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FARMERS & MERCHANTS BANCORP

FORM 10-Q
(Quarterly Report)

Filed 08/08/25 for the Period Ending 06/30/25

Address	FARMERS AND MERCHANTS BANCORP 121 WEST PINE ST LODI, CA, 95240-2184
Telephone	2093672411
CIK	0001085913
Symbol	FMCB
SIC Code	6021 - National Commercial Banks
Industry	Banks
Sector	Financials
Fiscal Year	12/31

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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, 2025

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _______ to _______

Commission File Number: **000-26099**

FARMERS & MERCHANTS BANCORP
(Exact name of registrant as specified in its charter)

Delaware	**94-3327828**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
111 W. Pine Street, Lodi, California	**95240**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (209) 367-2300

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None	Not Applicable	Not Applicable

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

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

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

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐	Smaller reporting company ☐
Emerging growth company ☐	

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

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

As of July 31, 2025, the registrant had 722,351 shares of common stock, $0.01 par value per share, outstanding.

FARMERS & MERCHANTS BANCORP

FORM 10-Q

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PART 1. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

FARMERS & MERCHANTS BANCORP
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(Dollars in thousands, except share and per share amounts)	June 30, 2025	December 31, 2024
ASSETS		
Cash and due from banks	$ 112,753	$ 71,058
Interest bearing deposits with banks	178,999	141,505
Total cash and cash equivalents	291,752	212,563
Securities available-for-sale, amortized cost $590,594 and $490,992, respectively	572,951	464,414
Securities held-to-maturity, fair value $606,703 and $610,953, respectively	748,861	769,443
Allowance for credit losses - securities held-to-maturity	(450)	(450)
Total investment securities	1,321,362	1,233,407
Non-marketable securities	15,549	15,549
Loans and leases held for investment, net of unearned income	3,623,636	3,678,388
Allowance for credit losses - loans and leases	(76,169)	(75,283)
Loans and leases held for investment, net	3,547,467	3,603,105
Bank-owned life insurance	75,315	74,085
Premises and equipment, net	53,068	51,367
Deferred income tax assets and income taxes receivable	33,054	36,729
Accrued interest receivable	28,062	30,152
Goodwill	11,183	11,183
Other intangibles	1,426	1,687
Other real estate owned	1,199	873
Other assets	99,336	99,496
Total Assets	$ 5,478,773	$ 5,370,196
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	$ 1,546,590	$ 1,518,267
Interest bearing:		
Demand	797,097	882,123
Savings and money market	1,713,076	1,583,202
Certificates of deposit	703,601	715,547
Total interest bearing	3,213,774	3,180,872
Total deposits	4,760,364	4,699,139
Subordinated debentures	10,310	10,310
Interest payable and other liabilities	89,567	87,675
Total Liabilities	4,860,241	4,797,124
COMMITMENTS AND CONTINGENCIES (Note 12)		
SHAREHOLDERS' EQUITY		
Preferred shares, no par value, 1,000,000 shares authorized and none issued or outstanding	-	-
Common shares, $0.01 par value, 7,500,000 authorized, 727,722 and 699,798 issued and 725,367 and 699,798 outstanding at June 30, 2025 and December 31, 2024, respectively	7	7
Additional paid-in capital	5,192	-
Retained earnings	628,793	592,431
Accumulated other comprehensive loss, net of taxes	(13,082)	(19,366)
Treasury stock, at cost; 2,355 shares at June 30, 2025 and 0 shares at December 31, 2024	(2,378)	-
TOTAL SHAREHOLDERS' EQUITY	618,532	573,072
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 5,478,773	$ 5,370,196

See accompanying notes to the unaudited consolidated financial statements.

FARMERS & MERCHANTS BANCORP
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(Dollars in thousands, except share and per share amounts)	Three Months Ended June 30, 2025	Three Months Ended June 30, 2024	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
Interest income				
Interest and fees on loans and leases	$ 54,839	$ 56,190	$ 108,874	$ 111,598
Interest and dividends on investment securities	11,036	7,424	21,498	14,127
Interest on deposits with others	4,186	6,217	6,827	10,747
Total interest income	70,061	69,831	137,199	136,472
Interest expense				
Deposits	15,999	17,906	29,804	32,551
Borrowed funds	-	924	-	986
Subordinated debentures	194	220	386	441
Total interest expense	16,193	19,050	30,190	33,978
Net interest income	53,868	50,781	107,009	102,494
Provision for credit losses	1,400	-	1,700	-
Net interest income after provision for credit losses	52,468	50,781	105,309	102,494
Non-interest income				
Card processing	1,789	1,764	3,456	3,393
Service charges on deposit accounts	744	749	1,516	1,497
Increase in cash surrender value of BOLI	627	602	1,230	1,197
Net gain on deferred compensation benefits	764	414	1,597	1,572
Other	1,595	1,238	2,741	2,183
Total non-interest income	5,519	4,767	10,540	9,842
Non-interest expense				
Salaries and employee benefits	18,432	17,999	35,576	35,502
Data processing	1,784	1,535	3,422	2,990
Occupancy	1,293	1,243	2,595	2,475
Deposit insurance	750	702	1,498	1,414
Professional services	694	621	1,616	1,162
Marketing	452	562	919	1,042
Net gain on deferred compensation benefits	764	414	1,597	1,572
Other	2,482	2,346	4,937	4,786
Total non-interest expense	26,651	25,422	52,160	50,943
INCOME BEFORE INCOME TAXES	31,336	30,126	63,689	61,393
Income tax expense	8,281	8,359	17,625	16,903
NET INCOME	$ 23,055	$ 21,767	$ 46,064	$ 44,490
Earnings per common share:				
Basic	$ 33.06	$ 29.39	$ 65.94	$ 59.95
Diluted	$ 32.94	$ 29.39	$ 65.80	$ 59.95
Weighted average number of common shares				
Basic	697,332	740,752	698,527	742,150
Diluted	699,852	740,752	700,102	742,150

See accompanying notes to the unaudited consolidated financial statements.

FARMERS & MERCHANTS BANCORP
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(Dollars in thousands)	Three Months Ended June 30, 2025	Three Months Ended June 30, 2024	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
Net income	$ 23,055	$ 21,767	$ 46,064	$ 44,490
Other comprehensive income				
Unrealized gains/(losses) on available-for-sale securities	1,976	(1,095)	8,935	(3,695)
Amortization of unrecognized loss on securities transferred to held-to-maturity	(3)	(22)	(14)	(49)
Net unrealized gains/(losses) on securities	1,973	(1,117)	8,921	(3,744)
Income tax (expense)/benefit	(583)	330	(2,637)	1,107
Other comprehensive income/(loss), net of tax	1,390	(787)	6,284	(2,637)
Total comprehensive income	$ 24,445	$ 20,980	$ 52,348	$ 41,853

See accompanying notes to the unaudited consolidated financial statements.

FARMERS & MERCHANTS BANCORP
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

For the three and six months ended June 30, 2025 and 2024

(Dollars in thousands, except share amounts)	Common Shares	Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)/Income	Shares	Treasury Stock	Total
Balance as of March 31, 2025	729,913	$ 7	$ 2,042	$ 614,729	$ (14,472)	-	$ -	$ 602,306
Net income	-	-	-	23,055	-	-	-	23,055
Other comprehensive income, net of tax	-	-	-	-	1,390	-	-	1,390
Issuance of restricted stock awards	-	-	-	-	-	-	-	-
Stock based compensation expense	-	-	3,150	-	-	-	-	3,150
Cash dividends declared ($9.30 per share)	-	-	-	(6,768)	-	-	-	(6,768)
Repurchase of common stock	(2,191)	-	-	(2,223)	-	-	-	(2,223)
Purchase of treasury stock	-	-	-	-	-	(2,355)	(2,378)	(2,378)
Balance as of June 30, 2025	727,722	$ 7	$ 5,192	$ 628,793	$ (13,082)	(2,355)	$ (2,378)	$ 618,532
Balance as of March 31, 2024	742,770	$ 7	$ 31,401	$ 548,123	$ (14,314)	-	$ -	$ 565,217
Net income	-	-	-	21,767	-	-	-	21,767
Other comprehensive loss, net of tax	-	-	-	-	(787)	-	-	(787)
Cash dividends declared ($8.80 per share)	-	-	-	(6,507)	-	-	-	(6,507)
Repurchase of common stock	(3,462)	-	(3,470)	-	-	-	-	(3,470)
Balance as of June 30, 2024	739,308	$ 7	$ 27,931	$ 563,383	$ (15,101)	-	$ -	$ 576,220

(Dollars in thousands, except share amounts)	Common Shares	Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)/Income	Shares	Treasury Stock	Total
Balance as of December 31, 2024	699,798	$ 7	$ -	$ 592,431	$ (19,366)	-	$ -	$ 573,072
Net income	-	-	-	46,064	-	-	-	46,064
Other comprehensive loss, net of tax	-	-	-	-	6,284	-	-	6,284
Issuance of restricted stock awards	30,818	-	-	-	-	-	-	-
Stock based compensation expense	-	-	5,192	-	-	-	-	5,192
Cash dividends declared ($9.30 per share)	-	-	-	(6,768)	-	-	-	(6,768)
Repurchase of common stock	(2,894)	-	-	(2,934)	-	-	-	(2,934)
Purchase of treasury stock	-	-	-	-	-	(2,355)	(2,378)	(2,378)
Balance as of June 30, 2025	727,722	$ 7	$ 5,192	$ 628,793	$ (13,082)	(2,355)	$ (2,378)	$ 618,532
Balance as of December 31, 2023	747,971	$ 7	$ 36,852	$ 525,360	$ (12,464)	-	$ -	$ 549,755
Cumulative change from adoption of ASU 2023-02	-	-	-	40	-	-	-	40
Net income	-	-	-	44,490	-	-	-	44,490
Other comprehensive loss, net of tax	-	-	-	-	(2,637)	-	-	(2,637)
Cash dividends declared ($8.80 per share)	-	-	-	(6,507)	-	-	-	(6,507)
Repurchase of common stock	(8,663)	-	(8,921)	-	-	-	-	(8,921)
Balance as of June 30, 2024	739,308	$ 7	$ 27,931	$ 563,383	$ (15,101)	-	$ -	$ 576,220

See accompanying notes to the unaudited consolidated financial statements.

FARMERS & MERCHANTS BANCORP
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(Dollars in thousands)	Six Months Ended June 30, 2025	2024
Cash flows from operating activities:		
Net income	$ 46,064	$ 44,490
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	1,700	-
Depreciation and amortization	1,530	1,443
Net accretion of securities premiums and discounts	(560)	(780)
Stock based compensation expense	5,192	-
(Increase)/decrease in cash surrender value of BOLI	(1,230)	1,276
Decrease in deferred income taxes, net	1,125	7,854
Net changes in:		
Other assets	2,943	(6,714)
Other liabilities	4,246	7,526
Net cash provided by operating activities	61,010	55,095
Cash flows from investing activities:		
Net decrease (increase) in loans and leases held for investment	54,064	(27,594)
Purchase of available-for-sale securities	(123,285)	(83,361)
Purchase of held-to-maturity securities	(6,351)	(2,028)
Proceeds from sales, maturities, calls and pay downs of available-for-sale securities	24,099	11,667
Proceeds from maturities, calls and pay downs of held-to-maturity securities	26,867	25,054
Purchase of premises and equipment	(3,266)	(844)
Purchase of other investments	(3,441)	(11,227)
Redemption of other investments	-	5,000
Proceeds from sale of assets	60	-
Net cash used in investing activities	(31,253)	(83,333)
Cash flows from financing activities:		
Net increase/(decrease) in deposits	61,225	(71,040)
Cash dividends paid	(6,481)	(6,507)
Net cash used in share repurchase program	(2,934)	(8,921)
Purchase of treasury stock	(2,378)	-
Net cash provided by (used in) financing activities	49,432	(86,468)
Net change in cash and cash equivalents	79,189	(114,706)
Cash and cash equivalents, beginning of period	212,563	410,642
Cash and cash equivalents, end of period	$ 291,752	$ 295,936
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 32,930	$ 34,423
Income taxes paid	$ 10,002	$ 7,349
Supplemental disclosures of non-cash transactions:		
Accrued cash dividend on restricted stock	$ (287)	$ -
Net change in unrealized (losses)/gains on securities available-for-sale	$ (8,935)	$ 3,695

See accompanying notes to the unaudited consolidated financial statements.

FARMERS & MERCHANTS BANCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1—Basis of Presentation and Significant Accounting Policies

The accompanying unaudited consolidated financial statements include the accounts of Farmers & Merchants Bancorp ("FMCB" or "Bancorp"), a bank holding company incorporated in the State of Delaware, and its wholly owned subsidiary, Farmers & Merchants Bank of Central California ("F&M Bank" or the "Bank") (collectively, the "Company").

These unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X as promulgated by the Securities and Exchange Commission ("SEC"). In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the financial position and results of operations for the periods presented have been included. Certain information and note disclosures have been condensed or omitted pursuant to the rules and regulations of the SEC and the accounting standards for interim financial statements. All significant intercompany transactions and balances have been eliminated.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Various elements of the Company's accounting policies, by their nature, are inherently subject to estimation techniques, valuation assumptions and other subjective assessments. In particular, management has identified several accounting policies that, due to the judgments, estimates and assumptions inherent in those policies, are significant to an understanding of Bank's financial statements. These policies relate to: (i) the determination of the provision and allowance for credit losses; (ii) the valuation of financial assets and liabilities recorded at fair value; (iii) the valuation of intangibles, such as goodwill and core deposit intangibles ("CDI"); (iv) the valuation of other real estate owned ("OREO"); and (v) the valuation or recognition of deferred tax assets and liabilities. These policies and judgments, estimates and assumptions are described in greater detail in subsequent notes to the Unaudited Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates, in our Annual Report on Form 10-K for the year ended December 31, 2024 filed with the SEC on March 14, 2025 ("2024 Form 10-K") and Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates included in this Quarterly Report on Form 10-Q.

The information included in this Form 10-Q should be read in conjunction with our 2024 Form 10-K. Interim results are not necessarily indicative of results for a full year or any other interim period.

Summary of Significant Accounting Policies

Our accounting policies are described in Note 1 – Summary of Significant Accounting Policies, of our audited consolidated financial statements included in our 2024 Form 10-K. As of June 30, 2025, there were no significant changes to accounting policies from those disclosed in our audited consolidated financial statements included in our 2024 Form 10-K.

Use of estimates — The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions 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 reported period. Actual results could differ from those estimates.

FARMERS & MERCHANTS BANCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1—Basis of Presentation and Significant Accounting Policies—Continued

Recently Adopted Accounting Standards — The Accounting Standards Codification ("ASC") is the FASB officially recognized source of authoritative GAAP applicable to all public and non-public non-governmental entities. Periodically, the FASB will issue Accounting Standard Updates ("ASU") to its ASC. Rules and interpretive releases of the SEC under the authority of the federal securities laws are also sources of authoritative GAAP for the Company as an SEC registrant. All other accounting literature is non-authoritative.

In December 2023, the FASB issued ASU No. 2023-09*, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures."* ASU 2023-09 requires public business entities to disclose in their rate reconciliation table additional categories of information about federal, state and foreign income taxes and to provide more details about the reconciling items in some categories if items meet a quantitative threshold. ASU 2023-09 also requires all entities to disclose income taxes paid, net of refunds, disaggregated by federal, state and foreign taxes for annual periods and to disaggregate the information by jurisdiction based on a quantitative threshold, among other things. The Company adopted this standard with no material impact on the Company's consolidated financial statements, and the new income tax disclosures will be required beginning with our 2025 Form 10-K.

Accounting Standards Pending Adoption — The following paragraphs provide descriptions of newly issued but not yet effective accounting standards that could have a material effect on the Company's financial position or results of operations.

In November 2024, the FASB issued ASU No. 2024-03, "*Income Statement – Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40)*: *Disaggregation of Income Statement Expenses"* ("ASU 2024-03"), and in January 2025, the FASB issued ASU No. 2025-01, "*Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date"* ("ASU 2025-01"). ASU 2024-03 requires additional disclosure of the nature of expenses included in the income statement as well as disclosures about specific types of expenses included in the expense captions presented in the income statement. ASU 2024-03, as clarified by ASU 2025-01, is effective for public business entities for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Both early adoption and retrospective application are permitted. The Company is currently evaluating the impact that the adoption of these standards will have on its consolidated financial statements and disclosures.

In March 2025, the FASB issued ASU No. 2025-02, "*Liabilities (Topic 405)-Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 122*" ("ASU 2025-02"), which communicates changes to the FASB codification, including changes to non-authoritative SEC content. The update affects SEC registrants, makes amendments to the GAAP taxonomy and is effective upon issuance. Management has evaluated the impact of the adoption of this standard and determined there would be no material impact to the Company's consolidated financial position or results of operations.

FARMERS & MERCHANTS BANCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 2—Investment Securities

The amortized cost, fair values, and unrealized gains and losses of the securities available-for-sale are as follows:

(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
As of June 30, 2025				
U.S. Government-sponsored securities	$ 2,291	$ 5	$ 11	$ 2,285
Mortgage-backed securities(1)	564,312	3,564	21,175	546,701
Commercial mortgage-backed obligations(1)	1,230	8	-	1,238
Collateralized mortgage obligations(1)	7,622	-	144	7,478
Corporate securities	14,829	126	16	14,939
Other	310	-	-	310
Total available-for-sale securities	$ 590,594	$ 3,703	$ 21,346	$ 572,951

(1) All mortgage-backed securities and collateralized mortgage obligations were issued by an agency or government sponsored entity of the U.S. Government.

(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
As of December 31, 2024				
U.S. Government-sponsored securities	$ 2,657	$ 4	$ 17	$ 2,644
Mortgage-backed securities(1)	466,302	464	26,908	439,858
Commercial mortgage-backed obligations(1)	1,228	-	16	1,212
Collateralized mortgage obligations(1)	5,653	-	156	5,497
Corporate securities	14,800	56	-	14,856
Other	352	-	5	347
Total available-for-sale securities	$ 490,992	$ 524	$ 27,102	$ 464,414

(1) All mortgage-backed securities and collateralized mortgage obligations were issued by an agency or government sponsored entity of the U.S. Government.

The book values, estimated fair values and unrecognized gains and losses of investments classified as held-to-maturity are as follows:

(Dollars in thousands)	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value	Allowance for Credit Losses
As of June 30, 2025					
Mortgage-backed securities(1)	$ 608,903	$ 17	$ 130,114	$ 478,806	$ -
Collateralized mortgage obligations(1)	65,146	-	11,609	53,537	-
Municipal securities	74,812	928	1,380	74,360	450
Total held-to-maturity securities	$ 748,861	$ 945	$ 143,103	$ 606,703	$ 450

(1) All mortgage-backed securities and collateralized mortgage obligations were issued by an agency or government sponsored entity of the U.S. Government.

(Dollars in thousands)	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value	Allowance for Credit Losses
As of December 31, 2024					
Mortgage-backed securities(1)	$ 626,427	$ -	$ 143,544	$ 482,883	$ -
Collateralized mortgage obligations(1)	68,377	-	13,876	54,501	-
Municipal securities	74,639	46	1,116	73,569	450
Total held-to-maturity securities	$ 769,443	$ 46	$ 158,536	$ 610,953	$ 450

(1) All mortgage-backed securities and collateralized mortgage obligations were issued by an agency or government sponsored entity of the U.S. Government.

Note 2—Investment Securities—Continued

The allowance for credit losses on held-to-maturity securities is a contra-asset valuation account that is deducted from the amortized cost basis of held-to-maturity securities to present the net amount expected to be collected. Management measures expected credit losses on held-to-maturity securities on a collective basis by major security type with each type sharing similar risk characteristics, and considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. With regard to residential mortgage-backed securities issued by the U.S. government, or agencies thereof, it is expected that the securities will not be settled at prices less than the amortized cost basis of the securities as such securities are backed by the full faith and credit of and/or guaranteed by the U.S. government. Accordingly, no allowance for credit losses has been recorded for these securities. With regard to securities issued by States and political subdivisions and other held-to-maturity securities, management considers (i) issuer bond ratings, (ii) historical loss rates for given bond ratings, (iii) whether issuers continue to make timely principal and interest payments under the contractual terms of the securities, (iv) internal forecasts and (v) whether or not such securities are guaranteed or pre-refunded by the issuers.

