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Â Â 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 June 30, 2024 Commission file number 001-35296 Â FARMERS NATIONAL BANC CORP. (Exact name of registrant as specified in its charter) Â Â Ohio Â 34-1371693 (State or other jurisdiction ofincorporation or organization) Â (I.R.S. EmployerIdentification No) Â Â Â 20 South Broad Street Canfield, OH 44406 (Address of principal executive offices) Â (Zip Code) (330) 533-3341 (Registrantâ€™s telephone number, including area code) Not applicable (Former name, former address and former fiscal year, if changed since last report) Â Securities registered pursuant to Section 12(b) of the Act. Â Title of each class Trading Symbol Name of each exchange on which registered Common Stock, No Par Value FMNB The NASDAQ Stock Market Â 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 â˜' No â˜ 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 (Â§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 â˜' No â˜ 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 â€œlarge accelerated filer,â€ â€œaccelerated filer,â€ â€œsmaller reporting company,â€ and â€œemerging growth companyâ€ in Rule 12b-2 of the Exchange Act. Â Large accelerated filer â˜ Accelerated filer â˜' Â Â Â Â Non-accelerated filer â˜ Small reporting company â˜ Â Â Â Â Â Â Â Emerging growth company Â â˜ Â Â Â Â 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. â˜ Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes â˜ No â˜' Indicate the number of shares outstanding of each of the issuerâ€™s classes of common stock, as of the latest practicable date. Â Class Outstanding at July 31, 2024 Common Stock, No Par Value 37,576,150Â shares Â Â Â Â Â Â Â Â Page Number PART I - FINANCIAL INFORMATION Â Â Â Item 1 Financial Statements (Unaudited) Â Â Â Included in Part I of this report: Â Â Â Â Farmers National Banc Corp. and Subsidiaries Â Â Â Â Consolidated Condensed Balance Sheets (Unaudited) 2 Â Consolidated Condensed Statements of Income (Unaudited) 3 Â Consolidated Condensed Statements of Comprehensive Income (Loss) (Unaudited) 4 Â Consolidated Condensed Statements of Stockholdersâ€™ Equity (Unaudited) 5 Â Consolidated Condensed Statements of Cash Flows (Unaudited) 6 Â Notes to Unaudited Condensed Consolidated Financial Statements 7 Â Â Â Item 2 Managementâ€™s Discussion and Analysis of Financial Condition and Results of Operations 45 Â Â Â Item 3 Quantitative and Qualitative Disclosures About Market Risk 55 Â Â Â Item 4 Controls and Procedures 56 Â Â Â PART II - OTHER INFORMATION 56 Â Â Â Item 1 Legal Proceedings 56 Â Â Â Item 1A Risk Factors 56 Â Â Â Item 2 Unregistered Sales of Equity Securities and Use of Proceeds 57 Â Â Â Item 3 Defaults Upon Senior Securities 57 Â Â Â Item 4 Mine Safety Disclosures 57 Â Â Â Item 5 Other Information 57 Â Â Â Item 6 Exhibits 58 Â Â SIGNATURES 59 Â Â 10-Q Certifications Â Â Section 906 Certifications Â 1 CONSOLIDATED CONDENSED BALANCE SHEETS (Unaudited) FARMERS NATIONAL BANC CORP. AND SUBSIDIARIES Â Â Â (In Thousands of Dollars) Â Â Â June 30,2024 Â Â December 31,2023 Â ASSETS Â Â Â Â Â Â Cash and due from banks Â $ 23,801 Â Â $ 28,896 Â Federal funds sold and other Â Â 157,186 Â Â Â 74,762 Â TOTAL CASH AND CASH EQUIVALENTS Â Â 180,987 Â Â Â 103,658 Â Securities available for sale (Amortized cost $1,489,071Â in 2024 and $1,516,841Â in 2023) Â Â 1,246,730 Â Â Â 1,299,701 Â Other investments Â Â 37,594 Â Â Â 35,311 Â Loans held for sale, at fair value Â Â 2,577 Â Â Â 3,711 Â Loans Â Â 3,237,369 Â Â Â 3,198,127 Â Less allowance for credit losses Â Â 33,991 Â Â Â 34,440 Â NET LOANS Â Â 3,203,378 Â Â Â 3,163,687 Â Premises and equipment, net Â Â 45,351 Â Â Â 44,364 Â Goodwill Â Â 167,446 Â Â Â 167,446 Â Other intangibles, net Â Â 21,524 Â Â Â 22,842 Â Bank owned life insurance Â Â 100,288 Â Â Â 99,482 Â Affordable housing investments Â Â 23,080 Â Â Â 17,893 Â Other assets Â Â 127,898 Â Â Â 120,255 Â TOTAL ASSETS Â $ 5,156,853 Â Â $ 5,078,350 Â Â Â Â Â Â Â Â LIABILITIES AND STOCKHOLDERS' EQUITY Â Â Â Â Â Â Deposits: Â Â Â Â Â Â Noninterest-bearing Â $ 968,693 Â Â $ 1,026,630 Â Interest-bearing Â Â 3,237,142 Â Â Â 3,150,756 Â TOTAL DEPOSITS Â Â 4,205,835 Â Â Â 4,177,386 Â Short-term borrowings Â Â 406,000 Â Â Â 355,000 Â Long-term borrowings Â Â 88,890 Â Â Â 88,663 Â Other liabilities Â Â 59,434 Â Â Â 52,886 Â TOTAL LIABILITIES Â Â 4,760,159 Â Â Â 4,673,935 Â Commitments and contingent liabilities Â Â Â Â Â Â Stockholders' Equity: Â Â Â Â Â Â Common Stock, no par value; 50,000,000Â shares authorized; 39,321,709Â shares issued in 2024 and 2023; 37,574,780Â and 37,502,773Â shares outstanding, respectively Â Â 364,985 Â Â Â 365,305 Â Retained earnings Â Â 247,023 Â Â Â 236,757 Â Accumulated other comprehensive (loss) Â Â (191,233) Â Â (172,554) Treasury stock, at cost; 1,746,929Â and 1,818,936Â shares in 2024 and 2023, respectively Â Â (24,081) Â Â (25,093) TOTAL STOCKHOLDERS' EQUITY Â Â 396,694 Â Â Â 404,415 Â TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY Â $ 5,156,853 Â Â $ 5,078,350 Â Â See accompanying notes 2 CONSOLIDATED CONDENSED STATEMENTS OF INCOME (Unaudited) FARMERS NATIONAL BANC CORP. AND SUBSIDIARIES Â Â Â (In Thousands except Per Share Data) Â Â Â For the Three Months Ended Â Â For the Six Months Ended Â Â Â June 30,2024 Â Â June 30,2023 Â Â June 30,2024 Â Â June 30,2023 Â INTEREST AND DIVIDEND INCOME Â Â Â Â Â Â Â Â Â Â Â Â Loans, including fees Â $ 46,513 Â Â $ 42,331 Â Â $ 91,530 Â Â $ 83,187 Â Taxable securities Â Â 6,813 Â Â Â 6,654 Â Â Â 13,227 Â Â Â 13,204 Â Tax exempt securities Â Â 2,455 Â Â Â 2,674 Â Â Â 5,090 Â Â Â 5,515 Â Dividends Â Â 322 Â Â Â 594 Â Â Â 684 Â Â Â 970 Â Federal funds sold and other interest income Â Â 743 Â Â Â 551 Â Â Â 1,369 Â Â Â 1,161 Â TOTAL INTEREST AND DIVIDEND INCOME Â Â 56,846 Â Â Â 52,804 Â Â Â 111,900 Â Â Â 104,037 Â INTEREST EXPENSE Â Â Â Â Â Â Â Â Â Â Â Â Deposits Â Â 20,160 Â Â Â 14,491 Â Â Â 38,549 Â Â Â 27,198 Â Short-term borrowings Â Â 3,584 Â Â Â 2,727 Â Â Â 7,524 Â Â Â 3,648 Â Long-term borrowings Â Â 1,036 Â Â Â 1,008 Â Â Â 2,074 Â Â Â 2,003 Â TOTAL INTEREST EXPENSE Â Â 24,780 Â Â Â 18,226 Â Â Â 48,147 Â Â Â 32,849 Â NET INTEREST INCOME Â Â 32,066 Â Â Â 34,578 Â Â Â 63,753 Â Â Â 71,188 Â

Provision (credit) for credit losses Â Â 1,395 Â Â Â (255) Â Â 1,125 Â Â Â 8,050 Â (Credit) provision for unfunded loans Â Â (283) Â Â 280 Â Â Â (462) Â Â 574 Â NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES Â Â 30,954 Â Â Â 34,553 Â Â Â 63,090 Â Â Â 62,564 Â NONINTEREST INCOME Â Â Â Â Â Â Â Â Â Â Â Â Â Service charges on deposit accounts Â Â 1,846 Â Â Â 1,501 Â Â Â 3,429 Â Â Â 2,933 Â Bank owned life insurance income Â Â 652 Â Â Â 584 Â Â Â 1,359 Â Â Â 1,131 Â Trust fees Â Â 2,638 Â Â Â 2,248 Â Â Â 5,431 Â Â Â 4,835 Â Insurance agency commissions Â Â 1,255 Â Â Â 1,332 Â Â Â 2,783 Â Â Â 2,788 Â Security (losses) gains, including fair value changes for equity securities Â Â (124) Â Â 13 Â Â Â (2,244) Â Â 134 Â Retirement plan consulting fees Â Â 330 Â Â Â 382 Â Â Â 664 Â Â Â 689 Â Investment commissions Â Â 478 Â Â Â 476 Â Â Â 910 Â Â Â 869 Â Net gains on sale of loans Â Â 417 Â Â Â 406 Â Â Â 714 Â Â Â 716 Â Other mortgage banking income, net Â Â 192 Â Â Â 234 Â Â Â 317 Â Â Â 387 Â Debit card and EFT fees Â Â 1,760 Â Â Â 1,810 Â Â Â 3,327 Â Â Â 3,599 Â Other operating income Â Â 162 Â Â Â 463 Â Â Â 1,273 Â Â Â 1,793 Â TOTAL NONINTEREST INCOME Â Â 9,606 Â Â Â 9,449 Â Â Â 17,963 Â Â Â 19,874 Â NONINTEREST EXPENSES Â Â Â Â Â Â Â Â Â Â Â Â Â Salaries and employee benefits Â Â 14,558 Â Â Â 13,625 Â Â Â 29,627 Â Â Â 28,270 Â Occupancy and equipment Â Â 3,815 Â Â Â 3,859 Â Â Â 7,545 Â Â Â 7,728 Â FDIC insurance and state and local taxes Â Â 1,185 Â Â Â 1,494 Â Â Â 2,530 Â Â Â 2,716 Â Professional fees Â Â 1,194 Â Â Â 1,190 Â Â Â 2,448 Â Â Â 2,304 Â Merger related costs Â Â 0 Â Â Â 442 Â Â Â 0 Â Â Â 4,755 Â Advertising Â Â 445 Â Â Â 478 Â Â Â 876 Â Â Â 887 Â Intangible amortization Â Â 630 Â Â Â 1,222 Â Â Â 1,318 Â Â Â 2,131 Â Core processing charges Â Â 1,099 Â Â Â 1,144 Â Â Â 2,234 Â Â Â 2,308 Â Other operating expenses Â Â 3,477 Â Â Â 2,932 Â Â Â 6,864 Â Â Â 6,009 Â TOTAL NONINTEREST EXPENSES Â Â 26,403 Â Â Â 26,386 Â Â Â 53,442 Â Â Â 57,108 Â INCOME BEFORE INCOME TAXES Â Â 14,157 Â Â Â 17,616 Â Â Â 27,611 Â Â Â 25,330 Â INCOME TAXES Â Â 2,374 Â Â Â 2,650 Â Â Â 4,588 Â Â Â 3,289 Â NET INCOME Â $ 11,783 Â Â $ 14,966 Â Â $ 23,023 Â Â $ 22,041 Â EARNINGS PER SHARE - basic Â $ 0.32 Â Â $ 0.40 Â Â $ 0.62 Â Â $ 0.59 Â EARNINGS PER SHARE - diluted Â $ 0.31 Â Â $ 0.40 Â Â $ 0.61 Â Â $ 0.59 Â Â See accompanying notes 3 CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited)FARMERS NATIONAL BANC CORP. AND SUBSIDIARIES Â Â Â (In Thousands of Dollars) Â Â Â For the Three Months Ended Â Â For the Six Months Ended Â Â Â June 30,2024 Â Â June 30,2023 Â Â June 30,2024 Â Â June 30,2023 Â NET INCOME Â $ 11,783 Â Â $ 14,966 Â Â $ 23,023 Â Â $ 22,041 Â Other comprehensive income (loss): Â Â Â Â Â Â Â Â Â Â Â Â Â Net unrealized holding (losses) gains on available for sale securities Â Â (8,285) Â Â (21,309) Â Â (27,460) Â Â 21,591 Â Reclassification adjustment for losses (gains) realized in income on sales Â Â 126 Â Â Â 0 Â Â Â 2,259 Â Â Â (120) Reclassification adjustment for losses realized in income on fair value hedge Â Â 211 Â Â Â 0 Â Â Â 1,556 Â Â Â 0 Â Net unrealized holding (losses) gains Â Â (7,948) Â Â (21,309) Â Â (23,645) Â Â 21,471 Â Income tax effect Â Â 1,669 Â Â Â 4,475 Â Â Â 4,966 Â Â Â (4,509) Unrealized holding (losses) gains, net of reclassification and tax Â Â (6,279) Â Â (16,834) Â Â (18,679) Â Â 16,962 Â Change in funded status of post-retirement plan, net of tax Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Other comprehensive (loss) income, net of tax Â Â (6,279) Â Â (16,834) Â Â (18,679) Â Â 16,962 Â TOTAL COMPREHENSIVE INCOME (LOSS) Â $ 5,504 Â Â $ (1,868) Â $ 4,344 Â Â $ 39,003 Â Â See accompanying notes 4 CONSOLIDATED CONDENSED STATEMENTS OF STOCKHOLDERSâ€™ EQUITY (Unaudited) FARMERS NATIONAL BANC CORP. AND SUBSIDIARIES(Table Dollar Amounts in Thousands except Per Share Data) Â Â Â Â Â Â Â Â Accumulated Â Â Â Â Â Â Â Â Â Â Â Â Â Other Â Â Â Â Â Â Â Â Common Â Â Retained Â Â Comprehensive Â Â Treasury Â Â Â Â Â Stock Â Â Earnings Â Â Income (Loss) Â Â Stock Â Â Total Â Balance December 31, 2023 $ 365,305 Â Â $ 236,757 Â Â $ (172,554) Â $ (25,093) Â $ 404,415 Â Â Â Â Net income Â Â Â Â 11,240 Â Â Â Â Â Â Â Â Â 11,240 Â Â Â Â Other comprehensive (loss) Â Â Â Â Â Â Â (12,400) Â Â Â Â Â (12,400) Â Â Â Restricted share issuance Â (363) Â Â Â Â Â Â Â 367 Â Â Â 4 Â Â Â Â Restricted share forfeitures Â 153 Â Â Â Â Â Â Â Â (155) Â Â (2) Â Â Â Stock based compensation expense Â 662 Â Â Â Â Â Â Â Â Â Â Â Â Â 662 Â Â Â Â Vesting of Long Term Incentive Plan Â (914) Â Â Â Â Â Â Â Â 919 Â Â Â 5 Â Â Â Â Share forfeitures for taxes Â Â Â Â Â Â Â Â Â (529) Â Â (529) Â Â Â Dividends paid at $0.17Â per share Â Â Â Â (6,369) Â Â Â Â Â Â Â Â (6,369) Balance March 31, 2024 $ 364,843 Â Â $ 241,628 Â Â $ (184,954) Â $ (24,491) Â $ 397,026 Â Â Â Â Net income Â Â Â Â 11,783 Â Â Â Â Â Â Â Â Â 11,783 Â Â Â Â Other comprehensive (loss) Â Â Â Â Â Â Â (6,279) Â Â Â Â Â (6,279) Â Â Â Restricted share issuance Â (484) Â Â Â Â Â Â Â 489 Â Â Â 5 Â Â Â Â Stock based compensation expense Â 626 Â Â Â Â Â Â Â Â Â Â Â Â Â 626 Â Â Â Â Share forfeitures for taxes Â Â Â Â Â Â Â Â Â (79) Â Â (79) Â Â Â Dividends paid at $0.17Â per share Â Â Â Â (6,388) Â Â Â Â Â Â Â Â (6,388) Balance June 30, 2024 $ 364,985 Â Â $ 247,023 Â Â $ (191,233) Â $ (24,081) Â $ 396,694 Â Accumulated Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Other Â Â Â Â Â Â Â Â Common Â Â Retained Â Â Comprehensive Â Â Treasury Â Â Â Â Â Stock Â Â Earnings Â Â Income (Loss) Â Â Stock Â Â Total Â Balance December 31, 2022 $ 305,340 Â Â $ 212,375 Â Â $ (210,490) Â $ (14,930) Â $ 292,295 Â Â Â Â Net income Â Â Â Â 7,075 Â Â Â Â Â Â Â Â Â 7,075 Â Â Â Â Other comprehensive income Â Â Â Â Â Â Â 33,796 Â Â Â Â Â 33,796 Â Â Â Â Share issuance as part of a business combination Â 59,202 Â Â Â Â Â Â Â Â Â Â Â Â Â 59,202 Â Â Â Â Restricted share issuance Â (432) Â Â Â Â Â Â Â 437 Â Â Â 5 Â Â Â Â Restricted share forfeitures Â 21 Â Â Â Â Â Â Â Â (21) Â Â 0 Â Â Â Â Stock based compensation expense Â 615 Â Â Â Â Â Â Â Â Â Â Â Â Â 615 Â Â Â Â Vesting of Long Term Incentive Plan Â (428) Â Â Â Â Â Â Â Â 431 Â Â Â 3 Â Â Â Â Share forfeitures for taxes Â Â Â Â Â Â Â Â Â (252) Â Â (252) Â Â Â Treasury share purchases Â Â Â Â Â Â Â Â Â (11,660) Â Â (11,660) Â Â Â Dividends paid at $0.17Â per share Â Â Â Â (6,437) Â Â Â Â Â Â Â Â (6,437) Balance March 31, 2023 $ 364,318 Â Â $ 213,013 Â Â $ (176,694) Â $ (25,995) Â $ 374,642 Â Â Â Â Net income Â Â Â Â 14,966 Â Â Â Â Â Â Â Â Â 14,966 Â Â Â Â Other comprehensive (loss) Â Â Â Â Â Â Â (16,834) Â Â Â Â Â (16,834) Â Â Â Restricted share issuance Â (323) Â Â Â Â Â Â Â 326 Â Â Â 3 Â Â Â Â Stock based compensation expense Â 649 Â Â Â Â Â Â Â Â Â Â Â Â Â 649 Â Â Â Â Share forfeitures for taxes Â Â Â Â Â Â Â Â Â (68) Â Â (68) Â Â Â Dividends paid at $0.17Â per share Â Â Â Â (6,367) Â Â Â Â Â Â Â Â (6,367) Balance June 30, 2023 $ 364,644 Â Â $ 221,612 Â Â $ (193,528) Â $ (25,737) Â $ 366,991 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â See accompanying notes. 5 CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (Unaudited) FARMERS NATIONAL BANC CORP. AND SUBSIDIARIES Â Â Â (In Thousands of Dollars) Â Â Â Six Months Ended Â Â Â June 30,2024 Â Â June 30,2023 Â CASH FLOWS FROM OPERATING ACTIVITIES Â Â Â Â Â Â Net income Â $ 23,023 Â Â $ 22,041 Â Adjustments to reconcile net income to net cash from operating activities: Â Â Â Â Â Â Provision for credit losses Â Â 1,125 Â Â Â 8,050 Â (Credit) provision for unfunded loans Â Â (462) Â Â 574 Â Depreciation and amortization Â Â 3,103 Â Â Â 4,101 Â Net amortization of securities Â Â 330 Â Â Â 450 Â Available for sale security losses (gains) Â Â 2,259 Â Â Â (120) Realized gains on equity securities Â Â (15) Â Â (14) Stock compensation expense Â Â 1,288 Â Â Â 1,264 Â Earnings on bank owned life insurance Â Â (1,275) Â Â (1,131) Income recognized from death benefit on bank owned life insurance Â Â (84) Â Â 0 Â Origination of loans held for sale Â Â (35,222) Â Â (19,634) Proceeds from loans held for sale Â Â 35,476 Â Â Â 21,945 Â Net gains on sale of loans Â Â (714) Â Â (716) Net change in other assets and liabilities Â Â 810 Â Â Â (6,377) NET CASH FROM OPERATING ACTIVITIES Â Â 29,642 Â Â Â 30,433 Â CASH FLOWS FROM INVESTING ACTIVITIES Â Â Â Â Â Â Proceeds from maturities and repayments of securities available for sale Â Â 26,308 Â Â Â 30,034 Â Proceeds from sales of securities available for sale Â Â 44,756 Â Â Â 69,918 Â Purchases of securities available for sale Â Â (45,883) Â Â (650) Proceeds from sales of equity securities Â Â 41 Â Â Â 24 Â Purchase of equity securities Â Â (42) Â Â (31) Proceeds from maturities and repayments of SBIC funds Â Â 556 Â Â Â 543 Â Purchases of SBIC funds Â Â (520) Â Â (531) Proceeds from redemption of regulatory stock Â Â 5,224 Â Â Â 13,951 Â Purchase of regulatory stock Â Â (7,527) Â Â (17,679) Loan originations and payments, net Â Â (32,285) Â Â (10,436) Purchase of portfolio loans Â Â (8,069) Â Â 0 Â Proceeds from loans held for sale previously classified as portfolio loans Â Â 1,594 Â Â Â 0 Â Proceeds from BOLI death benefit Â Â 551 Â Â Â 0 Â Additions to premises and equipment Â Â (3,778) Â Â (779) Net cash paid in business combinations Â Â 0 Â Â Â (13,175) NET CASH FROM INVESTING ACTIVITIES Â Â (19,074) Â Â 71,189 Â CASH FLOWS FROM FINANCING ACTIVITIES Â Â Â Â Â Â Net change in deposits Â Â 28,449 Â Â Â (166,833) Net change in short-term borrowings Â Â 51,000 Â Â Â 130,000 Â Cash dividends paid Â Â (12,688) Â Â (12,733) Repurchase of common shares Â Â 0 Â Â Â (11,544) NET CASH FROM FINANCING ACTIVITIES Â Â 66,761 Â Â Â (61,110) NET CHANGE IN CASH AND CASH EQUIVALENTS Â Â 77,329 Â Â Â 40,512 Â Beginning cash and cash equivalents Â Â 103,658 Â Â Â 75,551 Â Ending cash and cash equivalents Â $ 180,987 Â Â $ 116,063 Â Supplemental cash flow information: Â Â Â Â Â Â Interest paid Â $ 55,188 Â Â $ 34,161 Â Supplemental noncash disclosures: Â Â Â Â Â Â Issuance of stock awards Â $ 2,049 Â Â $ 1,194 Â Issuance of stock for business combinations Â $ 0 Â Â $ 59,202 Â Lease liabilities arising from obtaining right-of-use assets Â $ 0 Â Â $ 1,289 Â Â See accompanying notes 6 Â NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS Principles of Consolidation: Farmers National Banc Corp. (â€œCompanyâ€ 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 (â€œBankâ€). The consolidated financial statements also include the accounts of the Bankâ€™s subsidiaries; Farmers National Insurance, LLC (â€œInsuranceâ€) and Farmers of Canfield Investment Co. (â€œInvestmentsâ€). The Company provides trust and retirement consulting services through its subsidiary, Farmers Trust Company (â€œTrustâ€), and insurance services through the Bankâ€™s subsidiary, Insurance. Farmers National Captive, Inc. (â€œCaptiveâ€) was a wholly-owned insurance subsidiary of the Company that provided property and casualty insurance coverage to the Company and its subsidiaries until November 2023 when the Company dissolved the entity. The Captive 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 available or economically 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 (â€œU.S. GAAPâ€) for complete financial statements. The financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Companyâ€™s 2023 Annual Report to Shareholders included in the Companyâ€™s Annual Report on Form 10-K for the year ended December 31, 2023 (â€œ2023 Form 10-Kâ€). 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 stockholdersâ€™ 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 June 30, 2024. Outstanding shares at June 30, 2024 were 37,574,780. 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 stockholdersâ€™ equity, net of tax effect. Updates to Significant Accounting Policies:New Accounting Standard:In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740) Improvements to Income Tax Disclosures. The amendments in this update related to the 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 rate reconciliation and income taxes paid disaggregated by jurisdiction. The amendments of this update are effective for fiscal years beginning after December 15, 2024. Early 7 Â adoption is permitted. The adoption of this standard is not expected to have a material effect on the Companyâ€™s operating results or financial condition.In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280) Improvements to Reportable Segment Disclosures. The amendments in this update improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The 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, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The adoption of this standard is not expected to have a material effect on the Companyâ€™s operating results or financial condition.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 Companyâ€™s operating results or financial condition. Business Combinations:On January 1, 2023, the Company completed its previously announced merger with Emclaire Financial Corp., a Pennsylvania corporation and registered financial holding company (â€œEmclaireâ€), pursuant to the Agreement and Plan of Merger dated as of March 23, 2022. The Farmers National Bank of Emlenton, the banking subsidiary of Emclaire, 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 â€œEffective Timeâ€) Emclaire merged with and into Merger Sub (the â€œMergerâ€), 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 Emclaire, 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 Emclaire 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 Emclaire common shares being exchanged and the remaining 30% of Emclaire 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 $442 thousand and $4.8 million of merger related costs, for the Emclaire acquisition, during the three and six month periods ended June 30, 2023, respectively. There were no merger related expenses recorded during 2024. The Company recorded goodwill of $72.9 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 Companyâ€™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.8 Â 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.Â (In Thousands of Dollars) Â Â Consideration Â Â Cash $ 33,440 Â Stock Â 59,202 Â Fair value of total consideration transferred $ 92,642 Â Fair value of assets acquired Â Â Cash and cash equivalents $ 20,265 Â Securities available for sale Â 126,970 Â Other investments Â 7,795 Â Loans, net Â 740,659 Â Premises and equipment Â 14,808 Â Bank owned life insurance Â 22,485 Â Core deposit intangible Â 19,249 Â Current and deferred taxes Â 17,708 Â Other assets Â 7,682 Â Total assets acquired Â 977,621 Â Fair value of liabilities assumed Â Â Deposits Â 875,813 Â Short-term borrowings Â 75,000 Â Accrued interest payable and other liabilities Â 7,104 Â Total liabilities Â 957,917 Â Net assets acquired $ 19,704 Â Goodwill created Â 72,938 Â Total net assets acquired $ 92,642 Â Â 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. Securities: The following table summarizes the amortized cost and fair value of the available-for-sale securities portfolio at June 30, 2024 and 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 June 30, 2024 or December 31, 2023.Â Â Â Â Gross Â Â Gross Â Â Â Â Amortized Â Â Unrealized Â Â Unrealized Â Â Â Â (In Thousands of Dollars) Cost Â Â Gains Â Â Losses Â Â Fair Value Â June 30, 2024 Â Â Â Â Â Â Â Â Â Â Â Â U.S. Treasury and U.S. government sponsored entities $ 137,732 Â Â $ 4 Â Â $ (18,742) Â $ 118,994 Â State and political subdivisions Â 611,199 Â Â Â 2,140 Â Â Â (103,291) Â Â 510,048 Â Corporate bonds Â 18,383 Â Â Â 210 Â Â Â (471) Â Â 18,122 Â Mortgage-backed securities Â 614,694 Â Â Â 7 Â Â Â (114,612) Â Â 500,089 Â Collateralized mortgage obligations Â 104,097 Â Â Â 87 Â Â Â (7,403) Â Â 96,781 Â Small Business Administration Â 2,966 Â Â Â 0 Â Â Â (270) Â Â 2,696 Â Totals $ 1,489,071 Â Â $ 2,448 Â Â $ (244,789) Â $ 1,246,730 Â Â 9 Â Â Â Â Â Gross Â Â Gross Â Â Â Â Amortized Â Â Unrealized Â Â Unrealized Â Â Â Â (In Thousands of Dollars) Cost Â Â Gains Â Â Losses Â Â Fair Value Â December 31, 2023 Â Â Â Â Â Â Â Â Â Â Â Â U.S. Treasury and U.S. government sponsored entities $ 145,439 Â Â $ 113 Â Â $ (17,597) Â $ 127,955 Â State and political subdivisions Â 644,880 Â Â Â 4,792 Â Â Â (93,503) Â Â 556,169 Â Corporate bonds Â 18,554 Â Â Â 187 Â Â Â (466) Â Â 18,275 Â Mortgage-backed securities Â 624,529 Â Â Â 1 Â Â Â (104,144) Â Â 520,386 Â Collateralized mortgage obligations Â 80,227 Â Â Â 331 Â Â Â (6,559) Â Â 73,999 Â Small Business Administration Â 3,212 Â Â Â 0 Â Â Â (295) Â Â 2,917 Â Totals $ 1,516,841 Â Â $ 5,424 Â Â $ (222,564) Â $ 1,299,701 Â Â Â The proceeds from sales of available-for-sale securities and the associated gains and losses are as follows:Â Â Three Months Ended Â Â Six Months Ended Â Â June 30, Â Â June 30, Â Â Â 2024 Â Â Â 2023 Â Â Â 2024 Â Â Â 2023 Â Proceeds $ 464 Â Â $ 0 Â Â $ 44,756 Â Â $ 69,918 Â Gross gains Â 0 Â Â Â 0 Â Â Â 17 Â Â Â 441 Â Gross losses Â (125) Â Â 0 Â Â Â (2,276) Â Â (321) Â 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. Â Â Â June 30, 2024 Â (In Thousands of Dollars) Â Amortized Cost Â Â Fair Value Â Maturity Â Â Â Â Â Â Within one year Â $ 2,896 Â Â $ 2,922 Â One to five years Â Â 28,007 Â Â Â 25,848 Â Five to ten years Â Â 199,510 Â Â Â 178,261 Â Beyond ten years Â Â 536,901 Â Â Â 440,133 Â Mortgage-backed, collateralized mortgage obligations and Small Business Administration securities Â Â 721,757 Â Â Â 599,566 Â Total Â $ 1,489,071 Â Â $ 1,246,730 Â Â Â The following table summarizes the investment securities with unrealized losses for which an allowance for credit losses has not been recorded at June 30, 2024 and December 31, 2023, aggregated by major security type and length of time in a continuous unrealized loss position.