

F&M BANCORP

Established 1983

Our Wholly Owned Subsidiary

FARMERS & MERCHANTS BANK

Established 1923



DIXON, DAVIS, BAGENT & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

The Audit Committee of the Board of Directors
F&M Bancorp, Inc. and Subsidiaries
Miamisburg, Ohio

Opinion

We have audited the accompanying financial statements of F&M Bancorp, Inc. and Subsidiaries, which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of F&M Bancorp, Inc. and Subsidiaries as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about F&M Bancorp, Inc. and Subsidiaries' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Dixon, Davis, Bagent & Co.

Dixon, Davis, Bagent & Company

Granville, Ohio
February 17, 2026

F&M BANCORP, INC. AND SUBSIDIARIES
MIAMISBURG, OHIO
CONSOLIDATED BALANCE SHEET

	<i>December 31,</i>	
	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and due from banks	\$ 2,160,307	\$ 2,226,241
Federal funds sold	9,231,000	35,000
Cash and cash equivalents	11,391,307	2,261,241
Time deposits	100,000	100,000
Securities available for sale	48,738,488	50,142,930
Restricted stock	1,007,525	1,239,225
Loans, net of allowance for credit losses of \$4,394,021 and \$3,905,836 for 2025 and 2024, respectively	282,561,548	258,751,165
Accrued interest receivable	1,645,443	1,572,828
Property and equipment, net	3,631,589	3,712,503
Bank-owned life insurance	4,116,896	4,007,736
Deferred income taxes	1,704,051	2,259,743
Other assets	308,353	366,613
Total assets	<u>\$355,205,200</u>	<u>\$324,413,984</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Deposits	\$302,658,328	\$277,311,635
Borrowed funds	12,300,000	14,000,000
Accrued interest payable	340,544	341,747
Other liabilities	917,635	1,212,771
Total liabilities	<u>316,216,507</u>	<u>292,866,153</u>
SHAREHOLDERS' EQUITY		
Common stock, no par value; 5,000,000 shares authorized 338,473 And 335,853 shares issued and outstanding at stated value	500	500
Additional paid-in capital	4,725,793	4,223,529
Retained earnings	37,193,423	32,396,004
Treasury stock, 3,725 and 4,125 shares, at cost, for 2025 and 2024, respectively	(47,462)	(98,182)
Accumulated other comprehensive income (loss)	(2,883,561)	(4,974,020)
Total shareholders' equity	<u>38,988,693</u>	<u>31,547,831</u>
Total liabilities and shareholders' equity	<u>\$355,205,200</u>	<u>\$324,413,984</u>

F&M BANCORP, INC. AND SUBSIDIARIES
MIAMISBURG, OHIO
CONSOLIDATED STATEMENT OF INCOME

	<i>Year Ended December 31,</i>	
	<u>2025</u>	<u>2024</u>
INTEREST INCOME		
Loans	\$18,816,043	\$16,181,219
Investment securities		
Taxable	1,274,013	1,334,897
Nontaxable	<u>408,526</u>	<u>416,385</u>
	20,498,582	17,932,501
Interest on federal funds sold	141,169	123,105
Interest on deposits with banks	<u>11,708</u>	<u>11,699</u>
Total interest income	<u>20,651,459</u>	<u>18,067,305</u>
 INTEREST EXPENSE		
Interest on deposits and borrowed funds	<u>6,218,546</u>	<u>5,564,174</u>
 Net interest income	14,432,913	12,503,131
 PROVISION FOR CREDIT LOSSES	<u>600,000</u>	<u>539,159</u>
 Net interest income after provision for credit losses	<u>13,832,913</u>	<u>11,963,972</u>
 OTHER INCOME (EXPENSE)		
Service charges on deposit accounts	433,197	322,117
Other service charges and fees	812,365	768,608
Life insurance income	109,159	106,935
Loss on sale of securities	(453,253)	(421,140)
Other income	<u>156,642</u>	<u>126,671</u>
	<u>1,058,110</u>	<u>903,191</u>
 OTHER EXPENSES		
Salaries and employee benefits	4,116,530	3,909,086
Occupancy expense	473,059	447,239
Equipment and data processing	1,167,022	886,840
Outside services	192,225	165,793
Supplies, postage and communication	314,356	276,171
Taxes	253,950	217,378
FDIC insurance expense	151,101	138,626
Other operating expense	<u>1,333,513</u>	<u>1,302,150</u>
	<u>8,001,756</u>	<u>7,343,283</u>
 INCOME BEFORE FEDERAL INCOME TAX	6,889,267	5,523,880
 Federal income tax expense	<u>1,341,302</u>	<u>1,080,802</u>
 NET INCOME	<u>\$ 5,547,965</u>	<u>\$ 4,443,078</u>
 NET INCOME APPLICABLE TO COMMON STOCK		
Earnings per average shares outstanding	<u>\$ 16.66</u>	<u>\$ 13.51</u>

F&M BANCORP, INC. AND SUBSIDIARIES
MIAMISBURG, OHIO
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	<i>Years ended December 31,</i>	<i>December 31,</i>
	<i>2025</i>	<i>2024</i>
Net income	\$ 5,547,965	\$ 4,443,078
Other comprehensive income net of tax:		
Unrealized net holding gain (loss) on securities available-for-sale, net of income taxes of \$(650,878) and (166,682) for the years ended December 31, 2025 and 2024, respectively	2,543,712	712,751
Reclassification adjustment for gains (losses) realized, net of income taxes of \$95,183 and \$88,439 for the years ended December 31, 2025 and 2024, respectively	(453,253)	(421,140)
Other comprehensive income (loss)	2,090,459	291,611
Comprehensive income (loss)	\$ 7,638,424	\$ 4,734,689

F&M BANCORP, INC. AND SUBSIDIARIES
MIAMISBURG, OHIO
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2025 and 2024

	<i><u>Common Stock</u></i>	<i><u>Additional Paid-In Capital</u></i>	<i><u>Retained Earnings</u></i>	<i><u>Treasury Stock</u></i>	<i><u>Accumulated Other Comprehensive Income (Loss)</u></i>	<i><u>Total</u></i>
BALANCES, JANUARY 1, 2024	\$ 500	\$ 3,803,500	\$28,611,680	\$ (114,395)	\$ (5,265,631)	\$ 27,035,654
Comprehensive income:						
Net income			4,443,078			4,443,078
Other comprehensive income, net of tax:						
Unrealized gains (losses) on securities					291,611	<u>291,611</u>
Total comprehensive income (loss)						<u>4,734,689</u>
Purchase of treasury stock (292 shares)				(32,641)		(32,641)
Sale of treasury stock (425 shares)				48,854		48,854
Issuance of common stock DRIP (3,726 shares)		420,029				420,029
Cash dividends paid, \$2.00 per share	<u> </u>	<u> </u>	<u>(658,754)</u>	<u> </u>	<u> </u>	<u>(658,754)</u>
BALANCES, DECEMBER 31, 2024	500	4,223,529	32,396,004	(98,182)	(4,974,020)	31,547,831
Comprehensive income:						
Net income			5,547,965			5,547,965
Other comprehensive income, net of tax:						
Unrealized gains (losses) on securities					2,090,459	<u>2,090,459</u>
Total comprehensive income (loss)						<u>7,638,424</u>
Purchase of treasury stock (690 shares)				(81,970)		(81,970)
Sale of treasury stock (1,090 shares)				132,690		132,690
Issuance of common stock DRIP (4,107 shares)		502,264				502,264
Cash dividends paid, \$2.25 per share	<u> </u>	<u> </u>	<u>(750,546)</u>	<u> </u>	<u> </u>	<u>(750,546)</u>
BALANCES, DECEMBER 31, 2025	<u>\$ 500</u>	<u>\$ 4,725,793</u>	<u>\$37,193,423</u>	<u>\$ (47,462)</u>	<u>\$ (2,883,561)</u>	<u>\$ 38,988,693</u>