Fair values are based on quoted market prices or dealer quotes. If a quoted market price or dealer quote is not available, fair value is estimated using quoted market prices for similar securities.

The following tables show the gross unrealized losses for available-for-sale securities, for which an allowance for credit losses has not been recorded, that have been in an unrealized loss position for less than 12 months or 12 months or more:

	June 30, 2025					
	Less Than 12 Months		12 Months or More		Total	
(Dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-Sale Securities						
U.S. Government-sponsored securities	$ 84	$ -	$ 739	$ 11	$ 823	$ 11
Mortgage-backed securities[1]	233,824	1,723	65,200	19,452	299,024	21,175
Commerical mortgage-backed securities[1]	-	-	-	-	-	-
Collateralized mortgage obligations[1]	7,067	136	411	8	7,478	144
Corporate securities	4,994	16	-	-	4,994	16
Total available-for-sale securities	$ 245,969	$ 1,875	$ 66,350	$ 19,471	$ 312,319	$ 21,346

[1] All mortgage-backed securities and collateralized mortgage obligations were issued by an agency or government sponsored entity of the U.S. Government.

	December 31, 2024					
	Less Than 12 Months		12 Months or More		Total	
(Dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-Sale Securities						
U.S. Government-sponsored securities	$ 600	$ 1	$ 888	$ 16	$ 1,488	$ 17
Mortgage-backed securities[1]	324,202	5,772	67,319	21,136	391,521	26,908
Commerical mortgage-backed securities[1]	1,212	16	-	-	1,212	16
Collateralized mortgage obligations[1]	5,043	147	454	9	5,497	156
Corporate securities	347	5	-	-	347	5
Total available-for-sale securities	$ 331,404	$ 5,941	$ 68,661	$ 21,161	$ 400,065	$ 27,102

[1] All mortgage-backed securities and collateralized mortgage obligations were issued by an agency or government sponsored entity of the U.S. Government.

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Note 2—Investment Securities—Continued

As of June 30, 2025, the Company held 189 available-for-sale securities of which 32 securities were in an unrealized loss position for less than twelve months and 107 securities were in an unrealized loss position for twelve months or more without an allowance for credit losses. Because the decline in fair value is attributable to changes in interest rates and not credit quality and because the Company does not have the intent to sell and it is likely that the Company will not be required to sell the securities prior to their anticipated recovery at maturity, it has been determined that there is no expected credit loss on these securities. Management evaluates the available-for-sale securities in an unrealized loss position, relying primarily on industry analyst reports and observations of market conditions and interest rate fluctuations.

The following tables present the activity in the allowance for credit losses for held-to-maturity securities by major type:

	June 30, 2025			
(Dollars in thousands)	Municipal securities	Mortgage-backed securities	Collateralized mortgage obligations	Total
Allowance for credit losses - securities				
Beginning balance	$ 450	$ -	$ -	$ 450
Provision for credit losses	-	-	-	-
Ending balance	$ 450	$ -	$ -	$ 450

	December 31, 2024			
(Dollars in thousands)	Municipal securities	Mortgage-backed securities	Collateralized mortgage obligations	Total
Allowance for credit losses - securities				
Beginning balance	$ 450	$ -	$ -	$ 450
Provision for credit losses	-	-	-	-
Ending balance	$ 450	$ -	$ -	$ 450

The amortized cost and estimated fair values of investment securities at June 30, 2025 by contractual final maturity are shown in the following table:

	Available-for-Sale		Held-to-Maturity	
(Dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Securities maturing in:				
One year or less	$ 360	$ 359	$ 1,236	$ 1,218
After one year through five years	16,976	17,053	24,230	23,831
After five years through ten years	2,960	2,934	17,763	16,662
After ten years	570,298	552,605	705,632	564,992
Total	$ 590,594	$ 572,951	$ 748,861	$ 606,703

Maturities are based on the final contractual payment dates, and do not reflect the impact of prepayments or early redemptions that may occur. Expected maturities of mortgage-backed and CMO securities may differ from contractual maturities because borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

Note 2—Investment Securities—Continued

The Company monitors the credit quality of those held-to-maturity securities not issued by the U.S. government or one of its agencies or government sponsored entities, through the use of credit ratings. Credit ratings are reviewed and updated quarterly. Nonrated municipal investments consist primarily of bonds issued by political subdivisions such as housing authorities and reclamation districts. Nonrated municipal investments are monitored through financial covenants and review of repayment history. As of June 30, 2025, there were no past due principal or interest payments associated with held-to-maturity municipal securities. There were no holdings of securities of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of shareholders' equity.

The following tables summarize the amortized cost of held-to-maturity municipal securities by credit rating as of the dates indicated:

	Held-to-Maturity Amortized Cost			
(Dollars in thousands)	**AAA/AA/A**	**BBB/BB/B**	**Not Rated**	**Total**
June 30, 2025				
Municipal securities	$ 19,044	$ 931	$ 54,837	$ 74,812
Total	$ 19,044	$ 931	$ 54,837	$ 74,812

	Held-to-Maturity Amortized Cost			
(Dollars in thousands)	**AAA/AA/A**	**BBB/BB/B**	**Not Rated**	**Total**
December 31, 2024				
Municipal securities	$ 19,022	$ 403	$ 55,214	$ 74,639
Total	$ 19,022	$ 403	$ 55,214	$ 74,639

Proceeds from sales and calls of investment securities were as follows:

(Dollars in thousands)	**Gross Proceeds**	**Gross Gains**	**Gross Losses**
Six months ended June 30, 2025	$ 460	$ -	$ -
Six months ended June 30, 2024	$ 575	$ -	$ -

Pledged Securities

At June 30, 2025, investment securities carried at $700.1 million were pledged to secure public deposits, Federal Home Loan Bank ("FHLB") borrowings, and other government agency deposits as required by law. This amount was $712.5 million at December 31, 2024.

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Note 3—Loans and Leases

Loans and leases as of the dates indicated consisted of the following:

(Dollars in thousands)	June 30, 2025	December 31, 2024
Loans and leases held for investment, net		
Real estate:		
Commercial	$ 1,410,836	$ 1,360,841
Agricultural	720,079	751,026
Residential and home equity	401,848	404,399
Construction	173,827	194,903
Total real estate	2,706,590	2,711,169
Commercial & industrial	491,547	504,403
Agricultural	261,450	289,847
Commercial leases	171,212	179,718
Consumer and other	5,032	5,084
Total gross loans and leases	3,635,831	3,690,221
Unearned income	(12,195)	(11,833)
Total net loans and leases	3,623,636	3,678,388
Allowance for credit losses	(76,169)	(75,283)
Total loans and leases held for investment, net	$ 3,547,467	$ 3,603,105

At June 30, 2025, the portion of loans that were approved for pledging as collateral on borrowing lines with the FHLB and the Federal Reserve Bank ("FRB") were $1.3 billion and $1.4 billion, respectively. The borrowing capacity on these loans was $811.8 million from FHLB and $1.1 billion from the FRB at June 30, 2025.

The following tables show an aging analysis of the loan and lease portfolio, net of unearned income, by the time past due for the periods indicated:

	June 30, 2025						
(Dollars in thousands)	30-89 Days Past Due	90+ Days Past Due	Non-accrual	Total Past Due and Non-accrual	Current	Total	Non-accrual with no ACL
Loans and leases held for investment, net							
Real estate:							
Commercial	$ 956	$ -	$ -	$ 956	$ 1,402,163	$ 1,403,119	$ -
Agricultural	177	-	-	177	719,902	720,079	-
Residential and home equity	-	-	-	-	401,848	401,848	-
Construction	-	-	-	-	173,827	173,827	-
Total real estate	1,133	-	-	1,133	2,697,740	2,698,873	-
Commercial & industrial	21	-	-	21	491,526	491,547	-
Agricultural	-	-	-	-	261,450	261,450	-
Commercial leases	-	-	-	-	166,734	166,734	-
Consumer and other	9	-	-	9	5,023	5,032	-
Total loans and leases, net	$ 1,163	$ -	$ -	$ 1,163	$ 3,622,473	$ 3,623,636	$ -

Note 3—Loans and Leases—Continued

	December 31, 2024						
(Dollars in thousands)	**30-89 Days Past Due**	**90+ Days Past Due**	**Non-accrual**	**Total Past Due and Non-accrual**	**Current**	**Total**	**Non-accrual with no ACL**
Loans and leases held for investment, net							
Real estate:							
Commercial	$ -	$ -	$ 170	$ 170	$ 1,353,101	$ 1,353,271	$ 170
Agricultural	-	-	-	-	751,026	751,026	-
Residential and home equity	-	-	-	-	404,399	404,399	-
Construction	-	-	-	-	194,903	194,903	-
Total real estate	-	-	170	170	2,703,429	2,703,599	170
Commercial & industrial	33	-	759	792	503,611	504,403	-
Agricultural	36	-	-	36	289,811	289,847	-
Commercial leases	-	-	-	-	175,455	175,455	-
Consumer and other	5	-	-	5	5,079	5,084	-
Total loans and leases, net	$ 74	$ -	$ 929	$ 1,003	$ 3,677,385	$ 3,678,388	$ 170

When borrowers are experiencing financial difficulty, the Company may agree to modify the contractual terms of a loan to a borrower in order to assist the borrower in repaying principal and interest owed to the Company. The Company's modifications of loans to borrowers experiencing financial difficulty are generally in the form of term extensions, repayment plans, payment deferrals, forbearance agreements, interest rate reductions, forgiveness of interest and/or fees, or any combination thereof. Commercial loans modified to borrowers experiencing financial difficulty are primarily loans that are substandard or non-accrual, where the maturity date was extended and/or the modified interest rate and payment terms are not commensurate with the current market. Modifications on personal real estate loans are primarily those placed on forbearance plans, repayment plans, or deferral plans where monthly payments are suspended for a period of time or past due amounts are paid off over a certain period of time in the future or set up as a balloon payment at maturity. Modifications to certain credit card and other small consumer loans are often modified under debt counseling programs that can reduce the contractual rate or, in certain instances, forgive certain fees and interest charges. Other consumer loans modified to borrowers experiencing financial difficulty consist of various other workout arrangements with consumer customers.

Note 3—Loans and Leases—Continued

The following table presents the amortized cost of loans that were both experiencing financial difficulty and modified, by portfolio segment and type of modification, during the periods presented. 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 portfolio segment of financing receivable is also presented below:

	June 30, 2025						
	Amortized cost associated with the following modification types:						
(Dollars in thousands)	Interest rate reduction	Maturity or term extension	Principal forgiveness	Payment deferral	Multiple modification types[1]	Total[2]	Percentage of total loan segment
Loans and leases held for investment, net							
Real estate:							
Commercial	$ -	$ -	$ -	$ -	$ -	$ -	0.000%
Agricultural	-	983	-	1,656	-	2,639	0.366%
Residential and home equity	-	34	-	-	-	34	0.008%
Construction	-	-	-	-	-	-	0.000%
Total real estate	-	1,017	-	1,656	-	2,673	0.099%
Commercial & industrial	-	-	-	-	-	-	0.000%
Agricultural	-	43	-	-	-	43	0.016%
Commercial leases	-	-	-	-	-	-	0.000%
Consumer and other	-	-	-	-	-	-	0.000%
Total	$ -	$ 1,060	$ -	$ 1,656	$ -	$ 2,716	0.075%

[1] Includes modifications that resulted from a combination of interest rate reduction, maturity or term extension, principal forgiveness, and payment deferral modifications.
[2] Unfunded lending commitments related to loans modified to borrowers experiencing financial difficulty totaled $0 million at June 30, 2025.

During the six months ended June 30, 2025, the Company modified four agricultural real estate loans and one agricultural production loan, all related to the same agricultural borrower. Two of the loans had the contractual term extended by six months and three loans had principal and interest deferrals of six months. The Company also modified one home equity loan with a 10-year maturity extension and re-amortization.

The Company did not enter into any loan modifications with borrowers experiencing financial difficulty during the six months ended June 30, 2024.

The Company closely monitors the performance of the loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of the modification efforts. A payment default is defined as a loan having a payment past due 90 days or more after a modification took place.

There was one loan modified within the last 12 months for $176,000 that had a payment default and was 86 days past due during the six months ended June 30, 2025.

The effect of modifications made to borrowers experiencing financial difficulty is already included in the ACL because of the measurement methodologies used to estimate the ACL; therefore, a change to the ACL is generally not recorded upon modification. If principal forgiveness is provided, that portion of the loan will be charged-off, resulting in a reduction of the amortized cost basis and a corresponding adjustment to the ACL. An assessment of whether the borrower is experiencing financial difficulty is made on the date of a modification.

Note 3—Loans and Leases—Continued

The Company assigns a risk rating to all loans and leases and periodically performs detailed reviews of all such loans and leases over a certain threshold to identify credit risks and assess overall collectability. For smaller balance loans and leases, such as consumer and residential real estate, a credit grade is established at inception, and then updated only when the loan or lease becomes contractually delinquent or when the borrower requests a modification. For larger balance loans and leases, management monitors and analyzes the financial condition of borrowers and guarantors, trends in the industries in which borrowers operate and the fair values of collateral securing these loans and leases. These credit quality indicators are used to assign a risk rating to each individual loan or lease. These risk ratings can be grouped into five major categories, defined as follows:

Pass — A pass loan or lease is a strong credit with no existing or known potential weaknesses deserving of management’s close attention. This category also includes “Watch” loans, which is a loan with an emerging weakness in either the individual credit or industry that requires additional attention. A credit may also be classified Watch if cash flows have not yet stabilized, such as in the case of a development project.

Special mention — A special mention loan or lease has potential weaknesses that deserve management’s close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or lease or in the Company’s credit position at some future date. Special mention loans and leases are not adversely classified and do not expose the Company to sufficient risk to warrant adverse classification.

Substandard — A substandard loan or lease is not adequately protected by the current financial condition and paying capacity of the borrower or the value of the collateral pledged, if any. Loans or leases classified as substandard have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. Well-defined weaknesses include a project’s lack of marketability, inadequate cash flow or collateral support, failure to complete construction on time or the project’s failure to fulfill economic expectations. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

Doubtful — Loans or leases 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, based on currently known facts, conditions and values, highly questionable or improbable.

Loss — Loans or leases classified as loss are considered uncollectible. Once a loan or lease becomes delinquent and repayment becomes questionable, the Company will address collateral shortfalls with the borrower and attempt to obtain additional collateral. If this is not forthcoming and payment in full is unlikely, the Company will estimate its probable loss and immediately charge-off some or all of the balance.

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Note 3—Loans and Leases—Continued

The following tables present outstanding loan and lease balances held for investment net of unearned income by segment, credit risk rating categories, vintage year by segment of financing receivable, and current period gross charge-offs by year of origination as follows:

	June 30, 2025								
	Term Loans and Leases Amortized Cost Basis by Origination Year								
(Dollars in thousands)	2025	2024	2023	2022	2021	Prior	Revolving Loans Amortized Cost	Revolving Loans Converted to Term	Total
Net loans and leases held for investment									
Real estate:									
Commercial									
Pass	$ 99,839	$ 40,034	$ 116,142	$ 161,515	$ 198,546	$ 400,192	$ 248,641	$ 127,119	$ 1,392,028
Special mention	-	-	-	-	7,263	-	2,872	-	10,135
Substandard	-	-	-	956	-	-	-	-	956
Total Commercial	$ 99,839	$ 40,034	$ 116,142	$ 162,471	$ 205,809	$ 400,192	$ 251,513	$ 127,119	$ 1,403,119
Commercial									
Current-period gross charge-offs	$ -	$ -	$ -	$ 175	$ -	$ -	$ -	$ -	$ 175
Agricultural									
Pass	$ 24,231	$ 24,286	$ 36,158	$ 63,301	$ 37,313	$ 193,597	$ 280,117	$ 49,532	$ 708,535
Special mention	-	-	-	2,760	-	3,100	5,684	-	11,544
Substandard	-	-	-	-	-	-	-	-	-
Total Agricultural	$ 24,231	$ 24,286	$ 36,158	$ 66,061	$ 37,313	$ 196,697	$ 285,801	$ 49,532	$ 720,079
Agricultural									
Current-period gross charge-offs	$ -	$ -	$ 180	$ -	$ -	$ -	$ -	$ -	$ 180
Residential and home equity									
Pass	$ 16,018	$ 31,201	$ 34,473	$ 52,692	$ 79,272	$ 138,049	$ 49,400	$ 443	$ 401,548
Special mention	-	-	-	-	-	64	-	-	64
Substandard	-	-	-	34	-	-	202	-	236
Total Residential and home equity	$ 16,018	$ 31,201	$ 34,473	$ 52,726	$ 79,272	$ 138,113	$ 49,602	$ 443	$ 401,848
Residential and home equity									
Current-period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Construction									
Pass	$ -	$ 2,700	$ -	$ 900	$ -	$ 1,375	$ 153,127	$ 15,725	$ 173,827
Special mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Total construction	$ -	$ 2,700	$ -	$ 900	$ -	$ 1,375	$ 153,127	$ 15,725	$ 173,827
Construction									
Current-period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Real estate	$ 140,088	$ 98,221	$ 186,773	$ 282,158	$ 322,394	$ 736,377	$ 740,043	$ 192,819	$ 2,698,873
Commercial & industrial									
Pass	$ 12,588	$ 23,168	$ 34,598	$ 18,262	$ 15,021	$ 7,282	$ 341,009	$ 32,323	$ 484,251
Special mention	-	-	879	53	-	334	3,598	2,410	7,274
Substandard	-	-	-	-	22	-	-	-	22
Total Commercial & industrial	$ 12,588	$ 23,168	$ 35,477	$ 18,315	$ 15,043	$ 7,616	$ 344,607	$ 34,733	$ 491,547
Commercial & industrial									
Current-period gross charge-offs	$ -	$ -	$ 69	$ 98	$ 53	$ 12	$ -	$ -	$ 232

FARMERS & MERCHANTS BANCORP
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Note 3—Loans and Leases—Continued

	June 30, 2025								
	Term Loans and Leases Amortized Cost Basis by Origination Year								
	2025	2024	2023	2022	2021	Prior	Revolving Loans Amortized Cost	Revolving Loans Converted to Term	Total
(Dollars in thousands)									
Net loans and leases held for investment									
Agricultural									
Pass	$ 197	$ 3,233	$ 2,483	$ 2,279	$ 1,272	$ 2,527	$ 240,781	$ 8,581	$ 261,353
Special mention	-	-	-	36	-	-	-	43	79
Substandard	-	-	-	-	-	-	18	-	18
Total Agricultural	$ 197	$ 3,233	$ 2,483	$ 2,315	$ 1,272	$ 2,527	$ 240,799	$ 8,624	$ 261,450
Agricultural									
Current-period gross charge-offs	$ -	$ -	$ -	$ 200	$ 34	$ -	$ -	$ -	$ 234
Commercial leases									
Pass	$ 3,693	$ 30,399	$ 71,552	$ 23,990	$ 6,740	$ 30,360	$ -	$ -	$ 166,734
Special mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Total Commercial leases	$ 3,693	$ 30,399	$ 71,552	$ 23,990	$ 6,740	$ 30,360	$ -	$ -	$ 166,734
Commercial leases									
Current-period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Consumer and other									
Pass	$ 964	$ 716	$ 922	$ 342	$ 43	$ 1,195	$ 704	$ -	$ 4,886
Special mention	-	-	-	-	-	-	-	-	-
Substandard	133	-	-	-	-	13	-	-	146
Total Consumer and other	$ 1,097	$ 716	$ 922	$ 342	$ 43	$ 1,208	$ 704	$ -	$ 5,032
Consumer and other									
Current-period gross charge-offs	$ 18	$ 3	$ -	$ -	$ -	$ -	$ -	$ -	$ 21
Total net loans and leases									
Pass	$ 157,530	$ 155,737	$ 296,328	$ 323,281	$ 338,207	$ 774,577	$ 1,313,779	$ 233,723	$ 3,593,162
Special mention	-	-	879	2,849	7,263	3,498	12,154	2,453	29,096
Substandard	133	-	-	990	22	13	220	-	1,378
Total net loans and leases	$ 157,663	$ 155,737	$ 297,207	$ 327,120	$ 345,492	$ 778,088	$ 1,326,153	$ 236,176	$ 3,623,636
Total current-period gross charge-offs	$ 18	$ 3	$ 249	$ 473	$ 87	$ 12	$ -	$ -	$ 842

