

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

Quarterly report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended **March 31, 2026**

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

Commission File Number: **000-13273**

F&M BANK CORP.

Virginia

(State or Other Jurisdiction of
Incorporation or Organization)

54-1280811

(I.R.S. Employer
Identification No.)

P. O. Box 1111

Timberville, Virginia 22853

(Address of Principal Executive Offices) (Zip Code)

(540) 896-8941

(Registrant's Telephone Number, Including Area Code)

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	

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 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 Act). Yes No

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

Class	Outstanding at May 11, 2026
Common Stock, par value - \$5 per share	3,559,157 shares

F & M BANK CORP.
Quarterly Report on Form 10-Q
For the quarterly period ended March 31, 2026

Table of Contents

	<u>Page</u>
<u>Part I</u> <u>Financial Information</u>	
<u>Item 1.</u> <u>Financial Statements</u>	3
<u>Consolidated Balance Sheets – March 31, 2026 and December 31, 2025</u>	3
<u>Consolidated Statements of Income – Three Months Ended March 31, 2026 and 2025</u>	4
<u>Consolidated Statements of Comprehensive Income – Three Months Ended March 31, 2026 and 2025</u>	5
<u>Consolidated Statements of Changes in Shareholders’ Equity – Three Months Ended March 31, 2026 and 2025</u>	6
<u>Consolidated Statements of Cash Flows – Three Months Ended March 31, 2026 and 2025</u>	7
<u>Notes to Consolidated Financial Statements</u>	8
<u>Item 2.</u> <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	31
<u>Item 3.</u> <u>Quantitative and Qualitative Disclosures about Market Risk</u>	39
<u>Item 4.</u> <u>Controls and Procedures</u>	39
<u>Part II</u> <u>Other Information</u>	
<u>Item 1.</u> <u>Legal Proceedings</u>	40
<u>Item 1A.</u> <u>Risk Factors</u>	40
<u>Item 2.</u> <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	40
<u>Item 3.</u> <u>Defaults Upon Senior Securities</u>	40
<u>Item 4.</u> <u>Mine Safety Disclosures</u>	40
<u>Item 5.</u> <u>Other Information</u>	40
<u>Item 6.</u> <u>Exhibits</u>	40
<u>Signatures</u>	41
<u>Certifications</u>	

Part I Financial Information**Item 1 Financial Statements**

F & M BANK CORP.
Consolidated Balance Sheets
(Dollars in thousands, except share data)

	March 31, 2026 <i>(Unaudited)</i>	December 31, 2025*
Assets		
Cash and due from banks	\$ 18,337	\$ 19,311
Money market funds and interest-bearing deposits in other banks	1,045	1,013
Federal funds sold	66,512	48,529
Cash and cash equivalents	85,894	68,853
Securities:		
Available for sale, at fair value	350,506	345,339
Other investments, at cost	2,304	2,254
Loans held for sale, at fair value	3,693	3,191
Loans held for investment, net of deferred fees and costs	896,865	886,253
Less: allowance for credit losses	(7,910)	(7,818)
Net loans held for investment	888,955	878,435
Bank premises and equipment, net	22,040	21,629
Interest receivable	5,210	5,118
Goodwill	3,082	3,082
Bank owned life insurance	24,600	24,395
Deferred tax asset, net	7,134	6,979
Other assets	15,533	14,482
Total Assets	<u>\$ 1,408,951</u>	<u>\$ 1,373,757</u>
Liabilities		
Deposits:		
Noninterest bearing	\$ 290,343	\$ 279,398
Interest bearing	984,721	965,814
Total deposits	<u>1,275,064</u>	<u>1,245,212</u>
Long-term debt	9,921	9,917
Other liabilities	17,395	13,840
Total Liabilities	<u>1,302,380</u>	<u>1,268,969</u>
Commitments and contingencies		
Shareholders' Equity		
Common stock, \$5 par value, 6,000,000 shares authorized, 3,583,744 (2026) and 3,557,060 (2025) shares issued and outstanding	17,549	17,444
Additional paid in capital	11,705	11,743
Retained earnings	94,506	92,205
Accumulated other comprehensive loss	(17,189)	(16,604)
Total Shareholders' Equity	<u>106,571</u>	<u>104,788</u>
Total Liabilities and Shareholders' Equity	<u>\$ 1,408,951</u>	<u>\$ 1,373,757</u>

*2025 derived from audited consolidated financial statements.

See Notes to Consolidated Financial Statements

F & M BANK CORP.
Consolidated Statements of Income
(Dollars in thousands, except per share data)
(Unaudited)

	Three Months Ended March 31,	
	2026	2025
Interest and Dividend income		
Interest and fees on loans held for investment	\$ 14,243	\$ 13,465
Interest and fees on loans held for sale	25	24
Interest from federal funds sold	564	652
Interest and dividends on interest bearing deposits and other investments	23	30
Interest from debt securities	2,638	2,093
Total interest and dividend income	<u>17,493</u>	<u>16,264</u>
Interest expense		
Total interest on deposits	5,871	6,700
Interest on short-term debt	-	3
Interest on long-term debt	193	117
Total interest expense	<u>6,064</u>	<u>6,820</u>
Net interest income	<u>11,429</u>	<u>9,444</u>
Provision for (recovery of) credit losses - loans	289	(180)
Provision for credit losses – unfunded commitments	20	76
Total Provision for (Recovery of) Credit Losses	<u>309</u>	<u>(104)</u>
Net Interest Income After (Recovery of) Provision for Credit Losses	<u>11,120</u>	<u>9,548</u>
Noninterest income		
Service charges on deposit accounts	343	312
Wealth management income	658	676
Mortgage banking income	492	602
Title insurance income	493	356
Income on bank owned life insurance	212	209
Low income housing partnership amortization	(175)	(196)
ATM and check card fees	775	764
Other operating income	99	124
Total noninterest income	<u>2,897</u>	<u>2,847</u>
Noninterest expense		
Salaries	4,301	4,127
Employee benefits	1,517	1,116
Occupancy expense	395	408
Equipment expense	298	328
FDIC assessment	213	265
Legal and professional expense	753	479
ATM and check card fees	370	327
Data processing fees	948	916
Other operating expenses	1,518	1,558
Total noninterest expense	<u>10,313</u>	<u>9,524</u>
Income before income taxes	3,704	2,871
Income tax expense	478	414
Net Income	<u>\$ 3,226</u>	<u>\$ 2,457</u>
Per Common Share Data		
Net income (basic and diluted)	\$ 0.91	\$ 0.70
Cash dividends on common stock	0.26	0.26
Weighted average common shares outstanding (basic and diluted)	3,560,093	3,530,700

See Notes to Consolidated Financial Statements

F & M BANK CORP.
Consolidated Statements of Comprehensive Income
(Dollars in thousands)
(Unaudited)

	Three Months Ended March 31,	
	2026	2025
Net Income	\$ 3,226	\$ 2,457
Other comprehensive income (loss):		
Changes in pension plan benefits, net of deferred income tax benefit of \$(2) for the three months ended March 31, 2026	(8)	-
Unrealized gain (loss) on available-for sale securities, net of income tax (benefit) expense of \$(153) and \$940 for the three months ended March 31, 2026 and 2025, respectively	(577)	3,537
Total other comprehensive (loss) income	(585)	3,537
Total comprehensive income	<u>\$ 2,641</u>	<u>\$ 5,994</u>

See Notes to Consolidated Financial Statements

F & M BANK CORP.
Consolidated Statements of Changes in Shareholders' Equity
(Dollars in thousands)
(Unaudited)

Three Months Ended March 31, 2026 and 2025.

	<u>Common Stock</u>		<u>Additional Paid in Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>				
Balance December 31, 2024	3,525,649	\$ 17,383	\$ 11,463	\$ 84,669	\$ (27,377)	\$ 86,138
Net income	-	-	-	2,457	-	2,457
Other comprehensive income	-	-	-	-	3,537	3,537
Dividends on common stock	-	-	-	(917)	-	(917)
Common stock issued	5,090	25	76	-	-	101
Net restricted common stock activity	33,171	-	-	-	-	-
Vesting of time based stock awards issued at date of grant, net of shares withheld for payroll taxes	-	58	(135)	-	-	(77)
Stock-based compensation expense	-	-	72	-	-	72
Balance, March 31, 2025	<u>3,563,910</u>	<u>\$ 17,466</u>	<u>\$ 11,476</u>	<u>\$ 86,209</u>	<u>\$ (23,840)</u>	<u>\$ 91,311</u>
Balance December 31, 2025	3,557,060	\$ 17,444	\$ 11,743	\$ 92,205	\$ (16,604)	\$ 104,788
Net income	-	-	-	3,226	-	3,226
Other comprehensive loss	-	-	-	-	(585)	(585)
Dividends on common stock	-	-	-	(925)	-	(925)
Common stock issued	3,339	17	87	-	-	104
Net restricted common stock activity	23,345	-	-	-	-	-
Vesting of time based stock awards issued at date of grant, net of shares withheld for payroll taxes	-	88	(224)	-	-	(136)
Stock-based compensation expense	-	-	99	-	-	99
Balance, March 31, 2026	<u>3,583,744</u>	<u>\$ 17,549</u>	<u>\$ 11,705</u>	<u>\$ 94,506</u>	<u>\$ (17,189)</u>	<u>\$ 106,571</u>

See Notes to Consolidated Financial Statements

F & M BANK CORP.
Consolidated Statements of Cash Flows
(Dollars in thousands)
(Unaudited)

	Three Months Ended March 31,	
	2026	2025
Cash flows from operating activities		
Net income	\$ 3,226	\$ 2,457
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	320	325
Amortization of intangibles	4	8
Amortization of securities	69	192
Proceeds from loans held for sale	28,724	10,849
Loans held for sale originated	(28,881)	(8,763)
Gain on sale of loans held for sale	(345)	(437)
Provision for (recovery of) credit losses	309	(104)
Increase in interest receivable	(92)	(18)
Decrease in deferred tax asset	-	80
(Increase) decrease in other assets	(1,225)	929
(Decrease) increase in other liabilities	3,527	(28)
Amortization of limited partnership investments	175	196
Amortization of debt issuance costs	4	11
Income from life insurance investment	(212)	(209)
Gain on the sale of assets held for sale	(2)	(43)
Stock-based compensation expense	99	72
Net cash provided by operating activities	<u>5,700</u>	<u>5,517</u>
Cash flows from investing activities		
Proceeds from maturity of investments available for sale	-	21,360
Purchases of investments available for sale	(14,859)	(15,359)
Proceeds from paydowns of mortgage-backed securities	8,893	4,796
Investment in restricted stock, net	(50)	(5)
Net (increase) decrease loans held for investment	(10,809)	12,755
Proceeds from the sale of assets held for sale	3	-
Net purchase of property and equipment	(732)	(131)
Net cash provided by investing activities	<u>(17,554)</u>	<u>23,416</u>
Cash flows from financing activities		
Net change in deposits	29,852	4,916
Dividends paid in cash	(925)	(917)
Proceeds from issuance of common stock	104	83
Repurchase of shares for tax withholding	(136)	(59)
Net cash provided by financing activities	<u>28,895</u>	<u>4,023</u>
Net increase in Cash and Cash Equivalents	17,041	32,956
Cash and cash equivalents, beginning of period	68,853	56,507
Cash and cash equivalents, end of period	<u>\$ 85,894</u>	<u>\$ 89,463</u>
Supplemental Cash Flow information:		
Cash paid for: Interest	\$ 8,786	\$ 7,388
Taxes	820	-
Supplemental non-cash disclosures:		
Change in unrealized gain (loss) on securities available for sale	\$ (730)	\$ 4,477

See Notes to Consolidated Financial Statements

Notes to the Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The Consolidated Financial Statements include the accounts of F&M Bank Corp. (the “Company”), Farmers & Merchants Bank (the “Bank”), VBS Mortgage, LLC (dba “F&M Mortgage”), and VSTitle, LLC (“VST”), with all significant intercompany accounts and transactions eliminated. The operations, assets, and liabilities of FMFS were transferred to the Bank. Effective on May 15, 2025, the operations, assets, and liabilities of VBS Mortgage, LLC (dba “F&M Mortgage”) were transferred to the Bank.

The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America (“GAAP”) and to accepted practices within the banking industry.

Basis of Presentation and Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The material estimate that is particularly susceptible to significant change in the near term relates to the determination of the allowance for credit losses. The unaudited consolidated financial statements in this report have been prepared in accordance with GAAP for interim financial information. Accordingly, these financial statements do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The unaudited consolidated financial statements include, in the opinion of management, all adjustments necessary to present a fair statement of the financial position and the results of operations for all periods presented.

All such adjustments are of a normal recurring nature. The results of operations in the interim statements are not necessarily indicative of the results of operations that the Company and its subsidiaries may achieve for future interim periods or the entire year. For further information, refer to the consolidated financial statements and footnotes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2025.

Segment Reporting

The Company's revenue is primarily derived from the business of banking. The Company's financial performance is monitored on a consolidated basis by the Chief Executive Officer, who is designated the chief operating decision maker (“CODM”), based upon information provided about the Company's products and services offered. The segments are also distinguished by the level of information provided to the CODM, who uses such information to review performance of various components of the business, which are then aggregated if the operating performance of products and customers are similar. The CODM evaluates the financial performance of the Company's business components such as revenue streams, significant expenses, and budget to actual results in assessing the Company's segments and in determination of allocated resources. The presentation of financial performance to the CODM is consistent with amounts and financial statement line items shown in the Company's Consolidated Balance Sheets and Consolidated Statements of Income. Additionally, the Company's significant expenses are adequately segmented by category and amount in the Consolidated Statements of Income to include all significant items when considering both qualitative and quantitative factors. Significant expenses of the Company include salaries and employee benefits, occupancy expense, equipment expense, data processing fees and legal and professional expenses.

