

REFINITIV

DELTA REPORT

10-Q

FMNB - FARMERS NATIONAL BANC COR

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	2413
--------------	------

 CHANGES	241
---	-----

 DELETIONS	1036
---	------

 ADDITIONS	1136
---	------

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

FORM 10-Q

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

For the Quarterly period ended **September 30, March 31, 2023 2024**

Commission file number 001-35296

FARMERS NATIONAL BANC CORP.

(Exact name of registrant as specified in its charter)

OHIO

(State or other jurisdiction of
incorporation or organization)

34-1371693

(I.R.S. Employer
Identification No)

20 South Broad Street Canfield, OH

(Address of principal executive offices)

44406

(Zip Code)

(330) 533-3341

(Registrant's telephone number, including area code)

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
---------------------	----------------	--

Common Stock, No Par Value	FMNB	The NASDAQ Stock Market
----------------------------	------	-------------------------

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

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

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

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

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

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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

Class	Outstanding at October 31, 2023 April 30, 2024
Common Stock, No Par Value	37,489,476 37,549,948 shares

PART I - FINANCIAL INFORMATION

Item 1 Financial Statements (Unaudited)

Included in Part I of this report:

Farmers National Banc Corp. and Subsidiaries

Consolidated Condensed Balance Sheets (Unaudited)	2
Consolidated Condensed Statements of Income (Unaudited)	3
Consolidated Condensed Statements of Comprehensive Income (Loss) (Unaudited)	4
Consolidated Condensed Statements of Stockholders' Equity (Unaudited)	5
Consolidated Condensed Statements of Cash Flows (Unaudited)	6
Notes to Unaudited Condensed Consolidated Financial Statements	7

Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations	38 43
--	-------

Item 3 Quantitative and Qualitative Disclosures About Market Risk	47 51
---	-------

Item 4 Controls and Procedures	48 52
--	-------

PART II - OTHER INFORMATION	48 52
---	-------

Item 1 Legal Proceedings	48 52
--	-------

Item 1A Risk Factors	48 52
--------------------------------------	-------

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds	49 53
--	-------

Item 3 Defaults Upon Senior Securities	49 53
--	-------

Item 4 Mine Safety Disclosures	49 53
--	-------

Item 5 Other Information	49 53
--	-------

10-Q Certifications

Section 906 Certifications

CONSOLIDATED CONDENSED BALANCE SHEETS (Unaudited)
FARMERS NATIONAL BANC CORP. AND SUBSIDIARIES

	(In Thousands of Dollars)		(In Thousands of Dollars)	
	Septem ber	Dece mber	March 31,	December 31,
	30, 2023	31, 2022	2024	2023
ASSETS				
	25,3	21,		
Cash and due from banks	\$ 41	\$ 395	\$ 22,965	\$ 28,896
	68,5	54,		
Federal funds sold and other	82	156	125,665	74,762
	93,9	75,		
TOTAL CASH AND CASH EQUIVALENTS	23	551	148,630	103,658
	1,21	1,2		
Securities available for sale (Amortized cost \$1,530,768 in 2023 and \$1,534,512 in 2022)	0,73	68,		
	6	025		
Securities available for sale (Amortized cost \$1,504,331 in 2024 and \$1,516,841 in 2023)			1,270,149	1,299,701
	35,3	33,		
Other investments	42	444	34,619	35,311

Loans held for sale, at fair value	1,910	858	1,854	3,711
Loans	3,168,554	2,404,750	3,181,318	3,198,127
Less allowance for credit losses	34,753	26,978	33,159	34,440
NET LOANS	3,134,801	2,377,772	3,148,159	3,163,687
Premises and equipment, net	44,844	30,763	45,109	44,364
Goodwill	167,907	94,640	167,446	167,446
Other intangibles, net	23,419	7,026	22,153	22,842
Bank owned life insurance	98,865	74,972	100,189	99,482
Affordable housing investments			17,486	17,893
Other assets	119,160	14,416	124,216	120,255
TOTAL ASSETS	\$ 3,497,116	\$ 200,821	\$ 5,080,010	\$ 5,078,350
LIABILITIES AND STOCKHOLDERS' EQUITY				
Deposits:				
Noninterest-bearing	1,039,524	896,957	\$ 977,475	\$ 1,026,630
Interest-bearing	3,217,869	2,526,760	3,220,650	3,150,756
Brokered time deposits	254,257	138,051	0	0

	4,51	3,5		
	1,65	61,		
TOTAL DEPOSITS	0	768	4,198,125	4,177,386
		95,		
Short-term borrowings	0	000	345,000	355,000
	88,5	88,		
Long-term borrowings	50	211	88,777	88,663
	54,9	44,		
Other liabilities	81	926	51,082	52,886
	4,65	3,7		
	5,18	89,		
TOTAL LIABILITIES	1	905	4,682,984	4,673,935
Commitments and contingent liabilities				
Stockholders' Equity:				
Common Stock - Authorized 50,000,000 shares in 2023 and 2022;		305		
39,321,709 shares issued in 2023 and 35,128,962 in 2022;	364,	,34		
37,489,476 and 34,055,125 shares outstanding, respectively	929	0		
Common Stock, no par value; 50,000,000 shares authorized;				
39,321,709 shares issued in 2024 and 2023; 37,545,864 and				
37,502,773 shares outstanding, respectively			364,843	365,305
		212		
	228,	,37		
Retained earnings	553	5	241,628	236,757
	(25	(21		
	2,21	0,4		
Accumulated other comprehensive (loss)	3)	90)	(184,954)	(172,554)
Treasury stock, at cost; 1,832,233 and 1,073,837 shares in 2023 and	(25,	(14,		
2022, respectively	287)	930)		
Treasury stock, at cost; 1,775,845 and 1,818,936 shares in 2024 and				
2023, respectively			(24,491)	(25,093)
		292		
	315,	,29		
TOTAL STOCKHOLDERS' EQUITY	982	5	397,026	404,415
	4,97	4,0		
	1,16	82,		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 3	\$ 200	\$ 5,080,010	\$ 5,078,350

See accompanying notes

2

CONSOLIDATED CONDENSED STATEMENTS OF INCOME (Unaudited)
FARMERS NATIONAL BANC CORP. AND SUBSIDIARIES

	(In Thousands except Per Share Data)				(In Thousands except Per Share Data)	
	For the Three Months Ended		For the Nine Months Ended		For the Three Months Ended	
	Septe mber 30, 2023	Septe mber 30, 2022	Septe mber 30, 2023	Septe mber 30, 2022	March 31, 2024	March 31, 2023
INTEREST AND DIVIDEND INCOME						
Loans, including fees	\$ 43,838	\$ 27,494	\$ 127,025	\$ 78,770	\$ 45,016	\$ 40,856
Taxable securities	6,493	5,477	19,697	15,287	6,415	6,550
Tax exempt securities	2,661	3,035	8,176	9,025	2,635	2,841
Dividends	487	199	1,457	545	362	376
Federal funds sold and other interest income	750	205	1,911	348	626	610
TOTAL INTEREST AND DIVIDEND INCOME	54,229	36,410	158,266	103,975	55,054	51,233
INTEREST EXPENSE						
Deposits	17,462	3,210	44,660	6,105	18,390	12,707
Short-term borrowings	1,960	533	5,608	631	3,939	921

Long-term borrowings	1,03 9	886	3,04 2	2,50 5	1,038	995
TOTAL INTEREST EXPENSE	20,4 61	4,62 9	53,3 10	9,24 1	23,367	14,623
NET INTEREST INCOME	33,7 68	31,7 81	104, 956	94,7 34	31,687	36,610
Provision (credit) for credit losses	182	433	8,23 2	(15)		
Provision for unfunded loans	61	15	635	721		
(Credit) provision for credit losses					(270)	8,305
(Credit) provision for unfunded loans					(179)	294
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	33,5 25	31,3 33	96,0 89	94,0 28	32,136	28,011
NONINTEREST INCOME						
Service charges on deposit accounts	1,71 2	1,22 9	4,64 6	3,51 3	1,583	1,432
Bank owned life insurance income	694	406	1,82 5	1,22 0	707	547
Trust fees	2,61 7	2,37 0	7,45 3	7,26 5	2,793	2,587
Insurance agency commissions	1,11 6	1,13 6	3,90 4	3,26 9	1,528	1,456
Security gains (losses), including fair value changes for equity securities	(624)	(17)	(490)	(88)		
Security (losses) gains, including fair value changes for equity securities					(2,120)	121
Retirement plan consulting fees	360	332	1,04 9	1,05 2	334	307
Investment commissions	520	424	1,38 9	1,67 5	432	393
Net gains on sale of loans	395	326	1,11 1	1,82 0	297	310

Other mortgage banking income, net	185	94	571	193	125	153
	1,76	1,46	5,36	4,40		
Debit card and EFT fees	3	3	2	7	1,567	1,789
				8,37		
Legal settlement	0	0	0	5		
	1,09	1,06	2,88	3,30		
Other operating income	3	4	5	1	1,111	1,330
TOTAL NONINTEREST INCOME	9,83	8,82	29,7	36,0	8,357	10,425
	1	7	05	02		
NONINTEREST EXPENSES						
	14,2	10,7	42,5	33,6		
Salaries and employee benefits	33	24	03	28	15,069	14,645
	3,81	3,02	11,5	8,62		
Occupancy and equipment	0	8	38	6	3,730	3,869
FDIC insurance and state and local taxes	1,64	1,01	4,36	2,94		
	8	7	5	2	1,345	1,222
	1,04	985	3,34	5,17		
Professional fees	3		7	6	1,254	1,114
	268	872	5,02	3,48		
Merger related costs			2	6	0	4,313
	492	596	1,37	1,47		
Advertising			9	4	431	409
	725	432	2,85	1,27		
Intangible amortization			6	1	688	909
	1,27	738	3,58	2,60		
Core processing charges	4		2	6	1,135	1,164
				6,00		
Charitable donation	0	0	0	0		
	4,22	3,00	10,2	8,10		
Other operating expenses	3	7	32	7	3,387	3,077
TOTAL NONINTEREST EXPENSES	27,7	21,3	84,8	73,3	27,039	30,722
	16	99	24	16		
INCOME BEFORE INCOME TAXES	15,6	18,7	40,9	56,7	13,454	7,714
	40	61	70	14		

	2,32	3,31	5,61	9,47		
	6	5	4	3	2,214	639
INCOME TAXES						
	13,3	15,4	35,3	47,2		
	\$ 14	\$ 46	\$ 56	\$ 41	\$ 11,240	\$ 7,075
NET INCOME						
EARNINGS PER SHARE - basic	\$ 0.36	\$ 0.46	\$ 0.94	\$ 1.40	\$ 0.30	\$ 0.19
EARNINGS PER SHARE - diluted	\$ 0.36	\$ 0.46	\$ 0.94	\$ 1.39	\$ 0.30	\$ 0.19

See accompanying notes

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited)
FARMERS NATIONAL BANC CORP. AND SUBSIDIARIES

(In Thousands of Dollars)				
	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
NET INCOME	\$ 13,314	\$ 15,446	\$ 35,356	\$ 47,241
Other comprehensive income (loss):				
Net unrealized holding (losses) on available for sale securities	(75,679)	(83,980)	(54,088)	(301,874)
Reclassification adjustment for losses realized in income on sales	618	5	498	36
Reclassification adjustment for gain realized in income on fair value hedge	776	0	776	0
Net unrealized holding (losses)	(74,285)	(83,975)	(52,814)	(301,838)
Income tax effect	15,600	17,635	11,091	63,386
Unrealized holding (losses), net of reclassification and tax	(58,685)	(66,340)	(41,723)	(238,452)
Change in funded status of post-retirement plan, net of tax	0	(2)	0	(5)
Other comprehensive (loss), net of tax	(58,685)	(66,342)	(41,723)	(238,457)

TOTAL COMPREHENSIVE (LOSS)	\$ (45,371)	\$ (50,896)	\$ (6,367)	\$ (191,216)
----------------------------	-------------	-------------	------------	--------------

(In Thousands of Dollars)				
For the Three Months Ended				
	March 31,		March 31,	
	2024		2023	
NET INCOME	\$ 11,240		\$ 7,075	
Other comprehensive (loss) income:				
Net unrealized holding (losses) gains on available for sale securities	(19,176)		42,900	
Reclassification adjustment for losses (gains) realized in income on sales	2,134		(120)	
Reclassification adjustment for losses realized in income on fair value hedge	1,346		0	
Net unrealized holding (losses) gains	(15,696)		42,780	
Income tax effect	3,296		(8,984)	
Unrealized holding (losses) gains, net of reclassification and tax	(12,400)		33,796	
Change in funded status of post-retirement plan, net of tax	0		0	
Other comprehensive (loss) income, net of tax	(12,400)		33,796	
TOTAL COMPREHENSIVE (LOSS) INCOME	\$ (1,160)		\$ 40,871	

See accompanying notes

CONSOLIDATED CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY (Unaudited)

FARMERS NATIONAL BANC CORP. AND SUBSIDIARIES

(Table Dollar Amounts in Thousands except Per Share Data)

Accumulated				
Other				
Common	Retained	Comprehensive	Treasury	
Stock	Earnings	Income (Loss)	Stock	Total

Balance December 31,					
2023	\$ 365,305	\$ 236,757	\$ (172,554)	\$ (25,093)	\$ 404,415
Net income		11,240			11,240
Other comprehensive					
income			(12,400)		(12,400)
Restricted share					
issuance	(363)			367	4
Restricted share					
forfeitures	153			(155)	(2)
Stock based					
compensation expense	662				662
Vesting of Long Term					
Incentive Plan	(914)			919	5
Share forfeitures for					
taxes				(529)	(529)
Dividends paid at					
\$0.17 per share		(6,369)			(6,369)
Balance March 31,					
2024	<u>\$ 364,843</u>	<u>\$ 241,628</u>	<u>\$ (184,954)</u>	<u>\$ (24,491)</u>	<u>\$ 397,026</u>

	Com mon	Retai ned	Accu mulat ed Other Comp rehen sive Incom e (Loss)	Treas ury		Common	Retained	Accumulated Other Comprehensive	Treasury	
	Stock	Earni ngs		Stock	Total	Stock	Earnings	Income (Loss)	Stock	Total
Balance December 31,	305,	212,	(21	(14,	292,					
2022	\$ 340	\$ 375	\$ 0)	\$ 930)	\$ 295	\$ 305,340	\$ 212,375	\$ (210,490)	\$ (14,930)	\$ 292,295
		7,07			7,07					
Net income		5			5		7,075			7,075

Other comprehensive income			33,796		33,796					
Share issuance as part of a business combination	59,202			59,202						59,202
Restricted share issuance	(432)		437	5	(432)			437		5
Restricted share forfeitures	21		(21)	0	21			(21)		0
Stock based compensation expense	615			615	615					615
Vesting of Long Term Incentive Plan	(428)		431	3	(428)			431		3
Share forfeitures for taxes			(252)	(252)				(252)		(252)
Treasury share purchases			(11,660)	(11,660)				(11,660)		(11,660)
Dividends paid at \$0.17 per share		(6,437)		(6,437)		(6,437)				(6,437)
			(17)							
Balance March 31, 2023	\$ 364,318	\$ 213,013	\$ 6,694	\$ (25,995)	\$ 374,642	\$ 364,318	\$ 213,013	\$ (176,694)	\$ (25,995)	\$ 374,642
		14,966		14,966						
Net income		66		66						
Other comprehensive (loss)			(16,834)	(16,834)						
Restricted share issuance	(323)			326	3					
Stock based compensation expense	649			649						
Share forfeitures for taxes				(68)	(68)					
Dividends paid at \$0.17 per share		(6,367)		(6,367)						
			(19)							
Balance June 30, 2023	\$ 364,644	\$ 221,612	\$ 3,528	\$ (25,737)	\$ 366,991					

		13,3		13,3	
Net income		14		14	
Other comprehensive			(58,	(58,	
(loss)			685)	685)	
Restricted share					
issuance	(459)		464	5	
Stock based					
compensation expense	744			744	
Share forfeitures for					
taxes			(14)	(14)	
Dividends paid at		(6,3		(6,3	
\$0.17 per share		73)		73)	
			(25		
Balance September 30,	364,	228,	2,21	(25,	315,
2023	\$ 929	\$ 553	\$ 3)	\$ 287)	\$ 982
			Accu		
			mulat		
			ed		
			Other		
			Comp		
	Com	Retai	rehe	Treas	
	mon	ned	sive	ury	
			Incom		
			e		
		Earni	(Loss		
	Stock	ngs)	Stock	Total
Balance December 31,	306,	173,	9,29	(16,	472,
2021	\$ 123	\$ 896	\$ 5	\$ 882)	\$ 432
		15,8			15,8
Net income		44			44
Other comprehensive			(88,	(88,	
(loss)			795)	795)	
Restricted share	(1,0			1,03	
issuance	30)			0	0
Stock based					
compensation expense	365				365

Vesting of Long Term					
Incentive Plan	(788)		368	(420)	
Share forfeitures for					
taxes			(102)	(102)	
Dividends paid at		(5,4		(5,4	
\$0.16 per share		38)		38)	
Balance March 31,	304,	184,	(79,	(15,	393,
2022	\$ 670	\$ 302	\$ 500)	\$ 586)	\$ 886
		15,9			15,9
Net income		51			51
Other comprehensive			(83,	(83,	
(loss)			320)	320)	
Restricted share					
issuance	(362)		362	0	
Stock based					
compensation expense	438			438	
Vesting of Long Term					
Incentive Plan	(39)			(39)	
Share forfeitures for					
taxes			(23)	(23)	
Dividends paid at		(5,4		(5,4	
\$0.16 per share		44)		44)	
			(16		
	304,	194,	2,82	(15,	321,
Balance June 30, 2022	\$ 707	\$ 809	\$ 0)	\$ 247)	\$ 449
		15,4			15,4
Net income		46			46
Other comprehensive			(66,	(66,	
(loss)			342)	342)	
Restricted share					
issuance	(424)		424	0	
Restricted share					
forfeitures	42		(42)	0	
Stock based					
compensation expense	513			513	
Dividends paid at		(5,4		(5,4	
\$0.16 per share		47)		47)	

			(22		
Balance September 30,	304,	204,	9,16	(14,	265,
2022	<u>\$ 838</u>	<u>\$ 808</u>	<u>\$ 2)</u>	<u>\$ 865)</u>	<u>\$ 619</u>

See accompanying notes.

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (Unaudited)

FARMERS NATIONAL BANC CORP. AND SUBSIDIARIES

	(In Thousands of Dollars)		(In Thousands of Dollars)	
	Nine Months Ended		Three Months Ended	
	September	September	March 31,	March 31,
	30,	30,	2024	2023
	2023	2022		
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	\$ 35,356	\$ 47,241	\$ 11,240	\$ 7,075
Adjustments to reconcile net income to net cash from operating activities:				
Provision (credit) for credit losses	8,232	(15)		
Provision for unfunded loans	635	721		
(Credit) provision for credit losses			(270)	8,305
(Credit) provision for unfunded loans			(179)	294
Depreciation and amortization	5,779	3,475	1,611	1,899
Net amortization of securities	690	3,846	240	267
Available for sale security (gains) losses	498	36		
Realized (gains) losses on equity securities	(8)	52		
Loss on premises and equipment sales and disposals, net	149	20		
Available for sale security losses (gains)			2,134	(120)
Realized gains on equity securities			(14)	(1)
Stock compensation expense	2,008	1,316	662	615
Earnings on bank owned life insurance	(1,720)	(1,220)	(624)	(547)

Income recognized from death benefit on bank owned life insurance	(105)	0	(83)	0
Origination of loans held for sale	(52,342)	(86,710)	(15,649)	(12,947)
Proceeds from loans held for sale	52,401	90,794	16,209	14,016
Net gains on sale of loans	(1,111)	(1,820)	(297)	(310)
Net change in other assets and liabilities	(2,012)	1,441	(1,817)	(4,679)
NET CASH FROM OPERATING ACTIVITIES	48,450	59,177	13,163	13,867
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from maturities and repayments of securities available for sale	44,870	63,340	11,727	12,756
Proceeds from sales of securities available for sale	85,306	2,624	44,292	69,918
Purchases of securities available for sale	(650)	(239,140)	(45,883)	(450)
Proceeds from sales of equity securities	46	60	23	10
Purchase of equity securities	(52)	(65)	(21)	(13)
Proceeds from maturities and repayments of SBIC funds	754	2,052	146	166
Purchases of SBIC funds	(749)	(1,911)	(521)	(671)
Proceeds from redemption of regulatory stock	26,076	1,705	2,799	12,721
Purchase of regulatory stock	(20,170)	(5,833)	(1,720)	(10,644)
Loan originations and payments, net	(24,237)	(71,709)	15,977	(6,496)
Proceeds from loans held for sale previously classified as portfolio loans			1,594	0
Proceeds from BOLI death benefit	419	0	551	0
Proceeds from land and building sales	0	1,067		
Additions to premises and equipment	(1,977)	(1,811)	(1,553)	(171)
Net cash paid in business combinations	(13,175)	(1,033)	0	(13,175)
NET CASH FROM INVESTING ACTIVITIES	96,461	(250,654)	27,411	63,951
CASH FLOWS FROM FINANCING ACTIVITIES				
Net change in deposits	74,069	19,916	20,739	(41,421)
Net change in short-term borrowings	(170,000)	155,000	(10,000)	34,000
Cash dividends paid	(19,064)	(16,248)	(6,341)	(6,403)
Repurchase of common shares	(11,544)	0	0	(11,544)
NET CASH FROM FINANCING ACTIVITIES	(126,539)	158,668	4,398	(25,368)
NET CHANGE IN CASH AND CASH EQUIVALENTS	18,372	(32,809)	44,972	52,450
Beginning cash and cash equivalents	75,551	112,790	103,658	75,551
Ending cash and cash equivalents	\$ 93,923	\$ 79,981	\$ 148,630	\$ 128,001

Supplemental cash flow information:					
Interest paid	\$	57,384	\$	8,799	\$ 27,195 \$ 16,356
Supplemental noncash disclosures:					
Issuance of stock awards	\$	1,658	\$	2,184	\$ 1,560 \$ 431
Issuance of stock for business combinations	\$	59,202	\$	0	\$ 0 \$ 59,202
Lease liabilities arising from obtaining right-of-use assets	\$	1,289	\$	2,946	\$ 0 \$ 1,289

See accompanying notes

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Principles of Consolidation:

Farmers National Banc Corp. ("Company" or "Farmers") is a Financial Holding Company registered under the Bank Holding Company Act of 1956, as amended. The Company provides full banking services through its nationally chartered subsidiary, The Farmers National Bank of Canfield ("Bank"). The consolidated financial statements also include the accounts of the Bank's subsidiaries; Farmers National Insurance, LLC ("Insurance") and Farmers of Canfield Investment Co. ("Investments"). The Company provides trust and retirement consulting services through its subsidiary, Farmers Trust Company ("Trust"), and insurance services through the Bank's subsidiary, Insurance. Farmers National Captive, Inc. ("Captive") ~~is~~ ~~was~~ a wholly-owned insurance subsidiary of the Company that ~~provides~~ ~~provided~~ property and casualty insurance coverage to the Company and its ~~subsidiaries~~ ~~subsidiaries~~ until November 2023 when the Company dissolved the entity. The Captive ~~pools~~ ~~pooled~~ resources with eleven similar insurance company subsidiaries of financial institutions to spread a limited amount of risk among themselves and to provide insurance where not ~~currently~~ available or economically ~~feasible in today's insurance market~~ ~~place~~ ~~feasible~~. The consolidated financial statements include the accounts of the Company, the Bank and its subsidiaries, along with the Trust and Captive. All significant intercompany balances and transactions have been eliminated in the consolidation.

Basis of Presentation:

The unaudited consolidated condensed financial statements have been prepared in conformity with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles ("U.S. GAAP") for complete financial statements. The financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's ~~2022~~ ~~2023~~ Annual Report to Shareholders included in the Company's Annual Report on Form 10-K for the year ended ~~December 31,~~

2022 December 31, 2023 ("2022 2023 Form 10-K"). The interim consolidated financial statements include all adjustments (consisting of only normal recurring items) that, in the opinion of management, are necessary for a fair presentation of the financial position and results of operations for the periods presented. The results of operations for the interim periods disclosed herein are not necessarily indicative of the results that may be expected for a full year. Certain items included in the prior period financial statements were reclassified to conform to the current period presentation. There was no effect on net income or total stockholders' equity.

Estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Segments:

The Company provides a broad range of financial services to individuals and companies in northeastern Ohio and western Pennsylvania. Operations are managed and financial performance is primarily aggregated and reported in two lines of business, the Bank segment and the Trust segment.

Equity:

There are 50,000,000 shares authorized and available for issuance as of September 30, 2023 March 31, 2024. Outstanding shares at September 30, 2023 March 31, 2024 were 37,489,476 37,545,864.

Comprehensive Income:

Comprehensive income consists of net income and other comprehensive income (loss). Other comprehensive income (loss) consists of unrealized gains and losses on securities available for sale and changes in the funded status of the post-retirement plan, which are recognized as components of stockholders' equity, net of tax effect.

Updates to Significant Accounting Policies:

New Accounting Standard:

On March 31, 2022, In December 2023, the FASB issued ASU 2022-02, which eliminates the troubled debt restructuring ("TDR"), accounting model for creditors that have adopted Topic 326, 2023-09, *Financial Instruments – Credit Losses*. *Income Taxes (Topic 740) Improvements to Income Tax Disclosures*. The amendments in this update related to the removal rate reconciliation and income taxes paid disclosures improve the transparency of income tax disclosures by requiring consistent categories and greater disaggregation of information in the TDR accounting model, all loan modifications now will be

accounted rate reconciliation and income taxes paid disaggregated by jurisdiction. The amendments of this update are effective for under the general loan modification guidance in Subtopic 310-20. In addition, on a prospective basis, entities will be subject to new disclosure requirements covering modifications of receivables to borrowers experiencing financial difficulty. Public business entities within the scope of the Topic 326 vintage disclosure requirements also will be required to prospectively disclose current-period gross write-off information by vintage, or year of origination. The Company fiscal years beginning after December 15, 2024. Early

7

adopted

ASU 2022-02 on January 1, 2023, adoption is permitted. The adoption of this standard did is not expected to have a material effect on the Company's operating results or financial condition.

On October 28, 2021, In November 2023, the FASB issued ASU No. 2021-08, 2023-07, *Business Combinations Segment Reporting (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. 280) Improvements to Reportable Segment Disclosures*. This ASU requires contract assets and contract liabilities to be accounted for as if they (the acquirer) entered into the original contract at the same time and same date as the acquiree. This is a shift from existing guidance, which required the acquirer to recognize contract assets and contract liabilities at their fair value as of the acquisition date. The amendments in this Update were update improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The main new provision requires significant segment expenses that are regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss. The amendments of this update are effective for fiscal years beginning after December 15, 2022 December 15, 2023, including and interim periods within those fiscal years. years beginning after December 15, 2024. Early adoption is permitted. The adoption of this standard did is not expected to have a material effect on the Company's operating results or financial condition. Management determined that Emclair had an immaterial amount of contracts with customers.

On March 12, 2020, the FASB issued ASU 2020-04 and amended by ASU 2021-01, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, to ease the burden of accounting for contract modifications related to reference rate reform. The amendments in ASU 2020-04 create a new Topic in the Codification, ASC 848, *Reference Rate Reform*, which contains guidance that is designed to simplify how entities account for contracts that are modified to replace LIBOR or other benchmark interest rates with new rates. The amendments in ASU 2020-04 give entities the option to apply expedients and exceptions to contract modifications that are made until December 31, 2022, if certain criteria are met. If adopted, these amendments and exceptions should be applied to all eligible modifications to contracts that are accounted for under an ASC Topic or industry Subtopic. The guidance in ASC 848 does not apply to any contract modifications that were made after December 31, 2022. In December 2022, the FASB issued ASU 2022-06 that defers the sunset date from December 31, 2022

to December 31, 2024. The adoption of this standard is not expected to have a material effect on the Company's operating results or financial condition.

Business Combinations:

On January 1, 2023, the Company completed its previously announced merger with Emclave Financial Corp., a Pennsylvania corporation and registered financial holding company ("Emclave"), pursuant to the Agreement and Plan of Merger dated as of March 23, 2022. The Farmers National Bank of Emlenton, the banking subsidiary of Emclave, merged with and into The Farmers National Bank of Canfield, the national banking subsidiary of the Company, with Farmers Bank as the surviving bank. Pursuant to the terms of the Merger Agreement, at the effective time of the Merger (the "Effective Time") Emclave merged with and into Merger Sub (the "Merger"), with Merger Sub as the surviving entity in the Merger. Promptly following the consummation of the Merger, Merger Sub was dissolved and liquidated and The Farmers National Bank of Emlenton, the banking subsidiary of Emclave, merged with and into The Farmers National Bank of Canfield, the national banking subsidiary of the Company, with Farmers Bank as the surviving bank. Pursuant to the terms of the Merger Agreement, at the effective time of the merger, each common share, without par value, of Emclave common shares issued and outstanding was converted into the right to receive, without interest, \$40.00 in cash or 2.15 common shares, without par value, of the Company's common shares, subject to an overall limitation of 70% of the Emclave common shares being exchanged and the remaining 30% of Emclave common shares being exchanged for the cash. The transaction created expansion for the Company in Pennsylvania and into the Pittsburgh market. The Company issued 4.2 million shares of its common stock along with cash of \$33.4 million, which represented a transaction value of approximately \$92.6 million based on its closing stock price of \$14.12 on December 31, 2022.

In accordance with ASC 805, the Company expensed approximately \$5.00 and \$4.3 million of merger related costs, for the Emclave acquisition, during the nine three month period periods ended September 30, 2023, in addition to \$2.0 million expensed for the entire year of 2022. March 31, 2024 and 2023, respectively. The Company recorded goodwill of \$73.472.9 million as a result of the combination. Goodwill represents the future economic benefits arising from net assets acquired that are not individually identified and separately recognized and is attributable to synergies, including the reduction of personnel and overlapping contracts, expected to be derived from the Company's strategy to enhance and expand its presence in Pennsylvania. The merger offers the Company the opportunity to increase profitability by introducing existing products and services to the acquired customer base as well as add new customers in the expanded market area. The goodwill was determined not to be deductible for income tax purposes. The fair value estimates included in these financial statements are based on preliminary valuations; certain loan, deferred tax, and premises and equipment measurements have not been finalized and are subject to change. The Company does not expect material variances from these estimates and expects that final valuation estimates will be completed prior to December 31, 2023.

The following table summarizes the consideration paid for Emclaire and the amounts of the assets acquired and liabilities assumed on the closing date of the acquisition.

(In Thousands of Dollars)		
Consideration		
Cash	\$ 33,440	\$ 33,440
Stock	59,202	59,202
Fair value of total consideration transferred	<u>\$ 92,642</u>	<u>\$ 92,642</u>
Fair value of assets acquired		
Cash and cash equivalents	\$ 20,265	\$ 20,265
Securities available for sale	126,970	126,970
Other investments	7,795	7,795
Loans, net	740,659	740,659
Premises and equipment	16,103	14,808
Bank owned life insurance	22,485	22,485
Core deposit intangible	19,249	19,249
Current and deferred taxes	17,246	17,708
Other assets	6,387	7,682
Total assets acquired	<u>977,159</u>	<u>977,621</u>
Fair value of liabilities assumed		
Deposits	875,813	875,813
Short-term borrowings	75,000	75,000
Accrued interest payable and other liabilities	7,104	7,104
Total liabilities	<u>957,917</u>	<u>957,917</u>
Net assets acquired	<u>\$ 19,242</u>	<u>\$ 19,704</u>
Goodwill created	73,400	72,938
Total net assets acquired	<u>\$ 92,642</u>	<u>\$ 92,642</u>

The fair value of net assets acquired includes fair value adjustments to certain receivables that were considered performing as of the acquisition date. The fair value adjustments were determined using the income method, discounted cash flow approach. However, the Company believes that all contractual cash flows related to these financial instruments will be collected. As such, these receivables were not considered purchase credit deteriorated ("PCD") at the acquisition date and were not subject to the guidance relating to PCD loans. Receivables acquired that were not subject to these requirements had a fair value and gross contractual amounts receivable of \$714.4 million and \$764.8 million on the date of acquisition.

The fair value of purchased financial assets that were classified as PCD loans are discussed in the loan footnote.

The following table presents unaudited pro forma information as if the Emclair acquisition that occurred on January 1, 2023 actually took place on January 1, 2022. The unaudited pro forma information for the period ended September 30, 2022 includes adjustments of interest income on loans, amortization of core deposit intangibles arising from the transaction, interest expense on deposits and borrowings acquired. The unaudited pro forma financial information is not necessarily indicative of the results of operations that would have occurred had the transaction been effective on the assumed date.

	For Three Months Ended September 30, 2022	For Nine Months Ended September 30, 2022
(In thousands of dollars except per share results)		
Net interest income	\$ 43,770	\$ 128,897
Provision for credit losses	588	8,834
Noninterest income	9,710	38,844
Noninterest expense	27,804	97,337
Income before income taxes	25,088	61,570
Income tax expense	4,547	10,322
Net income	\$ 20,541	\$ 51,248
Basic earnings per share	\$ 0.54	\$ 1.35
Diluted earnings per share	\$ 0.54	\$ 1.35

On July 1, 2022, Farmers National Insurance, LLC acquired substantially all of the assets of Randy L. Jones Agency, Inc., doing business as Champion Insurance for \$900 thousand. Intangible assets of \$633 thousand were recorded along with goodwill of \$267 thousand.

Securities:

The following table summarizes the amortized cost and fair value of the available for sale investment available-for-sale securities portfolio at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive income (loss). No allowance for credit losses have been recognized for the securities portfolio at March 31, 2024 or December 31, 2023.

