

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

**CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported) May 4, 2021

Farmers & Merchants Bancorp, Inc.
(Exact Name of Registrant as Specified in its Charter)

Ohio
(State or Other Jurisdiction
of Incorporation)

001-38084
(Commission
File Number)

34-1469491
(IRS Employer
Identification No.)

307 North Defiance Street, Archbold, Ohio
(Address of Principal Executive Offices)

43502
(Zip Code)

Registrant's Telephone Number, including Area Code (419) 446-2501

N/A
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17-CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of Each Exchange
Common Stock, No Par Value	FMAO	NASDAQ Capital Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter)

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.

Item 1.01. Entry Into a Material Definitive Agreement.

On May 4, 2021, Farmers & Merchants Bancorp, Inc., an Ohio corporation (“F&M”) and its wholly-owned subsidiary, Farmers & Merchants State Bank (“F&M Bank”), entered into an Agreement and Plan of Reorganization and Merger (the “Merger Agreement”) with Perpetual Federal Savings Bank of Urbana (“PFSB”), which provides for the merger of PFSB with and into F&M Bank (the “Merger”) and the conversion of each of the outstanding shares of PFSB’s common stock into the right to receive the cash or stock consideration as described in, and subject to, the terms and conditions of the Merger Agreement.

Based on the closing price of F&M’s common stock on May 3, 2021 of \$24.22 per share, the transaction value for the shares of common stock and cash to be paid is approximately \$103.7 million.

The transaction is expected to be a tax-free stock exchange for PFSB’s shareholders who will be receiving F&M’s common stock pursuant to the Merger. Subject to PFSB’s shareholders’ approval of the Merger, regulatory approvals and other customary closing conditions, the parties anticipate completing the Merger in the third quarter of 2021. A copy of the Merger Agreement is filed as Exhibit 2.1 and incorporated herein by reference.

The Boards of Directors of each of F&M, F&M Bank and PFSB have approved the Merger Agreement. The members of the Board of Directors of PFSB have entered into a Voting Agreement pursuant to which each of them has agreed to vote their shares of PFSB common stock in favor of the Merger. A copy of the form of Voting Agreement is attached to the Merger Agreement as Exhibit B.

Subject to the terms and conditions of the Merger Agreement, upon the completion of the Merger, PFSB shareholders will have the opportunity to elect to receive either 1.7766 shares of FMAO stock or \$41.20 per share in cash for each PFSB share owned, subject to adjustment based upon 1,833,999 shares of FMAO to be issued in the merger. Fractional shares of F&M common stock will not be issued in respect of fractional interests arising from the Merger but will be paid in cash pursuant to the Merger Agreement.

The Merger Agreement contains representations, warranties and covenants of PFSB, F&M and F&M Bank, including, among others, covenants (i) to conduct their respective businesses in the ordinary course during the period between the execution of the Merger Agreement and consummation of the Merger and (ii) prohibiting PFSB from engaging in certain kinds of transactions during such period. The Board of Directors of PFSB has adopted a resolution recommending the approval and adoption of the Merger Agreement by its shareholders, and PFSB has agreed to hold a shareholder meeting to put the Merger before its shareholders for consideration. PFSB has also agreed, subject to certain exceptions as set forth in the Merger Agreement, not to (i) solicit proposals relating to alternative business combination transactions or (ii) participate in any discussions or negotiations or furnish any information to any person or entity proposing or seeking an alternative business combination transactions.

Consummation of the Merger is subject to various conditions, including, among others, (i) requisite approval of the holders of PFSB common stock; (ii) effectiveness of a Form S-4 registration statement relating to the F&M common stock to be issued in the Merger and listing of the F&M common stock to be issued in the Merger on the NASDAQ Capital Market; and (iii) receipt of regulatory approvals. The Merger Agreement also provides that, at the Effective Time, F&M and F&M Bank will appoint to cause a mutually acceptable PFSB director to be appointed to the F&M and F&M Bank Boards of Directors.

The Merger Agreement contains certain termination rights for both F&M and PFSB. Under certain circumstances, termination of the Merger Agreement may result in the payment of a termination fee of \$4,250,000.00 to F&M, all as more fully described in the Merger Agreement.

The foregoing description of the Merger Agreement is not complete and is qualified in its entirety by reference to the Merger Agreement, which is filed as Exhibit 2.1, and, as mentioned above, is incorporated by reference. In addition, the Merger Agreement and the above description thereof have been included to provide investors and security holders with information regarding the terms of the Merger Agreement. They are not intended to provide any other factual information about F&M, F&M Bank, PFSB or any affiliates thereof. The representations, warranties and covenants contained in the Merger Agreement were made only for purposes of that agreement and as of specific dates, were solely for the benefit of the parties to the Merger Agreement and may be subject to limitations agreed upon by the parties, including being qualified by confidential disclosures made by each party to the other for the purposes of allocating contractual risk between them that differs from those applicable to investors. Investors should not rely on the representations, warranties or covenants or any description thereof as characterizations of the actual state of facts or condition of F&M, F&M Bank, PFSB or any of their respective affiliates or businesses. Moreover, information concerning the subject matter of the representations,

warranties and covenants may change after the date of the Agreement, which subsequent information may or may not be fully reflected in public disclosures by F&M, F&M Bank or PFSB. Accordingly, investors should read the representations and warranties in the Merger Agreement not in isolation but only in conjunction with the other information about F&M, F&M Bank, PFSB or any affiliates thereof that the respective companies include in reports, statements and other filings they make with the Securities and Exchange Commission (“SEC”) and applicable bank regulatory authorities.

Item 8.01. Other Events.

On August 20, 2018, F&M issued a press release announcing the execution of the Merger Agreement. A copy of the press release is attached hereto as Exhibit 99.1 and incorporated by reference herein.

Attached as Exhibit 99.2 is a presentation regarding the Merger.

The information furnished under Item 8.01 of this Current Report shall not be deemed to be “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall it be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

FORWARD-LOOKING STATEMENTS

This filing and the exhibit hereto may contain forward-looking statements made pursuant to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements can often, but not always, be identified by the use of words like “believe”, “continue”, “pattern”, “estimate”, “project”, “intend”, “anticipate”, “expect” and similar expressions or future or conditional verbs such as “will”, “would”, “should”, “could”, “might”, “can”, “may”, or similar expressions. These forward-looking statements include, but are not limited to, statements relating to the expected timing and benefits of the proposed Merger, including future financial and operating results, cost savings, enhanced revenues, and accretion/dilution to reported earnings that may be realized from the Merger, as well as other statements of expectations regarding the Merger, and other statements of F&M’s goals, intentions and expectations; statements regarding F&M’s business plan and growth strategies; statements regarding the asset quality of F&M’s loan and investment portfolios; and estimates of F&M’s risks and future costs and benefits, whether with respect to the Merger or otherwise.

These forward-looking statements are subject to significant risks, assumptions and uncertainties that may cause results to differ materially from those set forth in forward-looking statements, including, among other things: the risk that the businesses of F&M and PFSB will not be integrated successfully or such integration may be more difficult, time-consuming or costly than expected; anticipated revenue synergies and cost savings from the Merger may not be fully realized or realized within the expected time frame; revenues following the Merger may be lower than expected; customer and employee relationships and business operations may be disrupted by the Merger; the ability to obtain required regulatory and shareholder approval, and the ability to complete the Merger on the expected timeframe; possible changes in economic and business conditions; the existence or exacerbation of general geopolitical instability and uncertainty; possible changes in monetary and fiscal policies, and laws and regulations; the effects of easing restrictions on participants in the financial services industry; the cost and other effects of legal and administrative cases; possible changes in the creditworthiness of customers and the possible impairment of collectability of loans; fluctuations in market rates of interest; competitive factors in the banking industry; changes in the banking legislation or regulatory requirements of federal and state agencies applicable to bank holding companies and banks like Farmers & Merchants State Bank; continued availability of earnings and excess capital sufficient for the lawful and prudent declaration of dividends; changes in market, economic, operational, liquidity, credit and interest rate risks associated with F&M’s business; and other risks and factors identified in F&M’s filings with the Securities and Exchange Commission.

F&M does not undertake any obligation to update any forward-looking statement, whether written or oral, relating to the matters discussed in this filing. In addition, F&M’s and PFSB’s past results of operations do not necessarily indicate either of their anticipated future results, whether the Merger is effectuated or not.

ADDITIONAL INFORMATION FOR PFSB SHAREHOLDERS

This filing does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any proxy vote or approval. The proposed Merger will be submitted to PFSB’s shareholders for their consideration. In connection with the proposed Merger, F&M will file with the SEC a Registration Statement on Form S-4 that will include a Proxy Statement for PFSB and a Prospectus of F&M, as well as other relevant documents concerning the proposed

transaction. SHAREHOLDERS ARE URGED TO READ THE REGISTRATION STATEMENT AND THE CORRESPONDING PROXY STATEMENT-PROSPECTUS REGARDING THE MERGER WHEN THEY BECOME AVAILABLE, AS WELL AS ANY OTHER RELEVANT DOCUMENTS FILED WITH THE SEC, TOGETHER WITH ALL AMENDMENTS OR SUPPLEMENTS TO THOSE DOCUMENTS, AS THEY WILL CONTAIN IMPORTANT INFORMATION.

Once filed, you may obtain a free copy of the Proxy Statement – Prospectus, when it becomes available, as well as other filings containing information about F&M and PFSB, at the SEC’s website (<http://www.sec.gov>). You may also obtain these documents, free of charge, by accessing F&M’s website (<http://www.fm.bank>) under the tab “About Us”, then to the heading “Investor Relations,” and finally under the link “SEC Filings and Documents”.

PFSB and its directors and executive officers may be deemed to be participants in the solicitation of proxies from the shareholders of PFSB in connection with the proposed Merger. Additional information regarding the interests of those participants and other persons who may be deemed participants in the transaction may be obtained by reading the Proxy Statement – Prospectus regarding the proposed Merger when it becomes available. Free copies of this document may be obtained as described in the preceding paragraph.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
2.1	Agreement and Plan of Reorganization and Merger dated May 4, 2021.
99.1	Company Press Release dated May 4, 2021.
99.2	Additional information regarding the Merger, dated May 4, 2021
104	The Cover Page Interactive Data File (embedded within the Inline XBRL document)

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 hereunto authorized.

FARMERS & MERCHANTS BANCORP, INC.
(Registrant)

Dated: May 4, 2021

/s/ Lars B. Eller

Lars B. Eller
President & Chief Executive Officer

/s/ Barbara J. Britenriker

Barbara J. Britenriker
Executive Vice President & Chief Financial Officer

AGREEMENT AND PLAN OF REORGANIZATION AND MERGER

BY AND AMONG

FARMERS & MERCHANTS BANCORP, INC.,

THE FARMERS & MERCHANTS STATE BANK,

AND

PERPETUAL FEDERAL SAVINGS BANK OF URBANA

Dated as of May 4, 2021

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Exhibits

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Exhibit B – Voting Agreement

AGREEMENT AND PLAN OF REORGANIZATION AND MERGER

BY AND AMONG

FARMERS & MERCHANTS BANCORP, INC.,

THE FARMERS & MERCHANTS STATE BANK,

AND

PERPETUAL FEDERAL SAVINGS BANK OF URBANA

THIS AGREEMENT AND PLAN OF REORGANIZATION AND MERGER (this “**Agreement**”) is entered as of May 4, 2021, by and among **FARMERS & MERCHANTS BANCORP, INC.**, an Ohio corporation and a registered financial holding company under the Bank Holding Company Act of 1956, as amended (“**F&M**”), **THE FARMERS & MERCHANTS STATE BANK** (“**F&M Bank**”), an Ohio chartered non-member commercial bank, and **PERPETUAL FEDERAL SAVINGS BANK OF URBANA**, an Ohio chartered non-member commercial bank (“**PFSB**”).

W I T N E S S E T H:

WHEREAS, F&M is a registered financial holding company under the Bank Holding Company Act of 1956, as amended, with its principal place of business in Archbold, Ohio, with F&M Bank as its wholly-owned subsidiary;

WHEREAS, F&M Bank is a commercial bank organized and existing under the laws of the State of Ohio, with its principal place of business in Archbold, Ohio;

WHEREAS, PFSB is a commercial bank organized and existing under the laws of the State of Ohio, with its principal place of business in Urbana, Ohio;

WHEREAS, it is the desire of F&M, F&M Bank and PFSB to effect a transaction whereby PFSB will merge with and into F&M Bank (the “**Merger**”);

WHEREAS, the Boards of Directors of F&M, F&M Bank and PFSB have approved the Merger and this Agreement and authorized its execution; and

WHEREAS, for federal income tax purposes, it is intended that the Merger shall qualify as a “reorganization” within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the “**Code**”), and F&M, F&M Bank and PFSB desire to and hereby adopt this Agreement as a plan of reorganization for purposes of Sections 354 and 361 of the Code;

NOW, THEREFORE, in consideration of the mutual promises, covenants, and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, F&M, F&M Bank and PFSB hereby make this Agreement and prescribe the terms and conditions of the Merger and the mode of carrying the Merger into effect as follows.

SECTION 1

THE MERGER

1.1 **The Merger.** Subject to the terms and conditions of this Agreement, in accordance with the provisions of, Title 11 of the Ohio Revised Code, as amended, (the “**OBL**”), 12 U.S.C. §1828(c), and, as applicable, Title 17 of the Ohio Revised Code, as amended, the Ohio General Corporation Law (the “**OGCL**”), at the Effective Time, PFSB shall be merged with and into F&M Bank, which shall be the survivor of the Merger (the “**Continuing Bank**”), and which shall continue its corporate existence under the laws of the State of Ohio as an Ohio-chartered, non-member bank. Upon consummation of the Merger, the separate corporate existence of PFSB will terminate.

1.2 **Closing.** Subject to the terms and conditions of this Agreement, the closing of the Merger (the “**Closing**”) will take place at a mutually agreeable time and place after the satisfaction or waiver (subject to applicable law) of the latest to occur of the conditions set forth in Section 7 hereof (other than those conditions that by their nature can only be satisfied at the Closing, but subject to the satisfaction or waiver thereof). The date on which the Closing occurs is referred to in this Agreement as the “**Closing Date**.”