F&M BANCORP, INC. AND SUBSIDIARIES
MIAMISBURG, OHIO
CONSOLIDATED STATEMENT OF CASH FLOWS

	<i>Year Ended December 31,</i>	
	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 5,547,965	\$ 4,443,078
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization, net	722,237	617,532
Depreciation	200,279	211,012
Provision for loan losses	600,000	539,159
Deferred tax (benefit)	313,240	(225,078)
Loss on sale of securities available for sale	454,861	421,140
Change in value of bank-owned life insurance	(109,160)	(106,935)
Change in cash arising from increase and decrease in assets and liabilities:		
Accrued interest receivable and other assets	(14,355)	(139,302)
Accrued interest payable and other liabilities	(296,329)	188,298
	<u>7,418,738</u>	<u>5,948,904</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of securities available for sale	(8,069,803)	(5,091,317)
Maturities or call of securities available for sale	2,024,218	3,708,182
Sales of securities available for sale	8,605,842	6,933,263
Redemption of FHLB stock	231,700	-
Net decrease (increase) in loans	(24,410,383)	(39,113,213)
Purchase of property and equipment	(119,366)	(93,455)
Net cash provided by (used in) investing activities	<u>(21,737,792)</u>	<u>(33,656,540)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (decrease) increase in deposits	25,346,692	29,580,864
Proceeds from FHLB advances	-	4,000,000
Payments on FHLB advances	(1,700,000)	(7,000,000)
Purchase of treasury stock	(81,970)	(32,641)
Proceeds from sale of treasury stock	132,690	48,854
Issuance of stock for DRIP	502,264	420,029
Cash dividends paid	(750,556)	(658,754)
	<u>23,449,120</u>	<u>26,358,352</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	9,130,066	(1,349,284)
Cash and cash equivalents, beginning of year	<u>2,261,241</u>	<u>3,610,525</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 11,391,307</u>	<u>\$ 2,261,241</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	\$ 6,219,749	\$ 5,491,399
Income taxes, net	1,592,000	1,294,853

F&M BANCORP, INC. AND SUBSIDIARIES
MIAMISBURG, OHIO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

F&M Bancorp, Inc. (the Company) is a financial holding company. The Company's wholly owned subsidiaries are the Farmers & Merchants Bank of Miamisburg, Ohio, (the Bank) and F&M Insurance, LLC. The Farmers & Merchants Bank operates as an independent state-chartered bank. Its deposits are insured by the Federal Deposit Insurance Corporation (FDIC). The Bank is subject to regulation by the Ohio Department of Commerce – Division of Financial Institutions and the FDIC. F&M Insurance, LLC is an entity that participates in the selling of insurance products. The Company is regulated by the Federal Reserve Bank. The areas served by the Bank consists primarily of southern Montgomery County, and parts of Warren and Greene Counties in Ohio.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

The determination of the adequacy of the allowance for loan losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. In connection with the determination of the estimated losses on loans, management obtains independent appraisals for significant collateral.

The Bank's loans are generally secured by specific items of collateral including real property, consumer assets, and business assets. Although the Bank has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on local economic conditions in the agricultural industry.

While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans. Such agencies may require the Bank to recognize additional losses based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the estimated losses on loans may change materially in the near term. However, the amount of change that is reasonably possible cannot be estimated.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary. Significant intercompany accounts and transactions have been eliminated in consolidation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations of Credit Risk

All of the Bank's loans and commitments to extend credit have been granted to customers in the Bank's market area. The Bank generally, as a matter of policy, does not extend credit to any single borrower or group of related borrowers in excess of fifteen percent of shareholders' equity. The Bank does not have any significant concentrations to any one industry or customer. The Bank's loans are generally collateralized by specific items including real property, consumer assets, and business assets. Although the Bank has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on local economic conditions.

Other financial instruments which subject the Bank to concentrations of credit risk include due from banks, federal funds sold, investment securities, and life insurance policies. To limit this risk, the Bank's investment policy limits investing activities to high credit quality financial institutions and sets diversification practices.

Cash Equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash on hand, due from banks, including interest-bearing deposits, and federal funds sold. The Bank is required to maintain reserve funds in cash or on deposit with the Federal Reserve Bank.

Investment Securities

Debt securities classified as held-to-maturity (HTM) are those debt securities the Bank has both the intent and ability to hold to maturity regardless of changes in market conditions, liquidity needs, or changes in general economic conditions. These securities are carried at cost, adjusted for amortization of premium and accretion of discount, computed using the interest method, over their contractual lives. With the adoption of ASU 2016-13, expected credit losses on HTM securities are measured on a collective basis by major security type, when similar risk characteristics exist. Risk characteristics for segmenting HTM debt securities include issuer, maturity, coupon rate, yield, payment frequency, source of repayment, bond payment structure, and embedded options. Upon assignment of the risk characteristics to the major security types, management may further evaluate the qualitative factors associated with these securities to determine the expectation of credit losses, if any. Impairments below cost in the estimated fair value of individual HTM debt securities that are attributable to credit losses are recorded through an allowance for HTM credit losses. Such losses are limited to the amount that amortized cost exceeds fair value, even if the amount of the credit loss is greater. Impairment below cost attributable to other factors are realized in noninterest income in the statements of income.

Debt securities classified as available-for-sale (AFS) are those debt securities that the Bank intends to hold for an indefinite period of time but not necessarily to maturity. Any decision to sell a security classified as AFS would be based on various factors, including significant movement in interest rates, changes in the maturity mix of the Bank's assets and liabilities, liquidity needs, regulatory capital considerations, and other similar factors. These securities are carried at estimated fair value based on information provided by a third party pricing service with any unrealized gains or losses excluded from net income and reported in accumulated other comprehensive income (loss), which is reported as a separate component of shareholders' equity, net of the related deferred tax effect. Management assesses the financial condition and near-term prospects of the issuer, industry and/or geographic conditions, credit ratings as well as other indicators at the individual security level. Impairments below cost in the estimated fair value of individual AFS debt securities when there is an intent to sell or for which it more

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

likely than not the Bank will be required to sell before the impairment is recovered, are realized in noninterest income in the statements of income. When there is not an intent to sell or it is more likely than not the Bank will not be required to sell the security before the impairment is recovered, management assesses whether the decline in fair value has resulted from credit losses or other factors. If the present value of discounted cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for AFS credit losses is recorded. Such losses are limited to the amount that amortized cost exceeds fair value, even if the amount of the credit loss is greater. Any future changes in the allowance for credit losses is recorded as provision for (reversal of) credit losses. Losses attributable to other factors are charged to accumulated other comprehensive income.

Gains and losses realized on sales of investment debt securities, determined using the adjusted cost basis of the specific securities sold, are included in noninterest income in the statements of income.

Dividend and interest income, including amortization of premium and accretion of discount arising at acquisition, from all categories of investment securities are included in interest income in the statement of income.