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Note 3—Loans and Leases—Continued

	December 31, 2024								
	Term Loans and Leases Amortized Cost Basis by Origination Year								
(Dollars in thousands)	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost	Revolving Loans Converted to Term	Total
Net loans and leases held for investment									
Real estate:									
Commercial									
Pass	$ 63,216	$ 117,550	$ 163,875	$ 209,222	$ 134,254	$ 292,326	$ 270,231	$ 99,819	$ 1,350,493
Special mention	-	-	1,138	-	-	170	1,470	-	2,778
Substandard	-	-	-	-	-	-	-	-	-
Total Commercial	$ 63,216	$ 117,550	$ 165,013	$ 209,222	$ 134,254	$ 292,496	$ 271,701	$ 99,819	$ 1,353,271
Commercial									
Current-period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Agricultural									
Pass	$ 24,877	$ 36,693	$ 69,209	$ 38,847	$ 46,452	$ 169,301	$ 309,661	$ 32,086	$ 727,126
Special mention	-	-	-	-	2,099	5,011	16,790	-	23,900
Substandard	-	-	-	-	-	-	-	-	-
Total Agricultural	$ 24,877	$ 36,693	$ 69,209	$ 38,847	$ 48,551	$ 174,312	$ 326,451	$ 32,086	$ 751,026
Agricultural									
Current-period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Residential and home equity									
Pass	$ 33,036	$ 37,378	$ 57,760	$ 82,936	$ 72,304	$ 72,360	$ 47,669	$ 65	$ 403,508
Special mention	-	-	-	-	-	85	-	-	85
Substandard	-	-	-	-	-	603	203	-	806
Total Residential and home equity	$ 33,036	$ 37,378	$ 57,760	$ 82,936	$ 72,304	$ 73,048	$ 47,872	$ 65	$ 404,399
Residential and home equity									
Current-period gross charge-offs	$ -	$ 29	$ -	$ -	$ -	$ -	$ -	$ -	$ 29
Construction									
Pass	$ 5,774	$ -	$ 1,000	$ -	$ -	$ 1,375	$ 186,754	$ -	$ 194,903
Special mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Total construction	$ 5,774	$ -	$ 1,000	$ -	$ -	$ 1,375	$ 186,754	$ -	$ 194,903
Construction									
Current-period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Real estate	$ 126,903	$ 191,621	$ 292,982	$ 331,005	$ 255,109	$ 541,231	$ 832,778	$ 131,970	$ 2,703,599
Commercial & industrial									
Pass	$ 23,235	$ 39,415	$ 20,065	$ 16,715	$ 3,525	$ 6,192	$ 363,947	$ 24,269	$ 497,363
Special mention	-	2,280	67	3	-	381	1,017	2,500	6,248
Substandard	-	107	-	33	-	-	422	230	792
Total Commercial & industrial	$ 23,235	$ 41,802	$ 20,132	$ 16,751	$ 3,525	$ 6,573	$ 365,386	$ 26,999	$ 504,403
Commercial & industrial									
Current-period gross charge-offs	$ 231	$ 176	$ -	$ 44	$ 100	$ 185	$ -	$ -	$ 736

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Note 3—Loans and Leases—Continued

	December 31, 2024								
	Term Loans and Leases Amortized Cost Basis by Origination Year								
(Dollars in thousands)	**2024**	**2023**	**2022**	**2021**	**2020**	**Prior**	**Revolving Loans Amortized Cost**	**Revolving Loans Converted to Term**	**Total**
Net loans and leases held for investment									
Agricultural									
Pass	$ 2,831	$ 2,820	$ 2,584	$ 1,708	$ 393	$ 2,471	$ 270,595	$ 6,325	$ 289,727
Special mention	-	-	41	-	-	-	-	43	84
Substandard	-	-	-	-	-	-	36	-	36
Total Agricultural	$ 2,831	$ 2,820	$ 2,625	$ 1,708	$ 393	$ 2,471	$ 270,631	$ 6,368	$ 289,847
Agricultural									
Current-period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial leases									
Pass	$ 31,977	$ 74,956	$ 21,859	$ 8,314	$ 8,065	$ 26,182	$ -	$ -	$ 171,353
Special mention	-	-	4,102	-	-	-	-	-	4,102
Substandard	-	-	-	-	-	-	-	-	-
Total Commercial leases	$ 31,977	$ 74,956	$ 25,961	$ 8,314	$ 8,065	$ 26,182	$ -	$ -	$ 175,455
Commercial leases									
Current-period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Consumer and other									
Pass	$ 1,049	$ 1,195	$ 535	$ 71	$ 13	$ 1,349	$ 693	$ -	$ 4,905
Special mention	-	-	-	-	-	-	-	-	-
Substandard	161	-	-	-	-	18	-	-	179
Total Consumer and other	$ 1,210	$ 1,195	$ 535	$ 71	$ 13	$ 1,367	$ 693	$ -	$ 5,084
Consumer and other									
Current-period gross charge-offs	$ 63	$ 1	$ -	$ -	$ -	$ 29	$ -	$ -	$ 93
Total net loans and leases									
Pass	$ 185,995	$ 310,007	$ 336,887	$ 357,813	$ 265,006	$ 571,556	$ 1,449,550	$ 162,564	$ 3,639,378
Special mention	-	2,280	5,348	3	2,099	5,647	19,277	2,543	37,197
Substandard	161	107	-	33	-	621	661	230	1,813
Total net loans and leases	$ 186,156	$ 312,394	$ 342,235	$ 357,849	$ 267,105	$ 577,824	$ 1,469,488	$ 165,337	$ 3,678,388
Total current-period gross charge-offs	$ 294	$ 206	$ -	$ 44	$ 100	$ 214	$ -	$ -	$ 858

The Company, in the ordinary course of business, grants loans to the Company's executive officers and directors, including their families and firms in which they are principal owners. Activity in such loans is summarized as follows:

(Dollars in thousands)	**June 30, 2025**	**December 31, 2024**
Balance at beginning of the period	$ 15,626	$ 17,035
New loans or advances during year	455	1,871
Effect of changes in composition of related parties	(80)	-
Repayments	(1,422)	(3,280)
Balance at end of period	$ 14,579	$ 15,626

Note 3—Loans and Leases—Continued

A loan or lease is considered collateral dependent when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. When management determines that foreclosure is probable, expected credit losses for collateral dependent loans or leases are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate. The collateral on the loans and leases is a significant portion of what secures the collateral dependent loans or leases, and significant changes to the fair value of the collateral can impact the allowance for credit losses.

The following tables present the amortized cost basis for collateral dependent loans and leases by type as of December 31, 2024:

	December 31, 2024		
(Dollars in thousands)	**Real Estate**	**Vehicles and Equipment**	**Total**
Collateral dependent loans and leases			
Real estate:			
Commercial	$ 170	$ -	$ 170
Agricultural	-	-	-
Residential and home equity	-	-	-
Construction	-	-	-
Total real estate	170	-	170
Commercial & industrial	-	759	759
Agricultural	-	-	-
Commercial leases	-	-	-
Consumer and other	-	-	-
Total gross loans and leases	$ 170	$ 759	$ 929

There were no collateral dependent loans or leases at June 30, 2025.

Note 3—Loans and Leases—Continued

Allowance for Credit Losses

The allowance for credit losses ("ACL") is the combination of the allowance for credit losses for loan and lease losses and the allowance for credit losses for unfunded loan commitments. The ACL for unfunded loan commitments is included within "Interest payable and other liabilities" on the consolidated balance sheets.

The following tables present a summary of the activity in the ACL for loan and lease losses and ACL for unfunded loan commitments for the periods indicated:

	For the Three Months Ended June 30,					
	2025			2024		
(Dollars in thousands)	ACL for Loans and Leases	ACL for Unfunded Commitments	Allowance for Credit Losses	ACL for Loans and Leases	ACL for Unfunded Commitments	Allowance for Credit Losses
Balance at beginning of period	$ 75,423	$ 2,690	$ 78,113	$ 75,018	$ 3,690	$ 78,708
Provision for credit losses	1,290	110	1,400	-	-	-
Charge-offs	(569)	-	(569)	(16)	-	(16)
Recoveries	25	-	25	30	-	30
Net (charge-offs)/recoveries	(544)	-	(544)	14	-	14
Balance at end of period	$ 76,169	$ 2,800	$ 78,969	$ 75,032	$ 3,690	$ 78,722

	For the Six Months Ended June 30,					
	2025			2024		
(Dollars in thousands)	ACL for Loans and Leases	ACL for Unfunded Commitments	Allowance for Credit Losses	ACL for Loans and Leases	ACL for Unfunded Commitments	Allowance for Credit Losses
Balance at beginning of period	$ 75,283	$ 2,690	$ 77,973	$ 74,965	$ 3,690	$ 78,655
Provision for/(reversal of) credit losses	1,590	110	1,700	-	-	-
Charge-offs	(842)	-	(842)	(26)	-	(26)
Recoveries	138	-	138	93	-	93
Net (charge-offs)/recoveries	(704)	-	(704)	67	-	67
Balance at end of period	$ 76,169	$ 2,800	$ 78,969	$ 75,032	$ 3,690	$ 78,722

Changes in the ACL on loans and leases for the periods indicated are as follows:

	For the Three Months Ended June 30, 2025				
(Dollars in thousands)	Balance at beginning of period	Provision for/(recapture of) credit losses	Charge-Offs	Recoveries	Balance at end of period
Allowance for credit losses:					
Real estate:					
Commercial	$ 20,313	$ 808	$ (175)	$ -	$ 20,946
Agricultural	24,077	572	(180)	-	24,469
Residential and home equity	7,479	118	-	2	7,599
Construction	2,648	118	-	-	2,766
Total real estate	54,517	1,616	(355)	2	55,780
Commercial & industrial	7,843	(534)	-	17	7,326
Agricultural	6,417	765	(200)	-	6,982
Commercial leases	6,429	(571)	-	-	5,858
Consumer and other	217	14	(14)	6	223
Total allowance for credit losses	$ 75,423	$ 1,290	$ (569)	$ 25	$ 76,169

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Note 3—Loans and Leases—Continued

(Dollars in thousands)	For the Three Months Ended June 30, 2024				
	Balance at beginning of period	Provision for/(recapture of) credit losses	Charge-Offs	Recoveries	Balance at end of period
Allowance for credit losses:					
Real estate:					
Commercial	$ 22,414	$ 194	$ -	$ -	$ 22,608
Agricultural	11,377	5,109	-	-	16,486
Residential and home equity	7,721	(144)	-	7	7,584
Construction	4,616	(2,451)	-	-	2,165
Total real estate	46,128	2,708	-	7	48,843
Commercial & industrial	11,559	(606)	-	19	10,972
Agricultural	10,292	(3,385)	-	1	6,908
Commercial leases	6,923	674	-	-	7,597
Consumer and other	116	609	(16)	3	712
Total allowance for credit losses	$ 75,018	$ -	$ (16)	$ 30	$ 75,032

(Dollars in thousands)	For the Six Months Ended June 30, 2025				
	Balance at beginning of period	Provision for/(recapture of) credit losses	Charge-Offs	Recoveries	Balance at end of period
Allowance for credit losses:					
Real estate:					
Commercial	$ 20,382	$ 739	$ (175)	$ -	$ 20,946
Agricultural	23,615	1,034	(180)	-	24,469
Residential and home equity	7,340	253	-	6	7,599
Construction	3,055	(289)	-	-	2,766
Total real estate	54,392	1,737	(355)	6	55,780
Commercial & industrial	7,791	(356)	(232)	123	7,326
Agricultural	6,725	491	(234)	-	6,982
Commercial leases	6,153	(295)	-	-	5,858
Consumer and other	222	13	(21)	9	223
Total allowance for credit losses	$ 75,283	$ 1,590	$ (842)	$ 138	$ 76,169

(Dollars in thousands)	For the Six Months Ended June 30, 2024				
	Balance at beginning of period	Provision for/(recapture of) credit losses	Charge-Offs	Recoveries	Balance at end of period
Allowance for credit losses:					
Real estate:					
Commercial	$ 26,093	$ (3,485)	$ -	$ -	$ 22,608
Agricultural	7,744	8,742	-	-	16,486
Residential and home equity	7,770	(201)	-	15	7,584
Construction	4,432	(2,267)	-	-	2,165
Total real estate	46,039	2,789	-	15	48,843
Commercial & industrial	13,380	(2,444)	-	36	10,972
Agricultural	8,872	(1,966)	-	2	6,908
Commercial leases	6,537	1,060	-	-	7,597
Consumer and other	137	561	(26)	40	712
Total allowance for credit losses	$ 74,965	$ -	$ (26)	$ 93	$ 75,032

Note 4—Other Real Estate Owned

OREO was $1.2 million and $873,000 at June 30, 2025 and December 31, 2024, respectively, which includes property no longer utilized for business operations and property acquired through foreclosure proceedings. During the second quarter of June 30, 2025, the Company recorded $326,000 in other real estate owned. This OREO property includes a first lien in the amount of $140,000 which is reflected in other liabilities on the consolidated balance sheet. These properties are carried at fair value less selling costs determined at the date acquired. Losses, if any, arising from properties acquired through foreclosure are charged against the allowance for loan losses at the time of foreclosure. Subsequent declines in value, periodic holding costs, and net gains or losses on disposition are included in other operating expense as incurred.

Note 5—Deposits

Certificates of deposit greater than and less than or equal to the FDIC insurance limit of $250,000 are summarized as follows:

(Dollars in thousands)	**June 30, 2025**	**December 31, 2024**
Certificates of deposit:		
Certificates of deposit equal to or less than $250,000	$ 325,785	$ 330,475
Certificates of deposit greater than $250,000	377,816	385,072
Total certificates of deposit	$ 703,601	$ 715,547

Scheduled maturities for certificates of deposit are as follows for the years ending December 31:

(Dollars in thousands)	**Amount**
2025	$ 537,104
2026	161,255
2027	3,420
2028	1,276
2029	221
2030	325
Total certificates of deposit	$ 703,601

Overdrawn deposit balances of $124,000 and $156,000 were classified as consumer loans at June 30, 2025 and December 31, 2024, respectively.

Note 6—Short-term borrowings

As of June 30, 2025 and December 31, 2024, committed lines of credit arrangements totaling $2.1 billion, were available to the Company from the FHLB, FRB, and unaffiliated banks.

The Company is a member of the FHLB of San Francisco and has a committed credit line of $813.2 million, which is secured by $1.3 billion in various real estate loans and $1.5 million in investment securities pledged as collateral. Borrowings generally provide for interest at the then current published rate based on the borrowing term. The overnight borrowing rate was 4.55% as of June 30, 2025.

The Company has $1.4 billion in pledged loans with the FRB. As of June 30, 2025, the Company's overnight borrowing capacity using the primary credit facilities from the Fed account was $1.1 billion. The borrowing rate was 4.50% as of June 30, 2025.

There were no outstanding advances on the above borrowing facilities as of June 30, 2025 or December 31, 2024.

Note 7—Fair Value

The Company uses fair value measurements to record fair value adjustments to certain financial and non-financial assets and liabilities and to determine fair value disclosures. Various financial instruments such as available-for-sale securities are recorded at fair value on a recurring basis. Additionally, from time to time, the Company may be required to record at fair value other assets and liabilities on a non-recurring basis, such as collateral dependent loans and other real estate owned. These non-recurring fair value adjustments typically involve lower of cost or fair value accounting or write-down of individual assets.

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Depending on the nature of the asset or liability, the Company uses various valuation techniques and assumptions when estimating fair value. For accounting disclosure purposes, a three-level valuation hierarchy of fair value measurements has been established. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.

- Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, and inputs that are observable for the assets or liabilities, either directly or indirectly (such as interest rates, yield curves, and prepayment speeds).

- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value. These may be internally developed, using the Company’s best information and assumptions that a market participant would consider.

The carrying amounts and estimated fair values of financial instruments held by the Company are set forth below. Fair value estimates are made at a specific point in time based on relevant market information. They do not reflect any premium or discount that could result from offering for sale at one time the Company’s entire holdings of a particular financial instrument. Because no market exists for many of the Company’s financial instruments, fair value estimates are based on judgements regarding future expected loss experience, risk characteristics and economic conditions. These estimates are subjective, involve uncertainties, and cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Management monitors the availability of observable market data to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluates the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total assets, total liabilities or total earnings.

Securities classified as available-for-sale are reported at fair value on a recurring basis utilizing Level 1, 2 and 3 inputs. For these securities, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond’s terms and conditions, among other things.

Note 7—Fair Value—Continued

The Company does not record all loans and leases at fair value on a recurring basis. However, from time to time, a loan or lease is considered collateral dependent and an allowance for credit losses is established. Once a loan or lease is identified as collateral dependent, management measures specific reserves in accordance FASB ASC Topic 326. The fair value of collateral dependent loans or leases is estimated using one of several methods, including collateral value when the loan is collateral dependent, market value of similar debt, enterprise value, and discounted cash flows. Collateral dependent loans and leases not requiring an allowance represent loans and leases for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans and leases. Collateral dependent loans and leases where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. In determining the value of real estate collateral, the Company relies on external and internal appraisals of property values depending on the size and complexity of the real estate collateral. These appraisals may utilize a single valuation approach or a combination of approaches including sales comparison, cost and the income approach. Adjustments are often made in the appraisal process by the appraisers to take into account differences between the comparable sales and income and other available data. Such adjustments can be significant and typically result in a Level 3 classification of the inputs for determining fair value. The valuation technique used for Level 3 non-recurring collateral dependent loans is primarily the sales comparison approach less estimated selling costs. The Company maintains a list of qualified property appraisers who review appraisal reports for reasonableness. In the case of non-real estate collateral, reliance is placed on a variety of sources, including external estimates of value and judgments based on the experience and expertise of internal specialists. Values of all loan collateral are regularly reviewed by credit administration. Unobservable inputs to these measurements, which include estimates and judgments often used in conjunction with appraisals, are not readily quantifiable. These measurements are classified as Level 3.

Other Real Estate Owned (“OREO”) is reported at fair value on a non-recurring basis. Fair values are based on recent real estate appraisals. These appraisals may use a single valuation approach or a combination of approaches including sales comparison, cost and the income approach. Adjustments are often made in the appraisal process by the appraisers to take into account differences between the comparable sales and income and other available data. Such adjustments can be significant and typically result in a Level 3 classification of the inputs for determining fair value. The valuation technique used for Level 3 non-recurring OREO is primarily the sales comparison approach less estimated selling costs.

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Note 7—Fair Value—Continued

The following tables present information about the Company's assets and liabilities measured at fair value on a recurring and non-recurring basis and indicate the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value for the periods indicated.

June 30, 2025		**Fair Value Measurements**			
(Dollars in thousands)	**Carrying Amount**	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Fair valued on a recurring basis:					
Available-for-sale securities					
U.S. Government-sponsored securities	$ 2,285	$ -	$ 2,285	$ -	$ 2,285
Mortgage-backed securities	546,701	-	546,701	-	546,701
Commercial mortgage-backed securities	1,238	-	1,238	-	1,238
Collateralized mortgage obligations	7,478	-	7,478	-	7,478
Corporate securities	14,939	-	14,939	-	14,939
Other	310	-	310	-	310
Other equity investments	$ 36	$ 36	$ -	$ -	$ 36
Fair valued on a non-recurring basis:					
Other real estate owned	$ 1,199	$ -	$ -	$ 1,199	$ 1,199

December 31, 2024		**Fair Value Measurements**			
(Dollars in thousands)	**Carrying Amount**	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Fair valued on a recurring basis:					
Available-for-sale securities					
U.S. Government-sponsored securities	$ 2,644	$ -	$ 2,644	$ -	$ 2,644
Mortgage-backed securities	439,858	-	439,858	-	439,858
Commercial mortgage-backed securities	1,212	-	1,212	-	1,212
Collateralized mortgage obligations	5,497	-	5,497	-	5,497
Corporate securities	14,856	-	14,856	-	14,856
Other	347	-	347	-	347
Fair valued on a non-recurring basis:					
Collateral dependent loans	$ 929	$ -	$ -	$ 929	$ 929
Other real estate owned	873	-	-	873	873

Note 7—Fair Value—Continued

The following tables summarize the carrying amount and estimated fair values of the Company's financial assets and liabilities not carried at fair value, and indicate the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value for the periods indicated.