1.3 **Effective Time.** Subject to the terms and conditions of this Agreement, on or before the Closing Date, F&M and F&M Bank will cause to be filed a certificate of merger (the “**Certificate of Merger**”) with the Ohio Secretary of State (the “**Ohio Secretary**”). The Merger will become effective as of the date and time specified in the Certificate of Merger (such date and time the “**Effective Time**”).

1.4 **Effects of the Merger.** At and after the Effective Time, the Merger will have the effects set forth in the applicable provisions of the OBL and the OGCL. The title to all assets, real estate and other property owned by F&M Bank and PFSB shall vest in the Continuing Bank without reversion or impairment. All liabilities of PFSB shall be assumed by the Continuing Bank.

1.5 **Conversion of PFSB Shares.** At the Effective Time, by virtue of the Merger and without any action on the part of F&M, F&M Bank, PFSB or the holder of any shares of PFSB:

(a) Subject to Sections 1.6 and 2.2, each share (each, a “**PFSB Share**”) of PFSB common stock, \$.01 par value (“**PFSB Common Stock**” or “**PFSB Shares**”), except for PFSB Shares owned by PFSB as treasury stock or otherwise owned by PFSB, F&M or F&M Bank (in each case other than PFSB Shares (i) held in any PFSB Benefit Plans or related trust accounts, managed accounts, mutual funds or similar accounts, or otherwise held in a fiduciary or agency capacity or (ii) held, directly or indirectly, in respect of debts previously contracted (collectively, the “**Exception Shares**”)), and Dissenting Shares, will be converted, in accordance with the procedures set forth in this Agreement, into the right to receive, without interest, one of the following (collectively, the “**Merger Consideration**”):

(i) \$41.20 in cash (the “**Cash Consideration**”) for each PFSB Share with respect to which an election to receive cash has been effectively made and not revoked or lost pursuant to Section 1.6 (a “**Cash Election**”) (such PFSB Shares collectively, “**Cash Election Shares**”); or

(ii) 1.7766 (the “**Exchange Ratio**”) shares, no par value, of F&M common stock (“**F&M Shares**”) and such F&M Shares (the “**Stock Consideration**”) for each PFSB Share with respect to which an election to receive F&M Shares has been effectively made and not revoked or lost pursuant to Section 1.6 (a “**Stock Election**”) (such PFSB Shares collectively, “**Stock Election Shares**”); or

(iii) for each PFSB Share, other than PFSB Shares as to which a Cash Election or a Stock Election has been effectively made and not revoked (collectively, the “**Non-Election Shares**”), the right to receive from F&M such Cash Consideration or Stock Consideration as is determined in accordance with Section 1.5(b).

(b) (i) Notwithstanding any other provision contained in this Agreement, the total number of F&M Shares to be issued as the Stock Consideration pursuant to Section 1.5(a) and 1.5(b)(ii) shall be 1,833,999 (the “**Aggregate Total Stock Consideration**”). All of the other PFSB Shares (except for PFSB Shares owned directly by PFSB, F&M or F&M Bank, if any, and Dissenting Shares) will be converted into the Cash Consideration.

(ii) As soon as practicable on or within not more than two business days after the Effective Time, F&M will cause a bank or trust company designated by F&M (the “**Exchange Agent**”) to effect the allocation among holders of PFSB Shares of rights to receive the Cash Consideration and the Stock Consideration as follows:

(1) If the aggregate number of PFSB Shares with respect to which Stock Elections are made (the “**Stock Election Number**”) multiplied by the Exchange Ratio would cause the aggregate number of F&M Shares to be issued as Merger Consideration to exceed the Aggregate Total Stock Consideration, then all Cash Election Shares and all Non-Election Shares of each holder thereof will be converted into the right to receive the Cash Consideration, and Stock Election Shares of each holder thereof will be converted into the right to receive the Stock Consideration in respect of that number of Stock Election Shares equal to the product obtained by multiplying (x) the number of Stock Election Shares held by such holder by (y) a fraction, the numerator of which is the Aggregate Total Stock Consideration and the denominator of which is (A) the Stock Election Number multiplied by the Exchange Ratio, (B) with the remaining number of such holder’s Stock Election Shares being converted into the right to receive the Cash Consideration; and

(2) If the Stock Election Number multiplied by the Exchange Ratio would cause the aggregate number of F&M Shares to be issued as Merger Consideration to be less than the Aggregate Total Stock Consideration (referred to herein as the “**Shortfall Number**”), then all Stock Election Shares shall be converted into the right to receive the Stock Consideration and the Non-Election Shares and Cash Election Shares shall be treated in the following manner:

(A) If the Shortfall Number is less than or equal to the number of Non-Election Shares, then all Cash Election Shares shall be converted into the right to receive the Cash Consideration and the Non-Election Shares of each holder thereof shall convert into the right to receive the Stock Consideration in respect of that number of Non-Election Shares equal to the product obtained by multiplying (x) the number of Non-Election Shares held by such holder by (y) a fraction, the numerator of which is the Shortfall Number and the denominator of which is the total number of Non-Election Shares, with the remaining number of such holder’s Non-Election Shares being converted into the right to receive the Cash Consideration; or

(B) If the Shortfall Number exceeds the number of Non-Election Shares, then all Non-Election Shares shall be converted into the right to receive the Stock Consideration, and Cash Election Shares of each holder thereof shall convert into the right to receive the Stock Consideration in respect of that number of Cash Election Shares equal to the product obtained by multiplying (x) the number of Cash Election Shares held by such holder by (y) a fraction, the numerator of which is the amount by which (1) the Shortfall Number exceeds (2) the total number of Non-Election Shares and the denominator of which is the total number of Cash Election Shares, with the remaining number of such holder's Cash Election Shares being converted into the right to receive the Cash Consideration.

(c) No certificate or scrip representing a fractional F&M Share shall be issued in the Merger. Each holder of PFSB Shares who would otherwise be entitled to receive a fractional F&M Share shall receive an amount of cash equal to the product obtained by multiplying (i) the fractional F&M Share interest to which such holder (after taking into account all PFSB Shares held at the Effective Time by such holder) would otherwise be entitled by (ii) \$41.20.

(d) Any treasury shares held by PFSB and any PFSB Shares owned by F&M for its own account will be cancelled and retired at the Effective Time, and no consideration will be issued in exchange.

(e) All of the PFSB Shares converted into the right to receive the Merger Consideration pursuant to this Section 1.5 will no longer be outstanding and will automatically be cancelled and cease to exist as of the Effective Time, and each certificate (each, an "**Old Certificate**," it being understood that any reference herein to "**Old Certificate**" shall be deemed to include reference to book-entry account statements relating to the ownership of PFSB Shares) previously representing any such PFSB Shares will thereafter represent only the right to receive the Merger Consideration described in this Section 1.5. Old Certificates previously representing PFSB Shares that are to receive the Stock Consideration will be exchanged for certificates or, at F&M's option, evidence of shares in book entry form (collectively, referred to herein as "**New Certificates**") representing whole F&M Shares as set forth in Section 1.5(a) (together with any dividends or distributions with respect thereto and cash in lieu of fractional shares issued in consideration therefor) upon the surrender of such Old Certificates in accordance with Section 2.2, without any interest thereon. If, between the date of this Agreement and the Effective Time, the outstanding PFSB Shares or F&M Shares are increased, decreased, changed into or exchanged for a different number or kind of shares or securities, in any such case as a result of a reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split, or other similar change in capitalization, or there shall be any extraordinary dividend or distribution, an appropriate and proportionate adjustment shall be made to the Merger Consideration to give holders of PFSB Shares the same economic effect as contemplated by this Agreement prior to such event; provided, that nothing in this sentence shall be construed to permit F&M or PFSB to take any action with respect to its securities that is prohibited by the terms of this Agreement.

(f) Notwithstanding anything in this Agreement to the contrary, at the Effective Time, all PFSB Shares that are owned by PFSB, F&M or F&M Bank (in each case other than the

Exception Shares, which will be converted in accordance with Sections 1.5(a) and 1.5(b)(ii) prior to the Effective Time will be cancelled and cease to exist, and no consideration will be delivered in exchange therefor.

1.6 Dissenters Rights. Notwithstanding anything in this Agreement to the contrary, any issued and outstanding PFSB Shares held by a person who has not voted in favor of, or consented to, the adoption of this Agreement (each, a “**Dissenting Shareholder**”) and who has otherwise complied with all the provisions of the OBL and the OGCL concerning the right of holders of PFSB Shares to require payment of the fair cash value of such PFSB Shares in accordance with Sections 1115.11 of the OBL and 1701.85 of the OGCL (the “**Dissenting Shares**”), will not be converted into the right to receive the Merger Consideration as described in Section 1.5(a), but will become the right to receive such consideration as may be determined to be due to such Dissenting Shareholder pursuant to the procedures set forth in Section 1701.85 of the OGCL. If such Dissenting Shareholder withdraws its demand for fair cash value or fails to perfect or otherwise loses its rights as a Dissenting Shareholder, in any case pursuant to the OGCL, each of such Dissenting Shareholder’s PFSB Shares will be treated as though such PFSB Shares had been converted into the right to receive the Stock Consideration and/or Cash Consideration as determined in F&M’s sole discretion. PFSB will promptly notify F&M of each shareholder who asserts rights as a Dissenting Shareholder following receipt of such shareholder’s written demand delivered as provided in Section 1701.85 of the OGCL. Prior to the Effective Time, PFSB will not, except with the prior written consent of F&M, voluntarily make any payment or commit or agree to make any payment, or settle or commit or offer to settle, any rights of a Dissenting Shareholder asserted under Section 1701.85 of the OGCL.

1.7 F&M Shares. At and after the Effective Time, each F&M Share and each share of F&M Bank issued and outstanding immediately prior to the Effective Time will remain issued and outstanding and not be affected by the Merger.

1.8 Articles of Incorporation of Continuing Bank. At the Effective Time, the Articles of Incorporation of F&M Bank (the “**F&M Bank Articles**”), as in effect at the Effective Time, will be the Articles of Incorporation of the Continuing Bank until thereafter amended in accordance with applicable law.

1.9 Code of Regulations of Continuing Bank. At the Effective Time, the Code of Regulations of F&M Bank (the “**F&M Bank Code of Regulations**”), as in effect immediately prior to the Effective Time, will be the Code of Regulations of the Continuing Bank until thereafter amended in accordance with applicable law.

1.10 Name, Offices, and Management. The name of the Continuing Bank shall continue to be “The Farmers & Merchants State Bank.” Its principal office shall be located at 307 North Defiance Street, Archbold, Ohio 43502. The Board of Directors of the Continuing Bank, until such time as their successors are elected and qualified, shall consist of the persons listed on **Exhibit A** attached hereto, subject to amendment to include an additional director to be named prior to the Closing Date in accordance with Section 7.10 hereof. The officers of F&M Bank immediately prior to the Effective Time shall continue as the officers of the Continuing Bank.

1.11 Tax Consequences. It is intended that the Merger qualify as a “reorganization” within the meaning of Section 368(a) of the Code, and that this Agreement is intended to be and is adopted as a “plan of reorganization” within the meaning of Treasury Regulation Sections 1.368-2(g) and 1.368-3(a).

1.12 Right to Revise Merger. The parties may, at any time, change the method of effecting the Merger if and to the extent the parties deem such change to be desirable; provided, however, that no such change, modification or amendment shall (a) alter or change the amount or kind of consideration to be received by the shareholders of PFSB specified in Section 1.5(a) hereof as a result of the Merger, except in accordance with the terms of Section 1.5(a) and 1.5(b) hereof; (b) adversely affect the tax treatment to the shareholders of PFSB; or (c) materially impede or delay receipt of any approvals referred to in this Agreement or the consummation of the transactions contemplated by this Agreement.

1.13 Additional Actions. If, at any time after the Effective Time, the Continuing Bank or F&M shall consider or be advised that any further deeds, assignments or assurances in law or any other acts are necessary or desirable (a) to vest, perfect or confirm, of record or otherwise, in the Continuing Bank its right, title or interest in, to or under any of the rights, properties or assets of PFSB, or (b) otherwise carry out the purposes of this Agreement, PFSB and its officers and directors shall be deemed to have granted to the Continuing Bank an irrevocable power of attorney to execute and deliver all such deeds, assignments or assurances in law and to do all acts necessary or proper to vest, perfect or confirm title to and possession of such rights, properties or assets in the Continuing Bank and otherwise to carry out the purposes of this Agreement, and the officers and directors of the Continuing Bank are authorized in the name of PFSB or otherwise to take any and all such action.

SECTION 2

EXCHANGE OF SHARES

2.1 F&M to Make Shares and Cash Available. At or prior to the Effective Time, F&M will deposit, or will cause to be deposited, with the Exchange Agent, for the benefit of the holders of Old Certificates, for exchange in accordance with this Section 2, a sufficient amount of cash to be paid in exchange for PFSB Shares that are to receive the Cash Consideration, and a sufficient number of F&M Shares to be exchanged for the PFSB Shares that are to receive the Stock Consideration (such cash and New Certificates, together with any dividends or disbursements, the “**Exchange Fund**”). The Exchange Fund will be held in trust for holders of PFSB Shares until distributed to such holders pursuant to this Agreement.