Gross				
s	Gross		Gross	Gross
Unre				
Amorti	alize	Unreal		
zed	d	ized	Amortized	Unrealized Unrealized

(In Thousands of Dollars)	Cost	Gain s	Losse s	Fair Value	Cost	Gains	Losses	Fair Value
September 30, 2023								
March 31, 2024								
U.S. Treasury and U.S. government sponsored entities	145, \$ 395	(24, \$ 0	121, \$ 084)	\$ 311	\$ 137,720	\$ 12	\$ (18,585)	\$ 119,147
State and political subdivisions	645, 407	13 4	(14 5)	498, 136	612,030	3,555	(98,144)	517,441
Corporate bonds	18,4 39	(69 5	17,7 3)	51	18,670	146	(457)	18,359
Mortgage-backed securities	636, 646	(14 0	495, 5)	041	627,338	15	(113,628)	513,725
Collateralized mortgage obligations	81,5 67	26 1	(6,2 76)	75,5 52	105,510	100	(6,880)	98,730
Small Business Administration	3,31 4	(36 0	2,94 9)	5	3,063	0	(316)	2,747
Totals	1,53 0,76 \$ 8	(32 0,43 \$ 0	1,21 0,73 \$ 2)	\$ 6	\$ 1,504,331	\$ 3,828	\$ (238,010)	\$ 1,270,149

(In Thousands of Dollars)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2022				
U.S. Treasury and U.S. government sponsored entities	\$ 149,712	\$ 0	\$ (21,616)	\$ 128,096
State and political subdivisions	651,705	266	(121,891)	530,080
Corporate bonds	4,181	0	(302)	3,879
Mortgage-backed securities - residential	672,784	12	(117,654)	555,142
Collateralized mortgage obligations	52,291	0	(4,937)	47,354
Small Business Administration	3,839	0	(365)	3,474
Totals	\$ 1,534,512	\$ 278	\$ (266,765)	\$ 1,268,025

(In Thousands of Dollars)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2023				
U.S. Treasury and U.S. government sponsored entities \$	145,439	\$ 113	\$ (17,597)	\$ 127,955
State and political subdivisions	644,880	4,792	(93,503)	556,169
Corporate bonds	18,554	187	(466)	18,275
Mortgage-backed securities	624,529	1	(104,144)	520,386
Collateralized mortgage obligations	80,227	331	(6,559)	73,999
Small Business Administration	3,212	0	(295)	2,917
Totals	\$ 1,516,841	\$ 5,424	\$ (222,564)	\$ 1,299,701

Proceeds The proceeds from sales of available-for-sale securities and the sale of available for sale securities for the three month associated gains and nine month periods ended September 30, 2023 were \$15.4 million and \$85.3 million, respectively. Gross losses of \$619 thousand were realized on these sales for the three month period ended September 30, 2023 and gross gains of \$441 thousand and gross losses of \$939 thousand were realized on these sales for the nine month period ended September 30, 2023. In addition, net realized losses on equity securities of \$5 thousand and net realized gains of \$8 thousand were recognized in the income statement during the three and nine month periods ended September 30, 2023, respectively. are as follows:

	March 31, 2024	March 31, 2023
Proceeds	\$ 44,292	\$ 69,918
Gross gains	17	441
Gross losses	(2,151)	(321)

Proceeds from the sale of available for sale securities were \$1.0 million and \$2.6 million for both the three and nine month periods ended September 30, 2022. Gross losses of \$5 thousand and \$36 thousand, respectively, were realized on these sales for both the three and nine month periods ended September 30, 2022. Realized losses on equity securities of \$12 thousand and \$52 thousand were recognized in the income statement during the three and nine month periods as of September 30, 2022, respectively.

The amortized cost and fair value of the debt securities portfolio are shown in the table below by expected maturity. Expected maturities may differ from contractual maturities if issuers have the right to call or prepay obligations with or without call, or prepayment penalties. Securities not due at a single maturity date are shown separately.

	September 30, 2023		March 31, 2024	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
(In Thousands of Dollars)				
Maturity				
Within one year	\$ 399	\$ 392	\$ 600	\$ 596
		26,07		
One to five years	28,868	5	26,877	24,734
	185,92	158,9		
Five to ten years	9	79	195,318	175,931
	594,04	451,7		
Beyond ten years	5	52	545,625	453,686
Mortgage-backed, collateralized mortgage obligations and Small Business Administration securities	721,52	573,5		
	7	38	735,911	615,202
	1,530,7	1,210,		
Total	\$ 68	\$ 736	\$ 1,504,331	\$ 1,270,149

10

The following table summarizes the available for sale investment securities with unrealized losses for which an allowance for credit losses has not been recorded at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, aggregated by major security type and length of time in a continuous unrealized loss position.

	Less than 12 Months or Longer											
	Less than 12 Months		12 Months or Longer		Total		Less than 12 Months		12 Months or Longer		Total	
	Unr eali Fair	zed	Unr eali Fair	zed	Unr eali Fair	zed	Fair	Unrealized	Fair	Unrealized	Fair	Unrealized
(In Thousands of Dollars)	Val ue	Los s	Val ue	Los s	Val ue	Los s	Value	Loss	Value	Loss	Value	Loss
September 30, 2023												
March 31, 2024												

U.S. Treasury and U.S. government sponsored entities	11,393,318						\$ 449	(\$ 1)		\$ 116,810	(\$ 18,584)		\$ 117,259	(\$ 18,585)				
	34,964,007												440,884					
State and political subdivisions	9,418,515						28,380	(1,414)		412,504	(96,730)		(98,144)					
	11,319,622																	
Corporate bonds	1,394,029						8,059	(275)		4,869	(182)		12,928	(457)				
	48,814,901												499,401					
Mortgage-backed securities	5,170,710						4,272	(90)		495,129	(113,538)		(113,628)					
	23,580,424												77,126					
Collateralized mortgage obligations	,580,240						37,452	(1,141)		39,674	(5,739)		(6,880)					

(In Thousands of Dollars)	Less than 12 Months		12 Months or Longer		Total	
	Fair	Unrealized	Fair	Unrealized	Fair	Unrealized
	Value	Loss	Value	Loss	Value	Loss
December 31, 2023						
U.S. Treasury and U.S. government sponsored entities	\$ 399	\$ (1)	\$ 122,361	\$ (17,596)	\$ 122,760	\$ (17,597)
State and political subdivisions	15,852	(1,684)	428,416	(91,819)	444,268	(93,503)
Corporate bonds	8,463	(284)	3,881	(182)	12,344	(466)
				(104,06		
Mortgage-backed securities	5,113	(76)	515,259	8)	520,372	(104,144)
Collateralized mortgage obligations	20,019	(980)	43,808	(5,579)	63,827	(6,559)
Small Business Administration	0	0	2,917	(295)	2,917	(295)
			1,116,6	(219,53	1,166,48	
Total	\$ 49,846	\$ (3,025)	\$ 42	\$ 9)	\$ 8	\$ (222,564)

Allowance for Credit Losses

Management evaluates securities available for sale for credit losses. During the evaluation process, management considers the extent to which the fair value has been less than cost, the financial condition and near term prospects of the issuer, and the intent and ability of the Company to hold the security for a period of time sufficient to allow for any anticipated recovery in fair value.

11

If the Company determines that a credit loss exists, the credit portion of the allowance will be measured using a discounted cash flow analysis using the effective interest rate as of the security's purchase date. As of September 30, 2023 March 31, 2024, the Company's security portfolio consisted of 980 947 securities, 951 767 of which were in an unrealized loss position. The majority of the unrealized losses on the Company's securities are related to its holdings of treasury, agency, mortgage-backed securities, collateralized mortgage obligations and state small business administration securities that the Company owns are all issued by government sponsored entities and political subdivisions, therefore contain no potential for credit loss. The Company does not consider any of its available for sale ("AFS") available-for-sale securities with unrealized losses to be attributable to credit-related factors, as the unrealized losses have occurred as a result of changes in noncredit related factors such as changes in interest rates, market spreads and market conditions subsequent to purchase, not credit deterioration. The vast majority of the Company's state and political subdivisions holdings are of high credit quality, and are rated AA or higher. In addition, management has both the ability and the intent to hold the securities for a period of time sufficient to allow for any the recovery in fair value. As of September 30, 2023 March 31, 2024, the Company has not recorded an allowance for credit losses on AFS available for sale ("AFS") securities.

Equity Securities

The Company also holds equity securities which include \$15.3 million in Small Business Investment Company ("SBIC") partnership investments as well as \$238 thousand in local and regional bank holdings and other miscellaneous equity funds at March 31, 2024. At December 31, 2023, the Company held \$14.9 million in SBIC investments and \$226 thousand in local and regional bank holdings and other miscellaneous equity funds. Gains on these equity funds were recognized as income in 2024 and 2023 in compliance with ASU 2016-01, which requires all equity securities to be measured at their fair value with changes in fair value being recognized through the statements of income.

Loans:

Loan balances were as follows:

(In Thousands of Dollars)	September 30,	
	2023	December 31, 2022
Commercial real estate		
Owner occupied	\$ 371,356	\$ 330,768
Non-owner occupied	711,391	563,652
Farmland	200,148	188,850
Other	213,100	133,630
Commercial		
Commercial and industrial	357,691	293,643
Agricultural	61,590	58,087
Residential real estate		
1-4 family residential	842,729	475,791
Home equity lines of credit	140,772	132,179
Consumer		
Indirect	228,377	197,125
Direct	24,900	16,421
Other	7,859	7,714
Total loans	\$ 3,159,913	\$ 2,397,860
Net deferred loan costs	8,641	6,890
Allowance for credit losses	(34,753)	(26,978)
Net loans	\$ 3,133,801	\$ 2,377,772
(In Thousands of Dollars)	March 31, 2024	
	December 31, 2023	
Commercial real estate		
Owner occupied	\$ 390,058	\$ 399,273
Non-owner occupied	705,168	712,315

Farmland	201,788	202,950
Other	244,146	224,218
Commercial		
Commercial and industrial	335,747	346,354
Agricultural	58,637	58,338
Residential real estate		
1-4 family residential	836,252	843,697
Home equity lines of credit	143,696	142,441
Consumer		
Indirect	224,931	226,815
Direct	22,624	23,805
Other	9,291	9,164
Total loans	\$ 3,172,338	\$ 3,189,370
Net deferred loan costs	8,980	8,757
Allowance for credit losses	(33,159)	(34,440)
Net loans	\$ 3,148,159	\$ 3,163,687

11

Allowance for credit loss activity

The following tables present the activity in the allowance for credit losses by portfolio segment for the three and nine month periods ended September 30, 2023 March 31, 2024 and 2022: 2023:

Three Months Ended September 30, 2023 March 31, 2024

(In Thousands of Dollars)	Com merc ial	Resi denti al								
	Real Estat e	Com merc ial	Real Estat e	Con sum er	Tota l	Commercial Real Estate	Commercial	Residential Real Estate	Consumer	Total
Allowance for credit losses										

Beginning balance	18,537	5,295	6,866	4,259	34,957	\$ 18,150	\$ 5,087	\$ 6,916	\$ 4,287	\$ 34,440
PCD ACL on loans acquired	0	0	0	0	0					
(Credit) Provision for credit losses	182	(45)	13	32	182	(541)	62	(69)	278	(270)
Loans charged off	(3)	(54)	(57)	(11)	(25)	(146)	(643)	(30)	(463)	(1,282)
Recoveries	0	6	12	1	139	18	37	23	193	271
Total ending allowance balance	18,716	5,102	6,734	4,201	34,753	\$ 17,481	\$ 4,543	\$ 6,840	\$ 4,295	\$ 33,159

12

Nine Months Ended September 30, 2023

(In Thousands of Dollars)	Commercial		Residential		Total
	Real Estate	Commercial	Real Estate	Consumer	
Allowance for credit losses					
Beginning balance	\$ 14,840	\$ 4,186	\$ 4,374	\$ 3,578	\$ 26,978
PCD ACL on loans acquired	850	138	11	0	999
Provision for credit losses	3,185	1,638	2,542	867	8,232
Loans charged off	(160)	(888)	(251)	(666)	(1,965)
Recoveries	1	28	58	422	509
Total ending allowance balance	\$ 18,716	\$ 5,102	\$ 6,734	\$ 4,201	\$ 34,753

Three Months Ended September 30, 2022 March 31, 2023

(In Thousands of Dollars)	Commercial		Residential		Total
	Real Estate	Commercial	Real Estate	Consumer	
Allowance for credit losses					

Beginning balance	\$ 14,859	\$ 3,893	\$ 4,915	\$ 3,787	\$ 27,454
(Credit) Provision for credit losses	(47)	260	2	218	433
Loans charged off	0	(473)	(9)	(301)	(783)
Recoveries	1	2	41	134	178
Total ending allowance balance	<u>\$ 14,813</u>	<u>\$ 3,682</u>	<u>\$ 4,949</u>	<u>\$ 3,838</u>	<u>\$ 27,282</u>

Nine Months Ended September 30, 2022

(In Thousands of Dollars)	Commercial		Residential		Total
	Real Estate	Commercial	Real Estate	Consumer	
Allowance for credit losses					
Beginning balance	\$ 14,840	\$ 4,186	\$ 4,374	\$ 3,578	\$ 26,978
PCD ACL on loans acquired	850	138	11	0	999
Provision for credit losses	4,128	1,044	2,398	735	8,305
Loans charged off	0	(143)	(83)	(243)	(469)
Recoveries	1	5	32	160	198
Total ending allowance balance	<u>\$ 19,819</u>	<u>\$ 5,230</u>	<u>\$ 6,732</u>	<u>\$ 4,230</u>	<u>\$ 36,011</u>

(In Thousands of Dollars)	Commercial		Residential		Total
	Real Estate	Commercial	Real Estate	Consumer	
Allowance for credit losses					
Beginning balance	\$ 15,879	\$ 4,949	\$ 4,870	\$ 3,688	\$ 29,386
(Credit) Provision for credit losses	(1,068)	601	53	399	(15)
Loans charged off	0	(1,878)	(43)	(630)	(2,551)
Recoveries	2	10	69	381	462
Total ending allowance balance	<u>\$ 14,813</u>	<u>\$ 3,682</u>	<u>\$ 4,949</u>	<u>\$ 3,838</u>	<u>\$ 27,282</u>

The cumulative loss rate used as the basis for the estimate of credit losses is comprised of the Company's historical loss experience from December 31, 2011 to **September 30, 2023** March 31, 2024. As of **September 30, 2023** March 31, 2024, the Company expects that the markets in which it operates will experience minimal changes to economic conditions, stable trend in unemployment rate, and a level trend of delinquencies. Management adjusted historical loss experience for these expectations. No reversion adjustments were necessary, as the starting point for the Company's estimate was a cumulative loss rate covering the expected contractual term of the portfolio. While there are many factors that go into the calculation of the allowance for credit losses, the change in the balances from **September 30, 2022** March 31, 2023 to **September 30, 2023** March 31, 2024 is largely attributed to improvements in the **Emlenton merger** Company's loss rates that anchor the qualitative factors and impact the quantitative reserve, reclassification of construction loan balances that were placed into their

permanent loan pool, adjustments made to the Commercial Staffing qualitative factor and release of reserves related to loans transferred to held for sale.

1312

The following tables present the amortized cost basis of loans on nonaccrual status and loans past due over 89 days still accruing as of September 30, 2023 March 31, 2024 and December 31, 2023:

(In Thousands of Dollars)	Nonaccrual with no allowance for credit loss	Nonaccrual with an allowance for credit loss	Loans past due over 89 days still accruing	Nonaccrual with no allowance for credit loss	Nonaccrual with an allowance for credit loss	Loans past due over 89 days still accruing
September 30, 2023						
March 31, 2024						
Commercial real estate						
Owner occupied	\$ 671	\$ 460	\$ 0	\$ 1,749	\$ 813	\$ 0
Non- owner occupied	1,848	4,876	0	92	163	0
Farmland	2,006	11	0	1,870	7	0
Other	0	90	0	0	72	0
Commercial Commercial and industrial	321	1,472	0	348	1,005	0
Agricultur al	213	272	0	192	287	0
Residential real estate						

1-4 family residential	382	3,526	1,020	364	2,804	1,245
Home equity lines of credit	264	228	188	206	197	42
Consumer						
Indirect	25	225	117	42	225	86
Direct	65	66	17	65	49	24
Other	0	5	0	0	4	0
Total loans	\$ 5,795	\$ 11,231	\$ 1,342	\$ 4,928	\$ 5,626	\$ 1,397

(In Thousands of Dollars)	Nonaccrual		
	with no allowance for credit loss	Nonaccrual with an allowance for credit loss	Loans past due over 89 days still accruing
December 31, 2023			
Commercial real estate			
Owner occupied	\$ 1,804	\$ 830	\$ 0
Non-owner occupied	19	1,491	0
Farmland	1,957	9	0
Other	0	80	0
Commercial			
Commercial and industrial	394	1,408	0
Agricultural	203	317	0
Residential real estate			
1-4 family residential	348	3,009	460
Home equity lines of credit	240	210	69
Consumer			
Indirect	22	300	125
Direct	65	69	1
Other	0	5	0
Total loans	\$ 5,052	\$ 7,728	\$ 655

The following table presents for the recorded investment period ending December 31, 2023 does not include a \$1.63 million non-owner occupied commercial real estate loan that was held-for-sale and in nonaccrual and loans status. There were

no nonaccrual or past due 90 days or more still on accrual by class of loans as of December 31, 2022: related to loans held-for-sale at March 31, 2024.

	December 31, 2022	
	Nonaccrual	Loans Past Due 90 Days or More Still Accruing
(In Thousands of Dollars)		
Commercial real estate		
Owner occupied	\$ 993	\$ 0
Non-owner occupied	3,031	0
Farmland	2,183	0
Other	33	0
Commercial		
Commercial and industrial	3,840	50
Agricultural	299	0
Residential real estate		
1-4 family residential	2,703	310
Home equity lines of credit	735	58
Consumer		
Indirect	313	62
Direct	179	12
Other	2	0
Total loans	\$ 14,311	\$ 492

14 13

The following tables present the amortized cost basis of collateral-dependent loans by class of loans as of September 30, 2023 March 31, 2024 and December 31, 2023:

(In Thousands of Dollars)	Real Estate	Business Assets	Vehicles	Cash	Real Estate	Business Assets	Vehicles	Cash

September 30, 2023									
March 31, 2024									
Commercial real estate									
Owner occupied	\$ 793	\$ 0	\$ 0	\$ 0	\$ 1,749	\$ 0	\$ 0	\$ 0	
Non-owner occupied	4,956	0	0	0	92	0	0	0	
Farmland	2,006	0	0	0	1,870	0	0	0	
Other	0	0	0	0	0	0	0	0	
Commercial									
Commercial and industrial	0	1,144	0	0	92	467	0	0	
Agricultural	0	213	0	0	0	192	0	0	
Residential real estate									
1-4 family residential	3,288	0	0	0	3,388	0	0	0	
Home equity lines of credit	397	0	0	0	252	0	0	0	
Consumer									
Indirect	0	0	59	0	0	0	68	0	
Direct	0	0	22	6	0	0	17	66	
Other	0	0	0	0	0	0	0	0	
Total loans	11,44			6					
	\$ 0	\$ 1,357	\$ 81	\$ 6	\$ 7,443	\$ 659	\$ 85	\$ 66	

(In Thousands of Dollars)	Real Estate	Business Assets	Vehicles	Cash
December 31, 2023				
Commercial real estate				
Owner occupied	\$ 1,804	\$ 0	\$ 0	\$ 0
Non-owner occupied	1,335	0	0	0
Farmland	1,957	0	0	0
Other	0	0	0	0
Commercial				

Commercial and industrial	94	867	0	0
Agricultural	0	203	0	0
Residential real estate				
1-4 family residential	3,352	0	0	0
Home equity lines of credit	294	0	0	0
Consumer				
Indirect	0	0	53	0
Direct	0	0	19	66
Other	0	0	0	0
Total loans	\$ 8,836	\$ 1,070	\$ 72	\$ 66

The following tables present the aging of the recorded investment in past due loans as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 by class of loans.

(In Thousands of Dollars)												
	30- 59 Day s	60- 89 Day s	Past Due and Non accr ual	Tota l Past Due	Loan s Not Past Due	Total	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due and Nonaccrual	Total Past Due	Loans Not Past Due	Total
Septemb er 30, 2023												
March 31, 2024												
Commerci al real estate												

Owner occupied	47	29	13	90	9,2	1,1	\$ 5	\$ 4	\$ 1	\$ 0	\$ 00	\$ 00	\$ 237	\$ 0	\$ 2,562	\$ 2,799	\$ 387,028	\$ 389,827
Non-owner occupied	0	0	4	4	60	84	0	0	255	255	704,447	704,702						
Farmland	90	0	0	7	7	09	26	2	360	1,877	2,239	199,335	201,574					
Other	0	0	90	90	72	62	50	0	72	122	243,616	243,738						
Commercial																		
Commercial and industrial	66	28	79	74	6,3	9,0	642	281	1,353	2,276	334,939	337,215						
Agricultural	32	8	10	48	82	50	321	2	479	802	58,603	59,405						
Residential real estate																		
1-4 family residential	7,	20	87	4,	13	82	7,404	2,189	4,413	14,006	822,199	836,205						
Home equity lines of credit	37	3	0	68	05	9,7	288	268	445	1,001	142,741	143,742						
Consumer																		
Indirect	1,	47	26	36	10	4,4	1,410	458	353	2,221	230,746	232,967						

Direct	24, 24,											
	12		14	30	61	92						
	6	34	8	8	6	4	116	35	138	289	22,362	22,651
Other	7,8 7,8											
	7	1	5	13	45	58	6	0	4	10	9,282	9,292
Total loan s	3,1 3,1											
	11	1,	18	31	36,	68,						
	,5	77	,3	,6	87	55						
	\$ 44	\$ 0	\$ 68	\$ 82	\$ 2	\$ 4	\$ 10,476	\$ 3,593	\$ 11,951	\$ 26,020	\$ 3,155,298	\$ 3,181,318

15

(In Thousands of Dollars)	90 Day s or Mor e											
	30- 59	60- 89	Past Due	Tota l	Loan s Not		30-59	60-89	90 Days or	Total	Loans Not	
	Day s	Day s	and Non	Past Due	Past Due	Total	Days Past	Days Past	More Past Due and Nonaccrual	Past Due	Past Due	Total
	Past Due	Past Due	accr ual	Past Due	Past Due	Total	Past Due	Past Due	Past Due	Past Due	Past Due	Total
December 31, 2022												
December 31, 2023												
Commercial real estate												
Owner occupied	32 33											
	1			1,	9,	0,						
	5		99	15	30	45						
	\$ 9	\$ 0	\$ 3	\$ 2	\$ 5	\$ 7	\$ 302	\$ 293	\$ 2,634	\$ 3,229	\$ 395,799	\$ 399,028
Non- owner occupied	56 56											
			3,	3,	0,	3,						
			03	03	01	04						
	0	0	1	1	3	4	90	0	1,510	1,600	710,195	711,795

Farmland	18 18											
	2, 2, 6, 8, 18 18 39 58											
	0	0	3	3	9	2	365	0	1,966	2,331	200,395	202,726
Other	13 13 3, 3, 28 32											
	0	0	33	33	8	1	0	0	80	80	223,697	223,777
Commercial												
Commercial and industrial	1, 28 29											
	0	1	3,	5,	9,	4,						
	3	8	89	10	29	40						
	4	5	0	9	7	6	540	199	1,802	2,541	345,278	347,819
Agricultural	1 58 58											
	0	2	29	42	,1	,5						
	4	0	9	3	66	89	292	40	520	852	58,223	59,075
Residential real estate												
1-4 family residential	4, 1, 46 47											
	2	7	3,	9,	6,	5,						
	4	7	01	03	31	34						
	7	5	3	5	3	8	6,819	4,488	3,817	15,124	828,437	843,561
Home equity lines of credit	13 13											
	1			1,	1,	2,						
	1	9	79	00	20	20						
	5	2	3	0	9	9	729	34	519	1,282	141,189	142,471
Consumer												
Indirect	1, 20 20											
	2	2		1,	2,	4,						
	6	9	37	94	68	62						
	7	8	5	0	3	3	2,045	289	447	2,781	232,105	234,886
Direct	2 15 16											
	3	7	19	49	,9	,4						
	4	0	1	5	62	57	153	23	135	311	23,514	23,825
Other	7, 7, 70 71											
	0	5	2	7	7	4	4	0	5	9	9,155	9,164

Total loans												
	7,	2,			2,	2,						
	1	4	14	24	0,	4,						
	6	4	,8	,4	34	75						
	<u>\$ 0</u>	<u>\$ 5</u>	<u>\$ 03</u>	<u>\$ 08</u>	<u>\$ 2</u>	<u>\$ 0</u>	<u>\$ 11,339</u>	<u>\$ 5,366</u>	<u>\$ 13,435</u>	<u>\$ 30,140</u>	<u>\$ 3,167,987</u>	<u>\$ 3,198,127</u>

Loan Restructurings

The Company adopted the accounting guidance in ASU No. 2022-02, effective as of January 1, 2023, which eliminates the recognition and measurement of troubled debt restructurings ("TDRs"). Due to the removal of the TDR designation, the Company evaluates all loan restructurings according to the accounting guidance for loan modifications to determine if the restructuring results in a new loan or a continuation of the existing loan. Loan modifications to borrowers experiencing financial difficulty that result in a direct change in the timing or amount of contractual cash flows include situations where there is principal forgiveness, interest rate reductions, other-than-insignificant payment delays, term extensions, and combinations of the listed modifications. Therefore, the disclosures related to loan restructurings are only for modifications that directly affect cash flows.

15

Any restructuring of a loan in which the borrower has experienced financial difficulty and the terms of the loan are more favorable than would generally be considered for borrowers with the same credit characteristics would be individually evaluated. Otherwise, the restructured loan remains in the appropriate segment in the ACL model.

16

The following table presents the amortized cost basis of loans that were both experiencing financial difficulty and modified during the three and nine months ended September 30, 2023 March 31, 2024 and March 31, 2023, by class and type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of financing receivable is also presented below:

Three Months Ended September 30, 2023	Amortized Cost

(In Thousands of Dollars)		Payment	Interest Rate	Combination	Total	% of Total
		Deferral	Reduction	Term Extension and Interest Rate Reduction		Class of Financing Receivable
Commercial						
Commercial and industrial		\$ 0	\$ 0	\$ 0	\$ 0	0.00 %
Residential real estate						
1-4 family residential		0	31	133	\$ 164	0.02 %
Total modifications to borrowers experiencing financial difficulty		<u>\$ 0</u>	<u>\$ 31</u>	<u>\$ 133</u>	<u>\$ 164</u>	0.01 %
Nine Months Ended September 30, 2023						
Commercial						
Commercial and industrial		\$ 50	\$ 0	\$ 0	\$ 50	0.01 %
Residential real estate						
1-4 family residential		0	31	133	\$ 164	0.02 %
Total modifications to borrowers experiencing financial difficulty		<u>\$ 50</u>	<u>\$ 31</u>	<u>\$ 133</u>	<u>\$ 214</u>	0.01 %

**Three Months Ended March 31,
2024**

2024		Amortized Cost					% of Total Class of Financing Receivable
		Payment Deferral	Principal Forgiveness	Interest Rate Reduction	Combination Term Extension and Interest Rate Reduction	Total	
(In Thousands of Dollars)							
Commercial real estate							
Non-owner occupied		\$ 0	\$ 74	\$ 0	\$ 0	\$ 74	0.01 %
Residential real estate							
Home equity lines of credit		0	0	29	0	29	0.02 %
Total modifications to borrowers experiencing financial difficulty		\$ 0	\$ 74	\$ 29	\$ 0	\$ 103	0.00 %

**Three Months Ended March 31,
2023**

		Amortized Cost				% of Total
		Payment	Principal	Interest Rate	Combination n Term Extension and Interest Rate	
(In Thousands of Dollars)		Deferral	Forgiveness	Reduction	Reduction	Class of Financing Receivable

(In Thousands of Dollars)	Payment Deferral	Principal Forgiveness	Interest Rate Reduction	Combination Term Extension and Interest Rate Reduction	Total	% of Total Class of Financing Receivable
Commercial						
Commercial and industrial	\$ 50	\$ 0	\$ 0	\$ 0	\$ 50	0.01 %
Total modifications to borrowers experiencing financial difficulty	\$ 50	\$ 0	\$ 0	\$ 0	\$ 50	0.00 %

The following table presents the financial effect of the loan modifications presented above to borrowers experiencing financial difficulty during the three and nine months ended September 30, 2023 March 31, 2024 and March 31, 2023:

	Payment Deferral	Interest Rate Reduction	Term Extension
	Weighted-Average Years Added to the Life	Weighted-Average Contractual Interest Rate	Weighted-Average Years Added to the Life
Three Months Ended September 30, 2023		From To	
Commercial			
Commercial and industrial			
Residential real estate			
1-4 family residential		4.77 % 3.38 %	5.0
Nine Months Ended September 30, 2023			
Commercial			
Commercial and industrial	0.5		
Residential real estate			
1-4 family residential		4.77 % 3.38 %	5.0

	Payment Deferral	Principal Forgiveness	Interest Rate Reduction
	Weighted-Average Years Added to the Life	Reduction of Amortized Cost Basis of the Loans	Weighted-Average Contractual Interest Rate
Three Months Ended March 31, 2024			From To
Commercial real estate			
Non-owner occupied		\$ 152	

Residential real estate		
Home equity lines of credit	10.25 %	5.00 %

17

	Payment Deferral	Principal Forgiveness	Interest Rate Reduction	
	Weighted-Average Years	Reduction of Amortized Cost	Weighted-Average	
	Added to the Life	Basis of the Loans	Contractual Interest Rate	
Three Months Ended March 31, 2023			From	To
Commercial				
Commercial and industrial	0.50			

16

The Company closely monitors the performance of the loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following table presents the performance of such loans that have been modified in the three and nine months ended September 30, 2023 March 31, 2024 and March 31, 2023:

Three Months Ended September 30, 2023	Payment status (Amortized cost Basis)					
Three Months Ended March 31, 2024				Payment status (Amortized cost Basis)		
(In Thousands of Dollars)	Curr ent	30-89 Days past due	90+ Days past due	Current	30-89 Days past due	90+ Days past due
Accrual restructured loans						
Commercial						
Commercial and industrial	\$ 0	\$ 0	\$ 0			
Residential real estate						
1-4 family residential	16					
	4	0	0			
Total accruing restructured loans	16					
	\$ 4	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

Nonaccrual restructured loans							
Commercial real estate							
Non-owner occupied				\$ 74	\$ 0	\$ 0	
Residential real estate							
Home equity lines of credit				29	0	0	
Total nonaccrual restructured loans	\$ 0	\$ 0	\$ 0	\$ 103	\$ 0	\$ 0	
Total restructured loans	16						
	\$ 4	\$ 0	\$ 0	\$ 103	\$ 0	\$ 0	

Nine Months Ended September 30, 2023		Payment status (Amortized cost Basis)					
Three Months Ended March 31, 2023					Payment status (Amortized cost Basis)		
(In Thousands of Dollars)	Curr ent	30-89 Days past due	90+ Days past due	Current	30-89 Days past due	90+ Days past due	
Commercial							
Commercial and industrial	\$ 50	\$ 0	\$ 0	\$ 50	\$ 0	\$ 0	
Residential real estate							
1-4 family residential	16						
	4	0	0				
Total accruing restructured loans	21						
	\$ 4	\$ 0	\$ 0	\$ 50	\$ 0	\$ 0	
Nonaccrual restructured loans							
Total nonaccrual restructured loans	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
Total restructured loans	21						
	\$ 4	\$ 0	\$ 0	\$ 50	\$ 0	\$ 0	

As of September 30, 2023 March 31, 2024, the Company had no commitments to lend any additional funds on restructured loans. As

The following table presents the amortized cost basis of September 30, 2023, the Company had no loans that defaulted had a payment default during the period three months ended March 31, 2024 and had been were modified preceding in the payment twelve months prior to that default when the borrower was to borrowers experiencing financially difficulty at the time

of modification. financial difficulty. For purposes of this disclosure a default occurs when within 12 months of the original modification, a loan is 30 days contractually past due under the modified terms. terms:

March 31, 2024	Amortized Cost			
	Payment	Principal	Interest Rate	Combination
	Deferral	Forgiveness	Reduction	Term
(In Thousands of Dollars)				Extension
				and Interest
				Rate
Residential real estate				Reduction
1-4 family residential	\$ 0	\$ 0	\$ 30	\$ 0
Total modifications to borrowers				
experiencing financial difficulty	\$ 0	\$ 0	\$ 30	\$ 0

As of March 31, 2023, the Company had no loans that defaulted during the period and had been modified preceding the payment default when the borrower was experiencing financial difficulty at the time of the modification.

Upon the Company's determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or portion of the loan) is written off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance of the credit losses is adjusted by the same amount.

Credit Quality Indicators

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company establishes a risk rating at origination for all commercial loan and commercial real estate relationships. For relationships over \$1 million, management monitors the loans on an ongoing basis for any changes in the borrower's ability to service their debt. Management also affirms the risk ratings for the loans in their respective portfolios on an annual basis. The Company uses the following definitions for risk ratings:

Special Mention. Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or

of 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.

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

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

18

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass rated loans.