June 30, 2025		Fair Value Measurements			
(Dollars in thousands)	**Carrying Amount**	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Financial assets:					
Cash and cash equivalents	$ 291,752	$ 291,752	$ -	$ -	$ 291,752
Held-to-maturity securities, net	748,411	-	532,343	74,360	606,703
Non-marketable securities, at cost	15,549	-	15,549	-	15,549
Loans and leases, net	3,547,467	-	-	3,531,791	3,531,791
Derivatives not designated as hedging instruments	197,047	-	197,047	-	197,047
Financial liabilities:					
Total deposits	$ 4,760,364	$ -	$ 4,756,689	$ -	$ 4,756,689
Derivatives not designated as hedging instruments	209,357		209,357		209,357
Subordinated debentures	10,310	-	12,121	-	12,121

December 31, 2024		Fair Value Measurements			
(Dollars in thousands)	**Carrying Amount**	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Financial assets:					
Cash and cash equivalents	$ 212,563	$ 212,563	$ -	$ -	$ 212,563
Held-to-maturity securities, net	768,993	-	537,384	73,569	610,953
Non-marketable securities, at cost	15,549	-	15,549	-	15,549
Loans and leases, net	3,603,105	-	-	3,523,057	3,523,057
Financial liabilities:					
Total deposits	$ 4,699,139	$ -	$ 4,695,388	$ -	$ 4,695,388
Subordinated debentures	10,310	-	11,738	-	11,738

Non-marketable securities include FHLB stock, PCBB stock and TIB, National Association stock, which are recorded at cost. Ownership of these stocks is restricted to member banks. Purchases and sales of these securities are at par value with the issuer. The fair value of these investments is equal to the carrying amount.

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Note 8—Earnings Per Share

Basic earnings per common share is computed by dividing net earnings allocated to common shareholders by the weighted average number of common shares outstanding during the applicable period. Diluted earnings per common share is computed using the weighted average number of shares determined for the basic earnings per common share computation plus the dilutive effects of outstanding restricted stock awards using the treasury stock method. Shares are excluded from the computations of diluted earnings per share when their inclusion has an anti-dilutive effect. For the three and six months ended June 30, 2025, there were no potential common shares that were anti-dilutive.

The following table presents the factors used in the earnings per share computation for the periods indicated:

	Three Months Ended June 30,	
(Dollars in thousands, except share and per share amounts)	**2025**	**2024**
Net income	$ 23,055	$ 21,767
Weighted average common shares outstanding for basic earnings per common share	697,332	740,752
Dilutive potential common shares	2,520	-
Shares used in computing diluted earnings per common share	699,852	740,752
Basic earnings per share	$ 33.06	$ 29.39
Diluted earnings per share	$ 32.94	$ 29.39

	Six Months Ended June 30,	
(Dollars in thousands, except share and per share amounts)	**2025**	**2024**
Net income	$ 46,064	$ 44,490
Weighted average common shares outstanding for basic earnings per common share	698,527	742,150
Dilutive potential common shares	1,575	-
Shares used in computing diluted earnings per common share	700,102	742,150
Basic earnings per share	$ 65.94	$ 59.95
Diluted earnings per share	$ 65.80	$ 59.95

Note 9—Employee Benefit Plans

Executive Retirement Plan
The Company, through the Bank, sponsors an Executive Retirement Plan ("ERP") for certain executive level employees. The ERP is a non-qualified deferred compensation plan and was developed to supplement the Company's Profit Sharing Plan, which, as a qualified retirement plan, has a ceiling on benefits as set by the Internal Revenue Service. The ERP is comprised of: (1) a Performance Component which makes contributions based upon long-term cumulative profitability and increase in market value of the Company; (2) a Salary Component which makes contributions based upon participant salary levels; and (3) an Equity Component for which contributions are discretionary and subject to Board of Directors approval. The Company maintains a Rabbi Trust to fund, in part, the ERP. The Rabbi Trust is an irrevocable grantor trust to which the Company may contribute assets for the limited purpose of funding a non-qualified deferred compensation plan. The Company may not use the assets of the Rabbi Trust for any purpose other than meeting its obligations under the ERP; however, the assets of the Rabbi Trust remain subject to the claims of its creditors and are included in the consolidated financial statements. The Company contributes cash to the Rabbi Trust from time to time for the sole purpose of funding the ERP. The Rabbi Trust will use any cash the Company contributes to purchase shares of common stock of the Company, and other financial instruments, on the open market. ERP contributions are invested in a mix of financial instruments; however, the Equity Component contributions are invested primarily in common stock of the Company. Effective November 29, 2024, each component of the ERP was terminated and frozen and no future contributions are permitted to be made. For each existing participant, the account balances will be liquidated and paid out to each participant at a time to be determined, but which will occur sometime between the 12-month anniversary and the 24-month anniversary of the termination of the components of the ERP pursuant to regulations promulgated by the Department of the Treasury.

The Company incurred no expense for the ERP during the six months ended June 30, 2025 due to the freezing of the plans and a net expense of $4.5 million during the six months ended June 30, 2024. The Company's carrying value of the liability under the ERP was $61.8 million as of June 30, 2025 and $61.4 million as of December 31, 2024, which is included in interest payable and other liabilities on the balance sheet. The Company's shares of common stock held as investments in the Rabbi Trust of the ERP as of June 30, 2025 and December 31, 2024 totaled 48,292 and 48,877 shares with an historical cost basis of $31.6 million and $31.8 million, respectively. All amounts have been fully funded into the Rabbi Trust as of June 30, 2025 and December 31, 2024. The consolidated investments held in the Rabbi Trust are recorded at fair value with changes in unrealized gains or losses recorded within non-interest income, and the equal and offsetting charges in the related liability are recorded in non-interest expense in the consolidated statements of income.

Net gains on ERP investments were $1.3 million at June 30, 2025 and 2024. Balances in non-qualified deferred compensation plans may be invested in financial instruments whose market value fluctuates based upon trends in interest rates and stock prices.

Senior Management Retention Plan
The Company, through the Bank, sponsors a Senior Management Retention Plan ("SMRP") for certain senior level employees. The SMRP is a non-qualified deferred compensation plan and was developed to supplement the Company's Profit Sharing Plan, which, as a qualified retirement plan, has a ceiling on benefits as set by the Internal Revenue Service. All contributions are discretionary and subject to the Board of Directors approval. The Company maintains a Rabbi Trust to fund, in part, the SMRP. The Rabbi Trust is an irrevocable grantor trust to which the Company may contribute assets for the limited purpose of funding a non-qualified deferred compensation plan. The Company may not use the assets of the Rabbi Trust for any purpose other than meeting its obligations under the SMRP; however, the assets of the Rabbi Trust remain subject to the claims of its creditors and are included in the consolidated financial statements. The Company contributes cash to the Rabbi Trust from time to time for the sole purpose of funding the SMRP.

Note 9—Employee Benefit Plans—Continued

The Rabbi Trust will use any cash the Company contributes to purchase shares of common stock of the Company, and other financial instruments, on the open market. Contributions to the SMRP are invested primarily in common stock of the Company. Effective November 29, 2024, the SMRP was terminated and frozen and no future contributions are permitted to be made. For each existing participant, the account balances will be liquidated and paid out to each participant at a time to be determined, but which will occur sometime between the 12-month anniversary and the 24-month anniversary of the termination of the plan pursuant to regulations promulgated by the Department of the Treasury.

The Company incurred no expense for the SMRP during the six months ended June 30, 2025 due to the freezing of the plans and a net expense of $2.3 million for the six months ended June 30, 2024. The plan recognized $0.1 million in forfeitures for the six months ended June 30, 2025. The Company's carrying value of the liability under the SMRP was $24.6 million as of June 30, 2025 and $21.2 million as of December 31, 2024, which is included in interest payable and other liabilities on the balance sheet. The Company's shares of stock held as investments in the Rabbi Trust of the SMRP as of June 30, 2025 and December 31, 2024 totaled 18,357 and 19,647 shares with an historical cost basis of $14.1 million and $14.6 million, respectively. All amounts have been fully funded into the Rabbi Trust as of June 30, 2025 and December 31, 2024. The consolidated investments held in the Rabbi Trust are recorded at fair value with changes recorded within non-interest income and the equal and offsetting charges in the related liability are recorded in non-interest expense in the consolidated statements of income.

Net gains on SMRP plan investments were $0.3 million and $0.2 million at June 30, 2025 and 2024, respectively. Balances in non-qualified deferred compensation plans may be invested in financial instruments whose market value fluctuates based upon trends in interest rates and stock prices.

Note 10—Stock-Based Compensation

Restricted Stock Award Plan
At the special meeting of shareholders held on November 25, 2024, the Company's shareholders approved the Farmers & Merchants Bancorp 2025 Restricted Stock Retirement Plan (the "2025 Plan"). The 2025 Plan provides for the issuance of up to 80,000 shares to directors and employees of the Company and its subsidiaries and affiliates. Compensation expense is recognized over the vesting period of the awards based on the fair value of the stock at issue date. Due to the illiquidity of the stock, the fair value of the stock was determined using a volume weighted average price over a 30-day period as of the grant date, which equaled $1,033.03 per share. The first awards were granted on February 3, 2025 and totaled 30,818 shares. The awards contain a service condition, which requires the employees to provide services during the applicable vesting periods. The awards were comprised of a one-year award for directors and two-year, three-year and four-year awards for employees depending on their roles and responsibilities. The awards vest on a pro-rated basis over the life of the award. Total remaining shares issuable under the 2025 Plan were 49,182 at June 30, 2025. The unvested restricted shares have voting rights and dividend rights; however, the dividends are paid to the holder only if, when and to the extent such unvested restricted shares vest. Dividends on forfeited restricted stock are also forfeited.

The following table summarizes the change in the Company's nonvested shares for the three and six months ended June 30, 2025.

	Number of Shares	Weighted Average Fair Value at Grant-Date
Restricted Stock Award		
Nonvested shares oustanding, March 31, 2025	30,818	$ 1,033.03
Granted	-	-
Vested	-	-
Forfeited	-	-
Nonvested shares outstanding, June 30, 2025	30,818	1,033.03

	Number of Shares	Weighted Average Fair Value at Grant-Date
Restricted Stock Award		
Nonvested shares oustanding, January 1, 2025	-	$ -
Granted	30,818	1,033.03
Vested	-	-
Forfeited	-	-
Nonvested shares outstanding, June 30, 2025	30,818	1,033.03

For the six months ended June 30, 2025, the Company has recognized $5.2 million in compensation cost related to shares granted under the 2025 Plan. As of June 30, 2025, there was $23.9 million of total unrecognized compensation cost related to nonvested shares granted under the 2025 Plan. The remaining cost is expected to be recognized over a weighted-average period of 2.17 years. No shares of restricted stock vested during the three and six months ended June 30, 2025.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 11—Derivatives

Derivatives Not Designated as Hedging Instruments
As a customer accommodation, the Company may enter into interest rates swaps with its loan customers. The Company also enters into corresponding offsetting derivatives with third parties. While these derivatives represent economic hedges, they do not qualify as hedges for accounting purposes.

The fair value of these swaps are recorded as components of other assets and other liabilities in the Company's consolidated balance sheets.

	June 30, 2025		December 31, 2024	
(Dollars in thousands)	**Notional Amount**	**Fair Value**	**Notional Amount**	**Fair Value**
Derivatives not designated as hedging instruments:				
Interest rate swaps related to customer loans	$ 8,970	$ 197	$ -	$ -
Total included in other assets		$ 197		$ -
Derivatives not designated as hedging instruments:				
Interest rate swaps related to customer loans	$ 8,970	$ 209	$ -	$ -
Total included in other liabilities		$ 209		$ -

		Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	**Location of Gain or (Loss) Recognized in Income on Derivatives**	**2025**	**2024**	**2025**	**2024**
Derivatives not designated as hedging instruments:					
Interest rate swaps related to loan customers	Other (expense) income	$ (4)	$ -	$ (14)	$ -
Total		$ (4)	$ -	$ (14)	$ -

Note 12—Commitments and Contingencies

In the normal course of business, the Company enters into financial instruments with off balance sheet risk in order to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These instruments include commitments to extend credit, letters of credit, and other types of financial guarantees. The Company had the following off balance sheet commitments as of the dates indicated.

(Dollars in thousands)	**June 30, 2025**	**December 31, 2024**
Commitments to extend credit, including unsecured commitments of $20,828 and $20,535 as of June 30, 2025 and December 31, 2024, respectively	$1,072,982	$ 1,006,649
Standby letters of credit, including unsecured commitments of $5,003 and $4,490 as of June 30, 2025 and December 31, 2024, respectively	18,161	15,411

The Company's exposure to credit loss in the event of nonperformance by the other party with regard to standby letters of credit, undisbursed loan commitments, and financial guarantees is represented by the contractual notional amount of those instruments. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. The Company uses the same credit policies in making commitments and conditional obligations as it does for recorded balance sheet items. The Company may or may not require collateral or other security to support financial instruments with credit risk. Evaluations of each customer's creditworthiness are performed on a case-by-case basis. The estimated exposure to loss from these commitments is included in the allowance for credit losses for unfunded loan commitments, which amounted to $2.8 million at June 30, 2025 and $2.7 million at December 31, 2024.

Note 12—Commitments and Contingencies—Continued

Standby letters of credit are conditional commitments issued by the Company to guarantee performance of or payment for a customer to a third-party. Outstanding standby letters of credit at June 30, 2025 had maturity dates ranging from 1 to 57 months with a final expiration in some cases up to April 1, 2030. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee.

The Company has commitments to fund investments in low income housing tax credit investments ("LIHTC") partnerships and limited liability companies. The Company invests in LIHTC partnerships and solar tax funds that are designed to generate a return primarily through the realization of federal tax credits. The Company accounts for these investments by amortizing the cost of tax credit investments over the life of the investment using a proportional amortization method, and tax credit investment amortization expense is a component of the provision for income taxes. At June 30, 2025 and December 31, 2024, the balance of the investments in LIHTC was $41.2 million and $43.8 million, respectively. These balances are reflected in other assets on the consolidated balance sheets. Total unfunded commitments related to the investments in LIHTC totaled $16.2 million and $18.9 million at June 30, 2025 and December 31, 2024, respectively. These balances are reflected in interest payable and other liabilities on the consolidated balance sheets. The Company expects to fulfill these commitments through 2040. Additionally, during the six months ended June 30, 2025 and the year ended December 31, 2024, the Company recognized tax credits from its investments in LIHTC of $2.6 million and $4.4 million, respectively.

In the ordinary course of business, the Company becomes involved in litigation arising out of its normal business activities. Management, after consultation with legal counsel, believes that the ultimate liability, if any, resulting from the disposition of such claims would not be material in relation to the financial position of the Company.

The Company may be required to maintain average reserves on deposit with the FRB primarily based on deposits outstanding. Reserve requirements are offset by the Company's vault cash and deposit balances maintained with the FRB.

Note 13—Subsequent Events

In accordance with ASC Topic 855, "*Subsequent Events*", which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued, the Company has evaluated all events or transactions that occurred after June 30, 2025 up through the date the Company issued the financial statements. During this period, there were no subsequent events that required recognition or disclosure, other than the OREO property added during the second quarter of 2025 for $326,000, which was sold during July 2025 at the carrying value.

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

The following discussion is intended to provide a comprehensive review of the Company's operating results and financial condition. The information contained in this section should be read in conjunction with the Unaudited Consolidated Financial Statements and the accompanying Notes to Unaudited Consolidated Financial Statements in this Quarterly Report on Form 10-Q included in "Part I. Item 1. Financial Statements."

FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10–Q may contain certain forward-looking statements within the meaning of Section 27A of the Securities Act, as amended, and Section 21E of the Securities Exchange Act. These forward-looking statements reflect our current views and are not historical facts. These statements may include statements regarding projected performance for periods following the date of this report. These statements can generally be identified by use of phrases such as "believe," "expect," "will," "seek," "should," "anticipate," "estimate," "intend," "plan," "target," "project," "commit" or other words of similar import. Similarly, statements that describe our future financial condition, results of operations, objectives, strategies, plans, goals or future performance and business are also forward-looking statements. Statements that project future financial conditions, results of operations, and shareholder value are not guarantees of performance and many of the factors that will determine these results and values are beyond our ability to control or predict. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

These forward-looking statements involve known and unknown risks, uncertainties and other factors, including, but not limited to, those described in the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections and other parts of this report and the Company's Annual Report on Form 10-K for the year ended December 31, 2024 ("2024 Form 10-K"), and our actual results may differ materially from those anticipated in these forward-looking statements. The following is a non-exclusive list of factors which could cause actual results to differ materially from forward-looking statements in this Quarterly Report on Form 10-Q:

- changes in general economic conditions, either nationally, in California, or in our local markets;
- inflation, changes in interest rates, securities market volatility and monetary fluctuations;
- increases in competitive pressures among financial institutions and businesses offering similar products and services;
- impacts of tariff policies by U.S. and foreign governments;
- risks associated with negative events in the banking industry, and any legislative and/or bank regulatory actions, that could potentially impact earnings, liquidity and/or the availability of capital or which could increase the cost of our deposit insurance by the FDIC;
- higher defaults in our loan and lease portfolio than we expect;
- changes in management's estimate of the adequacy of the allowance for credit losses;
- risks associated with our growth and expansion strategy and related costs;
- increased lending risks associated with our high concentration of real estate loans or agricultural loans;
- legislative or regulatory changes or changes in accounting principles, policies or guidelines;
- technological changes;
- operational risks, including processing, information systems, cybersecurity, vendor problems, business interruption, and fraud;
- regulatory or judicial proceedings; and
- other factors and risks including those described under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this report and the Company's 2024 Form 10-K.

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, expected, projected, intended, committed or believed. Please take into account that forward-looking statements speak only as of the date of this Form 10-Q (or documents incorporated by reference, if applicable).

The Company does not undertake any obligation to publicly correct or update any forward-looking statements if it later becomes aware that actual results are likely to differ materially from those expressed in such forward-looking statements, except as required by law.

Overview

Farmers & Merchants Bancorp (the "Company" or "FMCB") is a Delaware registered bank holding company organized in 1999. As a registered bank holding company, FMCB is subject to regulation, supervision, and examination by the Federal Reserve and by the California Department of Financial Protection and Innovation ("DFPI"). The Company's principal business is to serve as a holding company for Farmers & Merchants Bank of Central California (the "Bank" or "F&M Bank") and for other banking or banking-related subsidiaries, which the Company may establish or acquire. Over 108 years ago, August 1, 1916, marked the first day of business for Farmers & Merchants Bank. The Bank was incorporated under the laws of the State of California and licensed as a state-chartered bank. The Bank's first venture out of Lodi occurred when the Galt office opened in 1948. Since then, the Bank has opened full-service branches in Linden, Manteca, Riverbank, Modesto, Sacramento, Elk Grove, Turlock, Hilmar, Stockton, Merced, Walnut Creek, Concord, Walnut Grove, Oakland, Napa, and Danville. As a legal entity separate and distinct from its subsidiary, the Company's principal source of funds is, and will continue to be, dividends paid by and other funds received from the Bank. Legal limitations are imposed on the amount of dividends that may be paid and loans that may be made by the Bank to the Company.

The Company's outstanding common stock as of June 30, 2025, consisted of 725,367 shares of common stock, $0.01 par value. No shares of preferred stock were issued or outstanding as of June 30, 2025. The common stock of the Company is not widely held or listed on any exchange. However, trades are reported on the OTCQX under the symbol "FMCB."

The primary source of funding for the Company's growth has been the generation of deposits, which the Company raises through its existing branch locations, newly opened branch locations, or through acquisitions. Loan growth over the years is the result of organic growth generated by the Company's seasoned relationship managers and supporting associates who provide outstanding service and responsiveness to the Company's clients.

The Company's results of operations are largely dependent on net interest income. Net interest income is the difference between interest income earned on interest earning assets, which are comprised of loans and leases, investment securities, short-term investments and interest bearing deposits at other banks, and the interest the Company pays on interest bearing liabilities, which are primarily deposits, and, to a lesser extent, other borrowings. Management strives to match the re-pricing characteristics of the interest earning assets and interest bearing liabilities to protect net interest income from changes in market interest rates and changes in the shape of the yield curve.

