Auditor’s Report and Consolidated Financial Statements

June 30, 2024 and 2023

June 30, 2024 and 2023

Contents

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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 Famers Bancorp and subsidiaries (the Company), which comprise the consolidated balance sheets as of June 30, 2024 and 2023, 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, 2024 and 2023, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "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.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, during the year ended June 30, 2024, the Company changed its method of accounting for credit losses on financial instruments due to the adoption of Accounting Standards Codification Topic 326*: Financial Instruments – Credit Losses*. Our opinion is not modified with respect to the matter.

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
August 29, 2024

The Farmers Bancorp

Consolidated Balance Sheets
June 30, 2024 and 2023
(Dollar Amounts in Thousands)

Assets

	2024	2023
Cash and cash equivalents	$ 46,611	$ 35,177
Interest-bearing time deposits	-	490
Securities available for sale	177,420	181,422
Loans held for sale	772	422
Loans, net of allowance of $9,368 and $7,361	703,419	625,499
Premises and equipment, net	13,720	8,533
Restricted stock, at cost	4,531	4,447
Cash value of life insurance	19,183	18,823
Accrued income and other assets	22,081	23,689
	$ 987,737	$ 898,502

Liabilities and Shareholders' Equity

	2024	2023
Liabilities		
Demand deposits	$ 246,378	$ 234,325
Savings, NOW and money market deposits	404,036	356,294
Time deposits	108,565	74,256
Total deposits	758,979	664,875
Short-term borrowings	45,613	66,286
Federal Home Loan Bank advances	88,450	76,450
Subordinated Debentures, net of issuance costs	14,729	14,690
Accrued expenses and other liabilities	12,145	10,062
	919,916	832,363
Shareholders' Equity		
Common stock, no par value - 4,800,000 shares authorized, 1,826,389 and 1,817,140 shares issued and outstanding at June 30, 2024 and 2023, respectively	2,203	1,876
Additional paid-in capital	1	1
Retained earnings	87,212	86,748
Accumulated other comprehensive loss	(21,595)	(22,486)
	67,821	66,139
	$ 987,737	$ 898,502

See Notes to Consolidated Financial Statements

The Farmers Bancorp

Consolidated Statements of Income
Years ended June 30, 2024 and 2023
(Dollar Amounts in Thousands)

	2024	2023
Interest Income		
Loans	$ 41,959	$ 31,626
Securities		
Taxable	3,161	2,786
Tax-exempt	2,090	2,094
Other	2,368	478
	49,578	36,984
Interest Expense		
Deposits	15,016	6,800
Other borrowings	7,131	3,483
	22,147	10,283
Net Interest Income	27,431	26,701
Provision (credit) for credit losses	2,869	(260)
Net Interest Income After Provision for Credit Losses	24,562	26,961
Other Operating Income		
Trust fees	2,133	1,396
Service charges and fees on deposit accounts	1,100	1,194
Gain on sale of loans	386	500
Gain (loss) on sale of available for sale securities	(681)	-
Increase in cash value of life insurance	381	348
Interchange income	1,804	1,792
Other	743	1,545
	5,866	6,775
Other Operating Expenses		
Salaries and employee benefits	15,584	13,514
Occupancy	1,223	1,199
Equipment	746	626
Data processing	2,905	2,368
Federal deposit insurance corporation premiums	445	215
Professional expense	940	634
Marketing	1,009	503
Other	2,639	2,234
	25,491	21,293
Income Before Income Taxes	4,937	12,443
Income Tax Expense	198	1,977
Net Income	$ 4,739	$ 10,466
Basic and Diluted Earnings Per Share	$ 2.60	$ 5.77

See Notes to Consolidated Financial Statements

The Farmers Bancorp

Consolidated Statements of Comprehensive Income
Years ended June 30, 2024 and 2023
(Dollar Amounts in Thousands)

	2024	2023
Net Income	$ 4,739	$ 10,466
Other Comprehensive Income (Loss)		
Unrealized gain (loss) on securities available for sale, net of tax expense (benefit) of $94 and ($750), respectively	353	(2,822)
Net loss on sale of securities available for sale, net of tax expense (benefit) of $(143) and $0 respectively	538	-
Total other comprehensive income (loss)	891	(2,822)
Comprehensive Income	$ 5,630	$ 7,644

See Notes to Consolidated Financial Statements

The Farmers Bancorp

Consolidated Statements of Changes in Shareholders' Equity
Years Ended June 30, 2024 and 2023