As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, and based on the most recent analysis performed, the risk category of loans by class of loans is as follows:

(In Thousands of Dollars)	Special Mention Substandard							
	Pass	Special Mention	Substandard	Total	Pass	Special Mention	Substandard	Total
September 30, 2023								
March 31, 2024								
Commercial real estate								
Owner occupied	361,829	5,162	4,109	371,100	\$ 378,483	\$ 8,237	\$ 3,107	\$ 389,827
Non-owner occupied	654,469	29,884	26,531	710,884	643,226	28,110	33,366	704,702
Farmland	197,379		2,547	199,926	199,187	0	2,387	201,574
Other	212,514			212,662				
	4	0	148	2	235,405	0	8,333	243,738
Commercial								

Commercial and industrial	343,803	6,710	8,552	359,065	323,823	1,955	11,437	337,215
Agricultural	61,786	19	519	62,324	58,893	0	512	59,405
Total loans	1,831,780	41,775	42,406	1,915,961	1,839,017	38,302	59,142	1,936,461

(In Thousands of Dollars)	Pass	Special Mention	Substandard	Total	Pass	Special Mention	Substandard	Total
December 31, 2022								
December 31, 2023								
Commercial real estate								
Owner occupied	324,979	1,193	4,285	330,457	386,015	9,628	3,385	399,028
Non-owner occupied	527,267	25,541	10,236	563,044	648,063	27,938	35,794	711,795
Farmland	186,057		2,525	188,582	200,240	0	2,486	202,726
Other	133,218			133,321	215,459	0		215,459
Commercial								
Commercial and industrial	282,412		11,217	294,406	334,764	646	12,409	347,819
Agricultural	58,002	250	337	58,589	58,506	17	552	59,075
Total loans	1,511,935	27,761	28,703	1,568,399	1,843,047	38,229	62,944	1,944,220

The Company considers the performance of the loan portfolio and its impact on the allowance for credit losses. For residential, consumer indirect and direct loan classes, the Company evaluates credit quality based on the aging status of the

loan, which was previously presented, and by payment activity. The above table for the period ending December 31, 2023 does not include a \$1.63 million non-owner occupied commercial real estate loan that was held-for-sale and risk rated substandard. There were no special mention or substandard loans related to loans held-for-sale at March 31, 2024. In the 1-4 family residential real estate portfolio at September 30, 2023 March 31, 2024, other real estate owned and foreclosure properties were \$34 58 thousand and \$194 271 thousand, respectively. At December 31, 2022 December 31, 2023, other real estate owned and foreclosure properties were \$0 92 thousand and \$129 207 thousand, respectively.

The following tables present the recorded investment in residential, consumer indirect and direct auto loans based on payment activity as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023. Nonperforming loans are loans past due 90 days or more and still accruing interest and nonaccrual loans.

(In Thousands of Dollars)	Residential Real Estate									
	Estate		Consumer			Residential Real Estate		Consumer		
	1-4 Family Residential	Home Equity Lines of Credit	Indirect	Direct	Other	1-4 Family Residential	Home Equity Lines of Credit	Indirect	Direct	Other
September 30, 2023										
March 31, 2024										
Performing	837, \$ 559	140,1 \$ 24	236, \$ 153	24, \$ 776	7,8 \$ 53	\$ 831,792	\$ 143,297	\$ 232,614	\$ 22,513	\$ 9,288
Nonperforming	4,92 8	680	367	148	5	4,413	445	353	138	4
Total loans	842, \$ 487	140,8 \$ 04	236, \$ 520	24, \$ 924	7,8 \$ 58	\$ 836,205	\$ 143,742	\$ 232,967	\$ 22,651	\$ 9,292

(In Thousands of Dollars)	Residential Real Estate									
	Estate		Consumer			Residential Real Estate		Consumer		
	1-4 Family Residential	Home Equity Lines of Credit	Indirect	Direct	Other	1-4 Family Residential	Home Equity Lines of Credit	Indirect	Direct	Other
December 31, 2022										

**December
31, 2023**

Performing	472, \$ 335	131,4 \$ 16	204, \$ 248	16, \$ 266	7,7 \$ 12	\$ 839,744	\$ 141,952	\$ 234,439	\$ 23,690	\$ 9,159
Nonperforming	3,01 3	793	375	191	2	3,817	519	447	135	5
Total loans	475, \$ 348	132,2 \$ 09	204, \$ 623	16, \$ 457	7,7 \$ 14	\$ 843,561	\$ 142,471	\$ 234,886	\$ 23,825	\$ 9,164

19

The following table presents total loans by risk categories and year of **origination**.

Term Loans Amortized Cost Basis by Origination Year								
As of September 30, 2023	2023	2022	2021	2020	2019	Prior	Revolving Loans	Total
Commercial real estate								
Risk Rating								
Pass	\$ 87,056	\$ 253,341	\$ 222,515	\$ 140,858	\$ 149,353	\$ 359,884	\$ 15,805	\$ 1,228,812
Special mention	0	0	3,975	12,986	7,597	10,488	0	35,046
Substandard	0	0	1,562	3,815	2,019	22,288	1,104	30,788
Total commercial real estate loans	\$ 87,056	\$ 253,341	\$ 228,052	\$ 157,659	\$ 158,969	\$ 392,660	\$ 16,909	\$ 1,294,644
Commercial real estate current period gross write-offs								
	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1	\$ 156	\$ 0	\$ 157
Commercial and industrial								
Risk Rating								
Pass	\$ 78,583	\$ 90,418	\$ 45,021	\$ 23,670	\$ 11,728	\$ 26,726	\$ 67,657	\$ 343,803
Special mention	0	562	405	23	1,012	0	4,708	6,710

Substandard	73	3,417	393	548	134	1,034	2,953	8,552
Total commercial loans	\$ 78,656	\$ 94,397	\$ 45,819	\$ 24,241	\$ 12,874	\$ 27,760	\$ 75,318	\$ 359,065
Commercial and industrial current period gross write-offs	\$ 0	\$ 100	\$ 385	\$ 11	\$ 16	\$ 311	\$ 0	\$ 823
Agricultural								
Risk Rating								
Pass	\$ 28,887	\$ 58,199	\$ 31,172	\$ 39,012	\$ 20,733	\$ 62,591	\$ 18,571	\$ 259,165
Special mention	0	0	0	0	0	0	19	19
Substandard	0	33	407	236	55	2,335	0	3,066
Total agricultural loans	\$ 28,887	\$ 58,232	\$ 31,579	\$ 39,248	\$ 20,788	\$ 64,926	\$ 18,590	\$ 262,250
Agricultural current period gross write-offs	\$ 0	\$ 15	\$ 44	\$ 0	\$ 0	\$ 9	\$ 0	\$ 68
Residential real estate								
Risk Rating								
Pass	\$ 43,418	\$ 174,241	\$ 167,016	\$ 135,261	\$ 50,313	\$ 255,817	\$ 3,626	\$ 829,692
Special mention	0	0	0	67	111	317	0	495
Substandard	0	47	497	2,430	372	8,954	0	12,300
Total residential real estate loans	\$ 43,418	\$ 174,288	\$ 167,513	\$ 137,758	\$ 50,796	\$ 265,088	\$ 3,626	\$ 842,487
Residential real estate current period gross write-offs	\$ 0	\$ 0	\$ 0	\$ 130	\$ 0	\$ 109	\$ 0	\$ 239
Home equity lines of credit								
Risk Rating								
Pass	\$ 0	\$ 0	\$ 10	\$ 46	\$ 7	\$ 1,969	\$ 136,289	\$ 138,321
Special mention	0	0	0	0	0	0	0	0
Substandard	0	26	50	82	67	2,159	99	2,483
Total home equity lines of credit	\$ 0	\$ 26	\$ 60	\$ 128	\$ 74	\$ 4,128	\$ 136,388	\$ 140,804
Home equity lines of credit current period gross write-offs	\$ 0	\$ 0	\$ 0	\$ 8	\$ 0	\$ 4	\$ 0	\$ 12
Consumer								
Risk Rating								

Pass	\$ 64,301	\$ 81,221	\$ 37,731	\$ 24,586	\$ 14,156	\$ 38,723	\$ 7,669	\$ 268,387
Substandard	0	157	170	213	153	221	1	915
Total consumer loans	\$ 64,301	\$ 81,378	\$ 37,901	\$ 24,799	\$ 14,309	\$ 38,944	\$ 7,670	\$ 269,302

Consumer current period gross

write-offs	\$ 0	\$ 121	\$ 68	\$ 82	\$ 31	\$ 276	\$ 88	\$ 666
------------	------	--------	-------	-------	-------	--------	-------	--------

Term Loans Amortized Cost Basis by Origination Year								
As of March 31, 2024							Revolving	Total
	2024	2023	2022	2021	2020	Prior	Loans	
Commercial real estate - Owner occupied:								
Risk Rating								
Pass	\$ 1,479	\$ 59,963	\$ 57,271	\$ 65,103	\$ 42,060	\$ 150,109	\$ 2,498	\$ 378,483
Special mention	0	0	0	0	7,691	546	0	8,237
Substandard	0	0	292	0	8	2,616	191	3,107
Total commercial real estate								
- Owner occupied loans	\$ 1,479	\$ 59,963	\$ 57,563	\$ 65,103	\$ 49,759	\$ 153,271	\$ 2,689	\$ 389,827
Commercial real estate - Owner Occupied: Current period gross write-offs	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Commercial real estate - Non-owner occupied:								
Risk Rating								
Pass	\$ 5,408	\$ 49,933	\$ 132,435	\$ 87,279	\$ 75,428	\$ 283,327	\$ 9,416	\$ 643,226
Special mention	0	0	0	12,356	0	15,754	0	28,110
Substandard	0	0	0	3,969	8,784	20,193	420	33,366
Total commercial real estate				103,60				
- Non-owner occupied loans	\$ 5,408	\$ 49,933	\$ 132,435	\$ 4	\$ 84,212	\$ 319,274	\$ 9,836	\$ 704,702
Commercial real estate - Non-owner occupied: Current period gross write-offs	\$ 0	\$ 0	\$ 0	\$ 0	\$ 146	\$ 0	\$ 0	\$ 146
Commercial real estate - Farmland:								

Risk Rating								
Pass	\$ 6,190	\$ 20,108	\$ 39,777	\$ 20,697	\$ 33,232	\$ 76,455	\$ 2,728	\$ 199,187
Special mention	0	0	0	0	0	0	0	0
Substandard	0	0	0	326	0	2,061	0	2,387
Total commercial real estate								
- Farmland loans	<u>\$ 6,190</u>	<u>\$ 20,108</u>	<u>\$ 39,777</u>	<u>\$ 21,023</u>	<u>\$ 33,232</u>	<u>\$ 78,516</u>	<u>\$ 2,728</u>	<u>\$ 201,574</u>
Commercial real estate - Farmland:								
Current period gross write-offs	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Commercial real estate - Other:								
Risk Rating								
Pass	\$ 2,938	\$ 82,299	\$ 66,062	\$ 47,106	\$ 8,961	\$ 26,730	\$ 1,309	\$ 235,405
Special mention	0	0	0	0	0	0	0	0
Substandard	0	0	0	0	8,214	119	0	8,333
Total commercial real estate								
- Other loans	<u>\$ 2,938</u>	<u>\$ 82,299</u>	<u>\$ 66,062</u>	<u>\$ 47,106</u>	<u>\$ 17,175</u>	<u>\$ 26,849</u>	<u>\$ 1,309</u>	<u>\$ 243,738</u>
Commercial real estate - Other:								
Current period gross write-offs	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Term Loans Amortized Cost Basis by Origination Year (Continued)								
As of March 31, 2024							Revolving	Total
	2024	2023	2022	2021	2020	Prior	Loans	
Commercial - Commercial and industrial:								
Risk Rating								
	10,51							
Pass	\$ 9	\$ 87,678	\$ 77,841	\$ 35,474	\$ 18,454	\$ 28,830	\$ 65,027	\$ 323,823

Special mention	0	0	124	271	0	0	1,560	1,955
Substandard	0	63	3,529	1,014	215	1,426	5,190	11,437
Total commercial -								
Commercial and industrial	10,51							
loans	\$ 9	\$ 87,741	\$ 81,494	\$ 36,759	\$ 18,669	\$ 30,256	\$ 71,777	\$ 337,215
Commercial - Commercial and								
industrial: Current period gross write-								
offs	\$ 0	\$ 88	\$ 31	\$ 18	\$ 17	\$ 126	\$ 313	\$ 593
Commercial - Agricultural:								
Risk Rating								
Pass	\$ 2,424	\$ 13,792	\$ 16,247	\$ 7,888	\$ 3,233	\$ 1,953	\$ 13,356	\$ 58,893
Special mention	0	0	0	0	0	0	0	0
Substandard	0	2	32	120	216	142	0	512
Total commercial -								
Agricultural loans	\$ 2,424	\$ 13,794	\$ 16,279	\$ 8,008	\$ 3,449	\$ 2,095	\$ 13,356	\$ 59,405
Commercial - Agricultural: Current								
period gross write-offs	\$ 0	\$ 0	\$ 36	\$ 13	\$ 0	\$ 1	\$ 0	\$ 50
Residential real estate - 1-4 family								
residential:								
Payment Performance								
				162,22				
Performing	\$ 8,844	\$ 68,468	\$ 166,790	\$ 3	\$ 129,972	\$ 291,498	\$ 3,997	\$ 831,792
Nonperforming	0	0	252	451	1,795	1,915	0	4,413
Total residential real estate -				162,67				
1-4 family residential loans	\$ 8,844	\$ 68,468	\$ 167,042	\$ 4	\$ 131,767	\$ 293,413	\$ 3,997	\$ 836,205
Residential real estate - 1-4 family								
residential: Current period gross write-								
offs	\$ 0	\$ 0	\$ 0	\$ 21	\$ 0	\$ 9	\$ 0	\$ 30
Residential real estate - Home equity								
lines of credit:								

Payment Performance								
Performing	\$ 0	\$ 101	\$ 19	\$ 131	\$ 110	\$ 3,359	\$ 139,577	\$ 143,297
Nonperforming	0	0	29	0	0	416	0	445
Total residential real estate - Home equity lines of credit loans	<u>\$ 0</u>	<u>\$ 101</u>	<u>\$ 48</u>	<u>\$ 131</u>	<u>\$ 110</u>	<u>\$ 3,775</u>	<u>\$ 139,577</u>	<u>\$ 143,742</u>
Residential real estate - Home equity lines of credit: Current period gross write-offs	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Term Loans Amortized Cost Basis by Origination Year								
As of December 31, 2022							Revolving	
	2022	2021	2020	2019	2018	Prior	Loans	Total
Commercial real estate								
Risk Rating								
Pass	\$ 188,240	\$ 174,841	\$ 120,883	\$ 138,342	\$ 89,769	\$ 256,103	\$ 17,286	\$ 985,464
Special mention	0	711	1,861	5,286	624	18,252	0	26,734
Substandard	0	18	256	1,968	267	10,952	1,163	14,624
Total commercial real estate loans	<u>\$ 188,240</u>	<u>\$ 175,570</u>	<u>\$ 123,000</u>	<u>\$ 145,596</u>	<u>\$ 90,660</u>	<u>\$ 285,307</u>	<u>\$ 18,449</u>	<u>\$ 1,026,822</u>
Commercial								
Risk Rating								
Pass	\$ 100,368	\$ 45,872	\$ 34,110	\$ 16,854	\$ 13,574	\$ 14,664	\$ 56,970	\$ 282,412
Special mention	0	197	0	0	0	0	580	777
Substandard	3,642	1,331	356	152	110	1,761	3,865	11,217
Total commercial loans	<u>\$ 104,010</u>	<u>\$ 47,400</u>	<u>\$ 34,466</u>	<u>\$ 17,006</u>	<u>\$ 13,684</u>	<u>\$ 16,425</u>	<u>\$ 61,415</u>	<u>\$ 294,406</u>
Agricultural								
Risk Rating								
Pass	\$ 51,096	\$ 36,376	\$ 44,133	\$ 23,661	\$ 24,003	\$ 45,490	\$ 19,300	\$ 244,059
Special mention	0	0	0	0	0	0	250	250
Substandard	0	379	235	72	0	2,146	30	2,862
Total agricultural loans	<u>\$ 51,096</u>	<u>\$ 36,755</u>	<u>\$ 44,368</u>	<u>\$ 23,733</u>	<u>\$ 24,003</u>	<u>\$ 47,636</u>	<u>\$ 19,580</u>	<u>\$ 247,171</u>

Residential real estate								
Risk Rating								
Pass	\$ 83,951	\$ 112,463	\$ 76,095	\$ 31,404	\$ 22,918	\$ 135,757	\$ 3,956	\$ 466,544
Special mention	0	0	70	118	76	93	0	357
Substandard	0	136	249	121	9	7,932	0	8,447
Total residential real estate loans	<u>\$ 83,951</u>	<u>\$ 112,599</u>	<u>\$ 76,414</u>	<u>\$ 31,643</u>	<u>\$ 23,003</u>	<u>\$ 143,782</u>	<u>\$ 3,956</u>	<u>\$ 475,348</u>
Home equity lines of credit								
Risk Rating								
Pass	\$ 0	\$ 10	\$ 0	\$ 0	\$ 16	\$ 1,394	\$ 128,622	\$ 130,042
Special mention	0	0	0	0	0	0	49	49
Substandard	0	13	137	20	0	1,848	100	2,118
Total home equity lines of credit	<u>\$ 0</u>	<u>\$ 23</u>	<u>\$ 137</u>	<u>\$ 20</u>	<u>\$ 16</u>	<u>\$ 3,242</u>	<u>\$ 128,771</u>	<u>\$ 132,209</u>
Consumer								
Risk Rating								
Pass	\$ 98,530	\$ 46,945	\$ 32,284	\$ 20,849	\$ 10,918	\$ 10,942	\$ 7,302	\$ 227,770
Special mention	0	0	0	0	0	0	0	0
Substandard	102	113	267	230	109	202	1	1,024
Total consumer loans	<u>\$ 98,632</u>	<u>\$ 47,058</u>	<u>\$ 32,551</u>	<u>\$ 21,079</u>	<u>\$ 11,027</u>	<u>\$ 11,144</u>	<u>\$ 7,303</u>	<u>\$ 228,794</u>

21

Term Loans Amortized Cost Basis by Origination Year (Continued)								
As of March 31, 2024							Revolving	Total
	2024	2023	2022	2021	2020	Prior	Loans	
Consumer - Indirect:								
Payment Performance								
	16,16							
Performing	\$ 0	\$ 70,594	\$ 66,018	\$ 30,083	\$ 19,262	\$ 30,497	\$ 0	\$ 232,614

Nonperforming	0	21	118	107	44	63	0	353
Total consumer - Indirect	16,16							
loans	\$ 0	\$ 70,615	\$ 66,136	\$ 30,190	\$ 19,306	\$ 30,560	\$ 0	\$ 232,967
Consumer - Indirect: Current period								
gross write-offs	\$ 10	\$ 11	\$ 41	\$ 106	\$ 77	\$ 119	\$ 0	\$ 364
Consumer - Direct:								
Payment Performance								
Performing	\$ 877	\$ 3,244	\$ 3,366	\$ 1,912	\$ 1,187	\$ 11,576	\$ 351	\$ 22,513
Nonperforming	0	5	7	18	66	42	0	138
Total consumer - Direct loans	\$ 877	\$ 3,249	\$ 3,373	\$ 1,930	\$ 1,253	\$ 11,618	\$ 351	\$ 22,651
Consumer - Direct: Current period								
gross write-offs	\$ 0	\$ 0	\$ 12	\$ 0	\$ 2	\$ 40	\$ 0	\$ 54
Consumer - Other:								
Payment Performance								
Performing	\$ 0	\$ 0	\$ 1	\$ 60	\$ 101	\$ 324	\$ 8,802	\$ 9,288
Nonperforming	0	0	0	0	0	4	0	4
Total consumer - Other loans	\$ 0	\$ 0	\$ 1	\$ 60	\$ 101	\$ 328	\$ 8,802	\$ 9,292
Consumer - Other: Current period								
gross write-offs	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 45	\$ 0	\$ 45

Term Loans Amortized Cost Basis by Origination Year								
As of December 31, 2023							Revolving	Total
	2023	2022	2021	2020	2019	Prior	Loans	
Commercial real estate - Owner occupied:								

Risk Rating								
	57,98							
Pass	\$ 3	\$ 58,178	\$ 66,205	\$ 42,023	\$ 48,849	\$ 109,831	\$ 2,946	\$ 386,015
Special mention	0	293	0	8,779	0	556	0	9,628
Substandard	0	0	0	10	490	2,701	184	3,385
Total commercial real estate	57,98							
- Owner occupied loans	<u>\$ 3</u>	<u>\$ 58,471</u>	<u>\$ 66,205</u>	<u>\$ 50,812</u>	<u>\$ 49,339</u>	<u>\$ 113,088</u>	<u>\$ 3,130</u>	<u>\$ 399,028</u>
Commercial real estate - Owner								
Occupied: Current period gross write-offs	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1</u>
Commercial real estate - Non-owner occupied:								
Risk Rating								
	49,17							
Pass	\$ 7	\$ 135,433	\$ 88,188	\$ 77,713	\$ 81,079	\$ 205,729	\$ 10,744	\$ 648,063
Special mention	0	0	12,156	0	6,565	9,217	0	27,938
Substandard	0	0	3,972	10,037	3,492	17,794	499	35,794
Total commercial real estate	49,17							
- Non-owner occupied loans	<u>\$ 7</u>	<u>\$ 135,433</u>	<u>\$ 104,316</u>	<u>\$ 87,750</u>	<u>\$ 91,136</u>	<u>\$ 232,740</u>	<u>\$ 11,243</u>	<u>\$ 711,795</u>
Commercial real estate - Non-owner occupied: Current period gross write-offs	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 144</u>	<u>\$ 201</u>	<u>\$ 0</u>	<u>\$ 345</u>
Commercial real estate - Farmland:								
Risk Rating								
	22,57							
Pass	\$ 6	\$ 40,101	\$ 20,890	\$ 34,036	\$ 18,634	\$ 59,900	\$ 4,103	\$ 200,240
Special mention	0	0	0	0	0	0	0	0
Substandard	0	0	330	0	26	2,130	0	2,486
Total commercial real estate	22,57							
- Farmland loans	<u>\$ 6</u>	<u>\$ 40,101</u>	<u>\$ 21,220</u>	<u>\$ 34,036</u>	<u>\$ 18,660</u>	<u>\$ 62,030</u>	<u>\$ 4,103</u>	<u>\$ 202,726</u>

Commercial real estate - Farmland:	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3	\$ 0	\$ 3
Current period gross write-offs								
Commercial real estate - Other:								
Risk Rating								
	68,91							
Pass	\$ 1	\$ 56,753	\$ 47,895	\$ 9,063	\$ 8,516	\$ 23,269	\$ 1,052	\$ 215,459
Special mention	0	0	0	0	0	0	0	0
Substandard	0	0	0	8,186	0	132	0	8,318
Total commercial real estate	68,91							
- Other loans	\$ 1	\$ 56,753	\$ 47,895	\$ 17,249	\$ 8,516	\$ 23,401	\$ 1,052	\$ 223,777
Commercial real estate - Other:								
Current period gross write-offs	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

23

Term Loans Amortized Cost Basis by Origination Year (Continued)								
As of December 31, 2023							Revolving	
	2023	2022	2021	2020	2019	Prior	Loans	Total
Commercial - Commercial and industrial:								
Risk Rating								
	90,80							
Pass	\$ 7	\$ 85,255	\$ 40,444	\$ 21,794	\$ 9,736	\$ 23,030	\$ 63,698	\$ 334,764
Special mention	0	141	355	21	0	0	129	646
Substandard	195	3,551	980	404	1,077	699	5,503	12,409
Total commercial - Commercial and industrial loans	91,00							
	\$ 2	\$ 88,947	\$ 41,779	\$ 22,219	\$ 10,813	\$ 23,729	\$ 69,330	\$ 347,819

Commercial - Commercial and industrial: Current period gross write-offs	\$ 0	\$ 178	\$ 579	\$ 11	\$ 16	\$ 394	\$ 0	\$ 1,178
Commercial - Agricultural:								
Risk Rating								
	13,73							
Pass	\$ 8	\$ 17,368	\$ 8,917	\$ 3,584	\$ 1,386	\$ 1,133	\$ 12,380	\$ 58,506
Special mention	0	0	0	0	0	0	17	17
Substandard	0	33	118	225	24	152	0	552
Total commercial - Agricultural loans	13,73							
	\$ 8	\$ 17,401	\$ 9,035	\$ 3,809	\$ 1,410	\$ 1,285	\$ 12,397	\$ 59,075
Commercial - Agricultural: Current period gross write-offs	\$ 0	\$ 15	\$ 70	\$ 3	\$ 0	\$ 6	\$ 0	\$ 94
Residential real estate - 1-4 family residential:								
Payment Performance								
	63,36			132,98				
Performing	\$ 5	\$ 171,862	\$ 164,469	\$ 9	\$ 49,380	\$ 254,027	\$ 3,652	\$ 839,744
Nonperforming	37	58	312	1,645	115	1,650	0	3,817
Total residential real estate - 1-4 family residential loans	63,40			134,63				
	\$ 2	\$ 171,920	\$ 164,781	\$ 4	\$ 49,495	\$ 255,677	\$ 3,652	\$ 843,561
Residential real estate - 1-4 family residential: Current period gross write-offs	\$ 52	\$ 0	\$ 49	\$ 130	\$ 0	\$ 129	\$ 0	\$ 360
Residential real estate - Home equity lines of credit:								
Payment Performance								
Performing	\$ 0	\$ 19	\$ 14	\$ 111	\$ 51	\$ 3,302	\$ 138,455	\$ 141,952
Nonperforming	0	26	13	15	0	465	0	519

Total residential real estate -	\$	0	\$	45	\$	27	\$	126	\$	51	\$	3,767	\$	138,455	\$	142,471
Home equity lines of credit																
loans																
Residential real estate - Home equity																
lines of credit: Current period gross																
write-offs	\$	0	\$	0	\$	0	\$	8	\$	0	\$	16	\$	0	\$	24

24

Term Loans Amortized Cost Basis by Origination Year (Continued)								
As of December 31, 2023							Revolving	Total
	2023	2022	2021	2020	2019	Prior	Loans	
Consumer - Indirect:								
Payment Performance								
	74,42							
Performing	\$ 5	\$ 71,705	\$ 32,528	\$ 21,163	\$ 11,395	\$ 23,223	\$ 0	\$ 234,439
Nonperforming	54	108	138	85	26	36	0	447
Total consumer - Indirect	74,47							
loans	\$ 9	\$ 71,813	\$ 32,666	\$ 21,248	\$ 11,421	\$ 23,259	\$ 0	\$ 234,886
Consumer - Indirect: Current period								
gross write-offs	\$ 33	\$ 138	\$ 71	\$ 35	\$ 23	\$ 232	\$ 0	\$ 532
Consumer - Direct:								
Payment Performance								
Performing	\$ 3,552	\$ 3,812	\$ 2,203	\$ 1,352	\$ 974	\$ 11,431	\$ 366	\$ 23,690
Nonperforming	0	17	-	65	-	53	0	135
Total consumer - Direct loans	\$ 3,552	\$ 3,829	\$ 2,203	\$ 1,417	\$ 974	\$ 11,484	\$ 366	\$ 23,825
Consumer - Direct: Current period								
gross write-offs	\$ 11	\$ 38	\$ 22	\$ 51	\$ 9	\$ 100	\$ 0	\$ 231

Consumer - Other:								
Payment Performance								
Performing	\$ 0	\$ 0	\$ 60	\$ 103	\$ 82	\$ 278	\$ 8,636	\$ 9,159
Nonperforming	0	0	0	0	0	5	0	5
Total consumer - Other loans	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 60</u>	<u>\$ 103</u>	<u>\$ 82</u>	<u>\$ 283</u>	<u>\$ 8,636</u>	<u>\$ 9,164</u>
Consumer - Other: Current period								
gross write-offs	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 20</u>	<u>\$ 149</u>	<u>\$ 169</u>

The Company follows ASU 2016-13 to calculate the allowance for credit losses which requires projecting credit losses over the lifetime of the credits. The ACL is adjusted through the provision for credit losses and reduced by net charge offs of loans. Although the Company has a diversified loan portfolio, the credit risk in the loan portfolio is largely influenced by general economic conditions and trends of the counties and markets in which the debtors operate, and the resulting impact on the operations of borrowers or on the value of any underlying collateral.

The credit loss estimation process involves procedures that consider the unique characteristics of the Company's loan portfolio segments. These segments are disaggregated into the loan pools for monitoring. A model of risk characteristics, such as loss history and delinquency experience, trends in past due and non-performing loans, as well as existing economic conditions and supportable forecasts are used to determine credit loss assumptions.

The Company uses two methodologies to analyze loan pools. The cohort method and the **probability of default/loss given default ("PD/LGD, LGD")**. Cohort relies on the creation of cohorts to capture loans that qualify for a particular segment, as of a point in time. Those loans are then tracked over their remaining lives to determine their loss experience. The Company aggregates financial assets on the basis of similar risk characteristics when evaluating loans on a collective basis. Those characteristics include, but are not limited to, internal or external credit score, risk ratings, financial asset, loan type, collateral type, size, effective interest rate, term, or geographical location. The Company uses cohort primarily for consumer loan portfolios.

21

The probability of default portion of PD/LGD is defined by the Company as 90 days past due, placed on non-accrual, loan restructuring for borrowers experiencing financial difficulty or is partially, or wholly, charged-off. Typically, a one-year time period is used to **asses PD, assess probability of default ("PD")**. PD can be measured and applied using various risk criteria. Risk rating is one common way to apply PDs. Loss given default LGD is to determine the percentage of loss by facility or collateral type. LGD estimates can sometimes be driven, or influenced, by product type, industry or geography. The Company uses PD/LGD primarily for commercial loan portfolios.

25

The following table presents the loan pools and the associated methodology used during the calculation of the allowance for credit losses in 2023, 2024.

Portfolio Segments	Loan Pool	Methodology	Loss Drivers
Residential real estate	1-4 Family Residential Real Estate - 1st Liens	Cohort	Credit Loss History
	1-4 Family Residential Real Estate - 2nd Liens	Cohort	Credit Loss History
Home Equity Lines of Credit	Home Equity Lines of Credit	Cohort	Credit Loss History
Consumer Finance	Cash Reserves	Cohort	Credit Loss History
	Direct	Cohort	Credit Loss History
	Indirect	Cohort	Credit Loss History
Commercial	Commercial and Industrial	PD/LGD	Credit Loss History
	Agricultural	PD/LGD	Credit Loss History
	Municipal	PD/LGD	Credit Loss History
Commercial real estate	Owner Occupied	PD/LGD	Credit Loss History
	Non-Owner Occupied	PD/LGD	Credit Loss History
	Multifamily	PD/LGD	Credit Loss History
	Farmland	PD/LGD	Credit Loss History
	Construction	PD/LGD	Credit Loss History

According to the accounting standard, an entity may make an accounting policy election not to measure an allowance for credit losses for accrued interest receivable if the entity writes off the applicable accrued interest receivable balance in a timely manner. The Company has made the accounting policy election not to measure an allowance for credit losses for accrued interest receivables for all loan segments. Current policy dictates that a loan will be placed on nonaccrual status, with the current accrued interest receivable balance being written off, upon the loan being 90 days delinquent or when the loan is deemed to be collateral dependent and the collateral analysis shows insufficient collateral coverage based on a current assessment of the value of the collateral.

In addition, ASC Topic 326 requires the Company to establish a liability for anticipated credit losses for unfunded commitments. To accomplish this, the Company must first establish a loss expectation for extended (funded) commitments. This loss expectation, expressed as a ratio to the amortized cost basis, is then applied to the portion of unfunded commitments not considered unilaterally cancelable, and considered by the company's management as likely to fund over the life of the instrument. At September 30, 2023 March 31, 2024, the Company had \$756 717 million in unfunded commitments and set aside \$2.04 1.66 million in anticipated credit losses. At December 31, 2023, the Company had \$753 million in

unfunded commitments and set aside \$1.84 million in anticipated credit losses. The \$36 million decrease in unfunded commitments and \$180 thousand decrease in the reserve for anticipated credit losses is due to existing construction loan projects that are moving forward and advances are being made to the loan. This reserve is recorded in other liabilities as opposed to the ACL.

The determination of the ACL is complex and the Company makes decisions on the effects of factors that are inherently uncertain. Evaluations of the loan portfolio and individual credits require certain estimates, assumptions and judgments as to the facts and circumstances related to particular situations or credits. The ACL was \$34.8 33.2 million at September 30, 2023 March 31, 2024 and \$35.0 34.4 million at June 30, 2023 December 31, 2023. The decrease of \$197 1.3 thousand million was due to the adjustments made to the Commercial Staffing qualitative factor a reduction of specific reserve and the conversion of construction loan balances into their permanent loan pool improved historical loss rates. These factors were partially offset by increases to specific reserves an increased Portfolio Composition and Growth qualitative factor for commercial real estate construction loans due to updated valuations and new individually evaluated increasing loan relationships balances.

Purchased Loans

As a result of the Emlenton Merger, the Company acquired \$740.7 million in loans.

	2023
Par value of acquired loans at acquisition	\$ 797,616
Net purchase discount	(55,958)
Allowance for credit losses of PCD loans	(999)
Purchase price of loans at acquisition	\$ 740,659

Under ASU Topic 326, when loans are purchased with evidence of more than significant deterioration of credit, they are accounted for as purchase credit deteriorated (“PCD”). PCD loans acquired in a transaction are marked to fair value and a mark on yield is recorded. In addition, an adjustment is made to the ACL for the expected loss on the acquisition date. These loans are assessed on a regular basis and subsequent adjustments to the ACL are recorded on the income statement. During 2023, 2024, the Company has not acquired any additional PCD loans with a fair value of \$25.9 million, credit discount of \$999

thousand and a noncredit discount of \$5.5 million. loans. The outstanding balance at September 30, 2023 March 31, 2024 and related allowance on PCD loans is as follows:

	Loan Balance		ACL Balance		Loan Balance		ACL Balance	
Commercial real estate								
Owner Occupied	\$	1,027	\$	20	\$	386	\$	17
Non-owner Occupied		35,522		1,167		30,441		618
Farmland		11		0		7		0
Commercial								
Commercial and industrial		2,301		130		1,960		132
Agricultural		149		8		117		7
Residential real estate								
1-4 family residential		3,475		20		1,182		6
Home equity lines of credit		3		0		3		0
Total	\$	42,488	\$	1,345	\$	34,096	\$	780

Revenue from Contracts with Customers:

All material revenue from contracts with customers in the scope of ASC 606 is recognized within noninterest income. ASC 606 rules govern the disclosure of revenue tied to contracts. The following table presents the Company's noninterest income by revenue stream and reportable segment, net of eliminations, for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023.