The Company measures its performance by calculating the net interest margin, return on average assets, return on average equity and the efficiency ratio. Net interest margin is calculated by dividing net interest income, which is the difference between interest income on interest earning assets and interest expense on interest bearing liabilities, by average interest earning assets. Net interest income is the Company's largest source of revenue. Interest rate fluctuations, as well as changes in the amount and type of earning assets and liabilities, combine to affect net interest income. The return on average assets is calculated by dividing the Company's net income by its total average assets and the return on average equity is calculated by dividing the Company's net income by its shareholders' equity. The efficiency ratio is calculated by dividing non-interest expense by the sum of net interest income and non-interest income.

Critical Accounting Policies and Estimates

Our accounting policies are fundamental to understanding management's discussion and analysis of results of operations and financial condition. We identify critical policies and estimates as those that require management to make particularly difficult, subjective, and/or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts would be reported under different conditions or using different assumptions. Our critical accounting policy relates to the allowance for credit losses on loans and leases held for investment. Further details are described in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2024 Form 10-K.

Impact of Recently Issued Accounting Standards

See Note 1. "Basis of Presentation and Significant Accounting Policies" to the Unaudited Consolidated Financial Statements in "Item 1. Financial Information" in this Quarterly Report on Form 10-Q.

Non-GAAP Measurements

We use certain non-GAAP financial measures to provide meaningful supplemental information regarding the Company's operational performance and to enhance investors' overall understanding of such financial performance. The methodology for determining these non-GAAP measures may differ among companies. We used the following non-GAAP measures in this Form 10-Q:

- *Tangible common equity ratio and tangible book value per common share:* Given that the use of these measures is prevalent among banking regulators, investors, and analysts, we disclose them in addition to the related GAAP measures of return on average equity and book value per common share. The reconciliations of these non-GAAP measurements to the GAAP measurements are presented in the following tables for and as of the periods presented.

Tangible Common Equity Ratio and Tangible Book Value Per Common Share	**June 30, 2025**	**December 31, 2024**	**June 30, 2024**
(Dollars in thousands, except share and per share data)			
Shareholders' equity	$ 618,532	$ 573,072	$ 576,220
Less: Intangible assets	12,609	12,870	13,145
Tangible common equity	$ 605,923	$ 560,202	$ 563,075
Total assets	$ 5,478,773	$ 5,370,196	$ 5,267,485
Less: Intangible assets	12,609	12,870	13,145
Tangible assets	$ 5,466,164	$ 5,357,326	$ 5,254,340
Tangible common equity ratio(1)	11.08%	10.46%	10.72%
Book value per common share(2)	$ 852.72	$ 818.91	$ 779.40
Tangible book value per common share(3)	$ 835.33	$ 800.52	$ 761.62
Common shares outstanding	725,367	699,798	739,308

(1)Tangible common equity divided by tangible assets.
(2)Total common equity divided by common shares outstanding.
(3)Tangible common equity divided by common shares outstanding.

Results of Operations

The following discussion and analysis is intended to provide a better understanding of the Company's performance during each of the three and six-month periods ended June 30, 2025 and 2024 and the material changes in financial condition, operating income, and expense of the Company and its subsidiaries as shown in the accompanying unaudited consolidated financial statements. Information related to the comparison of the results of operations for the years ended December 31, 2024, and 2023 can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the 2024 Form 10-K.

Factors that determine the level of net income include the volume of earning assets and interest bearing liabilities, yields earned and rates paid, fee income, non-interest expense, the level of non-performing loans and other non-earning assets, and the amount of non-interest bearing liabilities supporting earning assets. Non-interest income includes card processing fees, service charges on deposit accounts, bank-owned life insurance income, gains/losses on the sale of investment securities, and gains/losses on deferred compensation plan investments. Non-interest expense consists primarily of salaries and employee benefits, cost of deferred compensation benefits, occupancy, data processing, deposit insurance, marketing, professional services, and other expenses.

Earnings Performance

The following table presents performance metrics for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands, except per share and per share amounts)	**2025**	**2024**	**2025**	**2024**
Earnings Summary:				
Interest income	$ 70,061	$ 69,831	$ 137,199	$ 136,472
Interest expense	16,193	19,050	30,190	33,978
Net interest income	53,868	50,781	107,009	102,494
Provision for credit losses	1,400	-	1,700	-
Non-interest income	5,519	4,767	10,540	9,842
Non-interest expense	26,651	25,422	52,160	50,943
Income before taxes	31,336	30,126	63,689	61,393
Income tax expense	8,281	8,359	17,625	16,903
Net Income	$ 23,055	$ 21,767	$ 46,064	$ 44,490
Per Common Share Data:				
Basic earnings per common share	$ 33.06	$ 29.39	$ 65.94	$ 59.95
Diluted earnings per common share	$ 32.94	$ 29.39	$ 65.80	$ 59.95
Book value per common share	$ 852.72	$ 779.40	$ 852.72	$ 779.40
Tangible book value per common share[1]	$ 835.33	$ 761.62	$ 835.33	$ 761.62
Performance Ratios:				
Return on average assets	1.65%	1.58%	1.67%	1.65%
Return on average equity	15.09%	15.33%	15.37%	15.82%
Net interest margin (tax equivalent)	4.07%	3.91%	4.13%	4.02%
Yield on average loans and leases (tax equivalent)	6.08%	6.13%	6.07%	6.11%
Cost of average total deposits	1.31%	1.51%	1.25%	1.39%
Efficiency ratio	44.88%	45.77%	44.37%	45.35%
Loan-to-deposit ratio	76.38%	80.32%	76.38%	80.32%
Percentage of checking deposits to total deposits	49.23%	48.60%	49.23%	48.60%
Capital Ratios - Bancorp:				
Common equity tier 1 capital to risk-weighted assets	13.88%	13.09%	13.88%	13.09%
Tier 1 capital to risk-weighted assets	14.10%	13.32%	14.10%	13.32%
Risk-based capital to risk-weighted assets	15.36%	14.58%	15.36%	14.58%
Tier 1 leverage capital ratio	11.18%	10.66%	11.18%	10.66%
Tangible common equity ratio[1]	11.08%	10.72%	11.08%	10.72%

[1]See “Non-GAAP Measurements”

Average Balance and Yields

The following table sets forth a summary of average balances with corresponding interest income and interest expense as well as average yield, cost and net interest margin information for the periods presented. Average balances are derived from daily balances.

	Three Months Ended June 30,					
	2025			2024		
(Dollars in thousands)	Average Balance	Interest Income / Expense	Average Yield / Rate	Average Balance	Interest Income / Expense	Average Yield / Rate
ASSETS						
Interest earnings deposits in other banks and federal funds sold	$ 377,508	$ 4,186	4.45%	$ 456,650	$ 6,217	5.48%
Investment securities:(1)						
Taxable securities	1,248,191	10,070	3.23%	1,013,576	6,485	2.56%
Non-taxable securities(2)	67,778	807	4.76%	62,354	760	4.88%
Total investment securities	1,315,969	10,877	3.31%	1,075,930	7,245	2.69%
Loans:(3)						
Real estate:						
Commercial	1,380,327	18,744	5.45%	1,348,293	17,971	5.36%
Agricultural	731,987	10,401	5.70%	725,206	10,439	5.79%
Residential and home equity	397,304	4,944	4.99%	405,623	4,895	4.85%
Construction	180,327	3,130	6.96%	221,748	3,981	7.22%
Total real estate	2,689,945	37,219	5.55%	2,700,870	37,286	5.55%
Commercial & industrial	491,802	9,220	7.52%	487,082	9,147	7.55%
Agricultural	261,834	5,201	7.97%	318,660	6,580	8.30%
Commercial leases	170,246	3,108	7.32%	176,941	3,072	6.98%
Consumer and other	5,202	91	7.02%	5,728	105	7.37%
Total loans and leases	3,619,029	54,839	6.08%	3,689,281	56,190	6.13%
Non-marketable securities	15,549	318	8.20%	15,549	333	8.61%
Total interest earning assets	5,328,055	70,220	5.29%	5,237,410	69,985	5.37%
Allowance for credit losses	(76,273)			(75,617)		
Non-interest earning assets	352,747			349,942		
Total average assets	$ 5,604,529			$ 5,511,735		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Interest bearing deposits:						
Demand	$ 977,831	3,031	1.24%	$ 952,526	1,904	0.80%
Savings and money market accounts	1,725,194	7,423	1.73%	1,615,531	7,709	1.92%
Certificates of deposit greater than $250,000	379,973	3,270	3.45%	477,791	5,153	4.34%
Certificates of deposit equal to or less than $250,000	324,743	2,275	2.81%	367,401	3,140	3.44%
Total interest bearing deposits	3,407,741	15,999	1.88%	3,413,249	17,906	2.11%
Short-term borrowings	-	-	-	62,637	924	5.93%
Subordinated debentures	10,310	194	7.55%	10,310	220	8.58%
Total interest bearing liabilities	3,418,051	16,193	1.90%	3,486,196	19,050	2.20%
Non-interest bearing deposits	1,481,260			1,368,279		
Total funding	4,899,311	16,193	1.33%	4,854,475	19,050	1.58%
Other non-interest bearing liabilities	94,251			89,288		
Shareholders' equity	610,967			567,972		
Total average liabilities and shareholders' equity	$ 5,604,529			$ 5,511,735		
Net interest income and margin(4)		$ 54,027	4.07%		$ 50,935	3.91%
Interest rate spread			3.39%			3.18%
Tax equivalent adjustment		(159)			(154)	
Net interest income		$ 53,868	4.06%		$ 50,781	3.90%

(1)Excludes average unrealized losses of $21.5 million and $23.4 million for the three months ended June 30, 2025, and 2024, respectively, which are included in non-interest earning assets.
(2)Yield and interest income are calculated on a fully taxable equivalent basis using the current statutory federal tax rate of 21%.
(3)Loan interest income includes loan fees of $1.8 million and $1.4 million for the three months ended June 30, 2025 and 2024, respectively.
(4)Net interest margin is computed by dividing net interest income by average interest earning assets.

(Dollars in thousands)	2025 Average Balance	2025 Interest Income / Expense	2025 Average Yield / Rate	2024 Average Balance	2024 Interest Income / Expense	2024 Average Yield / Rate
	For the Six Months Ended June 30,					
ASSETS						
Interest earnings deposits in other banks and federal funds sold	$ 307,679	$ 6,827	4.47%	$ 394,612	$ 10,747	5.48%
Investment securities:[1]						
Taxable securities	1,232,261	19,534	3.17%	991,405	12,193	2.46%
Non-taxable securities[2]	67,175	1,592	4.74%	62,717	1,522	4.85%
Total investment securities	1,299,436	21,126	3.25%	1,054,122	13,715	2.60%
Loans:[3]						
Real estate:						
Commercial	1,365,051	36,550	5.40%	1,335,315	35,593	5.36%
Agricultural	734,902	21,386	5.87%	725,142	20,761	5.76%
Residential and home equity	397,995	9,775	4.95%	403,600	9,687	4.83%
Construction	182,219	6,152	6.81%	223,589	7,879	7.09%
Total real estate	2,680,167	73,863	5.56%	2,687,646	73,920	5.53%
Commercial & industrial	493,260	18,090	7.40%	493,077	18,408	7.51%
Agricultural	265,037	10,465	7.96%	316,157	13,059	8.31%
Commercial leases	172,035	6,280	7.36%	172,733	6,018	7.01%
Consumer and other	5,125	176	6.93%	5,673	193	6.84%
Total loans and leases	3,615,624	108,874	6.07%	3,675,286	111,598	6.11%
Non-marketable securities	15,549	686	8.90%	15,549	721	9.32%
Total interest earning assets	5,238,288	137,513	5.29%	5,139,569	136,781	5.35%
Allowance for credit losses	(76,072)			(75,533)		
Non-interest earning assets	349,250			343,811		
Total average assets	$ 5,511,466			$ 5,407,847		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Interest bearing deposits:						
Demand	$ 917,085	3,572	0.79%	$ 933,572	2,792	0.60%
Savings and money market accounts	1,693,889	14,756	1.76%	1,617,105	14,895	1.85%
Certificates of deposit greater than $250,000	383,185	6,788	3.57%	426,878	8,990	4.24%
Certificates of deposit equal to or less than $250,000	326,255	4,688	2.90%	354,090	5,874	3.34%
Total interest bearing deposits	3,320,414	29,804	1.81%	3,331,645	32,551	1.96%
Short-term borrowings	1	-	0.00%	34,067	986	5.82%
Subordinated debentures	10,310	386	7.55%	10,310	441	8.60%
Total interest bearing liabilities	3,330,725	30,190	1.83%	3,376,022	33,978	2.02%
Non-interest bearing deposits	1,489,725			1,385,832		
Total funding	4,820,450	30,190	1.26%	4,761,854	33,978	1.43%
Other non-interest bearing liabilities	91,592			83,651		
Shareholders' equity	599,424			562,342		
Total average liabilities and shareholders' equity	$ 5,511,466			$ 5,407,847		
Net interest income and margin[4]		$ 107,323	4.13%		$ 102,803	4.02%
Interest rate spread			3.47%			3.33%
Tax equivalent adjustment		(314)			(309)	
Net interest income		$ 107,009	4.12%		$ 102,494	4.01%

(1)Excludes average unrealized losses of $22.3 million and $20.9 million for the six months ended June 30, 2025, and 2024, respectively, which are included in non-interest earning assets.

(2)Yield and interest income are calculated on a fully taxable equivalent basis using the current statutory federal tax rate of 21%.

(3)Loan interest income includes loan fees of $3.5 million and $2.8 million for the six months ended June 30, 2025 and 2024, respectively.

(4)Net interest margin is computed by dividing net interest income by average interest earning assets.

Second Quarter 2025 vs. Second Quarter 2024
Interest bearing deposits with banks and FRB balances are earning assets available to the Company. Average interest bearing deposits with banks consisted primarily of FRB deposits. Balances with the FRB earned an average interest rate of 4.45% and 5.48% for the second quarter of 2025 and 2024, respectively. The decrease was primarily the result of the Federal Open Market Committee ("FOMC") decreasing rates by 100 basis points from September 2024 to December 2024. Average interest bearing deposits with banks was $377.5 million and $456.7 million for the quarter ended June 30, 2025 and 2024, respectively. Interest income on interest bearing deposits with banks was $4.2 million and $6.2 million for the quarter ended June 30, 2025 and 2024, respectively.

The investment portfolio is also a component of the Company's earning assets. Historically, the Company invested primarily in: (1) mortgage-backed securities issued by government-sponsored entities; (2) debt securities issued by the U.S. Treasury, government agencies and government-sponsored entities; and (3) investment grade bank-qualified municipal bonds. However, at certain times the Company has selectively added investment grade corporate securities (floating rate and fixed rate with maturities less than 7 years) to the portfolio in order to obtain yields that exceed government agency securities of equivalent maturity. Since the risk factor for these types of investments is generally lower than that of loans and leases, the yield earned on investments is generally less than that of loans and leases.

Average total investment securities were $1.3 billion and $1.1 billion for the quarter ended June 30, 2025 and 2024, respectively. The average yield on total investment securities was 3.31% and 2.69% for the quarter ended June 30, 2025 and 2024, respectively. The increase in the yield reflects the increase in yields on purchases in 2024 and during the period ended June 30, 2025.

Average loans and leases held for investment were $3.6 billion and $3.7 billion for the quarter ended June 30, 2025 and 2024, respectively. The average yield on the loan and lease portfolio was 6.08% and 6.13% for the quarter ended June 30, 2025 and 2024, respectively. The decrease in the loan yield reflects the decrease in market interest rates over the last year.

Average interest bearing deposits were $3.4 billion for the quarters ended June 30, 2025 and 2024. The average rate paid on interest bearing deposits was 1.88% and 2.11% for the quarter ended June 30, 2025 and 2024, respectively. Total interest expense on interest bearing deposits was $16.0 million and $17.9 million for the quarter ended June 30, 2025 and 2024, respectively, with the decrease driven by decreases in short-term market interest rates from September 2024 to December 2024. The average rate paid on total funding costs was 1.33% and 1.58% for the quarter ended June 30, 2025 and 2024, respectively.

Six Months Ended June 30, 2025 vs. Six Months Ended June 30, 2024
Average interest bearing deposits with banks consisted primarily of FRB deposits. Balances with the FRB earned an average interest rate of 4.47% and 5.48% for the first six months of 2025 and 2024, respectively. The decrease was primarily the result of the FOMC decreasing rates by 100 basis points from September 2024 to December 2024. Average interest bearing deposits with banks was $307.7 million and $394.6 million for the six months ended June 30, 2025 and 2024, respectively. Interest income on interest bearing deposits with banks was $6.8 million and $10.7 million for the six months ended June 30, 2025 and 2024, respectively.

Average total investment securities were $1.3 billion and $1.1 billion for the six months ended June 30, 2025 and 2024, respectively. The average yield on total investment securities was 3.25% and 2.60% for the six months ended June 30, 2025 and 2024, respectively. The increase in the yield reflects the increase in yields on purchases in 2024 and during the six months ended June 30, 2025.

Average loans and leases held for investment were $3.6 billion and $3.7 billion for the six months ended June 30, 2025 and 2024, respectively. The average yield on the loan and lease portfolio was 6.07% and 6.11% for the six months ended June 30, 2025 and 2024, respectively. The decrease in the loan yield reflects the decrease in market interest rates over the last year.

Average interest bearing deposits were $3.3 billion for the six months ended June 30, 2025 and 2024. The average rate paid on interest bearing deposits was 1.81% and 1.96% for the six months ended June 30, 2025 and 2024, respectively. Total interest expense on interest bearing deposits was $29.8 million and $32.6 million for the six months ended June 30, 2025 and 2024, respectively, with the decrease driven by decreases in short-term market interest rates from September 2024 to December 2024. The average rate paid on total funding costs was 1.26% and 1.43% for the six months ended June 30, 2025 and 2024, respectively.

Rate/Volume Analysis

The following table shows the change in interest income and interest expense and the amount of change attributable to variances in volume, rates and the combination of volume and rates based on the relative changes of volume and rates. For purposes of this table, the change in interest due to both volume and rate has been allocated to change due to volume and rate in proportion to the relationship of absolute dollar amounts of change in each.

	Three Months Ended June 30, 2025 compared with 2024			**Six Months Ended June 30, 2025 compared with 2024**		
	Increase (Decrease) Due to:			**Increase (Decrease) Due to:**		
(Dollars in thousands)	**Volume**	**Rate**	**Net**	**Volume**	**Rate**	**Net**
Interest income:						
Interest earnings deposits in other banks and federal funds sold	$ (975)	$ (1,056)	$ (2,031)	$ (2,141)	$ (1,779)	$ (3,920)
Investment securities:						
Taxable securities	1,685	1,900	3,585	3,353	3,988	7,341
Non-taxable securities	65	(18)	47	106	(36)	70
Total investment securities	1,750	1,882	3,632	3,459	3,952	7,411
Loans:						
Real estate:						
Commercial	462	311	773	721	236	957
Agricultural	108	(146)	(38)	257	368	625
Residential and home equity	(97)	146	49	(146)	234	88
Construction	(714)	(137)	(851)	(1,425)	(302)	(1,727)
Total real estate	(241)	174	(67)	(593)	536	(57)
Commercial & industrial	106	(33)	73	6	(324)	(318)
Agricultural	(1,123)	(256)	(1,379)	(2,065)	(529)	(2,594)
Commercial leases	(116)	152	36	(26)	288	262
Consumer and other	(9)	(5)	(14)	(19)	2	(17)
Total loans and leases	(1,383)	32	(1,351)	(2,697)	(27)	(2,724)
Non-marketable securities	-	(15)	(15)	-	(35)	(35)
Total interest income	(608)	843	235	(1,379)	2,111	732
Interest expense:						
Interest bearing deposits:						
Demand	52	1,075	1,127	(51)	831	780
Savings and money market accounts	514	(800)	(286)	674	(813)	(139)
Certificates of deposit greater than $250,000	(943)	(940)	(1,883)	(871)	(1,331)	(2,202)
Certificates of deposit equal to or less than $250,000	(336)	(529)	(865)	(444)	(742)	(1,186)
Total interest bearing deposits	(713)	(1,194)	(1,907)	(692)	(2,055)	(2,747)
Short-term borrowings	(924)	-	(924)	(986)	-	(986)
Subordinated debentures	-	(26)	(26)	-	(55)	(55)
Total interest expense	(1,637)	(1,220)	(2,857)	(1,678)	(2,110)	(3,788)
Net interest income	$ 1,029	$ 2,063	$ 3,092	$ 299	$ 4,221	$ 4,520

Comparison of Results of Operations for the Three and Six Months Ended June 30, 2025 and 2024

(Dollars in thousands)	Three Months Ended June 30, 2025	Three Months Ended June 30, 2024	$ Better / (Worse)	% Better / (Worse)	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024	$ Better / (Worse)	% Better / (Worse)
Selected Income Statement Information:								
Interest income	$ 70,061	$ 69,831	$ 230	0.33%	$ 137,199	$ 136,472	$ 727	0.53%
Interest expense	16,193	19,050	2,857	15.00%	30,190	33,978	3,788	11.15%
Net interest income	53,868	50,781	3,087	6.08%	107,009	102,494	4,515	4.41%
Provision for credit losses	1,400	-	(1,400)	N/A	1,700	-	(1,700)	N/A
Net interest income after provision for credit losses	52,468	50,781	1,687	3.32%	105,309	102,494	2,815	2.75%
Non-interest income	5,519	4,767	752	15.78%	10,540	9,842	698	7.09%
Non-interest expense	26,651	25,422	(1,229)	(4.83%)	52,160	50,943	(1,217)	(2.39%)
Income before income tax expense	31,336	30,126	1,210	4.02%	63,689	61,393	2,296	3.74%
Income tax expense	8,281	8,359	78	0.93%	17,625	16,903	(722)	(4.27%)
Net income	$ 23,055	$ 21,767	$ 1,288	5.92%	$ 46,064	$ 44,490	$ 1,574	3.54%

For the three and six months ended June 30, 2025, net income was $23.1 million and $46.1 million, respectively, compared to $21.8 million and $44.5 million for the same periods a year ago. For the three months ended June 30, 2025, the increase in net income was primarily the result of higher net interest income of $3.1 million and a $0.8 million increase in non-interest income. These increases were offset by a $1.4 million provision for credit losses during the second quarter of 2025, compared to no provision in 2024, and an increase of $1.2 million in non-interest expense during the three months ended June 30, 2025, compared to the same period in the prior year.