All of the Company's financial results are similar and considered by management to be aggregated into one reportable operating segment. While the Company has assigned certain management responsibilities by region and business-line, the Company's CODM evaluates financial performance on a Company-wide basis. The majority of the Company's revenue is from the business of banking and the Company's assigned regions have similar economic characteristics, products, services and customers. Accordingly, all of the Company's operations are considered by management to be aggregated in one reportable operating segment.

Reclassification

Certain reclassifications have been made to prior period amounts to conform to current period presentation. None of these reclassifications are considered material and have no impact on net income or shareholders' equity.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, federal funds sold, money market funds and interest-bearing deposits. Generally, federal funds are purchased and sold on an overnight basis.

Allowance for Credit Losses – Available for Sale Securities

For available for sale securities, management evaluates all investments in an unrealized loss position on a quarterly basis, and more frequently when economic or market conditions warrant such evaluation. If the Company has the intent to sell the security or it is more likely than not that the Company will be required to sell the security, the security is written down to fair value and the entire loss is recorded in earnings.

If either of the above criteria is not met, the Company evaluates whether the decline in fair value is the result of credit losses or other factors. In making the assessment, the Company may consider various factors including the extent to which fair value is less than amortized cost, performance on any underlying collateral, downgrades in the ratings of the security by a rating agency, the failure of the issuer to make scheduled interest or principal payments and adverse conditions specifically related to the security. If the assessment indicates that a credit loss exists, the present value of cash flows expected to be collected are compared to the amortized cost basis of the security and any excess is recorded as an allowance for credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any amount of unrealized loss that has not been recorded through an allowance for credit loss is recognized in other comprehensive income.

Changes in the allowance for credit loss are recorded as provision for (or reversal of) credit loss expense. Losses are charged against the allowance for credit loss when management believes an available for sale security is confirmed to be uncollectible or when either of the criteria regarding intent or requirement to sell is met. At March 31, 2026 and December 31, 2025, there was no allowance for credit loss related to the available for sale securities portfolio.

Accrued interest receivable on available for sale debt securities totaled \$1.3 million and \$1.5 million at March 31, 2026 and December 31, 2025, respectively, and was excluded from the estimate of credit losses.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at amortized cost. Amortized cost is the principal balance outstanding, net of discounts and deferred fees and costs. Accrued interest receivable related to loans totaled \$3.9 million and \$3.6 million at March 31, 2026 and December 31, 2025, respectively, and was reported in accrued interest receivable on the consolidated balance sheets. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using methods that approximate a level yield without anticipating prepayments.

The accrual of interest is generally discontinued when a loan becomes 90 days past due and is not well collateralized and in the process of collection, or when management believes, after considering economic and business conditions and collection efforts, that the principal or interest will not be collectible in the normal course of business. Past due status is based on contractual terms of the loan. A loan is considered to be past due when a scheduled payment has not been received 30 days after the contractual due date.

All accrued interest is reversed against interest income when a loan is placed on nonaccrual status. Interest received on such loans is accounted for using the cost-recovery method, until qualifying for return to accrual. Under the cost-recovery method, interest income is not recognized until the loan balance is reduced to zero. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current, there is a sustained period of repayment performance, and future payments are reasonably assured.

Allowance for Credit Losses – Loans

The allowance for credit losses is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off. Accrued interest receivable is excluded from the estimate of credit losses. The allowance for credit losses represents management's estimate of lifetime credit losses inherent in loans as of the balance sheet date. The allowance for credit losses is estimated by management using relevant available information, from both internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts.

[Table of Contents](#)

The Company utilizes a Qualitative Scorecard (“scorecard”) to adjust the historical loss information, as necessary, to reflect the Company’s expectations about the future. For each segment, the scorecard calculates the difference between the quantitative expected credit loss and the high watermark average remaining maturity loss rates. This difference is the maximum qualitative adjustment that can be applied to that segment. Due to the low number of losses in the Bank’s portfolio, in particular from 2008-2012, all segments leverage peer data to calculate the overall loss rate. The Company believes that in order to provide a reasonable and supportable loss rate, data representative of losses during a financial downturn will provide a better representation of the perceived risk in the portfolio. In determining how to apply the weightings for the various qualitative factors, management assessed which factors would have the highest impact on potential loan losses. The economy and problem loan trends were determined to have the most significant effect on the estimated losses. The most influential factor on potential loan losses was economic conditions, with a weighting of 20%-25%. The Company evaluates the weighting applied to each pool on an annual basis.

The Company measures expected credit losses for loans on a pooled basis when similar risk characteristics exist. The Company has identified the following portfolio segments and calculates the allowance for credit losses for each using a remaining life methodology:

1-4 family residential construction. Construction loans are subject to general risks from changing housing market trends and economic conditions that may impact demand for completed properties, availability of building materials, and the costs of completion. Changes in construction costs and interest rates may impact the borrower’s ability to service the debt. These risks are measured by market-area unemployment rates, bankruptcy rates, housing and commercial building market trends, and interest rates. Risks specific to the borrower are also evaluated, including previous repayment history, debt service ability, and current and projected loan-to-value ratios for the collateral.

Other construction, land development and land. Construction and land development loans are subject to general risks from changing commercial building and housing market trends and economic conditions that may impact demand for completed properties and the costs of completion. Completed properties that do not sell or become leased within originally expected timeframes may impact the borrower’s ability to service the debt. These risks are measured by market-area unemployment rates, bankruptcy rates, housing and commercial building market trends, and interest rates. Risks specific to the borrower are also evaluated, including previous repayment history, debt service ability, and current and projected loan-to-value ratios for the collateral.

Secured by farmland. Farmland loans are loans secured by agricultural property. These loans are subject to risks associated with the value of the underlying farmland and the cash flows of the borrower’s farming operations.

Home equity - open end. The home-equity loan portfolio carries risks associated with the creditworthiness of the borrower and changes in loan-to-value ratios. The Company manages these risks through policies and procedures such as limiting loan-to-value ratios at origination, experienced underwriting, and requiring standards for appraisers.

Real estate. Real estate loans are for consumer residential 1-4 family real estate where the credit quality is subject to risks associated with the borrower’s repayment ability and collateral value, measured generally by analyzing local unemployment and bankruptcy trends, and local housing market trends and interest rates. Risks specific to a borrower are determined by previous repayment history, loan-to-value ratios, and debt-to-income ratios.

Home equity - closed end. The home-equity closed-end loan portfolio carries risks associated with the creditworthiness of the borrower, changes in loan-to-value ratios, and subordinate lien positions. The Company manages these risks through policies and procedures such as limiting loan-to-value ratios at origination, experienced underwriting, and requiring standards for appraisers.

Multifamily. Multifamily loans are loans secured by multi-unit residential property. These loans are subject to risks associated with the value of the underlying property, availability of rental units, as well as the successful operation and management of the property.

Owner-occupied commercial real estate. The commercial real estate segment includes loans secured by commercial real estate occupied by the owner/borrower. Loans in this segment are impacted by economic risks from changing commercial real estate markets, business bankruptcy rates, local unemployment rates and interest rate trends that would impact the businesses housed by the commercial real estate.

[Table of Contents](#)

Other commercial real estate. The other commercial real estate segment includes loans secured by commercial real estate leased to non-owners. Loans in the commercial real estate segment are impacted by economic risks from changing commercial real estate markets, rental markets for commercial buildings, business bankruptcy rates, local unemployment rates and interest rate trends that would impact the businesses housed by the commercial real estate.

Agriculture loans. Agriculture loans are secured by agricultural equipment or are unsecured. Credit risk for these loans is subject to economic conditions, local agricultural/farming trends, interest rates, and borrower repayment ability and collateral value (if secured).

Commercial and industrial. Commercial and industrial loans are secured by collateral other than real estate or are unsecured. Credit risk for these loans is subject to economic conditions, local business bankruptcy trends, interest rates, and borrower repayment ability and collateral value (if secured).

Credit cards. Credit card loan portfolios carry risks associated with the creditworthiness of the borrower and changes in the economic environment. The Company manages these risks through policies and procedures such as experienced underwriting, maximum debt to income ratios, and minimum borrower credit scores.

Automobile loans. Automobile loans generally carry certain risks associated with the values of the collateral and borrower's ability to repay the loan. Lending on new and used vehicles is subject to the risk of changes in the availability of vehicles and the resale value.

Other consumer loans. Other consumer loans may be secured or unsecured. Credit risk stems primarily from the borrower's ability to repay. If the loan is secured, the Company analyzes loan-to-value ratios. All consumer non-real estate loans are analyzed for debt-to-income ratios and previous credit history, as well as for general risks to the portfolio, including local unemployment rates, personal bankruptcy rates and interest rates.

Municipal loans. Municipal loans are unsecured loans generally made to local towns within the Bank's trade area. Credit risk is based on the cash flow and management of the local towns' budgets.

Additionally, the allowance for credit losses calculation includes adjustments for qualitative risk factors that are likely to cause estimated credit losses to differ from historical experience. These qualitative adjustments may increase or reduce reserve levels and include adjustments for lending management experience and risk tolerance, loan review and audit results, asset quality and portfolio trends, loan portfolio growth, industry concentrations, trends in underlying collateral, external factors and economic conditions not already captured.

Loans that do not share risk characteristics are evaluated on an individual basis. Management evaluates loans on nonaccrual status over \$250,000 on an individual basis. When management determines that foreclosure is probable and the borrower is experiencing financial difficulty, the expected credit losses are based on the fair value of collateral at the reporting dated adjusted for selling costs as appropriate.

Allowance for Credit Losses – Unfunded Commitments

Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit issued to meet customer financing needs. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for off-balance sheet loan commitments is represented by the contractual amount of those instruments. Such financial instruments are recorded when they are funded.

The Company records an allowance for credit losses on off-balance sheet credit exposures, unless the commitments to extend credit are unconditionally cancelable, through a charge to provision for credit losses in the Company's consolidated statements of income. The allowance for credit losses on off-balance sheet credit exposures is estimated by loan segment at each balance sheet date under the current expected credit loss model using the same methodologies as portfolio loans, taking into consideration the likelihood that funding will occur as well as any third-party guarantees. The allowance for unfunded commitments is included in other liabilities on the Company's consolidated balance sheets.

Earnings per Share

Basic earnings per share (“EPS”) is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding. Nonvested restricted shares are included in the computation of basic earnings per share as the holder is entitled to full shareholder benefits during the vesting period, including voting rights and sharing in nonforfeitable dividends. Diluted earnings per share includes all convertible securities, such as convertible preferred stock, convertible debt, equity options, and warrants. The Company does not have any convertible securities that would dilute the earnings per share.

Recent Accounting Pronouncements

Accounting Standards Pending Adoption:

In December 2025, the Financial Accounting Standards Board (the “FASB”) issued amendments to the Accounting Standards Codification to make incremental improvements to generally accepted accounting principles. The amendments are effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods within those annual reporting periods. Early adoption is permitted for both interim and annual financial statements that have not yet been issued or made available for issuance. The Company will apply the amendments prospectively to all transactions recognized on or after the date that the Company first applies the amendments. The Company does not expect these amendments to have a material effect on its financial statements.

In November 2025, the FASB amended the “Financial Instruments—Credit Losses” topic in the Accounting Standards Codification to expand the population of acquired financial assets subject to the gross-up approach. The amendments are effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods within those annual reporting periods. Early adoption is permitted in both interim and annual reporting periods in which financial statements have not yet been issued or made available for issuance. The Company does not expect these amendments to have a material effect on its financial statements.

In November 2024, the FASB issued Accounting Standards Update (“ASU”)2024-03, “Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses.” ASU 2024-03 requires public companies to disclose, in the notes to the financial statements, specific information about certain costs and expenses at each interim and annual reporting period. This includes disclosing amounts related to employee compensation, depreciation, and intangible asset amortization. In addition, public companies will need to provide a qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively. The FASB subsequently issued ASU 2025-01, “Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date”, which amends the effective date of ASU 2024-03 to clarify that all public business entities are required to adopt the guidance in ASU 2024-03 in annual reporting periods beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027. Early adoption of ASU 2024-03 is permitted. Implementation of ASU 2024-03 may be applied prospectively or retrospectively. The Company does not expect the adoption of ASU 2024-03 to have a material impact on its consolidated financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material effect on the Company’s financial position, result of operations or cash flows.