(In Thousands of Dollars)	Trust Segment	Bank Segment	Totals	Trust Segment	Bank Segment	Totals
For Three Months Ended September 30, 2023						
For Three Months Ended March 31, 2024						
		1,71	1,71			
Service charges on deposit accounts	\$ 0	\$ 2	\$ 2	\$ 0	\$ 1,583	\$ 1,583
		1,76	1,76			
Debit card and EFT fees	0	3	3	0	1,567	1,567
	2,61		2,61			
Trust fees	7	0	7	2,793	0	2,793

		1,11	1,11			
Insurance agency commissions	0	6	6	0	1,528	1,528
Retirement plan consulting fees	360	0	360	334	0	334
Investment commissions	0	520	520	0	432	432
		1,74	1,74			
Other (outside the scope of ASC 606)	0	3	3	0	120	120
	2,97	6,85	9,83			
Total noninterest income	\$ 7	\$ 4	\$ 1	\$ 3,127	\$ 5,230	\$ 8,357

	Trust Segme nt	Bank Segme nt	Totals	Trust Segment	Bank Segment	Totals
(In Thousands of Dollars)						
For Three Months Ended September 30, 2022						
For Three Months Ended March 31, 2023						
		1,22	1,22			
Service charges on deposit accounts	\$ 0	\$ 9	\$ 9	\$ 0	\$ 1,432	\$ 1,432
		1,46	1,46			
Debit card and EFT fees	0	3	3	0	1,789	1,789
	2,37		2,37			
Trust fees	0	0	0	2,587	0	2,587
		1,13	1,13			
Insurance agency commissions	0	6	6	0	1,456	1,456
Retirement plan consulting fees	332	0	332	307	0	307
Investment commissions	0	424	424	0	393	393
		1,87	1,87			
Other (outside the scope of ASC 606)	0	3	3	0	2,461	2,461
	2,70	6,12	8,82			
Total noninterest income	\$ 2	\$ 5	\$ 7	\$ 2,894	\$ 7,531	\$ 10,425

(In Thousands of Dollars)	Trust Segment	Bank Segment	Totals
For Nine Months Ended September 30, 2023			
Service charges on deposit accounts	\$ 0	\$ 4,646	\$ 4,646
Debit card and EFT fees	0	5,362	5,362
Trust fees	7,453	0	7,453
Insurance agency commissions	0	3,904	3,904
Retirement plan consulting fees	1,049	0	1,049
Investment commissions	0	1,389	1,389
Other (outside the scope of ASC 606)	0	5,902	5,902
Total noninterest income	<u>\$ 8,502</u>	<u>\$ 21,203</u>	<u>\$ 29,705</u>
(In Thousands of Dollars)	Trust Segment	Bank Segment	Totals
For Nine Months Ended September 30, 2022			
Service charges on deposit accounts	\$ 0	\$ 3,513	\$ 3,513
Debit card and EFT fees	0	4,407	4,407
Trust fees	7,265	0	7,265
Insurance agency commissions	0	3,269	3,269
Retirement plan consulting fees	1,052	0	1,052
Investment commissions	0	1,675	1,675
Other (outside the scope of ASC 606)	8,375	6,446	14,821
Total noninterest income	<u>\$ 16,692</u>	<u>\$ 19,310</u>	<u>\$ 36,002</u>

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

Service charges on deposit accounts – The Company earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Management reviewed the deposit account agreements, and determined that the agreements can be terminated at any time by either the Bank or the account holder. Transaction fees, such as balance transfers, wires and overdraft charges are settled the day the performance obligation is satisfied. The Bank's monthly service charges and maintenance fees are for services provided to the customer on a monthly basis and are considered a series of services that have the same pattern of transfer each month. The review of service charges assessed on deposit accounts included the amount of variable consideration that is a part of the monthly charges. It was found that the waiver of service charges due to insufficient funds and dormant account fees is immaterial and would not require a change in the accounting treatment for these fees under the revenue standards.

Debit Card Interchange Fees – Customers and the Bank have an account agreement and maintain deposit balances with the Bank. Customers use a bank issued debit card to purchase goods and services, and the Bank earns interchange fees on those transactions, typically a percentage of the sale amount of the transaction. The Bank records the amount due when it receives the settlement from the payment network. Payments from the payment network are received and recorded into income on a daily basis. There are no contingent debit card interchange fees recorded by the Company that could be subject to a clawback in future periods.

Trust fees – Services provided to Trust customers are a series of distinct services that have the same pattern of transfer each month. Fees for trust accounts are billed and drafted from trust accounts monthly. The Company records these fees on the income statement on a monthly basis. Fees are assessed based on the total investable assets of the customer's trust account. A signed contract between the Company and the customer is maintained for all customer trust accounts with payment terms identified. It is probable that the fees will be collectible as funds being managed are accessible by the asset manager. Past history of trust fee income recorded by the Company indicates that it is highly unlikely that a significant reversal could occur. There are no contingent incentive fees recorded by the Company that could be subject to a clawback in future periods.

Insurance Agency Commissions – Insurance agency commissions are received from insurance carriers for the agency's share of commissions from customer premium payments. These commissions are recorded into income when checks are received from the insurance carriers, and there is no contingent portion associated with these commission checks. There may be a short time-lag in recording revenue when cash is received instead of recording the revenue when the policy is signed by the customer, but the time lag is insignificant and does not impact the revenue recognition process.

24

Insurance also receives incentive checks from the insurance carriers for achieving specified levels of production with particular carriers. These amounts are recorded into income when a check is received, and there are no contingent amounts associated with these payments that may be clawed back by the carrier in the future. Similar to the monthly commissions explained in the preceding paragraph, there may be a short time-lag in recording incentive revenue on a cash basis as opposed to estimating the amount of incentive revenue expected to be earned, this does not materially impact the recognition of Insurance revenue. If there were any amounts that would need to be refunded for one specific Insurance customer, management believes the reversal would not be significant.

Other potential situations surrounding the recognition of Insurance revenue include estimating potential refunds due to the likely cancellation of a percentage of customers canceling their policies and recording revenue at the time of policy renewals. Management concluded that since Insurance agency commissions represent only 2.1% of the Company's total revenue, adjusting the current practice of recording insurance revenue for these situations would not have a material impact on the reporting of total revenue.

Retirement Plan Consulting Fees – Revenue is recognized based on the level of work performed for the client. Any payments that are received for work to be performed in the future are recorded in a deferred revenue account, and recorded into income when the fees are earned. Retirement plan consulting fees represent only 0.6% of the Company's total revenue,

and therefore management has concluded that any adjustment of revenue for one particular customer for a refund or any other reason would be insignificant and would not materially impact the Company's total revenue.

Investment Commissions – Investment commissions are earned through the sales of non-deposit investment products to customers of the Company. The sales are conducted through a third-party broker-dealer. When the commissions are received and recorded into income on the Bank's income statement, there is no contingent portion that may need to be refunded back to the third party broker dealer. Investment commissions represent only 0.7% of the Company's total revenue, and therefore management has concluded that any adjustment of revenue for a particular customer for a refund or any other reason would be insignificant and would not materially impact the Company's total revenue.

Other – Income items included in "Other" are Bank owned life insurance income, security gains, net gains on the sale of loans and other operating income. There is also a one-time legal settlement of \$8.4 million for the nine month period ended September 30, 2022. Any amounts within the scope of ASC 606 are deemed immaterial.

28

Fair Value:

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price), in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

There are three levels of inputs that may be used to measure fair values:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 – Significant other 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.

Level 3 – Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Company used the following methods and significant assumptions to estimate the fair value of each type of financial instrument:

Investment Securities: Securities

The Company uses a third party service to estimate fair value on available for sale securities on a monthly basis. The Company's service provider uses a leading evaluation pricing service for U.S. domestic fixed income securities and values securities using exit pricing requirements. The Company independently corroborates the fair value received through this pricing service by obtaining the pricing through a second source. The fair values for investment securities, which consist of equity securities that are recorded at fair **market** value to comply with exit pricing, are determined by quoted market prices in active markets, if available (Level 1). The equity securities change in fair **market** value is recorded in the income **statements**. **statement**. For securities where quoted prices are not available, fair values are calculated based on quoted prices for similar assets in active markets, quoted prices for similar assets in markets that are not active or inputs other than quoted prices, which provide a reasonable basis for fair value determination. Such inputs may include interest rates and yield curves, prepayment speeds, credit risks and default rates. **Inputs** **The inputs** used are **principally** derived **principally** from observable market data (Level 2). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3). The fair values of Level 3 investment securities are determined by using unobservable inputs to measure fair value of assets for which there is little, if any, market activity at the measurement date, using reasonable inputs and assumptions based on the best information at the time, to the extent that inputs are available without undue cost and effort.

25 At March 31, 2024, the Company determined that no securities had a fair value less than amortized cost that was as a result of credit deterioration as outlined in ASU 2016-13.

Loans Held For Sale, at Fair Value

The fair value of loans held for sale is estimated based upon binding contracts and quotes from third party investors (Level 2).

Mortgage Banking **Derivatives: **Derivatives****

The fair value of mortgage banking derivatives are calculated using derivative valuation models that utilize quoted prices for similar assets adjusted for the specific attributes of the commitments and other observable market data at the valuation **date**. **date** (Level 2).

Loan Servicing Rights

Loan servicing rights are evaluated for impairment based upon the fair value of the rights as compared to the carrying amount at the end of each quarter. If the carrying amount of an individual tranche exceeds the fair value then an impairment is recorded on that tranche so that the servicing asset is carried at fair value. The calculation of the fair value is performed by an independent third party and the model uses factors such as the interest rate, prepayment speeds and other default rate assumptions that market participants would use in estimating the future net servicing income that can be validated against available market data (Level 2).

Interest Rate **Swaps: **Swaps****

The Company periodically enters into interest rate swap agreements with its commercial customers who desire a fixed rate loan term that is longer than the Company is willing to extend. The Company enters into a reciprocal swap agreement with a third party that offsets the interest rate risk from the interest rate extended to the customer. The fair value of these interest rate swap derivative instruments is

calculated by an independent third party and are based on upon valuation models using that use observable market data as of the measurement date. The loan agreement containing a two-way yield maintenance provision, if invoked, is expected to exactly offset the fair value of unwinding the swap. The yield maintenance provision represents an embedded derivative which is bifurcated from the host loan contract and, as such, the swaps and embedded derivatives are not designated as hedges date (Level 2).

The Company also entered into a fair value hedge to mitigate the risk of further interest rate increases and the subsequent impact on the valuation of the company's state and political subdivision municipal bond portfolio. The Company uses an independent third party to perform a market valuation analysis for this derivative (Level 2).

Loans Held for Sale: The fair value of loans held for sale is estimated based upon binding contracts and quotes from third party investors resulting in a Level 2 classification.

Collateral Dependent Loans: Loans

Fair value estimates of collateral dependent loans that are individually reviewed are based on the fair value of the collateral, less estimated costs to sell. Loans carried at fair value generally receive specific individual allocations of the allowance for credit losses in the current period, 2023 and 2022, 2024. For collateral dependent loans, fair value is commonly based on recent real estate appraisals or in quoted sales prices price in certain instances. Appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Adjustments to a quoted price are routinely made to factor in data that affect the marketability of the collateral. Such adjustments, in both instances, are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation and management's expertise and knowledge of the client and client's business, resulting in a Level 3 fair value classification. These loans are evaluated on a quarterly basis and adjusted accordingly.

Other Real Estate Owned: Owned

Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. Fair values are commonly based on recent real estate appraisals. These appraisals may use a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value.

Appraisals for both collateral-dependent loans and other real estate owned are performed by certified general appraisers (for commercial and commercial real estate properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by the Company. Once received, a member of the Appraisal Department reviews the assumptions and approaches utilized in the appraisal as well as the overall resulting fair value in comparison with independent data sources such as recent market data or industry-wide statistics. On an annual basis, the Company compares the actual selling price of collateral that has been sold to the most recent appraised value to determine what adjustments should be made to appraisals to arrive at fair value.

2630

Assets measured at fair value on a recurring basis are summarized below:

Fair Value Measurements at September 30, 2023				
Using:				
	Carrying	Quoted Prices in		
		Active Markets	Significant Other	Significant
		for Identical	Observable	Unobservable
(In Thousands of Dollars)	Value	Assets	Inputs	Inputs
		(Level 1)	(Level 2)	(Level 3)
Financial Assets				
Investment securities available-for sale				
U.S. Treasury and U.S. government sponsored				
entities	\$ 121,311	\$ 0	\$ 121,311	\$ 0
State and political subdivisions	498,136	0	498,136	0

Corporate bonds	17,751	0	16,516	1,235
Mortgage-backed securities-residential	495,041	0	495,040	1
Collateralized mortgage obligations	75,552	0	75,552	0
Small Business Administration	2,945	0	2,945	0
Equity securities				
Equity securities at fair value	212	212	0	0
Other investments measured at net asset value	15,043	n/a	n/a	n/a
Total investment securities	<u>\$ 1,225,991</u>	<u>\$ 212</u>	<u>\$ 1,209,500</u>	<u>\$ 1,236</u>
Loans held for sale	\$ 1,910	\$ 0	\$ 1,910	\$ 0
Interest rate swaps	6,234	\$ 0	6,234	0
Fair value hedge derivative	920	0	920	0
Mortgage banking derivative	37	\$ 0	37	0
Financial Liabilities				
Interest rate swaps	\$ 6,234	\$ 0	\$ 6,234	\$ 0

**Fair Value Measurements at March 31,
2024 Using:**

		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(In Thousands of Dollars)	Carrying Value			
Financial Assets				
Investment securities available-for sale				
U.S. Treasury and U.S. government sponsored entities	\$ 119,147	\$ 0	\$ 119,147	\$ 0
State and political subdivisions	517,441	0	517,441	0
Corporate bonds	18,359	0	17,019	1,340
Mortgage-backed securities-residential	513,725	0	513,725	0
Collateralized mortgage obligations	98,730	0	98,730	0
Small Business Administration	2,747	0	2,747	0
Total investment securities	\$ 1,270,149	\$ 0	\$ 1,268,809	\$ 1,340
Equity securities	\$ 238	\$ 238	\$ 0	\$ 0
Loans held for sale	1,854	0	1,854	0
Interest rate swaps	4,872	0	4,872	0
Interest rate lock commitments	61	0	61	0

Fair value hedge derivative	234	0	234	0
Financial Liabilities				
Interest rate swaps	\$ 4,872	\$ 0	\$ 4,872	\$ 0
Mortgage banking derivative	12	0	12	0

	Fair Value Measurements at December 31, 2022				Fair Value Measurements at December 31, 2023 Using:			
	Using:							
	Quoted Prices in Active Market s Significa cant for Identica al Carryi ng Value	Significa nt Other Observa ble Inputs (Level 1)	Signifi cant Unobs ervabl e Inputs (Level 2)	Signifi cant Unobs ervabl e Inputs (Level 3)				
(In Thousands of Dollars)	Carrying Value	Assets (Level 1)	Inputs (Level 2)	Inputs (Level 3)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Financial Assets								
Investment securities available-for sale								
U.S. Treasury and U.S. government sponsored entities	128 ,09 \$ 6		128,0 \$ 96	\$ 0	\$ 127,955	\$ 0	127,955	\$ 0
State and political subdivisions	530 ,08 0		530,0 80	0	556,169	0	556,169	0
Corporate bonds	3,8 79	0	3,879	0	18,275	0	16,935	1,340
Mortgage-backed securities-residential	555 ,14 2	0	555,1 41	1	520,386	0	520,386	0
Collateralized mortgage obligations	47, 354	0	47,35 4	0	73,999	0	73,999	0
Small Business Administration	3,4 74	0	3,474	0	2,917	0	2,917	0

Total investment securities					\$ 1,299,701	\$ 0	\$ 1,298,361	\$ 1,340
Equity securities					\$ 226	\$ 226	\$ 0	\$ 0
Equity securities at fair value	196	196	0	0				
Other investments measured at net asset value	15,048	n/a	n/a	n/a				
	1,2							
Total investment securities	83,269	196	1,268	1				
Loans held for sale	\$ 858	\$ 0	\$ 858	\$ 0	3,711	0	3,711	0
	5,5							
Interest rate swaps	03	0	5,503	0	4,191	0	4,191	0
Mortgage banking derivative -asset	31	0	31	0				
Interest rate lock commitments					109	0	109	0
Financial Liabilities								
	5,5							
Interest rate swaps	\$ 03	\$ 0	\$ 5,503	\$ 0	\$ 4,191	\$ 0	\$ 4,191	\$ 0
Fair value hedge derivative					836	0	836	0
Mortgage banking derivative					14	0	14	0

There were no significant transfers between Level 1 and Level 2 during the periods presented above.

2731

The table below presents a reconciliation of all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

(In Thousands of Dollars)	Three Months ended September 30,				Three Months ended September 30,				Three Months ended March 31, 2024			
	2023		2022		2023		2022		2024		2023	
	2023		2022		2023		2022		2024		2023	
	2023		2022		2023		2022		2024		2023	
Beginning Balance	\$	1,22	\$	4	\$	2	\$	1	\$	1,340	\$	1
Transfers between levels		0		0		0		0		0		0
Acquired and/or purchased		0		0		5		0		0		1,615
Discount accretion (premium amortization)		12		0		120		0		13		0
Repayments, calls and maturities		0		0		(500)		(1)		0		0
Changes in unrealized gains (losses)										(13)		0
Ending Balance	\$	1,23	\$	6	\$	2	\$	6	\$	1,340	\$	1,616

Assets measured at fair value on a non-recurring basis are summarized below:

(In Thousands of Dollars)	Fair Value Measurements at September 30, 2023 Using:				Fair Value Measurements at March 31, 2024 Using:			
	Quoted Prices in Active Markets for Identical Assets (Level 1)				Quoted Prices in Active Markets for Identical Assets (Level 1)			
	Significant Other Observable Inputs (Level 2)				Significant Other Observable Inputs (Level 2)			
	Significant Unobservable Inputs (Level 3)				Significant Unobservable Inputs (Level 3)			
Financial Assets	Carrying Value	Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Carrying Value	Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)

(In Thousands of Dollars)	Fair Value Measurements at December 31, 2022 Using:				Fair Value Measurements at December 31, 2023 Using:			
	Quoted Prices in Active Markets for Identical Assets (Level 1)				Quoted Prices in Active Markets for Identical Assets (Level 1)			
	Significant Other Observable Inputs (Level 2)				Significant Other Observable Inputs (Level 2)			
	Significant Unobservable Inputs (Level 3)				Significant Unobservable Inputs (Level 3)			
	Carrying Value				Carrying Value			
Financial Assets								
Individually Evaluated loans								
Individually evaluated loans								
Commercial real estate								
Non-owner occupied	74							
	\$ 6	\$ 0	\$ 0	\$ 746	\$ 838	\$ 0	\$ 0	\$ 838
Commercial	395	0	0	395				

Commercial and industrial					267	0	0	267
1–4 family residential	74	0	0	74	1,547	0	0	1,547
Mortgage servicing rights					210	0	0	210

Collateral dependent loans were individually evaluated under ASC 326 for the periods ending September 30, 2023 and December 31, 2022. Collateral dependent loans had a principal balance of \$5.7 million with a valuation allowance of \$1.7 million at September 30, 2023. Collateral dependent loans had a principal balance of \$1.6 million with a valuation allowance of \$372 thousand at December 31, 2022.

For the period ending September 30, 2023, the fair value of the collateral dependent commercial and residential real estate relationships are valued by independent external appraisals. These external appraisals are prepared using the sales comparison approach and income approach valuation techniques. The commercial relationships are valued by the quoted price of the collateral. Management makes subsequent unobservable adjustments on the appraisals for the real estate and the quoted price for the commercial collateral dependent loans. For the year ending December 31, 2022, the fair value of the collateral dependent commercial real estate and commercial relationships are valued by the quoted price of the collateral. Management makes subsequent unobservable adjustments on the quoted price of collateral dependent loans. Collateral dependent loans other than commercial real estate and other real estate owned are not considered material.

The following table presents quantitative information about Level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at the periods ended September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

September 30, 2023	Fair value	Valuation Technique(s)	Unobservable Input(s)	Range (Weighted Average)
March 31, 2024	Fair value	Valuation Technique(s)	Unobservable Input(s)	Range (Weighted Average)

		Valuation		Range
December 31, 2022	Fair value	Technique(s)	Unobservable Input(s)	(Weighted Average)
Individually evaluated loans				
Commercial real estate	\$ 746	Quoted price for collateral	Offer Price	7.45%
Commercial	395	Quoted price for collateral	Offer Price	43.00%

Residential	74	Sales comparison	Adjustment for differences between comparable sales	(13.77%) - (5.68%) (13.77%)
-------------	----	------------------	---	-----------------------------

32

December 31, 2023	Fair value	Valuation Technique(s)	Unobservable Input(s)	Range (Weighted Average)
Individually evaluated loans				
Commercial real estate	\$ 838	Income approach	Adjustment for difference between cap rates of comparable sales	(49.65%) - 46.77% (16.63%)
Commercial	267	Quoted price for collateral	Offer Price	64.38%
Residential	1,547	Sales comparison	Adjustment for differences between comparable sales	(5.39%) - (2.11%) (2.67%)

The carrying amounts and estimated fair values of financial instruments not previously disclosed at **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023** are as follows:

(In Thousands of Dollars)	Fair Value Measurements at September 30, 2023 Using:					Fair Value Measurements at March 31, 2024 Using:				
	Carrying Amount	Level 1	Level 2	Level 3	Total	Carrying Amount	Level 1	Level 2	Level 3	Total
Financial assets										
Cash and cash equivalents	\$ 93,923	\$ 25,341	\$ 68,582	\$ 0	\$ 93,923	\$ 148,630	\$ 22,965	\$ 125,665	\$ 0	\$ 148,630
Regulatory stock	20,087	n/a	n/a	n/a	n/a	19,118	n/a	n/a	n/a	n/a

Loans, net	3,1			2,94	2,94					
	33,	0	0	1,88	1,88	3,148,159	0	0	2,989,532	2,989,532
	801			5	5					
Financial liabilities										
Deposits	4,5	3,54	96		4,50					
	11,	2,90	5,3	0	8,29	4,198,125	3,458,114	735,032	0	4,193,146
	650	7	88		5					
Short-term borrowings						345,000	0	345,000	0	345,000
Long-term borrowings	88,		71,		71,5					
	550	0	56	0	61	88,777	0	72,475	0	72,475
			1							

Fair Value Measurements at December 31, 2022 Using:					
(In Thousands of Dollars)	Carrying				
	Amount	Level 1	Level 2	Level 3	Total
Financial assets					
Cash and cash equivalents	\$ 75,551	\$ 21,395	\$ 54,156	\$ 0	\$ 75,551
Regulatory stock	18,200	n/a	n/a	n/a	n/a
Loans, net	2,377,772	0	0	2,330,164	2,330,164
Financial liabilities					
Deposits	3,561,768	2,999,188	561,292	0	3,560,480
Short-term borrowings	95,000	0	95,000	0	95,000
Long-term borrowings	88,211	0	73,566	0	73,566
Fair Value Measurements at December 31, 2023 Using:					
(In Thousands of Dollars)	Carrying				
	Amount	Level 1	Level 2	Level 3	Total
Financial assets					
Cash and cash equivalents	\$ 103,658	\$ 28,896	\$ 74,762	\$ 0	\$ 103,658
Regulatory stock	20,197	n/a	n/a	n/a	n/a
Loans, net	3,163,687	0	0	3,015,732	3,015,732
Financial liabilities					

Deposits	4,177,386	3,452,104	719,497	0	4,171,601
Short-term borrowings	355,000	0	355,000	0	355,000
Long-term borrowings	88,663	0	70,893	0	70,893

Goodwill and Intangible Assets:

Goodwill associated with the Company's purchases of Emlenton in January 2023 **Champion Insurance in July 2022** and other past acquisitions totaled \$**167.9** **167.4** million at **September 30, 2023** **March 31, 2024** and **\$94.6** million at **December 31, 2022**. **December 31, 2023**. Impairment exists when a reporting unit's carrying value of goodwill exceeds its fair value, which is determined through an impairment test. Management performs goodwill impairment testing on an annual basis as of September 30. The fair value of the reporting units is determined using a combination of a discounted cash flow method and a market approach method. Results of the assessment as of **September 30, 2022** **September 30, 2023**, indicated no goodwill impairment. The Company will continue to monitor its goodwill for possible impairment.

29 **33**

Acquired Intangible Assets

Acquired intangible assets were as follows:

	September 30, 2023		December 31, 2022		March 31, 2024		December 31, 2023	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
(In Thousands of Dollars)								
Amortized intangible assets:								
Customer relationship intangibles	\$ 7,210	\$ (6,913)	\$ 7,210	\$ (6,793)	\$ 7,210	\$ (6,987)	\$ 7,210	\$ (6,953)
Non-compete contracts	457	(410)	457	(401)	457	(416)	457	(413)
Trade name	1,126	(433)	1,126	(409)	1,126	(447)	1,126	(440)

Core deposit intangible	32,115	(9,733)	12,866	(7,030)	32,115	(10,905)	32,115	(10,260)
Total	\$ 40,908	\$ (17,489)	\$ 21,659	\$ (14,633)	\$ 40,908	\$ (18,755)	\$ 40,908	\$ (18,066)

Aggregate amortization expense was \$725,688 thousand and \$2.9909 million thousand for the three and nine month periods ended September 30, 2023. Amortization expense was \$432 thousand March 31, 2024 and \$1.3 million for the three and nine month periods ended September 30, 2022, 2023, respectively.

Estimated amortization expense for each of the next five periods and thereafter:

2023 (3 months)	\$	725	
2024		2,872	
2024 (9 months)	\$		1,888
2025		2,806	2,451
2026		2,710	2,355
2027		2,596	2,242
2028			2,231
Thereafter		11,710	10,986
Total	\$	23,419	\$ 22,153

Leases:

The Company has operating leases for branch office locations, vehicles, land and certain office equipment such as printers, copiers and faxes. These leases are all categorized as operating. The leases have remaining lease terms of up to 17.8 years, some of which include options to extend the lease for up to 15 years and some of which include options to terminate the lease in June of 2024.

The right of use asset and lease liability were \$9.0 million and \$9.3 million as of September 30, 2023, March 31, 2024, respectively, and \$8.4 million and \$8.8 million at December 31, 2022, December 31, 2023, respectively. The right of use asset is included in other assets and the lease liability is included in other liabilities on the balance sheet.

Lease payments made expense for the three and nine month periods ended September 30, 2023, were \$405 thousand and \$1.2 million, while lease payments made for the three and nine month periods ended September 30, 2022 were \$312,331 thousand and \$779,355 thousand, respectively. The weighted average remaining lease term for all leases was 11.1 years as of September 30, 2023, March 31, 2024. The weighted-average discount rate was 2.99% for all leases as of September 30, 2023, March 31, 2024.

On January 1, 2023, the Company performed a valuation of Emlenton's leases to determine an initial right of use asset (ROU asset) ("ROU asset") and lease liability in connection with the Merger. The Company recorded an initial ROU asset and lease liability of \$1.3 million for these leases.

Maturities of lease liabilities are as follows as of September 30, 2023 March 31, 2024:

2023 (3 months)	\$	344	
2024		1,176	
2024 (9 months)	\$		963
2025		1,092	1,210
2026		975	1,092
2027		898	1,016
2028			1,035
Thereafter		6,574	5,688
Total Payments		11,059	11,004
Less: lease liability expense		(1,807)	(1,728)
Total	\$	9,252	\$ 9,276

30 34

Derivative Financial Instruments:

Interest Rate Swaps

The Company maintains an interest rate protection program for commercial loan customers. Under this program, the Company provides a variable rate loan while creating a fixed rate loan for the customer by the customer entering into an interest rate swap with terms that match the loan. The Company offsets its risk exposure by entering into an offsetting interest rate swap with an unaffiliated institution. The Company had interest rate swaps associated with commercial loans with a notional value of \$66.3 62.9 million and fair value of \$6.2 4.9 million in other assets and \$6.2 4.9 million in other liabilities at September 30, 2023 March 31, 2024. At December 31, 2022 December 31, 2023, the Company had interest rate swaps associated with commercial loans with and a notional value of \$71.9 63.9 million and fair value of \$5.5 4.2 million in other assets and \$5.5 4.2 million in other liabilities. The interest rate swaps with both the customers and third parties are not

designated as hedges under FASB ASC 815 and are not marked to market through earnings. 815. As the interest rate swaps are structured to offset each other, changes to the underlying benchmark interest rates considered in the valuation of these instruments do not result in an impact to earnings; however, there may be fair value adjustments related to credit quality variations between counterparties, which may impact earnings as required by FASB ASC 820.

There were no net gains or losses for interest rate swaps for the three quarters ended March 31, 2024 and nine month period ended September 30, 2023 and 2022, respectively. 2023.

Interest Rate Swap Designated as a Fair Value Hedge

The Company has one interest rate swap with a notional amount of \$100.0 million as of September 30, 2023 which that was in place at both March 31, 2024 and December 31, 2023. This swap is designated as a fair value hedge to mitigate the risk of further interest rate increases and the subsequent impact on the valuation of the company's state and political subdivision municipal bond portfolio. The gross aggregate fair value of the swap of at March 31, 2024 was \$920,234 thousand is and was recorded as a \$75 thousand mark to market adjustment in other assets and \$159 thousand was recorded to other assets for the accrued interest receivable. At December 31, 2023, the gross aggregate fair value of the swap was \$(836) thousand and was recorded as a \$1.3 million mark to market adjustment in other liabilities, and \$425 thousand was recorded to other assets for the unaudited Consolidated Balance Sheets at September 30, 2023, accrued interest receivable. The Company expects the hedge to remain in effect for the remaining term of the swap, which matures August 2026. A summary of the interest rate swap designated as a fair value hedge is presented below:

	September 30, 2023		March	December
			31, 2024	31, 2023
Notional amount fair value hedge	\$	100,000	\$ 100,000	\$ 100,000
Fixed pay rates		4.35 %	4.35 %	4.35 %
Variable SOFR receive rates		5.31 %	5.34 %	5.38 %
Remaining maturity (in years)		2.9	2.3	2.6
Fair value	\$	920	\$ 234	\$ (836)

Mortgage Banking Derivatives

Commitments to fund certain mortgage loans (interest rate locks) to be sold into the secondary market and forward commitments for the future delivery of mortgage loans to third-party investors are considered derivatives. The Company had \$5.0 million of interest rate lock commitments at September 30, 2023 and \$4.9 million of interest rate lock commitments at December 31, 2022. Effective May 2022, the Company began the practice of entering into forward commitments to sell for the future delivery of residential mortgage backed securities loans when the interest rate lock commitments are entered into in

order to economically hedge the effect of changes in interest rates resulting from its commitments to fund the loans. These mortgage banking derivatives are not designated as in hedge instruments. There were \$ relationships.4.8 million of forward sales of mortgage backed securities at September 30, 2023 and \$4.3 million of forward sales of mortgage backed securities at December 31, 2022. There were not any forward commitments for the future delivery of residential mortgages at either September 30, 2023 or December 31, 2022.

The net gains and losses on (losses) relating to non-designated derivative instruments not designated as hedging instruments used for risk management are included in mortgage banking income. For Net Gains on Sale of Loans on the Consolidated Statements of Income and are summarized below for the quarters ended September 30, 2023 March 31, 2024 and September 30, 2022, losses March 31, 2023:

	March 31, 2024	March 31, 2023
Forward sales contracts	\$ 2	\$ (87)
Interest rate lock commitments	(47)	109

35

The following table reflects the amount and fair value of \$76 thousand and gains of \$283 thousand, respectively, were mortgage banking derivatives included in mortgage banking income for the interest rate lock commitments. For the nine month periods ended September 30, 2023 Consolidated Balance Sheets as of March 31, 2024 and September 30, 2022, losses of \$ December 31, 2023:19

thousand and gains of \$535 thousand, respectively, were included in mortgage banking income for the interest rate lock commitments. Gains of \$22 thousand and gains of \$6 thousand were included in mortgage banking income for the three and nine month periods ended September 30, 2023 for the forward sales of mortgage backed securities. Losses of \$198 thousand and losses of \$203 thousand were included in mortgage banking income for the three and nine month periods ended September 30, 2022 for the forward sales of mortgage backed securities.

	March 31, 2024		December 31, 2023	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Included in other assets:				
Forward sales contracts	\$ 215	\$ 4	\$ 0	\$ 0
Interest rate lock commitments	5,962	61	7,400	109
Total included in other assets	\$ 6,177	\$ 65	\$ 7,400	\$ 109
Included in other liabilities:				
Forward sales contracts	\$ 5,250	\$ (12)	\$ 3,300	\$ (14)

Earnings Per Share:

The computation of basic and diluted earnings per share is shown in the following table:

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
Basic EPS						
Net income (In thousands of dollars)	13,3	15,4	35,3	47,2	\$ 11,240	\$ 7,075
Weighted average shares outstanding	37,2	33,8	37,4	33,8		
	41,3	51,5	30,7	40,9		
	83	96	82	58	37,278,214	37,823,628
Basic earnings per share	<u>\$ 0.36</u>	<u>\$ 0.46</u>	<u>\$ 0.94</u>	<u>\$ 1.40</u>	<u>\$ 0.30</u>	<u>\$ 0.19</u>
Diluted EPS						
Net income (In thousands of dollars)	13,3	15,4	35,3	47,2	\$ 11,240	\$ 7,075
Weighted average shares outstanding for basic earnings per share	37,2	33,8	37,4	33,8		
	41,3	51,5	30,7	40,9		
	83	96	82	58	37,278,214	37,823,628
Dilutive effect of restricted stock awards	137,971	80,286	102,427	84,473	201,038	109,571
Weighted average shares for diluted earnings per share	37,3	33,9	37,5	33,9		
	79,3	31,8	33,2	25,4		
	54	82	09	31	37,479,252	37,933,199
Diluted earnings per share	<u>\$ 0.36</u>	<u>\$ 0.46</u>	<u>\$ 0.94</u>	<u>\$ 1.39</u>	<u>\$ 0.30</u>	<u>\$ 0.19</u>

There were 13,046 125,918 and 204,105 152,402 restricted stock awards that were considered anti-dilutive for the three and nine month periods ended September 30, 2023, respectively. There were 124,492 March 31, 2024 and 188,992 restricted stock awards that were considered anti-dilutive for the three and nine month periods ended September 30, 2022, 2023, respectively.