Â Â Â Less than 12 Months Â Â 12 Months or Longer Â Â Total Â Â Â Fair Â Â Unrealized Â Â Fair Â Â Unrealized Â Â Fair Â Â Unrealized Â (In Thousands of Dollars) Â Value Â Â Loss Â Â Value Â Â Loss Â Â Value Â Â Loss Â June 30, 2024 Â U.S. Treasury and U.S. government sponsored entities Â $ 1,381 Â Â $ (13) Â $ 116,768 Â Â $ (18,729) Â $ 118,149 Â Â $ (18,742) State and political subdivisions Â Â 58,668 Â Â Â (3,598) Â Â 403,117 Â Â Â (99,693) Â Â 461,785 Â Â Â (103,291) Corporate bonds Â Â 1,894 Â Â Â (35) Â Â 9,172 Â Â Â (436) Â Â 11,066 Â Â Â (471) Mortgage-backed securities Â Â 13,730 Â Â Â (277) Â Â 485,650 Â Â Â (114,335) Â Â 499,380 Â Â Â (114,612) Collateralized mortgage obligations Â Â 50,594 Â Â Â (1,503) Â Â 42,389 Â Â Â (5,900) Â Â 92,983 Â Â Â (7,403) Small Business Administration Â Â 0 Â Â Â 0 Â Â Â 2,696 Â Â Â (270) Â Â 2,696 Â Â Â (270) Total Â $ 126,267 Â Â $ (5,426) Â $ 1,059,792 Â Â $ (239,363) Â $ 1,186,059 Â Â $ (244,789) Â 10 Â Â Â Â Less than 12 Months Â Â 12 Months or Longer Â Â Total Â Â Â Fair Â Â Unrealized Â Â Fair Â Â Unrealized Â Â Fair Â Â Unrealized Â (In Thousands of Dollars) Â Value Â Â Loss Â Â Value Â Â Loss Â Â Value Â Â Loss Â December 31, 2023 Â U.S. Treasury and U.S. government sponsored entities Â $ 399 Â Â $ (1) Â $ 122,361 Â Â $ (17,596) Â $ 122,760 Â Â $ (17,597) State and political subdivisions Â Â 15,852 Â Â Â (1,684) Â Â 428,416 Â Â Â (91,819) Â Â 444,268 Â Â Â (93,503) Corporate bonds Â Â 8,463 Â Â Â (284) Â Â 3,881 Â Â Â (182) Â Â 12,344 Â Â Â (466) Mortgage-backed securities Â Â 5,113 Â Â Â (76) Â Â 515,259 Â Â Â (104,068) Â Â 520,372 Â Â Â (104,144) Collateralized mortgage obligations Â Â 20,019 Â Â Â (980) Â Â 43,808 Â Â Â (5,579) Â Â 63,827 Â Â Â (6,559) Small Business Administration Â Â 0 Â Â Â 0 Â Â Â 2,917 Â Â Â (295) Â Â 2,917 Â Â Â (295) Total Â $ 49,846 Â Â $ (3,025) Â $ 1,116,642 Â Â $ (219,539) Â $ 1,166,488 Â Â $ (222,564) Â As of June 30, 2024, the Companyâ€™s security portfolio consisted of 944 securities, 825 of which were in an unrealized loss position. The treasury, agency, mortgage-backed securities, collateralized mortgage obligations and small business administration securities that the Company owns are all issued by government sponsored entities and therefore contain no potential for credit loss. The Company does not consider any of its 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 intent to hold the securities for a period of time sufficient to allow for the recovery in fair value. As of June 30, 2024, the Company has not recorded an allowance for credit losses on available for sale ("AFS") securities.Equity SecuritiesThe Company also holds equity securities which include $14.9 million in Small Business Investment Company (â€œSBICâ€) partnership investments as well as $242 thousand in local and regional bank holdings and other miscellaneous equity funds at June 30, 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: Â (In Thousands of Dollars) Â June 30, 2024 Â Â December 31, 2023 Â Commercial real estate Â Â Â Â Â Â Owner occupied Â $ 389,882 Â Â $ 399,273 Â Non-owner occupied Â Â 703,316 Â Â Â 712,315 Â Farmland Â Â 205,437 Â Â Â 202,950 Â Other Â Â 255,477 Â Â Â 224,218 Â Commercial Â Â Â Â Â Â Commercial and industrial Â Â 343,694 Â Â Â 346,354 Â Agricultural Â Â 59,598 Â Â Â 58,338 Â Residential real estate Â Â Â Â Â Â 1-4 family residential Â Â 849,561 Â Â Â 843,697 Â Home equity lines of credit Â Â 151,511 Â Â Â 142,441 Â Consumer Â Â Â Â Â Â Indirect Â Â 238,437 Â Â Â 226,815 Â Direct Â Â 21,700 Â Â Â 23,805 Â Other Â Â 8,469 Â Â Â 9,164 Â Total loans Â $ 3,227,082 Â Â $ 3,189,370 Â Net deferred loan costs Â Â 10,287 Â Â Â 8,757 Â Allowance for credit losses Â Â (33,991) Â Â (34,440) Net loans Â $ 3,203,378 Â Â $ 3,163,687 Â Â 11 Â Allowance for credit loss activityThe following tables present the activity in the allowance for credit losses by portfolio segment for the three and six month periods ended June 30, 2024 and 2023:Three Months Ended June 30, 2024Â (In Thousands of Dollars) Â CommercialReal Estate Â Â Commercial Â Â ResidentialReal Estate Â Â Consumer Â Â Total Â Allowance for credit losses Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Beginning balance Â $ 17,481 Â Â $ 4,543 Â Â $ 6,840 Â Â $ 4,295 Â Â $ 33,159 Â (Credit) Provision for credit losses Â Â (258) Â Â 428 Â Â Â 628 Â Â Â 597 Â Â Â 1,395 Â Loans charged off Â Â 0 Â Â Â (372) Â Â (51) Â Â (238) Â Â (661) Recoveries Â Â 0 Â Â Â 29 Â Â Â 5 Â Â Â 64 Â Â Â 98 Â Total ending allowance balance Â $ 17,223 Â Â $ 4,628 Â Â $ 7,422 Â Â $ 4,718 Â Â $ 33,991 Â Six Months Ended June 30, 2024Â (In Thousands of Dollars) Â CommercialReal Estate Â Â Commercial Â Â ResidentialReal Estate Â Â Consumer Â Â Total Â Allowance for credit losses Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Beginning balance Â $ 18,150 Â Â $ 5,087 Â Â $ 6,916 Â Â $ 4,287 Â Â $ 34,440 Â (Credit) Provision for credit losses Â Â (799) Â Â 490 Â Â Â 559 Â Â Â 875 Â Â Â 1,125 Â Loans charged off Â Â (146) Â Â (1,015) Â Â (81) Â Â (701) Â Â (1,943) Recoveries Â Â 18 Â Â Â 66 Â Â Â 28 Â Â Â 257 Â Â Â 369 Â Total ending allowance balance Â $ 17,223 Â Â $ 4,628 Â Â $ 7,422 Â Â $ 4,718 Â Â $ 33,991 Â Three Months Ended June 30, 2023Â (In Thousands of Dollars) Â CommercialReal Estate Â Â Commercial Â Â ResidentialReal Estate Â Â Consumer Â Â Total Â Allowance for credit losses Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Beginning balance Â $ 19,819 Â Â $ 5,230 Â Â $ 6,732 Â Â $ 4,230 Â Â $ 36,011 Â PCD ACL on loans acquired Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â (Credit) Provision for credit losses Â Â (1,125) Â Â 639 Â Â Â 131 Â Â Â 100 Â Â Â (255) Loans charged off Â Â (157) Â Â (591) Â Â (11) Â Â (212) Â Â (971) Recoveries Â Â 0 Â Â Â 17 Â Â Â 14 Â Â Â 141 Â Â Â 172 Â Total ending allowance balance Â $ 18,537 Â Â $ 5,295 Â Â $ 6,866 Â Â $ 4,259 Â Â $ 34,957 Â Six Months Ended June 30, 2023Â Â

(In Thousands of Dollars) Â CommercialReal Estate Â Â Commercial Â Â ResidentialReal Estate Â Â Consumer Â Â Total Â Allowance for credit losses Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Beginning balance Â $ 14,840 Â Â $ 4,186 Â Â $ 4,374 Â Â $ 3,578 Â Â $ 26,978 Â PCD ACL on loans acquired Â Â 850 Â Â Â 138 Â Â Â 11 Â Â Â 0 Â Â Â 999 Â Provision for credit losses Â Â 3,003 Â Â Â 1,683 Â Â Â 2,529 Â Â Â 835 Â Â Â 8,050 Â Loans charged off Â Â (157) Â Â (734) Â Â (94) Â Â (455) Â Â (1,440) Recoveries Â Â 1 Â Â Â 22 Â Â Â 46 Â Â Â 301 Â Â Â 370 Â Total ending allowance balance Â $ 18,537 Â Â $ 5,295 Â Â $ 6,866 Â Â $ 4,259 Â Â $ 34,957 Â Â Â 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 June 30, 2024. As of June 30, 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 12 Â the calculation of the allowance for credit losses, the change in the balances from June 30, 2023 to June 30, 2024 is largely attributed to adjustments made to the Commercial Staffing qualitative factor, release of reserves related to loans transferred to held for sale and reclassification of construction loan balances that were placed into their permanent loan pool. These factors were partially offset by increases to loan balances and increases in the Company's loss rates that anchor the qualitative factors and impact the quantitative reserve.The following tables present the amortized cost basis of loans on nonaccrual status and loans past due over 89 days still accruing as of June 30, 2024 and December 31, 2023:Â (In Thousands of Dollars) Â Nonaccrual with no allowance for credit loss Â Â Nonaccrual with an allowance for credit loss Â Â Loans past due over 89 days still accruing Â June 30, 2024 Â Â Â Â Â Â Â Â Â Commercial real estate Â Â Â Â Â Â Â Â Â Owner occupied Â $ 1,694 Â Â $ 762 Â Â $ 0 Â Non-owner occupied Â Â 16 Â Â Â 146 Â Â Â 0 Â Farmland Â Â 1,839 Â Â Â 7 Â Â Â 0 Â Other Â Â 0 Â Â Â 70 Â Â Â 0 Â Commercial Â Â Â Â Â Â Â Â Â Commercial and industrial Â Â 944 Â Â Â 1,311 Â Â Â 432 Â Agricultural Â Â 184 Â Â Â 247 Â Â Â 0 Â Residential real estate Â Â Â Â Â Â Â Â Â 1-4 family residential Â Â 373 Â Â Â 2,592 Â Â Â 1,412 Â Home equity lines of credit Â Â 162 Â Â Â 153 Â Â Â 0 Â Consumer Â Â Â Â Â Â Â Â Â Indirect Â Â 57 Â Â Â 226 Â Â Â 111 Â Direct Â Â 66 Â Â Â 45 Â Â Â 20 Â Other Â Â 0 Â Â Â 1 Â Â Â 0 Â Total loans Â $ 5,335 Â Â $ 5,560 Â Â $ 1,975 Â Â (In Thousands of Dollars) Â Nonaccrual with no allowance for credit loss Â Â Nonaccrual with an allowance for credit loss Â Â Loans past due over 89 days still accruing Â December 31, 2023 Â Â Â Â Â Â Â Â Â Commercial real estate Â Â Â Â Â Â Â Â Â Owner occupied Â $ 1,804 Â Â $ 830 Â Â $ 0 Â Non-owner occupied Â Â 19 Â Â Â 1,491 Â Â Â 0 Â Farmland Â Â 1,957 Â Â Â 9 Â Â Â 0 Â Other Â Â 0 Â Â Â 80 Â Â Â 0 Â Commercial Â Â Â Â Â Â Â Â Â Commercial and industrial Â Â 394 Â Â Â 1,408 Â Â Â 0 Â Agricultural Â Â 203 Â Â Â 317 Â Â Â 0 Â Residential real estate Â Â Â Â Â Â Â Â Â 1-4 family residential Â Â 348 Â Â Â 3,009 Â Â Â 460 Â Home equity lines of credit Â Â 240 Â Â Â 210 Â Â Â 69 Â Consumer Â Â Â Â Â Â Â Â Â Indirect Â Â 22 Â Â Â 300 Â Â Â 125 Â Direct Â Â 65 Â Â Â 69 Â Â Â 1 Â Other Â Â 0 Â Â Â 5 Â Â Â 0 Â Total loans Â $ 5,052 Â Â $ 7,728 Â Â $ 655 Â Â 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 in nonaccrual status. There were no nonaccrual or past due loans related to loans held-for-sale at June 30, 2024.Â 13 Â The following tables present the amortized cost basis of collateral-dependent loans by class of loans as of June 30, 2024 and December 31, 2023:Â (In Thousands of Dollars) Â Real Estate Â Â Business Assets Â Â Vehicles Â Â Cash Â June 30, 2024 Â Â Â Â Â Â Â Â Â Â Â Â Commercial real estate Â Â Â Â Â Â Â Â Â Â Â Â Owner occupied Â $ 1,694 Â Â $ 0 Â Â $ 0 Â Â $ 0 Â Non-owner occupied Â Â 16 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Farmland Â Â 1,839 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Other Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Commercial Â Â Â Â Â Â Â Â Â Â Â Â Commercial and industrial Â Â 86 Â Â Â 1,044 Â Â Â 0 Â Â Â 0 Â Agricultural Â Â 0 Â Â Â 184 Â Â Â 0 Â Â Â 0 Â Residential real estate Â Â Â Â Â Â Â Â Â Â Â Â 1-4 family residential Â Â 3,277 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Home equity lines of credit Â Â 242 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Consumer Â Â Â Â Â Â Â Â Â Â Â Â Indirect Â Â 0 Â Â Â 0 Â Â Â 99 Â Â Â 0 Â Direct Â Â 0 Â Â Â 0 Â Â Â 14 Â Â Â 66 Â Other Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Total loans Â $ 7,154 Â Â $ 1,228 Â Â $ 113 Â Â $ 66 Â Â (In Thousands of Dollars) Â Real Estate Â Â Business Assets Â Â Vehicles Â Â Cash Â December 31, 2023 Â Â Â Â Â Â Â Â Â Â Â Â Commercial real estate Â Â Â Â Â Â Â Â Â Â Â Â Owner occupied Â $ 1,804 Â Â $ 0 Â Â $ 0 Â Â $ 0 Â Non-owner occupied Â Â 1,335 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Farmland Â Â 1,957 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Other Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Commercial Â Â Â Â Â Â Â Â Â Â Â Â Commercial and industrial Â Â 94 Â Â Â 867 Â Â Â 0 Â Â Â 0 Â Agricultural Â Â 0 Â Â Â 203 Â Â Â 0 Â Â Â 0 Â Residential real estate Â Â Â Â Â Â Â Â Â Â Â Â 1-4 family residential Â Â 3,352 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Home equity lines of credit Â Â 294 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Consumer Â Â Â Â Â Â Â Â Â Â Â Â Indirect Â Â 0 Â Â Â 0 Â Â Â 53 Â Â Â 0 Â Direct Â Â 0 Â Â Â 0 Â Â Â 19 Â Â Â 66 Â Other Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Total loans Â $ 8,836 Â Â $ 1,070 Â Â $ 72 Â Â $ 66 Â Â 14 Â The following tables present the aging of the recorded investment in past due loans as of June 30, 2024 and December 31, 2023 by class of loans. Â (In Thousands of Dollars) Â 30-59Days PastDue Â Â 60-89Days PastDue Â Â 90 Days orMore PastDue andNonaccrual Â Â Total PastDue Â Â Loans NotPast Due Â Â Total Â June 30, 2024 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Commercial real estate Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Owner occupied Â $ 647 Â Â $ 1,070 Â Â $ 2,456 Â Â $ 4,173 Â Â $ 385,506 Â Â $ 389,679 Â Non-owner occupied Â Â 13 Â Â Â 0 Â Â Â 162 Â Â Â 175 Â Â Â 702,678 Â Â Â 702,853 Â Farmland Â Â 145 Â Â Â 0 Â Â Â 1,846 Â Â Â 1,991 Â Â Â 203,233 Â Â Â 205,224 Â Other Â Â 528 Â Â Â 0 Â Â Â 70 Â Â Â 598 Â Â Â 254,496 Â Â Â 255,094 Â Commercial Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Commercial and industrial Â Â 636 Â Â Â 347 Â Â Â 2,687 Â Â Â 3,670 Â Â Â 341,644 Â Â Â 345,314 Â Agricultural Â Â 290 Â Â Â 72 Â Â Â 431 Â Â Â 793 Â Â Â 59,649 Â Â Â 60,442 Â Residential real estate Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â 1-4 family residential Â Â 11,346 Â Â Â 946 Â Â Â 4,377 Â Â Â 16,669 Â Â Â 833,124 Â Â Â 849,793 Â Home equity lines of credit Â Â 367 Â Â Â 52 Â Â Â 315 Â Â Â 734 Â Â Â 150,851 Â Â Â 151,585 Â Consumer Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Indirect Â Â 1,467 Â Â Â 474 Â Â Â 394 Â Â Â 2,335 Â Â Â 244,846 Â Â Â 247,181 Â Direct Â Â 110 Â Â Â 34 Â Â Â 131 Â Â Â 275 Â Â Â 21,457 Â Â Â 21,732 Â Other Â Â 1 Â Â Â 1 Â Â Â 1 Â Â Â 3 Â Â Â 8,469 Â Â Â 8,472 Â Total loans Â $ 15,550 Â Â $ 2,996 Â Â $ 12,870 Â Â $ 31,416 Â Â $ 3,205,953 Â Â $ 3,237,369 Â Â (In Thousands of Dollars) Â 30-59Days PastDue Â Â 60-89Days PastDue Â Â 90 Days orMore PastDue andNonaccrual Â Â Total PastDue Â Â Loans NotPast Due Â Â Total Â December 31, 2023 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Commercial real estate Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Owner occupied Â $ 302 Â Â $ 293 Â Â $ 2,634 Â Â $ 3,229 Â Â $ 395,799 Â Â $ 399,028 Â Non-owner occupied Â Â 90 Â Â Â 0 Â Â Â 1,510 Â Â Â 1,600 Â Â Â 710,195 Â Â Â 711,795 Â Farmland Â Â 365 Â Â Â 0 Â Â Â 1,966 Â Â Â 2,331 Â Â Â 200,395 Â Â Â 202,726 Â Other Â Â 0 Â Â Â 0 Â Â Â 80 Â Â Â 80 Â Â Â 223,697 Â Â Â 223,777 Â Commercial Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Commercial and industrial Â Â 540 Â Â Â 199 Â Â Â 1,802 Â Â Â 2,541 Â Â Â 345,278 Â Â Â 347,819 Â Agricultural Â Â 292 Â Â Â 40 Â Â Â 520 Â Â Â 852 Â Â Â 58,223 Â Â Â 59,075 Â Residential real estate Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â 1-4 family residential Â Â 6,819 Â Â Â 4,488 Â Â Â 3,817 Â Â Â 15,124 Â Â Â 828,437 Â Â Â 843,561 Â Home equity lines of credit Â Â 729 Â Â Â 34 Â Â Â 519 Â Â Â 1,282 Â Â Â 141,189 Â Â Â 142,471 Â Consumer Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Indirect Â Â 2,045 Â Â Â 289 Â Â Â 447 Â Â Â 2,781 Â Â Â 232,105 Â Â Â 234,886 Â Direct Â Â 153 Â Â Â 23 Â Â Â 135 Â Â Â 311 Â Â Â 23,514 Â Â Â 23,825 Â Other Â Â 4 Â Â Â 0 Â Â Â 5 Â Â Â 9 Â Â Â 9,155 Â Â Â 9,164 Â Total loans Â $ 11,339 Â Â $ 5,366 Â Â $ 13,435 Â Â $ 30,140 Â Â $ 3,167,987 Â Â $ 3,198,127 Â Â Loan RestructuringsThe 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 Â 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. The following table presents the amortized cost basis of loans that were both experiencing financial difficulty and modified during the three and six months ended June 30, 2024 and June 30, 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:Â Three Months Ended June 30, 2024 Â Amortized Cost Â Â Â Â (In Thousands of Dollars) Â Payment Deferral Â Â Principal Forgiveness Â Â Interest Rate Reduction Â Â Combination Term Extension and Interest Rate Reduction Â Â Total Â Â % of Total Class of Financing Receivable Â Residential real estate Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Home equity lines of credit Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 20 Â Â $ 20 Â Â Â 0.01 % Total modifications to borrowers experiencing financial difficulty Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 20 Â Â $ 20 Â Â Â 0.00 % Â Â Six Months Ended June 30, 2024 Â Amortized Cost Â Â Â Â (In Thousands of Dollars) Â Payment Deferral Â Â Principal Forgiveness Â Â Interest Rate Reduction Â Â Combination Term Extension and Interest Rate Reduction Â Â Total Â Â % of Total Class of Financing Receivable Â Residential real estate Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Home equity lines of credit Â $ 0 Â Â $ 0 Â Â $ 29 Â Â $ 20 Â Â $ 49 Â Â Â 0.03 % Total modifications to borrowers experiencing financial difficulty Â $ 0 Â Â $ 0 Â Â $ 29 Â Â $ 20 Â Â $ 49 Â Â Â 0.00 % Â Â Three Months Ended June 30, 2023 Â Amortized Cost Â Â Â Â (In Thousands of Dollars) Â Payment Deferral Â Â Principal Forgiveness Â Â Interest Rate Reduction Â Â Combination Term Extension and Interest Rate Reduction Â Â Total Â Â % of Total Class of Financing Receivable Â Commercial Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Commercial and industrial Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 0 Â Â Â 0.00 % Total modifications to borrowers experiencing financial difficulty Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 0 Â Â Â 0.00 % Â Â Six Months Ended June 30, 2023 Â Amortized Cost Â Â Â Â (In Thousands of Dollars) Â Payment Deferral Â Â Principal Forgiveness Â Â Interest Rate Reduction Â Â Combination Term Extension and Interest Rate Reduction Â Â Total Â Â % of Total Class of Financing Receivable Â Commercial Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Commercial and industrial Â $ 50 Â Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 50 Â Â Â 0.01 % Total modifications to borrowers experiencing financial difficulty Â $ 50 Â Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 50 Â Â Â 0.00 % Â 16 Â Â Â The following table presents the financial effect of the loan modifications presented above to borrowers experiencing financial difficulty during the three and six months ended June 30, 2024 and June 30, 2023:Â Â Â Payment Deferral Â Term Extension Â Â Interest Rate Reduction Â Â Weighted-Average Years Added to the Life Â Weighted-Average Years Added to the Life Â Weighted-Average Contractual Interest Rate Â Three Months Ended June 30, 2024 Â Â Â Â Â From Â To Â Residential real estate Â Â Â Â Â Â Â Â Â Â Â Â Â Â Home equity lines of credit Â Â Â Â Â Â Â Â 10.00 Â Â Â 10.75 % Â Â 7.25 % Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Payment Deferral Â Term Extension Â Â Interest Rate Reduction Â Â Â Weighted-Average Years Added to the Life Â Weighted-Average Years Added to the Life Â Â Weighted-Average Contractual Interest Rate Â Six Months Ended June 30, 2024 Â Â Â Â Â From Â To Â Residential real estate Â Â Â Â Â Â Â Â Â Â Â Â Â Â Home equity lines of credit Â Â Â Â Â Â 10.00 Â Â Â 10.45 % Â Â 5.92 % Â Â Â Payment Deferral Â Principal Forgiveness Â Interest Rate Reduction Â Â Weighted-Average Years Added to the Life Â Â Reduction of Amortized Cost Basis of the Loans Â Weighted-Average Contractual Interest Rate Three Months Ended June 30, 2023 Â Â Â Â Â Â From Â To Commercial Â Â Â Â Â Â Â Â Â Â Â Â Â Â Commercial and industrial Â Â Â Â 0.00 Â Payment Deferral Â Principal Forgiveness Â Interest Rate Reduction Â Â Weighted-Average Years Added to the Life Â Â Reduction of Amortized Cost Basis of the Loans Â Weighted-Average Contractual Interest Rate Six Months Ended June 30, 2023 Â Â Â Â Â From Â To Commercial Â Â Â Â Â Â Â Â Â Â Â Â Commercial and industrial Â Â Â Â 0.50 Â Â Â Â Â Â Â Â Â Â 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 six months ended June 30, 2024 and June 30, 2023:Â Three Months Ended June 30, 2024 Â Payment status (Amortized cost Basis) Â (In Thousands of Dollars) Â Current Â Â 30-89 Days past due Â Â 90+ Days past due Â Accrual restructured loans Â Â Â Â Â Â Â Â Â Residential real estate Â Â Â Â Â Â Â Â Â Home equity lines of credit Â $ 20 Â Â $ 0 Â Â $ 0 Â Total accruing restructured loans Â $ 20 Â Â $ 0 Â Â $ 0 Â Â Â Â Â Â Â Â Â Nonaccrual restructured loans Â Â Â Â Â Â Â Â Â Total nonaccrual restructured loans Â $ 0 Â Â $ 0 Â Â $ 0 Â Â Â Â Â Â Total restructured loans Â $ 20 Â Â $ 0 Â Â $ 0 Â Â 17 Â Six Months Ended June 30, 2024 Â Payment status (Amortized cost Basis) Â (In Thousands of Dollars) Â Current Â Â 30-89 Days past due Â Â 90+ Days past due Â Accrual restructured loans Â Â Â Â Â Â Â Â Â Residential real estate Â Â Â Â Â Â Â Â Â Home equity lines of credit Â $

