statements
June 30, 2025 and 2024
(Dollar Amounts in Thousands)

Note 13: Derivative Financial Instruments

The Company uses derivative financial instruments to help manage exposure to interest rate risk and the effects that changes in interest rates may have on net income and the fair value of assets and liabilities. The Company enters into interest rate swap agreements as part of its asset/liability management strategy to help manage its interest rate risk position. The Company entered into various interest rate swap agreements designated and qualifying as accounting hedges during the reported periods. Designating an interest rate swap as an accounting hedge allows the Company to recognize gains and losses, less any ineffectiveness, in the consolidated income statement within the same periods that the hedged item affects earnings. The Company includes gain or loss on the hedged items in the same line item as the offsetting loss or gain on the related interest rate swaps. For derivative instruments that are designated and qualify as cash flow hedges, any gains or losses related to changes in fair value are recorded in accumulated other comprehensive income, net of tax. The fair value of interest rate swaps with a positive fair value are reported in accrued income and other assets in the consolidated balance sheets while interest rate swaps with a negative fair value are reported in accrued expenses and other liabilities in the consolidated balance sheets.

The following table presents the amounts recorded on the balance sheet related to cumulative basis adjustments for fair value hedges as of June 30, 2025 and 2024:

2025		
Line Item in the Balance Sheet in Which the Hedged Item is Included	Carrying Amount of the Hedged Assets (Liabilities)	Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Assets (Liabilities)
Loans receivable	\$ 5,416	\$ 527
2024		
Line Item in the Balance Sheet in Which the Hedged Item is Included	Carrying Amount of the Hedged Assets (Liabilities)	Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Assets (Liabilities)
Loans receivable	\$ 5,695	\$ 790

The Company presents derivative positions gross on the consolidated balance sheet. The following table reflects the derivatives recorded on the consolidated balance sheet as of June 30, 2025 and 2024:

2025		
	<u>Notional Amount</u>	<u>Fair Value</u>
Included in other assets:		
Derivatives designated as hedges:		
Interest rate swaps related to commercial loans	\$ 5,416	\$ 527
2024		
	<u>Notional Amount</u>	<u>Fair Value</u>
Included in other assets:		
Derivatives designated as hedges:		
Interest rate swaps related to commercial loans	\$ 5,695	\$ 790

The Farmers Bancorp
Notes to Consolidated Financial Statements
June 30, 2025 and 2024
(Dollar Amounts in Thousands)

Note 14: Related Party Transactions

At June 30, 2025 and 2024, the Company had loans outstanding to executive officers, directors, significant shareholders and their affiliates (related parties), in the amount of \$14,652 and \$10,989, respectively.

In management's opinion, such loans and other extensions of credit and deposits were made in the ordinary course of business and were made on substantially the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with other persons. Further, in management's opinion, these loans did not involve more than normal risk of collectability or present other unfavorable features.

Deposits from related parties held by the Company at June 30, 2025 and 2024 totaled \$5,209 and \$3,888, respectively.

Note 15: Disclosure About Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy.

Available-for-Sale Securities

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities include agency securities, mortgage-backed government-sponsored securities and corporate securities. Third-party vendors compile prices from various sources and may apply such techniques as matrix pricing to determine the value of identical or similar investment securities (Level 2). Matrix pricing is a mathematical technique widely used in the banking industry to value investment securities without relying exclusively on quoted prices for specific investment securities but rather relying on the investment securities' relationship to other benchmark quoted investment securities. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

The Farmers Bancorp
Notes to Consolidated Financial Statements
June 30, 2025 and 2024
(Dollar Amounts in Thousands)

The following tables present the fair value measurements of assets recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2025 and 2024:

	2025			
	Fair Value Measurements Using			
	Fair Value	Significant		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Government and federal agency	\$ 8,016	\$ -	\$ 8,016	\$ -
Mortgage-backed securities -				
GSE residential	121,719	-	121,719	-
State and municipal	58,088	-	58,088	-
Corporate	2,309	-	2,309	-
Interest Rate Swaps	527	-	527	-
	<u>\$ 190,659</u>	<u>\$ -</u>	<u>\$ 190,659</u>	<u>\$ -</u>