Stock Based Compensation:

In April of 2022, the Company, with the approval of shareholders, created the 2022 Equity Incentive Plan (the “2022 Plan”). The 2022 Plan permits the award of up to one million shares to the Company’s directors and employees to attract and retain exceptional personnel, motivate performance and, most importantly, to help align the interests of the Company’s executives with those of the Company’s shareholders. The 2022 Plan replaced the 2017 Plan. There were 87,391 26,317 service time based share awards and 102,750 99,253 performance based share awards granted under the 2022 Plan during the nine three month period ended September 30, 2023 March 31, 2024, as shown in the table below. The actual number of performance based shares issued will depend on the relative performance of the Company’s average return on equity compared to a group of peer companies over a three year vesting period, ending December 31, 2025 December 31, 2026. As of September 30, 2023 March 31, 2024, 753,359 609,289 shares are still available to be awarded from the 2022 Plan. The 2017 Plan has been sunset.

The restricted stock awards were granted with a fair value price equal to the market price of the Company’s common stock at the date of the grant. Expense recognized was \$744 662 thousand and \$2.0 615 million thousand for the three and nine month periods ended September 30, 2023, respectively. During the prior periods, the expense recognized was \$513 thousand March 31, 2024 and \$1.3 million for the three and nine month periods ended September 30, 2022, 2023, respectively. As of September 30, 2023 March 31, 2024, there was \$3.7 3.8 million of total unrecognized compensation expense related to the nonvested shares granted under the Plan. The remaining cost is expected to be recognized over 2.4 2.9 years.

36

The following is the activity under the Plans during the nine three month period ended September 30, 2023 March 31, 2024.

	Maximum Awarded Service Units	Weighted Average Grant Date Fair Value	Maximum Awarded Performance Units	Weighted Average Grant Date Fair Value
Beginning balance - non-vested shares	193,015	\$ 16.69	137,369	\$ 15.85
Granted	87,391	12.88	102,750	14.16
Vested	(30,990)	12.92	(30,635)	14.35
Forfeited	(1,541)	17.64	0	0.00
Ending balance - non-vested shares	247,875	\$ 15.40	209,484	\$ 15.01

	Maximum Awarded Service Units	Weighted Average Grant Date Fair Value	Maximum Awarded Performance Units	Weighted Average Grant Date Fair Value
Beginning balance - non-vested shares	253,776	\$ 14.97	209,484	\$ 15.01
Granted	26,317	13.81	99,253	13.81
Vested	(25,803)	13.82	(66,192)	13.79
Forfeited	(11,167)	17.24	(19,625)	15.05
Ending balance - non-vested shares	243,123	\$ 14.59	222,920	\$ 14.57

The following is the activity under the Plans during the **nine** three month period ended **September 30, 2022** March 31, 2023.

	Maximum Awarded Service Units	Weighted Average Grant Date Fair Value	Maximum Awarded Performance Units	Weighted Average Grant Date Fair Value	Maximum Awarded Service Units	Weighted Average Grant Date Fair Value	Maximum Awarded Performance Units	Weighted Average Grant Date Fair Value
Beginning balance - non-vested shares	99,564	16.13	158,988	14.40	193,015	\$ 16.69	137,369	\$ 15.85
Granted	132,268	16.63	17.25		30,688	14.21	102,750	14.16
Vested	(20,771)	16.81	(65,481)	17.48	(12,740)	14.03	(30,635)	14.35
Forfeited	(3,000)	13.68	(12,862)	14.74	(1,541)	17.64	0	0.00
Ending balance - non-vested shares	208,061	16.72	137,369	15.85	209,422	\$ 16.34	209,484	\$ 15.01

The **61,625** 91,995 shares that vested during the **nine** three month period ended **September 30, 2023** March 31, 2024 had a weighted average fair value of \$**13.63** 13.80 per share.

Other Comprehensive Income (Loss):

The following tables represent the details of changes in accumulated other comprehensive loss income (loss) by component, net of tax, for the three and nine month periods ended September 30, 2023, March 31, 2024 and 2022.

Other Comprehensive Income (Loss): 2023.

Three Months Ended September 30, 2023				
(In Thousands of Dollars)	Pre-tax	Tax	After-Tax	
Unrealized holding losses on available-for-sale securities during the period	\$ (75,679)	\$ 15,893	\$ (59,786)	
Reclassification adjustment for losses realized in income on sales (1)	618	(130)	488	
Reclassification adjustment for gain realized in income on fair value hedge	776	(163)	613	
Net other comprehensive (loss)	<u>\$ (74,285)</u>	<u>\$ 15,600</u>	<u>\$ (58,685)</u>	
Three Months Ended September 30, 2022				
(In Thousands of Dollars)	Pre-tax	Tax	After-Tax	
Unrealized holding losses on available-for-sale securities during the period	\$ (83,980)	\$ 17,636	\$ (66,344)	
Reclassification adjustment for gains included in net income (1)	5	(1)	4	
Net unrealized losses on available-for-sale securities	<u>\$ (83,975)</u>	<u>\$ 17,635</u>	<u>\$ (66,340)</u>	
Change in funded status of post-retirement health plan	(2)	0	(2)	
Net other comprehensive (loss)	<u>\$ (83,977)</u>	<u>\$ 17,635</u>	<u>\$ (66,342)</u>	
Nine Months Ended September 30, 2023				
(In Thousands of Dollars)	Pre-tax	Tax	After-Tax	
Unrealized holding losses on available-for-sale securities during the period	\$ (54,088)	\$ 11,359	\$ (42,729)	
Reclassification adjustment for losses realized in income on sales (1)	498	\$ (105)	393	
Reclassification adjustment for gain realized in income on fair value hedge	776	\$ (163)	613	
Net other comprehensive (loss)	<u>\$ (52,814)</u>	<u>\$ 11,091</u>	<u>\$ (41,723)</u>	
Nine Months Ended September 30, 2022				
(In Thousands of Dollars)	Pre-tax	Tax	After-Tax	
Unrealized holding losses on available-for-sale securities during the period	\$ (301,874)	\$ 63,394	\$ (238,480)	
Reclassification adjustment for gains included in net income (1)	36	(8)	28	
Net unrealized losses on available-for-sale securities	<u>\$ (301,838)</u>	<u>\$ 63,386</u>	<u>\$ (238,452)</u>	
Change in funded status of post-retirement health plan	(6)	1	(5)	
Net other comprehensive (loss)	<u>\$ (301,844)</u>	<u>\$ 63,387</u>	<u>\$ (238,457)</u>	
(In Thousands of Dollars)	Net unrealized	Reclassificatio	Change in	Total

	holding (losses) gains on available for sale securities	n adjustment for (gains) losses realized in income on fair value hedge	funded status of post- retirement plan	
Balance December 31, 2023	\$ (171,539)	\$ (1,013)	\$ (2)	(172,554)
Other comprehensive (loss) before reclassification	(15,149)	0	0	(15,149)
Amounts reclassified from accumulated other comprehensive income	1,686	1,063	0	2,749
Net current period other comprehensive (loss) income	(13,463)	1,063	0	(12,400)
Balance March 31, 2024	<u>\$ (185,002)</u>	<u>\$ 50</u>	<u>\$ (2)</u>	<u>\$ (184,954)</u>
Balance December 31, 2022	\$ (210,489)	\$ 0	\$ (1)	\$ (210,490)
Other comprehensive income before reclassification	33,891	0	0	33,891
Amounts reclassified from accumulated other comprehensive (loss)	(95)	0	0	(95)
Net current period other comprehensive income	33,796	0	0	33,796
Balance March 31, 2023	<u>\$ (176,693)</u>	<u>\$ 0</u>	<u>\$ (1)</u>	<u>\$ (176,694)</u>

(1) Pre-tax reclassification adjustments relating to available-for-sale securities are reported in security gains. Amounts reclassified out of each component of accumulated other comprehensive income (loss) were not material for the three month periods ended March 31, 2024 and the tax impact is included in income tax expense on the consolidated statements of income. 2023.

Regulatory Capital Matters:

Banks and bank holding companies are subject to various regulatory capital requirements administered by the federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve 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 judgments by regulators. Failure to meet capital requirements can initiate regulatory action by regulators that, if undertaken, could have a direct material effect on the financial statements. Management believes that as of September 30, 2023 March 31, 2024, the Company and the Bank meet all capital adequacy requirements to which they are subject.

The FDIC and other federal banking regulators revised the risk-based capital requirements applicable to financial holding companies and insured depository institutions, including the Company and the Bank, to make them consistent with agreements that were reached by the Basel Committee on Banking Supervision (“Basel III”).

The common equity tier 1 capital, tier 1 capital and total capital ratios are calculated by dividing the respective capital amounts by risk-weighted assets. The leverage ratio is calculated by dividing tier 1 capital by adjusted average total assets.

Basel III limits capital distributions and certain discretionary bonus payments if the banking organization does not hold a “capital conservation buffer” consisting of 2.5% of common equity tier 1 capital, tier 1 capital and total capital to risk-weighted assets in addition to the amount necessary to meet minimum risk-based capital requirements. Excluding the additional buffer, Basel III requires the Company and the Bank to maintain (i) a minimum ratio of common equity tier 1 capital to risk-weighted assets of at least 4.5%, (ii) a minimum ratio of tier 1 capital to risk-weighted assets of at least 6.0%, (iii) a minimum ratio of total capital to risk-weighted assets of at least 8.0% and (iv) a minimum leverage ratio of at least 4.0%.

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 only 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 **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, 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 institution's category.

Actual and required capital amounts and ratios, which do not include the capital conservation buffer, are presented below at **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**:

To be Well Capitalized			To be Well Capitalized		
Requirement For Capital Adequacy Purposes:			Requirement For Capital Adequacy Purposes:		
Under Prompt Corrective Action Provisions:			Under Prompt Corrective Action Provisions:		
Actual	Purposes:	Provisions:	Actual	Purposes:	Provisions:

	Refinitiv											
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
September 30, 2023												
March 31, 2024												
Common equity tier 1 capital ratio												
	138.0											
Consolidated	2,539	3.7%	166,023	4.5%	N/A	N/A	\$ 397,812	10.88%	\$ 164,501	4.5%	N/A	N/A
	139.0											
Bank	6,302	7.6%	165,756	4.5%	239,425	6.5%	424,780	11.65%	164,134	4.5%	237,082	6.5%
Total risk based capital ratio												
	151.3											
Consolidated	0,292	3.8%	295,151	8.0%	N/A	N/A	525,633	14.38%	292,447	8.0%	N/A	N/A
	143.1											
Bank	1,055	7.0%	294,677	8.0%	368,347	10.0%	459,601	12.60%	291,794	8.0%	364,742	10.0%
Tier 1 risk based capital ratio												
	140.0											
Consolidated	0,539	5.8%	221,364	6.0%	N/A	N/A	415,812	11.37%	219,335	6.0%	N/A	N/A

	1													
	39 0.													
Bank	6,3	7	221,	6.	294,	8.								
	02	6%	008	0%	677	0%	424,780	11.65%	218,845	6.0%	291,794	8.0%		
Tier 1 leverage ratio														
	40 7.													
Consolidate	0,5	8	204,	4.	N/									
d	39	4%	152	0%	N/A	A	415,812	8.19%	203,024	4.0%	N/A	N/A		
	39 7.													
	6,3	8	203,	4.	254,	5.								
Bank	02	0%	317	0%	147	0%	424,780	8.39%	202,457	4.0%	253,071	5.0%		
December 31, 2022														
December 31, 2023														
Common equity tier 1 capital ratio														
	1													
	40 3.													
Consolidate	3,3	7	132,	4.	N/									
d	\$ 07	1%	\$ 349	5%	N/A	A	\$ 392,244	10.61%	\$ 166,303	4.5%	N/A	N/A		
	1													
	37 2.													
	2,6	7	131,	4.	190,	6.								
Bank	79	1%	968	5%	\$ 620	5%	411,304	11.15%	165,996	4.5%	\$ 239,772	6.5%		
Total risk based capital ratio														
	1													
	52 7.													
Consolidate	3,2	7	235,	8.	N/									
d	85	9%	288	0%	N/A	A	519,684	14.06%	295,650	8.0%	N/A	N/A		

	1												
	39	3.											
	9,6	6	234,	8.	293,	10							
Bank	57	2%	609	0%	262	.0%	447,584	12.13%	295,104	8.0%	368,881	10.0%	
Tier 1 risk based capital ratio													
	1												
	42	4.											
Consolidated	1,3	3	176,	6.		N/							
	07	2%	466	0%	N/A	A	410,244	11.10%	221,737	6.0%	N/A	N/A	
	1												
	37	2.											
Bank	2,6	7	175,	6.	234,	8.							
	79	1%	957	0%	609	0%	411,304	11.15%	221,328	6.0%	295,104	8.0%	
Tier 1 leverage ratio													
	42	9.											
Consolidated	1,3	8	171,	4.		N/							
	07	4%	233	0%	N/A	A	410,244	8.02%	204,598	4.0%	N/A	N/A	
	37	8.											
Bank	2,6	7	170,	4.	212,	5.							
	79	6%	245	0%	807	0%	411,304	8.07%	203,989	4.0%	254,986	5.0%	

Segment Information:

The reportable segments are determined by the products and services offered, primarily distinguished between banking and trust. These segments are also distinguished by the level of information provided to the chief operating decision makers in the Company, who use such information to review performance of various components of the business, which are then aggregated. Loans, investments, and deposits provide the revenues in the banking operation. All operations are domestic. Significant segment totals are reconciled to the financial statements as follows:

			Eliminati						
	Trust		ons	Consolida					
	Segme	Bank	and	ted	Trust	Bank	Eliminations	Consolidated	
(In Thousands of Dollars)	nt	Segment	Others	Totals	Segment	Segment	and Others	Totals	

September 30, 2023								
March 31, 2024								
Goodwill and other intangibles	5,69	189,89		191,32				
	\$ 4	\$ 5	\$ (4,263)	\$ 6	\$ 5,668	\$ 188,194	\$ (4,263)	\$ 189,599
	14,4	4,954,5		4,971,1				
Total assets	\$ 83	\$ 18	\$ 2,162	\$ 63	\$ 16,464	\$ 5,066,027	\$ (2,481)	\$ 5,080,010

	Trust	Bank	Eliminations and Others	Consolidated Totals	Trust	Bank	Eliminations and Others	Consolidated Totals
(In Thousands of Dollars)	Segment	Segment	Others	Totals	Segment	Segment	and Others	Totals

December 31, 2022								
December 31, 2023								
Goodwill and other intangibles	5,73	100,19		101,66				
	\$ 9	\$ 0	\$ (4,263)	\$ 6	\$ 5,680	\$ 188,871	\$ (4,263)	\$ 190,288
	14,3	4,064,1		4,082,2				
Total assets	\$ 83	\$ 12	\$ 3,705	\$ 00	\$ 15,845	\$ 5,065,150	\$ (2,645)	\$ 5,078,350

(In Thousands of Dollars)	Trust Segment	Bank Segment	Eliminations and Others	Consolidated Totals
For Three Months Ended September 30, 2023				
Net interest income	\$ 81	\$ 34,679	\$ (992)	\$ 33,768
Provision for credit losses and unfunded loans	0	243	0	243
Service fees, security gains and other noninterest income	2,994	6,847	(10)	9,831
Noninterest expense	1,679	23,873	484	26,036
Amortization and depreciation expense	22	1,544	114	1,680
Income before taxes	1,374	15,866	(1,600)	15,640
Income taxes	289	2,416	(379)	2,326
Net income	\$ 1,085	\$ 13,450	\$ (1,221)	\$ 13,314

Trust	Bank	Eliminations	Consolidated
-------	------	--------------	--------------

(In Thousands of Dollars)				
	Segment	Segment	and Others	Totals
For Nine Months Ended September 30, 2023				
Net interest income	\$ 195	\$ 107,663	\$ (2,902)	\$ 104,956
Provision for credit losses and unfunded loans	0	8,867	0	8,867
Service fees, security gains and other noninterest income	8,562	21,770	(627)	29,705
Noninterest expense	4,976	72,464	1,604	79,044
Amortization and depreciation expense	68	5,372	340	5,780
Income before taxes	3,713	42,730	(5,473)	40,970
Income taxes	781	6,122	(1,289)	5,614
Net income	\$ 2,932	\$ 36,608	\$ (4,184)	\$ 35,356

(In Thousands of Dollars)								
	Trust Segm ent	Bank Segm ent	Elimina tions and Others	Consoli dated Totals	Trust Segment	Bank Segment	Eliminations and Others	Consolidated Totals
For Three Months Ended September 30, 2022								
For Three Months Ended March 31, 2024								
		32,		31,78				
Net interest income	\$ 54	\$ 602	\$ (875)	\$ 1	\$ 52	\$ 32,674	\$ (1,039)	\$ 31,687
Provision for credit losses and unfunded loans	0	448	0	448	0	(449)	0	(449)
Service fees, security gains and other noninterest income	2,731	6,248	(152)	8,827	3,101	5,434	(178)	8,357
Noninterest expense	1,666	17,942	20,265	20,265	1,904	22,919	605	25,428
Amortization and depreciation expense	27	994	113	1,134	19	1,478	114	1,611
Income before taxes	1,092	19,466	(1,797)	18,761	1,230	14,160	(1,936)	13,454
Income taxes	229	3,38	(352)	3,315	259	2,361	(406)	2,214
Net income	\$ 863	\$ 16,028	\$ (1,445)	\$ 15,446	\$ 971	\$ 11,799	\$ (1,530)	\$ 11,240

(In Thousands of Dollars)	Elimina							
	Trust Segm ent	Bank Segm ent	tions and Others	Consoli dated Totals	Trust Segment	Bank Segment	Eliminations and Others	Consolidated Totals
For Nine Months Ended September 30, 2022								
For Three Months Ended March 31, 2023								
Net interest income	\$ 126	\$ 97,081	\$ (2,473)	\$ 94,734	\$ 57	\$ 37,508	\$ (955)	\$ 36,610
Provision for credit losses and unfunded loans	0	706	0	706	0	8,599	0	8,599
Service fees, security gains and other noninterest income	16,768	19,595	36,002	(361)	2,900	7,756	(231)	10,425
Noninterest expense	7,049	61,558	1,234	69,841	1,643	26,535	645	28,823
Amortization and depreciation expense	83	3,052	340	3,475	23	1,762	114	1,899
Income before taxes	9,762	51,360	(4,408)	56,714	1,291	8,368	(1,945)	7,714
Income taxes	2,049	8,438	(1,014)	9,473	271	847	(479)	639
Net income	\$ 7,713	\$ 42,922	\$ (3,394)	\$ 47,241	\$ 1,020	\$ 7,521	\$ (1,466)	\$ 7,075

The Bank segment includes Farmers National Insurance and Farmers of Canfield Investment Co.

Short-term borrowings:

The Bank had no short-term advances from the Federal Home Loan Bank ("FHLB") at September 30, 2023. The Bank had of \$95.0 million of short-term advances from the FHLB at December 31, 2022, March 31, 2024 and the \$70.0 million at December 31, 2023. The interest rate on these borrowings was 4.38% at March 31, 2024 and 5.41% at December 31, 2023. Both of these short-term borrowings were borrowed using the FHLB's overnight repurchase advance program, as this product allows the most flexibility to meet the Bank's varying liquidity needs. These FHLB advances are secured by pledged assets which are described in the following Long-Term Borrowings footnote.

In addition, the Bank had \$285.0 million in short-term borrowings at both March 31, 2024 and December 31, 2023. The current borrowing matures in January 2025 and has a fixed interest rate of 4.76%. The borrowings are secured by securities with a par value of \$287.0 million.

The Bank has access to a line of credit of \$25.0 million at a major domestic bank and the interest rate that is below the prime rate. This line and its terms are periodically reviewed by the lending bank and it is generally subject to withdrawal at their discretion. There were no outstanding borrowings under this line at September 30, 2023. At December 31, 2022 March 31, 2024, the Bank had access to lines of credit amounting to \$35 million at two major domestic banks that were both below the prime interest rate, however, there were no borrowings under these lines at December 31, 2022 or December 31, 2023.

At September 30, 2023 Farmers has one unsecured revolving line of credit for \$5.0 million and this million. This line can be renewed annually. The line annually and has an interest rate of prime and with a floor of 3.5%. There were no outstanding balance on this line at September 30, 2023. At December 31, 2022, Farmers had two unsecured lines of credit for \$6.5 million, with interest rates of prime and floors of 3.5% and 4.5%. There was no outstanding balance on this line at either of these lines at December 31, 2022 March 31, 2024, or December 31, 2023.

Long-term borrowings:

There were no long-term advances from the FHLB at September 30, 2023 March 31, 2024, or at December 31, 2022 December 31, 2023.

The Bank's long-term

Long-term and short-term FHLB advances are secured by a blanket pledge of residential mortgage, commercial real estate, and multi-family loans totaling \$1.7 billion at March 31, 2024 and \$1.6 billion at September 30, 2023 and \$1.2 billion at December 31, 2022, respectively. December 31, 2023. Based on this collateral, the Bank is eligible to borrow an additional \$892.6 739.9 million at September 30, 2023 March 31, 2024.

In November 2021, the Company completed the issuance of \$75.0 million aggregate principal amount, fixed-to-floating rate subordinated notes due December 15, 2031, in a private offering exempt from the registration requirements under the Securities Act of 1933, as amended. The notes carry a fixed rate of 3.125% for five years at which time they will convert to a floating rate based on the

three-month term secured overnight funding rate, ("SOFR"), plus a spread of 220 basis points. The Company may, at its option, beginning December 15, 2026, redeem the notes, in whole or in part, from time to time, subject to certain conditions. The net proceeds from the sale were approximately \$73.8 million, after deducting the offering expenses. The Company's intent was to use the proceeds from the sale for general corporate purposes, which may include, without limitation, providing

capital to support its growth organically or through acquisitions, in financing investments, capital expenditures, repurchasing its common shares and for investments in the Bank as regulatory capital. The subordinated debentures are included in Total Capital under current regulatory guidelines and interpretations.

On November 1, 2021, the Company completed its acquisition of Cortland, which included the assumption of Floating Rate Junior Subordinated Debt Securities due in September 15, 2037 (the "junior subordinated debt securities") at an acquisition-date fair value of \$4.3 million, held in a wholly-owned statutory trust whose common securities were wholly-owned by Cortland. The sole assets of the statutory trust are the junior subordinated debt securities and related payments. The junior subordinated debt securities and the back-up obligations, in the aggregate, constitute a full and unconditional guarantee of the obligations of the statutory trust under the capital securities held by third-party investors. The securities bear interest at a rate of 1.45% over the 3-month term SOFR (Secured Overnight Financing Rate). The transition to the 3-month term SOFR from the 3-month term LIBOR rate was effective September 15, 2023 with the cessation of the LIBOR rate. The rate at September 30, 2023 March 31, 2024 was 7.12 7.04% and at December 31, 2022 December 31, 2023 the rate was 6.22 7.10%.

36

On January 7, 2020, the Company completed its acquisition of Maple Leaf, which included the assumption of Floating Rate Junior Subordinated Debt Securities due December 15, 2036 (the "junior subordinated debt securities") held in a wholly-owned statutory trust whose common securities were wholly-owned by Maple Leaf. The sole assets of the statutory trust are the junior subordinated debt securities and related payments. The junior subordinated debt securities and the back-up obligations, in the aggregate, constitute a full and unconditional guarantee of the obligations of the statutory trust under the capital securities held by third-party investors. The securities bear interest at a rate of 1.80 1.70% over the 3-month term SOFR (Secured Overnight Financing Rate). The transition to the 3-month term SOFR from the 3-month term LIBOR rate was effective September 15, 2023 with the cessation of LIBOR rate. The rate at September 30, 2023 March 31, 2024 was 7.47 7.39% and at December 31, 2022 December 31, 2023 the rate was 6.57 7.45%.

In 2015, the Company completed its acquisition of National Bancshares Corporation, which included the assumption of Floating Rate Junior Subordinated Debt Securities due June 15, 2035 (the "junior subordinated debt securities") held in a wholly-owned statutory trust, TSEO Statutory Trust I. The sole assets of the statutory trust are the junior subordinated debt securities and related payments. The junior subordinated debt securities and the back-up obligations, in the aggregate, constitute a full and unconditional guarantee of the obligations of the statutory trust under the capital securities held by third-party investors. The securities bear interest at a rate of 1.70 1.80% over the 3-month term SOFR (Secured Overnight Financing Rate). The transition to the 3-month term SOFR from the 3-month term LIBOR rate was effective September 15, 2023 with the cessation of LIBOR rate. The rate at September 30, 2023 March 31, 2024 was 7.37 7.29% and at December 31, 2022 December 31, 2023 the rate was 6.47 7.35%.

In all three instances, the Company may redeem the junior subordinated debentures at any quarter-end, in whole, or in part, at par. This type of subordinated debenture qualifies as Tier 1 capital for regulatory purposes in determining and evaluating the Company's capital adequacy.

A summary of all junior subordinated debentures issued by the Company to affiliates and subordinated debentures follows. For the junior subordinated debentures, these amounts represent the par value of the obligations owed to these affiliates, including the Company's equity interest in the trusts along with any unamortized fair value marks. For the subordinated debentures, these amounts represent the par value of \$75 million less the remaining deferred offering expense associated with the issuance of the debentures. Balances were as follows at March 31, 2024 and December 31, 2023:

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
	Amount	Amount	Amount	Amount
TSEO Statutory Trust I	\$ 2,509	\$ 2,472	\$ 2,533	\$ 2,521
Maple Leaf Financial Statutory Trust II	7,684	7,517	7,796	7,740
Cortland Statutory Trust I	4,368	4,327	4,396	4,382
Total junior subordinated debentures owed to unconsolidated subsidiary trusts	\$ 14,561	\$ 14,316	\$ 14,725	\$ 14,643
Subordinated Debentures	\$ 73,989	\$ 73,895	\$ 74,052	\$ 74,020
Total long-term borrowings	\$ 88,550	\$ 88,211	\$ 88,777	\$ 88,663

37 Qualified affordable housing project investments:

The Company invests in qualified affordable housing projects. At March 31, 2024 and December 31, 2023, the balance of the investment for qualified affordable housing projects was \$17.5 million and \$17.9 million, respectively. Total unfunded commitments related to the investments in qualified affordable housing projects totaled \$11.2 million and \$12.3 million at March 31, 2024 and December 31, 2023. The Company expects to fulfill these commitments during the year ending 2037.

In the first quarter ended March 31, 2024 and March 31, 2023, the Company recognized amortization expense of \$406 thousand and \$417 thousand, respectively, which was included within income tax expense on the consolidated statements of income.

Additionally, during the first quarters ended March 31, 2024 and March 31, 2023, the Company recognized tax credits and other benefits from its investment in affordable housing tax credits of \$501 thousand and \$542 thousand, respectively. During

the quarters ended March 31, 2024 and March 31, 2023, the Company did not incur impairment losses related to its investment in affordable housing tax credits

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Note Regarding Forward Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements are not statements of historical fact, but rather statements based on the Company's current expectations, beliefs and assumptions regarding the future of Farmers' business, future plans and strategies, projections, anticipated events and trends, its intended results and future performance, the economy and other future conditions. Forward-looking statements are preceded by terms such as "will," "would," "should," "could," "may," "expect," "estimate," "believe," "anticipate," "intend," "plan," "project," or variations of these words, or similar expressions. Forward-looking statements are not a guarantee of future performance and actual future results could differ materially from those contained in forward-looking information. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Numerous uncertainties, risks, and changes could cause or contribute to Farmers' actual results, performance, and achievements to be materially different from those expressed or implied by the forward-looking statements.

Factors that could cause or contribute to such differences include, without limitation, risks and uncertainties detailed from time to time in the Company's filings with the Securities and Exchange Commission (the "Commission"), including without limitation, the risk factors disclosed in Item 1A, "Risk Factors," in the Company's 2022 2023 Form 10-K, as updated in Item 1A, "Risk Factors," in this Quarterly Report on Form 10-Q.

Many of these factors are beyond the Company's ability to control or predict, and readers are cautioned not to put undue reliance on those forward-looking statements. The following, which is not intended to be an all-encompassing list, summarizes several factors that could cause the Company's actual results to differ materially from those anticipated or expected in any forward-looking statement:

- general economic conditions in markets where the Company conducts business, which could materially impact credit quality trends;
- the length and extent of the economic impacts of the COVID-19 pandemic;
- the length and extent of the economic impacts of the ongoing conflict in Ukraine;
- actions by the Federal Reserve Board, U.S. Treasury and other government agencies, including those that impact mor

supply, market interest rates and inflation;

- disruptions in the mortgage and lending markets and significant or unexpected fluctuations in interest rates related governmental responses to inflation, including financial stimulus packages and interest rate changes;
- general business conditions in the banking industry;
- the regulatory environment;
- general fluctuations in interest rates;
- demand for loans in the market areas where the Company conducts business;
- rapidly changing technology and evolving banking industry standards;
- competitive factors, including increased competition with regional and national financial institutions;
- Farmers' ability to attract, recruit and retain skilled employees; and
- new service and product offerings by competitors and price pressures.

Other factors not currently anticipated may also materially and adversely affect the Company's results of operations, cash flows and financial position. There can be no assurance that future results will meet expectations. While the Company believes that the forward-looking statements in the presentation are reasonable, you should not place undue reliance on any forward-looking statement. In addition, these statements speak only as of the date made. The Company does not undertake, and expressly disclaims, any obligation to update or alter any statements whether as a result of new information, future events or otherwise, except as may be required by applicable law.

43

Results of Operations. The results of operation, and comparisons to results from the prior periods of 2022, are materially impacted by the acquisition of Emlenton which closed on January 1, 2023.

38

The following is a comparison of selected financial ratios and other results at or for the three and nine month periods ended September 30, 2023 March 31, 2024 and 2022: 2023:

At or for the Three Months Ended September 30,	At or for the Nine Months Ended September 30,	At or for the Three Months Ended March 31,
---	--	---

(In Thousands, except Per Share Data)	2023	2022	2023	2022	2024	2023
	4,9	4,1	4,9	4,1		
	71,	20,	71,	20,		
	16	02	16	02		
Total assets	\$ 3	\$ 2	\$ 3	\$ 2	\$ 5,080,010	\$ 5,109,886
	13,	15,	35,	47,		
	31	44	35	24		
Net income	\$ 4	\$ 6	\$ 6	\$ 1	\$ 11,240	\$ 7,075
Diluted earnings per share	0.3	0.4	0.9	1.3		
	\$ 6	\$ 6	\$ 4	\$ 9	\$ 0.30	\$ 0.19
Return on average assets (annualized)	1.0	1.4	0.9	1.5		
	6 %	8 %	3 %	1 %	0.90 %	0.56 %
Return on average equity (annualized)	14.	18.	12.	16.		
	49 %	71 %	79 %	55 %	11.47 %	7.71 %
Equity to asset ratio	6.3	6.4	6.3	6.4		
	6 %	5 %	6 %	5 %		
Dividends to net income	47.	35.	36.	34.		
	82 %	06 %	21 %	39 %	56.65 %	90.50 %
Net loans to assets	63.	57.	63.	57.		
	04 %	59 %	04 %	59 %	61.97 %	60.99 %
Loans to deposits	70.	67.	70.	67.		
	23 %	28 %	23 %	28 %	75.78 %	71.71 %

Net Income. The Company's net income for the quarter three months ended September 30, 2023 March 31, 2024 totaled \$13.3 million \$11.2 million, or \$0.36 \$0.30 per diluted share, compared to \$15.4 million \$7.1 million, or \$0.46 \$0.19 per diluted share, for the three months ended September 30, 2022 March 31, 2023. The results for the first three months of 2023 were negatively impacted by \$4.3 million of pre-tax merger related costs associated with the acquisition of Emlenton had along with a positive impact on the earnings of the Company but net interest margin compression due to high rates and an inverted yield curve continues to act as a headwind to overall earnings in 2023 as compared to 2022.

Net income for the first nine months of 2023 was \$35.4 million compared to \$47.2 million for the first nine months of 2022. The change in net income during the first nine months of 2023, compared with the first nine months of 2022, was impacted by acquisition-related expenses for the Emclaire transaction that closed on January 1, 2023. The first nine months of 2023

included merger-related expenses of \$5.0 million compared to merger related costs of \$3.5 million for the first nine months of 2022. The first nine months of 2023 also included Day 1 provision for credit losses and provision for unfunded loans under of \$7.7 million associated with the CECL model acquisition of \$7.7 million. The net interest margin compression discussed above also had a negative impact on 2023 results compared to the first nine months of 2022. Emlenton's loan portfolio.

Net Interest Income. The following schedule details the various components of net interest income for the periods indicated. All asset yields are calculated on a tax-equivalent basis where applicable. Security yields are based on amortized cost.