2.2 Exchange of PFSB Certificates; Election Forms.

(a) Prior to the Election Period, the Exchange Agent will mail to each holder of record of PFSB Shares a form letter of transmittal and instructions for use in surrendering for exchange the Old Certificates, together with an election form (“**Election Form**”). Holders of uncertificated PFSB Shares shall be mailed an Election Form. The letter of transmittal will specify that the risk of loss and title to the Old Certificates will pass only upon delivery of such Old Certificates as specified in the letter of transmittal. Each Election Form will permit the holder (or in the case of nominee record holders, the beneficial owner through proper instructions and documentation) to (i) elect to receive the Stock Consideration with respect to any number of such holder’s PFSB

Shares specified in the Election Form, (ii) elect to receive the Cash Consideration with respect to any number of such holder's PFSB Shares specified in the Election Form, or (iii) indicate that such holder makes no election as to such holder's PFSB Shares. For purposes of this Agreement, the term "**Election Period**" will mean the period as F&M and PFSB may agree, during which holders of PFSB Shares may validly elect the form of Merger Consideration to be received for PFSB Shares, occurring between (i) the date of mailing of the proxy materials related to the meeting of shareholders of PFSB (the "**Proxy Materials**"), which will be included as a part of the registration statement on Form S-4 to be filed by F&M with the Securities and Exchange Commission (the "**SEC**") and (ii) the tenth business day immediately preceding the Effective Time. Any election will have been properly made only if the Exchange Agent has actually received a properly completed Election Form accompanied by one or more Old Certificates, if such PFSB Shares are certificated, by 5:00 p.m. Eastern Time on the last day of the Election Period (the "**Election Deadline**"). A submitted Election Form may be revoked or changed by written notice to the Exchange Agent only if such revocation or change is actually received by the Exchange Agent by the Election Deadline. PFSB Shares as to which a holder does not submit a properly completed Election Form accompanied by, if applicable, Old Certificates by the Election Deadline will be Non-Election Shares. The Exchange Agent will make all determinations as to when any election, modification or revocation has been received and whether any such election, modification or revocation has been properly made.

(b) All payments made upon the surrender of Old Certificates pursuant to this Agreement will be deemed to have been made in full satisfaction of all rights pertaining to the PFSB Shares evidenced by such Old Certificates.

(c) If any Old Certificate has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such Old Certificate to be lost, stolen or destroyed and, if required by the Exchange Agent or F&M, in their sole discretion, the posting by such person of a bond in such amount as F&M may determine is reasonably necessary as indemnity against any claim that may be made against it with respect to such Old Certificate, the Exchange Agent will issue in exchange for such lost, stolen or destroyed Old Certificate the Cash Consideration and/or Stock Consideration (and cash in lieu of fractional F&M Share interests, if any) deliverable in respect thereof.

(d) Promptly, and not more than five business days following the Effective Time, the Exchange Agent will deliver to each holder of PFSB Shares of record immediately prior to the Effective Time (other than Dissenting Shares) who has surrendered Old Certificates (and to all holders of uncertificated PFSB Shares) the Merger Consideration, and any applicable dividends or distributions pursuant to subsection (f) below, to which such holder is entitled. For certificated PFSB Shares, no payment will be made until the Old Certificate(s) representing such PFSB Shares are surrendered or the procedure regarding lost, stolen or destroyed certificates set forth in Section 2.2(c) has been completed. After the Effective Time and until surrendered, an Old Certificate will represent only the right to receive the Merger Consideration to which the holder is entitled pursuant to Section 1.5, and any applicable dividends or distributions pursuant to subsection (f) below. If any New Certificate representing F&M Shares is to be issued in a name other than that in which the Old Certificate(s) surrendered in exchange therefor are registered, it will be a condition of the issuance thereof that the Old Certificate(s) so surrendered will be properly endorsed (or accompanied by an appropriate instrument of transfer) and otherwise in proper form for transfer, and that the person requesting such exchange will pay to the Exchange Agent in advance any

transfer or other similar taxes required by reason of the issuance of a New Certificate representing F&M Shares in any name other than that of the registered holder of the Old Certificate(s) surrendered, or required for any other reason, or will establish to the satisfaction of the Exchange Agent that such tax has been paid or is not payable.

(e) None of F&M, PFSB, the Exchange Agent or the Continuing Bank will be liable to any former holder of PFSB Shares for any payment of the Merger Consideration, any cash in lieu of a fractional F&M Share interest or any dividends or distributions with respect to F&M Shares delivered to a public official if required by any applicable abandoned property, escheat or similar law.

(f) No dividends or other distributions declared after the Effective Time with respect to F&M Shares and payable to the holders of record thereof after the Effective Time shall be paid to the holder of any unsurrendered Old Certificate until it is surrendered by the holder thereof or the procedure regarding lost, stolen or destroyed certificates set forth in Section 2.2(c) has been completed. Subject to the effect, if any, of applicable law, after the subsequent surrender and exchange of an Old Certificate, the record holder will be entitled to receive from F&M any dividends or other distributions, without any interest thereon, that became payable to the holders of record after the Effective Time with respect to any F&M Shares represented by such Old Certificate.

(g) After the Effective Time, there will be no further registration or transfer of PFSB Shares on the stock transfer books of PFSB. In the event that, after the Effective Time, PFSB Shares (or the Old Certificates representing them) are presented for transfer, they will be cancelled and exchanged as provided in this Section 2.

(h) F&M or the Exchange Agent will be entitled to deduct and withhold from the Merger Consideration such amounts as F&M or the Exchange Agent is required to deduct and withhold with respect to the making of such payment under the Code, or any other provision of domestic or foreign tax law (whether national, federal, state, provincial, local or otherwise). To the extent that amounts are so withheld and paid over to the appropriate taxing authority by F&M or the Exchange Agent, such withheld amounts will be treated for all purposes of this Agreement as having been paid to the holder of the PFSB Shares.

(i) Any portion of the Exchange Fund that remains unclaimed by the holders of PFSB Shares for one year after the Effective Time shall be paid to F&M or the Continuing Bank, at the direction of F&M and the Continuing Bank. Any former shareholders of PFSB who have not exchanged their Old Certificates pursuant to this Section 2 may look only to F&M and the Continuing Bank for payment of the Merger Consideration, cash in lieu of any fractional shares and any unpaid dividends and distributions on the F&M Shares deliverable in respect of each former PFSB Share such shareholder holds as determined pursuant to this Agreement, in each case, without any interest thereon.

(j) The Continuing Bank may from time to time waive one or more of the rights provided to it in this Section 2 to withhold certain payments, deliveries and distributions; and no such waiver will constitute a waiver of its rights thereafter to withhold any such payment, delivery or distribution in the case of any person.

SECTION 3

REPRESENTATIONS AND WARRANTIES OF PFSB

PFSB hereby makes the representations and warranties set forth below to F&M and F&M Bank. For the purposes of this Agreement, “**PFSB Disclosure Letter**” is defined as the letter referencing Section 3 of this Agreement which shall be prepared by PFSB and delivered to F&M and F&M Bank contemporaneously with the execution of this Agreement.

3.1 Organization and Authority. PFSB is a commercial bank duly organized and validly existing under the laws of the State of Ohio. PFSB has the power and authority (corporate and otherwise) to conduct its business in the manner and by the means conducted as of the date hereof. PFSB has no subsidiaries. PFSB is subject to primary federal regulatory supervision and regulation by the Federal Deposit Insurance Corporation (the “FDIC”).

3.2 Authorization.

(a) PFSB has the corporate power and authority to enter into this Agreement and to carry out its obligations hereunder, subject to satisfaction of the conditions precedent in Section 7. This Agreement, when executed and delivered by all parties, will have been duly authorized and will constitute a valid and binding obligation of PFSB, subject to the conditions precedent set forth in Section 7 hereof, enforceable in accordance with its terms except to the extent limited by insolvency, reorganization, liquidation, readjustment of debt or other laws of general application relating to or affecting the enforcement of creditors’ rights. The Board of Directors of PFSB has approved the Merger pursuant to the terms and conditions of this Agreement. Each of the members of the Board of Directors of PFSB has agreed to execute the Voting Agreement in the form of **Exhibit B** attached hereto.

(b) Except as set forth in the PFSB Disclosure Letter, neither the execution of this Agreement, nor the consummation of the transactions contemplated hereby, subject to the conditions precedent set forth in Section 7 hereof, does or will (i) conflict with, result in a breach of, or constitute a default under PFSB’s organizational documents; (ii) conflict with, result in a breach of, or constitute a default under any federal, foreign, state or local law, statute, ordinance, rule, regulation or court or administrative order or decree, or any note, bond, indenture, loan, mortgage, security agreement, contract, arrangement or commitment, to which PFSB is subject or bound, the result of which would have a Material Adverse Effect; (iii) result in the creation of, or give any person, corporation or entity the right to create, any lien, charge, encumbrance, security interest, or any other rights of others or other adverse interest upon any right, property or asset of PFSB, the result of which would have a Material Adverse Effect; (iv) terminate, or give any person, corporation or entity the right to terminate, amend, abandon, or refuse to perform, any note, bond, indenture, loan, mortgage, security agreement, contract, arrangement or commitment to which PFSB is subject or bound, the result of which would have a Material Adverse Effect; or (v) accelerate or modify, or give any party thereto the right to accelerate or modify, the time within which, or the terms according to which, PFSB is to perform any duties or obligations or receive any rights or benefits under any note, bond, indenture, loan, mortgage, security agreement, contract, arrangement or commitment.

For the purposes of this Agreement, a “**Material Adverse Effect**” means any effect, circumstance, occurrence or change that (i) is material and adverse to the financial position, results of operations or business of PFSB, or F&M and F&M Bank taken as a whole, as applicable, or (ii) would materially impair the ability of PFSB, F&M or F&M Bank, as applicable, to perform its obligations under this Agreement; provided, however, that a Material Adverse Effect shall not be deemed to include the impact of (a) changes in banking and similar laws of general applicability to banks or their holding companies or interpretations thereof by courts or governmental authorities, (b) changes in generally accepted accounting principles (“GAAP”) or regulatory accounting requirements applicable to banks or their holding companies generally, (c) any modifications or changes to valuation policies and practices in connection with the Merger or restructuring charges taken in connection with the Merger, in each case in accordance with GAAP, (d) effects of any action taken with the prior written consent of the other party hereto, (e) changes in the general level of interest rates (including the impact on the securities portfolios of PFSB, or F&M and F&M Bank, as applicable) or conditions or circumstances relating to or that affect either the United States economy, financial or securities markets or the banking industry, generally, (f) changes resulting from expenses (such as legal, accounting and investment bankers’ fees) incurred in connection with this Agreement or the transactions contemplated herein, including without limitation payment of any amounts due to, or the provision of any benefits to, any officers or employees under agreements, plans or other arrangements in existence on the date of or contemplated by this Agreement and disclosed to F&M, (g) the impact of the announcement of this Agreement and the transactions contemplated hereby, and compliance with this Agreement on the business, financial condition or results of operations of PFSB, or F&M and F&M Bank, as applicable, (h) the impact of the COVID-19 pandemic on the representations, warranties or covenants made by, or the operations of PFSB, F&M or F&M Bank, and (i) the occurrence of any military or terrorist attack within the United States or any of its possessions or offices; provided that in no event shall a change in the trading price of the F&M Shares, by itself, be considered to constitute a Material Adverse Effect on F&M (it being understood that the foregoing proviso shall not prevent or otherwise affect a determination that any effect underlying such decline has resulted in a Material Adverse Effect).

(c) Other than in connection or in compliance with the provisions of the Bank Holding Company Act of 1956, the Bank Merger Act, federal and state securities laws, and applicable federal and Ohio banking statutes and corporate statutes, all as amended, and the rules and regulations promulgated thereunder, no notice to, filing with, authorization of, exemption by, or consent or approval of, any public body or authority is necessary for the consummation by PFSB of the transactions contemplated by this Agreement.

(d) Other than those filings, authorizations, consents and approvals referenced in Section 3.2(c) above and except as set forth in the PFSB Disclosure Letter, no notice to, filing with, authorization of, exemption by, or consent or approval of, any third party is necessary for the consummation by PFSB of the transactions contemplated by this Agreement, except for such authorizations, exemptions, consents or approvals, the failure of which to obtain, would not be reasonably likely to result in a Material Adverse Effect.

3.3 Capitalization.

(a) PFSB has 6,500,000 shares of all classes of capital stock authorized of which 6,000,000 shares are Common Stock with a par value of \$.01 per share, and 500,000 of which are serial preferred stock (the “**PFSB Preferred Stock**”). As of the date of this Agreement, 2,470,032 shares of PFSB Common Stock are issued and outstanding and no shares of PFSB Preferred Stock are issued and outstanding. Such issued and outstanding shares of PFSB Common Stock have been duly and validly authorized by all necessary corporate action of PFSB, are validly issued, fully paid and nonassessable and have not been issued in violation of any preemptive rights of any shareholders. PFSB has no capital stock authorized, issued or outstanding other than as described in this Section 3.3(a) and, except as set forth in the PFSB Disclosure Letter, PFSB has no intention or obligation to authorize or issue additional shares of its capital stock.

(b) Except as set forth on the PFSB Disclosure Letter, there are no options, commitments, calls, agreements, understandings, arrangements or subscription rights regarding the issuance, purchase or acquisition of capital stock, or any securities convertible into or representing the right to purchase or otherwise receive the capital stock, equity interests, or any debt securities of PFSB, by which PFSB is or may become bound. Except as set forth in the PFSB Disclosure Letter, PFSB has no outstanding contractual or other obligation to repurchase, redeem or otherwise acquire any of its respective outstanding shares of capital stock or equity interests, as applicable.

(c) Except as set forth in the PFSB Disclosure Letter, to the knowledge of PFSB’s Management (as defined in Section 10.11), no person or entity beneficially owns 5% or more of the total issued and outstanding PFSB Common Stock.

3.4 Organizational Documents. Except as set forth on the PFSB Disclosure Letter, the Articles of Incorporation and Code of Regulations of PFSB have been delivered to F&M and represent true, accurate and complete copies of such corporate documents of PFSB in effect as of the date of this Agreement.

3.5 Compliance with Law. To the knowledge of PFSB’s Management, PFSB has not engaged in any activity nor taken or omitted to take any action which has resulted or could reasonably be expected to result, in the violation of any local, state, federal or foreign law, statute, rule, regulation or ordinance or of any order, injunction, judgment or decree of any court or government agency or body, the violation of which could reasonably be expected to have a Material Adverse Effect on PFSB. PFSB possess all licenses, franchises, permits and other authorizations necessary for the continued conduct of its businesses without material interference or interruption, except where the failure to possess such licenses or other authorizations would not be reasonably expected to have a Material Adverse Effect on PFSB, and such licenses, franchises, permits and authorizations shall be transferred to F&M Bank on the Effective Time without any material restrictions or limitations thereon or the need to obtain any consents of third parties, except as otherwise set forth in the PFSB Disclosure Letter. PFSB is not subject to any agreement, commitment or understanding with, or order and directive of, any regulatory agency or government authority with respect to the business or operations of PFSB except as otherwise set forth in the PFSB Disclosure Letter. PFSB has not received any notice of enforcement actions since January 1, 2018 from any regulatory agency or government authority relating to its compliance with the Bank Secrecy Act, the Truth-in-Lending Act, the Community Reinvestment Act, the Gramm-

Leach-Bliley Act of 1999, the USA Patriot Act, the International Money Laundering Abatement and Financial Anti-Terrorism Act of 2001, the Dodd-Frank Wall Street Reform and Consumer Protection Act or any laws with respect to the protection of the environment or the rules and regulations promulgated thereunder. PFSB has not received any notice of enforcement actions since January 1, 2018, from any regulatory agency or government authority relating to its compliance with any securities laws applicable to PFSB. PFSB received a rating of “satisfactory” or better in its most recent examination or interim review with respect to the Community Reinvestment Act.

