



Annual Report 2024



Farmers and Merchants Bancshares, Inc.

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President's Message



*I*t seems like we blinked and a year flew by, doesn't it? Believe it or not, it's time to come together again for a look back at both the highs and lows of 2024 and the path forward this year.

At the risk of sounding like a broken record from the last few years, I'm going to go ahead and say it anyway. Last year was no cakewalk for the financial industry! It was another year of navigating an uncertain economic environment: inflation kept interest rates higher for longer than we expected and loan demand slowed to a crawl.

With consumers and businesses both taking a cautious approach, we felt the pressure on both sides of the balance sheet. It was definitely a year for juggling some of the same issues we faced in 2023. But F&M Bank & Trust also made it a year for pulling together as a team. From the Board of Directors on down the line, we worked hard to not only improve internal processes and efficiencies, but to also capitalize on the opportunities we could. Despite the challenges that we faced, we stayed the course. Our whole team buckled down and found innovative ways to improve earnings – from decreasing operating expenses to getting the job done, and done well, with fewer hands. Due to the hard work of our employees, we were able to pare down the size of our workforce through attrition. I have to brag on them again for stepping up as a smaller team to provide the same high level of client service that they always have; they've done a great job! When it was all said and done, I'm proud to say that we managed through another challenging year using our experience and determination. As a result, we reported net income of \$743,515 for 2024, a significant improvement over 2023.

Looking back now, I'm sure that 2024 was memorable for most of us as we all dealt with an unstable economy and the uncertainty surrounding the Presidential election in November. I know many of the folks in our community are still feeling the pinch of ever-increasing prices for nearly everything on the shelves. One thing we will all remember about 2024 was the hottest topic of debate in an election year – the price of eggs!

It's important that I take a moment to remind you of a few things that make us the best bank around. Did you notice that F&M Bank & Trust was all over town last year? Actually, we still are. You can find bank team members on social media, on the radio, and at nearly every community event. We're much more visible around town these days because that's where we should be.

After all, this isn't just where we do business – it's where we live, where our kids go to school, and where we continue to invest our time and resources. We can be there for you and your family from elementary school all the way through retirement. What's more, we'll do it with integrity and a handshake that still means something. Imagine banking your whole life with one institution where the team knows you and you know them, where you can access your money your way on your time. We have everything to make that a reality, including all the technology you need and then some. With 109 years in this community, you can rest easy knowing that F&M Bank & Trust will always be right here to support families and local businesses. That's my promise and you can bank on it.

We also want to share with you this brief recap of the 2024 financial results.

The Company reported net income for 2024 totaling \$743,515 or \$2.69 per share, compared to a net loss of \$81,859 or (\$0.30) per share in 2023. The improvement in earnings was due to a \$480,026 increase in net interest income, which was attributed to both higher yields on earning assets minus the cost of interest paid on our deposits and borrowings, and a decrease of \$514,753 in operating expenses compared to the prior year. The reduction in operating expenses was attributed to a reduction in the expense of salaries and employee benefits due to fewer employees.

The Company ended the year with total assets of \$216,724,000. Net loans decreased modestly ending the year at \$118,860,000. Total deposits decreased by \$23 million, or 11% year-over-year, ending the year at \$183,853,000.

Stockholders' equity was \$9,267,000 at year-end 2024 with a Book Value per share of \$32.34. Once again, we were able to return to you, our shareholders, a total of \$1.00 per share in 2024 through two cash dividends of \$0.50 per share.

Our capital ratios continued to exceed "Well Capitalized" levels with the Company's Tier 1 Leverage ratio at 9.1% and the Total Risk-Based Capital ratio at 17.6% as of December 31, 2024. In addition, the Company's liquidity position remained favorable due to our strong core deposit base.