	2024			
	Fair Value Measurements Using			
	Fair Value	Significant		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Government and federal agency	\$ 4,946	\$ -	\$ 4,946	\$ -
Mortgage-backed securities -				
GSE residential	113,973	-	113,973	-
State and municipal	55,530	-	55,530	-
Corporate	2,971	-	2,971	-
Interest Rate Swaps	790	-	790	-
	<u>\$ 178,210</u>	<u>\$ -</u>	<u>\$ 178,210</u>	<u>\$ -</u>

The Farmers Bancorp
Notes to Consolidated Financial Statements
June 30, 2025 and 2024
(Dollar Amounts in Thousands)

The following tables show the estimated fair value of financial instruments and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2025 and 2024:

	2025				
	Fair Value Measurements Using				
	Carrying Amount	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets					
Cash and cash equivalents	\$ 66,242	\$ 66,242	\$ 66,242	\$ -	\$ -
Net loans	780,048	802,360	-	-	802,360
Accrued interest receivable	5,134	5,134	5,134	-	-
Restricted stock	7,143	7,143	-	-	7,143
Financial liabilities					
Deposits	(851,316)	(853,282)	(671,669)	-	(181,613)
Short-term borrowings	(39,320)	(39,320)	-	-	(39,320)
FHLB advances	(110,000)	(110,201)	-	-	(110,201)
Subordinated debt	(14,764)	(11,675)	-	-	(11,675)
Accrued interest payable	(1,019)	(1,019)	(1,019)	-	-

	2024				
	Fair Value Measurements Using				
	Carrying Amount	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets					
Cash and cash equivalents	\$ 46,611	\$ 46,611	\$ 46,611	\$ -	\$ -
Loan held for sale	772	772	-	-	772
Net loans	703,419	709,902	-	-	709,902
Accrued interest receivable	4,507	4,507	4,507	-	-
Restricted stock	4,531	4,531	-	-	4,531
Financial liabilities					
Deposits	(758,979)	(757,215)	(650,414)	-	(106,801)
Short-term borrowings	(45,613)	(45,613)	-	-	(45,613)
FHLB advances	(88,450)	(88,622)	-	-	(88,622)
Subordinated debt	(14,729)	(9,975)	-	-	(9,975)
Accrued interest payable	(867)	(867)	(867)	-	-

The Farmers Bancorp
Notes to Consolidated Financial Statements
June 30, 2025 and 2024
(Dollar Amounts in Thousands)

Note 16: Stock-Based Compensation

On July 1, 2024 the Board of Directors authorized the 2024 Equity Incentive Plan (Plan) that enables the issuance of incentive stock options, non-qualified stock options, restricted stock, restricted stock units (RSUs) and performance share awards. The purpose of the Plan is to foster and promote the long-term financial success of the Company and materially increase shareholder value. The Company believes that such awards better align the interest of its employees with those of its shareholders.

Restricted Stock Units - On November 19, 2024 and June 17, 2025, the Company awarded 6,410 and 7,353 RSUs, respectively, to selected officers. These RSUs are subject to a three-year cliff vesting period, contingent upon continued service. Vesting may be accelerated in circumstances involving death, disability, or a change in control.

Holders of RSUs do not possess shareholder rights prior to settlement. Dividend equivalents accumulate throughout the vesting period and are disbursed upon settlement. RSUs are not recognized as participating securities for purposes of calculating earnings per share.

Compensation expense is recognized over the vesting period and is based on the fair value determined at the grant date using the previous quarter's average share price.

There were 13,763 total RSUs issued under the plan as of June 30, 2025.

A summary of changes in the Company's nonvested shares for the year are as follows:

<u>Nonvested Shares</u>	<u>Shares</u>	<u>Weighted-Average Grant-Date Fair Value</u>
Nonvested at June 30, 2024	-	-
Granted	13,763	\$ 37
Vested	-	-
Forfeited	-	-
	<u>13,763</u>	<u>37</u>
Nonvested at June 30, 2025	<u>13,763</u>	<u>\$ 37</u>

As of June 30, 2025 there was \$458 of total unrecognized compensation cost related to nonvested shares granted under the plan. The cost is expected to be recognized over a weighted average period of 2.84 years. The total fair value of shares vested during the years ended June 30, 2025 was \$0.