Restricted stock is stock from the Federal Home Loan Bank of Cincinnati (“FHLB”) and the United Bankers Bank, which are restricted as to their marketability. Because no ready market exists for these investments and they have no quoted market value, the Bank’s investment in these stocks are carried at cost. A determination as to whether there has been an impairment of a restricted stock investment is performed on a quarterly basis and includes a review of the current financial condition of the issuer.

Loans and Allowance for Credit Losses

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are carried at amortized cost, which consists of the amount of unpaid principal, adjusted for deferred loan fees and origination costs. Interest on loans is accrued based on the principal amounts outstanding. Nonrefundable loan fees and related direct costs are deferred and the net amount is amortized to income as a yield adjustment over the life of the loan using the interest method. When principal or interest is delinquent for ninety days or more, the Bank evaluates the loan for nonaccrual status.

After a loan is placed on nonaccrual status, all interest previously accrued but not collected is reversed against current period interest income. Subsequent collections of interest payments on nonaccrual loans are recognized as interest income unless ultimate collectability of the loan is in doubt. Cash collections on loans where ultimate collectability remains in doubt are applied as reductions of the loan principal balance and no interest income is recognized until the principal balance has been collected.

With the adoption of ASU 2016-13 on January 1, 2023 an allowance for credit losses is established upon origination for all loans through a provision for credit losses charged to earnings. ASU 2016-13 replaced the previous probable incurred loss model, which incorporated only known information as of the balance sheet date. The expected credit loss model is based on management’s best estimate of lifetime expected credit losses inherent in the Bank’s relevant financial assets. There are two components of the allowance for credit losses: reserves on pooled loans sharing risk characteristics (portfolio segments) and individually evaluated loans that do not fit within a portfolio segment. For loans, expected credit losses are typically estimated using quantitative methods that consider a variety of factors such as historical loss experience, the current credit quality of the portfolio as well as supportable forecasts of the economic outlook over the life of the loan. When management determines that foreclosure is probably, expected

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

credit losses are accrued based on the differences between the loan balance and 1) the value of collateral, if such loans are considered to be collateral dependent and in the process of collection, 2) the present value of future cash flows, or 3) the loan's value as observable in the secondary market. Adjustments are made for selling costs, as appropriate. When management believes the loan is not collectible, the loan is charged off against the allowance. Subsequent recoveries, if any, are credited to the allowance.

Allowance factors and overall size of the allowance may change from period to period based on management's assessment and the relative weights given to each factor. In addition, various regulatory agencies periodically review the allowance for credit losses. These agencies may require the Bank to make additions to the allowance for credit losses based on their judgments of collectability supported by information available to them at the time of their examination.

Loan Charge-Offs

The Bank's charge-off policy states after all collection efforts have been exhausted and the loan is deemed to be a loss, it will be charged to the Bank's established allowance for credit losses. Consumer loans subject to the Uniform Retail Credit Classification are charged-off as follows: (a) closed end loans are charged-off no later than 120 days after become delinquent, (b) consumer loans to borrowers who subsequently declare bankruptcy, where the Bank is an unsecured creditor, are charged-off within 60 days of receipt of the notification from the bankruptcy court (c) fraudulent loans are charged-off within 90 days of discovery and (d) death of a borrower will cause a charge-off to be incurred at such time an actual loss is determined. All other types of loans are generally evaluated for loss potential at the 90 days past due threshold, and any loss is recognized no later than the 120th day past due threshold; each loss is evaluated on its specific facts regarding the appropriate timing to recognize the loss.

Loan Modifications

In situations where, for economic or legal reasons related to a borrower's financial difficulties, the Bank grants a concession for other than an insignificant period of time to the member that the Bank would not otherwise consider, the related loan is classified as a loan modification. The Bank strives to identify borrowers in financial difficulty early and work with them to modify to more affordable terms before their loan reaches nonaccrual status. These modified terms may include rate reductions, principal forgiveness, payment forbearance and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral.

Foreclosed Assets

Assets acquired through foreclosure or other proceedings are initially recorded at fair value at the date of foreclosure less estimated costs of disposal, which establishes a new cost. After foreclosure, valuations are periodically performed by management and foreclosed assets held for sale are carried at the lower of cost or fair value less estimated costs of disposal. Any write-down to fair value at the time of transfer to foreclosed assets is charged to the allowance for loan and lease losses. Property is evaluated regularly to ensure the recorded amount is supported by its current fair value and valuation allowance to reduce the carrying amount to fair value less estimated costs to dispose are recorded as necessary. Revenue and expense from the operations of foreclosed assets and changes in the valuation allowances are included in the other operating expenses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation computed using straight-line and accelerated methods over the estimated useful lives of the assets ranging from five to thirty-nine years. Maintenance and repairs are charged to expense as incurred while major additions and improvements are capitalized. Gains and losses on dispositions are included in current operations. Impairment is recognized when the carrying value of property and equipment is not recoverable.

Bank-Owned Life Insurance

Bank-owned life insurance is carried at cash surrender value of underlying insurance contracts. No deferred income tax provision for potential taxes on the accumulated increase in surrender value is made because the Bank intends to hold the policies to maturity and thereby recover the asset without tax consequences.

Advertising Costs

Advertising and promotion costs are expensed as incurred. Advertising and promotion costs totaled \$147,380 in 2025 and \$140,400 in 2024.

Income Taxes

Income taxes are provided for the tax effects reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of available-for-sale securities, allowance for loan losses, accumulated depreciation, and accrued employee benefits. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets and liabilities are reflected at income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. The Company files consolidated income tax returns with its subsidiary on a calendar year basis.

The Company does not have uncertain tax positions that are deemed material, and did not recognize any adjustments for unrecognized tax benefits. The Company's policy is to recognize interest and penalties on income taxes in other noninterest expenses.

The Company remains subject to examination for income tax returns for the years ending after December 31, 2022.

Treasury Stock

The cost method is followed in accounting for treasury stock.

Off-Balance Sheet Financial Instruments

In the ordinary course of business the Bank has entered into off balance sheet financial instruments consisting of commitments to extend credit and standby letters of credit. Such financial instruments are recorded in the financial statements when they are funded or related fees are incurred or received.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Earnings per Share

Basic earnings per share are computed by dividing net income by the weighted average number of common shares outstanding during the period.

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the shareholders' equity section of the balance sheet, such items, along with net income, are components of comprehensive income.

The components of other comprehensive income and the related tax effects are as follows:

	<i>Year Ended December 31</i>	
	<u>2025</u>	<u>2024</u>
Unrealized gains (losses) arising during the year	\$ 3,099,407	\$ 790,268
Reclassification adjustment for gains (losses) included in net income	<u>(453,253)</u>	<u>(421,140)</u>
Net unrealized gains (losses)	2,646,154	369,128
Tax effect	<u>(555,695)</u>	<u>(77,517)</u>
Net-of-tax amount	<u>\$ 2,090,459</u>	<u>\$ 291,611</u>

The components of accumulated other comprehensive income, included in shareholders' equity, are as follows:

	<i>Year Ended December 31</i>	
	<u>2025</u>	<u>2024</u>
Net unrealized gain (loss) on securities available for sale	\$ (3,650,077)	\$ (6,296,228)
Tax effect	<u>766,516</u>	<u>1,322,208</u>
Total	<u>\$ (2,883,561)</u>	<u>\$ (4,974,020)</u>

Fair Value Measurements

The Company follows the guidance of FASB ASC 825, *Financial Instruments*, and FASB ASC 820, *Fair Value Measurement*. This guidance permits entities to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This guidance clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Under this guidance, fair value measurements are not adjusted for transaction costs. This guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain amounts reported in the previous year’s consolidated financial statements have been reclassified to conform to the current year’s presentation.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including February 17, 2025, which is the date the consolidated financial statements were available to be issued.