Average Balance Sheets and Related Yields and Rates												
(Dollar Amounts in Thousands)												
EARNING ASSETS	Three Months Ended September 30, 2023			Three Months Ended September 30, 2022			Three Months Ended March 31, 2024			Three Months Ended March 31, 2023		
	AVE			AVE			AVERAGE			AVERAGE		
	RA			RA								
	GE			GE								
	INT	R		INT	R							
	BAL	ER	AT	BAL	ER	AT						
	AN	ES	E	AN	ES	E						
	CE	T	(1)	CE	T	(1)	BALANCE	INTEREST	RATE (1)	BALANCE	INTEREST	RATE (1)

	3,			2,		
	1	4		3	2	
	5	3		8	7	
	3,	,	5	6,	,	4
	3	9	.	1	5	.
	0	2	5	8	7	6
Loans (2) (3)	\$ 9	\$ 8	7%	\$ 4	\$ 0	2%
	1,			1,		
	1			1		
	3	6		1	5	
	2,	,	2	2,	,	1
	9	4	.	4	4	.
	5	9	2	1	7	9
Taxable securities (2)	9	2	9	1	7	7
	4			4		
	1	3		7	3	
	3,	,	3	3,	,	3
	1	2	.	6	8	.
	1	5	1	7	1	2
	7	1	5	7	4	2
Tax-exempt securities (2) (3)						
Loans (2)	\$ 3,181,337 \$ 45,096 5.67 % \$ 3,136,494 \$ 40,942 5.22 %					
Taxable securities	1,101,347 6,415 2.33 1,171,596 6,550 2.24					
Tax-exempt securities (2)	408,075 3,208 3.14 438,614 3,519 3.21					
	4			3		
	2,		4	3,		2
	5	4	.	5	1	.
	8	8	5	2	9	3
	1	7	7	4	9	7
	7			5		
	8,		3	9,		1
	9	7	.	2	2	.
	2	5	8	8	0	3
	2	1	1	9	5	8
Other investments						
Federal funds sold and other						

TOTAL EARNING ASSETS	4,820,888	5,409,058	4,655,577	4,866,263	51,997	4.27
	4,796,922	55,707	4.65	4,866,263	51,997	4.27
	21					
	15,444					
	5,409,058					
	227,044			218,746		
Nonearning assets						
TOTAL ASSETS	5,023,966	5,085,009				
	5,023,966	5,085,009				
	5,023,966	5,085,009				
	5,023,966	5,085,009				
	5,023,966	5,085,009				
	5,023,966	5,085,009				
INTEREST-BEARING LIABILITIES						
Time deposits	67,291	53,339	3.83%	590,412	3,339	2.26%
	67,291	53,339	3.83%	590,412	3,339	2.26%
	67,291	53,339	3.83%	590,412	3,339	2.26%
	67,291	53,339	3.83%	590,412	3,339	2.26%
	67,291	53,339	3.83%	590,412	3,339	2.26%
	67,291	53,339	3.83%	590,412	3,339	2.26%
Brokered time deposits	14,583	1,040	0.00	231,040	2,321	4.02
	14,583	1,040	0.00	231,040	2,321	4.02
	14,583	1,040	0.00	231,040	2,321	4.02
	14,583	1,040	0.00	231,040	2,321	4.02
	14,583	1,040	0.00	231,040	2,321	4.02
	14,583	1,040	0.00	231,040	2,321	4.02

[illegible]

NONINTEREST-
BEARING
LIABILITIES AND
STOCKHOLDERS
' EQUITY

	1,								
	0		9						
	5		6						
	2,		9,						
Demand deposits -	0		7						
noninterest	6		0						
bearing	2		0		995,168			1,107,422	
	5		3						
	0,		6,						
	7		9						
	2		2						
Other liabilities	6		9		52,915			48,883	
	3		3						
	6		3						
	7,		0,						
	6		3						
Stockholders'	0		0						
equity	0		0		395,549			366,851	
	5,		4,						
	0		1						
	3		6						
TOTAL	6,		4,						
LIABILITIES AND	3		8						
STOCKHOLDERS'	3		5						
EQUITY	\$ 3		\$ 5		\$ 5,023,966			\$ 5,085,009	
	3		3						
	4		2						
Net interest	,	2	,	3					
income and	4	.	6	.					
interest rate	4	2	3	0					
spread	\$ 8	6%	\$ 6	2%	\$ 32,341	2.04%	\$ 37,374	2.63%	

	2	3		
	.	.		
	8	2		
Net interest margin	<u>6%</u>	<u>1%</u>	<u>2.70%</u>	<u>3.07%</u>

- (1) Rates are calculated on an annualized basis.
- (2) Includes unamortized discounts and premiums. Average balance and yield are computed using the average historical amortized cost.
- (3) For 2023, adjustments of \$90 thousand and \$590 thousand, respectively, were made to tax equate income Interest on exempt certain tax-exempt loans and tax-exempt securities in 2024 and 2023 is not taxable for Federal income tax purposes. In order to equate income compare the tax-exempt yields on tax exempt loans and tax exempt securities. These adjustments were the assets to taxable yields, the interest earned on these assets is adjusted to a pre-tax equivalent amount based on a marginal corporate federal income tax rate of 21%, less disallowances.

40 45

Average Balance Sheets and Related Yields and Rates

(Dollar Amounts in Thousands)

	Nine Months Ended September 30, 2023			Nine Months Ended September 30, 2022		
	AVERAGE BALANCE	INTEREST	RATE (1)	AVERAGE BALANCE	INTEREST	RATE (1)
EARNING ASSETS						
	3,144,81			2,346,54		
Loans (2) (3)	\$ 7	\$ 127,293	5.40 %	\$ 2	\$ 79,008	4.49 %
	1,153,80			1,074,02		
Taxable securities (2)	4	19,697	2.28	0	15,287	1.90
Tax-exempt securities (2) (3)	422,151	10,048	3.17	469,878	11,372	3.23
Other investments	40,211	1,457	4.83	32,901	545	2.21
Federal funds sold and other	78,224	1,911	3.26	82,031	348	0.57
	<u>4,839,20</u>			<u>4,005,37</u>		
TOTAL EARNING ASSETS	7	160,406	4.42	2	106,560	3.55

Nonearning assets	219,762			160,975		
	5,058,96			4,166,34		
TOTAL ASSETS	\$ 9			\$ 7		
INTEREST-BEARING LIABILITIES						
Time deposits	\$ 636,939	\$ 13,171	2.76 %	\$ 357,241	\$ 1,782	0.67 %
Brokered time deposits	145,115	4,889	4.49	37,400	206	0.73
	1,128,76					
Savings deposits	0	6,981	0.82	837,937	473	0.07
	1,421,20			1,422,58		
Demand deposits	8	19,619	1.84	3	3,644	0.34
Short term borrowings	145,509	5,608	5.14	45,568	631	1.85
Long term borrowings	88,382	3,043	4.59	87,915	2,505	3.80
TOTAL INTEREST-BEARING	3,565,91			2,788,64		
LIABILITIES	3	53,311	1.99	4	9,241	0.44
NONINTEREST-BEARING LIABILITIES AND STOCKHOLDERS' EQUITY						
	1,075,49					
Demand deposits	3			966,173		
Other liabilities	48,936			30,904		
Stockholders' equity	368,627			380,626		
TOTAL LIABILITIES AND	5,058,96			4,166,34		
STOCKHOLDERS' EQUITY	\$ 9			\$ 7		
Net interest income and interest rate spread		\$ 107,095	2.43 %		\$ 97,319	3.11 %
Net interest margin			2.95 %			3.24 %

- (1) Rates are calculated on an annualized basis.
- (2) Includes unamortized discounts and premiums. Average balance and yield are computed using the average historical amortized cost.
- (3) For 2023, adjustments of \$268 thousand and \$1.9 million, respectively, are made to tax equate income on tax exempt loans and tax exempt securities. For 2022, adjustments of \$238 thousand and \$2.3 million, respectively, are made to tax equate income on tax exempt loans and tax exempt securities. These adjustments are based on a marginal federal income tax rate of 21%, less disallowances.

Net Interest Income. Net interest income for the three month period quarter ended September 30, 2023 March 31, 2024, was \$33.8 million \$31.7 million compared to \$31.8 million \$36.6 million for the same period in 2022, 2023. A larger earning asset base due to the acquisition of Emlenton was the primary driver of this increase offset by a 35 37 basis point decline in the net interest margin. margin along with a slightly smaller earning asset base were the primary drivers of this decrease.

The net interest margin for the three months ended September 30, 2023 March 31, 2024, was 2.86%, a 35 basis point decrease from 2.70% compared to 3.07% for the quarter ended September 30, 2022, same period in 2023. In comparing the third first quarter of 2023 2024 to the same period in 2022, 2023, interest-earning asset yields increased 89 38 basis points, while the cost of interest-bearing liabilities increased 165 97 basis points. This increase in funding costs has been due to the rapid increase in deposit rates, due to intense competition for deposits, the continued Federal Reserve rate hiking cycle and runoff of deposit balances which are being replaced by much costlier wholesale funding. This increase in funding costs continues to outstrip the increases on the yield of interest-earning assets pushing the net interest margin lower.

Net interest income for the nine month period ended September 30, 2023, was \$105.0 million compared to \$94.7 million for the same period in 2022. The increase in net interest income was driven by the same factors as the third quarter increase. The net interest margin was 2.95% for the nine month period ended September 30, 2023 compared to 3.24% for the same period in 2022. The decline in net interest margin for the nine month period ended September 30, 2023, was also driven by the same factors.

Provision for Credit Losses and Provision for Unfunded Loans. The Company recorded a provision credit for credit losses and unfunded loans of \$243,000 \$449 thousand during the third first quarter of 2023 2024 compared to a provision for credit losses and unfunded loans of \$448,000 for the third quarter of 2022. The allowance for credit losses to total loans was 1.10% at September 30, 2023, compared to 1.12% at December 31, 2022.

The provision for credit losses and unfunded loans was \$8.9 million \$8.6 million for the first nine months quarter of 2023 compared to a provision for credit losses and unfunded loans of \$706 thousand for the first nine months of 2022. 2023. Included in the \$8.9 million \$8.6 million figure is in 2023 was a Day 1 provision for credit losses and provision for unfunded loans under the CECL current expected credit loss model ("CECL") of \$7.7 million related to the acquisition of Emlenton. There was no Day 1 provision recorded in the first nine three months of 2022, 2024. The credit for credit losses and unfunded loans in the first three months of 2024 was largely attributed to shrinkage in outstanding loan balances, a reduction in specific reserves and improvements in the Company's loss rates that anchor the qualitative factors.

Noninterest Income. Noninterest The Company reported noninterest income totaled \$9.8 million of \$8.4 million during the first quarter of 2024 compared to \$10.4 million for the three months ended September 30, 2023, compared first quarter of 2023. This decrease is primarily due to \$8.8 million for the three months ended September 30, 2022. Company completing the securities restructure in the first quarter of 2024 which resulted in a \$2.1 million loss on the sale of the securities. In the first quarter of 2023, the Company recognized \$121 thousand in securities gains.

Service charges on deposit accounts have increased by \$483,000 in were \$1.6 million for the third first quarter of 2023 2024 compared to \$1.4 million for the third quarter of 2022. The increase is primarily same period in 2023 due to the acquisition of Emclair. increased activity. Bank owned life insurance income other mortgage banking fee income and debit card income have also increased to \$707 thousand in the third first quarter from \$547 thousand in the first quarter of 2023 2023. A death

benefit of \$83 thousand in 2024 and higher earnings credit on the policies drove the increase. Trust fees increased by \$206 thousand in the first quarter of 2024 compared to the third quarter of 2022 due to the Emclaire acquisition. Insurance agency commissions are flat in the third quarter of 2023 compared to the third quarter of 2022 but growth for the year has been solid as growth in the insurance business and increased annuity sales have bolstered income. Security losses in the third quarter of 2023 totaled \$624,000 compared to losses of \$17,000 in the third quarter of 2022. The Company sold securities during the quarter to improve net interest margin in future periods. Investment commissions are up slightly for the quarter ended September 30, 2023 compared to the quarter ended September 30, 2022, as customers have been more interested in the annuities mentioned above as opposed to traditional investment products. Net gains on the sale of loans have increased but are still sluggish due to the high level of interest rates and lack of loan volume.

Noninterest income for the nine month period ended September 30, 2023, was \$29.7 million compared to \$36.0 million for the same period in 2022. The decline 2023 due to continued strong growth in noninterest income for this line of business. Likewise, insurance commissions, retirement consulting fees and investment commissions all exhibited solid growth in the nine months ended September 30, 2023, first quarter of 2024 compared to the nine first quarter of 2023. Debit card income declined \$222 thousand to \$1.6 million in the first quarter of 2024 compared to \$1.8 million for the first quarter of 2023. Average customer spend per transaction has declined year over year. Other noninterest income declined to \$1.1 million for the first three months ended September 30, 2022, was primarily due of 2024 compared to \$8.4 million in \$1.3 million for the first three months of 2023 as the Company received less SBIC income from a legal settlement received its investments in 2022. The decline was partially offset by increases in noninterest income categories due 2024 compared to the acquisition of Emlenton. 2023.

Noninterest Expense. Noninterest expense was \$27.7 million \$27.0 million for the quarter ended September 30, 2023, first three months of 2024 compared to \$21.4 million \$30.7 million for the quarter ended September 30, 2022. The increase first three months of 2023. This decrease was primarily driven by the Company recording \$4.3 million in expense is primarily due to the acquisition of Emclaire. merger related charges in 2023. There were no merger related charges recorded in 2024. Salaries and employee benefits increased \$3.5 million to \$14.2 million \$15.1 million in the third first quarter of 2023 2024 compared to \$14.6 million in the same period in 2022. first quarter of 2023. The acquisition of Emclaire along increase was primarily driven by salary increases associated with normal raise activity were the primary reasons for the increase. employee raises. Occupancy and equipment expense increased \$782,000 decreased by \$139 thousand in the first quarter of 2024 compared to the first quarter of 2023 primarily due to the acquisition. several branches being closed. FDIC and state and local taxes increased \$123 thousand to \$1.3 million for the first three months of 2024 compared to \$1.2 million for the first three months of 2023 due to the acquisition and the an increase in the rate paid FDIC assessment rate. Professional fees increased \$140 thousand for FDIC insurance in 2023. Intangible amortization expense and core processing charges increased due the three months ended March 31, 2024, compared to the acquisition. Merger related costs were \$268,000 for the third first quarter of 2023 primarily due to increased legal fees. Intangible amortization declined \$220 thousand in the first three months of 2024 to \$688 thousand compared to \$872,000 in \$909 thousand for the third quarter first three months of 2022. 2023. The decrease was primarily driven by the amortization from a prior acquisition running off. Other noninterest expense increased due the acquisition and due to the recognition of \$785,000 in expense related to the settlement of a lawsuit.

Total noninterest expense was \$84.8 million for the nine month period ended September 30, 2023, compared to \$73.3 million for the same nine month period in 2022. The increase in expense is primarily due to the Company being larger due to the

acquisition of Emlenton. There was also a charitable contribution of \$6.0 million to the Farmers Charitable Foundation and \$2.1 million in legal costs associated with the legal settlement, as discussed previously. Both of these charges were incurred \$309 thousand in the first nine months quarter of 2022 and were not repeated 2024 compared to the first quarter of 2023 due to increases in 2023. several categories of expense.

Income Taxes. Income tax expense totaled \$2.3 million \$2.2 million for the quarter three months ended September 30, 2023 March 31, 2024 compared to \$3.3 million \$639 thousand for the quarter three months ended September 30, 2022 March 31, 2023. The decrease increase in tax expense was primarily due to the decline increase in income before income taxes. In addition, the Company dissolved Farmers National Captive, Inc. in November of 2023 so the Company is no longer receiving the tax benefits associated with this business.

Income tax expense totaled \$5.6 million for the nine month period ended September 30, 2023, and \$9.5 million for the nine month period ended September 30, 2022. This decline is also due to the decline in income before income taxes. 46

Financial Condition

Cash and Cash Equivalents. Cash and cash equivalents increased \$18.4 million \$45.0 million during the first nine three months of 2023 2024 to \$148.6 million from \$75.6 million \$103.7 million at December 31, 2022 to \$93.9 million at September 30, 2023 December 31, 2023. The increase in the cash balances was primarily due to the Company intentionally holding more cash liquidity on its balance sheet and due to the acquisition of Emlenton. at March 31, 2024.

Securities. Securities available-for-sale decreased by \$57.3 million to \$1.21 billion \$1.27 billion at September 30, 2023 March 31, 2024, from \$1.30 billion at December 31, 2024. Gross unrealized losses on the portfolio totaled \$234.2 million at March 31, 2024, compared to \$1.27 billion gross unrealized losses of \$217.1 million at December 31, 2022 December 31, 2023. The Company also completed a security restructure during the quarter which involved selling approximately \$44.3 million of securities and reinvesting the proceeds into securities with yields 200 basis points higher than those sold. The Company also had sales and runoff from the portfolio that totaled approximately \$130.2 million in made up the first nine months remainder of 2023. In addition, unrealized losses on the portfolio increased from \$266.5 million at December 31, 2022 to \$320.0 million at September 30, 2023. Offsetting, the declines was the addition of \$127.0 million in available for sale securities from Emlenton. decline.

Loans. Gross Net loans (excluding loans held for sale) increased declined to \$3.17 billion \$3.15 billion at September 30, 2023 March 31, 2024 from \$2.40 billion \$3.16 billion at December 31, 2022 December 31, 2023. The increase decline through

the first three months of \$763.8 million for 2024 has been due to paydowns and soft loan demand in the year was primarily driven by the loans acquired from Emlenton which totaled \$741.7 million. market.

Allowance for Credit Losses. The following table indicates key asset quality ratios that management evaluates on an ongoing basis. The recorded investment balances were used in the calculations.

Asset Quality History
(In Thousands of Dollars)

	9/30 /202	6/30 /202	3/31 /202	12/3 1/20	9/30 /202	3/31/2024	12/31/2023	9/30/2023	6/30/2023	3/31/2023
	3	3	3	22	2					
Nonperforming loans	1	1	1		1					
	8,	7,	7,		2,					
	3	9	9	14	9					
	6	5	5	,8	7					
	\$ 8	\$ 6	\$ 9	\$ 03	\$ 6	\$ 11,951	\$ 15,063	\$ 18,368	\$ 17,956	\$ 17,959
Nonperforming loans as a % of total loans	0.	0.	0.		0.					
	5	5	5	0.	5					
	8%	7%	7%	62%	4%	0.38%	0.47%	0.58%	0.57%	0.57%
Non-performing assets						\$ 12,215	\$ 15,229	\$ 18,522	\$ 18,167	\$ 18,053
Non-performing assets as a % of total assets						0.24%	0.30%	0.37%	0.36%	0.35%
Loans delinquent 30- 89 days	1	1	1							
	3,	2,	0,		6,					
	3	3	2	9,	6					
	1	2	1	60	5					
	\$ 4	\$ 1	\$ 9	\$ 5	\$ 9	\$ 14,069	\$ 16,705	\$ 13,314	\$ 12,321	\$ 10,219
Loans delinquent 30- 89 days as a % of total loans	0.	0.	0.		0.					
	4	3	3	0.	2					
	2%	9%	2%	40%	8%	0.44%	0.52%	0.42%	0.39%	0.32%
Allowance for credit losses	3	3	3		2					
	4,	4,	6,		7,					
	7	9	0	26	2					
	5	5	1	,9	8					
	\$ 3	\$ 7	\$ 1	\$ 78	\$ 2	\$ 33,159	\$ 34,440	\$ 34,753	\$ 34,957	\$ 36,011

Allowance for credit losses as a % of total loans	1.1 0%	1.1 1%	1.1 4%	1.1 12%	1.1 4%	1.04%	1.08%	1.10%	1.11%	1.14%
Allowance for credit losses as a % of nonperforming loans	1.1 0%	1.1 8%	2.0 2%	2.0 25%	2.0 5%	277.46%	228.64%	189.20%	194.68%	200.52%
Net charge-offs for the quarter	3.8 \$ 6	7.9 \$ 9	2.1 \$ 1	57.0 \$ 0	0.5 \$ 5	\$ 1,011	\$ 800	\$ 386	\$ 799	\$ 271
Annualized net charge-offs to average net loans outstanding	0.5 5%	0.1 0%	0.3 3%	1.0 10%	0.1 0%	0.13%	0.10%	0.05%	0.10%	0.03%
Non-performing assets	1.8 5.2 \$ 2	1.8 1.1 \$ 7	1.8 0.5 \$ 3	1.8 14.8 \$ 76	1.3 0.4 \$ 2					
Non-performing assets as a % of total assets	0.3 7%	0.3 6%	0.3 5%	0.3 36%	0.3 2%					

ASU 2022-02 was adopted on January 1, 2023 and such, non-performing loans balances include prior period TDRs and current period subsequent to January 1, 2023, loans that had with modifications due to borrowers with financial difficulty. difficulty are included in non-performing loans.

The Company's allowance for credit losses increased decreased to \$34.8 million \$33.2 million for the period ended September 30, 2023 March 31, 2024, from \$27.0 million \$34.4 million for the period ended December 31, 2022 December 31, 2023. This increase decrease was primarily driven by shrinkage in the Day 1 provision for loan portfolio along with improvements in the Company's credit losses associated with metrics which have had a favorable impact on the acquisition of Emlenton that added \$7.5 million to Company's quantitative and qualitative measures within the allowance for credit losses. In addition, the Company also recorded a \$1.0 million increase to the allowance for credit losses for the Day 1 reserve for purchase credit deteriorated loans from Emlenton. CECL model. The Company estimates the ACL based on the amortized cost basis of the underlying loan and has made an accounting policy election to exclude accrued interest from the loan's amortized cost basis and the related measurement of the ACL. Estimating the amount of the ACL is a function of a number of factors, including but not limited to changes in the loan portfolio, net charge-offs, trends in past due and nonaccrual loans, and the level of potential problem loans, all of which may be susceptible to significant change.

Based on the evaluation of the adequacy of the allowance for credit losses, management believes that the allowance for credit losses at September 30, 2023, March 31, 2024 is adequate. The provision for credit losses is based on management's judgment after taking into consideration all factors connected with the collectability of the existing loan portfolio. Management estimates the allowance balance using relevant

43

available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Specific factors considered by management in determining the amounts charged to operating expenses include previous credit loss experience, the status of past due interest and principal payments, the quality of financial information supplied by loan customers and the general condition of the industries in the community to which loans have been made.

Non-performing loans to total loans at September 30, 2023 were 0.58% compared to 0.62% at December 31, 2022. Early stage delinquencies, which are loans 30 - 89 days delinquent, also continue to remain at low levels, at 0.42% of total loans, at September 30, 2023 compared to 0.40% at December 31, 2022. Annualized net charge-offs to average net loans outstanding for the third quarter of 2022 were 0.05% compared to 0.10% for the same quarter in 2022.

Deposits. Total deposits increased by \$20.7 million to \$4.51 billion \$4.20 billion at September 30, 2023, compared to \$3.56 billion March 31, 2024 from \$4.18 billion at December 31, 2022 December 31, 2023. This increase was primarily due to the \$875.8 million growth in interest-bearing deposits assumed in the acquisition of Emlenton and an increase in brokered deposits of \$116.2 million. The increases were offset somewhat by a decline of \$42.1 million in customer deposits. The Company used more brokered deposits in the 3rd quarter of 2023 as they were less expensive than FHLB advances. customers seek higher yields on their deposit balances.

47

Short-term Borrowings. Total short-term borrowing balances declined from \$95.0 million \$355.0 million at December 31, 2022 December 31, 2023 to zero \$345.0 million at September 30, 2023 March 31, 2024. This decrease was due to the Company paying down FHLB advances with brokered time deposits. the growth in deposit balances.

Total Stockholders' Equity. Total stockholders' equity increased declined to \$316.0 million \$397.0 million at September 30, 2023 March 31, 2024 from \$292.3 million \$404.4 million at December 31, 2022 December 31, 2023. The increase decrease was primarily due to a \$59.2 million \$12.4 million increase from in the share issuance for the acquisition of Emclaire and net income of \$35.4 million for the first nine months of 2023. Offsetting the increase was an increase for accumulated other comprehensive loss offset by growth in retained earnings of \$41.7 million and an increase of \$10.4 million in treasury stock

balances as the Company repurchased 850,799 of its outstanding shares during the first nine months of 2023. In addition, shareholders received \$0.17 per share, per quarter, in cash dividends in each of the first three quarters of 2023, \$4.9 million.

The capital management function is a regular process that consists of providing capital for both the current financial position and the anticipated future growth of the Company. At September 30, 2023 March 31, 2024, the Company is required to maintain 4.5% common equity tier 1 to risk weighted assets excluding the conservation buffer to be adequately capitalized. The Company's common equity tier 1 to risk weighted assets was 10.37% 10.88%, total risk-based capital ratio stood at 13.83% 14.38%, and the Tier 1 risk-based capital ratio and Tier 1 leverage ratio were at 10.86% 11.37% and 7.84% 8.19%, respectively, at September 30, 2023 March 31, 2024. The Company opted not to phase in, over 3 years, the effects of the initial CECL entry to equity for the implementation of ACS 326, recorded on January 1, 2021. Management believes that the Company and the Bank meet all capital adequacy requirements to which they are subject, as of September 30, 2023 March 31, 2024.

Federal bank regulatory agencies finalized a rule that simplifies capital requirements for community banks by allowing them to adopt a simple leverage ratio to measure capital adequacy. The community bank leverage ratio framework removes requirements for calculating and reporting risk-based capital ratios for a qualifying community bank that opts into the framework. The Company has not elected to adopt this framework.

Critical Accounting Policies

The Company follows financial accounting and reporting policies that are in accordance with U.S. GAAP. These policies are presented in Note 1 of the consolidated audited financial statements in the Company's Annual Report to Shareholders included in the Company's 2022 2023 Form 10-K. Critical accounting policies are those policies that require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. The Company has identified three accounting policies that are critical accounting policies and an understanding of these policies is necessary to understand the Company's financial statements. These policies relate to determining the adequacy of the allowance for credit losses for both the investment and loan portfolios and if there is any impairment of goodwill or other intangible. Additional information regarding these policies is included in the notes to the aforementioned 2022 2023 consolidated financial statements, Note 1 (Summary of Significant Accounting Policies), Note 2 (Business Combinations), Note 4 (Loans), and the sections captioned "Loan Portfolio."

Securities classified as AFS are those securities that the Company intends to hold for an indefinite period of time, but not necessarily to maturity. Any decision to sell a security classified as AFS would be based on various factors, including significant movements in interest rates, changes in the maturity mix of the Company's assets and liabilities, liquidity needs, regulatory capital considerations, and other similar factors.

The Company evaluates securities AFS in unrealized loss positions on a quarterly basis to determine whether the decline in fair value below the amortized costs basis (impairment) is due to credit-related factors or noncredit-related factors. In making this evaluation, management considers the extent to which the fair value has been less than cost, the financial condition and

near-term prospects of the issuer, and the intent and ability of the Company to hold the security for a period of time sufficient to allow for any anticipated recovery in fair value. Any impairment that is not credit-related is recognized in other comprehensive income, net of related deferred income taxes. Credit-related impairment is recognized as Farmers maintains an allowance for credit losses. The allowance for credit losses ("ACL") is presented as a reserve against loans on the balance sheet based on the amount by which the amortized cost basis exceeds the fair value, with a corresponding charge to net income. Both the ACL and the charge to net income may be reversed if conditions change. However, if the Company intends to sell an impaired AFS security, or more likely than not will be required to sell such a security before recovering its amortized cost basis, the entire impairment amount must be recognized in net income with a corresponding adjustment to the security's amortized cost basis rather than through the establishment of an ACL. The Company has recorded no ACL related to the investment portfolio as of September 30, 2023.

The current expected credit loss model ("CECL") is used for calculating sheets. Credit losses are charged off against the allowance for credit losses, which considers while recoveries of amounts previously charged off are credited to the possibility allowance for credit losses. A provision for credit losses is charged to operations based on management's periodic evaluation of loss adequacy of the allowance.

The Company's allowance for credit losses represents management's estimate of expected credit losses over the remaining expected life of the loan. It also considers Company's financial assets measured at amortized cost and certain off-balance sheet lending-related commitments.

The allowance for credit losses involves significant judgment on a number of matters including the weighting of macroeconomic forecasts and microeconomic statistics, incorporation of historical loss rates experience, assessment of risk characteristics, assignment of risk ratings, valuation of collateral, and other qualitative adjustments, the determination of remaining expected life. Refer to Note 4 for further information on these judgments as well as a new forward-looking component that considers reasonable the Company's policies and supportable methodologies used to determine the Company's allowance for credit losses.

A significant judgment involved in estimating the Company's allowance for credit losses relates to the macroeconomic forecasts used to estimate credit losses over the expected life of each loan. To develop four-quarter forecast period within the ACL estimate under Company's methodology. The four-quarter forecast incorporates three macroeconomic variables ("MEVs") that are relevant for exposures across the current expected loss model, the Company segments the loan portfolio into loan pools based on loan type and similar credit risk elements. The Company uses the cohort ("cohort") and the probability of default/loss given default ("PD/LGD") methodologies as described Company.

- U.S. changes in real gross domestic product (GDP).
- U.S. personal consumption expenditures (PCE) inflation.
- U.S. civilian unemployment rate.

Changes in the Credit Quality Indicators section Company's assumptions and forecasts of the loan footnote. Under ASC 326, if a loan does not share similar risk characteristics with loans in that pool, economic conditions could significantly affect its

estimate of expected credit losses in the portfolio at the balance sheet date or lead to significant changes in the estimate from one reporting period to the next.

It is difficult to estimate how potential changes in any one factor or input might affect the overall allowance for credit losses because management considers a wide variety of factors and inputs in estimating the allowance for credit losses. Changes in the factors and

48

inputs considered may not occur at the same rate and may not be consistent across all product types, and changes in factors and inputs may be directionally inconsistent, such that loan are evaluated individually. The Company has established specific thresholds for improvement in one factor or input may offset deterioration in others.

To consider the loan portfolio that trigger when loans need to be evaluated individually. In addition, ASC 326 requires impact of a hypothetical alternate macroeconomic forecast, the Company compared the modeled credit losses determined using its central and relative adverse macroeconomic scenarios. The central and relative adverse scenarios each included the three MEVs, but differed in the levels, paths and peaks/troughs of those variables over the four-quarter forecast period.

For example, compared to establish the Company's central scenario that is based on a separate liability four-quarter forecasted change in U.S. real GDP of 2.10% from 4Q2023 to 4Q2024, U.S. PCE inflation of 2.40%, and U.S. unemployment of 4.00%, the Company's relative adverse scenario assumes a four-quarter forecast with a contraction of U.S. real GDP, a PCE inflation between 5.00% and 7.00% and an elevated U.S. unemployment rate between 6.00% and 7.00%. This analysis is not intended to estimate expected future changes in the allowance for anticipated credit losses, for unfunded commitments. a number of reasons, including:

- The impacts of changes in the MEVs are both interrelated and nonlinear, so the results of this analysis cannot be simply extrapolated for more severe changes in macroeconomic variables.
- Expectations of future changes in portfolio composition and borrower behavior can significantly affect the allowance for credit losses.

Under CECL To demonstrate the sensitivity of credit loss estimation process involves procedures that consider estimates to macroeconomic forecasts as of March 31, 2024, the unique characteristics Company compared the modeled estimates under its relative adverse scenario for two of the Company's loan portfolio segments. These segments are disaggregated into the largest loan pools to its central scenario for monitoring. A model the same loan pools. Without considering offsetting or correlated effects in other qualitative components of risk characteristics, such as loss history the Company's allowance for credit losses, the comparison between these two scenarios for the exposures below reflect the following differences:

- An increase of approximately \$683 thousand for residential real estate loans and delinquency experience, trends in pas

due lending-related commitments

- An increase of approximately \$1.19 million for commercial real non-owner occupied loans and non-performing loans, as well as existing economic conditions and supportable forecasts used lending-related commitments

This analysis relates only to determine the modeled credit loss assumptions, estimates and is not intended to estimate changes in the overall allowance for credit losses as it does not reflect any potential changes in the other adjustments to the quantitative calculation, which would also be influenced by the judgment management applies to the modeled lifetime loss estimates to reflect the uncertainty and imprecision of these modeled lifetime loss estimates based on then-current circumstances and conditions.

Recognizing that forecasts of macroeconomic conditions are inherently uncertain, the Company believes that its process to consider the available information and associated risks and uncertainties is appropriately governed and that its estimates of expected credit losses were reasonable and appropriate for the period ended March 31, 2024.

The Company uses two methodologies the cohort and the PD/LGD, to analyze loan pools. The cohort method and the PD/LGD. Cohort relies on the creation of cohorts to capture loans that qualify for a particular segment, as of a point in time. Those loans are then tracked over their remaining lives to determine their loss experience. The Company aggregates financial assets on the basis of similar risk characteristics when evaluating loans on a collective basis. Those characteristics include, but are not limited to, internal or external credit score, risk ratings, financial asset, loan type, collateral type, size, effective interest rate, term, or geographical location. The Company uses cohort primarily for consumer loan portfolios.

The probability of default ("PD") PD portion of PD/LGD is defined by the Company as 90 days past due, placed on non-accrual, or is partially or wholly charged-off. Typically, a one-year time period is used to assess PD. PD can be measured and applied using various risk criteria. Risk rating is one common way to apply PDs. Loss given default ("LGD") LGD is to determine the percentage of loss by facility or collateral type. LGD estimates can sometimes be driven, or influenced, by product type, industry or geography. The Company uses PD/LGD primarily for commercial loan portfolios.