20 Â Â $ 0 Â Â $ 0 Â Total accruing restructured loans Â $ 20 Â Â $ 0 Â Â $ 0 Â Â Â Â Â Â Â Â Â Â Â Â Nonaccrual restructured loans Â Â Â Â Â Â Â Â Â Â Residential real estate Â Â Â Â Â Â Â Â Â Â Home equity lines of credit Â Â 0 Â Â Â 29 Â Â Â 0 Â Total nonaccrual restructured loans Â $ 0 Â Â $ 29 Â Â $ 0 Â Â Â Â Â Â Total restructured loans Â $ 20 Â Â $ 29 Â Â $ 0 Â Â Three Months Ended June 30, 2023 Â Payment status (Amortized cost Basis) Â (In Thousands of Dollars) Â Current Â Â 30-89 Days past due Â Â 90+ Days past due Â Total accruing restructured loans Â $ 0 Â Â $ 0 Â Â $ 0 Â Â Â Â Â Â Â Â Â Â Â Â Nonaccrual restructured loans Â Â Â Â Â Â Â Â Â Â Total nonaccrual restructured loans Â $ 0 Â Â $ 0 Â Â $ 0 Â Â Â Â Â Â Total restructured loans Â $ 0 Â Â $ 0 Â Â $ 0 Â Six Months Ended June 30, 2023 Â Payment status (Amortized cost Basis) Â (In Thousands of Dollars) Â Current Â Â 30-89 Days past due Â Â 90+ Days past due Â Commercial Â Â Â Â Â Â Â Â Â Â Commercial and industrial Â $ 50 Â Â $ 0 Â Â $ 0 Â Total accruing restructured loans Â $ 50 Â Â $ 0 Â Â $ 0 Â Â Â Â Â Â Â Â Â Â Â Â Nonaccrual restructured loans Â Â Â Â Â Â Â Â Â Â Total nonaccrual restructured loans Â $ 0 Â Â $ 0 Â Â $ 0 Â Â Â Â Â Â Total restructured loans Â $ 50 Â Â $ 0 Â Â $ 0 Â As of June 30, 2024, the Company had no commitments to lend any additional funds on restructured loans.The following table presents the amortized cost basis of loans that had a payment default during the six months ended June 30, 2024 and were modified in the twelve months prior to that default to borrowers experiencing 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:Â June 30, 2024 Â Amortized Cost Â (In Thousands of Dollars) Â Payment Deferral Â Â Principal Forgiveness Â Â Interest Rate Reduction Â Â Term Extension Â Residential real estate Â Â Â Â Â Â Â Â Â Â Â Â Â 1-4 family residential Â $ 0 Â Â $ 0 Â Â $ 30 Â Â $ 41 Â Home equity lines of credit Â Â 0 Â Â Â 0 Â Â Â 29 Â Â Â 0 Â Â Â Â Â Total modifications to borrowers experiencing financial difficulty Â $ 0 Â Â $ 0 Â Â $ 59 Â Â $ 41 Â As of June 30, 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. Â 18 Â Credit Quality IndicatorsThe 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 borrowerâ€™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 managementâ€™s close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institutionâ€™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. 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 June 30, 2024 and December 31, 2023, and based on the most recent analysis performed, the risk category of loans by class of loans is as follows: Â (In Thousands of Dollars) Â Pass Â Â SpecialMention Â Â Substandard Â Â Total Â June 30, 2024 Â Â Â Â Â Â Â Â Â Â Â Â Commercial real estate Â Â Â Â Â Â Â Â Â Â Â Â Owner occupied Â $ 377,073 Â Â $ 6,256 Â Â $ 6,350 Â Â $ 389,679 Â Non-owner occupied Â Â 644,330 Â Â Â 26,414 Â Â Â 32,109 Â Â Â 702,853 Â Farmland Â Â 202,871 Â Â Â 0 Â Â Â 2,353 Â Â Â 205,224 Â Other Â Â 246,380 Â Â Â 0 Â Â Â 8,714 Â Â Â 255,094 Â Commercial Â Â Â Â Â Â Â Â Â Â Â Â Commercial and industrial Â Â 332,327 Â Â Â 644 Â Â Â 12,343 Â Â Â 345,314 Â Agricultural Â Â 59,975 Â Â Â 29 Â Â Â 438 Â Â Â 60,442 Â Total loans Â $ 1,862,956 Â Â $ 33,343 Â Â $ 62,307 Â Â $ 1,958,606 Â Â (In Thousands of Dollars) Â Pass Â Â SpecialMention Â Â Substandard Â Â Total Â December 31, 2023 Â Â Â Â Â Â Â Â Â Â Â Â Commercial real estate Â Â Â Â Â Â Â Â Â Â Â Â Owner occupied Â $ 386,015 Â Â $ 9,628 Â Â $ 3,385 Â Â $ 399,028 Â Non-owner occupied Â Â 648,063 Â Â Â 27,938 Â Â Â 35,794 Â Â Â 711,795 Â Farmland Â Â 200,240 Â Â Â 0 Â Â Â 2,486 Â Â Â 202,726 Â Other Â Â 215,459 Â Â Â 0 Â Â Â 8,318 Â Â Â 223,777 Â Commercial Â Â Â Â Â Â Â Â Â Â Â Â Commercial and industrial Â Â 334,764 Â Â Â 646 Â Â Â 12,409 Â Â Â 347,819 Â Agricultural Â Â 58,506 Â Â Â 17 Â Â Â 552 Â Â Â 59,075 Â Total loans Â $ 1,843,047 Â Â $ 38,229 Â Â $ 62,944 Â Â $ 1,944,220 Â Â 19 Â 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 June 30, 2024. In the 1-4 family residential real estate portfolio at June 30, 2024, other real estate owned and foreclosure properties were $58 thousand and $210 thousand, respectively. At December 31, 2023, other real estate owned and foreclosure properties were $92 thousand and $207 thousand, respectively. The following tables present the recorded investment in residential, consumer indirect and direct auto loans based on payment activity as of June 30, 2024 and December 31, 2023. Nonperforming loans are loans past due 90 days or more and still accruing interest and nonaccrual loans.Â Â Â Residential Real Estate Â Â Consumer Â (In Thousands of Dollars) Â 1-4 FamilyResidential Â Â HomeEquity Linesof Credit Â Â Indirect Â Â Direct Â Â Other Â June 30, 2024 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Performing Â $ 845,416 Â Â $ 151,270 Â Â $ 246,787 Â Â $ 21,601 Â Â $ 8,471 Â Nonperforming Â Â 4,377 Â Â Â 315 Â Â Â 394 Â Â Â 131 Â Â Â 1 Â Total loans Â $ 849,793 Â Â $ 151,585 Â Â $ 247,181 Â Â $ 21,732 Â Â $ 8,472 Â Â Â Â Residential Real Estate Â Â Consumer Â (In Thousands of Dollars) Â 1-4 FamilyResidential Â Â HomeEquity Linesof Credit Â Â Indirect Â Â Direct Â Â Other Â December 31, 2023 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Performing Â $ 839,744 Â Â $ 141,952 Â Â $ 234,439 Â Â $ 23,690 Â Â $ 9,159 Â Nonperforming Â Â 3,817 Â Â Â 519 Â Â Â 447 Â Â Â 135 Â Â Â 5 Â Total loans Â $ 843,561 Â Â $ 142,471 Â Â $ 234,886 Â Â $ 23,825 Â Â $ 9,164 Â Â 20 Â The following table presents total loans by risk categories and year of origination:Â Â Â Term Loans Amortized Cost Basis by Origination Year Â As of June 30, 2024 Â 2024 Â Â 2023 Â Â 2022 Â Â 2021 Â Â 2020 Â Â Prior Â Â Revolving Loans Â Â Total Â Commercial real estate - Owner occupied: Â Risk Rating Â Pass Â $ 8,011 Â Â $ 68,957 Â Â $ 50,929 Â Â $ 63,853 Â Â $ 43,665 Â Â $ 139,444 Â Â $ 2,214 Â Â $ 377,073 Â Special mention Â Â 0 Â Â Â 1,365 Â Â Â 0 Â Â Â 0 Â Â Â 4,352 Â Â Â 539 Â Â Â 0 Â Â Â 6,256 Â Substandard Â Â 0 Â Â Â 0 Â Â Â 1,872 Â Â Â 0 Â Â Â 559 Â Â Â 3,730 Â Â Â 189 Â Â Â 6,350 Â Total commercial real estate - Owner occupied loans Â $ 8,011 Â Â $ 70,322 Â Â $ 52,801 Â Â $ 63,853 Â Â $ 48,576 Â Â $ 143,713 Â Â $ 2,403 Â Â $ 389,679 Â Commercial real estate - Owner Occupied: Current period gross write-offs Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 0 Â Commercial real estate - Non-owner occupied: Â Risk Rating Â Pass Â $ 20,769 Â Â $ 49,509 Â Â $ 134,338 Â Â $ 85,850 Â Â $ 74,430 Â Â $ 270,312 Â Â $ 9,122 Â Â $ 644,330 Â Special mention Â Â 0 Â Â Â 0 Â Â Â 188 Â Â Â 12,821 Â Â Â 0 Â Â Â 13,405 Â Â Â 0 Â Â Â 26,414 Â Substandard Â Â 0 Â Â Â 413 Â Â Â 0 Â Â Â 3,965 Â Â Â 8,696 Â Â Â 19,035 Â Â Â 0 Â Â Â 32,109 Â Total commercial real estate - Non-owner occupied loans Â $ 20,769 Â Â $ 49,922 Â Â $ 134,526 Â Â $ 102,636 Â Â $ 83,126 Â Â $ 302,752 Â Â $ 9,122 Â Â $ 702,853 Â Commercial real estate - Non-owner occupied: Current period gross write-offs Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 146 Â Â $ 0 Â Â $ 0 Â Â $ 146 Â Commercial real estate - Farmland: Â Risk Rating Â Pass Â $ 8,799 Â Â $ 23,213 Â Â $ 40,515 Â Â $ 20,272 Â Â $ 32,469 Â Â $ 74,574 Â Â $ 3,029 Â Â $ 202,871 Â Special mention Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Substandard Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 324 Â Â Â 0 Â Â Â 2,029 Â Â Â 0 Â Â Â 2,353 Â Total commercial real estate - Farmland loans Â $ 8,799 Â Â $ 23,213 Â Â $ 40,515 Â Â $ 20,596 Â Â $ 32,469 Â Â $ 76,603 Â Â $ 3,029 Â Â $ 205,224 Â Commercial real estate - Farmland: Current period gross write-offs Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 0 Â Commercial real estate - Other: Â Risk Rating Â Pass Â $ 9,951 Â Â $ 88,329 Â Â $ 65,364 Â Â $ 46,504 Â Â $ 8,857 Â Â $ 26,121 Â Â $ 1,254 Â Â $ 246,380 Â Special mention Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Substandard Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 8,601 Â Â Â 113 Â Â Â 0 Â Â Â 8,714 Â Total commercial real estate - Other loans Â $ 9,951 Â Â $ 88,329 Â Â $ 65,364 Â Â $ 46,504 Â Â $ 17,458 Â Â $ 26,234 Â Â $ 1,254 Â Â $ 255,094 Â Commercial real estate - Other: Current period gross write-offs Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 0 Â Â 21 Â Â Â Â Term Loans Amortized Cost Basis by Origination Year (Continued) Â As of June 30, 2024 Â 2024 Â Â 2023 Â Â 2022 Â Â 2021 Â Â 2020 Â Â Prior Â Â Revolving Loans Â Â Total Â Commercial - Commercial and industrial: Â Risk Rating Â Pass Â $ 48,065 Â Â $ 80,728 Â Â $ 64,538 Â Â $ 32,677 Â Â $ 15,561 Â Â $ 26,204 Â Â $ 64,554 Â Â $ 332,327 Â Special mention Â Â 122 Â Â Â 0 Â Â Â 347 Â Â Â 175 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 644 Â Substandard Â Â 0 Â Â Â 158 Â Â Â 5,945 Â Â Â 1,017 Â Â Â 495 Â Â Â 2,130 Â Â Â 2,598 Â Â Â 12,343 Â Total commercial - Commercial and industrial loans Â $ 48,187 Â Â $ 80,886 Â Â $ 70,830 Â Â $ 33,869 Â Â $ 16,056 Â Â $ 28,334 Â Â $ 67,152 Â Â $ 345,314 Â Commercial - Commercial and industrial: Current period gross write-offs Â $ 0 Â Â $ 142 Â Â $ 97 Â Â $ 70 Â Â $ 135 Â Â $ 164 Â Â $ 313 Â Â $ 921 Â Commercial - Agricultural: Â Risk Rating Â Pass Â $ 5,571 Â Â $ 13,143 Â Â $ 15,392 Â Â $ 7,097 Â Â $ 2,783 Â Â $ 1,539 Â Â $ 14,450 Â Â $ 59,975 Â Special mention Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 29 Â Â Â 29 Â Substandard Â Â 0 Â Â Â 2 Â Â Â 30 Â Â Â 86 Â Â Â 179 Â Â Â 141 Â Â Â 0 Â Â Â 438 Â Total commercial - Agricultural loans Â $ 5,571 Â Â $ 13,145 Â Â $ 15,422 Â Â $ 7,183 Â Â $ 2,962 Â Â $ 1,680 Â Â $ 14,479 Â Â $ 60,442 Â Commercial - Agricultural: Current period gross write-offs Â $ 0 Â Â $ 0 Â Â $ 36 Â Â $ 13 Â Â $ 29 Â Â $ 16 Â Â $ 0 Â Â $ 94 Â Residential real estate - 1-4 family residential: Â Payment Performance Â Performing Â $ 34,408 Â Â $ 73,847 Â Â $ 164,998 Â Â $ 160,351 Â Â $ 126,224 Â Â $ 282,075 Â Â $ 3,513 Â Â $ 845,416 Â Nonperforming Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 452 Â Â Â 2,019 Â Â Â 1,906 Â Â Â 0 Â Â Â 4,377 Â Total residential real estate - 1-4 family residential loans Â $ 34,408 Â Â $ 73,847 Â Â $ 164,998 Â Â $ 160,803 Â Â $ 128,243 Â Â $ 283,981 Â Â $ 3,513 Â Â $ 849,793 Â Residential real estate - 1-4 family residential: Current period gross write-offs Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 21 Â Â $ 0 Â Â $ 60 Â Â $ 0 Â Â $ 81 Â Residential real estate - Home equity lines of credit: Â Payment Performance Â Performing Â $ 28 Â Â $ 116 Â Â $ 38 Â Â $ 132 Â Â $ 97 Â Â $ 3,868 Â Â $ 146,991 Â Â $ 151,270 Â Nonperforming Â Â 0 Â Â Â 0 Â Â Â 29 Â Â Â 0 Â Â Â 0 Â Â Â 286 Â Â Â 0 Â Â Â 315 Â Total residential real estate - Home equity lines of credit loans Â $ 28 Â Â $ 116 Â Â $ 67 Â Â $ 132 Â Â $ 97 Â Â $ 4,154 Â Â $ 146,991 Â Â $ 151,585 Â Residential real estate - Home equity lines of credit: Current period gross write-offs Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 0 Â Â 22 Â Â Â Â Term Loans Amortized Cost Basis by Origination Year (Continued) Â As of June 30, 2024 Â 2024 Â Â 2023 Â Â 2022 Â Â 2021 Â Â 2020 Â Â Prior Â Â Revolving Loans Â Â Total Â Consumer - Indirect: Â Payment Performance Â Performing Â $ 49,160 Â Â $ 65,569 Â Â $ 60,495 Â Â $ 27,744 Â Â $ 17,568 Â Â $ 26,251 Â Â $ 0 Â Â $ 246,787 Â Nonperforming Â Â 0 Â Â Â 48 Â Â Â 141 Â Â Â 96 Â Â Â 41 Â Â

Â 68 Â Â Â 0 Â Â Â 394 Â Total consumer - Indirect loans Â $ 49,160 Â Â $ 65,617 Â Â $ 60,636 Â Â $ 27,840 Â Â $ 17,609 Â Â $ 26,319 Â Â $ 0 Â Â $ 247,181 Â Consumer - Indirect: Current period gross write-offs Â $ 10 Â Â $ 11 Â Â $ 72 Â Â $ 142 Â Â $ 93 Â Â $ 189 Â Â $ 0 Â Â $ 517 Â Consumer - Direct: Â Payment Performance Â Performing Â $ 1,677 Â Â $ 2,807 Â Â $ 3,042 Â Â $ 1,709 Â Â $ 1,052 Â Â $ 10,999 Â Â $ 315 Â Â $ 21,601 Â Nonperforming Â Â 0 Â Â Â 0 Â Â Â 7 Â Â Â 19 Â Â Â 66 Â Â Â 39 Â Â Â 0 Â Â Â 131 Â Total consumer - Direct loans Â $ 1,677 Â Â $ 2,807 Â Â $ 3,049 Â Â $ 1,728 Â Â $ 1,118 Â Â $ 11,038 Â Â $ 315 Â Â $ 21,732 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Consumer - Direct: Current period gross write-offs Â $ 0 Â Â $ 7 Â Â $ 20 Â Â $ 4 Â Â $ 3 Â Â $ 59 Â Â $ 0 Â Â $ 93 Â Consumer - Other: Â Payment Performance Â Performing Â $ 0 Â Â $ 0 Â Â $ 1 Â Â $ 60 Â Â $ 100 Â Â $ 379 Â Â $ 7,931 Â Â $ 8,471 Â Nonperforming Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 1 Â Â Â 0 Â Â Â 1 Â Total consumer - Other loans Â $ 0 Â Â $ 0 Â Â $ 1 Â Â $ 60 Â Â $ 100 Â Â $ 380 Â Â $ 7,931 Â Â $ 8,472 Â Consumer - Other: Current period gross write-offs Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 91 Â Â $ 0 Â Â $ 91 Â Â 23 Â Â Â Â Term Loans Amortized Cost Basis by Origination Year Â As of December 31, 2023 Â 2023 Â Â 2022 Â Â 2021 Â Â 2020 Â Â 2019 Â Â Prior Â Â Revolving Loans Â Â Total Â Commercial real estate - Owner occupied: Â Risk Rating Â Pass Â $ 57,983 Â Â $ 58,178 Â Â $ 66,205 Â Â $ 42,023 Â Â $ 48,849 Â Â $ 109,831 Â Â $ 2,946 Â Â $ 386,015 Â Special mention Â Â 0 Â Â Â 293 Â Â Â 0 Â Â Â 8,779 Â Â Â 0 Â Â Â 556 Â Â Â 0 Â Â Â 9,628 Â Substandard Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 10 Â Â Â 490 Â Â Â 2,701 Â Â Â 184 Â Â Â 3,385 Â Total commercial real estate - Owner occupied loans Â $ 57,983 Â Â $ 58,471 Â Â $ 66,205 Â Â $ 50,812 Â Â $ 49,339 Â Â $ 113,088 Â Â $ 3,130 Â Â $ 399,028 Â Commercial real estate - Owner Occupied: Current period gross write-offs Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 1 Â Â $ 0 Â Â $ 0 Â Â $ 1 Â Commercial real estate - Non-owner occupied: Â Risk Rating Â Pass Â $ 49,177 Â Â $ 135,433 Â Â $ 88,188 Â Â $ 77,713 Â Â $ 81,079 Â Â $ 205,729 Â Â $ 10,744 Â Â $ 648,063 Â Special mention Â Â 0 Â Â Â 0 Â Â Â 12,156 Â Â Â 0 Â Â Â 6,565 Â Â Â 9,217 Â Â Â 0 Â Â Â 27,938 Â Substandard Â Â 0 Â Â Â 0 Â Â Â 3,972 Â Â Â 10,037 Â Â Â 3,492 Â Â Â 17,794 Â Â Â 499 Â Â Â 35,794 Â Total commercial real estate - Non-owner occupied loans Â $ 49,177 Â Â $ 135,433 Â Â $ 104,316 Â Â $ 87,750 Â Â $ 91,136 Â Â $ 232,740 Â Â $ 11,243 Â Â $ 711,795 Â Commercial real estate - Non-owner occupied: Current period gross write-offs Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 144 Â Â $ 201 Â Â $ 0 Â Â $ 345 Â Commercial real estate - Farmland: Â Risk Rating Â Pass Â $ 22,576 Â Â $ 40,101 Â Â $ 20,890 Â Â $ 34,036 Â Â $ 18,634 Â Â $ 59,900 Â Â $ 4,103 Â Â $ 200,240 Â Special mention Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Substandard Â Â 0 Â Â Â 0 Â Â Â 330 Â Â Â 0 Â Â Â 26 Â Â Â 2,130 Â Â Â 0 Â Â Â 2,486 Â Total commercial real estate - Farmland loans Â $ 22,576 Â Â $ 40,101 Â Â $ 21,220 Â Â $ 34,036 Â Â $ 18,660 Â Â $ 62,030 Â Â $ 4,103 Â Â $ 202,726 Â Commercial real estate - Farmland: Current period gross write-offs Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 3 Â Â $ 0 Â Â $ 3 Â Commercial real estate - Other: Â Risk Rating Â Pass Â $ 68,911 Â Â $ 56,753 Â Â $ 47,895 Â Â $ 9,063 Â Â $ 8,516 Â Â $ 23,269 Â Â $ 1,052 Â Â $ 215,459 Â Special mention Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 0 Substandard Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 8,186 Â Â Â 0 Â Â Â 132 Â Â Â 0 Â Â Â 8,318 Â Total commercial real estate - Other loans Â $ 68,911 Â Â $ 56,753 Â Â $ 47,895 Â Â $ 17,249 Â Â $ 8,516 Â Â $ 23,401 Â Â $ 1,052 Â Â $ 223,777 Â Commercial real estate - Other: Current period gross write-offs Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 0 Â Â 24 Â Â Â Â Term Loans Amortized Cost Basis by Origination Year (Continued) Â As of December 31, 2023 Â 2023 Â Â 2022 Â Â 2021 Â Â 2020 Â Â 2019 Â Â Prior Â Â Revolving Loans Â Â Total Â Commercial - Commercial and industrial: Â Risk Rating Â Pass Â $ 90,807 Â Â $ 85,255 Â Â $ 40,444 Â Â $ 21,794 Â Â $ 9,736 Â Â $ 23,030 Â Â $ 63,698 Â Â $ 334,764 Â Special mention Â Â 0 Â Â Â 141 Â Â Â 355 Â Â Â 21 Â Â Â 0 Â Â Â 0 Â Â Â 129 Â Â Â 646 Â Substandard Â Â 195 Â Â Â 3,551 Â Â Â 980 Â Â Â 404 Â Â Â 1,077 Â Â Â 699 Â Â Â 5,503 Â Â Â 12,409 Â Total commercial - Commercial and industrial loans Â $ 91,002 Â Â $ 88,947 Â Â $ 41,779 Â Â $ 22,219 Â Â $ 10,813 Â Â $ 23,729 Â Â $ 69,330 Â Â $ 347,819 Â Commercial - Commercial and industrial: Current period gross write-offs Â $ 0 Â Â $ 178 Â Â $ 579 Â Â $ 11 Â Â $ 16 Â Â $ 394 Â Â $ 0 Â Â $ 1,178 Â Commercial - Agricultural: Â Risk Rating Â Pass Â $ 13,738 Â Â $ 17,368 Â Â $ 8,917 Â Â $ 3,584 Â Â $ 1,386 Â Â $ 1,133 Â Â $ 12,380 Â Â $ 58,506 Â Special mention Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 17 Â Â Â 17 Â Substandard Â Â 0 Â Â Â 33 Â Â Â 118 Â Â Â 225 Â Â Â 24 Â Â Â 152 Â Â Â 0 Â Â Â 552 Â Total commercial - Agricultural loans Â $ 13,738 Â Â $ 17,401 Â Â $ 9,035 Â Â $ 3,809 Â Â $ 1,410 Â Â $ 1,285 Â Â $ 12,397 Â Â $ 59,075 Â Commercial - Agricultural: Current period gross write-offs Â $ 0 Â Â $ 15 Â Â $ 70 Â Â $ 3 Â Â $ 0 Â Â $ 6 Â Â $ 0 Â Â $ 94 Â Residential real estate - 1-4 family residential: Â Payment Performance Â Performing Â $ 63,365 Â Â $ 171,862 Â Â $ 164,469 Â Â $ 132,989 Â Â $ 49,380 Â Â $ 254,027 Â Â $ 3,652 Â Â $ 839,744 Â Nonperforming Â Â 37 Â Â Â 58 Â Â Â 312 Â Â Â 1,645 Â Â Â 115 Â Â Â 1,650 Â Â Â 0 Â Â Â 3,817 Â Total residential real estate - 1-4 family residential loans Â $ 63,402 Â Â $ 171,920 Â Â $ 164,781 Â Â $ 134,634 Â Â $ 49,495 Â Â $ 255,677 Â Â $ 3,652 Â Â $ 843,561 Â Residential real estate - 1-4 family residential: Current period gross write-offs Â $ 52 Â Â $ 0 Â Â $ 49 Â Â $ 130 Â Â $ 0 Â Â $ 129 Â Â $ 0 Â Â $ 360 Â Residential real estate - Home equity lines of credit: Â Payment Performance Â Performing Â $ 0 Â Â $ 19 Â Â $ 14 Â Â $ 111 Â Â $ 51 Â Â $ 3,302 Â Â $ 138,455 Â Â $ 141,952 Â Nonperforming Â Â 0 Â Â Â 26 Â Â Â 13 Â Â Â 15 Â Â Â 0 Â Â Â 465 Â Â Â 0 Â Â Â 519 Â Total residential real estate - Home equity lines of credit loans Â $ 0 Â Â $ 45 Â Â $ 27 Â Â $ 126 Â Â $ 51 Â Â $ 3,767 Â Â $ 138,455 Â Â $ 142,471 Â Residential real estate - Home equity lines of credit: Current period gross write-offs Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 8 Â Â $ 0 Â Â $ 16 Â Â $ 0 Â Â $ 24 Â Â 25 Â Â Â Â Term Loans Amortized Cost Basis by Origination Year (Continued) Â As of December 31, 2023 Â 2023 Â Â 2022 Â Â 2021 Â Â 2020 Â Â 2019 Â Â Prior Â Â Revolving Loans Â Â Total Â Consumer - Indirect: Â Payment Performance Â Performing Â $ 74,425 Â Â $ 71,705 Â Â $ 32,528 Â Â $ 21,163 Â Â $ 11,395 Â Â $ 23,223 Â Â $ 0 Â Â $ 234,439 Â Nonperforming Â Â 54 Â Â Â 108 Â Â Â 138 Â Â Â 85 Â Â Â 26 Â Â Â 36 Â Â Â 0 Â Â Â 447 Â Total consumer - Indirect loans Â $ 74,479 Â Â $ 71,813 Â Â $ 32,666 Â Â $ 21,248 Â Â $ 11,421 Â Â $ 23,259 Â Â $ 0 Â Â $ 234,886 Â Consumer - Indirect: Current period gross write-offs Â $ 33 Â Â $ 138 Â Â $ 71 Â Â $ 35 Â Â $ 23 Â Â $ 232 Â Â $ 0 Â Â $ 532 Â Consumer - Direct: Â Payment Performance Â Performing Â $ 3,552 Â Â $ 3,812 Â Â $ 2,203 Â Â $ 1,352 Â Â $ 974 Â Â $ 11,431 Â Â $ 366 Â Â $ 23,690 Â Nonperforming Â Â 0 Â Â Â 17 Â Â Â 0 Â Â Â 65 Â Â Â 0 Â Â Â 53 Â Â Â 0 Â Â Â 135 Â Total consumer - Direct loans Â $ 3,552 Â Â $ 3,829 Â Â $ 2,203 Â Â $ 1,417 Â Â $ 974 Â Â $ 11,484 Â Â $ 366 Â Â $ 23,825 Â Consumer - Direct: Current period gross write-offs Â $ 11 Â Â $ 38 Â Â $ 22 Â Â $ 51 Â Â $ 9 Â Â $ 100 Â Â $ 0 Â Â $ 231 Â Consumer - Other: Â Payment Performance Â Performing Â $ 0 Â Â $ 0 Â Â $ 60 Â Â $ 103 Â Â $ 82 Â Â $ 278 Â Â $ 8,636 Â Â $ 9,159 Â Nonperforming Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 5 Â Â Â 0 Â Â Â 5 Â Total consumer - Other loans Â $ 0 Â Â $ 0 Â Â $ 60 Â Â $ 103 Â Â $ 82 Â Â $ 283 Â Â $ 8,636 Â Â $ 9,164 Â Consumer - Other: Current period gross write-offs Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 0 Â Â $ 20 Â Â $ 149 Â Â $ 169 Â Â 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 Companyâ€™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"). 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 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 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.26 Â The following table presents the loan pools and the associated methodology used during the calculation of the allowance for credit losses in 2024. Â 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 Â 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 companyâ€™s management as likely to fund over the life of the instrument. At June 30, 2024, the Company had $682 million in unfunded commitments and set aside $1.38 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 $71 million decrease in unfunded commitments and $461 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 $34.0 million at June 30, 2024 and $34.4 million at December 31, 2023. The decrease of $449 thousand was due to a reduction of specific reserve related to a loan settlement and improved loss rates. These factors were partially offset by updates to the Company's delay periods that anchor the qualitative factors and increased Portfolio Composition and Growth qualitative factor due to increasing loan balances. 27 Â Purchased LoansUnder ASU Topic 326, when loans are purchased with evidence of more than significant deterioration of credit, they are accounted for as purchase credit deteriorated (â€œPCDâ€). 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 2024, the Company has not acquired any additional PCD loans. The outstanding balance at June 30, 2024 and related allowance on PCD loans is as follows: Â Â Â Loan Balance Â Â ACL Balance Â Commercial real estate Â Â Â Â Â Â Owner Occupied Â $ 371 Â Â $ 16 Â Non-owner Occupied Â Â 27,190 Â Â Â 555 Â Farmland Â Â 7 Â Â Â 0 Â Commercial Â Â Â Â Â Â Commercial and industrial Â Â 1,823 Â Â Â 126 Â Agricultural Â Â 117 Â Â Â 7 Â Residential real estate Â Â Â Â Â Â 1-4 family residential Â Â 1,166 Â Â Â 6 Â Home equity lines of credit Â Â 2 Â Â Â 0 Â Total Â $ 30,676 Â Â $ 710 Â Â Revenue from Contracts with Customers:Â 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 Companyâ€™s noninterest income by revenue stream and reportable segment, net of eliminations, for the three and six months ended June 30, 2024 and 2023.Â (In Thousands of Dollars) Â TrustSegment Â Â BankSegment Â Â Totals Â For Three Months Ended June 30, 2024 Â Â Â Â Â Â Â Â Â Service charges on deposit accounts Â $ 0 Â Â $ 1,846 Â Â $ 1,846 Â Debit card and EFT fees Â Â 0 Â Â Â 1,760 Â Â Â 1,760 Â Trust fees Â Â 2,638 Â Â Â 0 Â Â Â 2,638 Â Insurance agency commissions Â Â 0 Â Â Â 1,255 Â Â Â 1,255 Â Retirement plan consulting fees Â Â 330 Â Â Â 0 Â Â Â 330 Â Investment commissions Â Â 0 Â Â Â 478 Â Â Â 478 Â Other (outside the scope of ASC 606) Â Â 0 Â Â Â 1,299 Â Â Â 1,299 Â Total noninterest income Â $ 2,968 Â Â $ 6,638 Â Â $ 9,606 Â Â (In Thousands of Dollars) Â TrustSegment Â Â BankSegment Â Â Totals Â For Three Months Ended June 30, 2023 Â Â Â Â Â Â Â Â Â Service charges on deposit accounts Â $ 0 Â Â $ 1,501 Â Â $ 1,501 Â Debit card and EFT fees Â Â 0 Â Â Â 1,810 Â Â Â 1,810 Â Trust fees Â Â 2,248 Â Â Â 0 Â Â Â 2,248 Â Insurance agency commissions Â Â 0 Â Â Â 1,332 Â Â Â 1,332 Â Retirement plan consulting fees Â Â 382 Â Â Â 0 Â Â Â 382 Â Investment commissions Â Â 0 Â Â Â 476 Â Â Â 476 Â Other (outside the scope of ASC 606) Â Â 0 Â Â Â 1,700 Â Â Â 1,700 Â Total noninterest income Â $ 2,630 Â Â $ 6,819 Â Â $ 9,449 Â Â 28 Â (In Thousands of Dollars) Â TrustSegment Â Â BankSegment Â Â Totals Â For Six Months Ended June 30, 2024 Â Â Â Â Â Â Â Â Â Service charges on deposit accounts Â $ 0 Â Â $ 3,429 Â Â $ 3,429 Â Debit card and EFT fees Â Â 0 Â Â Â 3,327 Â Â Â 3,327 Â Trust fees Â Â 5,431 Â Â Â 0 Â Â Â 5,431 Â Insurance agency commissions Â Â 0 Â Â Â 2,783 Â Â Â 2,783 Â Retirement plan consulting fees Â Â 664 Â Â Â 0 Â Â Â 664 Â Investment commissions Â Â 0 Â Â Â 910 Â Â Â 910 Â Other (outside the scope of ASC 606) Â Â 0 Â Â Â 1,419 Â Â Â 1,419 Â Total noninterest income Â $ 6,095 Â Â $ 11,868 Â Â $ 17,963 Â Â (In Thousands of Dollars) Â TrustSegment Â Â BankSegment Â Â Totals Â For Six Months Ended June 30, 2023 Â Â Â Â Â Â Â Â Â Service charges on deposit accounts Â $ 0 Â Â $ 2,933 Â Â $ 2,933 Â Debit card and EFT fees Â Â 0 Â Â Â 3,599 Â Â Â 3,599 Â Trust fees Â Â 4,835 Â Â Â 0 Â Â Â 4,835 Â Insurance agency commissions Â Â 0 Â Â Â 2,788 Â Â Â 2,788 Â Retirement plan consulting fees Â Â 689 Â Â Â 0 Â Â Â 689 Â Investment commissions Â Â 0 Â Â Â 869 Â Â Â 869 Â Other (outside the scope of ASC 606) Â Â 0 Â Â Â 4,161 Â Â Â 4,161 Â Total noninterest income Â $ 5,524 Â Â $ 14,350 Â Â $ 19,874 Â Â A description of the Companyâ€™s revenue streams under ASC 606 follows:Service charges on deposit accounts â€“ 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 Bankâ€™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 â€“ 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 â€“ 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 customerâ€™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 â€“ Insurance agency commissions are received from insurance carriers for the agencyâ€™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.29 Â 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. Retirement Plan Consulting Fees â€“ 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. Investment Commissions â€“ 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 Bankâ€™s income statement, there is no contingent portion that may need to be refunded back to the broker dealer. Other â€“ Income items included in â€œOtherâ€ are Bank owned life insurance income, security gains, net gains on the sale of loans and other operating income. Any amounts within the scope of ASC 606 are deemed immaterial. 