(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, 2022	$ 1,587	$ 1	$ 78,751	$ (19,664)	$ 60,675
Net income			10,466		10,466
Other comprehensive loss				(2,822)	(2,822)
Stock issued (6,947 shares)	289				289
Cash dividends ($1.36 per share)			(2,469)		(2,469)
Balance, June 30, 2023	1,876	1	86,748	(22,486)	66,139
Cumulative Effect of Change in Accounting Principles[1]			(1,650)		(1,650)
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

[1] The Company adopted Accounting Standards Update (ASU) 2016-13, Financial Instruments - Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments on July 1, 2023 using the modified retrospective approach. As a result, the Company recorded a net reduction of retained earnings upon adoption**.**

See Notes to Consolidated Financial Statements

The Farmers Bancorp

Consolidated Statements of Cash Flows
Years Ended June 30, 2024 and 2023
(Dollar Amounts in Thousands)

	2024	2023
Operating Activities		
Net income	$ 4,739	$ 10,466
Items not requiring (providing) cash		
Depreciation	726	605
Provision (credit) for credit losses	2,869	(260)
Deferred income taxes	(253)	(116)
Net amortization on securities	648	488
Net loss on sale of securities	681	-
Loss on premise and equipment	104	-
Increase in cash value of life insurance	(381)	(348)
Change in assets and liabilities		
Loans held for sale	(350)	377
Interest receivable and other assets	3,898	(2,096)
Interest payable and other liabilities	(848)	1,168
Net cash provided by operating activities	11,833	10,284
Investing Activities		
Net change in interest-bearing time deposits	490	737
Proceeds from maturities and principal repayments on securities available for sale	13,192	15,155
Purchase of securities available for sale	(30,922)	-
Proceeds from sales securities available for sale	21,531	-
Purchase of restricted stock	(84)	(2,894)
Net change in loans	(81,722)	(106,773)
Proceeds from redemption of life insurance policies	-	73
Property and equipment expenditures	(6,017)	(1,745)
Net cash used in investing activities	(83,532)	(95,447)
Financing Activities		
Net change in deposits	94,104	(3,441)
Net change in short-term borrowings	(20,673)	41,053
Proceeds from FHLB advances	77,000	207,450
Repayment of FHLB advances	(65,000)	(143,000)
Stock issued	327	289
Dividends paid	(2,625)	(2,469)
Net cash provided by financing activities	83,133	99,882
Net Change in Cash and Cash Equivalents	11,434	14,719
Cash and Cash Equivalents, Beginning of Year	35,177	20,458
Cash and Cash Equivalents, End of Year	$ 46,611	$ 35,177
Supplemental Disclosures of Cash Flows Information		
Cash paid during the year for		
Interest	$ 21,866	$ 9,738
Income taxes	350	1,960

See Notes to Consolidated Financial Statements

The Farmers Bancorp
Notes to Consolidated Financial Statements
June 30, 2024 and 2023
(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, 2024, the Company's interest-bearing cash accounts exceeded federally insured limits by approximately $12,116. Additionally, approximately $29,918 of cash is held by the Federal Home Loan Bank of Indianapolis and Federal Reserve Bank as of June 30, 2024, 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.

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 $4,079 on June 30, 2024, 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 condensed 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.

Adoption of new accounting standards

ASU 2016-13-Effective July 1, 2023, the Company adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, and subsequent related ASUs (collectively “Topic 326”), which measures credit loss for most financial assets, including trade and other receivables, debt securities held to maturity, loans, net investments in leases, purchased financial assets with credit deterioration, and off-balance sheet credit exposures. ASU 2016-13 requires the use of a current expected credit losses ("CECL") methodology to determine the allowance for credit losses ("ACL") for loans and debt securities held to maturity. CECL requires loss estimates for the remaining estimated life of the assets to be measured using historical loss data, adjustments for current conditions, and adjustments for reasonable and supportable forecasts of future economic conditions.

(Dollar Amounts in Thousands)

The following table illustrates the impact of ASC 326.

	As Reported Under ASC 326	Pre-ASC 326 Adoption	Impact of ASC 326 Adoption
Assets:			
Loans			
Agriculture	$ 443	$ 232	$ 211
Commercial	564	279	285
Commercial Real Estate	5,822	3,556	2,266
Construction	323	2,470	(2,147)
Residential	760	643	117
Consumer	183	181	2
Allowance for credit losses on loans	$ 8,095	$ 7,361	$ 734
Liabilities			
Allowance for credit losses on OBS credit exposures	$ 1,496	$ -	$ 1,496

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 $1,042 at June 30, 2024, 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.