3.6 Accuracy of Statements. To the knowledge of PFSB’s Management, no information which has been or shall be supplied by PFSB with respect to its businesses, operations and financial condition for inclusion in the Proxy Statement, Registration Statement, and regulatory applications relating to the Merger contains or shall contain (in the case of information relating to the Proxy Statement at the time it is mailed and for the regulatory applications and Registration Statement, and each amendment or supplement thereto, if any, at the time it becomes effective) any untrue statement of a material fact or omits or shall omit to state a material fact necessary to make the statements contained therein not misleading.

3.7 Litigation and Pending Proceedings. Except as set forth in the PFSB Disclosure Letter, there are no claims of any kind, nor any action, suits, proceedings, arbitrations or investigations pending or, to the knowledge of PFSB’s Management, threatened in any court or before any government agency or body, arbitration panel or otherwise (nor does PFSB’s Management have any knowledge of a basis for any claim, action, suit, proceeding, arbitration or investigation) which could reasonably be expected to have a Material Adverse Effect. To the knowledge of PFSB’s Management, there are no uncured violations, criticisms or exceptions, or violations with respect to which refunds or restitutions may be required, cited in any report, correspondence or other communication to PFSB as a result of an examination by any regulatory agency or body which could reasonably be expected to have a Material Adverse Effect.

3.8 Financial Statements.

(a) PFSB’s audited balance sheets as of the end of the two fiscal years ended September 30, 2020 and 2019, the unaudited consolidated balance sheet for the six months ended March 31, 2021 and the related consolidated statements of income, shareholders’ equity and cash flows for the years or period then ended (hereinafter collectively referred to as the “**Financial Information**”), present fairly the consolidated financial condition or position of PFSB as of the respective dates thereof and the consolidated results of operations of PFSB for the respective periods covered thereby and have been prepared in conformity with GAAP applied on a consistent basis.

(b) All loans reflected in the Financial Information and which have been made, extended or acquired since September 30, 2020 and are still outstanding as of the date hereof: (i) have been made for good, valuable and adequate consideration in the ordinary course of business; (ii) constitute the legal, valid and binding obligation of the obligor and any guarantor named therein; (iii) are evidenced by notes, instruments or other evidences of indebtedness which are true, genuine and what they purport to be; and (iv) to the extent that PFSB has a security interest in collateral or a mortgage securing such loans, are secured by perfected security interests or mortgages naming PFSB as the secured party or mortgagee, except for such unperfected security

interests or mortgages naming PFSB as secured party or mortgagee which, on an individual loan basis, would not materially adversely affect the value of any such loan and the recovery of payment on any such loan if PFSB is not able to enforce any such security interest or mortgage.

3.9 Absence of Certain Changes. Except for events and conditions relating to the business and interest rate environment in general, the accrual or payment of Merger-related expenses, or as set forth in the PFSB Disclosure Letter, since September 30, 2020, no events have occurred which could reasonably be expected to have a Material Adverse Effect. Except as set forth in the PFSB Disclosure Letter, between the period from September 30, 2020 to the date of this Agreement, PFSB has carried on its businesses in the ordinary and usual course consistent with past practices (excluding the incurrence of fees and expenses of professional advisors related to this Agreement and the transactions contemplated hereby) and there has not been any declaration, setting aside or payment of any dividend or other distribution (whether in cash, stock or property) with respect to PFSB's Common Stock (other than normal quarterly cash dividends or distributions consistent with past practice) or any split, combination or reclassification of PFSB Common Stock or, with the exception of the issuance of shares in connection with the exercise of stock options or the vesting of any performance stock units, any issuance or the authorization of any issuance of any securities in respect of, or in lieu of, or in substitution for PFSB Common Stock.

3.10 Absence of Undisclosed Liabilities. Except as set forth in the PFSB Disclosure Letter, PFSB has no liabilities, whether accrued, absolute, contingent, or otherwise, existing or arising out of any transaction or state of facts existing on or prior to the date hereof, except (a) as and to the extent disclosed, reflected or reserved against in the Financial Information, (b) any agreement, contract, obligation, commitment, arrangement, liability, lease or license which individually is less than \$10,000.00 per year and which may be terminated within 90 days from the date of this Agreement, (c) liabilities incurred since September 30, 2020 in the ordinary course of business consistent with past practice that either alone or when considered with all similar liabilities, have not had or would not reasonably be expected to have a Material Adverse Effect on PFSB, (d) liabilities incurred for reasonable legal, accounting, financial advising fees and out-of-pocket expenses or fees in connection with the transactions contemplated by this Agreement, and (e) unfunded loan commitments and standby letters of credit made in the ordinary course of PFSB's business consistent with past practices.

3.11 Title to Assets.

(a) Except as set forth on the PFSB Disclosure Letter, PFSB has good and marketable title to all personal property reflected in the September 30, 2020 Financial Information, good and marketable title to all other properties and assets which PFSB purports to own, good and marketable title to or right to use by terms of any lease or contract all other property used in PFSB's business, and good and marketable title to all property and assets acquired since September 30, 2020, free and clear of all mortgages, liens, pledges, restrictions, security interests, charges, claims or encumbrances of any nature, except such minor imperfections of title, if any, as do not materially detract from the value of or interfere with the use of the property and which would not have a Material Adverse Effect.

(b) The operation by PFSB of such properties and assets is in material compliance with all applicable laws, ordinances, rules and regulations of any governmental authority or third party having jurisdiction over such use except for such noncompliance that would not have a Material Adverse Effect.

3.12 Loans and Investments.

(a) Except as set forth in the PFSB Disclosure Letter, there is no loan of PFSB in excess of \$100,000.00 that, as of March 31, 2021, with respect to classified loans and special mention loans and marginally pass loans, that (i) has been classified by PFSB, applying applicable regulatory examination standards, as “Other Loans Specially Mentioned,” “Substandard,” “Doubtful” or “Loss;” (ii) has been identified by accountants or auditors (internal or external) as having a significant risk of uncollectibility, or (iii) has been identified by PFSB Management to be 90 days or more past due with respect to principal or interest or has placed on nonaccrual status.

(b) The reserves for loan and lease losses and the carrying value for other real estate owned which are shown on each of the balance sheets contained in the Financial Information were adequate in the judgment of PFSB’s Management and consistent with applicable bank regulatory standards and under GAAP to provide for losses, net of recoveries relating to loans and leases previously charged off, on loans and leases outstanding and other real estate owned (including accrued interest receivable) as of the applicable date of such balance sheet.

(c) Except as set forth in the PFSB Disclosure Letter, none of the investments reflected in the Financial Information and none of the investments made by PFSB since September 30, 2020 are subject to any restrictions, whether contractual or statutory, which materially impairs the ability of PFSB to dispose freely of such investment at any time. Except as set forth in the PFSB Disclosure Letter, PFSB is not a party to any repurchase agreements with respect to securities.

3.13 Employee Benefit Plans.

(a) The PFSB Disclosure Letter contains a list identifying each “employee benefit plan,” as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), which (i) is subject to any provision of ERISA, and (ii) is currently maintained, administered or contributed to by PFSB or any other entity, trade or business that, together with PFSB, would be treated as a single employer under the provisions of Sections 414(b), (c), (m) or (o) of the Code (“**PFSB ERISA Affiliate**”), and covers any employee, director or former employee or director of PFSB or any PFSB ERISA Affiliate under which PFSB or any PFSB ERISA Affiliate has any liability. The PFSB Disclosure Letter also contains a list of all “employee benefit plans,” as defined under ERISA which have been terminated by PFSB or any PFSB ERISA Affiliate since January 1, 2018. Copies of such plans (and, if applicable, related trust agreements or insurance contracts) and all amendments thereto and written interpretations thereof have been furnished to F&M together with the three most recent annual reports (Form 5500) prepared in connection with any such plan and the current summary plan descriptions (and any summary of material modifications thereto). Such plans are hereinafter referred to individually as an “**Employee Plan**” and collectively as the “**Employee Plans**.” The Employee Plans which individually or collectively would constitute an “employee pension benefit plan” as defined in Section 3(2)(A) of ERISA are identified as such in the list referred to above.

(b) To the knowledge of PFSB's Management, the Employee Plans have been operated in material compliance with all applicable laws, regulations, rulings and other requirements, as well as pursuant to the terms of their governing documents (to the extent consistent with ERISA).

(c) Except as disclosed in the PFSB Disclosure Letter, to the knowledge of PFSB's Management, no "prohibited transaction," as defined in Section 406 of ERISA or Section 4975 of the Code, for which no statutory or administrative exemption exists, and no "reportable event," as defined in Section 4043(c) of ERISA, for which a notice is required to be filed, has occurred with respect to any Employee Plan that could subject PFSB to material taxes or penalties.

(d) To the knowledge of PFSB's Management, neither PFSB nor any PFSB ERISA Affiliate has any material liability to the Pension Benefit Guaranty Corporation ("PBGC"), to the Internal Revenue Service ("IRS"), to the Department of Labor ("DOL"), to the Employee Benefits Security Administration, with respect to any Employee Plan, except for routine premium payments to the PBGC.

(e) No purchase of shares of PFSB Common Stock or other securities issued by PFSB by any Employee Plan holding shares of PFSB Common Stock or other securities of PFSB has adversely affected the tax qualification of such Employee Plan or failed to satisfy all of the requirements for the prohibited transaction exemption provided by Section 408(e) of ERISA. Each loan to any Employee Plan acquiring shares of PFSB Common Stock or other employer securities which has been made by or guaranteed by PFSB or any other disqualified person in connection with any purchase of such shares, satisfied each of the requirements of the prohibited transaction exemption provided in Section 408(b)(3) of ERISA, Section 4975(d)(3) and Treasury Regulation Section 54-4975-7(b), and, in particular, all shares of PFSB Common Stock purchased any Employee Plan were purchased for no more than "adequate consideration" within the meaning Section 3(18) of ERISA, as determined on the basis of a stock valuation prepared by an "independent appraiser" (as this term is defined in Section 401(a)(28)(C) of the Code) satisfying all requirements of Sections 3(18) and 408(e) of ERISA and applicable DOL regulations.

(f) Except as disclosed in the PFSB Disclosure Letter, no "fiduciary," as defined in Section 3(21) of ERISA, of an Employee Plan has failed to comply with the requirements of Section 404 of ERISA in such a way as to cause material liability to PFSB, the Bank or any PFSB ERISA Affiliate.

(g) Each of the Employee Plans which is intended to be qualified under Section 401(a) of the Code has been timely amended to comply in all material respects with the applicable requirements of the Code. Except as set forth in the PFSB Disclosure Letter, PFSB and/or any PFSB ERISA Affiliate, as applicable, sought and received favorable determination letters from the IRS (or are otherwise relying on an opinion letter issued to a prototype plan sponsor) and has furnished to F&M copies of the most recent IRS determination letters with respect to any such Employee Plan that is intended to be qualified under Section 401(a) of the Code.

(h) Except as disclosed in the PFSB Disclosure Letter, no Employee Plan maintained or contributed to by PFSB or any ERISA Affiliate is a defined benefit pension plan subject to Title IV of ERISA or the minimum funding standards under Sections 412 and 430 of the Code and Section 302 of ERISA. No facts or circumstances exist that may subject PFSB or any PFSB ERISA Affiliate, to any liability under Sections 4062, 4063 or 4064 of ERISA. Except as disclosed

in the PFSB Disclosure Letter, there exist no facts or circumstances that could subject PFSB, or any PFSB ERISA Affiliate thereof, to withdrawal liability within the meaning of Section 4201 of ERISA or to contingent withdrawal liability under Section 4204 of ERISA. Neither PFSB nor any PFSB ERISA Affiliate ever has been a party to a transaction within the meaning of Section 4212(c) of ERISA.

(i) No claims involving an Employee Plan (other than normal benefit claims) have been filed in a court of law or, to the knowledge of PFSB's Management, have been threatened to be filed in a court of law.

(j) For all calendar months since January 1, 2018 in which PFSB or any ERISA Affiliate was an "applicable large employer" subject to Section 4980H of the Code, PFSB or such ERISA Affiliate has offered to substantially all of its full-time employees (and their dependents) the opportunity to enroll in minimum essential coverage under an eligible employer-sponsored group plan which complies in all material respects with the requirements of the Affordable Care Act. To the knowledge of PFSB's Management, no event has occurred that would cause the imposition of the tax described in Section 4980B of the Code on PFSB. To the knowledge of PFSB's Management, PFSB has materially complied with all requirements of Section 601 of ERISA, as applicable, with respect to any Employee Plan. Except as set forth in the PFSB Disclosure Letter or as required by applicable law, neither PFSB nor any PFSB ERISA Affiliate has any present or future liability in respect of post-retirement health and medical benefits for former employees or directors of PFSB or any PFSB ERISA Affiliate.

(k) The PFSB Disclosure Letter contains a list of each employment, severance or other similar contract, arrangement or policy and each plan or arrangement (written or oral) providing for insurance coverage (including any self-insured arrangements), workers' compensation, disability benefits, supplemental unemployment benefits, vacation benefits, retirement benefits or deferred compensation, profit sharing, bonuses, stock options, stock appreciation or other forms of incentive compensation or post-retirement insurance, compensation or benefits which (i) is not an Employee Plan, (ii) is established, maintained or contributed to by PFSB and (iii) covers any employee, director or former employee or director of PFSB. Such contracts, plans and arrangements as are described above, copies or descriptions of all of which have been furnished previously to F&M, are hereinafter referred to collectively as the "**Benefit Arrangements.**" Each of the Benefit Arrangements has been maintained in compliance in all material respects with its terms and with the requirements prescribed by any and all statutes, orders, rules and regulations which are applicable to such Benefit Arrangements.