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 â€“ 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 â€“ 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 â€“ Significant unobservable inputs that reflect a reporting entityâ€™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 SecuritiesThe Company uses a third party service to estimate fair value on available for sale securities on a monthly basis. The Companyâ€™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 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 value is recorded in the income 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. The inputs used are principally derived 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 30 Â 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.At June 30, 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 ValueThe fair value of loans held for sale is estimated based upon binding contracts and quotes from third party investors (Level 2).Mortgage Banking DerivativesThe 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 (Level 2).Loan Servicing RightsLoan 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 SwapsThe 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 upon valuation models that use observable market data as of the measurement 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 companyâ€™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).Collateral Dependent LoansFair 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 individual allocations of the allowance for credit losses in 2023 and 2024. For collateral dependent loans, fair value is commonly based on recent real estate appraisals or in quoted sales 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 borrowerâ€™s financial statements, or aging reports, adjusted or discounted based on managementâ€™s historical knowledge, changes in market conditions from the time of the valuation and managementâ€™s expertise and knowledge of the client and clientâ€™s business, resulting in a Level 3 fair value classification. These loans are evaluated on a quarterly basis and adjusted accordingly.Other Real Estate OwnedAssets 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 31 Â 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.Assets measured at fair value on a recurring basis are summarized below: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Fair Value Measurements at June 30, 2024 Using: Â (In Thousands of Dollars) Â CarryingValue Â Â Quoted Prices inActive Marketsfor Identical Assets(Level 1) Â Â Significant OtherObservable Inputs(Level 2) Â Â SignificantUnobservable Inputs (Level 3) Â Financial Assets Â Â Â Â Â Â Â Â Â Â Â Â Investment securities available-for sale Â Â Â Â Â Â Â Â Â Â Â Â U.S. Treasury and U.S. government sponsored entities Â $ 118,994 Â Â $ 0 Â Â $ 118,994 Â Â $ 0 Â State and political subdivisions Â Â 510,048 Â Â Â 0 Â Â Â 510,048 Â Â Â 0 Â Corporate bonds Â Â 18,122 Â Â Â 0 Â Â Â 16,725 Â Â Â 1,397 Â Mortgage-backed securities-residential Â Â 500,089 Â Â Â 0 Â Â Â 500,089 Â Â Â 0 Â Collateralized mortgage obligations Â Â 96,781 Â Â Â 0 Â Â Â 96,781 Â Â Â 0 Â Small Business Administration Â Â 2,696 Â Â Â 0 Â Â Â 2,696 Â Â Â 0 Â Total investment securities Â $ 1,246,730 Â Â $ 0 Â Â $ 1,245,333 Â Â $ 1,397 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Equity securities Â $ 242 Â Â $ 242 Â Â $ 0 Â Â $ 0 Â Loans held for sale Â Â 2,577 Â Â Â 0 Â Â Â 2,577 Â Â Â 0 Â Interest rate swaps Â Â 4,737 Â Â Â 0 Â Â Â 4,737 Â Â Â 0 Â Interest rate lock commitments Â Â 53 Â Â Â 0 Â Â Â 53 Â Â Â 0 Â Fair value hedge derivative Â Â 729 Â Â Â 0 Â Â Â 729 Â Â Â 0 Â Mortgage banking derivative Â Â 4 Â Â Â 0 Â Â Â 4 Â Â Â 0 Â Financial Liabilities Â Â Â Â Â Â Â Â Â Â Â Â Interest rate swaps Â $ 4,737 Â Â $ 0 Â Â $ 4,737 Â Â $ 0 Â Â 32 Â Â Â Â Â Â Â Fair Value Measurements at December 31, 2023 Using: Â (In Thousands of Dollars) Â CarryingValue Â Â Quoted Prices inActive Marketsfor Identical Assets(Level 1) Â Â Significant OtherObservable Inputs(Level 2) Â Â SignificantUnobservable Inputs (Level 3) Â Financial Assets Â Â Â Â Â Â Â Â Â Â Â Â Investment securities available-for sale Â Â Â Â Â Â Â Â Â Â Â Â U.S. Treasury and U.S. government sponsored entities Â $ 127,955 Â Â $ 0 Â Â Â 127,955 Â Â $ 0 Â State and political subdivisions Â Â 556,169 Â Â Â 0 Â Â Â 556,169 Â Â Â 0 Â Corporate bonds Â Â 18,275 Â Â Â 0 Â Â Â 16,935 Â Â Â 1,340 Â Mortgage-backed securities-residential Â Â 520,386 Â Â Â 0 Â Â Â 520,386 Â Â Â 0 Â Collateralized mortgage obligations Â Â 73,999 Â Â Â 0 Â Â Â 73,999 Â Â Â 0 Â Small Business Administration Â Â 2,917 Â Â Â 0 Â Â Â 2,917 Â Â Â 0 Â Total investment securities Â $ 1,299,701 Â Â $ 0 Â Â $ 1,298,361 Â Â $ 1,340 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Equity securities Â $ 226 Â Â $ 226 Â Â $ 0 Â Â $ 0 Â Loans held for sale Â Â 3,711 Â Â Â 0 Â Â Â 3,711 Â Â Â 0 Â Interest rate swaps Â Â 4,191 Â Â Â 0 Â Â Â 4,191 Â Â Â 0 Â Interest rate lock commitments Â Â 109 Â Â Â 0 Â Â Â 109 Â Â Â 0 Â Financial Liabilities Â Â Â Â Â Â Â Â Â Â Â Â Interest rate swaps Â $ 4,191 Â Â $ 0 Â Â $ 4,191 Â Â $ 0 Â Fair value hedge derivative Â Â 836 Â Â Â 0 Â Â Â 836 Â Â Â 0 Â Mortgage banking derivative Â Â 14 Â Â Â 0 Â Â Â 14 Â Â Â 0 Â Â There were no significant transfers between Level 1 and Level 2 during the periods presented above.Â The table below presents a reconciliation of all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3): Â Â Â Three Months endedJune 31, 2024 Â Â Six Months endedJune 31, 2024 Â (In Thousands of Dollars) Â 2024 Â Â 2023 Â Â 2024 Â Â 2023 Â Beginning Balance Â $ 1,340 Â Â $ 1,616 Â Â $ 1,340 Â Â $ 1 Â Transfers between levels Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Acquired and/or purchased Â Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 1,600 Â Discount accretion (premium amortization) Â Â 13 Â Â Â 4 Â Â Â 26 Â Â Â 12 Â Repayments, calls and maturities Â Â 0 Â Â Â (401) Â Â 0 Â Â Â (401) Changes in unrealized gains (losses) Â Â 44 Â Â Â 5 Â Â Â 31 Â Â Â 12 Â Ending Balance Â $ 1,397 Â Â $ 1,224 Â Â $ 1,397 Â Â $ 1,224 Â Â Assets measured at fair value on a non-recurring basis are summarized below:Â Â Â Â Â Â Fair Value Measurements at June 30, 2024 Using: Â (In Thousands of Dollars) Â CarryingValue Â Â Quoted Prices inActive Marketsfor Identical Assets(Level 1) Â Â Significant OtherObservable Inputs(Level 2) Â Â SignificantUnobservable Inputs(Level 3) Â Financial Assets Â Â Â Â Â Â Â Â Â Â Â Individually evaluated loans Â Â Â Â Â Â Â Â Â Â Â Â Commercial and industrial Â $ 267 Â Â $ 0 Â Â $ 0 Â Â $ 267 Â 1â€“4 family residential Â Â 1,517 Â Â Â 0 Â Â Â 0 Â Â Â 1,517 Â Consumer indirect Â Â 12 Â Â Â 0 Â Â Â 0 Â Â Â 12 Â Mortgage servicing rights Â Â 347 Â Â Â 0 Â Â Â 347 Â Â Â 0 Â Â 33 Â Â Â Â Â Â Â Fair Value Measurements at December 31, 2023 Using: Â (In Thousands of Dollars) Â CarryingValue Â Â Quoted Prices inActive Marketsfor Identical Assets(Level 1) Â Â Significant OtherObservable Inputs(Level 2) Â Â SignificantUnobservable Inputs(Level 3) Â Financial Assets Â Â Â Â Â Â Â Â Â Â Â Â Individually evaluated loans Â Â Â Â Â Â Â Â Â Â Â Â Commercial real estate Â Â Â Â Â Â Â Â Â Â Â Â Non-owner occupied Â $ 838 Â Â $ 0 Â Â $ 0 Â Â $ 838 Â Commercial and industrial Â Â 267 Â Â Â 0 Â Â Â 0 Â Â Â 267 Â 1â€“4 family residential Â Â 1,547 Â Â Â 0 Â Â Â 0 Â Â Â 1,547 Â Mortgage servicing rights Â Â 210 Â Â Â 0 Â Â Â 210 Â Â Â 0 Â Â 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 June 30, 2024 and December 31, 2023: Â June 30, 2024 Fair value Â Â ValuationTechnique(s) Â Unobservable Input(s) Â Range (Weighted Average) Individually evaluated loans Â Â Â Â Â Â Â Â Commercial $ 267 Â Â Quoted price for collateral Â Offer Price Â 17.97% Residential Â 1,517 Â Â Sales comparison Â Adjustment for differences between comparable sales Â (5.39%) - 2.11%(2.67%) Â December 31, 2023 Fair value Â Â ValuationTechnique(s) Â Unobservable Input(s) Â Range (Weighted Average) Individually evaluated loans Â Â Â Â Â Â Â Commercial real estate $ 838 Â Â Income approach Â Adjustment for difference between cap rates of comparable sales Â (49.65%) - 46.77%(16.63%) Commercial Â 267 Â Â Quoted price for collateral Â Offer Price Â 64.38% Residential Â 1,547 Â Â Sales comparison Â Adjustment for differences between comparable sales Â (5.39%) - (2.11%)(2.67%) Â The carrying amounts and estimated fair values of financial instruments not previously disclosed at June 30, 2024 and December 31, 2023 are as follows: Â Â Â Â Â Â Fair Value Measurements at June 30, 2024 Using: Â (In Thousands of Dollars) Â CarryingAmount Â Â Level 1 Â Â Level 2 Â Â Level 3 Â Â Total Â Financial assets Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Cash and cash equivalents Â $ 180,987 Â Â $ 23,801 Â Â $ 157,186 Â Â $ 0 Â Â $ 180,987 Â Regulatory stock Â Â 22,499 Â Â n/a Â Â n/a Â Â n/a Â Â n/a Â Loans, net Â Â 3,203,378 Â Â Â 0 Â Â Â 0 Â Â Â 3,055,635 Â Â Â 3,055,635 Â Financial liabilities Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Deposits Â Â 4,205,835 Â Â Â 3,459,183 Â Â Â 743,002 Â Â Â 0 Â Â Â 4,202,185 Â Short-term borrowings Â Â 406,000 Â Â Â 0 Â Â Â 406,000 Â Â Â 0 Â Â Â 406,000 Â Long-term borrowings Â Â 88,890 Â Â Â 0 Â Â Â 72,370 Â Â Â 0 Â Â Â 72,370 Â Â 34 Â Â Â Â Â Â Fair Value Measurements at December 31, 2023 Using: Â (In Thousands of Dollars) Â CarryingAmount Â Â Level 1 Â Â Level 2 Â Â Level 3 Â Â Total Â Financial assets Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Cash and cash equivalents Â $ 103,658 Â Â $ 28,896 Â Â $ 74,762 Â Â $ 0 Â Â $ 103,658 Â Regulatory stock Â Â 20,197 Â Â n/a Â Â n/a Â Â n/a Â Â n/a Â Loans, net Â Â 3,163,687 Â Â Â 0 Â Â Â 0 Â Â Â 3,015,732 Â Â Â 3,015,732 Â Financial liabilities Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Deposits Â Â 4,177,386 Â Â Â 3,452,104 Â Â Â 719,497 Â Â Â 0 Â Â Â 4,171,601 Â Short-term borrowings Â Â 355,000 Â Â Â 0 Â Â Â 355,000 Â Â Â 0 Â Â Â 355,000 Â Long-term borrowings Â Â 88,663 Â Â Â 0 Â Â Â 70,893 Â Â Â 0 Â Â Â 70,893 Â Â Goodwill and Intangible Assets: Goodwill associated with the Companyâ€™s purchases of Emlenton in January 2023 and other past acquisitions totaled $167.4 million at June 30, 2024 and December 31, 2023. Impairment exists when a reporting unitâ€™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, 2023, indicated no goodwill impairment. The Company will continue to monitor its goodwill for possible impairment. Acquired Intangible Assets Acquired intangible assets were as follows: Â Â June 30, 2024 Â Â December 31, 2023 Â (In Thousands of Dollars) Gross CarryingAmount Â Â AccumulatedAmortization Â Â Gross CarryingAmount Â Â AccumulatedAmortization Â Amortized intangible assets: Â Â Â Â Â Â Â Â Â Â Â Customer relationship intangibles $ 7,210 Â Â $ (7,021) Â $ 7,210 Â Â $ (6,953) Non-compete contracts Â 457 Â Â Â (419) Â Â 457 Â Â Â (413) Trade name Â 1,126 Â Â Â (454) Â Â 1,126 Â Â Â (440) Core deposit intangible Â 32,115 Â Â Â (11,490) Â Â 32,115 Â Â Â (10,260) Total $ 40,908 Â Â $ (19,384) Â $ 40,908 Â Â $ (18,066) Â Aggregate amortization expense was $630 thousand and $1.3 million for the three and six month periods ended June 30, 2024. Amortization expense was $1.2 million and $2.1 million for the three and six month periods ended June 30, 2023.Estimated amortization expense for each of the next five periods and thereafter: 2024 (6 months) $ 1,259 Â 2025 Â 2,451 Â 2026 Â 2,355 Â 2027 Â 2,242 Â 2028 Â 2,231 Â Thereafter Â 10,986 Â Total $ 21,524 Â Â Â Â Â Leases:Â The Company has operating leases for branch office locations, vehicles, land and certain office equipment such as printers and copiers. The leases have remaining lease terms of up to 17.1 years, some of which had options to extend the lease for up to 15 years, while the South Side Branch lease had the option to terminate in June of 2024. The only lease option exercised was the South Side branch lease, which was terminated in June of 2024. A new lease for the South Side branch was entered into in April of 2024. This new lease is with 35 Â a new lessor, and in a new location very close to the old lease location. Rent payments on this new lease do not commence until July of 2024. The right of use assets and lease liabilities were $8.8 million and $9.1 million as of June 30, 2024, respectively, and $8.8 million and $9.0 million at December 31, 2023, respectively. The right of use assets are included in other assets while the lease liabilities are included in other liabilities on the balance sheet.Lease expense for the three and six month periods ended June 30, 2024, was $327 thousand and $658 thousand, respectively. Lease expense for the three and six month periods ended June 30, 2023, was $362 thousand and $717 thousand, respectively. The weighted-average remaining lease term for all leases was 10.36 years as of June 30, 2024. The weighted-average discount rate was 3.05% for all leases as of June 30, 2024.On January 1, 2023, the Company performed a valuation of Emlenton's leases to determine an initial right of use 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 June 30, 2024:Â 2024 (6 months) Â $ 638 Â 2025 Â Â 1,222 Â 2026 Â Â 1,106 Â 2027 Â Â 1,022 Â 2028 Â Â 1,035 Â Thereafter Â Â 5,688 Â Total Payments Â Â 10,711 Â Less: lease liability expense Â Â (1,660) Total Â $ 9,051 Â Â Derivative Financial Instruments: Â Interest Rate SwapsÂ 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 $61.9 million and fair value of $4.7 million in other assets and $4.7 million in other liabilities at June 30, 2024. At December 31, 2023, the Company had interest rate swaps associated with commercial loans with a notional value of $63.9 million and fair value of $4.2 million in other assets and $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. 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 six month periods ended June 30, 2024 and 2023.Interest Rate Swap Designated as a Fair Value HedgeÂ The Company has one interest rate swap with a notional amount of $100.0 million that was in place at both June 30, 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 companyâ€™s state and political subdivision municipal bond portfolio. The gross aggregate fair value of the swap at June 30, 2024 was $729 thousand and was recorded as a $306 thousand mark to market adjustment in other assets and $423 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 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:Â 36 Â Â June 30, 2024 Â Â December 31, 2023 Â Â Â Â Â Notional amount fair value hedge $ 100,000 Â $ 100,000 Â Fixed pay rates Â 4.35 % Â 4.35 % Variable SOFR receive rates Â 5.33 % Â 5.38 % Remaining maturity (in years) Â 2.1 Â Â 2.6 Â Fair value $ 729 Â $ (836) Â Mortgage Banking DerivativesÂ 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 enters into forward commitments for the future delivery of residential mortgage loans when the interest rate locks are committed 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 in hedge relationships.Â The net gains (losses) relating to non-designated derivative instruments used for risk management are included in Net Gains on Sale of Loans on the Consolidated Statements of Income and are summarized below for the quarters ended June 30, 2024 and June 30, 2023:Â Â Three Months Ended Â Â Six Months Ended Â Â June 30, Â Â June 30, Â Â Â 2024 Â Â Â 2023 Â Â Â 2024 Â Â Â 2023 Â Â Â Â Â Â Â Â Â Â Â Â Forward sales contracts $ 16 Â Â $ 71 Â Â $ 18 Â Â $ (16) Interest rate lock commitments Â (8) Â Â (52) Â Â (55) Â Â 57 Â Â The following table reflects the amount and fair value of mortgage banking derivatives included in the Consolidated Balance Sheets as of June 30, 2024 and December 31, 2023:Â Â Â June 30, 2024 Â Â December 31, 2023 Â Â Â Notional Â Â Fair Â Â Notional Â Â Fair Â Â Â Amount Â Â Value Â Â Amount Â Â Value Â Included in other assets: Â Â Forward sales contracts $ 210 Â Â $ 1 Â Â $ 0 Â Â $ 0 Â Â Interest rate lock commitments Â 7,996 Â Â Â 53 Â Â Â 7,400 Â Â Â 109 Â Â Mortgage banking derivative Â 8,500 Â Â Â 4 Â Â Â 0 Â Â Â 0 Â Â Total included in other assets $ 16,706 Â Â $ 58 Â Â $ 7,400 Â Â $ 109 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Included in other liabilities: Â Â Mortgage banking derivative $ 0 Â Â $ 0 Â Â $ 3,300 Â Â $ (14) Â 37 Â Earnings Per Share: The computation of basic and diluted earnings per share is shown in the following table: Â Three Months EndedJune 30, Â Â Six Months EndedJune 30, Â Â 2024 Â Â 2023 Â Â 2024 Â Â 2023 Â Basic EPS Â Â Â Â Â Â Â Â Â Â Â Â Net income (In thousands of dollars) $ 11,783 Â Â $ 14,966 Â Â $ 23,023 Â Â $ 22,041 Â Weighted average shares outstanding Â 37,325,648 Â Â Â 37,233,732 Â Â Â 37,301,931 Â Â Â 37,527,050 Â Basic earnings per share $ 0.32 Â Â $ 0.40 Â Â $ 0.62 Â Â $ 0.59 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Diluted EPS Â Â Â Â Â Â Â Â Â Net income (In thousands of dollars) $ 11,783 Â Â $ 14,966 Â Â $ 23,023 Â Â $ 22,041 Â Weighted average shares outstanding for basic earnings per share Â 37,325,648 Â Â Â 37,233,732 Â Â Â 37,301,931 Â Â Â 37,527,050 Â Dilutive effect of restricted stock awards Â 161,485 Â Â Â 86,721 Â Â Â 177,655 Â Â Â 96,822 Â Weighted average shares for diluted earnings per share Â 37,487,133 Â Â Â 37,320,453 Â Â Â 37,479,586 Â Â Â 37,623,872 Â Diluted earnings per share $ 0.31 Â Â $ 0.40 Â Â $ 0.61 Â Â $ 0.59 Â Â There were 159,178 and 160,678 restricted stock awards that were considered anti-dilutive for the three and six month periods ended June 30, 2024, respectively. There were 174,309 and 170,809 restricted stock awards that were considered anti-dilutive for the three and six month periods ended June 30, 2023, respectively. Stock Based Compensation: Â In April of 2022, the Company, with the approval of shareholders, created the 2022 Equity Incentive Plan (the â€œ2022 Planâ€). The 2022 Plan permits the award of up to one million shares to the Companyâ€™s directors and employees to attract and retain exceptional personnel, motivate performance and, most importantly, to help align the interests of the Companyâ€™s executives with those of the Companyâ€™s shareholders. The 2022 Plan replaced the 2017 Plan. There were 61,425 service time based share awards and 99,253 performance based share awards granted under the 2022 Plan during the six month period ended June 30, 2024, as shown in the table below. The actual number of performance based shares issued will depend on the relative performance of the Companyâ€™s average return on equity compared to a group of peer companies over a three year vesting period, ending December 31, 2026. As of June 30, 2024, 574,181 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 Companyâ€™s common stock at the date of the grant. Expense recognized was $626 thousand and $1.3 million for the three and six month periods ended June 30, 2024, respectively. During prior periods, the expense recognized was $649 thousand and $1.3 million for the three and six month periods ended June 30, 2023, respectively. As of June 30, 2024, there was $3.5 million of total unrecognized compensation expense related to the nonvested shares granted under the Plan. The remaining cost is expected to be recognized over 2.7 years. The following is the activity under the Plans during the six month period ended June 30, 2024. Â Â Â Â Â Â Â Â Â Â Â Â Â Â MaximumAwardedServiceUnits Â Â WeightedAverageGrant DateFair Value Â Â MaximumAwardedPerformanceUnits Â Â WeightedAverageGrant DateFair Value Â Beginning balance - non-vested shares Â 253,776 Â Â $ 14.97 Â Â Â 209,484 Â Â $ 15.01 Â Granted Â 61,425 Â Â Â 13.07 Â Â Â 99,253 Â Â Â 13.81 Â Vested Â (63,506) Â Â 12.92 Â Â Â (66,192) Â Â 13.79 Â Forfeited Â (11,167) Â Â 17.24 Â Â Â (19,625) Â Â 15.05 Â Ending balance - non-vested shares Â 240,528 Â Â $ 14.47 Â Â Â 222,920 Â Â $ 14.57 Â Â 38 Â The following is the activity under the Plans during the six month period ended June 30, 2023.Â Â MaximumAwardedServiceUnits Â Â WeightedAverageGrant DateFair Value Â Â MaximumAwardedPerformanceUnits Â Â WeightedAverageGrant DateFair Value Â Beginning balance - non-vested shares Â 193,015 Â Â $ 16.69 Â Â Â 137,369 Â Â $ 15.85 Â Granted Â 54,095 Â Â Â 13.12 Â Â Â 102,750 Â Â Â 14.16 Â Vested Â (27,740) Â Â 12.96 Â Â Â (30,635) Â Â 14.35 Â Forfeited Â (1,541) Â Â 17.64 Â Â Â 0 Â Â Â 0.00 Â Ending balance - non-vested shares Â 217,829 Â Â $ 15.84 Â Â Â 209,484 Â Â $ 15.01 Â The 129,698 shares that vested during the six month period ended June 30, 2024 had a weighted average fair value of $13.36 per share. Other Comprehensive Income (Loss):The following tables represent the changes in accumulated other comprehensive income (loss) by component, net of tax, for the three and six month periods ended June 30, 2024 and 2023.Â (In Thousands of Dollars) Net unrealized holding (losses) gains on available for sale securities Â Â Reclassification adjustment for (gains) losses realized in income on fair value hedge Â Â Change in funded status of post-retirement plan Â Â Total Â Balance December 31, 2023 $ (171,539) Â $ (1,013) Â $ (2) Â $ (172,554) Other comprehensive (loss) before reclassification Â (15,149) Â Â 0 Â Â Â 0 Â Â Â (15,149) Amounts reclassified from accumulated other comprehensive income Â 1,686 Â Â Â 1,063 Â Â Â 0 Â Â Â 2,749 Â Net current period other comprehensive (loss) income Â (13,463) Â Â 1,063 Â Â Â 0 Â Â Â (12,400) Balance March 31, 2024 $ (185,002) Â $ 50 Â Â $ (2) Â $ (184,954) Other comprehensive (loss) before reclassification Â (6,545) Â Â 0 Â Â Â 0 Â Â Â (6,545) Amounts reclassified from accumulated other comprehensive income Â 99 Â Â Â 167 Â Â Â 0 Â Â Â 266 Â Net current period other comprehensive (loss) income Â (6,446) Â Â 167 Â Â Â 0 Â Â Â (6,279) Balance June 30, 2024 $ (191,448) Â $ 217 Â Â $ (2) Â $ (191,233) Â Balance December 31, 2022 $ (210,489) Â $ 0 Â Â $ (1) Â $ (210,490) Other comprehensive income before reclassification Â 33,891 Â Â Â 0 Â Â Â 0 Â Â Â 33,891 Â Amounts reclassified from accumulated other comprehensive (loss) Â (95) Â Â 0 Â Â Â 0 Â Â Â (95) Net current period other comprehensive income Â 33,796 Â Â Â 0 Â Â Â 0 Â Â Â 33,796 Â Balance March 31, 2023 $ (176,693) Â $ 0 Â Â $ (1) Â $ (176,694) Other comprehensive (loss) before reclassification Â (16,834) Â Â 0 Â Â Â 0 Â Â Â (16,834) Amounts reclassified from accumulated other comprehensive income Â 0 Â Â Â 0 Â Â Â 0 Â Â Â 0 Â Net current period other comprehensive (loss) Â (16,834) Â Â 0 Â Â Â 0 Â Â Â (16,834) Balance June 30, 2023 $ (193,527) Â $ 0 Â Â $ (1) Â $ (193,528) Â Â Amounts reclassified out of each component of accumulated other comprehensive income (loss) were not material for the three and six month periods ended June 30, 2024 and 2023. 