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.

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.

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 1,817,289 and 1,816,594 for 2024 and 2023, 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.

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.

(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:

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

	2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government and federal agency	$ 1,895	$ -	$ (316)	$ 1,579
Mortgage-backed securities - government-sponsored enterprises (GSE) residential	117,823	-	(18,368)	99,455
State and municipal	84,670	81	(9,545)	75,206
Corporate	5,498	-	(316)	5,182
Total	$ 209,886	$ 81	$ (28,545)	$ 181,422

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, 2024 and 2023 was $156,772 and $175,205, which is approximately 88.4% and 96.6% of the Company's investment portfolio. These declines primarily resulted from recent changes in market interest rates.

At June 30, 2024, 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.

(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, 2024 and 2023:

	2024					
	Less Than 12 Months		12 Months or More		Total	
Description of Securities	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)
Mortage-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	$ 12,354	$ (67)	$ 144,418	$ (27,554)	$ 156,772	$ (27,621)

	2023					
	Less Than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government and federal agency	$ 387	$ (8)	$ 1,192	$ (308)	$ 1,579	$ (316)
Mortage-backed securities-						
GSE residential	6,431	(408)	93,024	(17,960)	99,455	(18,368)
State and municipals	9,439	(103)	59,550	(9,442)	68,989	(9,545)
Corporate	975	(22)	4,207	(294)	5,182	(316)
Total temporarily impaired securities	$ 17,232	$ (541)	$ 157,973	$ (28,004)	$ 175,205	$ (28,545)

(Dollar Amounts in Thousands)

The fair value of debt securities and carrying amount, if different, at June 30, 2024, 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	Available-for-Sale Fair Value
Due in one year	$ 737	$ 719
Due after one year through five years	2,080	2,010
Due after five years through ten years	14,857	14,068
Due after ten years	54,981	46,650
Mortgage-backed securities	132,100	113,973
Total	$ 204,755	$ 177,420

There were sales of securities resulting in no gains and losses of $681 within the available for sale securities for 2024 and no sales of securities resulting in a gain or less within the available for sale securities for 2023.

Securities with a carrying value of $80,198 and $86,332 at June 30, 2024 and 2023 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:

	2024	2023
Agricultural	$ 60,495	$ 56,534
Commercial	110,623	86,352
Commercial real estate	400,840	352,434
Construction	36,425	51,403
Residential	88,460	69,787
Consumer	15,944	16,350
Subtotal	712,787	632,860
Less: allowance for credit losses	(9,368)	(7,361)
Loans, net	$ 703,419	$ 625,499

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.

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The following tables present, by portfolio segment, the activity in the allowance for credit losses for the years ended June 30, 2024 and 2023:

2024	Agricultural	Commercial	Commercial Real Estate	Construction	Residential	Consumer	Total
Beginning balance (Prior to adoption of ASC 326	$ 232	$ 279	$ 3,556	$ 2,470	$ 643	$ 181	$ 7,361
Impact of adopting ASC 326	211	285	2,266	(2,147)	117	2	734
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	$ 655	$ 1,826	$ 5,428	$ 460	$ 769	$ 230	$ 9,368

2023	Agricultural	Commercial	Commercial Real Estate	Construction	Residential	Consumer	Total
Beginning balance	$ 177	$ 302	$ 4,633	$ 2,112	$ 135	$ 220	$ 7,579
Provision (credit)	24	(10)	(1,152)	358	504	16	(260)
Loans charged off	-	(30)	-	-	-	(150)	(180)
Recoveries	31	17	75	-	4	95	222
Ending balance	$ 232	$ 279	$ 3,556	$ 2,470	$ 643	$ 181	$ 7,361

The following table presents the balance in the allowance for loan losses and the recorded investment in loans based on the portfolio segment and impairment method as of June 30, 2023:

2023	Agricultural	Commercial	Commercial Real Estate	Construction	Residential	Consumer	Total
Allowance Balances:							
Individually evaluated for impairment	$ -	$ -	$ 25	$ -	$ -	$ -	$ 25
Collectively evaluated for impairment	232	279	3,531	2,470	643	181	7,336
Total allowance for loan losses	$ 232	$ 279	$ 3,556	$ 2,470	$ 643	$ 181	$ 7,361
Loan Balances:							
Individually evaluated for impairment	$ 923	$ 80	$ 2,973	$ -	$ 44	$ 10	$ 4,030
Collectively evaluated for impairment	55,611	86,272	349,461	51,403	69,743	16,340	628,830
Total loan balances	$ 56,534	$ 86,352	$ 352,434	$ 51,403	$ 69,787	$ 16,350	$ 632,860

Management's general practice is to proactively charge down loans individually evaluated for impairment to the fair value of the underlying collateral.