NOTE 2 SECURITIES

The amortized cost and estimated fair value of securities available for sale, along with gross unrealized gains and losses are summarized as follows (dollars in thousands):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2026				
U. S. Treasuries	\$ 15,093	\$ -	\$ 787	\$ 14,306
U. S. Government agencies	57,998	-	2,700	55,298
Municipal securities	27,044	22	1,600	25,466
Mortgage-backed securities	246,478	887	17,179	230,186
Corporate debt securities	25,650	5	405	25,250
Total Securities Available for Sale	<u>\$ 372,263</u>	<u>\$ 914</u>	<u>\$ 22,671</u>	<u>\$ 350,506</u>
December 31, 2025				
U. S. Treasuries	\$ 15,089	\$ -	\$ 755	\$ 14,334
U. S. Government agencies	57,997	-	2,845	55,152
Municipal securities	27,082	126	1,250	25,958
Mortgage-backed securities	240,548	1,794	16,031	226,311
Corporate debt securities	25,650	106	2,172	23,584
Total Securities Available for Sale	<u>\$ 366,366</u>	<u>\$ 2,026</u>	<u>\$ 23,053</u>	<u>\$ 345,339</u>

The amortized cost and fair value of securities at March 31, 2026, by contractual maturity are shown below (dollars in thousands). Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Securities Available for Sale	
	Amortized	
	Cost	Fair Value
Due in one year or less	\$ 35,588	\$ 35,082
Due after one year through five years	69,405	66,837
Due after five years through ten years	60,983	58,123
Due after ten years	206,287	190,464
Total	<u>\$ 372,263</u>	<u>\$ 350,506</u>

There were no sales of available for sale securities in the first quarter of 2026 or 2025.

The following tables show the present fair value and gross unrealized losses (dollars in thousands), aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, as of the dates stated. The reference point for determining when securities are in an unrealized loss position is period-end; therefore, it is possible that a security's market value exceeded its amortized cost on other days during the past twelve-month period. Excluded from the tables below were securities whose amortized cost equaled their fair value or were in an unrealized gain position as of the dates stated totaling \$70.7 million and \$95.6 million, as of March 31, 2026 and December 31, 2025, respectively.

[Table of Contents](#)

	Less than 12 Months		More than 12 Months		Total	
	Fair Value	Unrealized	Fair Value	Unrealized	Fair Value	Unrealized
		Losses		Losses		Losses
March 31, 2026						
U. S. Treasuries	\$ -	\$ -	\$ 14,306	\$ 787	\$ 14,306	\$ 787
U. S. Government agencies	-	-	55,298	2,700	55,298	2,700
Municipal securities	6,419	118	17,810	1,482	24,229	1,600
Mortgage-backed securities	45,579	706	116,668	16,474	162,247	17,179
Corporate debt securities	4,097	53	19,648	352	23,745	405
Total Securities Available for Sale	\$ 56,095	\$ 877	\$ 223,730	\$ 21,795	\$ 279,825	\$ 22,671

	Less than 12 Months		More than 12 Months		Total	
	Fair Value	Unrealized	Fair Value	Unrealized	Fair Value	Unrealized
		Losses		Losses		Losses
December 31, 2025						
U. S. Treasuries	\$ -	\$ -	\$ 14,334	\$ 755	\$ 14,334	\$ 755
U. S. Government agencies	-	-	55,152	2,845	55,152	2,845
Municipal securities	-	-	18,080	1,250	18,080	1,250
Mortgage-backed securities	22,829	10	120,511	16,021	143,340	16,031
Corporate debt securities	-	-	18,679	2,172	18,679	2,172
Total Securities Available for Sale	\$ 22,829	\$ 10	\$ 226,756	\$ 23,043	\$ 249,585	\$ 23,053

At March 31, 2026 and December 31, 2025, the majority of securities in an unrealized loss position were of investment grade; however, a portion of the portfolio does not have a third-party investment grade available (securities with fair values of \$20.3 million and \$19.0 million, respectively). These securities were primarily subordinated debt instruments issued by bank holding companies and are classified as corporate debt securities in the tables above. The Company evaluated the issuers of these individually, observing that each issuer had strong capital ratios and profitability, thereby indicating limited exposure to asset quality or liquidity issues and resulted in no identifiable credit losses. Contractual cash flows for mortgage-backed securities and U.S. Treasury and agencies are guaranteed and/or funded by the U.S. government and government agencies. State and municipal securities showed no indication that the contractual cash flows would not be received when due. The Company does not intend to sell, nor does it believe that it will be required to sell, any of its impaired securities prior to the recovery of the amortized cost. As of March 31, 2026 and December 31, 2025, there was no allowance for credit losses (“ACL”) for the Company's securities AFS portfolio. Any impairment that has not been recorded through an ACL is recognized in accumulated other comprehensive income (loss).

The Company had securities with a collateral value of \$113.1 million pledged to the Federal Reserve Discount Window as of March 31, 2026. The Discount Window provides access to funding to help depository institutions manage their liquidity risks. The Bank did not borrow from the Discount Window during the first three months of 2026. Additionally, the Company had securities with a market value of \$9.4 million pledged to the Federal Reserve Bank of Richmond as collateral for deposits of the Department of Justice U.S. Bankruptcy Trustee.

As of March 31, 2026, other investments consisted of restricted stock in the Federal Reserve Bank (“FRB”) (carrying basis of \$1.14 million at March 31, 2026 and December 31, 2025), Federal Home Loan Bank (“FHLB”) (carrying basis of \$975 thousand and \$925 thousand at March 31, 2026 and December 31, 2025, respectively), and various other investments (carrying basis of \$189 thousand at March 31, 2026 and December 31, 2025). Other investments are carried at cost.

NOTE 3 LOANS

The following is a summary of the major categories of total loans outstanding at March 31, 2026 and December 31, 2025 (dollars in thousands):

	March 31, 2026	December 31, 2025
1-4 Family residential construction	\$ 26,802	\$ 31,118
Other construction, land development and land	42,005	39,187
Secured by farmland	117,937	115,000
Home equity – open end	53,550	51,393
Real estate	250,663	243,361
Home equity – closed end	7,030	5,980
Multifamily	25,276	18,854
Owner-occupied commercial real estate	89,930	96,651
Other commercial real estate	116,446	114,434
Agricultural loans	21,530	20,127
Commercial and industrial	59,833	56,885
Credit cards	3,364	3,387
Automobile loans	69,922	77,080
Other consumer loans	9,044	9,132
Municipal loans	4,137	4,219
Gross loans	897,469	886,808
Unamortized net deferred loan fees	(604)	(555)
Less allowance for credit losses	7,910	7,818
Net loans	<u>\$ 888,955</u>	<u>\$ 878,435</u>

The table above does not include loans held for sale of \$3.7 million and \$3.2 million at March 31, 2026 and December 31, 2025, respectively. Loans held for sale consist of single-family residential real estate loans originated for sale in the secondary market.

Accrued interest receivable on loans held for investment totaled \$3.9 million and \$3.6 million at March 31, 2026 and December 31, 2025, respectively. For the quarters ended March 31, 2026 and 2025, accrued interest receivable write-offs were not material to the Company's consolidated financial statements.

The Company had loans held for investment pledged as collateral for borrowings with the FHLB totaling \$348.1 million and \$310.7 million as of March 31, 2026, and December 31, 2025, respectively. The Company maintains a blanket lien on certain loans in its residential real estate, commercial, agricultural farmland, and home equity portfolios.

NOTE 4 ALLOWANCE FOR CREDIT LOSSES

The allowance for credit losses ("ACL") consists of the allowance for credit losses on loans and the reserve for unfunded commitments. The Company's ACL is governed by the Company's ACL Committee, which reports to the Board of Directors and contains representatives from the Company's finance, credit, and risk teams, and is responsible for calculating the Company's estimate of expected credit losses and resulting ACL. The ACL Committee considers the quantitative model results and qualitative factors when finalizing the ACL. The Company's ACL model is subject to the Company's model risk management program, which is overseen by the Director of Risk Management who reports to the Company's Board Risk Committee.

[Table of Contents](#)

The following tables detail the changes in the ACL for the three months ended March 31, 2026 and 2025 (dollars in thousands).

	For the three months ended March 31, 2026				
	Beginning Balance	Charge-offs	Recoveries	(Recovery of) provision for loan credit losses	Ending Balance
1-4 Family residential construction	\$ 193	\$ -	\$ -	\$ (28)	\$ 165
Other construction, land development and land	641	-	-	81	722
Secured by farmland	1,458	-	-	7	1,465
Home equity – open end	177	-	-	7	184
Real estate	629	12	-	27	644
Home equity – closed end	64	-	-	3	67
Multifamily	656	-	-	203	859
Owner-occupied commercial real estate	691	-	-	(4)	687
Other commercial real estate	246	-	-	4	250
Agricultural loans	130	-	-	(26)	104
Commercial and industrial	995	-	90	(47)	1,038
Credit cards	90	14	10	2	88
Automobile loans	1,713	712	418	85	1,504
Other consumer loans	129	14	37	(25)	127
Municipal loans	6	-	-	-	6
Total allowance for credit losses - loans	\$ 7,818	\$ 752	\$ 555	\$ 289	\$ 7,910
Allowance for credit losses – unfunded commitments	\$ 764	\$ -	\$ -	\$ 20	\$ 784

	For the three months ended March 31, 2025				
	Beginning Balance	Charge-offs	Recoveries	(Recovery of) provision for loan credit losses	Ending Balance
1-4 Family residential construction	\$ 258	\$ -	\$ -	\$ (6)	\$ 252
Other construction, land development and land	1,551	-	-	107	1,658
Secured by farmland	946	-	-	97	1,043
Home equity – open end	197	-	24	(30)	191
Real estate	606	-	1	85	692
Home equity – closed end	99	-	-	(16)	83
Multifamily	190	-	-	(158)	32
Owner-occupied commercial real estate	809	-	-	(96)	713
Other commercial real estate	105	-	-	(22)	83
Agricultural loans	27	-	-	(2)	25
Commercial and industrial	982	-	3	(159)	826
Credit cards	87	15	6	1	79
Automobile loans	1,956	397	164	171	1,894
Other consumer loans	301	1	28	(137)	191
Municipal loans	15	-	-	(15)	-
Total allowance for credit losses - loans	\$ 8,129	\$ 413	\$ 226	\$ (180)	\$ 7,762
Allowance for credit losses – unfunded commitments	\$ 649	\$ -	\$ -	\$ 76	\$ 725

Credit Quality Indicators

The Company presents loan and lease portfolio segments and classes by credit quality indicator and vintage year. The Company defines the vintage date for the purpose of this disclosure as the date of the most recent credit decision. Renewals are categorized as new credit decisions and reflect the renewal date as the vintage date, except for renewals of loans modified for borrowers experiencing financial difficulty which are presented in the original vintage.

Description of the Company’s credit quality indicators under the Current Expected Credit Loss (“CECL”) Model:

Grades 0-5 – Pass: Loans in all classes that comprise the commercial and consumer portfolio segments that are not adversely rated, are contractually current as to principal and interest, and are otherwise in compliance with the contractual terms of the loan agreement. Management believes that there is a low likelihood of loss related to those loans that are considered pass.

[Table of Contents](#)

Grade 6 – Watch: Loans are currently protected but are weak due to negative balance sheet or income statement trends. There may be a lack of effective control over collateral or the existence of documentation deficiencies. These loans have potential weaknesses that deserve management’s close attention. Other reasons supporting this classification include adverse economic or market conditions, pending litigation or any other material weakness. Existing loans that become 60 or more days past due are placed in this category pending a return to current status.

Grade 7 – Substandard: Loans having well-defined weaknesses where a payment default and or loss is possible, but not yet probable. Cash flow is inadequate to service the debt under the current payment, or terms, with prospects that the condition is permanent. Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the borrower and there is the likelihood that collateral will have to be liquidated and/or guarantor(s) called upon to repay the debt. Generally, the loan is considered collectible as to both principal and interest, primarily because of collateral coverage, however, if the deficiencies are not corrected quickly; there is a probability of loss.

Credit cards are classified as pass or substandard. A credit card is substandard when payments of principal and interest are past due 90 days or more.