39 Â 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 June 30, 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 (â€œBasel IIIâ€).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 â€œcapital conservation bufferâ€ 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 June 30, 2024 and 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 institutionâ€™s category.Â 40 Â Actual and required capital amounts and ratios, which do not include the capital conservation buffer, are presented below at June 30, 2024 and December 31, 2023: Â Â Actual Â Â Requirement For CapitalAdequacy Purposes: Â Â To be Well CapitalizedUnder Prompt CorrectiveAction Provisions: Â Â Amount Â Ratio Â Â Amount Â Ratio Â Â Amount Â Ratio Â June 30, 2024 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Common equity tier 1 capital ratio Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Consolidated $ 404,473 Â Â 10.94 % Â $ 166,335 Â Â 4.5 % Â N/A Â N/A Â Bank Â 428,253 Â Â 11.61 % Â Â 166,048 Â Â 4.5 % Â Â 239,847 Â Â 6.5 % Â Total risk based capital ratio Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Consolidated Â 532,842 Â Â 14.42 % Â Â 295,707 Â Â 8.0 % Â N/A Â N/A Â Bank Â 463,622 Â Â 12.56 % Â Â 295,197 Â Â 8.0 % Â Â 368,996 Â Â 10.0 % Â Tier 1 risk based capital ratio Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Consolidated Â 422,473 Â Â 11.43 % Â Â 221,781 Â Â 6.0 % Â N/A Â N/A Â Bank Â 428,253 Â Â 11.61 % Â Â 221,397 Â Â 6.0 % Â Â 295,197 Â Â 8.0 % Â Tier 1 leverage ratio Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Consolidated Â 422,473 Â Â 8.26 % Â Â 204,543 Â Â 4.0 % Â N/A Â N/A Â Bank Â 428,253 Â Â 8.40 % Â Â 203,995 Â Â 4.0 % Â Â 254,993 Â Â 5.0 % Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â December 31, 2023 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Common equity tier 1 capital ratio Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Consolidated $ 392,244 Â Â 10.61 % Â $ 166,303 Â Â 4.5 % Â N/A Â N/A Â Bank Â 411,304 Â Â 11.15 % Â Â 165,996 Â Â 4.5 % Â $ 239,772 Â Â 6.5 % Â Total risk based capital ratio Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Consolidated Â 519,684 Â Â 14.06 % Â Â 295,650 Â Â 8.0 % Â N/A Â N/A Â Bank Â 447,584 Â Â 12.13 % Â Â 295,104 Â Â 8.0 % Â Â 368,881 Â Â 10.0 % Â Tier 1 risk based capital ratio Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Consolidated Â 410,244 Â Â 11.10 % Â Â 221,737 Â Â 6.0 % Â N/A Â N/A Â Bank Â 411,304 Â Â 11.15 % Â Â 221,328 Â Â 6.0 % Â Â 295,104 Â Â 8.0 % Â Tier 1 leverage ratio Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Consolidated Â 410,244 Â Â 8.02 % Â Â 204,598 Â Â 4.0 % Â N/A Â N/A Â Bank Â 411,304 Â Â 8.07 % Â Â 203,989 Â Â 4.0 % Â Â 254,986 Â Â 5.0 % Â 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:Â (In Thousands of Dollars) Â TrustSegment Â Â BankSegment Â Â Eliminationsand Others Â Â ConsolidatedTotals Â June 30, 2024 Â Â Â Â Â Â Â Â Â Â Â Â Goodwill and other intangibles Â $ 5,656 Â Â $ 187,577 Â Â $ (4,263) Â $ 188,970 Â Total assets Â $ 17,273 Â Â $ 5,142,064 Â Â $ (2,484) Â $ 5,156,853 Â Â (In Thousands of Dollars) Â TrustSegment Â Â BankSegment Â Â Eliminationsand Others Â Â ConsolidatedTotals Â December 31, 2023 Â Â Â Â Â Â Â Â Â Â Â Â Goodwill and other intangibles Â $ 5,680 Â Â $ 188,871 Â Â $ (4,263) Â $ 190,288 Â Total assets Â $ 15,845 Â Â $ 5,065,150 Â Â $ (2,645) Â $ 5,078,350 Â Â 41 Â Â (In Thousands of Dollars) Â TrustSegment Â Â BankSegment Â Â Eliminationsand Others Â Â ConsolidatedTotals Â For Three Months Ended June 30, 2024 Â Â Â Â Â Â Â Â Â Â Â Â Net interest income Â $ 62 Â Â $ 33,040 Â Â $ (1,036) Â $ 32,066 Â Provision for credit losses and unfunded loans Â Â 0 Â Â Â 1,112 Â Â Â 0 Â Â Â 1,112 Â Service fees, security gains and other noninterest income Â Â 3,091 Â Â Â 6,914 Â Â Â (399) Â Â 9,606 Â Noninterest expense Â Â 1,825 Â Â Â 22,660 Â Â Â 426 Â Â Â 24,911 Â Amortization and depreciation expense Â Â 19 Â Â Â 1,359 Â Â Â 114 Â Â Â 1,492 Â Income before taxes Â Â 1,309 Â Â Â 14,823 Â Â Â (1,975) Â Â 14,157 Â Income taxes Â Â 275 Â Â Â 2,515 Â Â Â (416) Â Â 2,374 Â Net income Â $ 1,034 Â Â $ 12,308 Â Â $ (1,559) Â $ 11,783 Â Â (In Thousands of Dollars) Â TrustSegment Â Â BankSegment Â Â Eliminationsand Others Â Â ConsolidatedTotals Â For Six Months Ended June 30, 2024 Â Â Â Â Â Â Â Â Â Â Â Â Net interest income Â $ 114 Â Â $ 65,714 Â Â $ (2,075) Â $ 63,753 Â Provision for credit losses and unfunded loans Â Â 0 Â Â Â 663 Â Â Â 0 Â Â Â 663 Â Service fees, security gains and other noninterest income Â Â 6,192 Â Â Â 12,348 Â Â Â (577) Â Â 17,963 Â Noninterest expense Â Â 3,729 Â Â Â 45,579 Â Â Â 1,031 Â Â Â 50,339 Â Amortization and depreciation expense Â Â 38 Â Â Â 2,837 Â Â Â 228 Â Â Â 3,103 Â Income before taxes Â Â 2,539 Â Â Â 28,983 Â Â Â (3,911) Â Â 27,611 Â Income taxes Â Â 534 Â Â Â 4,876 Â Â Â (822) Â Â 4,588 Â Net income Â $ 2,005 Â Â $ 24,107 Â Â $ (3,089) Â $ 23,023 Â Â (In Thousands of Dollars) Â TrustSegment Â Â BankSegment Â Â Eliminationsand Others Â Â ConsolidatedTotals Â For Three Months Ended June 30, 2023 Â Â Â Â Â Â Â Â Â Â Â Â Net interest income Â $ 57 Â Â $ 35,476 Â Â $ (955) Â $ 34,578 Â

Provision for credit losses and unfunded loans Â Â 0 Â Â Â 25 Â Â Â 0 Â Â Â 25 Â Service fees, security gains and other noninterest income Â Â 2,668 Â Â Â 7,167 Â Â Â (386) Â Â 9,449 Â Noninterest expense Â Â 1,654 Â Â Â 22,056 Â Â Â 475 Â Â Â 24,185 Â Amortization and depreciation expense Â Â 23 Â Â Â 2,066 Â Â Â 112 Â Â Â 2,201 Â Income before taxes Â Â 1,048 Â Â Â 18,496 Â Â Â (1,928) Â Â 17,616 Â Income taxes Â Â 221 Â Â Â 2,859 Â Â Â (430) Â Â 2,650 Â Net income Â $ 827 Â Â $ 15,637 Â Â $ (1,498) Â $ 14,966 Â Â (In Thousands of Dollars) Â TrustSegment Â Â BankSegment Â Â Eliminationsand Others Â Â ConsolidatedTotals Â For Six Months Ended June 30, 2023 Â Â Â Â Â Â Â Â Â Â Â Â Net interest income Â $ 114 Â Â $ 72,984 Â Â $ (1,910) Â $ 71,188 Â Provision for credit losses and unfunded loans Â Â 0 Â Â Â 8,624 Â Â Â 0 Â Â Â 8,624 Â Service fees, security gains and other noninterest income Â Â 5,568 Â Â Â 14,923 Â Â Â (617) Â Â 19,874 Â Noninterest expense Â Â 3,297 Â Â Â 48,591 Â Â Â 1,120 Â Â Â 53,008 Â Amortization and depreciation expense Â Â 46 Â Â Â 3,828 Â Â Â 226 Â Â Â 4,100 Â Income before taxes Â Â 2,339 Â Â Â 26,864 Â Â Â (3,873) Â Â 25,330 Â Income taxes Â Â 492 Â Â Â 3,706 Â Â Â (909) Â Â 3,289 Â Net income Â $ 1,847 Â Â $ 23,158 Â Â $ (2,964) Â $ 22,041 Â Â 42 Â Â The Bank segment includes Farmers National Insurance and Farmers of Canfield Investment Co. Short-term borrowings:Â The Bank had short-term advances from the Federal Home Loan Bank ("FHLB") of $121.0 million at June 30, 2024 and $70.0 million at December 31, 2023. The interest rate on these borrowings was 5.40% at June 30, 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.Â In addition, the Bank had $285.0 million in short-term borrowings at both June 30, 2024 and December 31, 2023. The current borrowing matures in January 2025 and has a fixed interest rate of 4.76%. These borrowings are secured by securities with a par value of $288.3 million. Â The Bank has access to a line of credit for $25.0 million at a major domestic bank that is below prime rate. The line and terms are periodically reviewed by the lending bank and is generally subject to withdrawal at their discretion. There were no outstanding borrowings under this line at June 30, 2024, or December 31, 2023.Â Farmers has one unsecured revolving line of credit for $5.0 million. This line can be renewed annually and has an interest rate of prime with a floor of 3.5%. There was no outstanding balance on this line at either June 30, 2024, or December 31, 2023. Â Long-term borrowings:There were no long-term advances from the FHLB at June 30, 2024, or at December 31, 2023. Â 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 June 30, 2024 and $1.6 billion at December 31, 2023. Based on this collateral, the Bank is eligible to borrow an additional $679.7 million at June 30, 2024. Â 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, 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 Companyâ€™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.Â 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 LIBOR rate. The rate at June 30, 2024 was 7.05% and at December 31, 2023 the rate was 7.10%.Â 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 43 Â securities bear interest at a rate of 1.70% over the 3-month LIBOR rate. The rate at June 30, 2024 was 7.40% and at December 31, 2023 the rate was 7.45%.Â 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 1.80% over the 3-month LIBOR rate. The rate at June 30, 2024 was 7.30% and at December 31, 2023 the rate was 7.35%.Â 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 Companyâ€™s capital adequacy. Â 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 Companyâ€™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 June 30, 2024 and December 31, 2023:Â Â Â June 30, 2024 Â Â December 31, 2023 Â Â Â Amount Â Â Amount Â TSEO Statutory Trust I Â $ 2,545 Â Â $ 2,521 Â Maple Leaf Financial Statutory Trust II Â Â 7,852 Â Â Â 7,740 Â Cortland Statutory Trust I Â Â 4,410 Â Â Â 4,382 Â Total junior subordinated debentures owed to unconsolidated subsidiary trusts Â $ 14,807 Â Â $ 14,643 Â Subordinated Debentures Â $ 74,083 Â Â $ 74,020 Â Total long-term borrowings Â $ 88,890 Â Â $ 88,663 Â Â Qualified affordable housing project investments:The Company invests in qualified affordable housing projects. At June 30, 2024 and December 31, 2023, the balance of the investment for qualified affordable housing projects was $23.1 million and $17.9 million, respectively. Total unfunded commitments related to the investments in qualified affordable housing projects totaled $16.4 million and $12.3 million at June 30, 2024 and December 31, 2023. The Company expects to complete the fulfillment of these commitments during the year ending 2038.In the second quarters ended June 30, 2024 and June 30, 2023, the Company recognized amortization expense of $407 thousand and $417 thousand, respectively, which was included within income tax expense on the consolidated statements of income. In the six month periods ended June 30, 2024 and June 30, 2023, the Company recognized amortization expense of $813 thousand and $834 thousand, respectively, which was included within income tax expense on the consolidated statements of income. Additionally, during the second quarters ended June 30, 2024 and June 30, 2023, the Company recognized tax credits and other benefits from its investment in affordable housing tax credits of $502 thousand and $541 thousand, respectively. For the six month periods ended June 30, 2024 and June 30, 2023, the Company recognized tax credits and other benefits from its investment in affordable housing tax credits of $1.0 million and $1.1 million, respectively. During the six month periods ended June 30, 2024 and June 30, 2023, the Company did not incur any impairment losses related to its investment in affordable housing tax credits. 44 Â Item 2. Managementâ€™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 â€œforward-looking statementsâ€ 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 Companyâ€™s current expectations, beliefs and assumptions regarding the future of Farmersâ€™ 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 â€œwill,â€ â€œwould,â€ â€œshould,â€ â€œcould,â€ â€œmay,â€ â€œexpect,â€ â€œestimate,â€ â€œbelieve,â€ â€œanticipate,â€ â€œintend,â€ â€œplan,â€ â€œproject,â€ 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 Farmersâ€™ 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 Companyâ€™s filings with the Securities and Exchange Commission (the â€œCommissionâ€), including without limitation, the risk factors disclosed in Item 1A, â€œRisk Factors,â€ in the Companyâ€™s 2023 Form 10-K, as updated in Item 1A, â€œRisk Factors,â€ in this Quarterly Report on Form 10-Q. Many of these factors are beyond the Companyâ€™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 Companyâ€™s actual results to differ materially from those anticipated or expected in any forward-looking statement: Â â€¢general economic conditions in markets where the Company conducts business, which could materially impact credit quality trends; â€¢the length and extent of the economic impacts of the COVID-19 pandemic; â€¢the length and extent of the economic impacts of the ongoing conflict in Ukraine; â€¢actions by the Federal Reserve Board, U.S. Treasury and other government agencies, including those that impact money supply, market interest rates and inflation; â€¢disruptions in the mortgage and lending markets and significant or unexpected fluctuations in interest rates related to governmental responses to inflation, including financial stimulus packages and interest rate changes; â€¢general business conditions in the banking industry; â€¢the regulatory environment; â€¢general fluctuations in interest rates; â€¢demand for loans in the market areas where the Company conducts business; â€¢rapidly changing technology and evolving banking industry standards; â€¢competitive factors, including increased competition with regional and national financial institutions; â€¢Farmers' ability to attract, recruit and retain skilled employees; and â€¢new service and product offerings by competitors and price pressures. Â Other factors not currently anticipated may also materially and adversely affect the Companyâ€™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. Â 45 Â Results of Operations. The following is a comparison of selected financial ratios and other results at or for the three and six month periods ended June 30, 2024 and 2023: Â Â Â At or for the Three MonthsEnded June 30, Â Â At or for the Six MonthsEnded June 30, Â (In Thousands, except Per Share Data) Â 2024 Â Â 2023 Â Â 2024 Â Â 2023 Â Total assets Â $ 5,156,853 Â Â $ 5,073,454 Â Â $ 5,156,853 Â Â $ 5,073,454 Â Net income Â $ 11,783 Â Â $ 14,966 Â Â $ 23,023 Â Â $ 22,041 Â Diluted earnings per share Â $ 0.31 Â Â $ 0.40 Â Â $ 0.61 Â Â $ 0.59 Â Return on average assets (annualized) Â Â 0.93 % Â Â 1.18 % Â Â 0.91 % Â Â 0.87 % Return on average equity (annualized) Â Â 12.15 % Â Â 16.12 % Â Â 11.76 % Â Â 11.94 % Dividends to net income Â Â 54.04 % Â Â 42.54 % Â Â 55.61 % Â Â 58.09 % Net loans to assets Â Â 62.12 % Â Â 61.50 % Â Â 62.12 % Â Â 61.50 % Loans to deposits Â Â 76.97 % Â Â 73.88 % Â Â 76.97 % Â Â 73.88 % Â Net Income. The Company reported net income of $11.8 million, or $0.31 per diluted share, for the quarter ended June 30, 2024 compared to $15.0 million, or $0.40 per diluted share, for the quarter ended June 30, 2023. The results for the second quarter of 2024 were negatively impacted by a reduction in net interest income due to net interest margin compression and an increased level in the provision for credit losses. Â Net income for the six months ended June 30, 2024 was $23.0 million, or $0.61 per diluted share, compared to $22.0 million, or $0.59 per diluted share, for the six months ended June 30, 2023. The increase in net income was due to lower provision for credit losses and non interest expense offset by lower net interest income and non interest income. Â 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. 46 Â Average Balance Sheets and Related Yields and Rates (Dollar Amounts in Thousands) Â Â Â Three Months Ended Â Â Three Months Ended Â Â June 30, 2024 Â Â June 30, 2023 Â Â AVERAGE Â Â Â Â Â Â AVERAGE Â Â Â Â Â Â BALANCE Â INTEREST Â RATE (1) Â Â BALANCE Â INTEREST Â RATE (1) Â EARNING ASSETS Â Â Â Â Â Â Â Â Â Â Â Â Loans (2) $ 3,215,141 Â $ 46,590 Â Â 5.80 % Â $ 3,144,461 Â $ 42,422

Â Â 5.40 % Taxable securities Â 1,118,598 Â Â 6,813 Â Â 2.44 Â Â Â 1,157,284 Â Â 6,654 Â Â 2.30 Â Tax-exempt securities (2) Â 379,761 Â Â 2,973 Â Â 3.13 Â Â Â 415,003 Â Â 3,278 Â Â 3.16 Â Other investments Â 33,441 Â Â 322 Â Â 3.85 Â Â Â 41,361 Â Â 594 Â Â 5.74 Â Federal funds sold and other Â 78,591 Â Â 743 Â Â 3.78 Â Â Â 72,801 Â Â 551 Â Â 3.03 Â TOTAL EARNING ASSETS Â 4,825,532 Â Â 57,441 Â Â 4.76 Â Â Â 4,830,910 Â Â 53,499 Â Â 4.43 Â Nonearning assets Â 218,984 Â Â Â Â Â Â Â 225,131 Â Â Â Â Â TOTAL ASSETS $ 5,044,516 Â Â Â Â Â Â $ 5,056,041 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â INTEREST-BEARING LIABILITIES Â Â Â Â Â Â Â Â Â Â Â Â Â Time deposits $ 744,422 Â $ 7,233 Â Â 3.89 % Â $ 646,782 Â $ 4,525 Â Â 2.80 % Brokered time deposits Â 0 Â Â 0 Â Â 0.00 Â Â Â 59,402 Â Â 686 Â Â 4.62 Â Savings deposits Â 1,102,443 Â Â 4,117 Â Â 1.49 Â Â Â 1,133,371 Â Â 2,402 Â Â 0.85 Â Demand deposits - interest bearing Â 1,391,767 Â Â 8,810 Â Â 2.53 Â Â Â 1,428,409 Â Â 6,878 Â Â 1.93 Â Total interest-bearing deposits Â 3,238,632 Â Â 20,160 Â Â 2.49 Â Â Â 3,267,964 Â Â 14,491 Â Â 1.77 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Short term borrowings Â 299,543 Â Â 3,585 Â Â 4.79 Â Â Â 213,549 Â Â 2,727 Â Â 5.11 Â Long term borrowings Â 88,834 Â Â 1,035 Â Â 4.66 Â Â Â 88,382 Â Â 1,008 Â Â 4.56 Â Total borrowed funds Â 388,377 Â Â 4,620 Â Â 4.76 Â Â Â 301,931 Â Â 3,735 Â Â 4.95 Â Â Â Â Â Â Â Â Â Â Â Â Â Â TOTAL INTEREST-BEARING LIABILITIES Â 3,627,009 Â Â 24,780 Â Â 2.73 Â Â Â 3,569,895 Â Â 18,226 Â Â 2.04 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â NONINTEREST-BEARING LIABILITIES AND STOCKHOLDERS' EQUITY Â Â Â Â Â Â Â Â Â Â Â Â Â Demand deposits - noninterest bearing Â 972,290 Â Â Â Â Â Â Â 1,067,605 Â Â Â Â Â Other liabilities Â 57,336 Â Â Â Â Â Â Â 47,120 Â Â Â Â Â Stockholders' equity Â 387,881 Â Â Â Â Â Â Â 371,421 Â Â Â Â Â TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY $ 5,044,516 Â Â Â Â Â Â $ 5,056,041 Â Â Â Â Â Net interest income and interest rate spread Â Â $ 32,661 Â Â 2.03 % Â Â Â $ 35,273 Â Â 2.39 % Net interest margin Â Â Â Â Â 2.71 % Â Â Â Â Â Â 2.92 % Â (1)Rates are calculated on an annualized basis. (2)Interest on certain tax-exempt loans and tax-exempt securities in 2024 and 2023 is not taxable for Federal income tax purposes. In order to compare the tax-exempt yields on these assets to taxable yields, the interest earned on these assets is adjusted to a pre-tax equivalent amount based on the marginal corporate federal income tax rate of 21% Â Â Â Â Â 47 Â Average Balance Sheets and Related Yields and Rates (Dollar Amounts in Thousands) Â Â Six Months EndedÂ June 30, 2024 Â Â Six Months EndedÂ June 30, 2023 Â Â AVERAGE BALANCE Â Â INTEREST Â Â RATE (1) Â Â AVERAGE BALANCE Â Â INTEREST Â Â RATE (1) Â EARNING ASSETS Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Loans (2) $ 3,198,239 Â Â $ 91,686 Â Â Â 5.73 % Â $ 3,140,500 Â Â $ 83,365 Â Â Â 5.31 % Taxable securities Â 1,109,972 Â Â Â 13,227 Â Â Â 2.38 Â Â Â 1,164,400 Â Â Â 13,204 Â Â Â 2.27 Â Tax-exempt securities (2) Â 393,918 Â Â Â 6,182 Â Â Â 3.14 Â Â Â 426,743 Â Â Â 6,797 Â Â Â 3.19 Â Other investments Â 33,924 Â Â Â 684 Â Â Â 4.03 Â Â Â 38,976 Â Â Â 970 Â Â Â 4.98 Â Federal funds sold and other Â 75,174 Â Â Â 1,369 Â Â Â 3.64 Â Â Â 77,870 Â Â Â 1,161 Â Â Â 2.98 Â TOTAL EARNING ASSETS Â 4,811,227 Â Â Â 113,148 Â Â Â 4.70 Â Â Â 4,848,489 Â Â Â 105,497 Â Â Â 4.35 Â Nonearning assets Â 223,014 Â Â Â Â Â Â Â Â 221,955 Â Â Â Â Â Â Â TOTAL ASSETS $ 5,034,241 Â Â Â Â Â Â Â Â $ 5,070,444 Â INTEREST-BEARING LIABILITIES Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Time deposits $ 738,159 Â Â $ 14,281 Â Â Â 3.87 % Â $ 618,637 Â Â $ 7,864 Â Â Â 2.54 % Brokered time deposits Â 0 Â Â Â 0 Â Â Â 0.00 Â Â Â 144,747 Â Â Â 3,007 Â Â Â 4.15 Â Savings deposits Â 1,093,511 Â Â Â 7,716 Â Â Â 1.41 Â Â Â 1,143,539 Â Â Â 4,356 Â Â Â 0.76 Â Demand deposits - interest bearing Â 1,371,058 Â Â Â 16,553 Â Â Â 2.41 Â Â Â 1,423,211 Â Â Â 11,971 Â Â Â 1.68 Â Total interest-bearing deposits Â 3,202,728 Â Â Â 38,550 Â Â Â 2.41 Â Â Â 3,330,134 Â Â Â 27,198 Â Â Â 1.63 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Short term borrowings Â 312,167 Â Â Â 7,524 Â Â Â 4.82 Â Â Â 147,436 Â Â Â 3,648 Â Â Â 4.95 Â Long term borrowings Â 88,778 Â Â Â 2,073 Â Â Â 4.67 Â Â Â 88,326 Â Â Â 2,003 Â Â Â 4.54 Â Total borrowed funds Â 400,945 Â Â Â 9,597 Â Â Â 4.79 Â Â Â 235,762 Â Â Â 5,651 Â Â Â 4.79 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â TOTAL INTEREST-BEARING LIABILITIES Â 3,603,673 Â Â Â 48,147 Â Â Â 2.67 Â Â Â 3,565,896 Â Â Â 32,849 Â Â Â 1.84 Â NONINTEREST-BEARING LIABILITIES AND STOCKHOLDERS' EQUITY Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Demand deposits Â 983,728 Â Â Â Â Â Â Â Â Â 1,087,403 Â Â Â Â Â Â Â Other liabilities Â 55,125 Â Â Â Â Â Â Â Â Â 47,996 Â Â Â Â Â Â Â Stockholders' equity Â 391,715 Â Â Â Â Â Â Â Â Â 369,149 Â Â Â Â Â Â Â TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY $ 5,034,241 Â Â Â Â Â Â Â Â $ 5,070,444 Â Â Â Â Â Â Â Net interest income and interest rate spread Â Â Â $ 65,001 Â Â Â 2.03 % Â Â Â Â $ 72,648 Â Â Â 2.51 % Net interest margin Â Â Â Â Â Â Â 2.70 % Â Â Â Â Â Â Â Â 3.00 % (1)Rates are calculated on an annualized basis. (2)Interest on certain tax-exempt loans and tax-exempt securities in 2024 and 2023 is not taxable for Federal income tax purposes. In order to compare the tax-exempt yields on these assets to taxable yields, the interest earned on these assets is adjusted to a pre-tax equivalent amount based on the marginal corporate federal income tax rate of 21% Net Interest Income. Net interest income for the three months ended June 30, 2024, was $32.1 million compared to $34.6 million for the three months ended June 30, 2023. A 21 basis point decline in the net interest margin along with a slightly smaller earning asset base were the primary drivers of this decrease. The net interest margin for the three month period ended June 30, 2024, was 2.71% compared to 2.92% for the same period in 2023. Interest-earning asset yields increased 33 basis points in the second quarter of 2024 compared to the second quarter of 2023 while the cost of interest-bearing liabilities increased 69 basis points when comparing these two periods. This increase in funding costs has been due to the rapid increase in deposit rates, intense competition for deposits and the continued Federal Reserve rate hiking cycle which has resulted in an inverted yield curve. 