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

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.

(Dollar Amounts in Thousands)

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, 2024:

As of June 30, 2024

	Term Loans Amortized Cost Basis by Origination Year					Revolving Loans converted to	
Agricultural:	**2024**	**2023**	**2022**	**Prior**	**Revolving Loans**	**term**	**Total**
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

(Dollar Amounts in Thousands)

The following table presents the credit risk profile of the Company's loan portfolio based on rating category and payment activity as of June 30, 2023:

	2023						
	Agricultural	Commercial	Commercial Real Estate	Construction	Residential	Consumer	Total
Grade:							
Pass (1-4)	$ 55,565	$ 77,648	$ 339,613	$ 51,403	$ 69,743	$ 16,350	$ 610,322
Special mention (5)	46	8,624	9,848	-	-	-	18,518
Substandard (6)	923	80	2,973	-	44	-	4,020
Doubtful (7)	-	-	-	-	-	-	-
Loss (8)	-	-	-	-	-	-	-
Total	$ 56,534	$ 86,352	$ 352,434	$ 51,403	$ 69,787	$ 16,350	$ 632,860

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.

(Dollar Amounts in Thousands)

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 following tables present the Company's loan portfolio aging analysis as of June 30, 2024 and 2023:

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	$ 2,079	$ 537	$ 1,277	$ 3,893	$ 708,894	$ 712,787

2023

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans
Agricultural	$ -	$ -	$ -	$ -	$ 56,534	$ 56,534
Commercial	-	-	80	80	86,272	86,352
Commercial real estate	906	-	-	906	351,528	352,434
Construction	-	-	-	-	51,403	51,403
Residential	702	40	-	742	69,045	69,787
Consumer	8	-	10	18	16,332	16,350
Total loans	$ 1,616	$ 40	$ 90	$ 1,746	$ 631,114	$ 632,860

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.

(Dollar Amounts in Thousands)

The following table presents the Company's nonaccrual loans at June 30, 2024 and 2023:

	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
Total nonaccrual loans	$ 1,606	$ -	$ 710

	2023		
	Nonaccrual loans with no allowance	Nonaccrual loans with allowance	Loans > 90 days and accruing
Agricultural	$ 872	$ -	$ -
Commercial	80	-	-
Commercial real estate	82	-	-
Construction	-	-	-
Residential	44	-	-
Consumer	-	-	10
Total nonaccrual loans	$ 1,078	$ -	$ 10

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 following table presents the amortized cost basis of collateral dependent loans, which are individually evaluated to determine expected credit losses as of June 30, 2024.

	2024			
	Commercial Real Estate	Residential Real Estate	Other	Total
Agricultural	$ 1,069	$ -	$ -	$ 1,069
Commercial	-	-	254	254
Commercial real estate	609	-	-	609
Construction	-	-	-	-
Residential	-	73	-	73
Consumer	-	-	-	-
Total collateral dependent loans	$ 1,678	$ 73	$ 254	$ 2,005

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The following tables present impaired loans for the years ended June 30, 2023:

	2023				
	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans	Interest Income Recognized
Impaired loans without a specific valuation allowance:					
Agricultural	$ 923	$ 1,206	$ -	$ 1,350	$ 92
Commercial	80	130	-	140	5
Commercial real estate	2,891	3,165	-	999	64
Construction	-	-	-	-	-
Residential	44	129	-	187	11
Consumer	10	16	-	15	2
Total impaired loans with no related specific reserve	$ 3,948	$ 4,646	$ -	$ 2,691	$ 174
Impaired loans with a specific valuation allowance:					
Agricultural	$ -	$ -	$ -	$ -	$ -
Commercial	-	-	-	-	-
Commercial real estate	82	122	25	127	9
Construction	-	-	-	-	-
Residential	-	-	-	-	-
Consumer	-	-	-	-	-
Total impaired loans with an allowance recorded	$ 82	$ 122	$ 25	$ 127	$ 9
Total impaired loans	$ 4,030	$ 4,768	$ 25	$ 2,818	$ 183

Interest income on loans individually classified as impaired is recognized on a cash basis after all past due and current principal payments have been made.