(l) Except as set forth in the PFSB Disclosure Letter, there has been no amendment to, written interpretation or announcement (whether or not written) by PFSB or any PFSB ERISA Affiliate relating to, or change in employee participation or coverage under, any Employee Plan or Benefit Arrangement administered by PFSB or any PFSB ERISA Affiliate which would increase materially the expense of maintaining such Employee Plans or Benefit Arrangements above the level of the expense incurred in respect thereof for the fiscal year ended September 30, 2020.

(m) Except as otherwise provided in the PFSB Disclosure Letter, the transactions contemplated by the Agreement will not cause acceleration of vesting in, or payment of, any material benefits under any Employee Plan or Benefit Arrangement and will not otherwise materially accelerate or increase any obligation under any Employee Plan or Benefit Arrangement.

(n) With respect to any Employee Plan which is a deferred compensation plan that is subject to Section 409A of the Code, such plan has been identified on the PFSB Disclosure Letter and, except as otherwise set forth in the PFSB Disclosure Letter, has been operated in accordance with, and is in documentary compliance with Section 409A of the Code and the guidance issued thereunder.

3.14 Obligations to Employees.

(a) PFSB is in compliance in all material respects with all applicable laws respecting employment including discrimination in employment, terms and conditions of employment, worker classification (including the proper classification of workers as independent contractors and consultants and of employees as exempt or non-exempt, in each case, under the Fair Labor Standards Act of 1938, as amended (the “**Fair Labor Standards Act**”), and any similar applicable law), wages, hours and occupational safety and health and employment practices, including the Immigration Reform and Control Act, and is not engaged in any unfair labor practice.

(b) PFSB is not and was not a party to, bound by or subject to, or is currently negotiating, any collective bargaining agreement or understanding with a labor union or organization. Except as set forth in the PFSB Disclosure Letter, all employees of PFSB are employed on an “at will” basis, and PFSB has no any contractual or legal obligations that would prevent PFSB from termination the employment of any employee of PFSB without liability for severance pay.

(c) Except as set forth in the PFSB Disclosure Letter, all accrued obligations and liabilities of PFSB, whether arising by operation of law, by contract or by past custom, for payments to trust or other funds, to any government agency or body or to any individual director, officer, employee or agent (or their heirs, legatees or legal representative) with respect to unemployment compensation or social security benefits and all pension, retirement, savings, stock purchase, stock bonus, stock ownership, stock option, stock appreciation rights or profit sharing plan, any employment, deferred compensation, consultant, bonus or collective bargaining agreement or group insurance contract or other incentive, welfare or employee benefit plan or agreement maintained by PFSB for its current or former directors, officers, employees and agents have been and are being paid to the extent required by law or by the plan or contract, and adequate actuarial accruals and/or reserves for such payments have been and are being made by PFSB in accordance with generally accepted accounting and actuarial principles, except where the failure to pay any such accrued obligations or liabilities or to maintain adequate accruals and/or reserves for payment thereof would not have a Material Adverse Effect. Except as set forth in the PFSB Disclosure Letter, all obligations and liabilities of PFSB, whether arising by operation of law, by contract, or by past custom, for all forms of compensation which are or may be payable to their current or former directors, officers, employees or agents have been and are being paid, and adequate accruals and/or reserves for payment therefore have been and are being made in accordance with GAAP, except where the failure to pay any such obligations and liabilities or to maintain adequate accruals and/or reserves for payment thereof would not have a Material Adverse Effect. All accruals and reserves referred to in this Section 3.14 are correctly and accurately reflected and accounted for in the books, statements and records of PFSB, except where the failure to correctly and accurately reflect and account for such accruals and reserves would not have a Material Adverse Effect.

3.15 Taxes, Returns and Reports.

(a) Except as set forth in the PFSB Disclosure Letter, PFSB has (a) duly filed all federal, state, local and foreign Tax Returns of every type and kind required to be filed by it as of the date hereof, and each such Tax Return is true, complete and accurate in all material respects; (b) paid all material Taxes, assessments and other governmental charges due and payable by PFSB upon its income, properties or assets; and (c) not requested an extension of time for any such payments (which extension is still in force). No deficiency with respect to a material amount of Taxes has been proposed, asserted or assessed against PFSB, which amount has not been paid or such matter otherwise resolved. Except for Taxes not yet due and payable, the reserve for Taxes on the Financial Information is adequate to cover all of PFSB's Tax liabilities (including, without limitation, income Taxes and franchise fees) that may become payable in future years with respect to any transactions consummated prior to September 30, 2020. PFSB does not have nor will it have, any liability for Taxes of any nature for or with respect to the operation of its business from September 30, 2020, up to and including the Effective Time, except to the extent (i) reflected on the Financial Information or on financial statements of PFSB subsequent to and the date of the Financial Information or (ii) as set forth in the PFSB Disclosure Letter. PFSB has not received written notice that it is currently under audit by any state or federal taxing authority. Except as set forth in the PFSB Disclosure Letter, none of the federal, state, or local Tax Returns of PFSB has been audited by any taxing authority during the past five years.

(b) As used in this Agreement, the term "**Tax**" or "**Taxes**" means all federal, state, local, and foreign income, excise, gross receipts, ad valorem, profits, gains, property, capital, sales, transfer, use, license, payroll, employment, social security, severance, unemployment, withholding, duties, excise, windfall profits, intangibles, franchise, backup withholding, value added, alternative or add-on minimum, estimated and other taxes, charges, fees, levies or like assessments together with all penalties and additions to tax and interest thereon.

(c) As used in this Agreement, the term "**Tax Return**" means any return, declaration, report, claim for refund, estimate, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof, supplied or required to be supplied to a taxing authority.

3.16 Deposit Insurance. The deposits of PFSB are insured by the FDIC in accordance with the Federal Deposit Insurance Act, and PFSB has paid all premiums and assessments with respect to such deposit insurance.

3.17 Reports. Since January 1, 2018, to the knowledge of PFSB's Management, PFSB has timely filed all reports, registrations and statements, together with any required amendments thereto, that PFSB was required to file with (i) the Ohio Division of Financial Institutions (the "**ODFI**"), (ii) the FDIC, and (iii) any federal, state, municipal or local government, securities, banking, environmental, insurance and other governmental or regulatory authority, and the agencies and staffs thereof (collectively, the "**Regulatory Authorities**"), having jurisdiction over the affairs of PFSB, except where such failure would not have a Material Adverse Effect. All such reports filed by PFSB complied in all material respects with all applicable rules and regulations

promulgated by the applicable Regulatory Authorities and were true, accurate and complete in all material respects and, to the extent required, were prepared in conformity with regulatory accounting principles applied on a consistent basis.

3.18 Absence of Defaults. PFSB is not in violation of its Articles of Incorporation or Code of Regulations or, to the knowledge of PFSB's Management, in default under any material agreement, commitment, arrangement, loan, lease, insurance policy or other instrument, whether entered into in the ordinary course of business or otherwise and whether written or oral, and there has not occurred any event known to PFSB's Management that, with the lapse of time or giving of notice or both, would constitute such a default, except for such defaults which would not have a Material Adverse Effect.

3.19 Tax and Regulatory Matters. PFSB has not taken or agreed to take any action or has any knowledge of any fact or circumstance that would (a) prevent the transactions contemplated hereby from qualifying as a reorganization within the meaning of Section 368 of the Code or (b) materially impede or delay receipt of any regulatory approval required for consummation of the transactions contemplated by this Agreement.

3.20 Real Property.

(a) A list of the locations of each parcel of real property owned by PFSB (other than real property acquired in foreclosure or in lieu of foreclosure in the course of the collection of loans and being held by PFSB for disposition as required by law) is set forth in the PFSB Disclosure Letter under the heading of "PFSB Owned Real Property" (such real property being herein referred to as the "**PFSB Owned Real Property**"). A list of the location of each parcel of real property leased by PFSB is also set forth in the PFSB Disclosure Letter under the heading of "PFSB Leased Real Property" (such real property being herein referred to as the "**PFSB Leased Real Property**"). PFSB shall update the PFSB Disclosure Letter within 10 days after acquiring or leasing any real property after the date hereof. Collectively, the PFSB Owned Real Property and the PFSB Leased Real Property are herein referred to as the "**PFSB Real Property**."

(b) There is no pending action involving PFSB as to the title of or the right to use any of the PFSB Real Property.

(c) Other than the PFSB Owned Real Property, PFSB has no interest in any other real property except interests as a mortgagee, and except for any real property acquired in foreclosure or in lieu of foreclosure and being held for disposition as required by law.

(d) None of the buildings, structures or other improvements located on the PFSB Real Property encroaches upon or over any adjoining parcel of real estate or any easement or right-of-way or "setback" line and all such buildings, structures and improvements are located and constructed in conformity with all applicable zoning ordinances and building codes.

(e) None of the buildings, structures or improvements located on the PFSB Real Property are the subject of any official complaint or notice by any governmental authority of violation of any applicable zoning ordinance or building code, and there is no zoning ordinance, building code, use or occupancy restriction or condemnation action or proceeding pending, or, to the best knowledge of PFSB's Management, threatened, with respect to any such building.

structure or improvement. The PFSB Real Property is suitable for its intended purpose, ordinary wear and tear excepted, and has been maintained (as to the PFSB Leased Real Property, to the extent required to be maintained by PFSB) in accordance with reasonable and prudent business practices applicable to like facilities. The PFSB Real Property has been used and operated in all material respects in compliance with all applicable laws, statutes, rules, regulations and ordinances applicable thereto during PFSB's ownership or tenancy of said property.

(f) Except as set forth on the PFSB Disclosure Letter, and as may be reflected in the Financial Information, and except for liens for taxes not yet due and payable or with respect to such easements, liens, defects or encumbrances, real estate taxes and assessments or other monetary obligations such as contributions to an owners' association, as do not individually or in the aggregate materially adversely affect the use or value of the PFSB Owned Real Property and which would not have a Material Adverse Effect, PFSB has, and at the Effective Time will have, good and marketable title to the PFSB Owned Real Property, free and clear of all liens, mortgages, security interests, encumbrances and restrictions of any kind or character.

(g) Except as set forth in the PFSB Disclosure Letter and to the knowledge of PFSB's Management, PFSB has not caused or allowed the generation, treatment, storage, disposal or release at any PFSB Real Property of any Toxic Substance, except in compliance with all applicable federal, state and local laws and regulations and except where such noncompliance would not reasonably be expected to have a Material Adverse Effect. "**Toxic Substance**" means any hazardous, toxic or dangerous substance, pollutant, waste, gas or material, including, without limitation, petroleum and petroleum products, metals, liquids, semi-solids or solids, that are regulated under any federal, state or local statute, ordinance, rule, regulation or other law pertaining to environmental protection, contamination, quality, waste management or cleanup.

(h) Except as disclosed in the PFSB Disclosure Letter and to the knowledge of PFSB's Management, there are no underground storage tanks located on, in or under any PFSB Owned Real Property and no such PFSB Owned Real Property has previously contained an underground storage tank. Except as set forth in the PFSB Disclosure Letter, PFSB does not own or operate any underground storage tank at any PFSB Leased Real Property and to the knowledge of PFSB's Management, no such PFSB Leased Real Property has previously contained an underground storage tank. To the knowledge of PFSB's Management, no PFSB Real Property is or has been listed on the Comprehensive Environmental Response, Compensation, and Liability Information System.

(i) Except as set forth in the PFSB Disclosure Letter and to the knowledge of PFSB's Management, no Toxic Substance has been released, spilled, discharged or disposed at, in, on or under any PFSB Real Property nor, to the knowledge of PFSB's Management, are there any other conditions or circumstances affecting any PFSB Real Property, in each case, which would reasonably be expected to have a Material Adverse Effect.

(j) To the knowledge of PFSB's Management, there are no mechanic's or materialman's liens against the PFSB Leased Real Property, and no unpaid claims for labor performed, materials furnished or services rendered in connection with constructing, improving or repairing the PFSB Leased Real Property in respect of which liens may or could be filed against the PFSB Leased Real Property.

3.21 Securities Law Compliance. The PFSB Common Stock is not listed on any stock exchange and not actively traded on the over the counter market. To the knowledge of PFSB's Management, PFSB has complied in all material respects with all applicable federal and state securities laws, statutes, rules and regulations in regard to the issuance of all share of the PFSB Common Stock.

3.22 Broker's or Finder's Fees. Except for Keefe, Bruyette & Woods, no agent, broker or other person acting on behalf of PFSB or under any authority of PFSB is or shall be entitled to any commission, broker's or finder's fee or any other form of compensation or payment from any of the parties hereto, other than attorneys' or accountants' fees, in connection with any of the transactions contemplated by this Agreement.

3.23 Shareholder Rights Plan. PFSB does not have a shareholder rights plan or any other plan, program or agreement involving, restricting, prohibiting or discouraging a change in control or merger of PFSB or which may be considered an anti-takeover mechanism except to the extent that the provisions of the PFSB Articles of Incorporation or Code of Regulations may have the effect or provide opportunities to do so.

3.24 Indemnification Agreements. Except as set forth in the PFSB Disclosure Letter, PFSB is not a party to any indemnification, indemnity or reimbursement agreement, contract, commitment or understanding to indemnify any present or former director, officer, employee, shareholder or agent against any liability or hold the same harmless from liability other than as expressly provided in the Articles of Incorporation or Code of Regulations (or other organizational documents, as applicable) of PFSB and applicable law.

3.25 Agreements with Regulatory Agencies. Except as set forth in the PFSB Disclosure Letter in a manner permitted by applicable law, PFSB is not subject to any cease-and-desist, consent order, or other order or enforcement action issued by, or is a party to any written agreement, consent agreement, or memorandum of understanding with, or is a party to any commitment letter or similar undertaking to, or is subject to any order or directive by, or has been ordered to pay any civil money penalty by, the Regulatory Authorities or other governmental or regulatory authority, agency, court, commission, or other administrative entity ("**Governmental Entity**").