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 six month period ended June 30, 2024, was $63.8 million compared to $71.2 million for the same period in 2023. The decrease in net interest income was driven by the same factors as discussed above. The net interest margin was 2.70% for the six month period ended June 30, 2024 compared to 3.00% for the same period in 2023. The decline in net interest margin for the six month period ended June 30, 2024, was also driven by the same factors discussed previously. Â Provision for Credit Losses and Provision for Unfunded Loans. The Company recorded provision for credit losses and unfunded loans of $1.1 million for second quarter of 2024 compared to $25 thousand for the second quarter of 2023. The increased provision for credit 48 Â losses was primarily due to loan growth of $56.1 million in the second quarter of 2024 compared to loan shrinkage of $2.9 million in the second quarter of 2023. Â For the first six months of 2024, the Company recorded a provision for credit losses of $663 thousand compared to a provision for credit losses and unfunded loans of $8.6 million for the second quarter of 2023. Included in the $8.6 million figure in 2023 was a Day 1 provision for credit losses and provision for unfunded loans under the 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 six months of 2024. Â Noninterest Income. The Company recorded noninterest income of $9.6 million for the second quarter of 2024 compared to $9.4 million for the second quarter of 2023. This increase is due to increases in several categories of noninterest income offset by declines in other noninterest income and losses on the sale of securities. Service charges on deposit accounts were $1.8 million for the second quarter of 2024 compared to $1.5 million for the same period in 2023. The Company undertook a review of all service charges in late 2023 and early 2024 and implemented fee increases across deposit product lines in the second quarter. Bank owned life insurance income increased from $584 thousand in the second quarter of 2023 to $652 thousand in the second quarter of 2024 as crediting rates on the insurance policies continue to increase. Trust fees increased to $2.6 million in the second quarter of 2024 from $2.2 million in the second quarter of 2023 due to continued strong growth in this line of business. Losses on the sale of securities totaled $124 thousand in the second quarter of 2024 compared to gains on the sale of securities of $13 thousand during the second quarter of 2023. Other noninterest income declined from $463 thousand in the second quarter of 2023 to $162 thousand in the second quarter of 2024. The Company recorded write downs totaling $391 thousand on other assets held for sale during the second quarter of 2024. No write downs occurred in the second quarter of 2023. Â For the six months ended June 30, 2024, noninterest income declined by $1.9 million compared to the six months ended June 30, 2023. The decline was primarily due to security losses of $2.2 million in the first six months of 2024 compared to security gains of $134 thousand for the first six months of 2023. Â Service charges on deposit accounts increased by $496 thousand in the first six months of 2024 compared to the same period in 2023 due to the fee increases discussed above. Bank owned life insurance income increased to $1.4 million for the six months ended June 30, 2024 compared to $1.1 million for the six months ended June 30, 2023 as crediting rates on the insurance policies continue to increase. Trust fees increased to $5.4 million in the first six months of 2024 from $4.8 million in the first six months of 2023 due to continued strong growth in this line of business. Other noninterest income declined to $1.3 million in the first six months of 2024 from $1.8 million in the first six months of 2023. The Company recorded write downs totaling $391 thousand on other assets held for sale during the six months ended June 30, 2024 compared to $40 thousand of write downs for the six months end June 30, 2023. Noninterest Expense. The Companyâ€™s noninterest expense totaled $26.4 million for the three months ended June 30, 2024 compared to $26.4 million for the three months ended June 30, 2023. The second quarter of 2023 included $442 thousand of merger related charges. There were no merger related expenses during the second quarter of 2024. Salaries and employee benefits were $14.6 million in the second quarter of 2024 compared to $13.6 million in the second quarter of 2023. The increase was primarily driven by higher salaries associated with employee raises along with higher health care expenses. FDIC and state and local taxes decreased by $309 thousand to $1.2 million for the three months ended June 30, 2024 compared to $1.5 million for the same three month period in 2023 due to lower FDIC premiums. Intangible amortization declined to $630 thousand in the second quarter of 2024 from $1.2 million for the second quarter of 2023. This decrease was driven by accelerated amortization that occurred in the second quarter of 2023 that did not reoccur in 2024 and amortization from a prior acquisition running off. Other noninterest expense increased $545 thousand in the second quarter of 2024 compared to the second quarter of 2023. Timing surrounding postage expense and ATM/debit card charges drove much of this increase. For the six months ended June 30, 2024, noninterest expense decreased to $53.4 million from $57.1 million for the six months ended June 30, 2023. In 2023, the Company incurred $4.8 million of merger related costs while no merger costs were incurred in 2024. Salaries and employee benefits increased to $29.6 million in the first six months of 2024 compared to $28.3 million in the first six months of 2023. The increase was primarily driven by salary increases associated with employee raises along with increased healthcare costs. Occupancy and equipment expense decreased by $183 thousand in the first half of 2024 compared to the first half of 2023 primarily due to several branches being closed. FDIC and state and local taxes decreased $186 thousand to $2.5 million for the first six months of 2024 compared to $2.7 million for the first six months of 2023 due to improvements in the Bank's FDIC assessment variables. Professional fees increased $144 thousand for the six months ended June 30, 2024, compared to the first six months of 2023 primarily due to increased legal fees. Intangible amortization declined $813 thousand in the first six months of 2024 to $1.3 million compared to $2.1 million for the first six months of 2023. This decrease was driven by accelerated amortization that occurred in the first half of 2023 that did not reoccur in 2024 and amortization from a prior acquisition running off. Other noninterest expense increased $855 thousand in the first half of 2024 compared to the first half of 2023 due to increases in several categories of expense. Â 49 Â Income Taxes. Income tax expense was $2.4 million for the three months ended June 30, 2024 compared to $2.7 million for the three months ended June 30, 2023. The decrease in tax expense was primarily due to the decline in income before income taxes. Income tax expense increased from $3.3 million for the six months ended June 30, 2023 to $4.6 million for the six months ended June 30, 2024. The increase in tax expense was primarily due to the 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. Financial Condition Cash and Cash Equivalents. Cash and cash equivalents increased $77.3 million during the first six months of 2024 to $181.0 million from $103.7 million at December 31, 2023. The increase in the cash balances was primarily due to the Company intentionally holding more liquidity on its balance sheet at June 30, 2024. Securities. Securities available-for-sale decreased to $1.25 billion at June 30, 2024, from $1.30 billion at December 31, 2024. Gross unrealized losses on the portfolio totaled $244.8 million at June 30, 2024, compared to gross unrealized losses of $222.6 million at December 31, 2023. In addition to the changes in the gross unrealized loss on the securities, the Company has also received $71.1 million in proceeds from the sale, maturity and repayments on securities during the first six months of 2024. This has been partially offset by purchases totaling $45.9 million through the first six months of 2024. Loans. Net loans (excluding loans held for sale) increased to $3.20 billion at June 30, 2024 from $3.16 billion at December 31, 2023. The increase through the first six months of 2024 has been due primarily to growth in the commercial real estate and consumer segment of the loan portfolio, including 1-4 family residential, home equity lines of credit and indirect auto loans. The following tables present the amortized cost basis of the Company's commercial real estate portfolio segment by industry as of June 30, 2024 and December 31, 2023: (In Thousands of Dollars) Â Amortized Cost Â Â % of Commercial Real Estate Â Â % of Total Portfolio Â Â Weighted AverageLoan-to-Value Â June 30, 2024 Â Â Â Â Â Â Â Â Â Â Â Â Commercial real estate Â Â Â Â Â Â Â Â Â Â Â Â Retail Â $ 342,090 Â Â Â 22.03 % Â Â 10.57 % Â Â 54.09 % Farmland Â Â 205,224 Â Â Â 13.22 % Â Â 6.34 % Â Â 50.25 % Warehouse/Industrial Â Â 186,884 Â Â Â 12.03 % Â Â 5.77 % Â Â 54.84 % Office Â Â 181,994 Â Â Â 11.72 % Â Â 5.62 % Â Â 53.60 % Multifamily Â Â 160,967 Â Â Â 10.37 % Â Â 4.97 % Â Â 61.66

% Medical Â Â 147,153 Â Â Â 9.48 % Â Â 4.55 % Â Â 50.91 % Hotel Â Â 43,314 Â Â Â 2.79 % Â Â 1.34 % Â Â 47.10 % Special Purpose Â Â 92,952 Â Â Â 5.98 % Â Â 2.87 % Â Â 53.41 % Restaurant Â Â 53,885 Â Â Â 3.47 % Â Â 1.66 % Â Â 51.84 % Multifamily - Construction Â Â 49,942 Â Â Â 3.22 % Â Â 1.54 % Â Â 55.22 % All Other Â Â 88,445 Â Â Â 5.69 % Â Â 2.73 % Â Â 48.10 % Total Â $ 1,552,850 Â Â Â 100.00 % Â Â 47.97 % Â Â Â Â 50 Â (In Thousands of Dollars) Â Amortized Cost Â Â % of Commercial Real Estate Â Â % of Total Portfolio Â Â Weighted AverageLoan-to-Value Â December 31, 2023 Â Â Â Â Â Â Â Â Â Â Â Â Commercial real estate Â Â Â Â Â Â Â Â Â Â Â Â Â Retail Â $ 354,953 Â Â Â 23.09 % Â Â 11.10 % Â Â 55.16 % Farmland Â Â 202,726 Â Â Â 13.19 % Â Â 6.34 % Â Â 51.24 % Warehouse/Industrial Â Â 166,291 Â Â Â 10.82 % Â Â 5.20 % Â Â 56.04 % Office Â Â 175,020 Â Â Â 11.38 % Â Â 5.47 % Â Â 53.91 % Multifamily Â Â 153,410 Â Â Â 9.98 % Â Â 4.80 % Â Â 63.10 % Medical Â Â 154,890 Â Â Â 10.08 % Â Â 4.84 % Â Â 51.51 % Hotel Â Â 49,695 Â Â Â 3.23 % Â Â 1.55 % Â Â 48.64 % Special Purpose Â Â 99,152 Â Â Â 6.45 % Â Â 3.10 % Â Â 55.10 % Restaurant Â Â 56,460 Â Â Â 3.67 % Â Â 1.77 % Â Â 53.17 % Multifamily - Construction Â Â 27,860 Â Â Â 1.81 % Â Â 0.87 % Â Â 59.02 % All Other Â Â 96,869 Â Â Â 6.30 % Â Â 3.03 % Â Â 47.10 % Total Â $ 1,537,326 Â Â Â 100.00 % Â Â 48.07 % Â Â Â 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) Â Â 6/30/2024 Â Â 3/31/2024 Â Â 12/31/2023 Â Â 9/30/2023 Â Â 6/30/2023 Â Nonperforming loans $ 12,870 Â Â $ 11,951 Â Â $ 15,063 Â Â $ 18,368 Â Â $ 17,956 Â Nonperforming loans as a % of total loans Â 0.40 % Â Â 0.38 % Â Â 0.47 % Â Â 0.58 % Â Â 0.57 % Non-performing assets $ 12,975 Â Â $ 12,215 Â Â $ 15,229 Â Â $ 18,522 Â Â $ 18,167 Â Non-performing assets as a % of total assets Â 0.25 % Â Â 0.24 % Â Â 0.30 % Â Â 0.37 % Â Â 0.36 % Loans delinquent 30-89 days $ 18,546 Â Â $ 14,069 Â Â $ 16,705 Â Â $ 13,314 Â Â $ 12,321 Â Loans delinquent 30-89 days as a % of total loans Â 0.57 % Â Â 0.44 % Â Â 0.52 % Â Â 0.42 % Â Â 0.39 % Allowance for credit losses $ 33,991 Â Â $ 33,159 Â Â $ 34,440 Â Â $ 34,753 Â Â $ 34,957 Â Allowance for credit losses as a % of total loans Â 1.05 % Â Â 1.04 % Â Â 1.08 % Â Â 1.10 % Â Â 1.11 % Allowance for credit losses as a % of nonperforming loans Â 264.11 % Â Â 277.46 % Â Â 228.64 % Â Â 189.20 % Â Â 194.68 % Net charge-offs for the quarter $ 563 Â Â $ 1,011 Â Â $ 800 Â Â $ 386 Â Â $ 799 Â Annualized net charge-offs to average net loans outstanding Â 0.07 % Â Â 0.13 % Â Â 0.10 % Â Â 0.05 % Â Â 0.10 % Â ASU 2022-02 was adopted on January 1, 2023 and such, non-performing loans balances include prior period TDRs and subsequent to January 1, 2023, loans with modifications to borrowers with financial difficulty are included in non-performing loans. The Company's allowance for credit losses decreased to $34.0 million for the period ended June 30, 2024, from $34.4 million for the period ended December 31, 2023. This decrease was primarily driven by improvements in the Company's credit metrics which have had a favorable impact on the Company's quantitative and qualitative measures within the 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 loanâ€™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 June 30, 2024 is adequate. The provision for credit losses is based on managementâ€™s judgment after taking into consideration all factors connected with the collectability of the existing loan portfolio. Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical 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 51 Â 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. Deposits. Total deposits increased to $4.21 billion at June 30, 2024 from $4.18 billion at December 31, 2023. This increase was primarily due to growth in interest-bearing deposits as customers seek higher yields on their deposit balances offset by declines in non-interest bearing deposits.. Short-term Borrowings. Total short-term borrowing balances increased from $355.0 million at December 31, 2023 to $406.0 million at June 30, 2024. This increase was due to the Company's intent to hold more cash on its balance sheet at quarter end. Total Stockholders' Equity. Total stockholdersâ€™ equity declined to $396.7 million at June 30, 2024 from $404.4 million at December 31, 2023. The decrease was primarily due to a $18.7 million increase in the accumulated other comprehensive loss offset by growth in retained earnings of $10.3 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 June 30, 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 Companyâ€™s common equity tier 1 to risk weighted assets was 10.94%, total risk-based capital ratio stood at 14.42%, and the Tier 1 risk-based capital ratio and Tier 1 leverage ratio were at 11.43% and 8.26%, respectively, at June 30, 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 June 30, 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 Companyâ€™s Annual Report to Shareholders included in the Companyâ€™s 2023 Form 10-K. Critical accounting policies are those policies that require managementâ€™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 two accounting policies that are critical accounting policies and an understanding of these policies is necessary to understand the Companyâ€™s financial statements. These policies relate to determining the adequacy of the allowance for credit losses and if there is any impairment of goodwill or other intangible. Additional information regarding these policies is included in the notes to the aforementioned 2023 consolidated financial statements, Note 1 (Summary of Significant Accounting Policies), Note 4 (Loans), and the sections captioned â€œLoan Portfolio.â€ Farmers maintains an allowance for credit losses. The allowance for credit losses is presented as a reserve against loans on the balance sheets. Credit losses are charged off against the allowance for credit losses, while recoveries of amounts previously charged off are credited to the allowance for credit losses. A provision for credit losses is charged to operations based on managementâ€™s periodic evaluation of adequacy of the allowance. The Companyâ€™s allowance for credit losses represents managementâ€™s estimate of expected credit losses over the remaining expected life of the Companyâ€™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 experience, assessment of risk characteristics, assignment of risk ratings, valuation of collateral, and the determination of remaining expected life. Refer to Note 4 for further information on these judgments as well as the Companyâ€™s policies and methodologies used to determine the Companyâ€™s allowance for credit losses. A significant judgment involved in estimating the Companyâ€™s allowance for credit losses relates to the macroeconomic forecasts used to estimate credit losses over the four-quarter forecast period within the Companyâ€™s methodology. The four-quarter forecast incorporates three macroeconomic variables (â€œMEVsâ€) that are relevant for exposures across the Company. â€¢U.S. changes in real gross domestic product (GDP). â€¢U.S. personal consumption expenditures (PCE) inflation. 52 Â â€¢U.S. civilian unemployment rate. Changes in the Companyâ€™s assumptions and forecasts of 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 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 improvement in one factor or input may offset deterioration in others. To consider the 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 the Companyâ€™s central scenario that is based on a four-quarter forecasted change in U.S. real GDP of 2.10% from 4Q2023 to 4Q2024, U.S. PCE inflation of 2.60%, and U.S. unemployment of 4.00%, the Companyâ€™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 credit losses, for a number of reasons, including: â€¢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. â€¢Expectations of future changes in portfolio composition and borrower behavior can significantly affect the allowance for credit losses. To demonstrate the sensitivity of credit loss estimates to macroeconomic forecasts as of June 30, 2024, the Company compared the modeled estimates under its relative adverse scenario for two of the Companyâ€™s largest loan pools to its central scenario for the same loan pools. Without considering offsetting or correlated effects in other qualitative components of the Companyâ€™s allowance for credit losses, the comparison between these two scenarios for the exposures below reflect the following differences: â€¢An increase of approximately $642 thousand for residential real estate loans and lending-related commitments â€¢An increase of approximately $1.17 million for commercial real estate non-owner occupied loans and lending-related commitments This analysis relates only to the modeled credit loss 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 June 30, 2024. The Company uses two methodologies 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 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. 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. Management believes that the 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 unidentifiable intangible 53 Â assets in the business acquired. The Companyâ€™s goodwill relates to the value inherent in the banking industry and that value is dependent upon the ability of the Companyâ€™s subsidiaries to provide quality, cost-effective services in a competitive marketplace. The goodwill value is supported by revenue that is in part driven by the volume of business transacted. A decrease in earnings resulting from a decline in the customer base or the 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 goodwill is estimated by reviewing the past and projected operating results for the subsidiaries and comparable industry information. At June 30, 2024, on a consolidated basis, Farmers had intangibles of $21.5 million subject to amortization and $167.4 million in goodwill, which was not subject to periodic amortization. Liquidity The Company maintains, in the opinion of management, liquidity sufficient to satisfy depositorsâ€™ 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 Companyâ€™s ability to attract deposits and borrow funds depends in large measure on its profitability, capitalization and overall financial condition. The Companyâ€™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 June 30, 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 June 30, 2024 and December 31, 2023. Management feels that its liquidity position is adequate and will continue to monitor the position on a monthly basis. As of June 30, 2024, the Bank had $121.0 million in outstanding balances with the FHLB. Additional borrowing capacity at the FHLB was approximately $679.7 million at June 30, 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 Bankâ€™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 $733.8 million at June 30, 2024, and $805.4 million at December 31, 2023. Additionally, the Company has committed up to $20.2 million in subscriptions in SBIC investment funds. At June 30, 2024, the Company had invested $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. Â 54 Â Item 3. Quantitative and Qualitative Disclosures about Market Risk Important considerations in asset/liability management are liquidity, the balance between interest 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, 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 maintaining net interest margins through periods of changing interest rates. The Company monitors interest rate sensitive assets and liabilities to determine the 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 Companyâ€™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 from a sudden and sustained 400 basis point increase to a 400 basis point decrease in market interest rates. The assumptions and predictions include inputs to compute baseline net interest income, expected changes in rates on interest bearing deposit accounts and loans, competition and various other factors that are difficult to accurately predict. Â Changes In Interest Rate (basis points) Â June 30, 2024Result Â December 31, 2023Result Â ALCOGuidelines Â Net Interest Income Change Â Â Â Â Â Â Â +400 Â Â -8.5 % Â -6.2 % Â -12.5 % +300 Â Â -6.8 % Â -5.0 % Â -10.0 % +200 Â Â -4.6 % Â -3.4 % Â -7.5 % +100 Â Â -2.5 % Â -1.9 % Â -5.0 % -100 Â Â 2.1 % Â 1.4 % Â -5.0 % -200 Â Â 3.7 % Â 2.3 % Â -10.0 % -300 Â Â 5.1 % Â 3.1 % Â -15.0 % -400 Â Â 5.4 % Â 2.7 % Â -20.0 % Net Present Value Of Equity Change Â Â Â Â Â Â Â +400 Â Â -36.7 % Â -36.4 % Â -12.5 % +300 Â Â -27.2 % Â -26.8 % Â -10.0 % +200 Â Â -17.7 % Â -17.3 % Â -7.5 % +100 Â Â -8.9 % Â -8.7 % Â -5.0 % -100 Â Â 6.0 % Â 5.3 % Â -10.0 % -200 Â Â 8.6 % Â 7.2 % Â -15.0 % -300 Â Â 7.4 % Â 5.1 % Â -20.0 % -400 Â Â 7.0 % Â 3.5 % Â -25.0 % Â The yield curve has changed dramatically over the past two years. In an intense effort to diffuse inflation, the Federal Open Market Committee raised the discount rate 5.25% from March 2022 to July 2023, the fastest pace on record. The committee has held the discount rate at 5.5% for the past year. These movements have inverted the yield curve, whereby the two-year treasury yield exceeded the ten-year treasury yield by 35 basis points at June 30, 2024 and 35 basis points at year end 2023. With the entire curve highly elevated, asset valuation has declined substantially, as evidenced by the 16.3% 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 the Company has been modeling. The above table presents results in the up rate scenarios that exceed internal policy limits for the Economic Value of Equity (â€œEVEâ€). 