NOTE 2 – INVESTMENT SECURITIES

The amortized cost and estimated fair values of investment securities available for sale are summarized as follows:

<i>December 31, 2025</i>	<i>Amortized Cost</i>	<i>Gross Unrealized Gains</i>	<i>Gross Unrealized Losses</i>	<i>Estimated Fair Value</i>
U.S. Government agency	\$18,615,554	\$ 39,550	\$ (554,909)	\$18,100,195
Mortgage-backed	11,760,411	18,661	(1,298,912)	10,480,160
Municipal	19,723,470	95,492	(1,828,359)	17,990,603
Commercial	2,000,000	-	(121,600)	1,878,400
Equity	289,130	-	-	289,130
Total	<u>\$52,388,565</u>	<u>\$ 153,703</u>	<u>\$(3,803,780)</u>	<u>\$48,738,488</u>
<i>December 31, 2024</i>	<i>Amortized Cost</i>	<i>Gross Unrealized Gains</i>	<i>Gross Unrealized Losses</i>	<i>Estimated Fair Value</i>
U.S. Government agency	\$17,027,171	\$ -	\$(1,373,765)	\$15,653,406
Mortgage-backed	13,571,923	157	(1,925,062)	11,647,018
Municipal	23,585,299	672	(2,826,590)	20,759,381
Commercial	2,000,000	-	(171,640)	1,828,360
Equity	254,765	-	-	254,765
Total	<u>\$56,439,158</u>	<u>\$ 829</u>	<u>\$(6,297,057)</u>	<u>\$50,142,930</u>

Mortgage-backed securities consist of pass-through certificates of the FHLMC and FNMA.

Investment securities with amortized cost of \$35,687,005 and \$34,118,428 were pledged to collateralize public deposits at December 31, 2025 and 2024, respectively. Fair value of these securities was \$33,529,624 and \$30,536,769 at December 31, 2025 and 2024, respectively.

Proceeds from the sale or call of investment securities in 2025 and 2024 amounted to \$8,150,980 and \$6,512,123, respectively. Gross realized gains were \$1,608 and \$0 in 2025 and 2024, respectively. Gross realized losses were \$454,861 and \$421,140 in 2025 and 2024, respectively.

NOTE 2 – INVESTMENT SECURITIES (Continued)

The following table shows the maturity distribution of securities at December 31, 2025. Mortgage-backed securities are included in the table based upon contractual maturity.

	<i>Available-for-Sale</i>	
	<i>Amortized Cost</i>	<i>Estimated Fair Value</i>
Due in one year or less	\$ 4,884	\$ 4,857
Due from one year to five years	6,227,392	6,006,878
Due from five to ten years	25,429,367	24,098,923
Due after ten years	20,437,792	18,338,700
Equity	289,130	289,130
Total	<u>\$52,388,565</u>	<u>\$48,738,488</u>

The following table shows the gross unrealized losses and fair value of securities in the available-for-sale portfolio at December 31, 2025 and 2024, by length of time that individual securities in each category have been in a continuous loss position. Because the declines in fair value were due to changes in market interest rates, not in estimated cash flows or credit quality, and because management has the ability to hold these securities until maturity or for the foreseeable future, no other-than-temporary impairment has been recognized.

December 31, 2025:

	<u><i>Less Than 12 Months</i></u>		<u><i>12 Months or More</i></u>		<u><i>Total</i></u>	
	<u><i>Gross Unrealized Losses</i></u>	<u><i>Fair Value</i></u>	<u><i>Gross Unrealized Losses</i></u>	<u><i>Fair Value</i></u>	<u><i>Gross Unrealized Losses</i></u>	<u><i>Fair Value</i></u>
U.S. Government agency	\$ (15,354)	\$ 4,339,411	\$ (539,555)	\$ 9,530,036	\$ (554,909)	\$ 13,869,447
Mortgage-backed Commercial	-	-	(1,298,912)	7,884,386	(1,298,912)	7,884,386
Equity	-	-	-	-	-	-
Municipal	(7,015)	242,985	(1,821,344)	14,207,960	(1,828,359)	14,450,945
Total	<u>\$ (22,369)</u>	<u>\$ 4,582,396</u>	<u>\$(3,781,411)</u>	<u>\$ 34,197,901</u>	<u>\$(3,803,780)</u>	<u>\$ 38,780,297</u>

December 31, 2024:

	<u><i>Less Than 12 Months</i></u>		<u><i>12 Months or More</i></u>		<u><i>Total</i></u>	
	<u><i>Gross Unrealized Losses</i></u>	<u><i>Fair Value</i></u>	<u><i>Gross Unrealized Losses</i></u>	<u><i>Fair Value</i></u>	<u><i>Gross Unrealized Losses</i></u>	<u><i>Fair Value</i></u>
U.S. Government agency	\$ (20,273)	\$ 3,409,400	\$ (1,353,492)	\$ 12,244,006	\$ (1,373,765)	\$ 15,653,406
Mortgage-backed Commercial	(33,030)	2,432,943	(1,892,032)	9,214,075	(1,925,062)	11,647,018
Equity	-	-	(171,640)	1,828,360	(171,640)	1,828,360
Municipal	-	-	-	-	-	-
Municipal	(37,891)	2,580,715	(2,788,699)	18,178,666	(2,826,590)	20,759,381
Total	<u>\$ (91,194)</u>	<u>\$ 8,423,058</u>	<u>\$(6,205,863)</u>	<u>\$ 41,465,107</u>	<u>\$ (6,297,057)</u>	<u>\$ 49,888,165</u>

NOTE 3 – LOANS

Major classifications of loans are as follows:

	<i>December 31</i>	
	<u>2025</u>	<u>2024</u>
Real estate loans	\$196,701,064	\$174,444,901
Government guaranteed loans	1,032,137	1,069,148
Lines of credit	12,904,311	11,105,150
Business installment loans	24,278,383	21,572,569
Collateral loans	7,236,458	7,870,509
Consumer loans	840,473	1,177,780
Indirect loans	-	-
Other loans	43,962,743	45,416,944
Subtotal	<u>286,955,569</u>	<u>262,657,001</u>
Less: Allowance for credit losses	<u>(4,394,021)</u>	<u>(3,905,836)</u>
Loans, net	<u>\$282,561,548</u>	<u>\$258,751,165</u>

Changes in the allowance for loan losses are as follows:

	<i>Year End December 31</i>	
	<u>2025</u>	<u>2024</u>
Balance, beginning of year	\$ 3,905,836	\$ 3,393,976
Provision for credit losses	600,000	539,159
Loans charged off	(132,533)	(40,647)
Recoveries	20,718	13,348
Balance, end of year	<u>\$ 4,394,021</u>	<u>\$ 3,905,836</u>

Nonaccrual loans at December 31, 2025 and 2024, totaled \$2,999,664 and \$54,731, respectively. Total loans greater than 90 days past due with interest still accruing were \$0 and \$0 at December 31, 2025 and 2024, respectively. At December 31, 2025 and 2024, the total recorded investment in impaired loans, all of which had allowances determined in accordance with generally accepted accounting principles, amounted to \$433,356 and \$35,381. The allowance for loan losses related to impaired loans amounted to approximately \$124,355 at December 31, 2025 (\$5,381 at December 31, 2024). The Bank has no commitments to loan additional funds to borrowers whose loans have been modified. The average recorded investment in impaired loans amounted to \$234,368 and \$133,786 for the years ended December 31, 2025 and 2024, respectively. Interest income on impaired loans of \$21,581 and \$382 was recognized for cash payments received in 2025 and 2024, respectively.