3.26 Nonsurvival of Representations and Warranties. The representations and warranties contained in this Section 3 shall expire on the Effective Time or the earlier termination of this Agreement, and thereafter PFSB and all directors and officers of PFSB shall have no further liability with respect thereto.

3.27 No Other Representations or Warranties. Except for the representations and warranties contained in this Section 3, PFSB makes no other express or implied representation or warranty to F&M and F&M Bank.

SECTION 4
REPRESENTATIONS AND
WARRANTIES OF F&M AND F&M BANK

F&M and F&M Bank hereby make the following representations and warranties set forth below to PFSB with respect to themselves and the F&M Subsidiaries. For the purposes of this Agreement, "**F&M Disclosure Letter**" is defined as a letter referencing Section 4 of this Agreement which shall be prepared by F&M and F&M Bank and delivered to PFSB contemporaneous with the execution of this Agreement.

4.1 Organization and Authority. F&M is a corporation duly organized and validly existing under the laws of the State of Ohio and F&M Bank is a commercial bank duly organized and validly existing under the laws of the State of Ohio. F&M and F&M Bank have the power and authority (corporate or otherwise) to conduct their respective businesses in the manner and by the means utilized as of the date hereof. F&M's only subsidiaries are F&M Bank and Farmers & Merchants Risk Management, Inc., a Nevada corporation (the "**F&M Subsidiaries**"). None of the F&M Subsidiaries has subsidiaries. F&M Bank is subject to primary federal regulatory supervision and regulation by the FDIC.

4.2 Authorization.

(a) F&M and F&M Bank each has the corporate power and authority to enter into this Agreement and to carry out their respective obligations hereunder subject to the conditions precedent set forth in Section 7. The Agreement, when executed and delivered, will have been duly authorized and will constitute a valid and binding obligation of F&M and F&M Bank, subject to the conditions precedent set forth in Section 7 hereof, enforceable in accordance with its terms, except to the extent limited by insolvency, reorganization, liquidation, readjustment of debt, or other laws of general application relating to or affecting the enforcement of creditor's rights. The respective Board of Directors of F&M and F&M Bank, and F&M as the sole shareholder of F&M Bank, have approved the Merger pursuant to the terms and conditions of this Agreement.

(b) Except as set forth in the F&M Disclosure Letter, neither the execution of this Agreement, nor the consummation of the transactions contemplated hereby, subject to the conditions precedent set forth in Section 7 hereof does or will (i) conflict with, result in a breach of, or constitute a default under either F&M's or F&M Bank's Articles of Incorporation or Code of Regulations; (ii) conflict with, result in a breach of, or constitute a default under any federal, foreign, state, or local law, statute, ordinance, rule, regulation, or court or administrative order or decree, or any note, bond, indenture, loan, mortgage, security agreement, contract, arrangement, or commitment, to which either F&M or F&M Bank is subject or bound, the result of which would have a Material Adverse Effect; (iii) result in the creation of, or give any person, corporation or entity the right to create, any lien, charge, claim, encumbrance, security interest, or any other rights of others or other adverse interest upon any right, property or asset of either F&M or F&M Bank; (iv) terminate, or give any person, corporation or entity the right to terminate, amend, abandon, or refuse to perform, any note, bond, indenture, loan, mortgage, security agreement, contract, arrangement, or commitment to which F&M or F&M Bank is a party or by which either F&M or F&M Bank is subject or bound, the result of which would have a Material Adverse Effect on F&M; or (v) accelerate or modify, or give any party thereto the right to accelerate or modify, the time within which, or the terms according to which, either F&M or F&M Bank is to perform any duties or obligations or receive any rights or benefits under any note, bond, indenture, loan, mortgage, security agreement, contract, arrangement, or commitment.

(c) Other than in connection or in compliance with the provisions of the Bank Holding Company Act of 1956, the Bank Merger Act, federal and state securities laws, and applicable federal and Ohio banking statutes and corporate statutes, all as amended, and the rules and regulations promulgated thereunder, no notice to, filing with, authorization of, exemption by, or consent or approval of, any public body or authority is necessary for the consummation by F&M and F&M Bank of the transactions contemplated by this Agreement.

(d) Except as set forth in the F&M Disclosure Letter, other than those filings, authorizations, consents and approvals referenced in Section 4.2(c) above and filings and approvals relating to the listing of the shares of F&M Shares to be issued in the Merger on the NASDAQ Capital Market and certain other filings and approvals with NASDAQ relating to the change in the number of shares of F&M outstanding as a result of the Merger, no notice to, filing with, authorization of, exemption by, or consent or approval of, any third party is necessary for the consummation by F&M or F&M Bank of the transactions contemplated by this Agreement, except for such authorizations, exemptions, consents or approvals, the failure of which to obtain, would not be reasonably likely to result in a Material Adverse Effect.

4.3 Capitalization.

(a) As of March 31, 2021, there were 20,000,000 F&M Shares authorized, without par value, of which 11,196,744 shares were issued and outstanding. Such issued and outstanding F&M Shares have been duly and validly authorized by all necessary corporate action of F&M, are validly issued, fully paid and nonassessable and have not been issued in violation of any preemptive rights of any shareholders. Other than the F&M Shares, F&M has no other class of stock authorized.

(b) F&M owns all of the issued and outstanding shares of capital stock of each of the F&M Subsidiaries. Such issued and outstanding capital stock has been duly and validly authorized by all necessary corporate action, are validly issued, fully paid and nonassessable, and have not been issued in violation of any preemptive rights of any shareholder. All of the issued and outstanding shares of capital stock of the F&M Subsidiaries are owned by F&M free and clear of all liens, pledges, charges, claims, encumbrances, restrictions, security interests, options and preemptive rights and of all other rights of any other person, corporation or entity with respect thereto.

(c) The F&M Shares to be issued pursuant to the Merger will be duly authorized, fully paid, validly issued and nonassessable and not subject to any preemptive rights.

4.4 Organizational Documents. The Articles of Incorporation and Code of Regulations of F&M and F&M Bank in force as of the date hereof have been delivered to PFSB. The documents delivered by it represent true, accurate and complete copies of the corporate documents of F&M and F&M Bank in effect as of the date of this Agreement.

4.5 Compliance with Law. To the knowledge of "F&M Management" (as defined in Section 10.11), except as set forth in the F&M Disclosure Letter, neither F&M nor any F&M Subsidiary has engaged in any activity nor taken or omitted to take any action which has resulted

or could reasonably be expected to result, in the violation of any local, state, federal or foreign law, statute, rule, regulation or ordinance or of any order, injunction, judgment or decree of any court or government agency or body, the violation of which could reasonably be expected to have a Material Adverse Effect. Except as set forth in the F&M Disclosure Letter, F&M and each F&M Subsidiary possess all licenses, franchises, permits and other authorizations necessary for the continued conduct of their respective businesses without material interference or interruption. Neither F&M nor any F&M Subsidiary are subject to any agreement, commitment or understanding with, or order and directive of, any regulatory agency or government authority with respect to the business or operations of F&M or any F&M Subsidiary. Except as set forth in the F&M Disclosure Letter, F&M Bank has not received any notice of enforcement actions since January 1, 2018 from any regulatory agency or government authority relating to its compliance with the Bank Secrecy Act, the Truth-in-Lending Act, the Community Reinvestment Act, the Gramm-Leach-Bliley Act of 1999, the USA Patriot Act, the International Money Laundering Abatement and Financial Anti-Terrorism Act of 2001, the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act or any laws with respect to the protection of the environment or the rules and regulations promulgated thereunder. Except as set forth in the F&M Disclosure Letter, F&M has not received any notice of enforcement actions since January 1, 2018 from any regulatory agency or government authority relating to its compliance with any securities, tax or employment laws applicable to F&M. F&M Bank received a rating of “satisfactory” or better in its most recent examination or interim review with respect to the Community Reinvestment Act.

4.6 Accuracy of Statements. No information which has been or shall be supplied by F&M nor any F&M Subsidiary with respect to its respective businesses, operations and financial condition for inclusion in the Proxy Statement, Registration Statement, and regulatory applications relating to the Merger contains or shall contain (in the case of information relating to the Proxy Statement at the time it is mailed and for the regulatory applications and Registration Statement, and each amendment or supplement thereto, if any, at the time it becomes effective) any untrue statement of a material fact or omits or shall omit to state a material fact necessary to make the statements contained therein not misleading.

4.7 Litigation and Pending Proceedings. Except as set forth in the F&M Disclosure Letter, there are no claims of any kind, nor any action, suits, proceedings, arbitrations or investigations pending or, to the knowledge of F&M’s Management, threatened in any court or before any government agency or body, arbitration panel or otherwise (nor does F&M’s Management have any knowledge of a basis for any claim, action, suit, proceeding, arbitration or investigation) which could be reasonably expected to have a Material Adverse Effect. To the knowledge of F&M’s Management, there are no material uncured violations, criticisms or exceptions, or violations with respect to which material refunds or restitutions may be required, cited in any report, correspondence or other communication to F&M or any F&M Subsidiary as a result of an examination by any regulatory agency or body.

4.8 Financial Statements.

(a) F&M’s consolidated audited balance sheets as of the end of the two fiscal years ended December 31, 2020 and 2019, the unaudited consolidated balance sheet for the three months ended March 31, 2021, and the related consolidated statements of income, shareholders’ equity and cash flows for the years or period then ended (hereinafter collectively referred to as the “**F&M**”

Financial Information”) present fairly the consolidated financial condition or position of F&M as of the respective dates thereof and the consolidated results of operations of F&M for the respective periods covered thereby and have been prepared in conformity with GAAP applied on a consistent basis.

(b) All loans reflected in the F&M Financial Information and which have been made, extended or acquired since December 31, 2020: (i) have been made for good, valuable and adequate consideration in the ordinary course of business; (ii) constitute the legal, valid and binding obligation of the obligor and any guarantor named therein; (iii) are evidenced by notes, instruments or other evidences of indebtedness which are true, genuine and what they purport to be; and (iv) to the extent that F&M Bank has a security interest in collateral or a mortgage securing such loans, are secured by perfected security interests or mortgages naming F&M Bank as the secured party or mortgagee, except for such unperfected security interests or mortgages naming F&M Bank as secured party or mortgagee which, on an individual loan basis, would not materially adversely affect the value of any such loan and the recovery of payment on any such loan if F&M Bank is not able to enforce any such security interest or mortgage.

4.9 **Absence of Certain Changes.** Except for events and conditions relating to the business and interest rate environment in general, the accrual or payment of Merger-related expenses, or as set forth in the F&M Disclosure Letter, since December 31, 2020, no events have occurred which could reasonably be expected to have a Material Adverse Effect. Except as set forth in the F&M Disclosure Letter, between the period from December 31, 2020 to the date of this Agreement, F&M and each F&M Subsidiary have carried on their respective businesses in the ordinary and usual course consistent with their past practices (excluding the incurrence of reasonable fees and expenses of professional advisors related to this Agreement and the transactions contemplated hereby). Since December 31, 2020, there has not been any declaration, setting aside or payment of any dividend or other distribution (whether in cash, stock or property) with respect to F&M Shares (other than normal quarterly cash dividends) or any split, combination or reclassification of any stock of F&M or any F&M Subsidiary or any issuance or the authorization of any securities in respect of, or in lieu of, or in substitution for F&M Shares.

4.10 **Taxes, Returns and Reports.** F&M and the F&M Subsidiaries have (a) duly filed all federal, state, local and foreign Tax Returns of every type and kind required to be filed by them as of the date hereof, and each Return is true, complete and accurate in all material respects; (b) paid all material Taxes, assessments and other governmental charges due and payable by any of them upon their income, properties or assets; and (c) not requested an extension of time for any such payments (which extension is still in force). No deficiency with respect to a material amount of Taxes has been proposed, asserted or assessed against F&M or any F&M Subsidiary, which amount has not been paid or such matter otherwise resolved. Except for Taxes not yet due and payable, the reserve for Taxes on the F&M Financial Information is adequate to cover all of F&M’s and the F&M Subsidiaries’ Tax liabilities (including, without limitation, income Taxes and franchise fees) that may become payable in future years with respect to any transactions consummated prior to December 31, 2020. Neither F&M nor any F&M Subsidiary has or will have, any liability for Taxes of any nature for or with respect to the operation of their business, including the assets of any subsidiary, from December 31, 2020, up to and including the Effective Time, except to the extent (i) reflected on the F&M Financial Information or on financial statements of F&M or any subsidiary subsequent to and the date of the F&M Financial Information

or (ii) as set forth in the F&M Disclosure Letter. Neither F&M nor any F&M Subsidiary has received written notice that it is currently under audit by any state or federal taxing authority. Except as set forth in the F&M Disclosure Letter, none of the federal, state, or local Tax Returns of F&M or any F&M Subsidiary has been audited by any taxing authority during the past five years.

4.11 Deposit Insurance. The deposits of F&M Bank are insured by the FDIC in accordance with the Federal Deposit Insurance Act, and F&M Bank has paid all premiums and assessments with respect to such deposit insurance.

4.12 Reports. Since January 1, 2018, F&M and F&M Bank have timely filed all reports, registrations and statements, together with any required amendments thereto, that they were required to file with (i) the Board of Governors of the Federal Reserve System, (ii) the FDIC, (iii) the ODFI, and (iv) any federal, state, municipal or local government, securities, banking, environmental, insurance and other governmental or regulatory authority, and the agencies and staffs thereof (collectively, the “**F&M Regulatory Authorities**”), except where such failure would not have a Material Adverse Effect. All such reports filed by F&M and F&M Bank complied in all material respects with all applicable rules and regulations promulgated by the applicable F&M Regulatory Authorities and were true, accurate and complete in all material respects and, to the extent required, were prepared in conformity with GAAP applied on a consistent basis. There is no unresolved violation with respect to any report or statement filed by, or any examination of F&M or F&M Bank.

4.13 Absence of Defaults. Neither F&M nor F&M Bank is in violation of its Articles of Incorporation or Code of Regulations or, to the knowledge of F&M’s Management, in default under any material agreement, commitment, arrangement, loan, lease, insurance policy or other instrument, whether entered into in the ordinary course of business or otherwise and whether written or oral, and there has not occurred any event known to F&M’s Management that, with the lapse of time or giving of notice or both, would constitute such a default, except for defaults which would not have a Material Adverse Effect.