For the six months ended June 30, 2025, the increase in net income was primarily the result of higher net interest income of $4.5 million and a $0.7 million increase in non-interest income. These increases were offset by a $1.7 million provision for credit losses during the six months ended June 30, 2025, compared to no provision in 2024, an increase of $1.2 million in non-interest expense and an increase in income tax expense of $0.7 million during the first half of 2025, compared to the same period in the prior year.

Net Interest Income and Net Interest Margin

For the quarter ended June 30, 2025 and 2024, net interest income was $53.9 million compared with $50.8 million, respectively. The increase in net interest income is primarily the result of the net interest margin (tax equivalent basis) increasing 16 basis points to 4.07% compared with 3.91% for the same period a year earlier. The increase in the net interest margin was primarily the result of a decrease in deposit costs of $1.9 million due to the interest rate environment, as the federal funds rate decreased 100 basis points from September through December of 2024, and a decrease in short-term borrowing costs of $0.9 million. The investment securities yield during the second quarter of 2025 increased 62 basis points from 2.69% to 3.31% compared to the second quarter of 2024. The loan yield decreased 5 basis points from 6.13% to 6.08% compared to the second quarter of 2024. The deposit yield decreased 23 basis points from 2.11% to 1.88% and outpaced the decrease in loan yield over the same period a year earlier.

For the six months ended June 30, 2025 and 2024, net interest income was $107.0 million compared with $102.5 million, respectively. The increase is primarily the result of the net interest margin (tax equivalent basis) increasing 11 basis points to 4.13% compared with 4.02% for the same period a year earlier. The increase in the net interest margin was primarily the result of a decrease in deposit costs of $2.7 million due to the interest rate environment, as the federal funds rate decreased 100 basis points September through December of 2024, and a decrease in short-term borrowing costs of $1.0 million. The investment securities yield increased 65 basis points from 2.60% to 3.25% compared to the first six months of 2024. The loan yield decreased 4 basis points from 6.11% to 6.07% compared to the first six months of 2024. The deposit yield decreased 15 basis points from 1.96% to 1.81% and outpaced the decrease in loan yield over the same period a year earlier.

Provision for Credit Losses
The provision for credit losses in each period is a charge against earnings in that period. The provision is the amount required to maintain the allowance for credit losses at a level that, in management's judgment, is adequate to absorb expected credit losses over the life of the loans and leases, unfunded loan commitments and HTM securities portfolios.

Based on the Company's evaluation of the credit quality of the loan and lease portfolio and the calculations of the allowance for credit losses under the current expected credit losses ("CECL") methodology, the Company recorded a $1.4 million provision for credit losses during the three months ended June 30, 2025 compared to no provision for the same period a year ago. Net charge-offs during the three months ended June 30, 2025 were $544,000 compared to net recoveries of $14,000 for the same period a year earlier.

The Company recorded a $1.7 million provision for credit losses during the first half of 2025 compared to no provision for credit losses during the first half of 2024. The increase in the provision was primarily due to higher net charge-offs in the first half of 2025 and an increase in economic qualitative risk factors. Net charge-offs during the first half of 2025 were $704,000 compared to net recoveries of $67,000 in the first half of 2024.

Non-interest Income

	Three Months Ended June 30,				**Six Months Ended June 30,**			
(Dollars in thousands)	**2025**	**2024**	**\$ Better / (Worse)**	**% Better / (Worse)**	**2025**	**2024**	**\$ Better / (Worse)**	**% Better / (Worse)**
Non-interest income:								
Card processing	$ 1,789	$ 1,764	$ 25	1.42%	$ 3,456	$ 3,393	$ 63	1.86%
Net gain on deferred compensation benefits	764	414	350	84.54%	1,597	1,572	25	1.59%
Service charges on deposit accounts	744	749	(5)	(0.67%)	1,516	1,497	19	1.27%
Increase in cash surrender value of BOLI	627	602	25	4.15%	1,230	1,197	33	2.76%
Other	1,595	1,238	357	28.84%	2,741	2,183	558	25.56%
Total non-interest income	$ 5,519	$ 4,767	$ 752	15.78%	$ 10,540	$ 9,842	$ 698	7.09%

Non-interest income increased $0.8 million, or 15.78%, to $5.5 million for the quarter ended June 30, 2025, compared with $4.8 million for the same period a year earlier. The year-over-year increase in non-interest income was primarily due to a $0.4 million increase in the net gain on deferred compensation benefits and a $0.4 million increase in other non-interest income. The increase in other non-interest income was primarily due to an increase of $126,000 in the gain on sale of leases and a $94,000 increase in late charges collected.

The Company recorded net gains on deferred compensation plan investments of $0.8 million for the quarter ended June 30, 2025, compared with net gains of $0.4 million for the same respective period a year ago. See Note 10, "Employee Benefit Plans," located in Item 8. "Financial Statements and Supplementary Data" in the Company's 2024 Form 10-K for a description of these plans. Balances in non-qualified deferred compensation plans may be invested in financial instruments whose market value fluctuates based upon trends in interest rates and stock prices. Although GAAP requires these investment gains/losses to be recorded in non-interest income, an offsetting entry is also required to be made to non-interest expense resulting in no net-effect on the Company's net income.

Non-interest income increased $0.7 million, or 7.09%, to $10.5 million for the six months ended June 30, 2025, compared with $9.8 million for the same period of 2024. The year-over-year increase in non-interest income was primarily due to a $0.6 million increase in other non-interest income. The increase in other non-interest income was primarily due to a $133,000 increase in late charges collected, a $128,000 increase in the gain on sale of leases, and $86,000 in fee income on derivatives compared to none for the prior year.

The Company recorded net gains on deferred compensation plan investments of $1.6 million for the six months ended June 30, 2025, and for the six months ended June 30, 2024. See Note 10, “Employee Benefit Plans,” located in Item 8. “Financial Statements and Supplementary Data” in the Company’s 2024 Form 10-K for a description of these plans. Balances in non-qualified deferred compensation plans may be invested in financial instruments whose market value fluctuates based upon trends in interest rates and stock prices. Although GAAP requires these investment gains/losses to be recorded in non-interest income, an offsetting entry is also required to be made to non-interest expense resulting in no net-effect on the Company’s net income.

Non-interest Expense

	Three Months Ended June 30,				Six Months Ended June 30,			
(Dollars in thousands)	**2025**	**2024**	**$ Better / (Worse)**	**% Better / (Worse)**	**2025**	**2024**	**$ Better / (Worse)**	**% Better / (Worse)**
Non-interest expense:								
Salaries and employee benefits	$ 18,432	$ 17,999	$ (433)	(2.41%)	$ 35,576	$ 35,502	$ (74)	(0.21%)
Data processing	1,784	1,535	(249)	(16.22%)	3,422	2,990	(432)	(14.45%)
Occupancy	1,293	1,243	(50)	(4.02%)	2,595	2,475	(120)	(4.85%)
Net gain on deferred compensation benefits	764	414	(350)	(84.54%)	1,597	1,572	(25)	(1.59%)
Deposit insurance	750	702	(48)	(6.84%)	1,498	1,414	(84)	(5.94%)
Professional services	694	621	(73)	(11.76%)	1,616	1,162	(454)	(39.07%)
Marketing	452	562	110	19.57%	919	1,042	123	11.80%
Other	2,482	2,346	(136)	(5.80%)	4,937	4,786	(151)	(3.16%)
Total non-interest expense	$ 26,651	$ 25,422	$ (1,229)	(4.83%)	$ 52,160	$ 50,943	$ (1,217)	(2.39%)

Non-interest expense increased $1.2 million, or 4.83%, to $26.7 million for the quarter ended June 30, 2025, compared with $25.4 million for the same period a year ago. This increase was primarily comprised of a $0.4 million increase in salaries and employee benefits, a $0.4 million increase in the net gain on deferred compensation plan investments, a $0.2 million increase in data processing and a $0.1 million increase in other non-interest expenses. These increases were partially offset by a $0.1 million decrease in marketing expenses.

Net gains on deferred compensation plan obligations were $0.8 million for the quarter ended June 30, 2025, compared with net gains on deferred compensation plan investments of $0.4 million for the same respective period. See Note 10 “Employee Benefit Plans,” located in “Item 8. Financial Statements and Supplementary Data” in the Company’s 2024 Form 10-K for a description of these plans. Balances in non-qualified deferred compensation plans may be invested in financial instruments whose market value fluctuates based upon trends in interest rates and stock prices. Although GAAP requires these gains/losses on obligations to be recorded in non-interest expense, an offsetting entry is also required to be made to non-interest income resulting in no net-effect on the Company’s net income.

Non-interest expense increased $1.2 million, or 2.39%, to $52.2 million for the six months ended June 30, 2025 compared with $50.9 million for the same period a year ago. This increase was primarily comprised of a $0.5 million increase in professional services and a $0.4 million increase in data processing expenses. These increases were partially offset by a $0.1 million decrease in marketing expenses.

The Company recorded net gains on deferred compensation plan investments of $1.6 million for the six months ended June 30, 2025 and $1.6 million for the six months ended June 30, 2024. See Note 10 “Employee Benefit Plans,” located in “Item 8. Financial Statements and Supplementary Data” in the Company’s 2024 Form 10-K for a description of these plans. Balances in non-qualified deferred compensation plans may be invested in financial instruments whose market value fluctuates based upon trends in interest rates and stock prices. Although GAAP requires these gains/losses on obligations to be recorded in non-interest expense, an offsetting entry is also required to be made to non-interest income resulting in no net-effect on the Company’s net income.

Income Tax Expense

For the three and six months ended June 30, 2025, income tax expense was $8.3 million and $17.6 million, respectively, compared to $8.4 million and $16.9 million for the same periods a year ago. The Company's effective tax rate for the three and six months ended June 30, 2025 was 26.43% and 27.67%, respectively, compared to 27.75% and 27.53% for the same period in 2024. The Company's effective tax rate can fluctuate from quarter to quarter due primarily to changes in the mix of taxable and tax-exempt earning assets. The effective rates were lower than the combined Federal and State statutory rate of 30% primarily due to credits associated with low income housing tax credit investments ("LIHTC") and tax-exempt interest income on municipal securities and loans.

Balance Sheet Analysis

Total assets were $5.5 billion at June 30, 2025, compared with $5.4 billion at December 31, 2024, an increase of $108.6 million, or 2.02%. Total cash and cash equivalents increased $79.2 million from $212.6 million as of December 31, 2024 to $291.8 million as of June 30, 2025. Gross loans and leases held for investment were $3.6 billion at June 30, 2025, compared with $3.7 billion at December 31, 2024, a decrease of $54.4 million, or 1.47%. Total deposits were $4.8 billion at June 30, 2025, compared with $4.7 billion at December 31, 2024, an increase of $61.2 million, or 1.3%. Our loan to deposit ratio was 76.38% and 78.53% as of June 30, 2025 and December 31, 2024, respectively.

Cash and Cash Equivalents

The Company's cash and cash equivalents consist of interest bearing deposits with banks and overnight investments in Federal Reserve balances. Interest bearing deposits with banks consisted primarily of FRB deposits. Since balances at the FRB are effectively risk free, the Company elected to maintain its excess cash at the FRB. Interest bearing deposits with banks totaled $179.0 million at June 30, 2025 and $141.5 million at December 31, 2024. The Company's total cash and cash equivalents as of June 30, 2025 represented 5.3% of the Company's total assets as compared to 4.0% of total assets as of December 31, 2024.

Investment Securities

The Company's net investment portfolio increased by $88.0 million, or 7.13%, to $1.3 billion at June 30, 2025, compared to $1.2 billion at December 31, 2024. During the first half of 2025, the Company purchased $126.0 million of investment securities with an average yield of 5.74%. The Company uses its investment portfolio to manage interest rate and liquidity risks. The Company's total investment portfolio as of June 30, 2025 represented 24.13% of the Company's total assets as compared to 22.98% of total assets at December 31, 2024.

Available-for-sale securities are carried at fair value and held-to-maturity securities are carried at amortized cost under GAAP. The carrying value of our portfolio of investment securities for the dates indicated are as follows:

(Dollars in thousands)	**June 30, 2025**	**December 31, 2024**
Available-for-sale securities		
U.S. Government-sponsored securities	$ 2,285	$ 2,644
Mortgage-backed securities[1]	546,701	439,858
Commercial mortgage-backed securities[1]	1,238	1,212
Collateralized mortgage obligations[1]	7,478	5,497
Corporate securities	14,939	14,856
Other	310	347
Total available-for-sale securities	$ 572,951	$ 464,414

[1]All mortgage-backed securities and collateralized mortgage obligations were issued by an agency or government sponsored entity of the U.S. Government.

(Dollars in thousands)	June 30, 2025	December 31, 2024
Held-to-maturity securities		
Mortgage-backed securities[1]	$ 608,903	$ 626,427
Collateralized mortgage obligations[1]	65,146	68,377
Municipal securities	74,812	74,639
Total held-to-maturity securities	$ 748,861	$ 769,443
Allowance for credit losses	(450)	(450)
Total held-to-maturity securities	$ 748,411	$ 768,993

[1]All mortgage-backed securities and collateralized mortgage obligations were issued by an agency or government sponsored entity of the U.S. Government.

The following tables show the carrying value for final contractual maturities of investment securities and the weighted average yields of such securities, including the benefit of tax-exempt securities:

	As of June 30, 2025									
	Within One Year		After One but Within Five Years		After Five but Within Ten Years		After Ten Years		Total	
(Dollars in thousands)	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Securities available-for-sale										
U.S. Government-sponsored securities	$ -	0.00%	$ 6	5.35%	$ 354	6.36%	$ 1,925	5.29%	$ 2,285	5.46%
Mortgage-backed securities[1]	49	2.44%	2,108	2.53%	2,580	4.22%	541,964	4.92%	546,701	4.90%
Commercial mortgage-backed securities [1]	-	0.00%	-	0.00%	-	0.00%	1,238	5.84%	1,238	5.84%
Collateralized mortgage obligations[1]	-	0.00%	-	0.00%	-	0.00%	7,478	5.54%	7,478	5.54%
Corporate securities	-	0.00%	14,939	5.04%	-	0.00%	-	0.00%	14,939	5.04%
Other	310	3.76%	-	0.00%	-	0.00%	-	0.00%	310	3.76%
Total securities available-for-sale	$ 359	3.58%	$ 17,053	4.81%	$ 2,934	4.70%	$ 552,605	4.80%	$ 572,951	4.92%

[1]All mortgage-backed securities and collateralized mortgage obligations were issued by an agency or government sponsored entity of the U.S. Government.

	As of June 30, 2025									
	Within One Year		After One but Within Five Years		After Five but Within Ten Years		After Ten Years		Total	
(Dollars in thousands)	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Securities held-to-maturity										
Mortgage-backed securities[1]	$ -	0.00%	$ 2,834	0.85%	$ 7,166	1.67%	$ 598,903	1.90%	$ 608,903	1.89%
Collateralized mortgage obligations[1]	-	0.00%	-	0.00%	-	0.00%	65,146	1.77%	65,146	1.77%
Municipal securities	1,236	4.18%	21,396	4.59%	10,597	3.93%	41,583	5.27%	74,812	4.87%
Total securities held-to-maturity	$ 1,236	4.18%	$ 24,230	4.15%	$ 17,763	3.02%	$ 705,632	2.08%	$ 748,861	2.18%

[1]All mortgage-backed securities and collateralized mortgage obligations were issued by an agency or government sponsored entity of the U.S. Government.

	As of December 31, 2024									
	Within One Year		After One but Within Five Years		After Five but Within Ten Years		After Ten Years		Total	
(Dollars in thousands)	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Securities available-for-sale										
U.S. Government-sponsored securities	$ 2	3.00%	$ 33	5.64%	$ 279	6.15%	$ 2,330	5.89%	$ 2,644	5.92%
Mortgage-backed securities[1]	74	2.83%	3,074	2.57%	1,949	3.92%	434,761	4.70%	439,858	4.70%
Commercial mortgage-backed securities [1]	-	0.00%	-	0.00%	-	0.00%	1,212	6.01%	1,212	6.01%
Collateralized mortgage obligations[1]	-	0.00%	-	0.00%	-	0.00%	5,497	6.01%	5,497	6.01%
Corporate securities	-	0.00%	14,856	5.63%	-	0.00%	-	0.00%	14,856	5.63%
Other	347	3.72%	-	0.00%	-	0.00%	-	0.00%	347	3.72%
Total securities available-for-sale	$ 423	3.56%	$ 17,963	5.10%	$ 2,228	4.20%	$ 443,800	4.72%	$ 464,414	4.75%

[1]All mortgage-backed securities and collateralized mortgage obligations were issued by an agency or government sponsored entity of the U.S. Government.

(Dollars in thousands)	As of December 31, 2024									
	Within One Year		After One but Within Five Years		After Five but Within Ten Years		After Ten Years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Securities held-to-maturity										
Mortgage-backed securities[1]	$ -	0.00%	$ 3,426	0.82%	$ 7,756	1.66%	$ 615,245	1.89%	$ 626,427	1.88%
Collateralized mortgage obligations[1]	-	0.00%	-	0.00%	-	0.00%	68,377	1.75%	68,377	1.75%
Municipal securities	1,180	3.86%	18,365	4.79%	6,733	4.34%	48,361	5.01%	74,639	4.88%
Total securities held-to-maturity	$ 1,180	3.86%	$ 21,791	4.17%	$ 14,489	2.91%	$ 731,983	2.08%	$ 769,443	2.16%

[1]All mortgage-backed securities and collateralized mortgage obligations were issued by an agency or government sponsored entity of the U.S. Government.

Maturities are based on the final contractual payment dates, and do not reflect the impact of prepayments or early redemptions that may occur. Expected maturities of mortgage-backed and CMO securities may differ from contractual maturities because borrowers have the right to call or prepay obligations with or without penalties. The Company evaluates securities for expected credit losses at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation.

Loans and Leases

Loans and leases can be categorized by borrowing purpose and use of funds. For detailed descriptions of the various loan types offered by the Company see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2024 Form 10-K.

The Company’s loan and lease portfolio at June 30, 2025 totaled $3.6 billion, a decrease of $54.4 million, or 1.47%, from December 31, 2024, due to lower loan production.