NOTE 3 – LOANS (Continued)

	<u>Commercial and Industrial</u>	<u>Consumer</u>	<u>Real Estate</u>	<u>Total</u>
2025				
Allowance for credit losses:				
Beginning balance	\$ 767,796	\$ 34,957	\$ 3,103,083	\$ 3,905,836
Charge-offs	(99,135)	(33,398)	-	(132,533)
Recoveries	-	8,873	11,845	20,718
Provision	<u>116,812</u>	<u>17,904</u>	<u>465,284</u>	<u>600,000</u>
Ending balance	<u>\$ 785,473</u>	<u>\$ 28,336</u>	<u>\$ 3,580,212</u>	<u>\$ 4,394,021</u>

	<u>Commercial and Industrial</u>	<u>Consumer</u>	<u>Real Estate</u>	<u>Total</u>
2024				
Allowance for credit losses:				
Beginning balance	\$ 560,682	\$ 39,907	\$ 2,793,387	\$ 3,393,976
Charge-offs	-	(40,647)	-	(40,647)
Recoveries	-	10,048	3,300	13,348
Provision	<u>207,114</u>	<u>25,649</u>	<u>306,396</u>	<u>539,159</u>
Ending balance	<u>\$ 767,796</u>	<u>\$ 34,957</u>	<u>\$ 3,103,083</u>	<u>\$ 3,905,836</u>

Impaired loans at December 31, 2025:

	<u>Recorded Investment</u>	<u>Unpaid Principal Balance</u>	<u>Related Allowance</u>	<u>Interest Income Recognized</u>
2025				
With an allowance recorded:				
Residential	\$ 334,220	\$ 334,220	\$ 25,219	\$ 5,940
Commercial	<u>99,136</u>	<u>99,136</u>	<u>99,136</u>	<u>15,641</u>
Total	<u>\$ 433,356</u>	<u>\$ 433,356</u>	<u>\$ 124,355</u>	<u>\$ 21,581</u>

NOTE 3 – LOANS (Continued)

Impaired loans at December 31, 2024:

	<u>Recorded Investment</u>	<u>Unpaid Principal Balance</u>	<u>Related Allowance</u>	<u>Interest Income Recognized</u>
2024				
With an allowance recorded:				
Residential	\$ 35,381	\$ 35,381	\$ 5,381	\$ 382
Commercial	-	-	-	-
Total	<u>\$ 35,381</u>	<u>\$ 35,381</u>	<u>\$ 5,381</u>	<u>\$ 382</u>

Schedule of past due loans as of December 31, 2025:

	<u>30-89 Days Past Due</u>	<u>90 Days and Accruing</u>	<u>Nonaccrual</u>	<u>Total Past Due</u>	<u>Loans Not Past Due</u>	<u>Total</u>
2025						
Loans secured by real estate	\$ 36,611	\$ -	\$ 2,999,664	\$ 3,036,275	\$ 193,664,789	\$ 196,701,064
Commercial	-	-	-	-	45,451,289	45,451,289
Consumer loans	444	-	-	444	840,029	840,473
Other loans	-	-	-	-	43,962,743	43,962,743
Total	<u>\$ 37,055</u>	<u>\$ -</u>	<u>\$ 2,999,664</u>	<u>\$ 3,036,719</u>	<u>\$ 283,918,850</u>	<u>\$ 286,955,569</u>

Schedule of past due loans as of December 31, 2024:

	<u>30-89 Days Past Due</u>	<u>90 Days and Accruing</u>	<u>Nonaccrual</u>	<u>Total Past Due</u>	<u>Loans Not Past Due</u>	<u>Total</u>
2024						
Loans secured by real estate	\$ 38,796	\$ -	\$ 54,731	\$ 93,527	\$ 174,326,708	\$ 174,444,901
Commercial	-	-	-	-	41,617,376	41,617,376
Consumer loans	-	-	-	-	1,177,780	1,177,780
Other loans	-	-	-	-	45,416,944	45,416,944
Total	<u>\$ 38,796</u>	<u>\$ -</u>	<u>\$ 54,731</u>	<u>\$ 93,527</u>	<u>\$ 262,538,808</u>	<u>\$ 262,657,001</u>

NOTE 3 – LOANS (Continued)

As of December 31, 2025 and 2024, the Bank had no modifications to borrowers experiencing financial difficulty that met the criteria for disclosure under ASC 326. The Bank did not grant any concessions, such as principal forgiveness, interest rate reductions, or other-than-insignificant payment delays, to borrowers experiencing financial difficulty during the periods presented.

Credit Quality Information

The Bank's internally assigned grades are as follows:

Pass loans are protected by the current net worth and paying capacity of the obligor or by the value of the underlying collateral. There are three subgrades within the Pass category to further distinguish the loan.

Special Mention loans are loans for which a potential weakness or risk exists, which could cause a more serious problem if not corrected.

Substandard loans have a well-defined weakness based on objective evidence and are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

Doubtful loans have all the weaknesses inherent in a substandard asset. In addition, these weaknesses make collection or liquidation in full highly questionable and improbable, based on existing circumstances.

Loss loans are considered uncollectible, or of such value that continuance as an asset is not warranted.

The following table represents credit exposures by internally assigned grades for the years ended December 31, 2025 and 2024. The grading analysis estimates the capability of the borrower to repay the contractual obligations of the loan agreements as scheduled or at all. The Bank's internal credit risk grading system is based on experiences with similarly graded loans.

	<u>2025</u>	<u>2024</u>
Special Mention	\$ -	\$ -
Substandard	7,444,004	4,302,787
Doubtful	<u>-</u>	<u>-</u>
Ending balance	<u>\$ 7,444,004</u>	<u>\$ 4,302,787</u>

NOTE 4 – PROPERTY AND EQUIPMENT

Major classifications of these assets are as follows:

	<i>December 31</i>	
	<u>2025</u>	<u>2024</u>
Land and land improvements	\$ 1,264,474	\$ 1,264,474
Buildings	3,515,545	3,500,369
Furniture and banking equipment	916,026	1,027,885
Construction in process	-	-
Total, at cost	<u>5,696,045</u>	<u>5,792,728</u>
Accumulated depreciation	<u>(2,064,456)</u>	<u>(2,080,225)</u>
Depreciated cost	<u>\$ 3,631,589</u>	<u>\$ 3,712,503</u>

Depreciation expense amounted to \$200,279 and \$211,012 for the years ended December 31, 2025 and 2024, respectively.