The following table presents the Company’s recorded investment in loans by credit quality indicators and gross write-offs by year of origination as of March 31, 2026 (dollars in thousands):

	Term Loans by Year of Origination						Revolving	Total
	2026	2025	2024	2023	2022	Prior		
1-4 Family residential construction								
Pass	\$ -	\$ -	\$ -	\$ 338	\$ -	\$ -	\$ 26,464	\$ 26,802
Watch	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Total 1-4 Family residential construction	-	-	-	338	-	-	26,464	26,802
Current period gross write-offs	-	-	-	-	-	-	-	-
Other construction, land development and land								
Pass	447	7,777	2,599	11,585	960	3,556	15,061	41,985
Watch	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	20	-	20
Total Other construction, land development and land	447	7,777	2,599	11,585	960	3,576	15,061	42,005
Current period gross write-offs	-	-	-	-	-	-	-	-
Secured by farmland								
Pass	4,530	17,565	9,342	10,780	11,840	46,892	13,483	114,432
Watch	-	-	-	-	1,609	1,484	-	3,093
Substandard	-	-	-	-	302	110	-	412
Total Secured by farmland	4,530	17,565	9,342	10,780	13,751	48,486	13,483	117,937
Current period gross write-offs	-	-	-	-	-	-	-	-
Home equity – open end								
Pass	-	-	-	-	-	294	52,548	52,842
Watch	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	110	598	708
Total Home equity - open end	-	-	-	-	-	404	53,146	53,550
Current period gross write-offs	-	-	-	-	-	-	-	-
Real estate								
Pass	9,057	49,034	27,474	51,267	39,371	68,509	-	244,712
Watch	1,406	-	-	1,429	-	193	-	3,028
Substandard	-	-	-	283	80	2,560	-	2,923
Total Real estate	10,463	49,034	27,474	52,979	39,451	71,262	-	250,663
Current period gross write-offs	-	-	-	-	-	12	-	12
Home Equity – closed end								
Pass	126	624	411	2,309	185	2,501	-	6,156
Watch	60	-	-	-	-	-	-	60
Substandard	-	48	-	-	-	766	-	814
Total Home Equity - closed end	186	672	411	2,309	185	3,267	-	7,030
Current period gross write-offs	-	-	-	-	-	-	-	-

	Term Loans by Year of Origination						Revolving	Total
	2026	2025	2024	2023	2022	Prior		
Multifamily								
Pass	6,400	6,925	2,667	-	2,535	3,188	3,561	25,276
Watch	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Total Multifamily	6,400	6,925	2,667	-	2,535	3,188	3,561	25,276
Current period gross write-offs	-	-	-	-	-	-	-	-
Owner-occupied commercial real estate								
Pass	4,172	19,493	9,330	2,334	10,712	31,585	1,750	79,376
Watch	-	-	-	-	-	-	-	-
Substandard	-	60	1,142	-	-	9,352	-	10,554
Total Owner-occupied commercial real estate	4,172	19,553	10,472	2,334	10,712	40,937	1,750	89,930
Current period gross write-offs	-	-	-	-	-	-	-	-
Other commercial real estate								
Pass	3,546	15,010	368	6,802	36,782	42,458	2,676	107,642
Watch	-	-	-	-	-	953	-	953
Substandard	-	-	7,768	-	-	83	-	7,851
Total Other commercial real estate	3,546	15,010	8,136	6,802	36,782	43,494	2,676	116,446
Current period gross write-offs	-	-	-	-	-	-	-	-
Agricultural loans								
Pass	1,592	4,857	1,733	1,232	806	112	11,088	21,420
Watch	-	-	-	-	9	16	-	25
Substandard	-	-	-	85	-	-	-	85
Total Agricultural loans	1,592	4,857	1,733	1,317	815	128	11,088	21,530
Current period gross write-offs	-	-	-	-	-	-	-	-
Commercial and industrial								
Pass	2,265	17,429	6,358	2,380	4,216	2,252	24,452	59,352
Watch	-	-	-	-	38	-	-	38
Substandard	-	33	-	293	17	-	100	443
Total Commercial and industrial	2,265	17,462	6,358	2,673	4,271	2,252	24,552	59,833
Current period gross write-offs	-	-	-	-	-	-	-	-
Credit Cards								
Pass	-	-	-	-	-	-	3,364	3,364
Substandard	-	-	-	-	-	-	-	-
Total Credit Cards	-	-	-	-	-	-	3,364	3,364
Current period gross write-offs	-	-	-	-	-	-	14	14
Automobile loans								
Pass	3,238	14,720	15,109	20,377	12,085	3,826	-	69,355
Watch	-	-	-	-	-	-	-	-
Substandard	15	15	174	45	214	104	-	567
Total Automobile loans	3,253	14,735	15,283	20,422	12,299	3,930	-	69,922
Current period gross write-offs	-	102	276	256	50	28	-	712
Other consumer loans								
Pass	1,451	3,001	1,905	1,360	873	389	37	9,016
Watch	-	-	-	-	-	-	-	-
Substandard	-	-	-	17	9	2	-	28
Total Other consumer loans	1,451	3,001	1,905	1,377	882	391	37	9,044
Current period gross write-offs	-	3	-	1	3	7	-	14
Municipal loans								
Pass	-	-	-	-	-	4,137	-	4,137
Watch	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Total Municipal loans	-	-	-	-	-	4,137	-	4,137
Current period gross write-offs	-	-	-	-	-	-	-	-
Total loans	<u>\$ 38,305</u>	<u>\$ 156,591</u>	<u>\$ 86,380</u>	<u>\$ 112,916</u>	<u>\$ 122,643</u>	<u>\$ 225,452</u>	<u>\$ 155,182</u>	<u>\$ 897,469</u>
Less: Unamortized net deferred loan fees								(604)
Loans held for investment								<u>\$ 896,865</u>
Current period gross write-offs	<u>\$ -</u>	<u>\$ 105</u>	<u>\$ 276</u>	<u>\$ 257</u>	<u>\$ 53</u>	<u>\$ 47</u>	<u>\$ 14</u>	<u>\$ 752</u>

[Table of Contents](#)

The following table presents the Company's recorded investment in loans by credit quality indicators and gross write-offs by year of origination as of December 31, 2025 (dollars in thousands):

	Term Loans by Year of Origination						Revolving	Total
	2025	2024	2023	2022	2021	Prior		
1-4 Family residential construction								
Pass	\$ -	\$ -	\$ 338	\$ -	\$ -	\$ 116	\$ 30,664	\$ 31,118
Watch	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Total 1-4 Family residential construction	-	-	338	-	-	116	30,664	31,118
Current period gross write-offs	-	-	-	-	-	-	-	-
Other construction, land development and land								
Pass	5,691	2,701	11,877	969	427	3,252	14,195	39,112
Watch	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	75	75
Total Other construction, land development and land	5,691	2,701	11,877	969	427	3,252	14,270	39,187
Current period gross write-offs	-	-	-	-	-	23	-	23
Secured by farmland								
Pass	17,063	9,423	10,887	12,838	13,122	34,648	13,470	111,450
Watch	-	-	-	1,609	1,507	-	-	3,116
Substandard	-	-	-	319	-	-	114	434
Total Secured by farmland	17,063	9,423	10,887	14,766	14,629	34,648	13,584	115,000
Current period gross write-offs	-	-	-	-	-	-	-	-
Home equity – open end								
Pass	-	-	-	-	-	122	50,587	50,709
Watch	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	684	684
Total Home equity - open end	-	-	-	-	-	122	51,271	51,393
Current period gross write-offs	-	-	-	-	27	-	-	27
Real estate								
Pass	43,676	26,645	53,562	40,299	11,899	59,454	1,040	236,575
Watch	-	1,416	1,436	-	-	211	-	3,063
Substandard	-	-	289	81	655	2,698	-	3,723
Total Real estate	43,676	28,061	55,287	40,380	12,554	62,363	1,040	243,361
Current period gross write-offs	-	-	-	-	5	-	-	5
Home Equity – closed end								
Pass	635	422	2,339	192	57	2,281	-	5,926
Watch	-	-	-	-	-	-	-	-
Substandard	54	-	-	-	-	-	-	54
Total Home Equity - closed end	689	422	2,339	192	57	2,281	-	5,980
Current period gross write-offs	-	-	-	-	-	-	-	-
Multifamily								
Pass	7,051	2,680	-	2,556	1,241	2,262	3,064	18,854
Watch	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Total Multifamily	7,051	2,680	-	2,556	1,241	2,262	3,064	18,854
Current period gross write-offs	-	-	-	-	-	-	-	-
Owner-occupied commercial real estate								
Pass	20,096	9,403	2,354	16,357	14,163	18,587	4,929	85,889
Watch	-	-	-	-	-	-	-	-
Substandard	62	1,148	-	-	-	9,503	49	10,762
Total Owner-occupied commercial real estate	20,158	10,551	2,354	16,357	14,163	28,090	4,978	96,651
Current period gross write-offs	-	-	-	-	-	301	-	301
Other commercial real estate								
Pass	14,989	372	6,853	36,997	11,075	32,759	2,533	105,578
Watch	-	-	-	-	-	966	-	966

Substandard	-	7,806	-	-	-	84	-	7,890
Total Other commercial real estate	14,989	8,178	6,853	36,997	11,075	33,809	2,533	114,434
Current period gross write-offs	-	-	-	-	-	-	-	-
Agricultural loans								
Pass	5,387	1,910	1,364	973	151	53	10,092	19,930
Watch	-	-	-	9	-	16	-	25
Substandard	-	-	112	-	-	-	60	172
Total Agricultural loans	5,387	1,910	1,476	982	151	69	10,152	20,127
Current period gross write-offs	-	-	-	171	-	-	-	171

	Term Loans by Year of Origination						Revolving	Total
	2025	2024	2023	2022	2021	Prior		
Commercial and industrial								
Pass	18,025	6,615	2,710	4,675	2,359	251	20,980	55,615
Watch	-	-	-	43	-	-	150	193
Substandard	35	-	317	17	-	-	708	1,077
Total Commercial and industrial	18,060	6,615	3,027	4,735	2,359	251	21,838	56,885
Current period gross write-offs	-	408	-	75	-	-	-	483
Credit Cards								
Pass	-	-	-	-	-	-	3,387	3,387
Substandard	-	-	-	-	-	-	-	-
Total Credit Cards	-	-	-	-	-	-	3,387	3,387
Current period gross write-offs	-	-	-	-	-	-	57	57
Automobile loans								
Pass	16,255	17,479	23,351	14,122	4,512	868	-	76,587
Watch	-	-	-	-	-	-	-	-
Substandard	14	140	21	207	76	35	-	493
Total Automobile loans	16,269	17,619	23,372	14,329	4,588	903	-	77,080
Current period gross write-offs	97	904	1,082	644	186	109	-	3,022
Other consumer loans								
Pass	3,215	2,166	1,669	1,128	268	336	307	9,089
Watch	-	-	-	-	-	-	-	-
Substandard	-	-	19	14	8	2	-	43
Total Other consumer loans	3,215	2,166	1,688	1,142	276	338	307	9,132
Current period gross write-offs	9	34	38	58	5	2	-	146
Municipal loans								
Pass	-	-	-	-	500	3,719	-	4,219
Watch	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Total Municipal loans	-	-	-	-	500	3,719	-	4,219
Current period gross write-offs	-	-	-	-	-	-	-	-
Total loans	\$ 152,248	\$ 90,326	\$ 119,498	\$ 133,405	\$ 62,020	\$ 172,223	\$ 157,088	\$ 886,808
Less: Unamortized net deferred loan fees								(555)
Loans held for investment								\$ 886,253
Current period gross write-offs	\$ 106	\$ 1,346	\$ 1,120	\$ 948	\$ 223	\$ 435	\$ 57	\$ 4,235

Nonaccrual and Past Due Loans

The following table shows the aging of the Company's loans held for investment, by segment (dollars in thousands):

**Age Analysis of Past Due Loans
As of March 31, 2026**

	Accruing Loans 30- 59 Days Past due	Accruing Loans 60- 89 Days Past due	Accruing Loans 90 Days or More Past due	Nonaccrual Loans	Accruing Current Loans	Total Loans
1-4 Family residential construction	\$ -	\$ -	\$ -	\$ -	\$ 26,802	\$ 26,802
Other construction, land development and land Secured by farmland	-	156	-	20	41,829	42,005
Home equity – open end	98	119	-	484	52,849	53,550
Real estate	2,037	677	-	1,682	246,267	250,663
Home equity – closed end	64	-	-	766	6,200	7,030
Multifamily	-	-	-	-	25,276	25,276
Owner-occupied commercial real estate	1,142	-	-	891	87,897	89,930
Other commercial real estate	-	-	-	-	116,446	116,446
Agricultural loans	-	-	-	85	21,445	21,530
Commercial and industrial	69	-	-	30	59,734	59,833
Credit cards	22	10	5	-	3,327	3,364
Automobile loans	1,058	259	-	446	68,159	69,922
Other consumer loans	110	14	-	28	8,892	9,044
Municipal loans	-	-	-	-	4,137	4,137
Gross loans	4,600	1,235	5	4,844	886,785	897,469
Less: Unamortized net deferred loan fees	-	-	-	-	(604)	(604)
Loans held for investment	<u>\$ 4,600</u>	<u>\$ 1,235</u>	<u>\$ 5</u>	<u>\$ 4,844</u>	<u>\$ 886,181</u>	<u>\$ 896,865</u>

**Age Analysis of Past Due Loans
As of December 31, 2025**

	Accruing Loans 30- 59 Days Past due	Accruing Loans 60- 89 Days Past due	Accruing Loans 90 Days or More Past due	Nonaccrual Loans	Accruing Current Loans	Total Loans
1-4 Family residential construction	\$ -	\$ -	\$ -	\$ -	\$ 31,118	\$ 31,118
Other construction, land development and land Secured by farmland	601	-	-	-	38,586	39,187
Home equity – open end	267	61	-	462	50,603	51,393
Real estate	2,545	902	-	2,308	237,606	243,361
Home equity – closed end	83	-	-	-	5,897	5,980
Multifamily	-	-	-	-	18,854	18,854
Owner-occupied commercial real estate	538	1,148	-	2,201	92,764	96,651
Other commercial real estate	-	-	-	-	114,434	114,434
Agricultural loans	121	-	-	172	19,834	20,127
Commercial and industrial	223	311	-	29	56,322	56,885
Credit cards	37	12	5	-	3,333	3,387
Automobile loans	1,832	390	2	389	74,467	77,080
Other consumer loans	93	16	-	42	8,981	9,132
Municipal loans	-	-	-	-	4,219	4,219
Gross loans	6,340	2,840	7	6,037	871,584	886,808
Less: Unamortized net deferred loan fees	-	-	-	-	(555)	(555)
Loans held for investment	<u>\$ 6,340</u>	<u>\$ 2,840</u>	<u>\$ 7</u>	<u>\$ 6,037</u>	<u>\$ 871,029</u>	<u>\$ 886,253</u>

[Table of Contents](#)

There were \$4.8 million and \$6.0 million in nonaccrual loans at March 31, 2026 and December 31, 2025, respectively. There was no income recognized on nonaccrual loans during the three months ended March 31, 2026 and 2025.