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, 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 employing strategies to shrink the longer duration investment portfolio and replacing the balances with assets having a shorter duration, including loans, in an effort to close the gap between the book and market rates. Any growth in lending will be done in a measured manner given the uncertain economic backdrop that exists today. The Company recognizes the risk inherent in growing loans but feels that its historical record of prudent underwriting, its low loan to deposit ratio and its strong credit metrics provide the ability to pursue solid opportunities in the marketplace. In addition, any loan growth will be broad based encompassing consumer, indirect, 1-4 family, commercial and industrial and CRE so as not to increase risk in any one portfolio or sector. Â 55 Â 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 both June 30, 2024, and 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. Â 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. Â 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 Companyâ€™s Chief Executive Officer and Chief Financial Officer have concluded the Companyâ€™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 Companyâ€™s internal controls over financial reporting (as defined in Rule 13aâ€“15(f) under the Exchange Act) that occurred during the fiscal quarter ended June 30, 2024, that have materially affected, or are reasonably likely to materially affect, the Companyâ€™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 Companyâ€™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 Companyâ€™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. 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, â€œRisk Factors,â€ contained in the Companyâ€™s Annual Report on Form 10-K for the year ended December 31, 2023. 56 Â 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. Â Period Â Total Number ofShares Purchased Â Â Average PricePaid per Share Â Â Total Number ofShares Purchasedas Part of PubliclyAnnounced Program Â Â Maximum Numberof Shares that MayYet be PurchasedUnder the Program Â Beginning balance Â Â Â Â Â Â Â Â Â Â Â 497,047 Â April 1-30 Â Â 1,024 Â Â $ 12.07 Â Â Â 0 Â Â Â 497,047 Â May 1-31 Â Â 5,168 Â Â Â 12.72 Â Â Â 0 Â Â Â 497,047 Â June 1-30 Â Â 0 Â Â Â 0.00 Â Â Â 0 Â Â Â 497,047 Â Ending balance Â Â 6,192 Â Â Â 12.61 Â Â Â 0 Â Â Â 497,047 Â Â There was no treasury stock activity under the program during the three month period ended June 30, 2024. 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 June 30, 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 â€œnon-Rule 10b5-1 trading arrangement.â€ 57 Â Item 6. Exhibits The following exhibits are filed or incorporated by reference as part of this report: Â 3.1 Articles of Incorporation of Farmers National Banc Corp., as amended (incorporated by reference from Exhibit 4.1 to the Companyâ€™s Registration Statement on Form S-3 filed with the Commission on October 3, 2001). 3.2 Amendment to Articles of Incorporation of Farmers National Banc Corp., as amended (incorporated by reference from Exhibit 3.1 to the Companyâ€™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 Companyâ€™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 Companyâ€™s Current Report on Form 8-K filed with the Commission on April 17, 2020). Â Â 10.1** Farmers National Banc Corp. Third Amended and Restated Executive Separation Policy, as amended (filed herewith). Â Â 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 Companyâ€™s Quarterly Report on Form 10-Q for the quarter ended June 30, 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 Stockholdersâ€™ Equity, (v) the Consolidated Statements of Cash Flows; and (vi) Notes to Unaudited Consolidated Financial Statements. 104 The cover page from the Companyâ€™s Quarterly report on Form 10-Q for the quarter ended June 30, 2024, has been formatted in Inline XBRL. Â 58 Â 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. Â Dated: August 8, 2024 /s/ Kevin J. Helmick Kevin J. HelmickPresident and Chief Executive Officer Â Dated: August 8, 2024 /s/ A. Troy Adair A. Troy AdairSenior Executive Vice President, Chief Financial Officer and Secretary Â 59 EX-10.1 Â Exhibit 10.1 Â Â Farmers National Banc Corp. Third Amended and Restated Executive Separation Policy As amended: June 25, 2024 1.Purpose Farmers National Banc Corp. (the â€œCompanyâ€) seeks to attract and retain the most qualified and capable professionals to serve in key executive positions to maximize the value of the Company for the benefit of the Companyâ€™s stockholders. To achieve this goal, the Company originally established this Executive Separation Policy effective November 7, 2013 (the â€œOriginal Effective Dateâ€), adopted an Amended and Restated Executive Separation Policy effective June 23, 2015 (â€œFirst Amended Policyâ€), and adopted a Second Amended and Restated Executive Separation Policy effective June 1, 2017 (â€œSecond Amended Policyâ€), to provide such employees with certain types of financial security and sufficient incentives to accept and continue their executive employment. This Third Amended and Restated Executive Separation Policy (this â€œPolicyâ€) describes the separation pay and benefits that the Company will provide to Covered Executives (as defined below) if their employment with the Company terminates under certain circumstances. The Company also seeks through this Policy to ensure that the separation process is handled professionally and efficiently. 2.Application to Covered Employees a)This Policy applies to the positions of Chief Executive Officer and President, Chief Financial Officer, Chief Credit Officer, Chief Operating Officer, Chief Retail and Marketing Officer, Chief Wealth Management Officer, Chief Human Resource Officer, Chief Information Officer, Chief Risk Officer, and such other executive officers comprising the Companyâ€™s senior management team as may be designated annually by the Board of Directors (collectively, the â€œCovered Executivesâ€). b)The Compensation Committee of the Companyâ€™s Board of Directors (the â€œCompensation Committeeâ€) may, from time to time, designate other persons holding other executive positions who are not members of the Companyâ€™s Senior Management Committee as Covered Executives under this Policy and the level of severance pay and benefits that such persons shall receive under this Policy. 3.Termination of Employment The Company may terminate a Covered Executiveâ€™s employment with the Company, with or without Cause, and a Covered Executive may terminate his or her employment with the Company for or without Good Reason, subject, however, in each case, to the terms and conditions of any written employment agreement between the Covered Executive and the Company. Â Â Â Â A.Termination by Company for Cause or by Covered Executive Without Good Reason If the Company terminates a Covered Executiveâ€™s employment with the Company for Cause, or a Covered Executive terminates his or her employment with the Company without Good Reason, the Covered Executive will be entitled to: (1) all earned but unpaid compensation for time worked through the Termination Date, to be paid on the Payment Date; and (2) any rights and benefits (if any) provided under plans and programs of the Company, determined in accordance with the applicable terms and provisions of such plans and programs, including, without limitation, earned but unused vacation (the payments described in this Section 3.A are collectively referred to as the â€œAccrued Obligationsâ€). Other than payment of the Accrued Obligations, a Covered Executive whose employment with the Company terminates as described in this Section 3.A shall not be entitled to receive any other severance pay or benefits. Nothing in the foregoing is intended to limit a Covered Executiveâ€™s ability to continue participating in the Companyâ€™s group health, dental and vision plans for the applicable COBRA continuation period, provided that the Covered Executive properly elects COBRA continuation coverage and pays the applicable COBRA premiums. B.Termination by Company Without Cause or by Covered Executive for Good Reason If the Company terminates a Covered Executiveâ€™s employment with the Company without Cause, or a Covered Executive terminates his or her employment with the Company for Good Reason, the Company will, subject to the terms and conditions of this Policy, provide the severance pay and benefits set forth below to the Covered Executive based on the Covered Executiveâ€™s position on the date of termination. (1)If the Covered Executive is the Chief Executive Officer, the Covered Executive will receive the following severance pay and benefits: (a)the Accrued Obligations; (b)if the Covered Executive was employed by the Company on the Original Effective Date, a lump sum amount equal to 36 months of the Covered Executiveâ€™s then-current base salary (or, if greater, the base salary immediately prior to any reduction constituting Good Reason), to be paid on the Payment Date; if the Covered Executive was not employed by the Company on the Original Effective Date, a lump sum amount equal to 24 months of the Covered Executiveâ€™s then-current base salary (or, if greater, the base salary immediately prior to any reduction constituting Good Reason), to be paid on the Payment Date; (c)a pro rata incentive bonus in a lump sum amount determined by multiplying the annual incentive that the Covered Executive would have earned under the Companyâ€™s annual incentive plan for the year in which the termination occurred, assuming that performance had Â Â been attained at the â€œtargetâ€ level as based on a percentage of the Covered Executiveâ€™s then-current base salary (or, if greater, the base salary immediately prior to any reduction constituting Good Reason), by a fraction, the numerator of which is the number of days elapsed during the calendar year prior to the Termination Date and the denominator of which is 365, to be paid on the Payment Date; (d)a lump sum amount equal to the monthly COBRA premium payable by the Covered Executive to continue to receive health benefits at a level similar to which the Covered Executive and his or her spouse and dependents, if any, were participating immediately prior to the termination, in order to continue to receive such benefits during the applicable COBRA coverage period, multiplied by (i) 36 if the Covered Executive was employed by the Company on the Original Effective Date, or (ii) 24 if the Covered Executive was not employed by the Company on the Original Effective Date; and (e)a lump sum payment in an amount not to exceed $10,000 for reasonable outplacement services by a firm selected by the Company, for a period of such services lasting not longer than one (1) year after the Termination Date. (2)If the Covered Executive is the Chief Financial Officer, Chief Banking Officer, Chief Credit Officer, Chief Operating Officer, Chief Retail and Marketing Officer, Chief Wealth Management Officer, or Corporate Development Officer, the Covered Executive will receive the following severance pay and benefits: (a)the Accrued Obligations; (b)a lump sum amount equal to 18 months of the Covered Executiveâ€™s then-current base salary (or, if greater, the base salary immediately prior to any reduction constituting Good Reason), to be paid on the Payment Date; (c)a pro rata incentive bonus in a lump sum amount determined by multiplying the annual incentive that the Covered Executive would have earned under the Companyâ€™s annual incentive plan for the year in which the termination occurred, assuming that performance had been attained at the â€œtargetâ€ level as based on a percentage of the Covered Executiveâ€™s then-current base salary (or, if greater, the base salary immediately prior to any reduction constituting Good Reason), by a fraction, the numerator of which is the number of days elapsed during the calendar year prior to the Termination Date and the denominator of which is 365, to be paid on the Payment Date; (d)a lump sum amount equal to the monthly COBRA premium payable by the Covered Executive to continue to receive health benefits at a 2 Â level similar to which the Covered Executive and his or her spouse and dependents, if any, were participating immediately prior to the termination, in order to continue to receive such benefits during the applicable COBRA coverage period, multiplied by 18; and (e)a lump sum payment in an amount not to exceed $7,500 for reasonable outplacement services by a firm selected by the Company, for a period of such services lasting not longer than one (1) year after the Termination Date. (3)If the Covered Executive is not the Chief Executive Officer, Chief Financial Officer, Chief Banking Officer, Chief Credit Officer, Chief Wealth Management Officer, Chief Retail and Marketing Officer, or Corporate Development Officer, the Covered Executive will receive the following severance pay and benefits: (a)the Accrued Obligations; (b)a lump sum amount equal to 12 months of the Covered Executiveâ€™s then-current base salary (or, if greater, the base salary immediately prior to any reduction constituting Good Reason), to be paid on the Payment Date; (c)a pro rata incentive bonus in a lump sum amount determined by multiplying the annual incentive that the Covered Executive would have earned under the Companyâ€™s annual incentive plan for the year in which the termination occurred, assuming that performance had been attained at the â€œtargetâ€ level as based on a percentage of the Covered Executiveâ€™s then-current base salary (or, if greater, the base salary immediately prior to any reduction constituting Good Reason), by a fraction, the numerator of which is the number of days elapsed during the calendar year prior to the Termination Date and the denominator of which is 365, to be paid on the Payment Date; (d)a lump sum amount equal to the monthly COBRA premium payable by the Covered Executive to continue to receive health benefits at a level similar to which the Covered Executive and his or her spouse and dependents, if any, were participating immediately prior to the termination, in order to continue to receive such benefits during the applicable COBRA coverage period, multiplied by 12; and (e)a lump sum payment in an amount not to exceed $7,500 for reasonable outplacement services by a firm selected by the Company, for a period of such services lasting not longer than one (1) year after the Termination Date. 1.Eligibility For Separation Pay and Benefits 3 Â Except with respect to the Accrued Obligations, the Companyâ€™s obligations to provide any severance pay and benefits under this Policy are conditioned upon the following: A.The Covered Executiveâ€™s execution prior to the first date that any payment (other than the Accrued Obligations) is to begin, of a valid, enforceable, full and unconditional release reasonably acceptable to the Company, generally in the form attached as Exhibit A hereto, of all claims whether known or unknown that the Covered Executive may have against the Company, its officers, fiduciaries, directors, agents, and employees as of the Termination Date. B.The Covered Executive agrees to the following: (i)Non-Competition. For a period of 12 consecutive months after the Termination Date, the Covered Executive shall not, directly or indirectly, as owner, partner, joint venturer, stockholder (excluding the ownership of publicly-traded securities where such ownership does not exceed 1% of such securities outstanding), employee, officer, director, agent, principal, trustee or in any other business capacity whatsoever, engage in, become financially interested in, become employed by, render any consulting or business advice with respect to, or have any other connection with, any person or business entity engaged in the same business as the Company or an affiliate in any county where the Company or an affiliate maintains a branch or loan production office at the time of termination of the Covered Executiveâ€™s employment. (ii)Non-Solicitation of Customers. For a period equal to the lesser of (a) 24, or (b) the number of months of the Covered Executiveâ€™s base salary used as a multiplier in Section B(1)(b), B(2)(b), or B(3)(b) as applicable, consecutive months after the Termination Date, the Covered Executive shall not, directly or indirectly solicit Business from any customers, clients or business patrons of the Company or an affiliate who were customers, clients or business patrons of the Company or an affiliate at the time of termination of the Covered Executiveâ€™s employment. (iii)Non-Solicitation of Employees. For a period equal to the lesser of (a) 24, or (b) the number of months of the Covered Executiveâ€™s base salary used as a multiplier in Section B(1)(b), B(2)(b), or B(3)(b) as applicable, consecutive months after the Termination Date, the Covered Executive shall not, directly or indirectly employ or attempt to employ or solicit for employment any other individual who is employed by the Company or an affiliate at the time of termination of the Covered Executiveâ€™s employment. (iv)Confidential Information. The Covered Executive shall not directly or indirectly communicate or divulge any Confidential Information relating to the Company or an affiliate to any other person or business entity. All records, files, plans, documents and the like relating to the business of the Company or an affiliate, including but not limited to Confidential Information which the Executive has or will prepare, use or come into 4 Â contact with shall remain the sole property of the Company or an affiliate, shall not be copied without written permission, and shall be returned immediately to the Company or an affiliate upon the Covered Executiveâ€™s termination of employment with the Company or an affiliate, or at the request of the Company or an affiliate at any time. Further, the Executive shall not directly or indirectly use or disclose to any other person or business entity any secret or Confidential Information of the Company or an affiliate without the prior written consent of an officer of the Company or an affiliate. The Executive further agrees to take all reasonable precautions to protect against the negligent or inadvertent disclosure of the secret or Confidential Information of the Company or an affiliate to any other person or business entity. If the Executive improperly uses or discloses any secret or Confidential Information of the Company or an affiliate, the Executive understands that the Covered Executiveâ€™s employment will be subject to termination for Cause. The Executive also recognizes that all writings, illustrations, drawings and other similar materials that embody or otherwise contain Confidential Information which the Executive may produce or which may be given to the Executive in connection with the Executiveâ€™s employment, are the property of the Company or an affiliate and it shall be the Executiveâ€™s obligation to deliver the same to the Company or an affiliate upon request, and upon termination of the Covered Executiveâ€™s employment with the Company or an affiliate for any reason. (v)Intellectual Property Rights. The Covered Executive agrees and acknowledges that all Work Product shall be the sole, exclusive and absolute property of the Company or an affiliate. All such Work Product shall be deemed to be works for hire and the Executive assigns to the Company all rights, title and interest in, to and under such Work Product, including but not limited to, the right to obtain such patents, copyright registrations, trademark registrations or similar protections as the