NOTE 5 – DEPOSITS

Most classifications of deposits are as follows:

	<i>December 31</i>	
	<u>2025</u>	<u>2024</u>
Demand, non interest bearing	\$ 75,931,362	\$ 75,251,661
NOW and MMDA accounts, interest bearing	46,627,843	43,589,118
Savings	119,264,135	103,912,747
Certificates of deposit	<u>60,834,988</u>	<u>54,558,109</u>
Total deposits	<u>\$ 302,658,328</u>	<u>\$ 277,311,635</u>

Detail of interest expense is:

	<i>Year Ended December 31</i>	
	<u>2025</u>	<u>2024</u>
NOW and MMDA accounts, interest bearing	\$ 789,941	\$ 812,101
Savings	2,448,731	1,969,799
Certificates of deposit	2,404,122	2,108,433
Borrowed funds	<u>575,752</u>	<u>673,841</u>
Total interest expense	<u>\$ 6,218,546</u>	<u>\$ 5,564,174</u>

The aggregated amount of demand deposits reclassified as loan balances are \$28,990 and \$40,530, at December 31, 2025 and 2024, respectively. Certificates of deposit of \$250,000 or more amounted to \$20,474,000 and \$21,600,000, at December 31, 2025 and 2024, respectively. Certificates of deposit are expected to mature as follows: 2026 - \$56,062,093; 2027 - \$4,361,143; 2028 - \$411,752 and 2029 - \$0.

NOTE 6 – COMMON STOCK

During 2025, the Company purchased 690 shares of treasury stock at \$118.80 per share average and sold 1,090 shares at \$121.73 per share average, for total proceeds of \$132,690.

During 2024, the Company purchased 292 shares of treasury stock at \$111.78 per share average and sold 425 shares at \$114.95 per share average, for total proceeds of \$48,854.

During 2020, the Company began a Dividend Reinvestment and Stock Purchase Plan (DRIP). The plan provides the opportunity to Ohio stockholders of F&M Bancorp the opportunity to acquire additional shares of common stock utilizing future dividends and optional cash contributions. Participants may elect to reinvest either 50% or 100% of any dividends that become payable and purchase additional shares of not less than \$100 nor more than \$2,000 per calendar quarter.

NOTE 7 – FEDERAL INCOME TAX

Federal income tax expense (benefit) is as follows:

	<i>Year Ended December 31</i>	
	<u>2025</u>	<u>2024</u>
Currently (refundable) payable	\$ 1,201,727	\$ 957,059
Deferred income tax (benefit)	139,575	123,743
Federal income tax expense	<u>\$ 1,341,302</u>	<u>\$ 1,080,802</u>

Tax-exempt income from state and municipal investment securities and loans and bank-owned life insurance causes the current provision for federal income tax expense (benefit) to differ significantly from tax provisions expected if statutory tax rates.

Deferred income tax (benefit) is based on the following items:

	<i>Year Ended December 31</i>	
	<u>2025</u>	<u>2024</u>
Temporary differences in:		
Provision for loan losses	\$ 126,000	\$ 107,490
Loan points deferred	9,130	11,800
Depreciation	3,716	13,533
Other	729	(9,080)
Deferred income tax (benefit)	<u>\$ 139,575</u>	<u>\$ 123,743</u>

The components of the net deferred tax asset are as follows:

	<i>December 31</i>	
	<u>2025</u>	<u>2024</u>
Deferred tax assets:		
Provision for loan losses	\$ 866,592	\$ 764,073
AFS securities	766,516	1,322,208
Loan points deferred	161,846	152,716
Other	139,275	105,403
	<u>1,934,229</u>	<u>2,344,400</u>
Deferred tax liabilities:		
AFS securities	-	-
Depreciation	(72,067)	(75,783)
Other	(158,111)	(8,874)
Net deferred tax asset (liability)	<u>\$ 1,704,051</u>	<u>\$ 2,259,743</u>

NOTE 7 – FEDERAL INCOME TAX (Continued)

There is no deferred tax asset valuation allowance at December 31, 2025 and 2024 because management believes that it is more likely than not that the Bank’s deferred tax assets will be realized by offsetting future taxable income from reversing taxable temporary differences. The deferred taxes at December 31, 2025 and 2024 are valued at the 21% tax rate.

The Company files federal income tax returns each year. The State of Ohio currently imposes a tax on the net worth of banks operating in the state of Ohio; this tax is not “income based” and is classified in operating expenses on the consolidated statement of income. The Company does not have out of state operations, and accordingly, income tax filings are not required in other states.

NOTE 8 - RETIREMENT PLANS

The Bank contributes to a multiemployer defined pension plan. The risk of participating in a multiemployer plan is different from single employer plans in the following aspects:

Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.

If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by remaining participating employers.

If the Bank chooses to stop participating in its multiemployer plan, the Bank may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Bank’s participation in this plan for the annual period ended December 31, 2024, is outlined in the table below. The “EIN/Plan Number” column provides the Employee Identification Number (EIN) and the three-digit plan number. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2024 and 2023 is for the plan’s June 30, 2024 and 2023, respectively. The zone status is based on information that the Bank received from the plan and is certified by the plan’s actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded. The “FIP/RP” Status Pending/Implemented” column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented.

Pension Fund	EIN/Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending/Implemented	(Dollars in thousands)			Surcharge Imposed
		2024	2023		Contributions 2025	2024	2023	
Pentegra DB Plan	13-5645888-333	Green	Green	No	\$103	\$60	\$103	No

The Bank’s contributions to the Pentegra DB Plan are not more than 5 percent of the total contributions to the Pentagon DB Plan.

The Bank also sponsors a defined contribution retirement plan [401(k) plan] that provides for Bank matching of employee contributions. The Bank contributed \$367,000 and \$314,000 to the plan for 2025 and 2024, respectively.

NOTE 8 - RETIREMENT PLANS (Continued)

The Bank maintains a non-qualified deferred compensation program for selected management employees who, due to Internal Revenue Service guidelines, cannot take full advantage of the Bank's other qualified retirement plans. The program does not require funding. In connection with this plan, the Bank purchased single premium life insurance policies. The annual increase in the cash surrender value of these policies in excess of a predetermined threshold is used to calculate the actual amounts payable to the participants in the deferred compensation program.

The estimated projected cost of these retirement benefits is being recognized ratably so that the present value of the expected benefit payable will be accrued by respective retirement dates. Accrued expense related to this program amounted to \$286,527 and \$271,875 at December 31, 2025 and 2024. The expense recognized in 2025 and 2024 totaled \$14,652 and \$19,188. The Bank-owned life insurance had a cash surrender value of approximately \$4,116,896 and \$4,007,736 at December 31, 2025 and 2024, respectively.

In addition to the retirement plans, certain medical insurance benefits are provided for eligible retired employees. The annual costs of these benefits are not material and are expensed as paid.

NOTE 9 – LINE OF CREDIT ARRANGEMENTS

As part of its liquidity management program, the Bank has line of credit arrangements with United Bankers' Bank and Federal Home Loan Bank, which presently provide an aggregate borrowing capacity of approximately \$70,695,000. The arrangements generally require variable rate interest charges based on market borrowing rates and are renewed annually.