To Management believes that the extent that any purchased loan is not specifically reviewed, such loan is assumed accounting for goodwill and other intangible assets also involves a higher degree of judgment than most other significant accounting policies. GAAP establishes standards for the amortization of acquired intangible assets and the impairment assessment of goodwill. Goodwill arising from business combinations represents the value attributable to have characteristics similar unidentifiable intangible assets in the business acquired. The Company's goodwill relates to the characteristics value inherent in the banking industry and that value is dependent upon the ability of the originated risk pools. Company's subsidiaries to provide quality, cost-effective services in a competitive marketplace. The grade for each purchased loan without evidence goodwill value is supported by revenue that is in part driven by the volume of credit deterioration is reviewed subsequent to business transacted. A decrease in earnings resulting from a decline in the date of acquisition any time a loan is renewed or extended or at any time information becomes available to the Company that provides material insight regarding the loan's performance, the status of the borrower customer base or the quality inability to deliver cost-effective services over sustained periods can lead to impairment of goodwill that could adversely impact earnings in future periods. GAAP requires an annual evaluation of goodwill for impairment, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The fair value of the underlying collateral. To goodwill is estimated by

reviewing the extent that current information indicates it is probable that past and projected operating results for the Company will collect all amounts according to the contractual terms thereof, such loan is not individually considered in the determination of the required allowance for credit losses. To the extent that current information indicates it is probable that the Company will not be able to collect all amounts according to the contractual terms thereof, such loan is considered in the determination of the required level of allowance. subsidiaries and comparable industry information. At March 31, 2024, on a consolidated

In determining the day one fair values of purchased loans without evidence of credit deterioration at the date of acquisition, management includes (i) no carry-over of any previously recorded allowance for loan losses and (ii) an adjustment of the unpaid principal balance to reflect an appropriate market rate of interest and credit risk, given the risk profile and grade assigned to each loan. This adjustment is accreted into earnings as a yield adjustment, using the effective yield method, over the remaining life of each loan. 49

The ACL represents management's estimate of expected credit losses in the Company's loan portfolio at the balance sheet date. The Company estimates the ACL based on the amortized cost basis of the underlying loan and has made an accounting policy election to exclude accrued interest from the loan's amortized cost basis and the related measurement of the ACL. Estimating the amount of the ACL is a function of a number of factors, including but not limited to changes in the loan portfolio, net charge-offs, trends in past due and nonaccrual loans, and the level of potential problem loans, all of which may be susceptible to significant change. While management

45

uses the best information available basis, Farmers had intangibles of \$22.2 million subject to establish the allowance, future adjustments amortization and \$167.4 million in goodwill, which was not subject to the allowance may be necessary, which may be material, if economic conditions differ substantially from the assumptions used in estimating the allowance. If additions to the original estimate of the allowance for credit losses are deemed necessary, they will be reported in earnings in the period in which they become reasonably estimable and probable. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged-off. periodic amortization.

Liquidity

The Company maintains, in the opinion of management, liquidity sufficient to satisfy depositors' requirements and meet the credit needs of customers. The Company depends on its ability to maintain its market share of deposits as well as acquiring new funds. The Company's ability to attract deposits and borrow funds depends in large measure on its profitability, capitalization and overall financial condition. The Company's objective in liquidity management is to maintain the ability to meet loan commitments, purchase securities or to repay deposits and other liabilities in accordance with their terms without

an adverse impact on current or future earnings. Principal sources of liquidity for the Company include assets considered relatively liquid, such as federal funds sold, cash-due from banks, as well as cash flows from maturities and repayments of loans, and to a lesser extent securities.

Along with its liquid assets, the Bank has additional sources of liquidity available which help to ensure that adequate funds are available as needed. These other sources include, but are not limited to, access to funds in the wholesale arena, the ability to obtain deposits through the adjustment of interest rates and the purchasing of federal funds and borrowings on approved lines of credit at major domestic banks. At **September 30, 2023** **March 31, 2024**, this line of credit totaled \$25.0 million of which the Bank had not borrowed against. In addition, the Company has a revolving line of credit with a correspondent bank totaling \$5.0 million. There was no balance on this line at **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**. Management feels that its liquidity position is adequate and will continue to monitor the position on a monthly basis. As of **September 30, 2023** **March 31, 2024**, the Bank had **no** \$60.0 million in outstanding balances with the FHLB. Additional borrowing capacity at the FHLB was approximately **\$892.6 million** **\$739.9 million** at **September 30, 2023** **March 31, 2024**. The Company also has access to the Federal Reserve Discount Window, which provides an additional source of funds with the posting of collateral. The Bank views its membership in the FHLB as a solid source of liquidity.

Off-Balance Sheet Arrangements

In the normal course of business, to meet the financial needs of our customers, we are a party to financial instruments with off-balance sheet risk. These financial instruments generally include commitments to originate mortgage, commercial and consumer loans, and involve to varying degrees, elements of credit and interest rate risk in excess of amounts recognized in the Consolidated Balance Sheets. The Bank's maximum exposure to credit loss in the event of nonperformance by the borrower is represented by the contractual amount of those instruments. Because some commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The same credit policies are used in making commitments as are used for on-balance sheet instruments. Collateral is required in instances where deemed necessary. Undisbursed balances of loans closed include funds not disbursed but committed for construction projects. Unused lines of credit include funds not disbursed, but committed for, home equity, commercial and consumer lines of credit. Financial standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. Those guarantees are primarily used to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Total unused commitments were **\$808.2 million** **\$769.2 million** at **September 30, 2023** **March 31, 2024**, and **\$634.3 million** **\$805.4 million** at **December 31, 2022** **December 31, 2023**. Additionally, the Company has committed up to **\$19.7 million** **\$20.2 million** in subscriptions in **Small Business Investment Company investments** **SBIC investment funds**. At **September 30, 2023** **March 31, 2024**, the Company has had invested **\$16.4 million** **\$16.5 million** in these funds.

Recent Market and Regulatory Developments

Various and significant legislation affecting financial institutions and the financial industry is from time to time introduced in the U.S. Congress and state legislatures, as well as by regulatory agencies. Such initiatives may include proposals to expand or contract the powers of bank holding companies and depository institutions or proposals to substantially change the financial institution regulatory system.

Also, such statutes, regulations and policies are continually under review by Congress, state legislatures and federal and state regulatory agencies and are subject to change at any time, particularly in the current economic and regulatory environment. Any such change in statutes, regulations or regulatory policies applicable to the Company could have a material effect on the business of the Company.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company's ability to maximize net income is dependent, Important considerations in part, on management's ability to plan and control net asset/liability management are liquidity, the balance between interest income through management of the pricing and mix of assets and liabilities. Because a large portion of rate sensitive assets and liabilities and the adequacy of capital. Interest rate sensitive assets and liabilities are those which have rates subject to change within a future time period due to maturity of the instrument or changes in market rates. While liquidity management involves meeting the funds flow requirements of the Company, are monetary in nature, changes in the management of interest rate sensitivity focuses on the structure of these assets and liabilities with respect to maturity and repricing characteristics. Managing interest rate sensitive assets and liabilities provides a means of tempering fluctuating interest rates and monetary or fiscal policy affect its financial condition maintaining net interest margins through periods of changing interest rates. The Company monitors interest rate sensitive assets and can have significant impact on liabilities to determine the net income of the Company. overall interest rate position over various time frames.

The Company considers the primary market exposure to be interest rate risk. Simulation analysis is used to monitor the Company's exposure to changes in interest rates, and the effect of the change to net interest income. The following table shows the effect on net interest income and the net present value of equity in the event of from a sudden and sustained 400 basis point increase to a 400 basis point decrease in market interest rate increases rates. The assumptions and sudden predictions include inputs to compute baseline net interest income, expected changes in rates on interest bearing deposit accounts and sustained interest rate decreases. loans, competition and various other factors that are difficult to accurately predict.

Changes In Interest Rate (basis points)	September 30, 2023 Result	December 31, 2022 Result	ALCO Guidelines
Net Interest Income Change			
+400	-9.8 %	*	-12.5 %

+300	-7.8%	-5.4%	-10.0%
+200	-5.3%	-3.6%	-7.5%
+100	-2.9%	-1.8%	-5.0%
-100	2.4%	1.1%	-5.0%
-200	4.4%	1.5%	-10.0%
-300	6.3%	1.6%	-15.0%
-400	6.4%	*	-20.0%
Net Present Value Of Equity Change			
+400	-38.5%	*	-12.5%
+300	-29.0%	-20.9%	-10.0%
+200	-19.1%	-13.4%	-7.5%
+100	-9.8%	-6.4%	-5.0%
-100	7.0%	3.9%	-10.0%
-200	10.9%	5.5%	-15.0%
-300	11.4%	4.4%	-20.0%
-400	10.4%	*	-25.0%

* Not calculated for December 31, 2022

Changes In Interest Rate (basis points)	March 31,	December	ALCO
	2024	31, 2023	
	Result	Result	Guidelines
Net Interest Income Change			
+400	-7.3%	-6.2%	-12.5%
+300	-5.9%	-5.0%	-10.0%
+200	-4.0%	-3.4%	-7.5%
+100	-2.2%	-1.9%	-5.0%
-100	1.8%	1.4%	-5.0%
-200	3.2%	2.3%	-10.0%
-300	4.4%	3.1%	-15.0%
-400	4.3%	2.7%	-20.0%
Net Present Value Of Equity Change			
+400	-36.8%	-36.4%	-12.5%
+300	-27.3%	-26.8%	-10.0%
+200	-17.8%	-17.3%	-7.5%
+100	-9.1%	-8.7%	-5.0%
-100	6.0%	5.3%	-10.0%
-200	8.6%	7.2%	-15.0%

-300	7.2 %	5.1 %	-20.0 %
-400	6.7 %	3.5 %	-25.0 %

The yield curve at September 30, 2023 is very different than that of a year ago. has changed dramatically over the past two years. The Federal Open Market Committee, in its an intense efforts effort to diffuse inflation, has raised the discount rate 5.25% throughout over the past seven eight quarters, the fastest pace on record. These movements have inverted the yield curve, whereby the two-year treasury yield exceeded the ten-year treasury yield by 39 basis points at March 31, 2024 and 35 basis points at year end 2023. With the entire curve highly elevated, and inverted, asset valuation has declined substantially, as evidenced by the 20.9% 15.6% valuation reserve on the investment portfolio. For interest rate risk modeling purposes, although further rate increases are possible, movement beyond 25 more basis points is doubtful. However, the elevated rates do bring back into play the 400 basis point scenarios, which have not the Company has been modeled in recent years. modeling. The above table presents results in the up rate scenarios that exceed internal policy limits for the Economic Value of Equity ("EVE"). This unprecedented outcome was created by the events occurring over the past two years, namely, the massive influx of liquidity in the form of deposits in 2020 and 2021 from government assistance while interest rates were at their lowest; the deployment of those funds at those low rates; and now the usage of those deposits as consumers drain their accounts in this highly inflationary economy, and prevent which prevents the Company from investing in the higher rates now available. With the EVE model moving rates even higher, it further exacerbates the differential between market rates and book rates, thereby creating the out of internal policy consequence. To mitigate these results, the Company has prioritized loan growth, while shrinking employing strategies to shrink the investment portfolio, thereby closing in an effort to close the gap between the book rates and market rates. The Company has also utilized short term wholesale funding in response to deposit shrinkage so as not to incur long term cost increases on its core deposits.

The remaining results of the simulations in the table above indicate that interest rate change results fall within internal limits established by the Company at September 30, 2023 both March 31, 2024, and December 31, 2022 December 31, 2023. A report on interest rate risk is presented to the Board of Directors and the Asset/Liability Committee on a quarterly basis. The Company has no market risk sensitive instruments held for trading purposes.

47

With the largest amount of interest sensitive assets and liabilities maturing within twelve months, the Company monitors this area most closely. Early withdrawal of deposits, prepayments of loans and loan delinquencies are some of the factors that can impact actual results in comparison to our simulation analysis. In addition, changes in rates on interest sensitive assets and liabilities may not be equal, which could result in a change in net interest margin.

Interest rate sensitivity management provides some degree of protection against net interest income volatility. It is not possible or necessarily desirable to attempt to eliminate this risk completely by matching interest sensitive assets and liabilities. Other factors, such as market demand, interest rate outlook, regulatory restraint and strategic planning also have an effect on the desired balance sheet structure.

Item 4. Controls and Procedures

Based on their evaluation, as of the end of the period covered by this Quarterly Report on Form 10-Q, the Company's Chief Executive Officer and Chief Financial Officer have concluded the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934) are effective. There were no changes in the Company's internal controls over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the fiscal quarter ended **September 30, 2023** **March 31, 2024**, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company is a defendant in lawsuits and other adversary proceedings arising in the ordinary course of business. Legal costs incurred in connection with the resolution of claims and lawsuits are generally expensed as incurred, although the Company establishes accruals where losses are deemed probable and reasonably estimable. The Company's assessment of the current exposure with respect to adverse claims in legal matters could change in the event of the discovery of additional facts in such matters or upon determinations by judges, juries, administrative agencies or other finders of fact that are inconsistent with the Company's evaluation of claims. It is possible that the ultimate resolution of matters, if unfavorable, may be material to the results of operations in a particular future period as the time and amount of any resolution of such actions and its relationship to the future results of operations are not known.

The Company is a defendant in a matter styled Kirt Banister v. Farmers National Bank of Canfield, Case No. 2022-cv-00214, pending in the Court of Common Pleas of Mahoning County, Ohio. The complaint, purportedly brought on behalf of a class consisting of all account holders within the six years preceding the filing of the complaint who were charged more than one NSF fee per item or who were charged an NSF fee on a debit card transaction that was authorized while the account held a positive balance, alleges breach of contract and breach of the duty of good faith and fair dealing and seeks damages in the form of all allegedly unauthorized NSF fees paid by the class. On July 22, 2022, the court denied the Company's motion to dismiss the claims. Farmers has reached a tentative agreement to settle the matter in its entirety, conditioned on the release of all claims by the participating putative class members and certain other conditions, in an amount not to exceed \$785,000, inclusive of all payments to putative class members, attorney fees, and fees and costs associated with claims administration. The tentative agreement will require preliminary and final approval by the court. If the court grants those approvals and the conditions to the settlement are satisfied, the litigation will terminate after payments are made as required by the final approval order.

Item 1A. Risk Factors

The Company is exposed to risk when other financial institutions experience financial difficulties which could have an adverse impact on the banking industry environment in which the Company operates. The collapses of Silicon Valley Bank, Signature Bank and First Republic Bank have caused uncertainty in the investor community and banking customers. While the Company does not believe that the circumstances of these three bank failures are indicators of broader issues within the banking system, the failures may reduce customer confidence, affect sources of funding and liquidity, increase regulatory requirements and costs, adversely affect financial markets and/or have a negative reputational ramification for the financial services industry, including the Company. The Company will continue to monitor the ongoing events concerning these three banks as well as any future potential bank failures and volatility within the financial services industry generally, together with any responsive measures taken by the banking regulators to mitigate or manage potential turmoil in the financial services industry.

For further discussion of risk factors related to the Company, refer to Part 1, Item 1A, "Risk Factors," contained in the Company's Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023**.

4852

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Purchases of equity securities by the issuer.

On March 1, 2023, the Company announced that its Board of Directors authorized the purchase of up to 1,000,000 shares of its common stock in the open market or in privately negotiated transactions, from time to time and subject to market and other conditions. This 2023 Repurchase Program supersedes the Company's 2019 share repurchase program. The 2023 Repurchase Program may be modified, suspended or terminated by the Company at any time.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Publicly Announced Program	Maximum Number of Shares that May Yet be Purchased Under the Program	Total Number of Shares Purchased as Part of Publicly Announced Program	Average Price Paid per Share	Total Number of Shares that May Yet be Purchased Under the Program
Beginning balance				497,047			497,047
July 1-31	1,073	\$ 12.59	0	497,047			
August 1-31	0	0.00	0	497,047			
September 1-30	0	0.00	0	497,047			
January 1-31					21,081	\$ 13.74	0
February 1-29					28,337	13.81	0
March 1-31					0	0.00	0
Ending balance	1,073	12.59	0	497,047	49,418	13.78	0

There was no treasury stock activity under the program during the three month period ended **September 30, 2023** March 31, 2024. The Company did repurchase 850,799 shares during the first quarter of 2023.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Securities Trading Plans of Directors and Executive Officers

During the three months ended **September 30, 2023** **March 31, 2024**, none of our directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any “non-Rule 10b5-1 trading arrangement.”

49 **53**

Item 6. Exhibits

The following exhibits are filed or incorporated by reference as part of this report:

- 3.1 [Articles of Incorporation of Farmers National Banc Corp., as amended \(incorporated by reference from Exhibit 4.1 to the Company's Registration Statement on Form S-3 filed with the Commission on October 3, 2001 \(File No. 333-70806\)\).](#)
- 3.2 [Amendment to Articles of Incorporation of Farmers National Banc Corp., as amended \(incorporated by reference from Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on May 1, 2013\).](#)
- 3.3 [Amendment to Articles of Incorporation of Farmers National Banc Corp., as amended \(incorporated by reference from Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on April 20, 2018\).](#)
- 3.4 [Amended Code of Regulations of Farmers National Banc Corp. \(incorporated by reference from Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on April 17, 2020\).](#)
- 10.1** [Farmers National Banc Corp. 2024 Form of Notice of Grant of Long-term Incentive Plan Awards under 2022 Equity Incentive Plan \(filed herewith\).](#)
- 10.2** [Farmers National Banc Corp. 2024 Form of Performance-based Equity Award under 2022 Equity Incentive Plan \(filed herewith\).](#)
- 10.3** [Farmers National Banc Corp. 2024 Form of Service-based Restricted Stock Award under 2022 Equity Incentive Plan \(filed herewith\).](#)
- 10.4** [Farmers National Banc Corp. 2024 Form of Performance-based Cash Award under 2022 Equity Incentive Plan \(filed herewith\).](#)

- 31.1 [Rule 13a-14\(a\)/15d-14\(a\) Certification of Kevin J. Helmick, President and Chief Executive Officer of the Company \(principal executive officer\) \(filed herewith\).](#)
- 31.2 [Rule 13a-14\(a\)/15d-14\(a\) Certification of A. Troy Adair, Executive Vice President, Chief Financial Officer and Secretary of the Company \(principal financial officer\) \(filed herewith\).](#)
- 32.1 [Certification pursuant to 18 U.S.C. Section 1350 of Kevin J. Helmick, President and Chief Executive Officer of the Company \(principal executive officer\) \(filed herewith\).](#)
- 32.2 [Certification pursuant to 18 U.S.C. Section 1350 of A. Troy Adair, Executive Vice President, Chief Financial Officer and Secretary of the Company \(principal financial officer\) \(filed herewith\).](#)
- 101 The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended **September 30, 2023** **March 31, 2024**, formatted in iXBRL (Inline Extensible Business Reporting Language), filed herewith: (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Income; (iii) the Consolidated Statements of Comprehensive Income; (iv) the Consolidated Statements of Stockholders' Equity, (v) the Consolidated Statements of Cash Flows; and (vi) Notes to Unaudited Consolidated Financial Statements.
- 104 The cover page from the Company's Quarterly report on Form 10-Q for the quarter ended **September 30, 2023** **March 31, 2024**, has been formatted in Inline XBRL.

54

50

SIGNATURES

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

FARMERS NATIONAL BANC CORP.

Dated: November 8, 2023

Dated: May 9, 2024

/s/ Kevin J. Helmick

Kevin J. Helmick
President and Chief Executive Officer

Dated: November 8, 2023

Dated: May 9, 2024

/s/ A. Troy Adair
A. Troy Adair
Senior Executive Vice President, Chief Financial
Officer and Secretary

5155

Exhibit 10.1	
Notice of Grant of Restricted Stock Award, Performance-based Equity Award, and Performance-based Cash Award	
Name Street Address City, State Zip Code	
Subject to the terms and conditions of the 2022 Equity Incentive Plan and the Farmers National Banc Corp. Long-Term Incentive Plan (the "Plans") and the accompanying Restricted Stock Award Agreement, Performance-based Equity Award Agreement, and Performance-based Cash Award Agreement (the "Award Agreements"), you have been granted Shares of Restricted Stock, Performance-based Shares, and a Performance-based Cash Award (collectively, the "Awards") as follows:	
Grant Date:	Grant Date, Year

Number of Shares:	Your Awards consist of the following: Shares of Restricted Stock Performance-based Shares \$ Target Performance-based Cash
Vesting Schedule:	Your Awards of Shares of Restricted Stock, Performance-based Shares, and Performance-based Cash will be subject to vesting on Month Day, Year (Normal Vesting Date).
Settlement:	Your Awards will be settled in Shares or Cash, depending on the Award, as described in the respective Award Agreements.

This Notice of Grant and the accompanying Award Agreements describe your Awards and the terms and conditions of your Awards. To ensure you fully understand these terms and conditions, you should:

- Read the Plan carefully to ensure you understand how the Plans work; and
- Read this Notice of Grant and corresponding Award Agreement carefully to ensure you understand the nature of your Award and what you must do to earn it.

You may contact Mark Nicastro by telephone (330-533-5025) or email (mnicaastro@farmersbankgroup.com) if you have any questions about your Award or Award Agreement.

LTIP Opportunity Percentage	Grant Date Annual Salary	Grant Date Share Price (30-day Trailing Average)

Exhibit 10.2

FARMERS NATIONAL BANC CORP.
PERFORMANCE-BASED EQUITY AWARD AGREEMENT
(2024)

Farmers National Banc Corp. (the “Company”) hereby grants the undersigned Participant an Award pursuant to the Farmers National Banc Corp. 2022 Equity Incentive Plan (the “Equity LTI Plan”) as evidenced by the Notice of

Grant accompanying this Award Agreement (the “Grant Notice”), and as further described in this Award Agreement (this “Award Agreement”).

1. *Nature of Award.* Effective as of the date specified in the Grant Notice (the “Grant Date”), the Company hereby grants to the individual identified in the Grant Notice (the “Participant”) the award as set forth in the Grant Notice (the “Award”). The Award is subject to the terms and conditions described in the Equity LTI Plan, this Award Agreement and the Grant Notice.
2. *Performance Period:* The three-year period beginning January 1, 2024 and ending on December 31, 2026 (the “Performance Period”).
3. *Target Equity Award as Percentage of Base Compensation:* ____ % x .50 (the “Target Performance-Based Equity Award”).
4. *Earning an Award:* The Participant shall be eligible to receive a benefit in Company common shares equal in value based on the Grant Date between 0% and 200% of the Target Performance-BasedEquity Award, based on achievement during the Performance Period of the Performance Objective set forth below. Performance between two stated levels will be interpolated when determining the percentage of the Target Performance-BasedEquity Award earned.

The amount of the Target Performance-Based Equity Award that may be earned in Company common shares will be based on the sum of the Company’s return on equity for each fiscal year during the Performance Period, as adjusted, divided by three (“Average ROE”), compared to the adjusted Average ROE of the Company’s Peer Group during the Performance Period (“Relative Average ROE”). The total, maximum number of ROE Award Shares described in the Grant Notice eligible to be earned was determined by (i) dividing the dollar amount of Participant’s Target Performance-Based Equity Award by the average reported closing price of a share of Company common stock during the 30-day period ending on the day prior to the Grant Date of this Award, and (ii) multiplying the result by 200% (x 2.0), rounded to the nearest whole share. Therefore, between 0% and 100% of the ROE Award Shares are subject to vesting on the “Normal Vesting Date” stated in the Grant Notice, in accordance with the following schedule and percentages:

Less than Peer Group 25 th percentile	0%
Equal to Peer Group 25 th percentile (threshold)	10%
Equal to Peer Group 50 th percentile (target)	50%
Equal to or higher than Peer Group 75 th percentile (max)	100%

For these purposes: (i) Relative Average ROE shall be determined by the Committee in its sole discretion, including adjusting items; and (ii) the Committee shall select the institutions

constituting, and make such periodic adjustments as it determines appropriate to, the “Peer Group” in its sole discretion.

5. *Payment of Award:* With respect to the Performance Period, the Committee shall certify the level of achievement of the Performance Objective set forth in Section 4 and determine the amount payable with respect to your Award based on such level of achievement. Payment of the Award shall be made to the Participant on the Normal Vesting Date in the form of a number of Company common shares determined by multiplying the applicable percentage for the level of performance certified by the Compensation Committee times the Participant’s total number of ROE Award Shares. Any ROE Award Shares that do not vest as of the Normal Vesting Date will be forfeited.
6. *Limitations on Payment of Award:* The Committee may, in its sole discretion, reduce the amount payable with respect to the Award.
7. *Forfeiture of Awards:* If the Company is required to prepare an accounting restatement due to material non-compliance of the Company, as a result of misconduct by a Participant, with any financial reporting requirement under any applicable laws, the Participant shall reimburse the Company for all amounts received under the Equity LTI Plan within 30 days after receipt of notice of the same from the Company.
8. *Effect of Termination:* This Award may be forfeited if Participant’ employment terminates prior to the Normal Vesting Date, although it will depend on the reason for termination as provided below:
 - (a) *Death, Disability or Retirement.* If you terminate due to death, Disability, or Retirement, you will vest in a prorated portion of your ROE Award Shares determined by multiplying the number of your ROE Award Shares by a fraction, the numerator of which is the number of whole months you were employed from the Grant Date to the date of death, Disability or Retirement, and the denominator of which is 36. Payment of the Award shall be made to the Participant in the form of a number of Company common shares determined by multiplying such pro rata portion of your ROE Award Shares by the applicable percentage for the level of performance certified by the Compensation Committee, with performance based on the Company’s relative Average ROE for the portion of the Performance Period that ended on the last day of the calendar quarter immediately preceding the date of termination. Such settlement of the Award will occur within ninety (90) days of the date of termination. Any ROE Award Shares that do not vest or are not so settled will be forfeited. For purposes of hereof, “Retirement” means termination after attaining either age 55 with at least 10 years of service with the Company or age 62 with at least 5 years of service with the Company.

- (b) Termination by the Company without Cause or by Participant for Good Reason. If the Company terminates your employment without “Cause,” or you terminate your employment with the Company for “Good Reason,” each as defined in Exhibit A attached hereto and incorporated herein, you will vest in and receive a prorated portion of your ROE Award Shares determined in the same manner as described in Section 8(a) hereinabove based on your termination date.
- (c) Termination for any Other Reason. If your employment with the Company terminates under any other circumstance (including if such termination is by the Company for Cause regardless of whether such termination could also constitute a Retirement), your ROE Award Shares will be forfeited on your termination date.

-2-

9. Effect of Change in Control: Notwithstanding the foregoing, if a Change in Control occurs after the Grant Date, your ROE Award Shares will be subject to the following additional terms and conditions:

- (a) If such a Change in Control occurs prior to the Normal Vesting Date and in connection therewith or within two years thereafter your employment is terminated either by the Company or a successor in interest for any reason other than for “Cause” or by you for “Good Reason,” you shall be entitled to receive a number of Company common shares determined as though the Performance Objective had been satisfied at the “target” level of achievement for the Performance Period. Therefore, 50% of your unvested ROE Award Shares which remain unvested as of the termination date will fully vest.

10. Restrictive Covenants.

- (a) Non-Solicitation. The Participant acknowledges and agrees that as a condition to and in consideration of this Award Agreement, during the term of the Participant’s employment and for a period of twenty-four (24) months thereafter (the “Non-Solicitation Restrictive Period”), the Participant will not, directly or indirectly:
 - (i) Solicit, engage or otherwise interfere with any customer or client who is at the time of termination was within the preceding six (6) months of termination a customer or client of Company subsidiaries or any other related entity for the purposes of directly or indirectly furnishing financial or banking services that a national banking association, bank holding company, bank, savings and loan association or other regulated financial institution is permitted by law to conduct or furnish on the date the Participant’s employment is terminated.
 - (ii) Employ, solicit for employment, engage or otherwise interfere with any person who is at the time of termination was within the preceding six (6) months of termination an employee or agent of Company subsidiaries or any other related entity for the purposes of directly or indirectly furnishing financial or banking services that a national banking association, bank holding company, bank, savings and loan association or other regulated financial institution is permitted by law to conduct or furnish on the date the Participant’s employment is terminated.

termination or was within the preceding six (6) months of termination employed by the Company or its subsidiaries or any related entity, or otherwise directly or indirectly induce or take any action that would encourage or influence any such person to leave that person's employment or terminate, reduce or modify their business or relationship with the Company, or any of its subsidiaries or related entities.

The restrictive covenants and Restrictive Periods provided for herein will not be construed to limit the application of any other restrictive covenant or restriction period set forth in any other agreement entered into between the Participant and the Company.

- (b) Nondisclosure and Non-appropriation of Information. The Participant recognizes and acknowledges that while employed by the Company, the Participant will have access to, learn, be provided with and, in some cases, prepare and create, certain Confidential Information (as defined in section (c) below), proprietary information or Trade Secrets (as defined below) of the Company, including, but not limited to, processes, financial information, pricing information, operating techniques, marketing processes, training techniques, customer, vendor, and referral source lists, price and cost information, files and forms, (collectively, the "Trade Secrets"), all of which are of substantial value to the Company and the businesses conducted by it. The Participant expressly covenants and agrees that the Participant will:

-3-

-
- (i) Hold in a fiduciary capacity and not reveal, communicate, use or cause to be used for the Participant's own benefit or divulge during the period of employment by the Company and indefinite period thereafter, any Confidential Information, proprietary information or Trade Secrets now or hereafter owned by the Company;
 - (ii) Not sell, exchange, give away, or otherwise dispose of Confidential Information, proprietary information or Trade Secrets now or hereafter owned by the Company, whether the same may have been originated or discovered by the Company, the Participant or otherwise;
 - (iii) Not reveal, divulge or make known to any person, firm, company or corporation any Confidential Information, proprietary information or Trade Secrets of the Company, unless such communication is required pursuant to a compulsory proceeding in which the Participant's failure to provide Confidential Information, proprietary information or Trade Secrets would subject the Participant to legal liability.

criminal or civil sanctions and then only to the extent that Executive provides prior notice to the Company prior to disclosure.

- (iv) Return to the Company before termination of employment with the Company, any and all information, material or equipment that constitutes, contains or relates in any way to Confidential Information, proprietary information, Trade Secrets and any other documents, equipment or material of any kind relating in any way to the business of the Company, which are in the Participant's possession, custody and control and which are or may be property of the Company, whether confidential or not, including any and all copies thereof which may have been made for the Participant and that the Participant will maintain no copies thereof after termination of Participant's employment.

(c) Definitions.

- (i) "Confidential Information" means all information disclosed to or known by the Participant as a consequence of or through its employment with the Company which either has not been generally available to the public and is useful or of value to the current or anticipated business of the Company; or has been identified to the Participant as confidential, either orally or in writing. Confidential Information includes without limitation computer software and programs; manufacturing, organizational research and development; business plans; sales forecasts; employee identities, competence, abilities and compensation of other employees of the Company; intellectual property; cost and other financial information; current and prospective customer and supplier lists; information about customers, suppliers or their employees; information concerning plans for pending acquisitions or divestitures; and information concerning purchases of equipment or real property. Confidential Information does not include information which is in or hereafter enters the public domain through no fault of the Participant, or is disclosed by a third party having the right to use and disclose the information.

(d) Other Terms and Conditions.

- (i) The Participant acknowledges that the Participant is entering into this Award Agreement voluntarily and has given careful consideration to the restraints imposed by this Award Agreement. Irrespective of the manner of any employment

termination, the restraints imposed by this Award Agreement will be operative during their full time periods and throughout the restrictive areas set forth in this Award Agreement. The Participant further acknowledges that if the Participant's employment with the Company terminates for any reason the Participant can earn a livelihood without violating the foregoing restrictions and that the Participant's ability to earn a livelihood without violating these restrictions is a material employment condition. The Participant acknowledges and recognizes that if the Participant's employment terminates for any reason, this Section 10 of this Award Agreement will survive any such termination and any expiration of this Award Agreement. Further, the Participant agrees and consents that this Award Agreement is assignable by the Company.

(ii) The Participant agrees that if a court of law finds that the provisions of this Award Agreement are too harsh so that they are unenforceable, then such court of law may enforce those restriction limitations which are acceptable and deemed enforceable by the court.

(iii) In the event the Participant breaches the terms of this Award Agreement, it is agreed that all periods contained in this Award Agreement will be tolled until the Participant ceases to breach this Award Agreement.

(e) Injunction. The parties acknowledge and agree, due to the subject matter of this Award Agreement, that money damages will be an inadequate remedy for a breach by Participant of any of the obligations hereunder. Consequently, if the Participant breaches or threatens to breach any of the obligations under this Award Agreement, the Participant agrees that the Company shall have the right, in addition to any other rights or remedies available to it at law or in equity, to obtain equitable relief, including, without limitation, injunctive relief and specific performance, in the event of any breach or threatened breach. Further, the parties hereto agree and declare that it may be impossible to measure in monetary terms the damages that may accrue to the Company by reason of Participant's violation of this Award Agreement. Therefore, in the event that the Company, or any successor in interest thereto, shall institute an action or proceeding to enforce the provisions of this Award Agreement, each party or other person against whom such action or proceeding is brought shall and hereby does, in advance, waive the claim or defense that there is adequate remedy at law. In the event such injunctive relief is warranted and obtained by the Company, Participant agrees to pay all costs of said action, including reasonable attorney fees.

11. Miscellaneous:

(a) Non-Transferability. An Award may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, except by will or the laws of descent and distribution.

(b) Beneficiary. Unless otherwise specifically designated by the Participant in writing, a Participant's beneficiary under the Equity LTI Plan shall be the Participant's spouse or, if no spouse survives the Participant, the Participant's estate.

(c) No Right to Continued Service or to Awards. The granting of an Award shall impose no obligation on the Company or any Affiliate to continue the employment of a Participant or interfere with or limit the right of the Company or any Affiliate to Terminate the employment of the Participant at any time, with or without Cause, which right is expressly reserved.