The following table sets forth the distribution of the loan and lease portfolio by type and percent at the dates indicated:

(Dollars in thousands)	June 30, 2025		December 31, 2024	
	Dollars	Percent of Total	Dollars	Percent of Total
Gross loans and leases				
Real estate:				
Commercial	$ 1,410,836	38.80%	$ 1,360,841	36.88%
Agricultural	720,079	19.81%	751,026	20.35%
Residential and home equity	401,848	11.05%	404,399	10.96%
Construction	173,827	4.78%	194,903	5.28%
Total real estate	2,706,590	74.44%	2,711,169	73.47%
Commercial & industrial	491,547	13.52%	504,403	13.67%
Agricultural	261,450	7.19%	289,847	7.85%
Commercial leases	171,212	4.71%	179,718	4.87%
Consumer and other	5,032	0.14%	5,084	0.14%
Total gross loans and leases	$ 3,635,831	100.00%	$ 3,690,221	100.00%

The following table shows the maturity distribution and interest rate sensitivity of the loan and lease portfolio of the Company at June 30, 2025.

	Loan Contractual Maturity				
(Dollars in thousands)	One Year or Less	After One But Within Five Years	After Five Years But Within Fifteen Years	After Fifteen Years	Total
Gross loan and leases:					
Real estate:					
Commercial	$ 82,846	$ 530,607	$ 760,805	$ 36,578	$ 1,410,836
Agricultural	47,716	186,320	454,935	31,108	720,079
Residential and home equity	48	4,575	115,511	281,714	401,848
Construction	163,544	10,283	-	-	173,827
Total real estate	294,154	731,785	1,331,251	349,400	2,706,590
Commercial & industrial	175,926	223,080	90,266	2,275	491,547
Agricultural	166,642	82,641	12,167	-	261,450
Commercial leases	3,143	81,587	86,482	-	171,212
Consumer and other	720	3,759	97	456	5,032
Total gross loans and leases	$ 640,585	$ 1,122,852	$ 1,520,263	$ 352,131	$ 3,635,831
Rate structure for loans and leases					
Fixed rate	$ 191,195	$ 802,036	$ 933,017	$ 195,073	$ 2,121,321
Adjustable rate	449,390	320,816	587,246	157,058	1,514,510
Total gross loans and leases	$ 640,585	$ 1,122,852	$ 1,520,263	$ 352,131	$ 3,635,831

The following table summarizes the loans for which the accrual of interest has been discontinued and OREO (as hereinafter defined) at the dates indicated:

(Dollars in thousands)	June 30, 2025	December 31, 2024
Non-performing assets:		
Non-accrual loans and leases		
Real estate:		
Commercial	$ -	$ 170
Agricultural	-	-
Residential and home equity	-	-
Construction	-	-
Total real estate	-	170
Commercial & industrial	-	759
Agricultural	-	-
Commercial leases	-	-
Consumer and other	-	-
Total non-performing loans and leases	-	929
Other real estate owned (“OREO”)	1,199	873
Total non-performing assets	$ 1,199	$ 1,802
Selected ratios:		
Non-performing loans to total loans and leases	0.00%	0.03%
Non-performing assets to total assets	0.02%	0.03%

Non-Accrual Loans and Leases – Accrual of interest on loans and leases is generally discontinued when a loan or lease becomes contractually past due by 90 days or more with respect to interest or principal. When loans and leases are 90 days past due, but in management’s judgment are well secured and in the process of collection, they may not be classified as non-accrual. When a loan or lease is placed on non-accrual status, all interest previously accrued but not collected is reversed. Income on such loans and leases is then recognized only to the extent that cash is received and where the future collection of principal is probable. The Company had no non-accrual loans at June 30, 2025 and $929,000 in non-accrual loans at December 31, 2024.

Although management believes that non-performing loans and leases are generally well-secured and that potential losses are provided for in the Company's allowance for credit losses, there can be no assurance that future deterioration in economic conditions and/or collateral values will not result in future credit losses. See Note 3. "Loans and Leases", located in "Item 1. Financial Statements" in this Quarterly Report on Form 10-Q for an allocation of the allowance classified to collateral dependent loans and leases.

Other Real Estate Owned – OREO represents real property taken either through foreclosure or through a deed in lieu thereof from the borrower. The Company records all OREO properties at amounts equal to or less than the fair market value of the properties based on current independent appraisals reduced by estimated selling costs. The Company reported $1.2 million of foreclosed OREO at June 30, 2025, and $873,000 at December 31, 2024.

Loan Modifications to Borrowers Experiencing Financial Difficulties – In the normal course of business, the Company may execute loan modifications to borrowers experiencing financial difficulties. Some of these modifications include: term extension, principal forgiveness, rate reduction, other-than-insignificant payment delay, or any combination of those. ASU 2022-02 requires certain disclosure of loans and leases that have been modified within the past 12 months and the effects that those modifications had on the modified loans and leases. Because the effect of most modifications made to borrowers experiencing financial difficulty is already included in the allowance for credit losses and because of the measurement methodologies used to estimate the allowance, a change to the allowance for credit losses is generally not recorded upon modification. Occasionally, the Company modifies loans by providing principal forgiveness that is deemed to be uncollectable; therefore, the portion of the loan forgiven is written off, resulting in a reduction of the amortized cost basis and a corresponding adjustment to the allowance for credit losses.

The Company modified six loans in the aggregate amount of $2.7 million, during the six months ended June 30, 2025. There was one loan modified within the last six months that had a payment default and was 86 days past due during the six months ended June 30, 2025.

The Company modified six loans, with two borrowers, in the aggregate amount of $13.2 million, during the year ended December 31, 2024. These loans were current as of December 31, 2024.

Allowance for Credit Losses—Loans and Leases

The Company maintains an allowance for credit losses ("ACL") under ASC Topic 326, *Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments* ("CECL"). The allowance is established through a provision for credit losses, which is charged to expense. Additions to the allowance are expected to maintain the adequacy of the total allowance after credit losses and loan and lease growth. Credit exposures determined to be uncollectible are charged against the allowance. Cash received on previously charged off amounts is recorded as a recovery to the allowance. The overall allowance consists of two primary components: specific reserves related to individually evaluated loans and leases and general reserves comprised of both quantitative and qualitative factors for current expected credit losses related to loans and leases that are not individually evaluated. The Company uses the Weighted Average Remaining Maturity ("WARM") methodology to calculate the ACL, as this method is deemed the most appropriate given the Company's size and complexity. See Note 1 "Summary of Significant Accounting Policies - Allowance for Credit Losses – Loans and Leases" in our 2024 Form 10-K.

The allowance for credit losses is the combination of the allowance for credit losses on loan and lease losses and the allowance for credit losses on unfunded loan commitments. The ACL for unfunded loan commitments is included within "Interest payable and other liabilities" on the consolidated balance sheets.

The following table sets forth the activity in our ACL on loans and leases held for investment and unfunded loan commitments for the periods indicated:

	Six Months Ended June 30,	
(Dollars in thousands)	2025	2024
Allowance for credit losses:		
Balance at beginning of year	$ 77,973	$ 78,655
Provision for credit losses:		
Allowance for credit losses- loans and leases	1,590	-
Allowance for credit losses- unfunded loan commitments	110	-
Total provision for credit losses	1,700	-
Charge-offs:		
Real estate:		
Commercial	(175)	-
Agricultural	(180)	-
Residential and home equity	-	-
Construction	-	-
Total real estate	(355)	-
Commercial & industrial	(232)	-
Agricultural	(234)	-
Commercial leases	-	-
Consumer and other	(21)	(26)
Total charge-offs	(842)	(26)
Recoveries:		
Real estate:		
Commercial	-	-
Agricultural	-	-
Residential and home equity	6	15
Construction	-	-
Total real estate	6	15
Commercial & industrial	123	36
Agricultural	-	2
Commercial leases	-	-
Consumer and other	9	40
Total recoveries	138	93
Net (charge-offs) / recoveries	(704)	67
Balance at end of period	$ 78,969	$ 78,722
Allowance for credit losses - loans and leases	76,169	75,032
Allowance for credit losses - unfunded loan commitments	2,800	3,690
Total allowance for credit losses	$ 78,969	$ 78,722
Selected financial information:		
Net loans and leases held for investment	$ 3,623,636	$ 3,682,370
Average loans and leases	3,615,624	3,675,286
Non-performing loans and leases	-	-
Allowance for credit losses to non-performing loans and leases	0.00%	0.00%
Net (charge-offs) / recoveries to average loans and leases	(0.02%)	N/M[1]
Provision for credit losses to average loans and leases	0.05%	0.00%
Allowance for loan and lease losses to loans and leases held for investment	2.09%	2.03%

[1]Not meaningful (N/M)

The following table indicates management's allocation of the ACL for loans and leases by loan type as of each of the following dates:

	June 30, 2025			December 31, 2024		
(Dollars in thousands)	**Dollars**	**Percent of Each Loan Type to Total Loans**	**Percent of ACL to Each Loan Type**	**Dollars**	**Percent of Each Loan Type to Total Loans**	**Percent of ACL to Each Loan Type**
Allowance for credit losses:						
Real estate:						
Commercial	$ 20,946	38.80%	1.48%	$ 20,382	36.88%	1.50%
Agricultural	24,469	19.81%	3.40%	23,615	20.35%	3.14%
Residential and home equity	7,599	11.05%	1.89%	7,340	10.96%	1.82%
Construction	2,766	4.78%	1.59%	3,055	5.28%	1.57%
Total real estate	55,780	74.44%	2.06%	54,392	73.47%	2.01%
Commercial & industrial	7,326	13.52%	1.49%	7,791	13.67%	1.54%
Agricultural	6,982	7.19%	2.67%	6,725	7.85%	2.32%
Commercial leases	5,858	4.71%	3.42%	6,153	4.87%	3.42%
Consumer and other	223	0.14%	4.43%	222	0.14%	4.37%
Total allowance for credit losses	$ 76,169	100.00%	2.09%	$ 75,283	100.00%	2.04%

Deposits

Total deposits were $4.8 billion and $4.7 billion as of June 30, 2025 and December 31, 2024, respectively, an increase of $61.2 million or 1.30%. Non-interest bearing demand deposits were $1.55 billion as of June 30, 2025 and $1.52 billion at December 31, 2024. Non-interest bearing deposits were 32.49% of total deposits as of June 30, 2025 and 32.31% of total deposits as of December 31, 2024. Interest bearing deposits were $3.2 billion at June 30, 2025 and December 31, 2024. Interest bearing deposits are comprised of interest bearing transaction accounts, money market accounts, regular savings accounts, and certificates of deposit. Interest bearing transaction accounts decreased $85.0 million, or 9.64%, to $797.1 million at June 30, 2025, compared with $882.1 million at December 31, 2024. Savings and money market accounts increased $130.0 million, or 8.20%, to $1.7 billion at June 30, 2025, compared with $1.6 billion at December 31, 2024. Certificates of deposit accounts decreased $11.9 million, or 1.67%, to $703.6 million at June 30, 2025, compared with $715.5 million at December 31, 2024.

The following table shows the average amount and average rate paid on the categories of deposits for each of the periods presented:

	Six Months Ended June 30,					
	2025			2024		
(Dollars in thousands)	**Average Balance**	**Interest Expense**	**Average Rate**	**Average Balance**	**Interest Expense**	**Average Rate**
Total deposits:						
Interest bearing deposits:						
Demand	$ 917,085	$ 3,572	0.79%	$ 933,572	$ 2,792	0.60%
Savings and money market	1,693,889	14,756	1.76%	1,617,105	14,895	1.85%
Certificates of deposit greater than $250,000	383,185	6,788	3.57%	426,878	8,990	4.24%
Certificates of deposit equal to or less than $250,000	326,255	4,688	2.90%	354,090	5,874	3.34%
Total interest bearing deposits	3,320,414	29,804	1.81%	3,331,645	32,551	1.96%
Non-interest bearing deposits	1,489,725			1,385,832		
Total deposits	$ 4,810,139	$ 29,804	1.25%	$ 4,717,477	$ 32,551	1.39%

Deposits are gathered from individuals and businesses in our market areas. The interest rates paid are competitively priced for each particular deposit product and structured to meet our funding requirements. The Company reduced interest rates during the last four months of 2024 after the FOMC cut interest rates by 100 basis points between September and December. The average cost of total deposits, including non-interest bearing deposits, decreased to 1.31% for the three months ended June 30, 2025, compared with 1.51% for the same period a year ago, and to 1.25% for the six months ended June 30, 2025, compared with 1.39% for the six months ended June 30, 2024.

The following table shows deposits with a balance greater than $250,000 at June 30, 2025 and December 31, 2024:

(Dollars in thousands)	June 30, 2025	December 31, 2024
Non-maturity deposits greater than $250,000	$ 2,549,971	$ 2,486,450
Certificates of deposit greater than $250,000, by maturity:		
Less than 3 months	149,518	153,662
3 months to 6 months	163,455	146,341
6 months to 12 months	62,773	81,642
More than 12 months	2,070	3,427
Total certificates of deposit greater than $250,000	$ 377,816	$ 385,072
Total deposits greater than $250,000	$ 2,927,787	$ 2,871,522

Refer to the Year-To-Date Average Balance and Yield Schedule located in this “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations” for information on separate deposit categories.

The Bank participates in a program wherein the State of California places time deposits with the Bank at the Bank’s option. As of June 30, 2025 and December 31, 2024, the Bank had $3.0 million of such deposits.

Total estimated uninsured deposits based on our regulatory reporting amounted to $2.4 billion at June 30, 2025 and $2.3 billion at December 31, 2024.

Federal Home Loan Bank Advances and Federal Reserve Bank Borrowings

Lines of Credit with the Federal Home Loan Bank and FRB are other key sources of funds to support earning assets and liquidity. These sources of funds are also used to manage the Company’s interest rate risk exposure and, as opportunities arise, to borrow and invest the proceeds at a positive spread through the investment portfolio. There were no FHLB advances at June 30, 2025 or December 31, 2024. There were no Federal Funds purchased or advances from the FRB at June 30, 2025 or December 31, 2024.

Long-Term Subordinated Debentures

On December 17, 2003, the Company raised $10.0 million through the sale of subordinated debentures to an off-balance-sheet trust and its sale of trust-preferred securities. See Note 9. “Long-Term Subordinated Debentures” located in “Item 8. Financial Statements and Supplementary Data” in our 2024 Form 10-K. Although this amount is reflected as subordinated debt on the Company’s balance sheet, under current regulatory guidelines, our Trust Preferred Securities continue to qualify as regulatory capital.

These securities accrue interest at a variable rate based upon 3-month SOFR plus 2.85%. Interest rates reset quarterly (the next reset is September 17, 2025), and the rate was 7.42% as of June 30, 2025 and 7.46% at December 31, 2024. The average rate paid for these securities was 7.55% for the first half of 2025 and 8.60% for the first half of 2024. Additionally, if the Company decided to defer interest on the subordinated debentures, the Company would be prohibited by the terms of the debentures, from paying cash dividends on the Company’s common stock.

Capital Resources

The Company relies primarily on capital generated through the retention of earnings to satisfy its capital requirements. The Company engages in an ongoing assessment of its capital needs in order to support business growth and to insure depositor protection. Shareholders' Equity totaled $618.5 million at June 30, 2025, an increase of $45.5 million, or 7.9%, from $573.1 million at December 31, 2024, due primarily to net income of $46.1 million during the first half of 2025.

The Company and the Bank are subject to various regulatory capital adequacy guidelines as outlined under Part 324 of the FDIC Rules and Regulations. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Company's and the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Company and the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Company and the Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

As of June 30, 2025, the Company was in compliance with all of these capital requirements and there were no restrictions on the Company's business activity. As of June 30, 2025, the Bank met the requirements to be categorized as "well-capitalized" under the FDIC regulatory framework for prompt corrective action. To be categorized as "well-capitalized," the Bank must maintain minimum Total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the following tables as of June 30, 2025 and December 31, 2024.

The Company's and Bank's actual and required capital amounts and ratios are as follows:

	June 30, 2025					
	Actual		Required for Capital Adequacy Purposes		Minimum to be Categorized as "Well Capitalized" Under Prompt Corrective Action Regulation	
(Dollars in thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Bancorp:						
CET1 capital to risk-weighted assets	$ 617,316	13.88%	$ 200,158	4.50%	N/A	N/A
Tier 1 capital to risk-weighted assets	627,316	14.10%	266,877	6.00%	N/A	N/A
Risk-based capital to risk-weighted assets	683,209	15.36%	355,836	8.00%	N/A	N/A
Tier 1 leverage capital ratio	627,316	11.18%	224,488	4.00%	N/A	N/A
Bank:						
CET1 capital to risk-weighted assets	$ 628,554	14.13%	$ 200,154	4.50%	$ 289,111	6.50%
Tier 1 capital to risk-weighted assets	628,554	14.13%	266,871	6.00%	355,829	8.00%
Risk-based capital to risk-weighted assets	684,447	15.39%	355,829	8.00%	444,786	10.00%
Tier 1 leverage capital ratio	628,554	11.21%	224,377	4.00%	280,472	5.00%

(Dollars in thousands)	December 31, 2024								
	Actual		Required for Capital Adequacy Purposes			Minimum to be Categorized as "Well Capitalized" Under Prompt Corrective Action Regulation			
	Amount	Ratio		Amount	Ratio		Amount	Ratio	
Bancorp:									
CET1 capital to risk-weighted assets	$ 579,602	13.04%	$	200,046	4.50%		N/A	N/A	
Tier 1 capital to risk-weighted assets	589,602	13.26%		266,728	6.00%		N/A	N/A	
Risk-based capital to risk-weighted assets	645,453	14.52%		355,637	8.00%		N/A	N/A	
Tier 1 leverage capital ratio	589,602	10.95%		215,379	4.00%		N/A	N/A	
Bank:									
CET1 capital to risk-weighted assets	$ 591,072	13.30%	$	200,038	4.50%	$	288,944	6.50%	
Tier 1 capital to risk-weighted assets	591,072	13.30%		266,718	6.00%		355,624	8.00%	
Risk-based capital to risk-weighted assets	646,920	14.55%		355,624	8.00%		444,530	10.00%	
Tier 1 leverage capital ratio	591,072	10.99%		215,213	4.00%		269,016	5.00%	

On September 10, 2024, the Board of Directors authorized a new share repurchase program (the "Repurchase Plan") in which the Company may repurchase up to $55.0 million of the Company's common stock, which represented approximately 9% of outstanding shareholders' equity at the time of approval. The Repurchase Plan extends through December 31, 2026.

Repurchases by the Company under the Repurchase Plan may be made from time to time at market prices through open market purchases, trading plans established in accordance with SEC rules, or privately negotiated transactions. In August 2022, the Inflation Reduction Act of 2022 ("IRA") was enacted. Among other things, the IRA imposes an excise tax equal to 1% of the fair market value of any stock repurchased by covered corporations during a taxable year, subject to certain limits and provisions.

During the first six months of 2025, the Company repurchased 5,249 shares under the Repurchase Plan, for a total of $5.3 million, inclusive of the excise tax. As of June 30, 2025, there remains $14.7 million authorized for repurchases under the Repurchase Plan.

On May 12, 2025, the Board of Directors declared a mid-year cash dividend of $9.30 per share, a 5.7% increase over the $8.80 per share paid on July 1, 2024. The cash dividend totaling $6.5 million was paid on July 1, 2025, to shareholders of record on June 10, 2025.

Off-Balance-Sheet Arrangements

Off-balance-sheet arrangements are any contractual arrangement to which an unconsolidated entity is a party, under which the Company has: (1) any obligation under a guarantee contract; (2) a retained or contingent interest in assets transferred to an unconsolidated entity or similar arrangement that serves as credit, liquidity, or market risk support to that entity for such assets; (3) any obligation under certain derivative instruments; or (4) any obligation under a material variable interest held by us in an unconsolidated entity that provides financing, liquidity, market risk, or credit risk support to the Company, or engages in leasing, hedging, or research and development services with the Company.

The following table sets forth our off-balance-sheet lending commitments as of June 30, 2025:

(Dollars in thousands)	Total Committed Amount	Amount of Commitment Expiration per Period			
		Less than One Year	One to Three Years	Three to Five Years	After Five Years
Off-balance sheet commitments					
Commitments to extend credit	$ 1,072,982	$ 461,207	$ 422,645	$ 42,903	$ 146,227
Standby letters of credit	18,161	12,207	4,454	1,500	-
Total off-balance sheet commitments	$ 1,091,143	$ 473,414	$ 427,099	$ 44,403	$ 146,227

The Company's exposure to credit loss in the event of nonperformance by the other party with regard to standby letters of credit, undisbursed loan commitments, and financial guarantees is represented by the contractual notional amount of those instruments. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. The Company uses the same credit policies in making commitments and conditional obligations as it does for recorded balance sheet items. The Company may or may not require collateral or other security to support financial instruments with credit risk. Evaluations of each customer's creditworthiness are performed on a case-by-case basis. Additionally, the Company maintains an allowance for credit losses for unfunded loan commitments, which amounted to $2.8 million at June 30, 2025 and $2.7 million at December 31, 2024.