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.

(Dollar Amounts in Thousands)

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 $151,822 and $155,759 at June 30, 2024 and 2023, respectively.

Activity in the balance of servicing assets was as follows:

	2024	2023
Servicing rights		
Balance at the beginning of the year	$ 1,378	$ 1,511
Assumption of servicing obligations	217	282
Amortization	(397)	(415)
Balance at end of year	$ 1,198	$ 1,378
Valuation allowance		
Balance at the beginning of the year	$ -	$ (725)
Subtractions	-	725
Balance at the end of the year	-	-
Mortgage servicing assets, net	$ 1,198	$ 1,378
Fair value disclosures		
Fair value as of the beginning of the period	$ 1,570	$ 786
Fair value as of the end of the period	1,688	1,570

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:

	2024	2023
Land	$ 3,886	$ 2,932
Buildings and improvements	15,631	11,915
Furniture and equipment	5,851	5,170
Construction in process	1,622	1,266
	26,990	21,283
Accumulated depreciation	(13,270)	(12,750)
	$ 13,720	$ 8,533

(Dollar Amounts in Thousands)

Note 5: Deposits

Certificates of deposits of $250 or more totaled approximately $54,105 and $34,611 at June 30, 2024 and 2023. At June 30, 2024, the scheduled maturities of time deposits are as follows:

2025	$	99,157
2026		6,023
2027		2,115
2028		1,139
2029		129
Thereafter		2
	$	108,565

Note 6: Short-Term Borrowings

Short-term borrowings included the following at June 30:

		2024		2023
Federal Reserve Discount Window	$	-	$	20,000
Repurchase agreements		45,613		46,286
Total short-term borrowings	$	45,613	$	66,286

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, 2024 and 2023 is presented below:

		2024		2023
Average balance during the year	$	47,521	$	30,774
Average rate paid during the year		3.99%		2.22%
Maximum month end balance during the year	$	52,106	$	46,286

(Dollar Amounts in Thousands)

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

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

	2023				
	Overnight & Continuous	< 30 Days	30-90 Days	> 90 Days	Total
Mortgage-backed securities government-sponsored enterprises (GSE) residential	$ 46,286	$ -	$ -	$ -	$ 46,286

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 3.67% to 5.48%, 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, 2024, the Company has two putable advances totaling $42,000 that are subject to put options after 60 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 floating rates of Fed Funds + 0.15%.

At June 30, 2024, the scheduled maturities of FHLB advances are as follows:

2025	$ 48,450
2026	-
2027	25,000
2028	15,000
2029	-
Thereafter	-
	$ 88,450

(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, 2024 and 2023.

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

	June 30, 2023	
	Principal	Unamortized Debt Issuance Costs
2032 Notes	$ 10,000	$ (206)
2037 Notes	5,000	(104)
	$ 15,000	$ (310)

(Dollar Amounts in Thousands)

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 $498 and $453 for 2024 and 2023, respectively.

Note 10: Income Taxes

Income taxes consist of the following components:

	2024	2023
Income tax expense		
Current	$ 451	$ 2,093
Deferred	(253)	(116)
	$ 198	$ 1,977

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:

	2024	2023
Statutory rate applied to income before income taxes	$ 1,036	$ 2,617
Add (deduct) tax effect of		
Tax-exempt interest income	(460)	(461)
Cash value of life insurance	(76)	(73)
Benefit of low income housing partnership	(70)	(42)
Insurance premium section 831 exclusion	-	(98)
State taxes	(256)	26
Other, net	24	8
	$ 198	$ 1,977

(Dollar Amounts in Thousands)

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

	2024	2023
Deferred tax assets from		
Securities available for sale	$ 5,743	$ 5,977
Provision for credit losses	2,509	1,795
Deferred compensation plans	215	347
Accrued expenses	141	40
Accrued compensation	320	430
Nonaccrual interest	207	192
Other	496	647
	9,631	9,428
Deferred tax liabilities for		
FHLB stock dividends	(25)	(28)
Prepaid expenses	(185)	(186)
Depreciation	(326)	(307)
Mortgage-servicing rights	(310)	(357)
Investment in low income housing partnership	(242)	(134)
State income tax	(174)	(68)
Deferred loan costs	(218)	(218)
	(1,480)	(1,298)
	$ 8,151	$ 8,130

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 2019.