Performance Share Units — On November 19, 2024, and June 17, 2025, the Company issued 11,743 and 7,353 Performance Share Units (PSUs), respectively, to certain officers. These PSUs include a three-year performance period ending June 30, 2027, with possible payouts ranging from 0% to 150% of the granted awards depending on the achievement of certain performance metrics.

The Farmers Bancorp
Notes to Consolidated Financial Statements
June 30, 2025 and 2024
(Dollar Amounts in Thousands)

The performance metrics considered are:

- 3-Year Average Return on Average Assets (ROAA)
- 3-Year Average Asset Growth Rate

PSUs may be settled in cash or stock at the discretion of the Compensation Committee and are classified as liability awards under ASC 718. The units are remeasured at fair value each reporting period until settlement, with fair value determined using the average share price from the previous quarter. Recipients do not possess shareholder rights or dividend entitlements before settlement, and therefore, the PSUs are not considered as participating securities for purposes of calculating earnings per share. Total compensation cost recognized during the year ended June 30, 2025 was \$219.

Note 17: Earnings Per Share

Basic earnings per share (“EPS”) is computed by dividing net income allocated to common stock by the weighted average number of common shares outstanding during the period which excludes the participating securities. Diluted EPS includes the dilutive effect of additional potential common shares from stock compensation awards, but excludes awards considered participating securities. The following table presents the computation of basic and diluted EPS for the periods indicated (in thousands, except for share and per share data):

	2025	2024
Net income	\$ 9,268	\$ 4,739
Shares outstanding for Basic EPS	1,829,334	1,823,790
Additional Dilutive Shares	284	-
Shares outstanding for Diluted EPS	1,829,618	1,823,790
Basic EPS	\$ 5.07	\$ 2.60
Diluted EPS	\$ 5.07	\$ 2.60

The Farmers Bancorp
Notes to Consolidated Financial Statements
June 30, 2025 and 2024
(Dollar Amounts in Thousands)

Note 18: Segment Information

The Company's reportable segment is determined by the Chief Financial Officer, who is designated the chief operating decision maker, based upon information provided about the Company's products and services offered, primarily banking operations. The segment is also distinguished by the level of information provided to the chief operating decision maker, who uses such information to review performance of various components of the business such as branches, which are then aggregated if operating performance, products/services, and customers are similar. The chief operating decision maker will evaluate the financial performance of the Company's business components such as by evaluating revenue streams, significant expenses, and budget to actual results in assessing the Company's segment and in the determination of allocating resources. The chief operating decision maker uses revenue streams to evaluate product pricing and significant expenses to assess performance and evaluate return on assets. The chief operating decision maker uses consolidated net income to benchmark the Company against competitors. The bench marking analysis coupled with monitoring of budget to actual results are used in the assessment of performance and in establishing compensation. Loans, investments, and deposits provide the revenues in the banking operations. Interest expense, provisions for credit losses, and payroll provide the significant expenses in the banking operation. All operations are domestic.

Accounting policies for segments are the same as those described in Note 1. Segment performance is evaluated using consolidated net income. Information reported internally for performance assessment by the chief operating decision maker follows, inclusive of reconciliations of significant segment totals to the financial statements:

The Farmers Bancorp
Notes to Consolidated Financial Statements
June 30, 2025 and 2024
(Dollar Amounts in Thousands)

	Banking Segment
<u>2025</u>	
Interest Income	\$ 55,987
<i>Reconciliation of revenue</i>	
Other revenues	6,841
Total consolidated revenues	\$ 62,828
Less:	
Interest expense	23,578
Segment net interest income and noninterest income	\$ 39,250
Less:	
Provision for credit losses	902
Goodwill impairment	-
Payroll expense	15,771
Other segment items	11,716
Income tax expense	1,594
Consolidated net income	\$ 9,267
<i>Other segment disclosures</i>	
Interest income	\$ 55,987
Interest expense	23,578
Depreciation	921
Amortization	-
Other significant noncash items:	
Provision for credit loss	902
Goodwill impairment	-
<i>Reconciliation of assets</i>	
Total consolidated assets	\$ 1,102,492

Note 19: Subsequent Events

Subsequent events have been evaluated through the date of September 15, 2025, which is the date the consolidated financial statements were available to be issued.