Standby letters of credit are conditional commitments issued by the Company to guarantee performance of or payment for a customer to a third-party. Outstanding standby letters of credit at June 30, 2025 had maturity dates ranging from 1 to 57 months with final expiration in some cases up to April 1, 2030. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee.

Liquidity

The ability to have readily available funds sufficient to repay maturing and non-maturing liabilities is of primary importance to depositors, creditors and regulators. In an effort to satisfy our liquidity needs, we actively manage our assets and liabilities. We have access to immediate liquid resources in the form of cash, which totaled $291.8 million, or 5.3% of total assets, as of June 30, 2025. The majority of cash is on deposit with the FRB and amounted to $179.0 million. Potential sources of liquidity also include our ability to sell or pledge our available-for-sale securities portfolio, our held-to-maturity portfolio which can be pledged for borrowing purposes, our ability to sell loans in the secondary market, and our ability to borrow from the FRB and FHLB. Our diversified deposit portfolio has historically provided us with a long-term source of stable low cost funding. Maturities and payments on outstanding loans and investment securities also provide a steady flow of funds. Our liquidity, represented by cash borrowing lines, federal funds and available-for-sale securities, is a result of our operating, investing and financing activities and related cash flows. In order to ensure funds are available at all times, we devote resources to projecting the amount of funds that will be required and we maintain relationships with a diversified client base. Liquidity requirements can also be met through short-term borrowings or the disposition of short-term assets. We actively monitor our liquidity on a daily basis and manage our liquidity and overall balance sheet positions through both our management and Board level Asset and Liability Management committees ("ALCO"), which meet regularly during the year.

We had the following borrowing lines available at June 30, 2025:

	June 30, 2025			
(Dollars in thousands)	**Total Credit Line Limit**	**Outstanding Amount**	**Remaining Credit Line Available**	**Value of Collateral Pledged**
Additional liquidity sources:				
Federal Reserve Bank BIC	$ 1,138,334	$ -	$ 1,138,334	$ 1,437,005
Federal Home Loan Bank	813,177	-	813,177	1,046,844
US Bank Fed Funds	65,000	-	65,000	-
PCBB Fed Funds	50,000	-	50,000	-
FHLB Fed Funds	18,000	-	18,000	-
Total additional liquidity sources	$ 2,084,511	$ -	$ 2,084,511	$ 2,483,849

We continued our focus on maintaining a strong liquidity position throughout the first six months of 2025, and we believe our liquid assets and short-term borrowing credit lines are adequate to meet our cash flow needs for loan and lease funding and deposit cash withdrawals for the foreseeable future. As of June 30, 2025, we had internal sources of liquidity comprised of $291.8 million in cash and $566.6 million of unencumbered investment securities, which represented in the aggregate 15.7% of total assets. We also had $2.1 billion in external sources of liquidity as outlined in the table above, bringing our total available liquidity to $2.9 billion. Our pledged collateral on short-term borrowing lines is comprised of $2.5 billion in loans and $1.5 million in investment securities held at market value. We have the option of either borrowing on our credit lines or selling these investment securities for cash flow needs.

On a long-term basis, we can, as needed, meet our liquidity needs by changing the relative distribution of our asset portfolios by reducing our investment or loan and lease volumes, or selling or encumbering assets. Further, we can increase liquidity by soliciting higher levels of deposit accounts through promotional activities and/or borrowing from our correspondent banks as well as the Federal Reserve and FHLB. At the current time, our long-term liquidity needs primarily relate to funds required to support loan and lease originations and commitments and deposit withdrawals.

We believe we can meet all of these needs from existing liquidity sources. Our liquidity is comprised of three primary classifications: cash flows from or used in operating activities; cash flows from or used in investing activities; and cash flows from or used in financing activities. Net cash provided by or used in operating activities has consisted primarily of net income adjusted for certain non-cash income and expense items such as the credit loss provision, investment and other amortization and depreciation. Our net cash provided by operating activities for the first six months of 2025 was $61.3 million, driven by net income of $46.1 million.

Our primary investing activities are the origination of loans and leases and purchases and sales of investment securities. Net cash used in investing activities was $31.3 million during the first six months of 2025, driven by a net increase of purchases in our investment portfolio of $123.3 million in available-for-sale securities offset by a decrease in loans and leases of $54.1 million and proceeds from the sale, maturities, calls, and pay downs of investment securities of $51.0 million.

As of June 30, 2025, we had unfunded loan commitments of $1.1 billion and unfunded letters of credit of $18.2 million. At June 30, 2025, we believe that we had sufficient sources of funds available to meet current loan commitments.

Net cash provided by financing activities totaled $49.1 million in the first six months of 2025, driven by an increase in deposits of $61.2 million, partially offset by $6.5 million dividends paid and $5.3 million in stock repurchases.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company’s assessment of market risk at June 30, 2025 indicates there have been no material changes in the quantitative and qualitative disclosures from those made in the Company’s 2024 Form 10-K.

Market risk is the risk of loss in a financial instrument arising from adverse changes in market prices and rates, foreign currency exchange rates, commodity prices and equity prices. Our market risk arises primarily from interest rate risk inherent in our lending and deposit taking activities. Management actively monitors and manages our interest rate risk exposure. We do not have any market-risk sensitive instruments entered into for trading purposes. In monitoring interest rate risk we continually analyze and manage our earning assets and funding liabilities based on their payment streams and interest rates, the timing of their maturities and/or prepayments, and their sensitivity to actual or potential changes in market interest rates.

Management uses various asset/liability strategies to manage the re-pricing characteristics of our assets and liabilities designed to ensure that exposure to interest rate fluctuations is limited within our guidelines of acceptable levels of risk-taking. Hedging strategies, including the terms and pricing of loans and deposits, and managing the deployment of our securities, are considered to reduce mismatches in interest rate re-pricing opportunities of portfolio assets and their funding sources.

Since our earnings are primarily dependent on our ability to generate net interest income, we focus on actively monitoring and managing the effects of adverse changes in interest rates on our net interest income. Our Asset Liability Management Committee, which is comprised of members of the Board of Directors and Executive Officers, manages market risk. ALCO monitors interest rate risk by analyzing the potential impact on net interest income from potential changes in interest rates, and considers the impact of alternative strategies or changes in balance sheet structure. ALCO manages our balance sheet in part to maintain the potential impact of changes in interest rates on net interest income within acceptable ranges despite changes in interest rates. ALCO and management utilize a third party to assist with asset liability management including the use of simulation models.

Our exposure to interest rate risk is reviewed on at least a quarterly basis by ALCO. Interest rate risk exposure is measured using interest rate sensitivity analysis to determine our change in net interest income in the event of hypothetical changes in interest rates. If potential changes to net interest income resulting from hypothetical interest rate changes are not within risk tolerances determined by ALCO, and approved by the full Board of Directors, Management may make adjustments to the Company’s asset and liability mix to bring interest rate risk levels within the Board approved limits.

Net Interest Income Simulation. In order to measure interest rate risk, we use a simulation model to project changes in net interest income that result from forecasted changes in interest rates. This analysis calculates the difference between net interest income forecasted using a rising and a falling interest rate scenario and a net interest income forecast using a base market interest rate derived from the current Treasury yield curve. The income simulation model includes various assumptions regarding the re-pricing relationships for each of our products. Many of our assets are floating rate loans, which are assumed to re-price immediately, and to the same extent as the change in market rates according to their contracted index.

Some loans and investment vehicles include the opportunity of prepayment (embedded options), and accordingly the simulation model uses various proprietary models to estimate these prepayments and assumes the reinvestment of the proceeds at current yields. Our non-term deposit products generally re-price more slowly, usually changing less than the change in market rates and at our discretion.

This analysis indicates the impact of changes in net interest income for the given set of rate changes and assumptions. It assumes the balance sheet size remains static throughout the simulation horizon by replacing existing cash flows/amortization into similar products at current rates to try and capture the ongoing activity of the balance sheet without forecasting any level of growth. It does not account for all factors that affect this analysis, including changes by management to mitigate the effect of interest rate changes or secondary impacts such as changes to our credit risk profile as interest rates change.

Furthermore, loan prepayment-rate estimates and spread relationships change regularly. Interest rate changes create changes in actual loan prepayment rates that will differ from the market estimates incorporated in this analysis. Changes that vary significantly from the assumptions may have significant effects on our net interest income.

For the rising and falling interest rate scenarios, the base market interest rate forecast was increased or decreased, on an instantaneous and sustained basis, by 100, 200 and 300 basis points. We then evaluate the simulation results using two approaches: Net Interest Income at Risk (“NII at Risk”) and Economic Value of Equity (“EVE”). Under NII at Risk, the impact on net interest income from the changes in interest rates on interest earning assets and interest bearing liabilities is modeled using various assumptions of assets and liabilities. EVE measures the period-end present value of assets minus the present value of liabilities. Management uses this value to measure the changes in the economic value of the Company under various interest rate scenarios.

Based on our quarterly simulations, our net interest margin exposure related to these hypothetical changes in market interest rates was within the current guidelines established by ALCO. Our simulation model highlights the fact that our balance sheet is asset sensitive, which means that our net interest income rises in a rising interest rate environment as rates earned on our interest bearing assets reprice higher and at a faster pace than rates paid on our interest bearing liabilities.

The ratio of variable to fixed-rate loans in our loan portfolio, the ratio of short-term (maturing at a given time within 12 months) to long-term loans, and the ratio of our demand, money market and savings deposits to CDs (and their time periods), are the primary factors affecting the sensitivity of our net interest income to changes in market interest rates. Our short-term loans are typically priced at prime plus a margin, and our long-term loans are typically priced based on a specific term of the Treasury Curve for comparable maturities, plus a margin. The composition of our rate-sensitive assets or liabilities is subject to change and could result in a more unbalanced position that would cause market rate changes to have a greater impact on our net interest margin. As of June 30, 2025, our loan and lease portfolio was comprised of 58.34% fixed rate and 41.66% variable rate loans. The majority of our variable loans also contain interest rate floors which are designed to mitigate the impact of decreases in interest rates as index rates drop.

The following table present the projected change in the Company's net interest income over the next twelve months and the economic value of equity at June 30, 2025, that would occur upon an immediate change in interest rates based on the models discussed above, but without giving effect to any steps that management might take to counteract such change:

	Estimated Change in Net Interest Income (NII) (as a % of NII)	**Estimated Change in Economic Value of Equity (EVE) (as a % of EVE)**
June 30, 2025		
+300 bps	0.3%	(8.4%)
+200 bps	(0.1%)	(5.7%)
+100 bps	(0.1%)	(2.1%)
0 bps	-	-
-100 bps	(0.2%)	(0.2%)
-200 bps	(1.3%)	(3.1%)
-300 bps	(2.6%)	(8.3%)

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

An evaluation was carried out under the supervision and with the participation of the Company's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the disclosure controls and procedures (as required by Exchange Act Rules 240.13a-15(b) and 15d-14(a)). Based on that evaluation, the CEO and CFO have concluded that as of the end of the period covered by this Report, the disclosure controls and procedures are effective to provide reasonable assurance that the information required to be disclosed by the Company in reports that are filed or submitted under the Exchange Act are recorded, processed, summarized and timely reported as provided in the SEC's rules and forms.

Changes in Internal Controls

There have been no material changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the six months ended June 30, 2025, to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

In the ordinary course of business, the Company becomes involved in litigation arising out of its normal business activities. Management, after consultation with legal counsel, believes that the ultimate liability, if any, resulting from the disposition of such claims would not be material in relation to the financial position of the Company.

There are no material proceedings adverse to the Company to which any director, officer or affiliate of the Company is a party.

Item 1A.Risk Factors

We are subject to various risks and uncertainties, which could materially affect our business, results of operations, financial condition, future results, and the trading price of our common stock. You should read carefully the following information together with the information appearing in Part I, Item 1A, “Risk Factors” in our 2024 Form 10-K. The following information supplements and, to the extent inconsistent, supersedes some of the information appearing in the “Risk Factors” section of our 2024 Form 10-K. These risk factors, as well as our condensed consolidated financial statements and notes thereto and the other information appearing in this Report, should be reviewed carefully for important information regarding risks that affect us.

Changes in or uncertainty around U.S. and foreign government policies, including the imposition of or further increases in tariffs and changes to existing trade agreements, could have a material adverse effect on the Bank’s customers, which, in turn, could adversely affect our business, financial condition and results of operations. In February 2025, the new Trump Administration announced that it would be imposing increases in tariffs on goods imported to the U.S. from Canada, Mexico, and China, and, in April 2025, the Administration announced the imposition of increased tariffs on goods imported to the U.S. from other countries. As a consequence, other countries, in retaliation to the U.S.’s announced tariff measures, announced the imposition of increased levels of tariffs on goods exported to such countries by companies in the U.S. The Administration subsequently announced a delay of 90 days in the implementation of those increased tariffs for most other countries, leaving in place, however, a 10% baseline tariff that went into effect on April 5 and that applies to nearly all imports from all countries. The 90-day pause on the implementation of nearly all of the country-specific tariffs was initially set to expire on July 8, 2025, but was extended to August 1, 2025, to provide additional time to negotiate and finalize bilateral trade agreements with key countries. On July 31, 2025, the Trump Administration issued an Executive Order further adjusting the tariff rates to be applied against nearly 70 countries, effective August 7, 2025. The Trump Administration has announced agreements in principle regarding tariffs with certain significant trading partners of the United States, including the European Union and South Korea. It remains uncertain whether such agreements in principle will lead to definitive agreements with such trading partners and, if so, on what terms and whether agreements with other trading partners will eventually be consummated. These tariffs could be of particular concern to U.S. companies operating in the agricultural sector who export agricultural goods to other countries. The Company’s customers include a number of agricultural businesses, which could be affected, but to what extent remains uncertain.

As a result of these changes to U.S. and foreign government trade policies, there may be changes to existing trade agreements, greater restrictions on free trade generally, the imposition of or significant further increases in tariffs on goods imported into the U.S., and adverse responses by foreign governments to U.S. trade policies, among other possible changes. While the Administration has announced a delay in the implementation of those increased tariffs for most countries until August 1, 2025, the 10% baseline tariff that applies to nearly all imports from all countries remains in effect, country-specific bilateral trade negotiations are ongoing, and it remains unclear what the Administration or foreign governments will or will not do with respect to tariffs or trade agreements and policies. The extent and duration of any tariffs, and the resulting impact on global, national and state economic conditions generally, and on our customers’ businesses in particular, are uncertain and depend on various factors, such as negotiations between the U.S. and other countries, the responses of such countries, and exemptions or exclusions that may be granted. A significant trade disruption or the establishment or further increase of any tariffs, trade protection measures or restrictions could result in lost sales, adversely impacting our banking customers and their businesses, including our agricultural business customers. Impacts to the general economic conditions, such as a heighted risk of a recession caused by lower GDP, higher unemployment and/or changes in the interest rate environment, could adversely impact our business. In addition, international trade disputes, including those related to tariffs, could result in inflationary pressures and/or adversely impact global supply chains, which could increase the costs of doing business for our banking customers. Changes in U.S. social, political, regulatory and economic conditions or in laws and policies governing foreign trade, manufacturing, development and investment in the countries where our banking customers currently sell products, including agricultural products, and any resulting negative sentiments towards the U.S. and U.S. businesses as a result of such changes, could also have a material adverse effect on our banking customers’ business, financial condition, results of operations and cash flows. If these events negatively affect our banking clients, or general economic conditions nationally, in California, or in our local markets, our business, financial condition and results of operations could be adversely affected.

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

The following table reports information regarding repurchases of our common stock during the six months ended June 30, 2025:

Period	Total number of shares purchased		Average price paid per share[1]	Total number of shares purchased as part of publicly announced plans or programs		Maximum number (or approximate dollar value) of shares that may yet be purchased under the plans or programs (*In thousands*)
Total 1st Quarter 2025	703	$	1,001.00	703	$	19,205
April 1, 2025 to April 30, 2025	2,115	$	1,006.42	2,115	$	17,076
May 1, 2025 to May 31, 2025	53		1,000.01	53		17,023
June 1, 2025 to June 30, 2025	2,378		999.68	2,378		14,651
Total 2nd Quarter 2025	4,546	$	1,002.82	4,546	$	14,651
Total 2025	5,249	$	1,002.58	5,249	$	14,651

(1)The aggregate purchase price and weighted average price per share does not include the effect of excise tax expense incurred on net stock repurchases. For the six months ended June 30, 2025, excise tax expense totaled $53,000.

On September 10, 2024 the Board of Directors authorized a new share repurchase program (the "Repurchase Plan") in which the Company may repurchase up to $55.0 million of the Company's common stock, which represented approximately 9% of outstanding shareholders' equity at the time of approval. The Repurchase Plan extends through December 31, 2026.

Repurchases by the Company under the Repurchase Plan may be made from time to time at market prices through open market purchases, trading plans established in accordance with SEC rules, or privately negotiated transactions. In August 2022, the Inflation Reduction Act of 2022 ("IRA") was enacted. Among other things, the IRA imposes an excise tax equal to 1% of the fair market value of any stock repurchased by covered corporations during a taxable year, subject to certain limits and provisions.

During the first six months of 2025, the Company repurchased 5,249 shares under the Repurchase Plan, for a total of $5.3 million, inclusive of the excise tax. As of June 30, 2025, there remains $14.7 million authorized for repurchases under the Repurchase Plan.

Item 3. Defaults Upon Senior Securities

Not Applicable

Item 4. Mine Safety Disclosures

Not Applicable

Item 5. Other Information

During the three months ended June 30, 2025, no director or officer (as defined in Rule 16a-1(f) under the Exchange Act) of the Company adopted, modified, or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement" as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

Exhibit Number	Description
31(a)	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31(b)	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Unaudited Consolidated Balance Sheets, (ii) the Unaudited Consolidated Statements of Income, (iii) the Unaudited Consolidated Statements of Comprehensive Income, (iv) the Unaudited Consolidated Statements of Changes in Shareholders' Equity, (v) the Unaudited Consolidated Statements of Cash Flows and (vi) the Notes to Consolidated Financial Statements. The XBRL instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

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 & MERCHANTS BANCORP
Date: August 8, 2025	/s/ Kent A. Steinwert
	Kent A. Steinwert Director, Chairman, President and Chief Executive Officer *(Principal Executive Officer)*
Date: August 8, 2025	/s/ Bart R. Olson
	Bart R. Olson Executive Vice President and Chief Financial Officer *(Principal Financial Officer)*

Exhibit 31(a)

Certification Pursuant to Section 302
Of the Sarbanes-Oxley Act of 2002
For the Chief Executive Officer

I, Kent A. Steinwert, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Farmers & Merchants Bancorp;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

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

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

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

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

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

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

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

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

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

Date: August 8, 2025

/s/ Kent A. Steinwert

Kent A. Steinwert
Chairman, President & Chief Executive Officer

Exhibit 31(b)

Certification Pursuant to Section 302
Of the Sarbanes-Oxley Act of 2002
For the Chief Financial Officer

I, Bart R. Olson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Farmers & Merchants Bancorp;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

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

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

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

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

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

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

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

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

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

Date: August 8, 2025

/s/ Bart R. Olson

Bart R. Olson
Executive Vice President & Chief Financial Officer

Exhibit 32

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 & Merchants Bancorp (the “Company”) on Form 10-Q for the quarterly period ended June 30, 2025 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), we, Kent A. Steinwert, Chairman, President and Chief Executive Officer, and Bart R. Olson, Executive Vice President and Chief Financial Officer of the Company, certify pursuant to Rule 13a-14(b) or Rule 15d-14(b) under the Securities Exchange act of 1934 and Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. $ 1350), that:

1. the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. $ 78m or 78o(d)); and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 8, 2025

/s/ Kent A. Steinwert

Kent A. Steinwert
Chairman, President
& Chief Executive Officer

/s/ Bart R. Olson

Bart R. Olson
Executive Vice President & Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.