(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, 2024 and 2023, these financial instruments are summarized as follows:

	2024	2023
Financial instruments which contract amount represents credit risk:		
Unused commercial lines of credit	$ 103,795	$ 127,507
Unused revolving lines of credit	40,522	43,958
Commitments to make loans	23,392	56,118
Standby letters of credit	3,733	196

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, 2024 and 2023, the Company was not required to have deposits with the Federal Reserve or as cash on hand.

Note 12: Capital Requirements

Banks and bank holding companies are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate actions by the regulatory agencies that, if undertaken, could have a material effect on the Bank's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank’s assets, liabilities, and certain off-balance-sheet items as calculated under U.S. GAAP, regulatory reporting requirements and regulatory capital standards. The Bank’s capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Furthermore, the Bank’s regulators could require adjustments to regulatory capital not reflected in these consolidated financial statements.

Quantitative measures established by regulatory capital standards to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined) to risk-weighted assets (as defined), common equity Tier I capital (as defined) to total risk-weighted assets (as defined) to total risk-weighted assets (as defined) and of Tier I capital (as defined) to average assets (as defined). Management believes, as of June 30,2024 and 2023 that the Bank meets all capital adequacy requirements to which it is subject.

As of June 30, 2024 and 2023, the most recent notification from the regulatory agency categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based capital, Tier I risk-based capital, common equity Tier I risk-based capital and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank’s category.

(Dollar Amounts in Thousands)

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

	Actual		Minimum Required For Capital Adequacy Purposes		Minimum Required To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
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%
As of June 30, 2023						
Total Capital to risk-weighted assets						
Bank	103,022	12.6%	65,370	8.0%	81,712	10.0%
Tier 1 Capital to risk-weighted assets						
Bank	95,661	11.7%	49,027	6.0%	65,370	8.0%
Common Equity Tier 1 capital (to risk-weighted assets)						
Bank	95,661	11.7%	36,770	4.5%	53,113	6.5%
Tier 1 Capital to average assets						
Bank	95,661	10.7%	35,609	4.0%	44,511	5.0%

(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, 2024 and 2023:

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

2023

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	$ 5,946	$ 858

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, 2024 and 2023:

2024

	Notional Amount	Fair Value
Included in other assets:		
Derivatives designated as hedges:		
Interest rate swaps related to commercial loans	$ 5,695	$ 790

2023

	Notional Amount	Fair Value
Included in other assets:		
Derivatives designated as hedges:		
Interest rate swaps related to commercial loans	$ 5,946	$ 858

Note 14: Related Party Transactions

At June 30, 2024 and 2023, the Company had loans outstanding to executive officers, directors, significant shareholders and their affiliates (related parties), in the amount of $10,989 and $6,535, 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, 2024 and 2023 totaled $3,888 and $2,906, 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.

(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, 2024 and 2023:

		2024 Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant 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	-
	$ 178,210	$ -	$ 178,210	$ -

		2023 Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Government and federal agency	$ 1,579	$ -	$ 1,579	$ -
Mortgage-backed securities -				
GSE residential	99,455	-	99,455	-
State and municipal	75,206	-	75,206	-
Corporate	5,182	-	5,182	-
Interest Rate Swaps	858	-	858	-
	$ 182,280	$ -	$ 182,280	$ -

The Farmers Bancorp

Notes to Consolidated Financial Statements
June 30, 2024 and 2023
(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, 24 and 2023:

			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)	-	-

			2023 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	$ 35,177	$ 35,177	$ 35,177	$ -	$ -
Interest-bearing time deposits	490	486	-	486	-
Loan held for sale	422	422	-	-	422
Net loans	625,499	626,516	-	-	626,516
Accrued interest receivable	3,672	3,672	3,672	-	-
Restricted stock	4,447	4,447	-	-	4,447
Financial liabilities					
Deposits	(664,875)	(662,964)	(590,618)	-	(72,346)
Short-term borrowings	(66,286)	(66,286)	-	-	(66,286)
FHLB advances	(76,450)	(76,327)	-	-	(76,327)
Subordinated debt	(14,690)	(9,050)	-	-	(9,050)
Accrued interest payable	(586)	(586)	(586)	-	-

Note 16: Subsequent Events

Subsequent events have been evaluated through the date of August 29, 2024, which is the date the consolidated financial statements were available to be issued.