4.14 Tax and Regulatory Matters. Neither F&M nor any F&M Subsidiary has taken or agreed to take any action or has any knowledge of any fact or circumstance that would (a) prevent the transactions contemplated hereby from qualifying as a reorganization within the meaning of Section 368 of the Code or (b) materially impede or delay receipt of any regulatory approval required for consummation of the transactions contemplated by this Agreement.

4.15 Securities Law Compliance. F&M Shares are traded on the NASDAQ Capital Market under the symbol of “FMAO.” F&M has complied in all material respects with all applicable state, federal or foreign securities laws, statutes, rules, regulations or orders, injunctions or decrees of any applicable government agency relating or applicable to F&M Shares. F&M has complied in all material respects with all applicable rules, regulations, or orders of any applicable self-regulatory organization (including, but not limited to, NASDAQ) relating or applicable to F&M Shares. Since January 1, 2018, F&M has filed all reports and other documents required to be filed by it under the Securities Exchange Act of 1934, as amended, and the Securities Act of 1933, as amended (the “**1933 Act**”), and the regulations promulgated thereunder, and under any rules and regulations of any applicable self-regulatory organization (including, but not limited to, NASDAQ), including F&M’s Annual Report on Form 10-K for the year ended December 31,

2020, copies of which have previously been delivered to PFSB. All such filings were true, accurate and complete in all material respects as of the dates of the filings (except for information included therein as of a certain date, which shall have been true and correct as of such date), and no such filings, at the time they were filed, contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made, at the time and in the light of the circumstances under which they were made, not false or misleading.

4.16 Broker's or Finder's Fees. Except for ProBank Austin, no agent, broker or other person acting on behalf of F&M or under any authority of F&M is or shall be entitled to any commission, broker's or finder's fee or any other form of compensation or payment from any of the parties hereto, other than attorneys' or accountants' fees, in connection with any of the transactions contemplated by this Agreement.

4.17 Agreements with Regulatory Agencies. Except as set forth in the F&M Disclosure Letter in a manner permitted by applicable law, neither F&M nor the F&M Subsidiaries are subject to any cease-and-desist, consent order, or other order or enforcement action issued by, or is a party to any written agreement, consent agreement, or memorandum of understanding with, or is a party to any commitment letter or similar undertaking to, or is subject to any order or directive by, or has been ordered to pay any civil money penalty by, the F&M Regulatory Authorities or other governmental entity.

4.18 Sufficient Funds. F&M has, as of the date hereof, sufficient cash on hand, other sources of available funds and a loan commitment, to enable F&M to timely pay the cash portion of the Merger Consideration and to satisfy its obligations under and to consummate the transactions contemplated by this Agreement.

4.19 No Shareholder Approval. No vote or consent of any of the holders of F&M Shares is required by law, contract, or NASDAQ listing requirements for F&M to enter into this Agreement and to consummate the Merger.

4.20 Nonsurvival of Representations and Warranties. The representations and warranties contained in this Section 4 shall expire on the Effective Time or the earlier termination of this Agreement, and thereafter F&M and F&M Bank and all directors and officers of F&M and F&M Bank shall have no further liability with respect thereto.

4.21 No Other Representations or Warranties. Except for the representations and warranties contained in this Section 4, F&M and F&M Bank make no other express or implied representation or warranty to PFSB.

SECTION 5 COVENANTS OF PFSB

PFSB covenants and agrees with F&M and F&M Bank to act, as follows:

5.1 Shareholder Approval.

(a) Following the execution of this Agreement, PFSB shall take, in accordance with applicable law and its Articles of Incorporation and Code of Regulations, all action necessary to convene a meeting of its shareholders as promptly as practicable (and in any event within 45 days

following the time when the Registration Statement becomes effective, subject to extension with the consent of F&M, which shall not unreasonably be withheld, conditioned or delayed) to consider and vote upon the adoption of this Agreement and approval of the Merger and any other matter required to be approved by the shareholders of PFSB in order to consummate the Merger and the transactions contemplated hereby (including any adjournment or postponement thereof, the “**Shareholder Meeting**”).

(b) Subject to Section 5.5 hereof, PFSB shall cooperate with F&M in the preparation of an appropriate proxy statement and other proxy solicitation materials (the “**Proxy Statement**”) and use its reasonable best efforts to obtain the requisite vote of PFSB’s shareholders to consummate the Merger and the other transactions contemplated hereby, and shall ensure that the Shareholder Meeting is called, noticed, convened, held and conducted, and that all proxies solicited by PFSB in connection with the Shareholder Meeting are solicited in compliance with the OBL, the OGCL, the Articles of Incorporation and Code of Regulations of PFSB, and all other applicable legal requirements. PFSB shall keep F&M updated with respect to the proxy solicitation results in connection with the Shareholder Meeting as reasonably requested by F&M.

(c) Subject to Section 5.5 hereof, PFSB’s Board of Directors shall recommend that PFSB’s shareholders vote to adopt this Agreement and approve the Merger and any other matters required to be approved by PFSB’s shareholders for consummation of the Merger and the transactions contemplated hereby.

5.2 Other Approvals. As soon as reasonably practicable following the date hereof, PFSB shall use its best efforts to procure upon reasonable terms and conditions any consents, authorizations, approvals, registrations, and certificates from any applicable Regulatory Authorities as may be required by applicable law, and to satisfy all other requirements prescribed by law which are necessary for consummation of the Merger on the terms and conditions provided in this Agreement.

5.3 Conduct of Business.

(a) Except as otherwise set forth in the PFSB Disclosure Letter or as provided for in this Agreement, on and after the date of this Agreement and until the Effective Time or until this Agreement shall be terminated as herein provided, PFSB shall not, without the prior written consent (which may include consent via electronic mail) of F&M, (i) make any changes in its capital structure, including, but not limited to the redemption of PFSB Shares; (ii) authorize an additional class of stock or issue, or authorize the issuance of any capital stock or any options or other instruments convertible into shares of capital stock, except pursuant to the exercise of stock options outstanding as of the date of this Agreement; (iii) declare, distribute or pay any dividends on its common shares, or authorize a stock split, or make any other distribution to its shareholders, except for PFSB’s regular, quarterly cash dividend in an amount not greater than \$0.25 per common share and a “special dividend” of \$0.25 to be declared in May 2021 and paid in June 2021; provided, however, PFSB and F&M shall coordinate PFSB’s dividend schedule for the quarter in which Closing occurs so that holders of PFSB Common Stock do not receive dividends on both F&M and PFSB Common Stock attributable to the same calendar quarter; (iv) merge, combine or consolidate with or, other than in the ordinary course of business consistent with past practice (including the sale, transfer or disposal of other real estate owned), sell its assets or any of its securities to any other person, corporation or entity, effect a share exchange or enter into any

other transaction not in the ordinary course of business; (v) incur any new liability or obligation, make any new commitment, payment or disbursement, enter into any new contract, agreement, understanding or arrangement or engage in any new transaction, or acquire or dispose of any property (other than other real estate owned) or asset the fair market value of which exceeds \$50,000.00, in the aggregate; except for payments or disbursements, the acquisition or disposition of personal or real property in connection with either foreclosures on mortgages or enforcement of security interests, the origination or sale of loans by PFSB and the creation of deposit liabilities and advances from the Federal Home Loan Bank, in each case, in the ordinary course of business consistent with past practice; (vi) subject any of its properties or assets to a mortgage, lien, claim, charge, option, restriction, security interest or encumbrance, except for such mortgages, liens or other encumbrances incurred in the ordinary course of business consistent with past practice; (vii) promote or increase or decrease the rate of compensation (except for promotions and non-material increases in the ordinary course of business and in accordance with past practices, and except for a stay bonus pool of \$25,000 that PFSB may pay to PFSB employees, in its discretion, that PFSB identifies as important to ensure their retention through Closing for the operations of PFSB) or enter into any agreement to promote or increase or decrease the rate of compensation of any director, officer or employee of PFSB; (viii) except as required by applicable law, execute, create, institute, modify or amend any pension, retirement, savings, stock purchase, stock bonus, stock ownership, stock option, stock appreciation or depreciation right or profit sharing plans, any employment, deferred compensation, consultant, bonus or collective bargaining agreement, group insurance contract or other incentive, welfare or employee benefit plan or agreement for current or former directors, officers or employees of PFSB, change the level of benefits or payments under any of the foregoing or increase or decrease any severance or termination pay benefits or any other fringe or employee benefits or pay any bonuses other than as required by law or regulatory authorities; (ix) amend its Articles of Incorporation or Code of Regulations from those in effect on the date of this Agreement; (x) modify, amend or institute new employment policies or practices, or enter into, renew, modify, amend or extend any employment or severance agreements with respect to any present or former directors, officers or employees of PFSB; (xi) fail to make additions to its reserve for loan losses, or any other reserve account, in the ordinary course of business and in accordance with sound banking practices; (xii) other than in the ordinary course of business consistent with past practice, incur any indebtedness for borrowed money or assume, guarantee, endorse or otherwise as an accommodation become responsible or liable for the obligations of any other individual, corporation or other entity; (xiii) make any loans or establish or expand any deposit or trust relationship not consistent with prior practice, the policies and procedures of PFSB or applicable law; and (xiv) agree in writing or otherwise to take any of the foregoing actions.

(b) PFSB shall maintain, or cause to be maintained, in full force and effect, insurance on its properties and operations and fidelity coverage on its directors, officers and employees in such amounts and with regard to such liabilities and hazards as currently in effect on the date of this Agreement.

(c) PFSB shall provide F&M and its representatives reasonable access, during normal business hours and on reasonable advance notice to PFSB, to further information (to the extent permissible under applicable law) and PFSB's premises for purposes of observing PFSB's business activities and operations and to consult with PFSB's officers and employees so as to make all necessary preparations for the Merger. F&M may hire, at its expense, a mutually-agreeable third party consultant to perform cybersecurity system testing and monitoring (based on a

mutually-agreeable project scope) in order to confirm that PFSB's technology systems are free of security breaches and, if necessary, provide remediation and notices related thereto. PFSB and F&M shall each receive the results of the testing and reasonably coordinate their efforts on any potential remediation and notices. None of the foregoing actions will cause undue disruption or interference with PFSB's normal operations nor shall such actions be permitted if such access relates to, (i) pending or threatened litigation or investigations if, in the opinion of counsel to PFSB, such access would or might adversely affect the confidential nature of, or any privilege relating to, the matters being discussed, (ii) materials that relate to the negotiation or approval of this Agreement, or (iii) matters involving an Acquisition Proposal. No investigation pursuant to this Section 5.3 shall affect or be deemed to modify any representation or warranty made in this Agreement by PFSB. F&M will use such information as is provided to it by PFSB, or representatives thereof, solely for the purpose of conducting business, legal and financial reviews of PFSB and for such other purposes as may be related to this Agreement, and F&M will, and will direct all of its agents, employees and advisors to, maintain the confidentiality of all such information in accordance with the terms of Section 6.4 below. PFSB shall not be required to provide access to or to disclose information where such access or disclosure would violate or prejudice the rights of its customers, jeopardize the attorney-client privilege of the entity in possession or control of such information or contravene any law, rule, regulation, order, judgment, decree, fiduciary duty or binding agreement. The parties will make appropriate and reasonable substitute disclosure arrangements under circumstances in which the restrictions of the preceding sentence apply.

5.4 Preservation of Business. On and after the date of this Agreement and until the Effective Time or until this Agreement is terminated as herein provided, PFSB shall (a) carry on its business diligently, substantially in the same manner as heretofore conducted, and in the ordinary course of business; (b) use commercially reasonable efforts to preserve its business organization intact, to keep its present officers and employees and to preserve its present relationship with customers and others having business dealings with them; and (c) not do or fail to do anything which will cause a material breach of, or material default in, any contract, agreement, commitment, obligation, understanding, arrangement, lease or license to which it is a party or by which it is or may be subject or bound. All of the foregoing shall be subject to the effects, if any, of the execution and delivery of this Agreement and the obligations contained herein.

5.5 Other Negotiations.

(a) PFSB shall not, during the term of this Agreement, directly or indirectly through agents, directors, officers or otherwise, solicit, encourage or facilitate inquiries or proposals or enter into any agreement with respect to, or initiate or participate in any negotiations or discussions with any person or entity concerning, any proposed transaction or series of transactions involving or affecting PFSB (or its securities or assets) that, if effected, would constitute an acquisition of control of PFSB within the meaning of 12 U.S.C. §1817(j) (disregarding the exceptions set forth in 12 U.S.C. §1817(j)(17)) and the regulations of the Federal Reserve Board thereunder (each, an "**Acquisition Proposal**"), or furnish any information to any person or entity proposing or seeking an Acquisition Proposal.

(b) Notwithstanding the foregoing, in the event that PFSB's Board of Directors determines in good faith and after consultation with legal counsel, that, in light of an Acquisition

Proposal, it is necessary to provide such information or engage in such negotiations or discussions in order to act in a manner consistent with such Board's fiduciary duties, PFSB's Board of Directors may, in response to an Acquisition Proposal which was not solicited by or on behalf of PFSB or which did not otherwise result from a breach of Section 5.5(a), subject to its compliance with Section 5.5(c), (i) furnish information with respect to PFSB to such person or entity making such Acquisition Proposal pursuant to a customary confidentiality agreement that is no less restrictive than the Mutual Confidentiality and Non-Disclosure Agreement entered into between PFSB and F&M in connection with the transactions contemplated by this Agreement, and (ii) participate in discussions or negotiations regarding such Acquisition Proposal. In the event that PFSB's Board of Directors determines in good faith and after consultation with legal counsel, that the Acquisition Proposal is a Superior Acquisition Proposal (as defined below) and that it is necessary to pursue such Superior Acquisition Proposal in order to act in a manner consistent with such Board's fiduciary duties, PFSB may (A) withdraw, modify or otherwise change in a manner adverse to F&M, the recommendation of PFSB's Board of Directors to its shareholders with respect to this Agreement and the Merger, and/or (B) terminate this Agreement in order to concurrently enter into an agreement with respect to such Superior Acquisition Proposal; provided, however, that PFSB's Board of Directors may not terminate this Agreement pursuant to this Section 5.5(b) unless and until (x) 10 business days have elapsed following the delivery to F&M of a written notice of such determination by PFSB's Board of Directors and during such 10 business-day period, PFSB otherwise cooperates with F&M with the intent of enabling the parties to engage in good faith negotiations so that the Merger and other transactions contemplated hereby may be effected and (y) at the end of such 10 business-day period, PFSB's Board of Directors continues reasonably to believe the Acquisition Proposal at issue constitutes a Superior Acquisition Proposal. A "**Superior Acquisition Proposal**" shall mean any Acquisition Proposal containing terms which PFSB's Board of Directors determines in its good faith judgment (based on the advice of an independent financial advisor) to be more favorable to PFSB's shareholders than the Merger and for which financing, to the extent required, is then committed or which, in the good faith judgment of PFSB's Board of Directors, is reasonably capable of being obtained by such third party, but shall exclude any Acquisition Proposal the terms of which were made known to PFSB's Board of Directors prior to the date of this Agreement.