The following table is a summary of the Company's nonaccrual loans by major categories for the periods indicated (dollars in thousands).

	March 31, 2026			December 31, 2025		
	Nonaccrual loans			Nonaccrual loans		
	With no Allowance	With an Allowance	Total	With no Allowance	With an Allowance	Total
Other construction, land development and land	\$ 20	\$ -	\$ 20	\$ -	\$ -	\$ -
Secured by farmland	-	412	412	-	434	434
Home equity – open end	484	-	484	462	-	462
Real estate	1,582	100	1,682	2,206	102	2,308
Home Equity – closed end	766	-	766	-	-	-
Owner-occupied commercial real estate	891	-	891	2,201	-	2,201
Agricultural loans	-	85	85	60	112	172
Commercial and industrial	30	-	30	29	-	29
Automobile loans	446	-	446	389	-	389
Other consumer loans	28	-	28	42	-	42
Total loans	\$ 4,247	\$ 597	\$ 4,844	\$ 5,389	\$ 648	\$ 6,037

Collateral Dependent Disclosures

The collateral method is applied to individually evaluated loans for which foreclosure is probable. The collateral method is also applied to individually evaluated loans when borrowers are experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. These loans do not share common risk characteristics and are not included within the collectively evaluated loans for determining the allowance for credit losses. Under CECL, for collateral dependent loans, the Company has adopted the practical expedient to measure the allowance for credit losses based on the fair value of collateral. The allowance for credit losses is calculated on an individual loan basis based on the shortfall between the fair value of the loan's collateral, which is adjusted for liquidation costs/discounts, and amortized cost. If the fair value of the collateral exceeds the amortized cost, no allowance is required.

The following table presents the total recorded investment in collateral-dependent loans of the Company as of the periods noted (dollars in thousands):

	Collateral Dependent Loans and Leases	
	March 31, 2026	December 31, 2025
Secured by farmland	\$ 412	\$ 434
Home equity – open end	110	175
Real estate	866	868
Owner-occupied commercial real estate	891	2,201
Agricultural loans	85	112
Total loans	\$ 2,364	\$ 3,790

[Table of Contents](#)

Troubled Loan Modifications

The Company closely monitors the performance of borrowers experiencing financial difficulty and grants certain loan modifications it would not otherwise consider. The Company refers to such loan modifications as troubled loan modifications (“TLMs”).

The following tables present the amortized cost of loans and leases to borrowers experiencing financial difficulty by class of financing receivable, type of modification, financial effect of the modification, and percentage of the amortized cost basis of modifications as compared to the amortized cost basis of each loan segment for the periods presented (dollars in thousands).

	Term Extensions as of March 31, 2026		Financial Effect
	Amortized Cost Basis	% of Total Loan Type	
Automobile loans	\$ 1	0.00%	Added a weighted-average of 6.2 months to the life of the loans.
Total Term Extensions	<u>\$ 1</u>		

There were no loans modified for borrowers experiencing financial difficulty in the three months ended March 31, 2025.

The following tables present an aging analysis of the amortized cost of TLMs as of the dates stated (dollars in thousands).

	March 31, 2026				Total
	Current Loans	30-89 Days Past Due	Greater than 90 Days Past Due & Accruing	Nonaccrual	
Real estate	\$ 48	\$ -	\$ -	\$ -	\$ 48
Owner occupied commercial real estate	5,336	-	-	891	6,227
Automobile loans	19	-	-	19	38
Total modified loans	<u>\$ 5,403</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 910</u>	<u>\$ 6,313</u>

	December 31, 2025				Total
	Current Loans	30-89 Days Past Due	Greater than 90 Days Past Due & Accruing	Nonaccrual	
Home equity – closed end	\$ -	\$ -	\$ -	\$ 1	\$ 1
Real estate	-	54	-	-	54
Owner occupied commercial real estate	5,360	-	-	891	6,251
Automobile loans	19	8	-	23	50
Total modified loans	<u>\$ 5,379</u>	<u>\$ 62</u>	<u>\$ -</u>	<u>\$ 915</u>	<u>\$ 6,356</u>

At March 31, 2026 and December 31, 2025, there were no unfunded commitments to borrowers with TLMs.

[Table of Contents](#)

The following table presents the amortized cost of TLMs modified in the preceding twelve months and had a payment default during the periods stated (dollars in thousands).

	For the three months ended March 31,					
	2026			2025		
	Number of Loans	Amortized Cost	% of Amortized Cost to Gross Loans by Category	Number of Loans	Amortized Cost	% of Amortized Cost to Gross Loans by Category
Term extension and deferral						
Real estate	-	\$ -		1	\$ 6	<0.01%
Automobile loans	-	-		2	14	0.03%
Total term extension and deferral	-	\$ -		3	\$ 20	
Other than temporary payment delay						
Owner occupied commercial real estate	-	\$ -		1	\$ 1,205	1.47%
Total other than temporary payment delay	-	\$ -		1	\$ 1,205	
Total	-	\$ -		4	\$ 1,225	

The Company maintains an allowance for off-balance sheet credit exposures such as unfunded balances for existing lines of credit, commitments to extend future credit, as well as both standby and commercial letters of credit when there is a contractual obligation to extend credit. The allowance for off-balance sheet credit exposures is adjusted as a provision for credit loss expense. The estimate includes consideration of the likelihood that funding will occur, which is based on a historical funding study derived from internal information, and an estimate of expected credit losses on commitments expected to be funded over their estimated life, which are the same loss rates that are used in computing the ACL. The ACL for unfunded commitments is classified on the balance sheet within other liabilities.

NOTE 5 LEASES

Lease liabilities represent the Company's obligation to make lease payments and are presented at each reporting date as the net present value of the remaining contractual cash flows. Cash flows are discounted at the Company's incremental borrowing rate in effect at the commencement date of the lease. Right-of-use assets represent the Company's right to use the underlying asset for the lease term and are calculated as the sum of the lease liability and adjusted for prepaid rent, initial direct costs, and any incentives received from the lessor. The right-of-use assets are included in other assets and the lease liability in other liabilities in the consolidated balance sheets.

The Company's long-term lease agreements are classified as operating leases. Certain of these leases offer the option to extend the lease term. The Company has included such extensions in its calculation of the lease liabilities to the extent the options are reasonably assured of being exercised. The lease agreements do not provide for residual value guarantees and have no restrictions or covenants that would impact dividends or require incurring additional financial obligations. The Company has three operating leases for office properties.

[Table of Contents](#)

The following tables present information about the Company's leases (dollars in thousands):

	March 31, 2026
Lease Liabilities (included in other liabilities)	\$ 1,099
Right-of-use assets (included in other assets)	\$ 1,063
Weighted average remaining lease term	8.24 years
Weighted average discount rate	3.93%

	For the Three Months Ended March 31,	
	2026	2025
Lease cost		
Operating lease cost	\$ 28	\$ 30
Total lease cost	\$ 28	\$ 30
Cash paid for amounts included in the measurement of lease liabilities	\$ 36	\$ 34

A maturity analysis of operating lease liabilities and reconciliation of the undiscounted cash flows to the total of operating lease liabilities is as follows (dollars in thousands):

Lease payments due	As of March 31, 2026
Nine months ending December 31, 2026	\$ 107
Twelve months ending December 31, 2027	153
Twelve months ending December 31, 2028	157
Twelve months ending December 31, 2029	161
Twelve months ending December 31, 2030	166
Thereafter	554
Total undiscounted cash flows	<u>\$ 1,298</u>
Discount	<u>(199)</u>
Lease liabilities	<u>\$ 1,099</u>

NOTE 6 REGULATORY CAPITAL MATTERS

Banks and financial holding companies are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, "prompt corrective action" regulations involve quantitative measures of assets, liabilities, and certain off-balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. The net unrealized gain or loss on AFS securities is not included in computing regulatory capital. Management believes as of March 31, 2026, the Bank met all capital adequacy requirements to which it was subject.

"Prompt corrective action" regulations provide five classifications: "well capitalized", "adequately capitalized", "undercapitalized", "significantly undercapitalized", and "critically undercapitalized", although these terms are not used to represent overall financial condition. If "adequately capitalized", regulatory approval is required to accept brokered deposits. If "undercapitalized", capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. As of March 31, 2026, and December 31, 2025, the most recent notification from the FDIC categorized the Bank as "well capitalized" under the regulatory framework for "prompt corrective action".

	Actual		Minimum Capital Requirement		Minimum to be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
March 31, 2026						
Total risk-based ratio	\$ 132,729	14.10%	\$ 75,283	8.00%	\$ 94,104	10.00%
Tier 1 risk-based ratio	124,033	13.18%	56,462	6.00%	75,283	8.00%
Common equity tier 1	124,033	13.18%	42,347	4.50%	61,167	6.50%
Tier 1 leverage ratio	124,033	8.84%	56,153	4.00%	70,192	5.00%

	Actual		Minimum Capital Requirement		Minimum to be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2025						
Total risk-based ratio	\$ 130,263	14.04%	\$ 74,241	8.00%	\$ 92,801	10.00%
Tier 1 risk-based ratio	121,679	13.11%	55,680	6.00%	74,241	8.00%
Common equity tier 1	121,679	13.11%	41,760	4.50%	60,321	6.50%
Tier 1 leverage ratio	121,679	8.73%	55,752	4.00%	69,690	5.00%

NOTE 7 FAIR VALUE MEASUREMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

- Level 1 – Valuation is based on quoted prices in active markets for identical assets and liabilities.
- Level 2 – Valuation is based on observable inputs including quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets and liabilities in less active markets, and model-based valuation techniques for which significant assumptions can be derived primarily from or corroborated by observable data in the market.
- Level 3 – Valuation is based on model-based techniques that use one or more significant inputs or assumptions that are unobservable in the market.

Fair Value – Recurring Basis

The following describes the valuation techniques used by the Company to measure certain financial assets and liabilities recorded at fair value on a recurring basis in the financial statements:

Securities - When quoted market prices are not available, fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discount cash flow methods. Level 2 securities included U.S. agency securities, mortgage-backed agency securities, obligations of state and political subdivisions, and certain corporate, asset-backed and other securities. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy. Changes in securities classified as Level 3 as of March 31, 2026 related to changes in the market values from December 31, 2025.

The carrying value of restricted stock approximates fair value based upon the redemption provisions of each security and is therefore excluded from the following table.

Loans held for sale – Mortgage loans originated and intended for sale in the secondary market are carried at fair value, which is based on the price secondary markets are currently offering for similar loans using observable market data. Changes in fair value are recognized in mortgage banking income on the consolidated statements of income (Level 2).

Derivative financial instruments - Derivative instruments used to hedge residential mortgage loans held for sale and the related interest rate lock commitments include forward commitments to sell mortgage loans and are reported at fair value utilizing Level 2 inputs. The fair values of derivative financial instruments are based on derivative market data inputs as of the valuation date and the underlying value of mortgage loans for rate lock commitments.

[Table of Contents](#)

The following tables present the balances of financial assets measured at fair value on a recurring basis as of the dates stated (dollars in thousands):

March 31, 2026	Total	Level 1	Level 2	Level 3
Securities available for sale:				
U.S. Treasury securities	\$ 14,306	\$ -	\$ 14,306	\$ -
U.S. Government agencies	55,298	-	55,298	-
Municipal securities	25,466	-	25,466	-
Mortgage-backed securities	230,186	-	230,186	-
Corporate debt securities	25,250	-	4,957	20,293
Total securities available for sale	<u>\$ 350,506</u>	<u>\$ -</u>	<u>\$ 330,213</u>	<u>\$ 20,293</u>
Other assets:				
Loans held for sale	\$ 3,693	\$ -	\$ 3,693	\$ -
Forward sales commitments	117	-	117	-
Total other assets	3,810	-	3,810	-
Assets at Fair Value	<u>\$ 354,316</u>	<u>\$ -</u>	<u>\$ 334,023</u>	<u>\$ 20,293</u>

December 31, 2025	Total	Level 1	Level 2	Level 3
Securities available for sale:				
U.S. Treasury securities	\$ 14,334	\$ -	\$ 14,334	\$ -
U.S. Government agencies	55,152	-	55,152	-
Municipal securities	25,958	-	25,958	-
Mortgage-backed securities	226,311	-	226,311	-
Corporate debt securities	23,584	-	4,549	19,035
Total securities available for sale	<u>\$ 345,339</u>	<u>\$ -</u>	<u>\$ 326,304</u>	<u>\$ 19,035</u>
Other assets:				
Loans held for sale	\$ 3,191	\$ -	\$ 3,191	\$ -
IRLC	37	-	37	-
Forward sales commitments	20	-	20	-
Total other assets	3,248	-	3,248	-
Assets at Fair Value	<u>\$ 348,587</u>	<u>\$ -</u>	<u>\$ 329,552</u>	<u>\$ 19,035</u>

Fair Value - Nonrecurring Basis

Certain financial assets are measured at fair value on a nonrecurring basis in accordance with GAAP. The following describes the valuation techniques used by the Company to measure certain financial assets recorded at fair value on a nonrecurring basis in the financial statements.