- (d) Tax Withholding. The Company or an Affiliate, as applicable, shall have the power and the right to deduct, withhold or collect any amount required by law or regulation to be withheld with respect to any taxable event arising with respect to an Award granted under the Equity LTI Plan.
- (e) Requirements of Law. The grant of Awards shall be subject to all applicable laws, rules and regulations (including applicable federal and state securities laws) and to all required approvals of any governmental agencies or national securities exchange, market or other quotation system.
- (f) Governing Law. The Equity LTI Plan and all Award Agreements shall be governed by and construed in accordance with the laws of (other than laws governing conflicts of laws) the State of Ohio.
- (g) Award Subject to Equity LTI Plan. The Award is subject to the terms and conditions described in this Award Agreement and the Equity LTI Plan, which is incorporated by reference into and made a part of this Award Agreement. In the event of a conflict between the terms of the Equity LTI Plan and the terms of this Award Agreement, the terms of the Equity LTI Plan will govern. The Committee has the sole responsibility of interpreting the Equity LTI Plan and this Award Agreement, and its determination of the meaning of any provision in the Equity LTI Plan or this Award Agreement will be binding on the Participant. Capitalized terms that are not defined in this Award Agreement have the same meanings as in the Equity LTI Plan.
- (h) Section 409A Payment Delay. If a Participant is determined to be a "specified employee" (within the meaning of Section 409A of the Code and as determined under the Company's policy for determining specified employees), the Participant shall not be entitled to payment or to distribution of any portion of an Award that is subject to Section 409A of the Code (and for which no exception applies) and is payable or distributable on account of the Participant's "separation from service" (within the meaning of Section 409A of the Code) until the expiration of six months from the date of such separation from service (or, if earlier, the Participant's death). Such Award, or portion thereof, shall be paid or distributed on the first business day of the seventh month following such separation from service.
- (i) Signature in Counterparts. This Award Agreement may be signed in counterparts, each of which will be deemed an original, but all of which will constitute one and the same instrument.

[signature page attached]

PARTICIPANT

Date: _____

Print Name: _____

FARMERS NATIONAL BANC CORP.

By: _____ Date: _____

Its: _____

EXHIBIT A

DEFINITIONS OF "CAUSE" AND "GOOD REASON"

"Cause" means that, in the reasonable judgment of the Compensation Committee, any of the following events have occurred: (1) the willful or negligent failure by the Participant to substantially perform his or her duties with the Company and, after written notification by the Company to the Participant, the continued failure of the Participant to substantially perform such duties; (2) the willful or negligent engagement by the Participant in conduct which is demonstrably and materially injurious to the Company, financially or otherwise; (3) action or inaction by the Participant that constitutes a breach of fiduciary duty with respect to the Company or any of its subsidiaries; (4) the violation of any material written policy, rule or regulation of the Company; or (5) the Participant's material breach of any agreement in respect of confidentiality with the Company, whether or not entered into after the Grant Date.

“Good Reason” means the occurrence of any of the following: (1) a reduction in Participant’s annual base salary rate, unless such reduction generally applies to other Participants regardless of the reason(s) therefor; (2) a substantial diminution in Participant’s duties, authorities or responsibilities; or (3) the relocation of Participant’s principal place of employment with the Company such that (a) the distance from the former principal place of employment to the relocated principal place of employment is over 50 miles and (b) the distance from his or her primary residence to the relocated principal place of employment is over 50 miles; provided, however, that Good Reason shall exist only to the extent that Participant provides the Company with written notice of his or her intention to terminate employment with the Company for Good Reason that specifies the condition(s) constituting Good Reason and the Company fails to correct such condition(s) within ten (10) business days from receipt of such written notice. Notwithstanding the foregoing, Good Reason shall cease to exist for an event on the one hundred and twentieth (120th) day following the later of its occurrence or Participant’s knowledge thereof, unless Participant has given the Company written notice of such condition and of Participant’s intent to terminate for Good Reason prior to such date. With respect to the Chief Executive Officer only, Good Reason shall also include a change in responsibilities such that the Chief Executive Officer reports to someone other than directly to the Company’s Board of Directors.

-8-

Exhibit 10.3

**FARMERS NATIONAL BANC CORP.
RESTRICTED STOCK AWARD AGREEMENT
(2024)**

Farmers National Banc Corp. (the “Company”) hereby grants the undersigned Participant an Award pursuant to the Farmers National Banc Corp. 2022 Equity Incentive Plan (the “Plan”) as evidenced by the Notice of Grant accompanying this Award Agreement (the “Grant Notice”), and as further described in this Award Agreement (this “Award Agreement”).

1. **Nature of Award.** Effective as of the date specified in the Grant Notice (the “Grant Date”), the Company hereby grants to the individual identified in the Grant Notice (the “Participant”) the award as set forth in the Grant Notice (the “Award”). The Award is subject to the terms and conditions described in the Plan, this Award Agreement and the Grant Notice.
2. **Number of Shares.** The number of Shares of Restricted Stock in your Award is set forth in the Grant

Notice. For purposes of this Award Agreement, each whole Share awarded represents the right to receive one Share.

3. ***Vesting.*** The Shares of Restricted Stock in your Award will be settled or will be forfeited depending on whether the terms and conditions described in the Grant Notice, this Award Agreement, and the Plan are satisfied. Accordingly, your Shares normally will vest on the “Normal Vesting Date” in accordance with the schedule identified in the Grant Notice. If the scheduled Normal Vesting Date is a non-business day, the next following business day will be considered the Normal Vesting Date.
4. ***Forfeiture of Awards:*** If the Company is required to prepare an accounting restatement due to material non-compliance of the Company, as a result of misconduct by a Participant, with any financial reporting requirement under any applicable laws, the Participant shall reimburse the Company for all amounts received under the Plan within 30 days after receipt of notice of the same from the Company.
5. ***Effect of Termination:*** This Award may be forfeited if Participant’s employment terminates prior to the Normal Vesting Date, although it will depend on the reason for termination as provided below:
 - a. ***Termination Due to Death or Disability.*** If you terminate due to death or Disability, your Shares of Restricted Stock will vest fully on the date of your death or Disability.
 - b. ***Termination Due to Retirement.*** If you terminate due to Retirement, you will vest in a prorated portion of your Shares of Restricted Stock determined by multiplying the number of your Award Shares by a fraction, the numerator of which is the number of whole months you were employed from the Grant Date to the date of Retirement, and the denominator of which is 36. For purposes of hereof, “Retirement” means termination after attaining either age 55 with at least 10 years of service with the Company or age 62 with at least 5 years of service with the Company.
 - c. ***Termination by the Company without Cause or by Participant for Good Reason.*** If the Company terminates your employment without “Cause,” or you terminate your employment with the Company for “Good Reason,” each as defined in Exhibit A attached hereto and incorporated herein, you will vest in and receive a prorated portion of your Award Shares determined in the same manner as described in Section 5(b) hereinabove based on your termination date.
 - d. ***Termination for any Other Reason.*** If your employment with the Company terminates under any

other circumstance (including if such termination is by the Company for Cause regardless of whether such termination could also constitute a Retirement), your Shares of Restricted Stock will be forfeited on your termination date.

6. *Effect of Change in Control:* Notwithstanding the foregoing, if a Change in Control occurs after the Grant Date, your Shares of Restricted Stock will be subject to the following additional terms and conditions:

a. If such a Change in Control occurs prior to the Normal Vesting Date and in connection therewith or within two years thereafter your employment is terminated either by the Company or a successor in interest for any reason other than for "Cause" or by you for "Good Reason," your Shares of Restricted Stock which remain unvested as of the termination date will fully vest.

7. *Restrictive Covenants.*

a. Non-Solicitation. The Participant acknowledges and agrees that as a condition to and in consideration of this Award Agreement, during the term of the Participant's employment and for a period of twenty-four (24) months thereafter (the "Non-Solicitation Restrictive Period"), the Participant will not, directly or indirectly:

(i) Solicit, engage or otherwise interfere with any customer or client who is at the time of termination was within the preceding six (6) months of termination a customer or client of Company or its subsidiaries or any other related entity for the purposes of directly or indirectly furnishing financial or banking services that a national banking association, bank holding company, bank, savings and loan association or other regulated financial institution is permitted by law to conduct or furnish on the date the Participant's employment is terminated.

(ii) Employ, solicit for employment, engage or otherwise interfere with any person who is at the time of termination or was within the preceding six (6) months of termination employed by the Company or its subsidiaries or any related entity, or otherwise directly or indirectly induce or take any action that would encourage or influence any such person to leave that person's employment or terminate, reduce or modify their business or relationship with the Company, or any of its subsidiary or related entities.

The restrictive covenants and Restrictive Periods provided for herein will not be construed to limit the application of any other restrictive covenant or restriction period set forth in any other agreement entered into between the Participant and the Company.

b. Nondisclosure and Non-appropriation of Information. The Participant recognizes and acknowledges that while employed by the Company, the Participant will have access to, learn, be provided with and, in some cases, prepare and create, certain Confidential Information (as defined in section (c) below), proprietary information or Trade Secrets (as defined below) of the Company, including, but not limited to, processes, financial information, pricing information, operating techniques, marketing processes, training techniques, customer, vendor, and referral source lists, price and cost information, files and forms, (collectively, the "Trade Secrets"), all of which are of substantial value

to the Company and the businesses conducted by it. The Participant expressly covenants and agrees that the Participant will:

-2-

- (i) Hold in a fiduciary capacity and not reveal, communicate, use or cause to be used for the Participant's own benefit or divulge during the period of employment by the Company and indefinite period thereafter, any Confidential Information, proprietary information or Trade Secrets now or hereafter owned by the Company;
- (ii) Not sell, exchange, give away, or otherwise dispose of Confidential Information, proprietary information or Trade Secrets now or hereafter owned by the Company, whether the same may have been originated or discovered by the Company, the Participant or otherwise;
- (iii) Not reveal, divulge or make known to any person, firm, company or corporation any Confidential Information, proprietary information or Trade Secrets of the Company, unless such communication is required pursuant to a compulsory proceeding in which the Participant's failure to provide Confidential Information, proprietary information or Trade Secrets would subject the Participant to criminal or civil sanctions and then only to the extent that Executive provides prior notice to the Company prior to disclosure.
- (iv) Return to the Company before termination of employment with the Company, any and all information, material or equipment that constitutes, contains or relates in any way to Confidential Information, proprietary information, Trade Secrets and any other documents, equipment or material of any kind relating in any way to the business of the Company, which are in the Participant's possession, custody and control and which are or may be property of the Company, whether confidential or not, including any and all copies thereof which may have been made for the Participant and that the Participant will maintain no copies thereof after termination of the Participant's employment.

c. Definitions.

- (i) "Confidential Information" means all information disclosed to or known by the Participant as a consequence of or through its employment with the Company which either has not been generally available to the public and is useful or of value to the current or anticipated business of the Company; or has been identified to the Participant as confidential, either orally or in writing. Confidential Information includes without limitation computer software and programs; material

manufacturing, organizational research and development; business plans; sales forecasts; identities, competence, abilities and compensation of other employees of the Company; intellectual property; cost and other financial information; current and prospective customer and supplier list; information about customers, suppliers or their employees; information concerning plans for pending acquisitions or divestitures; and information concerning purchases of equipment and real property. Confidential Information does not include information which is in or hereafter enters the public domain through no fault of the Participant, or is disclosed by a third party having the right to use and disclose the information.

d. Other Terms and Conditions.

- (i) The Participant acknowledges that the Participant is entering into this Award Agreement voluntarily and has given careful consideration to the restraints imposed by this Award Agreement. Irrespective of the manner of any employment termination, the restraints imposed by this Award Agreement will be operative.

-3-

during their full time periods and throughout the restrictive areas set forth in this Award Agreement. The Participant further acknowledges that if the Participant's employment with the Company terminates for any reason the Participant can earn a livelihood without violating the foregoing restrictions and that the Participant's ability to earn a livelihood without violating these restrictions is a material employment condition. The Participant acknowledges and recognizes that if the Participant's employment terminates for any reason, this Section 7 of this Award Agreement will survive any such termination and any expiration of this Award Agreement. Further, the Participant agrees and consents that this Award Agreement is assignable by the Company.

- (ii) The Participant agrees that if a court of law finds that the provisions of this Award Agreement are too harsh so that they are unenforceable, then such court of law may enforce those restrictions and limitations which are acceptable and deemed enforceable by the court.
- (iii) In the event the Participant breaches the terms of this Award Agreement, it is agreed that all periods contained in this Award Agreement will be tolled until the Participant ceases to breach the Award Agreement.

- e. Injunction. The parties acknowledge and agree, due to the subject matter of this Award Agreement, that money damages will be an inadequate remedy for a breach by Participant of any of the

obligations hereunder. Consequently, if the Participant breaches or threatens to breach any of the obligations under this Award Agreement, the Participant agrees that the Company shall have the right, in addition to any other rights or remedies available to it at law or in equity, to obtain equitable relief, including, without limitation, injunctive relief and specific performance, in the event of any breach or threatened breach. Further, the parties hereto agree and declare that it may be impossible to measure in monetary terms the damages that may accrue to the Company by reason of Participant's violation of this Award Agreement. Therefore, in the event that the Company, or any successor in interest thereto, shall institute an action or proceeding to enforce the provisions of this Award Agreement, each party or other person against whom such action or proceeding is brought shall and hereby does, in advance, waive the claim or defense that there is adequate remedy at law. In the event such injunctive relief is warranted and obtained by the Company, Participant agrees to pay all costs of said action, including reasonable attorney fees.

8. *Miscellaneous:*

- a. Non-Transferability. An Award may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, except by will or the laws of descent and distribution.
- b. Beneficiary. Unless otherwise specifically designated by the Participant in writing, a Participant's beneficiary under the Plan shall be the Participant's spouse or, if no spouse survives the Participant, the Participant's estate.
- c. No Right to Continued Service or to Awards. The granting of an Award shall impose no obligation on the Company or any Affiliate to continue the employment of a Participant or interfere with or limit the right of the Company or any Affiliate to Terminate the employment of the Participant at any time, with or without Cause, which right is expressly reserved.

-4-

- d. Tax Withholding. The Company or an Affiliate, as applicable, shall have the power and the right to deduct, withhold or collect any amount required by law or regulation to be withheld with respect to any taxable event arising with respect to an Award granted under the Plan.
- e. Requirements of Law. The grant of Awards shall be subject to all applicable laws, rules and regulations (including applicable federal and state securities laws) and to all required approvals of

any governmental agencies or national securities exchange, market or other quotation system.

- f. Governing Law. The Plan and all Award Agreements shall be governed by and construed in accordance with the laws of (other than laws governing conflicts of laws) the State of Ohio.
- g. Award Subject to Plan. The Award is subject to the terms and conditions described in this Award Agreement and the Plan, which is incorporated by reference into and made a part of this Award Agreement. In the event of a conflict between the terms of the Plan and the terms of this Award Agreement, the terms of the Plan will govern. The Committee has the sole responsibility of interpreting the Plan and this Award Agreement, and its determination of the meaning of any provision in the Plan or this Award Agreement will be binding on the Participant. Capitalized terms that are not defined in this Award Agreement have the same meanings as in the Plan.
- h. Section 409A Payment Delay. If a Participant is determined to be a “specified employee” (within the meaning of Section 409A of the Code and as determined under the Company’s policy for determining specified employees), the Participant shall not be entitled to payment or to distribution of any portion of an Award that is subject to Section 409A of the Code (and for which no exception applies) and is payable or distributable on account of the Participant’s “separation from service” (within the meaning of Section 409A of the Code) until the expiration of six months from the date of such separation from service (or, if earlier, the Participant’s death). Such Award, or portion thereof, shall be paid or distributed on the first business day of the seventh month following such separation from service.
- i. Signature in Counterparts. This Award Agreement may be signed in counterparts, each of which will be deemed an original, but all of which will constitute one and the same instrument.

[signature page attached]

-5-

PARTICIPANT

Signature

Print

Date:

FARMERS NATIONAL BANC CORP.

By:

Its:

Date:

-6-

EXHIBIT A
DEFINITIONS OF “CAUSE” AND “GOOD REASON”

“Cause” means that, in the reasonable judgment of the Compensation Committee, any of the following events have occurred: (1) the willful or negligent failure by the Participant to substantially perform his or her duties with the Company and, after written notification by the Company to the Participant, the continued failure of the Participant to substantially perform such duties; (2) the willful or negligent engagement by the Participant in conduct which is demonstrably and materially injurious to the Company, financially or otherwise; (3) action or inaction by the Participant that constitutes a breach of fiduciary duty with respect to the Company or any of its subsidiaries; (4) the violation of any material written policy, rule or regulation of the Company; or (5) the Participant's material breach of any agreement in respect of confidentiality with the Company, whether or not entered into after the Grant Date.

“Good Reason” means the occurrence of any of the following: (1) a reduction in Participant's annual base salary rate, unless such reduction generally applies to other Participants regardless of the reason(s) therefor; (2) a substantial diminution in Participant's duties, authorities or responsibilities; or (3) the relocation of Participant's principal place of employment with the Company such that (a) the distance from the former principal place of employment to the relocated principal place of employment is over 50 miles and (b) the distance from his or her primary residence to the relocated principal place of employment is over 50 miles; provided, however, that Good Reason shall exist only to the extent that Participant provides the Company with written notice of his or her intention to terminate employment with the Company for Good Reason that specifies the condition(s) constituting Good Reason and the Company fails to correct such condition(s) within ten (10) business days from receipt of such written notice. Notwithstanding the foregoing, Good Reason shall cease to exist for an event on the one hundred and twentieth (120th) day following the later of its occurrence or Participant's knowledge thereof, unless Participant has given the Company written notice of such condition and of Participant's intent to terminate for Good Reason prior to such date. With respect to the Chief Executive Officer only, Good Reason shall also include a change in responsibilities such that the Chief Executive Officer reports to someone other than directly to the Company's Board of Directors.

-7-

FARMERS NATIONAL BANC CORP.
PERFORMANCE-BASED CASH AWARD AGREEMENT
(2024)

Farmers National Banc Corp. (the “Company”) hereby grants the undersigned Participant an Award pursuant to the Farmers National Banc Corp. Long-Term Incentive Plan (the “Cash LTI Plan”), as evidenced by the Notice of Grant accompanying this Award Agreement (the “Grant Notice”), and as further described in this Award Agreement (this “Award Agreement”).

1. *Nature of Award.* Effective as of the date specified in the Grant Notice (the “Grant Date”), the Company hereby grants to the individual identified in the Grant Notice (the “Participant”) the award as set forth in the Grant Notice (the “Award”). The Award is subject to the terms and conditions described in the Cash LTI Plan, this Award Agreement and the Grant Notice.
2. *Performance Period:* The three-year period beginning on the January 1, 2024 and ending on December 31, 2026 (the “Performance Period”).
3. *Target Cash Award as Percentage of Base Compensation:* ____ % x .25 (the “Target Performance-Based Cash Award”).
4. *Earning an Award:* The Participant shall be eligible to receive a payment equal to between 0% and 200% of the Target Performance-Based Cash Award, based on achievement during the Performance Period of the Performance Objective set forth below. Performance between two stated levels will be interpolated when determining the percentage of the Target Performance-Based Cash Award earned.

The percentage of the Target Performance-Based Cash Award that is earned will be based on the Company’s Total Shareholder Return (“TSR”) during the Performance Period compared to the Total Shareholder Return of the Company’s Peer Group during the Performance Period (“Relative TSR”), expressed as a percentile. Between 0% and 200% of the Target Performance-Based Cash Award is subject to vesting on the “Normal Vesting Date” stated in the Grant Notice, in accordance with the following schedule and percentages:

Less than Peer Group 25 th percentile	0%
Equal to Peer Group 25 th percentile (threshold)	20%
Equal to Peer Group 50 th percentile (target)	100%
Equal to or higher than Peer Group 75 th percentile (max)	200%

For these purposes: (i) Relative TSR shall be determined by the Committee in its sole discretion; and (ii) the Committee shall select the institutions constituting, and make such periodic adjustments as it

determines appropriate to, the “Peer Group” in its sole discretion.

5. *Payment of Award:* With respect to the Performance Period, the Committee shall certify the level of achievement of the Performance Objective set forth in Section 4 and determine the amount payable with respect to your Award based on such level of achievement. Payment of the Award shall be made to the Participant in cash in a single lump sum on the Normal Vesting Date determined by multiplying the applicable percentage for the level of performance certified by the Compensation Committee times the Participant's Target Performance-Based Cash Award.
6. *Limitations on Payment of Award:* The Committee may, in its sole discretion, reduce the amount payable with respect to the Award.
7. *Forfeiture of Awards:* If the Company is required to prepare an accounting restatement due to material non-compliance of the Company, as a result of misconduct by a Participant, with any financial reporting requirement under any applicable laws, the Participant shall reimburse the Company for all amounts received under the Cash LTI Plan within 30 days after receipt of notice of the same from the Company.
8. *Effect of Termination:* This Award may be forfeited if Participant's employment terminates prior to the Normal Vesting Date, although it will depend on the reason for termination as provided below:
 - (a) Death, Disability or Retirement. If you terminate due to death, Disability, or Retirement, the amount of your Award (if any) shall be multiplied by a fraction, the numerator of which is the number of whole months you were employed from the Grant Date to the date of death, Disability or Retirement, and the denominator of which is 36. Payment of the Award shall be made to the Participant in cash in a single lump sum determined by multiplying such pro rata portion of your Target Performance-Based Cash Award by the applicable percentage for the level of performance certified by the Compensation Committee, with performance based on the Company's relative TSR for the portion of the Performance Period that ended on the last day of the calendar quarter immediately preceding the date of termination. Such payment of the Award will occur within ninety (90) days of the date of termination. For purposes of hereof, “Retirement” means termination after attaining either age 55 with at least 10 years of service with the Company or age 62 with at least 5 years of service with the Company.
 - (b) Termination by the Company without Cause or by Participant for Good Reason. If the Company terminates your employment without “Cause,” or you terminate your employment with the Company

for “Good Reason,” each as defined in Exhibit A attached hereto and incorporated herein, you will be paid a prorated portion of your Target Performance-Based Cash Award determined in the same manner as described in Section 8(a) hereinabove based on your termination date.

- (c) Termination for any Other Reason. If your employment with the Company terminates under any other circumstance (including if such termination is by the Company for Cause regardless of whether such termination could also constitute a Retirement), you shall forfeit any rights with respect to the Award on your termination date.

-2-

9. Effect of Change in Control: Notwithstanding the foregoing, if a Change in Control occurs after the Grant Date, your Award will be subject to the following additional terms and conditions:

- (a) If such a Change in Control occurs prior to the Normal Vesting Date and in connection therewith or within two years thereafter your employment is terminated either by the Company or a successor in interest for any reason other than for “Cause” or by you for “Good Reason,” you shall be entitled to receive a payment equal to the amount payable with respect to your Award as though the Performance Objective had been satisfied at the “target” level of achievement for the Performance Period. Therefore, you shall be entitled to a payment in the amount of 100% of your Target Performance-Based Cash Award. Payment will be made in a single lump-sum cash payment within 60 days following the termination date.

10. Restrictive Covenants.

- (a) Non-Solicitation. The Participant acknowledges and agrees that as a condition to and in consideration of this Award Agreement, during the term of the Participant's employment and for a period of twenty-four (24) months thereafter (the “Non-Solicitation Restrictive Period”), the Participant will not, directly or indirectly:
- (i) Solicit, engage or otherwise interfere with any customer or client who is at the time of termination was within the preceding six (6) months of termination a customer or client of Company subsidiaries or any other related entity for the purposes of directly or indirectly furnishing financial or banking services that a national banking association, bank holding company, bank, savings and loan association or other regulated financial institution is permitted by conduct or furnish on the date the Participant's employment is terminated.
- (ii) Employ, solicit for employment, engage or otherwise interfere with any person who is at the termination or was within the preceding six (6) months of termination employed by the Company.

subsidiaries or any related entity, or otherwise directly or indirectly induce or take any action would encourage or influence any such person to leave that person's employment or term reduce or modify their business or relationship with the Company, or any of its subsidiary related entities.

The restrictive covenants and Restrictive Periods provided for herein will not be construed to limit the application of any other restrictive covenant or restriction period set forth in any other agreement entered into between the Participant and the Company.

- (b) Nondisclosure and Non-appropriation of Information. The Participant recognizes and acknowledges that while employed by the Company, the Participant will have access to, learn, be provided with and, in some cases, prepare and create, certain Confidential Information (as defined in section (c) below), proprietary information or Trade Secrets (as defined below) of the Company, including, but not limited to, processes, financial information, pricing information, operating techniques, marketing processes, training techniques, customer, vendor, and referral source lists, price and cost information, files

-3-

and forms, (collectively, the "Trade Secrets"), all of which are of substantial value to the Company and the businesses conducted by it. The Participant expressly covenants and agrees that the Participant will:

- (i) Hold in a fiduciary capacity and not reveal, communicate, use or cause to be used for the Participant's own benefit or divulge during the period of employment by the Company and indefinite period thereafter, any Confidential Information, proprietary information or Trade Secrets now or hereafter owned by the Company;
- (ii) Not sell, exchange, give away, or otherwise dispose of Confidential Information, proprietary information or Trade Secrets now or hereafter owned by the Company, whether the same may have been originated or discovered by the Company, the Participant or otherwise;
- (iii) Not reveal, divulge or make known to any person, firm, company or corporation any Confidential Information, proprietary information or Trade Secrets of the Company, unless such communication is required pursuant to a compulsory proceeding in which the Participant's failure to provide Confidential Information, proprietary information or Trade Secrets would subject the Participant to criminal or civil sanctions and then only to the extent that Executive provides prior notice to the Company prior to disclosure.

(iv) Return to the Company before termination of employment with the Company, any and all information, material or equipment that constitutes, contains or relates in any way to Confidential Information, proprietary information, Trade Secrets and any other documents, equipment or material of any kind relating in any way to the business of the Company, which are in the Participant's possession, custody and control and which are or may be property of the Company, whether confidential or not, including any and all copies thereof which may have been made for the Participant and that the Participant will maintain no copies thereof after termination of the Participant's employment.

(c) Definitions.

(i) "Confidential Information" means all information disclosed to or known by the Participant as a consequence of or through its employment with the Company which either has not been generally available to the public and is useful or of value to the current or anticipated business of the Company; or has been identified to the Participant as confidential, either orally or in writing. Confidential Information includes without limitation computer software and programs; marketing, manufacturing, organizational research and development; business plans; sales forecasts; employee identities, competence, abilities and compensation of other employees of the Company; financial cost and other financial information; current and prospective customer and supplier list information about customers, suppliers or their employees; information concerning plans for pending acquisitions or divestitures; and information

-4-

concerning purchases of equipment or property. Confidential Information does not include information which is in or hereafter enters the public domain through no fault of the Participant, or is disclosed by a third party having the legal right to use and disclose the information.

(d) Other Terms and Conditions.

(i) The Participant acknowledges that the Participant is entering into this Award Agreement voluntarily and has given careful consideration to the restraints imposed by this Award Agreement. Irrespective of the manner of any employment termination, the restraints imposed by this Award Agreement will be operative during their full time periods and throughout the restrictive period set forth in this Award Agreement. The Participant further acknowledges that if the Participant's employment with the Company terminates for any reason the Participant can earn a living without violating the foregoing restrictions and that the Participant's ability to earn a living

without violating these restrictions is a material employment condition. The Participant acknowledges and recognizes that if the Participant's employment terminates for any reason, Section 10 of the Award Agreement will survive any such termination and any expiration of the Award Agreement. Further, the Participant agrees and consents that this Award Agreement is assignable by the Company.

(ii) The Participant agrees that if a court of law finds that the provisions of this Award Agreement are too harsh so that they are unenforceable, then such court of law may enforce those restrictions or limitations which are acceptable and deemed enforceable by the court.

(iii) In the event the Participant breaches the terms of this Award Agreement, it is agreed that all periods contained in this Award Agreement will be tolled until the Participant ceases to breach the Award Agreement.

(e) Injunction. The parties acknowledge and agree, due to the subject matter of this Award Agreement, that money damages will be an inadequate remedy for a breach by Participant of any of the obligations hereunder. Consequently, if the Participant breaches or threatens to breach any of the obligations under this Award Agreement, the Participant agrees that the Company shall have the right, in addition to any other rights or remedies available to it at law or in equity, to obtain equitable relief, including, without limitation, injunctive relief and specific performance, in the event of any breach or threatened breach. Further, the parties hereto agree and declare that it may be impossible to measure in monetary terms the damages that may accrue to the Company by reason of Participant's violation of this Award Agreement. Therefore, in the event that the Company, or any successor in interest thereto, shall institute an action or proceeding to enforce the provisions of this Award Agreement, each party or other person against whom such action or proceeding is brought shall and hereby does, in advance, waive the claim or defense that there is adequate remedy at law. In the event such injunctive relief is warranted and obtained by the Company, Participant agrees to pay all costs of said action, including reasonable attorney fees.

-5-

11. Miscellaneous:

(a) Non-Transferability. An Award may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, except by will or the laws of descent and distribution.

(b) Beneficiary. Unless otherwise specifically designated by the Participant in writing, a Participant's

beneficiary under the Cash LTI Plan shall be the Participant's spouse or, if no spouse survives the Participant, the Participant's estate.

- (c) No Right to Continued Service or to Awards. The granting of an Award shall impose no obligation on the Company or any Affiliate to continue the employment of a Participant or interfere with or limit the right of the Company or any Affiliate to Terminate the employment of the Participant at any time, with or without Cause, which right is expressly reserved.
- (d) Tax Withholding. The Company or an Affiliate, as applicable, shall have the power and the right to deduct, withhold or collect any amount required by law or regulation to be withheld with respect to any taxable event arising with respect to an Award granted under the Cash LTI Plan.
- (e) Requirements of Law. The grant of Awards shall be subject to all applicable laws, rules and regulations (including applicable federal and state securities laws) and to all required approvals of any governmental agencies or national securities exchange, market or other quotation system.
- (f) Governing Law. The Cash LTI Plan and all Award Agreements shall be governed by and construed in accordance with the laws of (other than laws governing conflicts of laws) the State of Ohio.
- (g) Award Subject to Cash LTI Plan. The Award is subject to the terms and conditions described in this Award Agreement and the Cash LTI Plan, which is incorporated by reference into and made a part of this Award Agreement. In the event of a conflict between the terms of the Cash LTI Plan and the terms of this Award Agreement, the terms of the Cash LTI Plan will govern. The Committee has the sole responsibility of interpreting the Cash LTI Plan and this Award Agreement, and its determination of the meaning of any provision in the Cash LTI Plan or this Award Agreement will be binding on the Participant. Capitalized terms that are not defined in this Award Agreement have the same meanings as in the Cash LTI Plan.
- (h) Section 409A Payment Delay. If a Participant is determined to be a "specified employee" (within the meaning of Section 409A of the Code and as determined under the Company's policy for determining specified employees), the Participant shall not be entitled to

-6-

payment or to distribution of any portion of an Award that is subject to Section 409A of the Code (and for which no exception applies) and is payable or distributable on account of the Participant's "separation from service" (within the meaning of Section 409A of the Code) until the expiration of six months from the date of such separation from service (or, if earlier, the Participant's death). Such Award, or portion thereof, shall be paid or distributed on the first business day of the seventh month following such separation from service.

- (i) Signature in Counterparts. This Award Agreement may be signed in counterparts, each of which

will be deemed an original, but all of which will constitute one and the same instrument.

[signature page attached]

-7-

PARTICIPANT

Date: _____

Print Name: _____

FARMERS NATIONAL BANC CORP.

By: _____

Date: _____

Its: _____

-8-

EXHIBIT A

DEFINITIONS OF "CAUSE" AND "GOOD REASON"

"Cause" means that, in the reasonable judgment of the Compensation Committee, any of the following events have occurred: (1) the willful or negligent failure by the Participant to substantially perform his or her duties with the Company and, after written notification by the Company to the Participant, the continued failure of the Participant to substantially perform such duties; (2) the willful or negligent engagement by the Participant in conduct which is demonstrably and materially injurious to the Company, financially or otherwise; (3) action or inaction by the Participant that constitutes a breach of fiduciary duty with respect to the Company or any of its

subsidiaries; (4) the violation of any material written policy, rule or regulation of the Company; or (5) the Participant's material breach of any agreement in respect of confidentiality with the Company, whether or not entered into after the Grant Date.

"Good Reason" means the occurrence of any of the following: (1) a reduction in Participant's annual base salary rate, unless such reduction generally applies to other Participants regardless of the reason(s) therefor; (2) a substantial diminution in Participant's duties, authorities or responsibilities; or (3) the relocation of Participant's principal place of employment with the Company such that (a) the distance from the former principal place of employment to the relocated principal place of employment is over 50 miles and (b) the distance from his or her primary residence to the relocated principal place of employment is over 50 miles; provided, however, that Good Reason shall exist only to the extent that Participant provides the Company with written notice of his or her intention to terminate employment with the Company for Good Reason that specifies the condition(s) constituting Good Reason and the Company fails to correct such condition(s) within ten (10) business days from receipt of such written notice. Notwithstanding the foregoing, Good Reason shall cease to exist for an event on the one hundred and twentieth (120th) day following the later of its occurrence or Participant's knowledge thereof, unless Participant has given the Company written notice of such condition and of Participant's intent to terminate for Good Reason prior to such date. With respect to the Chief Executive Officer only, Good Reason shall also include a change in responsibilities such that the Chief Executive Officer reports to someone other than directly to the Company's Board of Directors.

-9-

Exhibit 31.1

CERTIFICATIONS

Certification of Chief Executive Officer

CERTIFICATION FOR QUARTERLY REPORT ON FORM 10-Q

I, Kevin J. Helmick certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Farmers National Banc Corp.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Kevin J. Helmick

Kevin J. Helmick
Chief Executive Officer

November 8, 2023 May 9, 2024

CERTIFICATIONSCertification of Chief Financial Officer
CERTIFICATION FOR QUARTERLY REPORT ON FORM 10-Q

I, A. Troy Adair certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Farmers National Banc Corp.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ A. Troy Adair

A. Troy Adair

Chief Financial Officer

November 8, 2023 May 9, 2024

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Farmers National Banc Corp. (the "Corporation") on Form 10-Q for the period ended September 30, 2023 March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I Kevin J. Helmick, Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

/s/ Kevin J. Helmick

Kevin J. Helmick

Chief Executive Officer

November 8, 2023 May 9, 2024

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Farmers National Banc Corp. (the "Corporation") on Form 10-Q for the period ended September 30, 2023 March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I A. Troy Adair, Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

/s/ A. Troy Adair

A. Troy Adair
Chief Financial Officer

November 8, 2023 May 9, 2024

DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2024, Refinitiv. All rights reserved. Patents Pending.