Borrowed funds are comprised of the following at December 31:

	Current Interest Rate	Balance	
		<u>2025</u>	<u>2024</u>
Federal Home Loan Bank advances			
Fixed rate advances, due at maturity			
Advance due on 01/23/25	4.51%	-	4,000,000
Advance due on 02/20/26	3.89%	2,300,000	-
Advance due on 03/22/28	4.45%	5,000,000	5,000,000
Advance due on 07/27/28	4.42%	<u>5,000,000</u>	<u>5,000,000</u>
Total Federal Home Loan Bank advances		12,300,000	14,000,000
Federal funds purchased		<u>-</u>	<u>-</u>
		<u>\$ 12,300,000</u>	<u>\$ 14,000,000</u>

NOTE 9 – LINE OF CREDIT ARRANGEMENTS (Continued)

The aggregate minimum future annual principal payments on FHLB advances are as follows:

2026	\$ 2,300,000
2027	-
2028	10,000,000
2029	-
2030	-
	<hr/>
Ending balance	<u>\$ 12,300,000</u>

NOTE 10 – RELATED-PARTY TRANSACTIONS

The Bank has entered into lending and depository transactions with its officers, directors and their affiliates (related parties). Such transactions were made in the ordinary course of business on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other customers and did not, in the opinion of management, involve more than normal credit risk or present other unfavorable features. The aggregate amount of loans to such related parties was \$1,544,933 and \$1,375,721 at December 31, 2025 and 2024, respectively. During 2025 and 2024, new loans to such related parties amounted to \$322,000 and \$0 and repayments amounted to \$196,661 and \$178,199, respectively.

Deposits from related parties held by the Bank at December 31, 2025 and 2024 amounted to \$4,480,721 and \$3,151,587, respectively.

NOTE 11 – RESTRICTIONS ON DIVIDENDS

Federal and state banking regulations place certain restrictions on dividends paid by the Bank to the Company. The total amount of dividends which may be paid at any date is generally limited to the retained earnings of the Bank. However, special approval by the superintendent of financial institutions is required for the declaration of dividends and distributions if the total of those amounts would exceed the sum of the Bank's current net income for the year combined with its retained net income of the preceding two years. In addition, dividends paid by the Bank to the Company would be prohibited if the effect would cause the Bank's capital to be reduced below applicable minimum capital requirements.

NOTE 12 – COMMITMENTS AND CONTINGENCIES AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet financing needs of its customers. These financial instruments include commitments to make loans, unused open end revolving lines of credit and standby letters of credit. The Company's exposure to credit loss in the event of nonperformance by the other party to financial instruments for commitments to make loans is represented by the contractual amount of those instruments. The Company follows the same policy to make such commitments as it uses for on-balance-sheet items.

NOTE 12 – COMMITMENTS AND CONTINGENCIES AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK (Continued)

The Company has the following commitments outstanding as of December 31:

	<u>2025</u>	<u>2024</u>
Home equity lines	\$ 14,440,000	\$ 11,511,000
Commitments to fund loans	18,686,000	18,657,000
Other unused commitments	15,399,000	15,221,000
Standby letters of credit	<u>8,100,000</u>	<u>8,100,000</u>
	<u>\$ 56,585,000</u>	<u>\$ 53,489,000</u>

Commitments to make loans expire within 90 days of the commitment date. All unused open-end revolving lines of credit are variable rates which are tied to prime and are for terms that range from 180 days to 20 years. Standby letters of credit will be granted at the current variable interest rate when exercised and expire within one year.

Since many commitments to make loans expire without being used, the amount does not necessarily represent future cash commitments. In addition, commitments to extend credit are agreements to lend to customers as long as there is no violation of any condition established in the contract. No losses are anticipated as a result of these transactions. Collateral obtained upon exercise of the commitment is determined using management's credit evaluation of the borrower and may include real estate, consumer assets, business assets, deposits and other items.

NOTE 13 – LEGAL CONTINGENCIES

Various legal claims also arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the Company's consolidated financial statements.

NOTE 14 – INTEREST RATE RISK

The Bank assumes interest rate risk (the risk that general interest rate levels will change) as a result of its normal operations. As a result, the fair values of the Bank's financial instruments will change when interest rate levels change and that change may be either favorable or unfavorable to the Bank. Management attempts to match maturities of assets and liabilities to the extent believed necessary to minimize interest rate risk. However, borrowers with fixed rate obligations are less likely to prepay in a rising rate environment and more likely to prepay in a falling rate environment. Conversely, depositors who are receiving fixed rates are more likely to withdraw funds before maturity in a rising rate environment and less likely to do so in a falling rate environment. Management monitors rates and maturities of assets and liabilities and attempts to minimize interest rate risk by adjusting terms of new loans and deposits and by investing in securities with terms that mitigate the Bank's overall interest rate risk.

NOTE 15 – PARENT COMPANY CONDENSED FINANCIAL STATEMENTS

The parent company condensed financial statements, which include transactions with subsidiaries, are as follows:

F&M BANCORP, INC.

BALANCE SHEET

ASSETS	<i>December 31</i>	
	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 736,180	\$ 181,955
Securities available for sale	566,205	518,503
Investment in subsidiary, equity method	37,618,150	29,976,553
Bank-owned life insurance	-	1,076,281
Other assets	68,158	66,411
	<hr/>	<hr/>
Total assets	\$ 38,988,693	\$ 31,819,706
	<hr/>	<hr/>
LIABILITIES AND EQUITY		
Liabilities	\$ -	\$ 271,875
Common stock	500	500
Capital surplus	4,725,793	4,223,529
Retained earnings	37,193,423	32,396,004
Unrealized gain (loss) on securities, net of deferred tax	(2,883,561)	(4,974,020)
Treasury stock	(47,462)	(98,182)
	<hr/>	<hr/>
Total equity		31,547,831
	<hr/>	<hr/>
Total liabilities and equity	\$ 38,988,693	\$ 31,819,706
	<hr/>	<hr/>

STATEMENT OF INCOME

INCOME	<i>Year Ended December 31</i>	
	<u>2025</u>	<u>2024</u>
Interest income	\$ 26,068	\$ 32,841
Insurance contract income	23,738	34,828
Dividend from subsidiary	-	350,000
Equity in undistributed earnings of subsidiary	5,539,950	4,096,223
	<hr/>	<hr/>
Total income	5,589,756	4,513,892
	<hr/>	<hr/>
OPERATING EXPENSES	41,791	70,814
	<hr/>	<hr/>
NET INCOME	\$ 5,547,965	\$ 4,443,078
	<hr/>	<hr/>

NOTE 15 – PARENT COMPANY CONDENSED FINANCIAL STATEMENTS (Continued)

STATEMENT OF CASH FLOWS

	<i>Year Ended December 31</i>	
	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 5,547,965	\$ 4,443,078
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in undistributed earnings of subsidiary	(5,539,950)	(4,096,223)
Dividends from subsidiary	-	(350,000)
Amortization, net	4,892	4,767
Change in value of corporate-owned life insurance	1,076,281	(34,828)
Net change in other assets and other liabilities	<u>(292,391)</u>	<u>364,865</u>
Net cash provided by (used in) operating activities	796,797	331,659
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of securities available for sale	<u>(45,000)</u>	<u>(37,500)</u>
Net cash provided by (used in) investing activities	(45,000)	(37,500)
CASH FLOWS FROM FINANCING ACTIVITIES		
Purchase of treasury stock	(81,970)	(32,641)
Proceeds from sale of treasury stock	132,690	48,854
Issuance of stock for DRIP	502,264	420,029
Cash dividends paid	<u>(750,556)</u>	<u>(658,754)</u>
Net cash provided by (used in) financing activities	<u>(197,572)</u>	<u>(222,512)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	554,225	71,647
Cash and cash equivalents, beginning of year	<u>181,955</u>	<u>110,308</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 736,180</u>	<u>\$ 181,955</u>

NOTE 16 – REGULATORY CAPITAL MATTERS

Banks and bank holding companies are subject to regulatory capital requirements administered by 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 judgements by regulators. Failure to meet capital requirements can initiate regulatory action. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes as of December 31, 2025 the Company and Bank meet all capital adequacy requirements to which they are subject.