Collateral Dependent Loans - Collateral-dependent loans are carried at fair value, which equals the estimated market value of the collateral less estimated costs to sell. Collateral may be in the form of real estate, securities, or business assets, including equipment, inventory, and accounts receivable. A loan may have multiple types of collateral; however, the majority of the Company's loan collateral is real estate. The value of real estate collateral is generally determined utilizing a market valuation approach based on an appraisal conducted by an independent, licensed appraiser outside of the Company using observable market data (Level 2). However, if the collateral value is significantly adjusted due to differences in the comparable properties or is discounted by the Company because of lack of marketability, then the fair value is considered Level 3. The value of business equipment is based upon an outside appraisal if deemed significant or the net book value on the applicable borrower's financial statements if not considered significant. Likewise, values for inventory and accounts receivables collateral are based on financial statement balances or aging reports (Level 3). Fair value adjustments are recorded in the period incurred as provision for credit losses on the consolidated statements of operations.

[Table of Contents](#)

Other Real Estate Owned (“OREO”)- Certain assets such as OREO are measured at fair value less estimated costs to sell. Valuation of OREO is generally determined using current appraisals from independent parties, a Level 2 input. If current appraisals cannot be obtained prior to reporting dates, or if declines in value are identified after a recent appraisal, appraisal values are discounted, resulting in Level 3 estimates. If the Company markets the property with a realtor, estimated selling costs reduce the fair value, resulting in a valuation based on Level 3 inputs.

The following presents the carrying amount, fair value, and placement in the fair value hierarchy of the Company’s financial instruments as of March 31, 2026 and December 31, 2025 (dollars in thousands). Fair values are estimated under the exit price notion in accordance with the adoption of ASU 2016-01, “*Recognition and Measurement of Financial Assets and Financial Liabilities.*”

The following tables summarize assets that were measured at fair value on a nonrecurring basis as of the dates stated (dollars in thousands).

	March 31, 2026			
	Balance	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
Collateral-dependent loans	\$ 2,203	\$ -	\$ -	\$ 2,203

	December 31, 2025			
	Balance	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
Collateral-dependent loans	\$ 3,578	\$ -	\$ -	\$ 3,578

The following tables present quantitative information about Level 3 fair value measurements as of the dates stated (dollars in thousands).

	Fair Value at March 31, 2026	Valuation Technique	Significant Unobservable Inputs	Discount
Collateral Dependent Loans	\$ 2,203	Discounted appraised value	Discount for selling costs and marketability	11.13-100%

	Fair Value at December 31, 2025	Valuation Technique	Significant Unobservable Inputs	Discount
Collateral Dependent Loans	\$ 3,578	Discounted appraised value	Discount for selling costs and marketability	36.17-100%

Fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practical to estimate the value is based upon the characteristics of the instruments and relevant market information. Financial instruments include cash, evidence of ownership in an entity, or contracts that convey or impose on an entity that contractual right or obligation to either receive or deliver cash for another financial instrument. The information used to determine fair value is highly subjective and judgmental in nature and, therefore, the results may not be precise. Subjective factors include, among other things, estimates of cash flows, risk characteristics, credit quality, and interest rates, all of which are subject to change. Since the fair value is estimated as of the balance sheet date, the amounts that will actually be realized or paid upon settlement or maturity on these various instruments could be significantly different.

The carrying values of cash and due from banks, federal funds sold, and restricted cash are of such short duration that carrying value reasonably approximates fair value (Level 1).

The carrying values of accrued interest receivable and accrued interest payable are of such short duration that carrying value reasonably approximates fair value (Level 2).

The carrying value of restricted equity investments approximates fair value based on the redemption provisions of the issuer (Level 2). The fair value of other investments is approximated by its carrying value (Level 3).

[Table of Contents](#)

The fair value of the Company's loan portfolio includes a credit risk assumption in the determination of the fair value of its loans. This credit risk assumption is intended to approximate the fair value that a market participant would realize in a hypothetical orderly transaction. The Company's loan portfolio is initially fair valued using a segmented approach. The Company divides its loan portfolio into the following categories: variable rate loans, impaired loans, and all other loans. The results are then adjusted to account for credit risk as described above. The fair value of the Company's loan portfolio also considers illiquidity risk through the use of a discounted cash flow model to compensate for, based on certain assumptions included within the discounted cash flow model, primarily the use of discount rates that better capture inherent credit risk over the lifetime of a loan. This consideration of both credit risk and illiquidity risk provides an estimated exit price for the Company's loan portfolio. Loans held for investment are reported as Level 3.

The carrying value of BOLI reasonably approximates fair value, as these policies are reported at their cash surrender value, which is estimated based on information provided by insurance carriers (Level 2).

The carrying value of noninterest-bearing deposits approximates fair value (Level 1). The carrying values of interest-bearing demand, money market, and savings deposits approximates fair value based on their current pricing and are reported as Level 2. The fair values of time deposits were obtained using a discounted cash flow calculation that includes a market rate analysis of the current rates offered by market participants for time deposits that mature in the same period. Time deposits are reported as Level 2.

The fair value of the FHLB borrowings is estimated by discounting the future cash flows using current interest rates offered for similar advances (Level 2).

The fair value of the Company's subordinated notes is estimated by utilizing recent issuance interest rates for subordinated debt offerings of similar issuer size (Level 3).

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

The following tables (dollars in thousands) present estimated fair values and related carrying amounts of the Company's financial instruments as of the dates indicated presented in accordance with the applicable accounting guidance.

	March 31, 2026				
	Carrying Value	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	Total Fair Value
		Level 1	Level 2	Level 3	Balance
Financial Assets					
Cash and cash equivalents	\$ 85,894	\$ 85,894	\$ -	\$ -	\$ 85,894
Securities	350,506	-	330,213	20,293	350,506
Other investments	2,304	-	-	2,304	2,304
Loans held for sale	3,693	-	3,693	-	3,693
Loans held for investment, net	888,955	-	-	884,676	884,676
Interest receivable	5,210	-	5,210	-	5,210
Bank owned life insurance	24,600	-	24,600	-	24,600
IRLC	-	-	-	-	-
Forward sales commitments	117	-	117	-	117
Financial Liabilities					
Noninterest-bearing demand deposits	\$ 290,343	\$ 290,343	\$ -	\$ -	\$ 290,343
Interest checking deposits	157,491	-	157,491	-	157,491
Savings deposits	627,300	-	627,300	-	627,300
Time deposits	199,930	-	199,200	-	199,200
Long-term debt	9,921	-	-	9,988	9,988
Interest payable	1,361	-	1,361	-	1,361

December 31, 2025

	Carrying Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total Fair Value Balance
Financial Assets					
Cash and cash equivalents	\$ 68,853	\$ 68,853	\$ -	\$ -	\$ 68,853
Securities	345,339	-	326,304	19,035	345,339
Other investments	2,254	-	-	2,254	2,254
Loans held for sale	3,191	-	3,191	-	3,191
Loans held for investment, net	878,435	-	-	871,151	871,151
Interest receivable	5,118	-	5,118	-	5,118
Bank owned life insurance	24,395	-	24,395	-	24,395
IRLC	37	-	37	-	37
Forward sales commitments	20	-	20	-	20
Financial Liabilities					
Noninterest-bearing demand deposits	\$ 279,398	\$ 279,398	\$ -	\$ -	\$ 279,398
Interest checking deposits	148,624	-	148,624	-	148,624
Savings deposits	591,777	-	591,777	-	591,777
Time deposits	225,413	-	225,156	-	225,156
Long-term debt	9,917	-	-	10,085	10,085
Interest payable	1,361	-	1,361	-	1,361

NOTE 8 SUBSEQUENT EVENTS

On April 30, 2026, the Company sold its investment in Richmond-based Bearing Insurance (“Bearing”), in which the Company held an investment of four (4) units collectively valued at \$223,922 at March 31, 2026. The sale, which was finalized on April 30, 2026, after receiving member approval and all other necessary approvals, called for each unit to be valued at \$1,265,073, resulting in proceeds to the Company of \$5.1 million. As a result, the Company recorded a one-time, pre-tax gain of \$4.8 million, resulting in an after tax gain of \$3.8 million. The investment in Bearing was included in Other Assets on the balance sheet as of March 31, 2026.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (dollars in thousands)

F & M Bank Corp. (the “Company”), incorporated in Virginia in 1983, is a one-bank holding company under the Bank Holding Company Act of 1956 that has elected to become a financial holding company. The Company owns 100% of the outstanding stock of its banking subsidiary and VST.

The Company, through its subsidiary Bank, operates under a charter issued by the Commonwealth of Virginia and provides financial products and services to consumers and businesses. As a state-chartered bank, the Bank is subject to regulation by the Virginia Bureau of Financial Institutions and the FRB. The Bank provides services to customers located primarily in the counties of Rockingham, Shenandoah, and Augusta, and the cities of Harrisonburg, Staunton, Waynesboro and Winchester in Virginia. Services are provided at fourteen branch offices and a dealer finance division loan production office. The Company offers insurance, mortgage lending, and title insurance through the Bank and VST. The Company’s primary trade area services customers in the counties of Rockingham, Shenandoah, Augusta and Frederick, and the cities of Harrisonburg, Staunton, Waynesboro, and Winchester.

Management’s discussion and analysis is presented to assist the reader in understanding and evaluating the financial condition and results of operations of the Company. The analysis focuses on the consolidated financial statements, footnotes, and other financial data presented. The discussion highlights material changes from prior reporting periods and any identifiable trends which may affect the Company. Amounts have been rounded for presentation purposes. This discussion and analysis should be read in conjunction with the Consolidated Financial Statements and the Notes to the Consolidated Financial Statements presented in Item 1, Part 1 of this Form 10-Q and in conjunction with the audited Consolidated Financial Statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2025 (the “2025 Form 10-K”).

Forward-Looking Statements

Certain statements in this report may contain “forward-looking statements” as defined by federal securities laws, which are subject to significant risks and uncertainties. These include statements regarding future plans, strategies, results, or expectations that are not historical facts, and are generally identified by the use of words such as “believe,” “expect,” “intend,” “anticipate,” “will,” “estimate,” “project,” “plan” or similar expressions or other statements concerning opinions or judgements of the Company and its management about future events. These statements are based on estimates and assumptions, and our ability to predict results, or the actual effect of future plans or strategies, is inherently uncertain. Our actual results could differ materially from those contemplated by these forward-looking statements.

Factors that could have a material adverse effect on our operations and future prospects include, but are not limited to, changes in local and national economies or market conditions; changes in interest rates; regulations and accounting principles; changes in policies or guidelines; loan demand and asset quality, including values of real estate and other collateral; deposit flow; the impact of competition from traditional or new sources; and other factors. Readers should consider these risks and uncertainties in evaluating forward-looking statements and should not place undue reliance on such statements.

All forward-looking statements speak only as of the date on which such statements are made, and the Company undertakes no obligation to update any statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events.

Critical Accounting Policies

The accounting and reporting policies of the Company are in accordance with GAAP and conform to general practices within the banking industry. The Company’s financial position and results of operations are affected by management’s application of accounting policies, including estimates, assumptions, and judgments made to arrive at the carrying value of assets and liabilities and amounts reported for revenues, expenses, and related disclosures. Different assumptions in the application of these policies could result in material changes in the Company’s consolidated financial position and/or results of operations. The Company evaluates its critical accounting estimates and assumptions on an ongoing basis and updates them as needed. Management has discussed the Company’s critical accounting policies and estimates with the Audit Committee of the Board of Directors of the Company.

The Company’s critical accounting policies used in the preparation of the Consolidated Financial Statements as of March 31, 2026 were unchanged from the policies disclosed in the 2025 Form 10-K within the section “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” See Note 1 to the Consolidated Financial Statements in Part I, Item 1 for additional information.

Results of Operations

Overview

Net income for the first quarter of 2026 was \$3.2 million, or \$0.91 per share, compared to \$2.5 million, or \$0.70 per share, for the first quarter of 2025—an increase of \$769,000, or \$0.21 per share. Return on average assets was 0.94% and return on average equity was 12.18% for the three months ended March 31, 2026, both improving from the prior-year period. The increase in net income was primarily the result of loan and investment securities growth, which contributed to a \$1.2 million increase in interest income, along with a \$756,000 decrease in interest expense. Net interest income increased to \$11.4 million at March 31, 2026 from \$9.4 million at March 31, 2025.

Net Interest Income and Net Interest Margin

Net interest income for first quarter 2026 was \$11.4 million, an increase of \$2.0 million over first quarter 2025. Interest income for first quarter 2026 increased \$1.2 million due to loan and investment securities growth, while interest expense decreased \$756,000 driven by a shift from higher-cost time deposits to lower-cost interest checking and money market accounts. Net interest margin for the quarter ended March 31, 2026 was 3.56%, up 41 basis points from the quarter ended March 31, 2025. The earning asset yield increased 1 basis point to 5.44% from 5.43%. Cost of interest-bearing liabilities decreased by 45 basis points to 2.49%. Interest expense on deposits decreased \$830,000 due to a shift in the average balance of time deposits to lower-cost interest checking and money market accounts; however, interest expense on debt increased \$74,000 due to higher interest rates on long-term debt and an increase of \$2.9 million in average balances.