Company or an affiliate may desire to obtain. The Executive shall immediately disclose all Work Product to the Company or an affiliate and agrees, at any time upon the Companyâ€™s or an affiliateâ€™s request and without additional compensation, to execute any documents and to otherwise cooperate with the Company or an affiliate respecting the perfection of its rights, title and interest in, to and under such Work Product, and in any litigation or other controversy in connection therewith, all reasonable expenses incident thereto to be borne by the Company or an affiliate. For purposes of this Policy, â€œWork Productâ€ means any procedure, design feature, schematic, invention, improvement, development, discovery, know how, concept, idea or the like (whether or not patentable or registrable under copyright or trademark laws, or otherwise protectable under similar laws) that the Executive may conceive of, suggest, make, invent, develop or implement during the course of the Executiveâ€™s employment with the Company or an affiliate (whether individually or jointly with any other person), relating in any way to the Business, and all physical embodiments and manifestations thereof, and all patent rights, copyrights, trademarks (or application therefore) and similar protections therein. 5 Â (vi)Non-disparagement. The Covered Executive agrees that he or she will not knowingly make any statement or take any action likely to disparage or have an adverse effect on the Companyâ€™s business reputation; provided, however, that such restriction will not prevent the Covered Executive from making any statement or taking any action that is required by law. (vii)In the event of a breach by the Covered Executive of any covenant set forth in this Section 4(B), the term of such covenant will be extended by the period of the duration of such breach and such covenant will survive any termination of this Agreement but only for the limited period of such extension. The restrictions provided in this Section 4(B) are in addition to any restrictions on competition or solicitation contained in any other agreement between the Company or an affiliate and the Executive. The provisions of this Section 4(B) constitute an essential element of this Agreement, without which the Company would not have entered into this Agreement. If the scope of any restriction contained in this Section 4(B) is too broad to permit enforcement of such restriction to its fullest extent, then such restriction will be enforced to the maximum extent permitted by law, and the Executive hereby consents and agrees that such scope may be judicially modified accordingly in any proceeding brought to enforce such restriction. (viii)Notwithstanding any other remedy available, the restrictions described in this Section 4(B) may be enforced by the Company, an affiliate and/or any successor thereto, by an action to recover payments made under this Agreement, an action for injunction, and/or an action for damages. In the event the Company or an affiliate obtains a permanent injunction against the Executive after notice and the opportunity to appear, the Executive shall be liable to pay all costs, including reasonable attorneysâ€™ fees, which the Company or an affiliate may incur in enforcing, to any extent, the provisions of this Agreement, whether or not litigation is actually commenced and including litigation of any appeal taken or defended by the Company or an affiliate in any action to enforce this Agreement and which affirms and/or results in a permanent injunction. Any proceedings brought to enforce Section 5 of this Agreement shall be brought in the courts of Mahoning County, Ohio and the Executive expressly waives any objection or defense relating to jurisdiction or forum non-conveniens or similar doctrine or theory. The Executive acknowledges and agrees that the remedy at law for any breach of this Section 5 shall be inadequate, and that the Company or an affiliate shall be entitled to injunctive relief without bond. Such injunctive relief shall not be exclusive, but shall be in addition to any other rights or remedies which the Company or an affiliate may have for any such breach. In addition to the injunctive remedies described herein, the Executive acknowledges and agrees that in the event of a final judicial determination against the Executive with respect to an actual or threatened breach by the Executive of this Section 5, the Company shall be entitled to withhold any remaining amounts payments payable under Section 3 of this Agreement. 6 Â C.After the Termination Date, the Covered Executive agrees to provide reasonable assistance and cooperation with the Company concerning business or legal related matters about which the Covered Executive possesses relevant knowledge or information. Such cooperation will be provided only at the Companyâ€™s specific request and will include, but not be limited to, assisting or advising the Company with respect to any business-related matters or any actual or threatened legal action (including testifying in depositions, hearings, and/or trials). The Covered Executive will be reimbursed for the reasonable costs of providing assistance and cooperation, including, without limitation, reasonable travel and lodging expenses. D.The Companyâ€™s obligation to provide separation pay and benefits under this Policy will cease immediately if the Company determines that Covered Executive failed to comply with any of the foregoing conditions, and the Covered Executive will be required to return to the Company (with ten (10) days after request by the Company) any amounts the Company has paid to the Covered Executive under this Policy other than the Accrued Obligations. 2.Section 409A This Policy is intended to comply with the requirements of Section 409A of the U.S. Internal Revenue Code of 1986, as amended (the â€œCodeâ€), or an exemption or exclusion therefrom, and, with respect to amounts that are subject to Section 409A of the Code, shall in all respects be administered in accordance with Section 409A of the Code. Each payment under this Policy shall be treated as a separate payment for purposes of Section 409A of the Code. In no event may the Covered Executive, directly or indirectly, designate the calendar year of any payment to be made under this Policy. If the Covered Executive dies following the Termination Date and prior to the payment of the any amounts delayed on account of Section 409A of the Code, such amounts shall be paid to the personal representative of the Covered Executiveâ€™s estate within 30 days after the date of the Covered Executiveâ€™s death. All reimbursements and in-kind benefits provided under this Policy that constitute deferred compensation within the meaning of Section 409A of the Code shall be made or provided in accordance with the requirements of Section 409A of the Code, including, without limitation, that (i) in no event shall reimbursements by the Company under this Policy be made later than the end of the calendar year next following the calendar year in which the applicable fees and expenses were incurred, provided, that the Covered Executive shall have submitted an invoice for such fees and expenses at least ten (10) days before the end of the calendar year next following the calendar year in which such fees and expenses were incurred; (ii) the amount of in-kind benefits that the Company is obligated to pay or provide in any given calendar year shall not affect the in-kind benefits that the Company is obligated to pay or provide in any other calendar year; (iii) the Covered Executiveâ€™s right to have the Company pay or provide such reimbursements and in-kind benefits may not be liquidated or exchanged for any other benefit; and (iv) in no event shall the Companyâ€™s obligations to make such reimbursements or to provide such in-kind benefits apply later than the periods described in this Policy. Within the time period permitted by the applicable Treasury Regulations, the Company may modify this Policy, in the least restrictive manner necessary and without any diminution in the value of the payments to the Covered Executive, in order to cause the provisions of this Policy to comply with the requirements of Section 409A of 7 Â the Code, so as to avoid the imposition of taxes and penalties on the Covered Executive pursuant to Section 409A of the Code. Notwithstanding anything in this Policy to the contrary, in the event that a Covered Executive is a â€œspecified employeeâ€ (as defined in Section 409A of the Code) of the Company, as determined pursuant to the Companyâ€™s policy for identifying specified employees, on the date of the Covered Executiveâ€™s termination of employment and the Covered Executive is entitled to a payment and/or a benefit under this Policy that is required to be delayed pursuant to Section 409A(a)(2)(B)(i) of the Code, then such payment or benefit, as applicable, shall not be paid or provided (or begin to be paid or provided) until the first day of the seventh month following the date of the Covered Executiveâ€™s termination of employment (or, if earlier, the date of the Covered Executiveâ€™s death). The first payment that can be made to the Covered Executive following such period shall include the cumulative amount of any payments or benefits that could not be paid or provided during such period due to the application of Section 409A(a)(2)(B)(i) of the Code. 3.Employment at Will Nothing in this Policy is to be construed such that a Covered Executiveâ€™s employment with the Company is anything other than employment â€œat willâ€. 4.ERISA Provisions This Policy is intended to be a plan whose participation is limited to a â€œselect group of management or highly compensated employeesâ€ within the meaning of Sections 4(b)(5), 201(2), 301(a)(3) and 401(a) of the Employee Retirement Income Security Act of 1974, as amended (â€œERISAâ€). The claims procedure set forth in U.S. Department of Labor Regulation Section 2560.503-1 are incorporated by reference into this Policy. 5.Governing Law The rights and obligations of the Covered Executives and the Company under this Policy will be governed and interpreted in accordance with the internal laws of the State of Ohio without regard to choice of law principles and to the extent not preempted by ERISA. 8 Â 6.Integration This Policy supersedes and replaces the terms of any employment agreement, offer letter, or other agreement with the Company, including any agreement in respect of confidentiality, that governs the terms and conditions applicable to the Covered Executiveâ€™s separation from the Company and is in effect immediately prior to the Covered Executiveâ€™s termination of employment (â€œAlternative Agreementâ€) with respect to the payment of severance or benefits, to the extent that the Alternative Agreement provides for the payment of severance or benefits in an amount less than are payable under this Policy. To the extent that a Covered Executive is entitled to payment of severance or benefits under an Alternative Agreement in an amount greater than are payable under this Policy, the amount of severance or benefits shall be determined under the Alternative Agreement and the Covered Executive shall not be entitled to any payments of severance or benefits under this Policy. For purposes of clarity, if a Covered Executive is or becomes a party to the Companyâ€™s Change in Control Agreement dated effective as of November 7, 2013 (or any successor form of agreement in respect of a change in control, collectively, a â€œChange in Control Agreementâ€) and is terminated under circumstances that would entitle the Covered Executive to payments and benefits under the Change in Control Agreement, the terms of the Change in Control Agreement, and not this Policy, will apply and the Covered Executive will not be eligible for the payment of severance or benefits under this Policy. 7.Reservation of Rights This Policy may be modified from time to time, or terminated in its entirety, in the sole discretion of the Compensation Committee. Any modifications made by the Compensation Committee for any Covered Executive will apply to all Covered Executives for purposes of this Policy (except to the extent expressly stated otherwise). Any modifications to, or the termination of, this Policy will not affect the rights of Covered Executives whose Termination Date preceded such modification or termination. The Compensation Committee will have discretion to construe and interpret this Policy and its decisions will be final and binding on the Company, the Covered Executive and all other interested persons. 8.Tax Withholding All payments to a Covered Executive under this Policy will be reduced by any required withholdings of applicable federal, state, local and foreign taxes. 9.Assignment The Covered Executiveâ€™s rights and obligations under this Policy may not be assigned or transferred. The Company may not assign or transfer its obligations under this Agreement except in the event the Company is merged or consolidated into, or with, any other company, or if substantially all of the assets of the Company are transferred to another company. 10.Remedies for Breach Each party will bear its own costs to resolve any dispute arising under this Policy; provided, however, that in the event that a Covered Executive is determined to be the prevailing party in 9 Â such dispute pursuant to a final non-appealable order or in a binding arbitration, the Company will reimburse the Covered Executive for the reasonable costs incurred to enforce this Policy, including, without limitation, reasonable attorneysâ€™ fees. 11.Definitions A.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 Covered Executive to substantially perform his or her duties with the Company and, after written notification by the Company to the Covered Executive, the continued failure of the Covered Executive to substantially perform such duties; (2) the willful or negligent engagement by the Covered Executive in conduct which is demonstrably and materially injurious to the Company, financially or otherwise; (3) action or inaction by the Covered Executive that constitutes a breach of a 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 Covered Executiveâ€™s material breach of any agreement in respect of confidentiality with the Company, whether or not entered into after the Effective Date. B.Disability means a Covered Executiveâ€™s having become unable (as determined by the Compensation Committee in good faith) to perform regularly his or her duties with the Company by reason of illness or incapacity. C.Good Reason means the occurrence of any of the following: (1) a reduction in a Covered Executiveâ€™s annual base salary rate, unless such reduction generally applies to other Covered Executives regardless of the reason(s) therefor; (2) a substantial diminution in a Covered Executiveâ€™s duties, authorities or responsibilities; or (3) the relocation of a Covered Executiveâ€™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 a Covered Executive provides the Company, in care of the Companyâ€™s Chief Executive Officer (or, if involving the Companyâ€™s Chief Executive Officer, in care of the Chair of the Board of Directors) at the Companyâ€™s then-current corporate headquarters, 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 the Covered Executiveâ€™s knowledge thereof, unless the Covered Executive has given the Company written notice of such condition and of the Covered Executiveâ€™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 Companyâ€™s Board of Directors. D.Payment Date means, with respect to payment of any severance pay and/or benefits (except for any applicable medical, dental and/or vision benefits) relating to a Covered Executiveâ€™s termination of employment under this Policy, a date selected by the Company that is within thirty (30) days following the Termination Date except in respect of the payments provided for in 3B(1)(d) and 3B(2)(d) above; provided, however, that the Payment Date shall be such date 10 Â as avoids a violation of applicable law, including but not limited to, Section 409A of the Code. The Payment Date may, at the sole discretion of the Company, be different dates for different pay and/or benefits due under this Policy, as long as such dates comply with the requirements of applicable law. E.Termination Date means the date on which a Covered Executiveâ€™s experiences a â€œseparation from serviceâ€ within the meaning of Section 409A of the Code from the Company. F.Without Cause means a termination of a Covered Executiveâ€™s employment (1) by the Company other than for Cause or (2) because of the Covered Executiveâ€™s Disability, but only to the extent that the Covered Executive is not receiving long-term disability benefits under the Companyâ€™s long-term disability plan (or is eligible, but declined to receive, such long-term disability benefits). Â 11 Â EXHIBIT A Form of Release Â GENERAL RELEASE Â This General Release (the â€œAgreementâ€) is made and entered into as of ______, 20___, by and between Farmers National Banc Corp. (the â€œCompanyâ€), and _________________ (the â€œExecutiveâ€) (collectively, the â€œPartiesâ€). Â Article I.RELEASES, WAIVERS AND REVOCATION RIGHTS 1.01Release. In consideration of receipt of the payments and benefits pursuant to the Companyâ€™s Executive Separation Policy, as it may have been amended from time to time (â€œSeparation Policyâ€), the Executive does hereby fully and forever surrender, release, acquit and discharge the Company, and its principals, stockholders, directors, officers, agents, administrators, insurers, subsidiaries, affiliates, employees, successors, assigns, related entities, and legal representatives, personally and in their representative capacities, and each of them (collectively, â€œReleased Partiesâ€), of and from any and all claims for costs of attorneysâ€™ fees, expenses, compensation, and all losses, demands and damage of whatsoever nature or kind in law or in equity, whether known or unknown, including without limitation those claims arising out of, under, or by reason of the Executiveâ€™s employment with the Company or any affiliate thereof, the Executiveâ€™s relationship with the Company or any affiliate and/or the termination of the Executiveâ€™s employment relationship and any and all claims which were or could have been asserted in any charge, complaint, or related lawsuit. Without limiting the generality of the foregoing, the Executive specifically releases and discharges, but not by way of limitation, any obligation, claim, demand or cause of action based on, or arising out of, any alleged wrongful termination, breach of employment contract, breach of implied covenants of good faith and fair dealing, defamation, fraud, promissory estoppel, intentional or negligent infliction of emotional distress, discrimination based on age, pain and suffering, personal injury, punitive damages, and any and all claims arising from any alleged violation by the Released Parties of any federal, state, or local statutes, ordinances or common laws, including but not limited to the Ohio Civil Rights Act, including all provisions of the Ohio Revised Code concerning discrimination on the basis of age, the Age Discrimination in Employment Act of 1967 (â€œADEAâ€), Title VII of the Civil Rights Act of 1964, the Americans With Disabilities Act (â€œADAâ€ and â€œADAAâ€) or the Employee Retirement Income Security Act of 1974. This release of rights is knowing and voluntary. The Company acknowledges that the Executive does not release herein any rights or claims which may arise after the Effective Date of this Agreement (as defined in Section 1.03 of this Agreement) nor any rights the Executive has under the CIC Agreement, any rights the Executive may have regarding the enforcement of the CIC Agreement, the Executiveâ€™s rights under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, or the Executiveâ€™s rights to indemnification. 1.02Waiver of Right to Sue. Except with regard to the Companyâ€™s commitments contained in the Separation Policy, the Executive further agrees, promises and covenants that neither the Executive, nor any person, organization, or any other entity acting on the Executiveâ€™s behalf will file, charge, claim, sue or cause or permit to be filed, charged or claimed, any action for damages or other relief (including injunctive, declaratory, monetary relief or other) against the Company, 12 Â involving any matter occurring in the past up to the Effective Date of this Agreement or involving any continuing effects of actions or practices which arose prior to the Effective Date of this Agreement or the termination of the Executiveâ€™s employment. 1.03Older Workersâ€™ Benefit Protection Act Waiver. The Executive has certain individual federal rights, which must be explicitly waived. Specifically, the Executive is protected by the ADEA from discrimination in employment because of the Executiveâ€™s age. By executing this Agreement, the Executive waives these rights as to any past or current claims. Notwithstanding anything else in this Agreement, excluded from this Agreement are ADEA age claims that may arise after execution of this Agreement. In connection with the releases in Section 1.01 and waivers in Section 1.02 of any and all claims or disputes that the Executive has or may have on the date hereof, the Executive makes the following acknowledgements: [1]By signing this Agreement, the Executive waives all claims against the Released Parties for discrimination based on age, including without limitation, any claim which arises under or by reason of a violation of the ADEA. [2]In consideration of the releases, waivers and covenants made by the Executive under this Agreement, the Executive will be receiving the applicable payments and other benefits in the amounts and manner described in Section 3B of the Separation Policy. [3]The Executive represents and acknowledges that the Executive has consulted with an attorney prior to executing this Agreement and the Executive has been given a period of at least twenty-one (21) days within which to consider whether or not to enter into this Agreement. [4]The Executive understands that this Agreement shall be effective as of the date on which the Executive signs the Agreement (â€œEffective Dateâ€), provided that the Agreement is not revoked by the Executive within seven days after the Executive signs the Agreement. For a period of seven days after the Executive signs the Agreement, the Executive has the right to revoke and/or cancel this Agreement by the delivery of notice in writing of revocation and/or cancellation to the Company. In the event that the Executive does not revoke and/or cancel this Agreement during this period, this Agreement shall become effective on the Effective Date. In the event that the Executive revokes this Agreement, the Executive shall not be entitled to any of the consideration set out in Section 3B of the Separation Policy. Article II. MISCELLANEOUS 2.01Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original, but all of which together will constitute one and the same Agreement. Facsimile signatures will have the same legal effect as original signatures. 2.02Applicable Law. To the extent not preempted by federal law, the provisions of this Agreement will be construed and enforced in accordance with the laws of the state of Ohio. 2.03Headings. The descriptive headings in this Agreement are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement. 13 Â IN WITNESS WHEREOF, the Parties have executed this Agreement, as of _______, 20____. Â FARMERS NATIONAL BANC CORP. By:Title: Date signed: Â THE EXECUTIVE Â Â SignatureÂ Print Name Date signed: Â Â 14 EX-31.1 Â 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 registrantâ€™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 registrantâ€™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 registrantâ€™s internal control over financial reporting that occurred during the registrantâ€™s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrantâ€™s internal control over financial reporting; and 5) The registrantâ€™s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrantâ€™s auditors and the audit committee of the registrantâ€™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 registrantâ€™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 registrantâ€™s internal control over financial reporting. /s/ Kevin J. Helmick Kevin J. Helmick Chief Executive Officer August 8, 2024 Â Â EX-31.2 Â Exhibit 31.2 CERTIFICATIONS Certification 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 registrantâ€™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 registrantâ€™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 registrantâ€™s internal control over financial reporting that occurred during the registrantâ€™s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrantâ€™s internal control over financial reporting; and 5) The registrantâ€™s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrantâ€™s auditors and the audit committee of the registrantâ€™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 registrantâ€™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 registrantâ€™s internal control over financial reporting. /s/ A. Troy Adair A. Troy Adair Chief Financial Officer August 8, 2024 Â EX-32.1 Â 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 â€œCorporationâ€) on Form 10-Q for the period ended June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the â€œReportâ€), 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 August 8, 2024 Â EX-32.2 Â Exhibit 32.2 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 â€œCorporationâ€) on Form 10-Q for the period ended June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the â€œReportâ€), 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 August 8, 2024 Â