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

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

The community bank leverage ratio removes the requirement for qualifying banking organizations to calculate and report risk-based capital but rather only requires a Tier 1 to average assets (leverage) ratio. Qualifying banking organizations that elect to use the community bank leverage ratio framework and that maintain a leverage ratio greater than required minimums will be considered to have satisfied the generally applicable risk based and leverage capital requirements in the agencies' capital rules (generally applicable rule) and, if applicable, will be considered to have met the capitalized ratio requirements for purposes of section 38 of the Federal Deposit Insurance Act.

The community bank leverage ratio minimum requirement is 9%. An eligible banking organization is provided a two-quarter grace period to correct a ratio that falls below this required amount, provided that the bank maintains a leverage ratio greater than 8%.

An eligible banking organization can opt out of the CBLR framework and revert to the risk-weighting framework without restriction. As of December 31, 2025, both the Company and Bank were qualifying community banking organizations as defined by the federal banking agencies and elected to measure capital adequacy under the CBLR framework.

Financial institutions under the generally applicable capital rule are required to maintain a capital conservation buffer of greater than 2.5 percent in order to avoid restrictions on capital distributions and other payments. Federal banking regulations require institutions to meet their capital conservation buffer requirement with common equity tier 1 capital. However, because qualifying institutions using the CBLR framework are considered in compliance with the generally applicable capital rule, neither the Company nor the Bank are subject to the capital conservation buffer.

NOTE 16 – REGULATORY CAPITAL MATTERS (Continued)

Actual and required capital amounts (in thousands) and ratios are presented below at year-end.

		<u>To be Well Capitalized Under Prompt Corrective Action Regulations (CBLR Framework)</u>					
		<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>		
(000's omitted)							
As of December 31, 2025							
Tier 1 (CORE) capital to average							
Total assets		\$40,468	11.5%	\$31,772	9.0%		
		<i><u>Actual</u></i>		<i><u>Minimum For Capital Adequacy Purposed</u></i>		<i><u>Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions</u></i>	
<i><u>Dollars in Thousands</u></i>		<i><u>Amount</u></i>	<i><u>Ratio</u></i>	<i><u>Amount</u></i>	<i><u>Ratio</u></i>	<i><u>Amount</u></i>	<i><u>Ratio</u></i>
<i>As of December 31, 2024</i>							
Total Capital							
(to Risk Weighted Assets)		\$38,451	13.7%	\$22,520	8.0%	\$28,150	10.0%
Tier 1 Capital							
(to Risk Weighted Assets)		34,928	12.4	16,890	6.0	22,520	8.0
Common Equity Tier 1 Capital							
(to Risk Weighted Assets)		34,928	12.4	12,668	4.5	18,298	6.5
Tier I Capital							
(to Average Assets)		34,928	10.8	12,944	4.0	16,179	5.0

NOTE 17 – FAIR VALUE

FASB ASC 820 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair values of securities available for sale are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or matrix pricing, which is a mathematical technique widely used by the industry to value debt securities without relying exclusively on quoted prices for specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs).

The fair value of impaired loans with specific allocations of the allowance for loan losses is generally based on recent real estate appraisals. These 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. Such adjustments are typically significant and result in a Level 3 classification of the inputs in determining the value.

NOTE 17 – FAIR VALUE (Continued)

Assets and Liabilities Measured on a Recurring Basis

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

	Fair Value Measurements at December 31, 2025 Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:			
Available for sale securities			
U.S. Government agency	\$ -	\$18,100,195	\$ -
Mortgage-backed	-	10,480,160	-
Municipal	-	17,990,603	-
Commercial	-	1,878,400	-

	Fair Value Measurements at December 31, 2024 Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:			
Available for sale securities			
U.S. Government agency	\$ -	\$15,653,406	\$ -
Mortgage-backed	-	11,647,018	-
Municipal	-	20,759,381	-
Commercial	-	1,828,360	-

Impaired loans, which measured for impairment using the fair value of the collateral for collateral dependent loans, had a carrying amount of \$433,000 with a valuation allowance of \$124,000 as of December 31, 2025.

Impaired loans, which measured for impairment using the fair value of the collateral for collateral dependent loans, had a carrying amount of \$35,000 with a valuation allowance of \$5,000 as of December 31, 2024.

NOTE 17 – FAIR VALUE (Continued)

In accordance with the disclosure requirements of FASB ASC 825, *Financial Instruments*, the estimated fair values of the Company’s financial instruments are as follows:

	Carrying Amount	Fair Value	Fair Value Measurements		
			Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2025					
FINANCIAL ASSETS					
Cash and cash equivalents	\$ 11,391,307	\$ 11,391,307	\$11,391,307	\$ -	\$ -
Time deposits	100,000	100,000	-	-	100,000
Investment securities					
available-for-sale	48,738,488	48,738,488	-	48,738,488	-
Net loans	282,561,548	281,615,000	-	-	281,615,000
FINANCIAL LIABILITIES					
Deposits	\$302,658,328	\$290,150,000	\$ -	\$ -	\$290,150,000
Borrowings	12,300,000	12,300,000	-	-	12,300,000
December 31, 2024					
FINANCIAL ASSETS					
Cash and cash equivalents	\$ 2,261,241	\$ 2,261,241	\$ 2,261,241	\$ -	\$ -
Time deposits	100,000	100,000	-	-	100,000
Investment securities					
available-for-sale	50,142,930	50,142,930	-	50,142,930	-
Net loans	258,751,165	254,462,000	-	-	254,462,000
FINANCIAL LIABILITIES					
Deposits	\$277,311,635	\$265,817,000	\$ -	\$ -	\$265,817,000
Borrowings	14,000,000	14,000,000	-	-	14,000,000

The following methods and assumptions were used to estimate the fair value disclosures for financial instruments as of December 31, 2025 and 2024:

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated to approximate the carrying amounts.

Investment securities and restricted stock

Fair values are based on quoted market prices, except for certain restricted stocks where fair value equals par value because of certain redemption restrictions.

NOTE 17 – FAIR VALUE (Continued)

Loans

Fair values are estimated for portfolios of loans with similar financial characteristics. Each portfolio is further segmented into fixed and adjustable rate interest terms by performing and on-performing categories.

The fair value of performing loans is calculated by discounting estimated cash flows using current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. The estimated cash flows do not anticipate prepayments.

Management has made estimates of fair value discount rates that it believes to be reasonable. However, because there is no market for many of these financial instruments, management has no basis to determine whether the fair value presented for loans would be indicative of the value negotiated in an actual sale.

Deposits

The fair value of deposits with no stated maturity, such as noninterest-bearing demand deposits, savings, NOW accounts and money market accounts, is equal to the amount payable on demand at the reporting date (that is, their carrying amounts). The fair value of certificates of deposit is based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for deposits of similar remaining maturities. The fair value estimates do not include the benefit that results from the low-cost funding provided by the deposit liabilities compared to the cost of borrowing funds in the market.

The carrying amounts in the preceding table are included in the balance sheet under the applicable captions. The contract or notional amounts of the Bank's financial instruments with off-balance-sheet risk disclosed in NOTE 12.