[Table of Contents](#)

The following table shows interest income on earning assets and related average yields as well as interest expense on interest-bearing liabilities and related average rates paid for the three months ended March 31, 2026 and 2025 (dollars in thousands):

	Three Months ended March 31,					
	2026			2025		
	Balance ⁴	Interest	Rate ¹	Balance ⁴	Interest	Rate ¹
ASSETS						
Loans held for investment ^{2,3}	\$ 886,662	\$ 14,243	6.51%	\$ 831,168	\$ 13,465	6.57%
Loans held for sale	1,775	25	5.71%	1,425	24	6.83%
Federal funds sold	62,929	564	3.63%	60,159	652	4.40%
Interest bearing deposits in banks and other investments	3,282	23	2.84%	3,176	30	3.83%
Investment securities ⁴						
Taxable	332,060	2,530	3.09%	302,917	1,988	2.66%
Tax exempt	16,424	108	2.67%	16,145	105	2.64%
Total investment securities	348,484	2,638	3.07%	319,062	2,093	2.66%
Total earning assets	1,303,132	17,493	5.44%	1,214,990	16,264	5.43%
Allowance for credit losses	(7,795)			(8,004)		
Nonearning assets	92,966			99,270		
Total assets	<u>\$ 1,388,303</u>			<u>\$ 1,306,256</u>		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Deposits						
Demand-interest bearing	\$ 151,966	\$ 572	1.53%	\$ 137,616	\$ 580	1.71%
Savings	607,699	3,579	2.39%	517,628	3,380	2.65%
Time deposits	217,709	1,720	3.20%	279,585	2,740	3.97%
Total interest-bearing deposits	977,374	5,871	2.44%	934,829	6,700	2.91%
Short-term debt	-	-	-	-	3	-
Long-term debt	9,919	193	7.89%	6,980	117	6.80%
Total interest-bearing liabilities	987,293	6,064	2.49%	941,809	6,820	2.94%
Noninterest bearing deposits	277,670			262,708		
Other liabilities	15,950			13,654		
Total liabilities	1,280,913			1,218,171		
Shareholders' equity	107,390			88,085		
Total liabilities and shareholders' equity	<u>\$ 1,388,303</u>			<u>\$ 1,306,256</u>		
Net interest earnings		<u>\$ 11,429</u>			<u>\$ 9,444</u>	
Net yield on interest earning assets (NIM)			3.56%			3.15%

¹ Annualized.

² Interest income on loans includes loan fees.

³ Loans held for investment include nonaccrual loans.

⁴ Average balance information is reflective of historical cost and has not been adjusted for changes in market value annualized.

[Table of Contents](#)

Provision for Credit Losses

During first quarter 2026, the Bank recorded a provision for credit losses of \$309,000, compared to a recovery of provision for credit losses of \$104,000 in first quarter 2025. The current quarter increase in provision was the result of a \$10.6 million increase in total loans held for investment during the first quarter of 2026, compared to a decline of \$12.9 million in the first three months of 2025. The provision also included a provision of \$20,000 in the reserve for unfunded commitments that resulted from an increase in outstanding loan commitments. At March 31, 2026, the ACL totaled \$7.9 million or 0.88% of gross loans outstanding.

Non-interest income

Non-interest income totaled \$2.9 million for first quarter 2026, an increase of \$50,000, compared to first quarter 2025. The increase was primarily driven by higher title insurance income and increased service charges on deposit accounts, partially offset by lower mortgage banking income. Non-interest income to average assets decreased to 0.85% at March 31, 2026 compared to 0.88% at March 31, 2025.

Non-interest Expense

Non-interest expenses totaled \$10.3 million for first quarter 2026, compared to \$9.5 million for the first quarter 2025, an increase of \$789,000. The increase was primarily attributable to increased compensation and legal and professional fees, partially offset by a reduction in FDIC insurance expense. Salaries increased \$174,000, largely due to the increase in the number of full-time equivalent employees and an increase in bonus accruals. Employee benefits increased \$401,000 due to increases in payroll expenses, group insurance, and retirement contributions. Legal and professional fees increased \$274,000 due to interim accounting assistance and other consulting fees. Non-interest expense to average assets increased from 2.96% at March 31, 2025 to 3.01% at March 31, 2026.

Balance Sheet Review

Overview

On March 31, 2026, assets totaled \$1.4 billion, an increase of \$35.2 million since December 31, 2025. Cash and cash equivalents increased \$17.0 million to \$85.9 million, primarily due to an increase in Federal funds sold during the quarter. Total loans increased by \$10.6 million to \$896.9 million, including increases of \$8.4 million in residential mortgage loans, \$6.4 million in multifamily residential loans, \$2.9 million in commercial and industrial loans, \$2.9 million in loans secured by farmland, and \$2.8 million in other construction and land development loans. These increases were partially offset by declines of \$6.7 million in owner-occupied commercial real estate loans, \$4.3 million in residential construction loans, and \$7.2 million in automobile loans. Investment securities increased by \$5.2 million due to purchases of \$14.9 million, partially offset by \$8.9 million in paydowns of U.S. agency mortgage-backed securities. Total deposits grew by \$29.9 million to \$1.3 billion, with noninterest bearing deposits increasing by \$10.9 million and interest-bearing deposits increasing by \$18.9 million. Long-term debt remained consistent at \$9.9 million. Total shareholders' equity rose by \$1.8 million to \$106.6 million.

Securities Available for Sale ("AFS")

The Company's available-for-sale (AFS) securities portfolio is reported at fair value, based on market prices of comparable instruments. This portfolio mainly includes U.S. Treasury securities, U.S. agency and mortgage-backed securities issued by federal agencies, as well as municipal bonds and corporate debt securities. As of March 31, 2026, the total AFS securities were \$350.5 million, up from \$345.3 million on December 31, 2025.

This represents an increase of \$5.2 million, or 1.5%. The average balance of the AFS securities portfolio during the first three months of 2026 was \$348.5 million, compared to \$319.1 million during the same period in 2025. The average AFS securities portfolio accounted for 26.7% and 26.3% of average earning assets for the three months ended March 31, 2026, and 2025, respectively. The increase in AFS securities is primarily due to purchases of \$14.9 million, partially offset by \$8.9 million in paydowns of U.S. agency mortgage-backed securities in the bond portfolio. Net unrealized losses related to the fair value of AFS securities were \$21.8 million as of March 31, 2026, compared to \$21.0 million as of December 31, 2025. This unrealized loss is attributed to rising market interest rates rather than credit quality. During the period, \$8.9 million in mortgage-backed securities were paid down, all of which was reinvested in higher-yielding bonds. Scheduled maturities and paydowns are expected to total \$54.4 million in the remaining nine months of 2026. The portfolio's weighted average life is 4.46 years, with a modified duration of 3.57 years.

Loan Portfolio

The Company operates in a diverse local economy supported by various industries, including agribusiness, manufacturing, services, and several universities and colleges. The Bank is an active lender for residential mortgages and residential construction and typically provides commercial loans to small and mid-size businesses and farms within its primary service area. Additionally, the Bank offers automobile and recreational vehicle loans through its dealer finance division.

Loans Held for Investment totaled \$896.9 million at March 31, 2026 and increased \$10.6 million from \$886.3 million at December 31, 2025. As a percentage of average earning assets, average loans were 63.9% for the three months ended March 31, 2026, compared with 68.4% for the three months ended March 31, 2025.

Loans Held for Sale totaled \$3.7 million as of March 31, 2026, an increase of \$502,000 from \$3.2 million on December 31, 2025. This category consists of mortgage loans, which are affected by interest rate changes, seasonal trends, and refinancing activity. All mortgage loans held for sale have been pre-committed to investors, effectively minimizing interest rate risk.

The Company's loans held for investment portfolio is well-diversified, with first-lien, amortizing residential mortgage loans as the largest segment, representing 27.93% of total loans. Commercial real estate loans, including both owner-occupied and non-owner-occupied properties, comprise \$206.4 million, or 23.00% of the portfolio. Loans secured by farmland totaled \$117.9 million, or 13.14% of the portfolio. Automobile loans, originated through the Company's dealer finance division, total \$69.9 million, accounting for 7.79% of the portfolio. Following is a breakdown of the loan portfolio composition as of March 31, 2026, and December 31, 2025 (dollars in thousands):

Loan Segment	March 31, 2026		December 31, 2025	
	Balance	Percentage of Portfolio	Balance	Percentage of Portfolio
I-4 Family residential construction	\$ 26,802	2.99%	\$ 31,118	3.51%
Other construction, land development and land	42,005	4.68%	39,187	4.42%
Secured by farmland	117,937	13.14%	115,000	12.97%
Home equity – open end	53,550	5.97%	51,393	5.80%
Real estate	250,663	27.93%	243,361	27.44%
Home Equity – closed end	7,030	0.78%	5,980	0.67%
Multifamily	25,276	2.82%	18,854	2.13%
Owner-occupied commercial real estate	89,930	10.02%	96,651	10.90%
Other commercial real estate	116,446	12.97%	114,434	12.90%
Agricultural loans	21,530	2.40%	20,127	2.27%
Commercial and industrial	59,833	6.67%	56,885	6.41%
Credit Cards	3,364	0.37%	3,387	0.38%
Automobile loans	69,922	7.79%	77,080	8.69%
Other consumer loans	9,044	1.01%	9,132	1.03%
Municipal loans	4,137	0.46%	4,219	0.48%
Gross loans	\$ 897,469	100.00%	\$ 886,808	100.00%
Unamortized deferred net loan fees	(604)		(555)	
Loans held for investment, net of deferred loan fees	\$ 896,865		\$ 886,253	

Allowance for Credit Losses

Management has implemented a comprehensive analytical process to evaluate the adequacy of the allowance for credit losses. Refer to the discussion in Note 1 Summary of Significant Accounting Policies in Notes to the Consolidated Financial Statements for management's approach to estimating the ACL.

[Table of Contents](#)

The Company maintains the ACL at a level deemed adequate by management for expected credit losses. The Company's ACL is calculated quarterly with any adjustment recorded to the provision for credit losses in the consolidated Statement of Income. Management evaluates the adequacy of the ACL utilizing a defined methodology to determine if it properly addresses the current and expected risks in the loan portfolio, which considers the performance of borrowers and specific evaluation of individually evaluated loans, including historical loss experiences, trends in delinquencies, non-performing loans and other risk assets, and qualitative factors. Risk factors are continuously reviewed and adjusted, as needed, by management when conditions support a change. Management believes its approach properly addresses relevant accounting and bank regulatory guidance for loans both collectively and individually evaluated.

The current quarter provision for credit losses of \$309,000 was a combination of \$289,000 provision for the allowance for loan credit losses, plus \$20,000 provision for the allowance for unfunded commitments. The current quarter provision of \$289,000 was driven by net loan charge-offs of \$198,000 and a \$10.6 million increase in loan balances.

As of March 31, 2026, year-to-date net charge-offs totaled \$198,000, up from \$187,000 during the same period ended March 31, 2025. Gross loans increased by \$10.6 million in the first quarter of 2026 and loans individually analyzed decreased \$1.4 million. As of March 31, 2026, the ACL was \$7.9 million, or 0.88% of loans held for investment, compared to \$7.8 million, or 0.88% of loans held for investment, as of December 31, 2025. The allowance for credit losses as a percentage of loans remained stable during the quarter, reflecting loan growth in line with existing portfolio risk characteristics and strong recovery performance.

The reserve for unfunded commitments increased from \$764,000 at December 31, 2025, to \$786,000 at March 31, 2026 due to increases in loan commitments of \$9.2 million in construction loans, \$1.7 million in home equity loans, and \$1.5 million in nonowner-occupied commercial real estate, partially offset by a decrease of \$11.7 million in commercial and industrial loans.

Asset Quality

Management classifies nonperforming loans as nonaccrual loans and loans that are 90 days or more past due. Nonaccrual loans are those on which interest accruals have been suspended or permanently discontinued. The Company's nonaccrual loans decreased \$1.2 million from December 31, 2025, primarily due to the payoff of three owner-occupied commercial real estate loans and one home equity loan related to one customer relationship (\$325,000) and one owner-occupied commercial real estate loan (\$1.0 million) becoming current during the quarter. For more details on nonperforming loans by segment, see Note 3 Loans in Notes to the Consolidated Financial Statements.

The following table summarizes the Company's non-performing assets as of March 31, 2026, and December 31, 2025 (in thousands):

	March 31, 2026	December 31, 2025
Nonaccrual loans	\$ 4,844	\$ 6,037
Loans past due 90 days and accruing interest	5	7
Total nonperforming loans	4,849	6,044
Other real estate owned	-	-
Total nonperforming assets	\$ 4,849	\$ 6,044
Allowance for credit losses	\$ 7,910	\$ 7,818
Total Loans	\$ 896,865	\$ 886,253
Ratios:		
Allowance for credit losses to Total Loans	0.88%	0.88%
Allowance for credit losses to Total nonperforming assets	163.13%	129.35%
Allowance for credit losses to Nonaccrual loans	163.29%	129.50%
Nonaccrual Loans to Total Loans	0.54%	0.68%

Deposits and Other Borrowings

The Company's main source of funding consists of deposits received from individuals, governmental entities and businesses located within the Company's service area. Deposit accounts include demand deposits, savings, money market, and certificates of deposit. Total deposits were \$1.28 billion and \$1.25 billion at March 31, 2026 and December 31, 2025, respectively. Noninterest bearing deposits increased \$10.9 million and interest bearing deposits increased \$18.9 million.

The following table shows the balance of each category of deposits as of the dates indicated (dollars in thousands).