Integrated Financial Resources (IFR), comprised of Trust and Brokerage, had another very good year. Assets under management (AUM) finished at \$355,800,000, growing by \$26.6 million in 2024. While the markets were helpful, net new AUM of over \$5 million contributed greatly to the growth and will have a long lasting influence on the success of IFR in the future. Account openings totaled 247, which was 107 more than budget expectations. The above numbers made for a very successful year on the income statement with net income for IFR over budget by 34.72% at nearly \$311,887.

Between the Company's assets of \$216,724,000 and IFR's AUM of \$355,800,000, our total assets came in at an impressive \$572,524,000 for 2024.

Before I wrap it up until next year, I have to thank the people I count on to keep the bank running like a well-oiled machine. First, thank you to our Board of Directors for approaching their responsibilities with the seriousness the position requires. Their guidance is absolutely key to our success. I also need to thank the management team and the rest of the team members; they are the backbone of F&M Bank & Trust. I'm very proud of everything they do to ensure that our clients receive what they need and are treated with the respect and care they deserve in every interaction.

Finally, thank you to our shareholders for your continued support and loyalty. We appreciate each of you for making all of this possible.

We hope to see you at the annual meeting in May.

Sincerely,

A handwritten signature in dark ink, appearing to read "CEWalsh", written in a cursive style.

Charles E. Walsh
President/CEO

Financials

Balance Sheets

Assets	12/31/2024	12/31/2023
Cash	\$4,182	\$5,198
Investments	73,627	88,376
Net Loans	118,860	120,511
All Other Assets	20,055	20,148
TOTAL ASSETS	\$216,724	\$234,233
Liabilities		
Total Deposits	\$183,853	\$207,247
All Other Liabilities	23,604	19,230
TOTAL LIABILITIES	\$207,457	\$226,477
Capital		
Total Capital Accounts	9,267	7,756
TOTAL LIABILITIES AND CAPITAL	\$216,724	\$234,233

Income Statements

Total Interest and Dividend Income	\$8,577	\$7,622
Total Interest Expense	(2,879)	(2,405)
Provision for Loan Losses	(21)	(67)
Net Interest Income After Provision for Loan Losses	\$5,677	\$5,150
Total Non-Interest Income	3,544	3,514
Total Non-Interest Expense	(8,340)	(8,855)
Income (Loss) Before Income Taxes	\$881	\$(191)
Income Tax Benefit (Expense)	(137)	109
NET INCOME (LOSS)	\$744	\$(82)

These summary financial statements are derived from the Company's audited consolidated financial statements, which are prepared in accordance with auditing standards generally accepted in the United States of America.

Crowe LLP is the Company's independent auditor. The Company's audited consolidated financial statements are available upon written request to Farmers and Merchants Bancshares, Inc., P.O. Box 928, Burlington, Iowa 52601.

Organizational Chart

Farmers and Merchants Bancshares, Inc.

Established in 1993, is a Holding Company consisting of 233 shareholders representing 276,356 shares owning 100% of Farmers & Merchants Bank & Trust, Burlington, Iowa.

Farmers & Merchants Bank & Trust

Established in 1916, is a financial institution whose primary market area is Southeast Iowa.

Farmers and Merchants Building Corporation Burlington, Iowa

Owned 100% by Farmers & Merchants Bank & Trust, Burlington, Iowa
The Building Corporation is the Bank's real estate management company.

Farmers and Merchants Community Foundation

A separate entity founded and organized by Bank employees in 2008.

The Foundation's purposes are to obtain donations and funds to help area educators in Des Moines County, Iowa; to provide scholarships for post-secondary education to graduates of Des Moines County schools; and to participate in fundraising efforts with other charitable organizations.

Monetary donations can be sent to:

Farmers and Merchants Community Foundation, Inc.
PO Box 928
Burlington, IA 52601



Farmers and Merchants Bancshares, Inc.
221 Jefferson Street
P.O. Box 928
Burlington, Iowa 52601

319-754-BANK or 888-331-BANK
fmbanktrust.bank