	March 31, 2026		December 31, 2025	
	Balance	% of total deposits	Balance	% of total deposits
Noninterest-bearing demand	\$ 290,343	22.8%	\$ 279,398	22.4%
Interest checking	157,491	12.3%	148,624	11.9%
Savings accounts	627,300	49.2%	591,777	47.5%
Time deposits	199,930	15.7%	225,413	18.1%

Total deposits	<u>\$ 1,275,064</u>	<u>\$ 1,245,212</u>
----------------	---------------------	---------------------

Estimated uninsured deposits totaled approximately \$177.7 million and \$167.4 million at March 31, 2026, and December 31, 2025, respectively.

The following table shows the average balances of deposits and average interest rates paid as of March 31, 2026 and December 31, 2025 (dollars in thousands).

	<u>March 31, 2026</u>		<u>December 31, 2025</u>	
	Average Balance	Rate	Average Balance	Rate
Noninterest-bearing demand	\$ 277,670	-	\$ 273,497	-
Interest-bearing:				
Interest checking	151,966	1.53%	137,352	1.65%
Savings accounts	607,699	2.39%	554,377	2.65%
Time deposits	217,709	3.20%	245,951	3.52%
Total interest-bearing deposits	977,374	2.44%	937,680	2.73%
Total average deposits	<u>\$ 1,255,044</u>	1.90%	<u>\$ 1,211,177</u>	2.12%

The following table sets forth maturity ranges of time deposits, as of March 31, 2026, that meet or exceed the FDIC insurance limit (in thousands).

Maturity period:	March 31, 2026
3 months or less	\$ 11,489
Over 3 months through 6 months	3,588
Over 6 months through 12 months	21,071
Over 12 months	1,059
Total	<u>\$ 37,207</u>

Long-term borrowings

Long-term debt remained stable at \$9.9 million from December 31, 2025 to March 31, 2026 and consisted of \$10.0 million in aggregate principal amount of 7.55% fixed to floating rate subordinated notes due November 1, 2035. The Notes will initially bear interest at 7.55% per annum from and including November 1, 2025 to, but excluding, November 1, 2030, payable semi-annually in arrears on May 1 and November 1 or each year, commencing on May 1, 2026. From and including November 1, 2030 to but excluding November 1, 2035, or up to an early redemption date, the interest rate will reset quarterly to an interest rate per annum equal to the then current three-month Secured Overnight Financing Rate (SOFR) plus 424.5 basis points, payable quarterly in arrears. Beginning on November 1, 2030 through maturity, the Notes may be redeemed, at the Company's option, on any scheduled interest payment date. The Notes will mature on November 1, 2035.

[Table of Contents](#)

Shareholders' Equity

Total Shareholders' equity at March 31, 2026, was \$106.6 million, compared to \$104.8 million at December 31, 2025. Shareholders' equity increased \$1.8 million due to net income of \$3.2 million, offset by other comprehensive loss of \$585,000 and dividends to shareholders of \$925,000. Other comprehensive loss was the result of a decrease in the unrealized gains on securities available for sale.

Liquidity

Liquidity represents an institution's ability to meet present and future financial obligations through either the sale or maturity of existing assets or the acquisition of additional funds through liability management. Liquid assets include cash, interest-bearing deposits with banks, money market investments, federal funds sold, loans held for sale, and securities and loans maturing or re-pricing within one year. Additional sources of liquidity available to the Company include its capacity to borrow additional funds when necessary through federal funds lines with several correspondent banks, a line of credit with the FHLB, credit availability at the Federal Reserve Bank, the purchase of brokered certificates of deposit, corporate line of credit with a large correspondent bank, and debt and capital issuances. Management believes the Company's current overall liquidity is sufficient to satisfy its depositors' requirements and to meet its customers' credit needs.

The Company closely monitors changes in the industry and market conditions that may impact the Company's liquidity. Deposits have remained a steady source of liquidity. The Company may use other means of borrowings or other liquidity sources to fund any liquidity needs based on declines in deposit balances. The Company is also closely tracking the potential impacts on the Company's liquidity due to declines in fair value of the Company's securities portfolio due to rising market interest rates.

As of March 31, 2026, liquid assets totaled \$121.5 million, or 8.6% of total assets, and liquid earning assets totaled \$103.1 million, or 7.8% of total earning assets. Asset liquidity is also provided by managing loan and securities maturities and cash flows. The Bank is scheduled to receive \$54.4 million from bond paydowns and maturities by the end of 2026 which can be used to fund future loan growth and for other purposes.

At March 31, 2026 the Bank pledged investment securities with a collateral value totaling \$113.1 million to the Federal Reserve System's Discount Window. The Discount Window provides access to funding to help depository institutions manage their liquidity risks. The Bank did not borrow from the Discount Window during the first three months of 2026. In addition to the Discount Window, the Bank has access to off-balance sheet liquidity through unsecured Federal funds lines totaling \$90.0 million, and a secured line of credit with the FHLB with \$201.4 million in available credit at March 31, 2026. The FHLB line of credit is secured by a blanket lien on qualifying loans in the residential, commercial, agricultural real estate, and home equity portfolios.

The Bank has a Funding and Liquidity Risk Management policy that limits the amount of short-term and long-term alternative funding to no more than 25% of total assets.

Uninsured deposits at March 31, 2026 were \$177.7 million or 14% to total deposits. In the unlikely event that uninsured deposit balances leave the Bank over a short period of time, management could more than satisfy the demand with liquid assets and FHLB borrowing capacity.

Market Risk Management

Market risk is the sensitivity of a financial institution's earnings or the economic value of its capital to adverse changes in interest rates, exchange rates, and equity prices. The Company's primary component of market risk is interest rate volatility. Interest rate fluctuations impact the amount of interest income and expense the Bank pays or receives on the majority of its assets. Rapid changes in short-term interest rates may lead to volatility in net interest income resulting in additional interest rate risk to the extent that imbalances exist between the maturities or repricing of interest-bearing liabilities and interest earning assets.

The Company manages interest rate risk through an asset and liability committee ("ALCO") composed of members of its Board of Directors and executive management. The ALCO is responsible for monitoring and managing the Company's interest rate risk and establishing policies to monitor and limit exposure to this risk. The Company's Board of Directors reviews and approves the guidelines established by ALCO.

[Table of Contents](#)

Management uses simulation analysis to measure the sensitivity of net interest income to changes in interest rates. The model calculates an earnings estimate based on current and projected balances and rates. This method is subject to the accuracy of the assumptions that underlie the process, but it provides an additional analysis of the sensitivity of the earnings to changes in interest rates to static gap analysis. Assumptions used in the model rates are derived from historical trends, peer analysis, and management's outlook, and include loans and deposit growth rates and projected yields and rates. All maturities, calls, and prepayments in the securities portfolio are assumed to be reinvested in like instruments. Mortgage loans and mortgage-backed securities prepayment assumptions are based on industry estimates of prepayment speeds for portfolios with similar coupon ranges and seasoning. Different interest rate scenarios and yield curves are used to measure the sensitivity of earnings to changing interest rates. Interest rates on different assets and liability accounts move differently when the prime rate changes and is reflected in different rate scenarios.

The following table represents interest rate sensitivity on the Company's net interest income using different rate scenarios:

Change in Interest Rates (in Basis Points)	As of March 31, 2026 Percent Change in Earnings	As of December 31, 2025 Percent Change in Earnings
+ 400 basis points	-3.87%	-9.31%
+ 300 basis points	-2.80%	-6.75%
+ 200 basis points	-1.82%	-4.45%
+ 100 basis points	-0.86%	-2.18%
- 100 basis points	0.18%	1.78%
- 200 basis points	-0.18%	2.95%
- 300 basis points	-1.27%	3.21%
- 400 basis points	-0.62%	3.85%

Economic value simulation is used to calculate the estimated fair value of assets and liabilities over different interest rate environments. Market values are calculated based on discounted cash flow analysis. The net economic value is the market value of all assets minus the market value of all liabilities. The change in net economic value ("EVE") over different rate environments is an indication of the longer- term repricing risk in the balance sheet. The same assumptions are used in the market value simulation as in the earnings simulation.

The following table reflects the change in net economic value over different rate environments:

Change in Interest Rates (in Basis Points)	As of March 31, 2026 Percentage Change in EVE	As of December 31, 2025 Percentage Change in EVE
+ 400 basis points	-16.20%	-22.76%
+ 300 basis points	-12.39%	-17.78%
+ 200 basis points	-8.35%	-12.52%
+ 100 basis points	-4.36%	-7.34%
- 100 basis points	2.09%	2.83%
- 200 basis points	0.45%	2.38%
- 300 basis points	-4.41%	-1.22%
- 400 basis points	-9.17%	-2.89%

Prudent balance sheet management requires processes that monitor and protect the Company against unanticipated or significant changes in the level of market interest rates. Net interest income stability should be maintained in changing rate environments by ensuring that interest rate risk is kept to an acceptable level. The ability to reprice our interest-sensitive assets and liabilities over various time intervals is of critical importance.

The Company uses a variety of traditional and on-balance-sheet tools to manage our interest rate risk. Gap analysis, which monitors the "gap" between interest-sensitive assets and liabilities, is one such tool. In addition, we use simulation modeling to forecast future balance sheet and income statement behavior. By studying the effects on net interest income of rising, stable, and falling interest rate scenarios, the Company can position itself to take advantage of anticipated interest rate movement, and protect itself from unanticipated rate movements, by understanding the dynamic nature of its balance sheet components.

[Table of Contents](#)

An asset-sensitive balance sheet structure implies that assets, such as loans and securities, will reprice faster than liabilities; consequently, net interest income should be positively affected in an increasing interest rate environment. Conversely, a liability-sensitive balance sheet structure implies that liabilities, such as deposits, will reprice faster than assets; consequently, net interest income should be positively affected in a decreasing interest rate environment. At March 31, 2026, the Company had \$88.9 million more in liabilities repricing than assets subject to repricing in one year. This is a one-day position that is continually changing and is not necessarily indicative of our position at any other time.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not required

Item 4. Controls and Procedures

The Company's management, including the Chief Executive Officer and Chief Financial Officer, evaluated the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of March 31, 2026. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified by the SEC and that such information is accumulated and communicated to management including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures. There were no changes in the Company's internal control over financial reporting during the three months ended March 31, 2026 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. There are no material pending legal proceedings other than ordinary routine litigation incidental to its business, to which the Company is a party or of which the property of the Company is subject.	
Item 1A.	Risk Factors.	Not required
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds.	None
Item 3.	Defaults Upon Senior Securities.	None
Item 4.	Mine Safety Disclosures.	None
Item 5.	Other Information.	None
Item 6.	Exhibits.	

(a) **Exhibits**

31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) (filed herewith).
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) (filed herewith).
32	Certifications of 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 (filed herewith).
101	The following materials from F&M Bank Corp. s Quarterly Report on Form 10-Q for the period ended March 31, 2026, formatted in Inline Extensible Business Reporting Language (iXBRL), include: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Changes in Shareholders Equity, (v) Consolidated Statements of Cash Flows and (vi) related notes (filed herewith).
104	The cover page from F&M Bank Corp. s Quarterly Report on Form 10-Q for the period ended March 31, 2026, formatted in Inline XBRL (included with 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.

F & M BANK CORP.
(Registrant)

By: /s/ Aubrey M. Wilkerson
Aubrey M. Wilkerson
Director and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Lisa F. Campbell
Lisa F. Campbell
Executive Vice President and Chief Financial
Officer
(Principal Financial Officer and Principal
Accounting Officer)

May 13, 2026

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
(Chapter 63, Title 18 USC Section 1350 (A) and (B))

I, Aubrey M. Wilkerson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of F & M Bank Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal controls 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.

Dated: May 13, 2026

/s/ Aubrey M. Wilkerson
Aubrey M. Wilkerson
Chief Executive Officer

A signed original of this written statement required by Section 302 of the Sarbanes-Oxley Act of 2002 has been provided to F & M Bank Corp. and will be retained by F & M Bank Corp. and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION OF CHIEF FINANCIAL OFFICER
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
(Chapter 63, Title 18 USC Section 1350 (A) and (B))

I, Lisa F. Campbell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of F & M Bank Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal controls 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.

Dated: May 13, 2026

/s/ Lisa F. Campbell

Lisa F. Campbell
Executive Vice President & Chief Financial Officer

A signed original of this written statement required by Section 302 of the Sarbanes-Oxley Act of 2002 has been provided to F & M Bank Corp. and will be retained by F & M Bank Corp. and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION OF PRESIDENT AND CHIEF EXECUTIVE OFFICER,
EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER**

Pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350)

The undersigned, as the Chief Executive Officer and Executive Vice President and Chief Financial Officer of F & M Bank Corp., respectively, certify that, to the best of each such individual's knowledge and belief, the Quarterly Report on Form 10-Q for the period ended March 31, 2026, which accompanies this certification fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and the information contained in the periodic report fairly presents, in all material respects, the financial condition and results of operations of F & M Bank Corp. at the dates and for the periods indicated. The foregoing certification is made pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350) and shall not be relied upon for any other purpose. The undersigned expressly disclaims any obligation to update the foregoing certification except as required by law.

/s/ Aubrey M. Wilkerson

Aubrey M. Wilkerson
Chief Executive Officer

/s/ Lisa F. Campbell

Lisa F. Campbell
Executive Vice President and Chief Financial Officer

May 13, 2026