(c) In addition to the obligations of PFSB set forth in Section 5.5(a) and (b), PFSB shall advise F&M orally and in writing as soon as reasonably practicable of any request (whether oral or in writing) for information or of any inquiries, proposals, discussions or indications of interest (whether oral or in writing) with respect to any Acquisition Proposal, the material terms and conditions of such request or Acquisition Proposal and the identity of the person or entity making such request or Acquisition Proposal. PFSB shall keep F&M reasonably informed of the status and details (including amendments or proposed amendments) of any such request or Acquisition Proposal, including the status of any discussions or negotiations with respect to any Superior Acquisition Proposal. F&M will keep all such information in confidence.

5.6 Announcement; Press Releases. In connection with the execution of this Agreement, PFSB and F&M intend to jointly issue a press release mutually acceptable to the parties. Except as otherwise required by law, PFSB shall not issue any additional press releases or make any other announcements or disclosures to the public generally relating to the Merger and the other transactions contemplated hereby without the prior approval of F&M, which approval will not be unreasonably withheld, provided, however, that nothing in this Section 5.6 shall be deemed to prohibit any party from making any disclosure that its legal counsel deems necessary in order to satisfy such party's disclosure obligation imposed by law.

5.7 PFSB Disclosure Letter. PFSB shall supplement, amend and update as of the Effective Time the PFSB Disclosure Letter with respect to any matters hereafter arising which, if in existence or having occurred as of the date of this Agreement, would have been required to be set forth or described in the PFSB Disclosure Letter. If, at any time prior to the Effective Time, PFSB becomes aware of a fact or matter that might indicate that any of the representations and warranties of PFSB herein may be untrue, incorrect or misleading in any material respect, PFSB shall promptly disclose such fact or matter to F&M in writing.

5.8 Confidentiality. PFSB shall use commercially reasonable efforts to cause its respective officers, employees, and authorized representatives to hold in strict confidence all confidential data and information obtained by them from F&M, unless such information (a) was already known to PFSB, (b) becomes available to PFSB from other sources, (c) is independently developed by PFSB, (d) is disclosed by PFSB in accordance with the terms of prior written approval of F&M, or (e) is or becomes readily ascertainable from public or published information or trade sources or public disclosure of such information is required by law or requested by a court or other governmental agency, commission, or regulatory body. PFSB further agrees that, in the event this Agreement is terminated, it will return to F&M, or destroy, all information obtained by PFSB from F&M or F&M Bank, including all copies made of such information by PFSB except to the extent that PFSB is advised by legal counsel of the need to retain such information or documentation. This provision shall survive the Effective Time or the earlier termination of this Agreement.

5.9 Cooperation. PFSB shall cooperate with F&M and its officers, employees, attorneys, accountants and other agents and do such other acts and things in good faith as may be reasonable, necessary or appropriate to timely effectuate the intents and purposes of this Agreement and the consummation of the transactions contemplated hereby, including, without limitation, (a) PFSB shall cooperate and assist F&M in the preparation of and/or filing of all regulatory applications, the Registration Statement, and all other documentation required to be prepared for consummation of the Merger and obtaining all necessary approvals, and (b) PFSB shall furnish F&M with all information concerning itself that F&M may request in connection with the preparation of the documentation referenced above.

5.10 PFSB Fairness Opinion. Prior to the execution of this Agreement, the PFSB Board of Directors has received the opinion of Keefe, Bruyette & Woods, Inc. (which, if initially rendered verbally has been or will be confirmed by a written opinion, dated the same date) to the effect that as of the date thereof and based upon and subject to the terms, conditions and qualifications set forth therein, the Merger Consideration in the Merger is fair, from a financial point of view, to the holders of PFSB Common Stock. As of the date of this Agreement, such opinion has not been amended or rescinded.

5.11 Financial Statements and Other Reports. Promptly upon its becoming available, PFSB shall furnish to F&M one copy of each financial statement, report, notice, or proxy statement sent by PFSB to its shareholders generally or filed with any Regulatory Authorities except as limited or prohibited by applicable law or regulation.

5.12 Adverse Actions. PFSB shall not (a) take any action while knowing that such action would, or is reasonably likely to, prevent or impede the Merger from qualifying as a reorganization within the meaning of Section 368 of the Code; or (b) knowingly take any action that is intended or is reasonably likely to result in (i) any of its representations and warranties set forth in this Agreement being or becoming untrue in any material respect at any time at or prior to the Effective Date, (ii) any of the conditions to the Merger set forth in Section 7 not being satisfied, (iii) a material violation of any provision of this Agreement, or (iv) a material delay in the consummation of the Merger except, in each case, as may be required by applicable law or regulation.

5.13 Employment Agreements. PFSB will cause the termination of each of the Amended and Restated Employment Agreements dated as of January 1, 2009, and as renewed and extended from time to time, between PFSB and Michael R. Melvin (“Melvin”) and Christine A. Phelps (“Phelps”), respectively, as more fully described in the PFSB Disclosure Letter (the “**Employment Agreements**”) and pay the change in control amounts due thereunder immediately prior to the Effective Time in return for appropriate releases signed by Melvin and Phelps, in such form as approved by F&M. F&M and F&M Bank shall have the right to continue to discuss potential future employment relationships with the officers of PFSB from the date hereof through and after the Effective Time.

5.14 Profit Sharing Plan. PFSB shall cause the PFSB Profit Sharing and Retirement Plan to be terminated effective as of the Effective Date.

5.15 Company Car. Immediately prior to the Closing of the Merger, Melvin will pay PFSB an amount equal to the fair market value of the vehicle currently owned by PFSB that Melvin has used in exchange for PFSB issuing clear title of such vehicle to Melvin.

SECTION 6

COVENANTS OF F&M AND F&M BANK

F&M and F&M Bank covenant and agree with PFSB as follows:

6.1 Approvals. As soon as reasonably practicable, but in any event within 30 days following execution and delivery of this Agreement, F&M will file an application with the Federal Reserve Board (or seek a waiver of such filing obligation), the ODFI and the FDIC for approval of the Merger, and take all other appropriate actions necessary to obtain the regulatory approvals referred to herein, and PFSB will use all reasonable and diligent efforts to assist in obtaining all such approvals. In advance of filing any applications for such regulatory approvals, F&M shall provide PFSB and its counsel with a copy of such applications (but excluding any information contained therein regarding F&M and its business or operations for which confidential treatment will be requested) and provide an opportunity to comment thereon, and thereafter shall promptly advise PFSB and its counsel of any material communication received by F&M or its counsel from any regulatory authorities with respect to such applications. In addition, F&M agrees to prepare, in cooperation with and subject to the review and comment of PFSB and its counsel, a registration statement on Form S-4, including a prospectus of F&M (the “**Registration Statement**”), to be filed no later than 60 days after the date hereof by F&M with the SEC in connection with the issuance of F&M Shares in the Merger (including the proxy statements and prospectus and other proxy solicitation materials of, and to be filed by, PFSB and F&M constituting a part thereof (the

“Proxy Statement”) and all related documents). F&M agrees to use its reasonable best efforts to have the Registration Statement declared effective by the SEC and to keep the Registration Statement effective so long as is necessary to consummate the Merger and the transactions contemplated hereby. F&M agrees to advise PFSB, promptly after F&M receives notice thereof, of the time when the Registration Statement has become effective or any supplement or amendment has been filed, of the issuance of any stop order or the suspension of the qualification of F&M Shares for offering or sale in any jurisdiction, of the initiation or threat of any proceeding for any such purpose, or of the receipt of any comment letters from the SEC regarding, or of any request by the SEC for the amendment or supplement of, the Registration Statement, or for additional information. F&M agrees to use its reasonable best efforts to list, prior to the Effective Date, on the NASDAQ Capital Market (subject to official notice of issuance), the F&M Shares to be issued to the holders of PFSB Shares in the Merger.

6.2 Employee Benefit Plans.

(a) F&M shall take such action as may be necessary so that, as soon as reasonably practicable following the Effective Date, employees of PFSB who become employees of F&M Bank shall be entitled to participate in the employee benefit plans of F&M and F&M Bank. Until such time as such employees of PFSB become covered by the F&M Bank group health, life and disability insurance benefit plans, they shall remain covered by the corresponding PFSB welfare benefit plans, which F&M and F&M Bank shall assume and maintain as successor employers to the extent such plans are not terminated as of the Effective Time.

(b) With respect to each employee benefit plan or benefit arrangement maintained by F&M or F&M Bank in which employees of PFSB subsequently participate, for purposes of determining eligibility, vesting, vacation and severance entitlement, F&M or F&M Bank will ensure that service with PFSB will be treated as service with F&M or F&M Bank; provided, however, that service with PFSB shall not be treated as service with F&M and F&M Bank for purposes of benefit accrual, except with respect to vacation and severance benefits. F&M and F&M Bank shall honor all benefits vested and earned by employees of PFSB through the Effective Date. Upon merger or termination of the Employee Plans or other employee benefit plans of PFSB, F&M and F&M Bank shall honor any acceleration provision therein.

(c) F&M and F&M Bank agree that the employees of PFSB will be permitted to elect to make rollover contributions to the 401(k) plan maintained by F&M and/or F&M Bank as direct rollovers from the terminated PFSB Profit Sharing and Retirement Plan, if permitted under the applicable F&M or F&M Bank plan without unreasonable requirements or expense on the part of F&M or F&M Bank; provided that (i) F&M may, in its discretion, make such direct rollovers subject to and conditioned upon the receipt of IRS an determination letter on the termination of the PFSB Profit Sharing and Retirement Plan, and (ii) such rollover contributions will be completed within the period of 90 days following receipt of such IRS determination letter.

(d) Except for Melvin and Phelps, and any other employee receiving a separate change in control, severance or similar payment in connection with the Closing of the Merger, those employees of PFSB as of the Effective Time (i) who are still employed by PFSB and who F&M or F&M Bank elect not to employ after the Effective Time or do not accept employment with F&M or F&M Bank because F&M or F&M Bank’s offer of employment was for less favorable compensation or at a location that is more than 25 miles from such employee’s location of

employment immediately prior to the Effective Time or who are terminated other than for cause within six (6) months after the Effective Date; and (ii) who sign and deliver a termination and release agreement in a form acceptable to F&M, shall be entitled to severance pay equal to two (2) weeks of pay, at their base rate of pay in effect at the time of termination, for each full year of continuous service with PFSB with a minimum of four (4) weeks and a maximum of twenty-six (26) weeks.

(e) F&M shall be responsible for providing COBRA continuation coverage to any qualified employee or former employee of PFSB and to their respective qualified beneficiaries, on and after the Effective Date, regardless of when the qualifying event occurred.

(f) Neither the terms of this Section 6.2 nor the provision of any employee benefits provided by F&M or F&M Bank to employees of PFSB shall: (i) limit or modify F&M's or F&M Bank's at-will employment policy or any employee's at will employment status; (ii) create any employment contract, agreement or understanding with or employment rights for, or constitute a commitment or obligation of employment to, any of the officers or employees of PFSB; or (iii) prohibit or restrict F&M or F&M Bank, whether before or after the Effective Time, from changing, amending or terminating any employee benefits provided to its employees from time to time.

6.3 Announcement; Press Releases. In connection with the execution of this Agreement, PFSB and F&M intend to jointly issue a press release mutually acceptable to the parties. Except as otherwise required by law, neither F&M nor F&M Bank shall issue any additional press releases or make any other public announcements or disclosures relating to the Merger without the prior approval of PFSB, which approval will not be unreasonably withheld, provided, however, that nothing in this Section 6.3 shall be deemed to prohibit any party from making any disclosure that its counsel deems necessary in order to satisfy such party's disclosure obligation imposed by law.

6.4 Confidentiality. F&M shall, and shall use its best efforts to cause F&M Bank and its officers, employees, and authorized representatives to, hold in strict confidence all confidential data and information obtained by them from PFSB, unless such information (i) was already known to F&M prior to entering into merger discussions with PFSB, (ii) becomes available to F&M from other sources, (iii) is independently developed by F&M, (iv) is disclosed by F&M with and in accordance with the terms of prior written approval of PFSB, or (v) is or becomes readily ascertainable from public or published information or trade sources or public disclosure of such information is required by law or requested by a court or other governmental agency, commission, or regulatory body. F&M further agrees that in the event this Agreement is terminated, it will return to PFSB, or will destroy, all information obtained by it regarding PFSB, including all copies made of such information by F&M except to the extent that F&M is advised by legal counsel of the need to retain such information or documentation. This provision shall survive the Effective Date or the earlier termination of this Agreement.

6.5 Directors and Officers Insurance.

(a) For a period of at least six years from the Effective Date (the "**Tail Coverage Period**"), F&M shall obtain an endorsement to its director's and officer's liability insurance policy to cover the present and former officers and directors of PFSB (determined as of the Effective Date) with respect to claims against such directors and officers arising from facts or events which

occurred before the Effective Date, which insurance shall contain at least the same coverage and amounts, and contain terms and conditions no less advantageous, as that coverage currently provided by PFSB; provided, however, that if F&M is unable to obtain such endorsement, then F&M may purchase tail coverage under PFSB's existing director and officer liability insurance policy for such claims; provided further that in no event shall F&M be required to expend in the aggregate during each year of the Tail Coverage Period more than 1.5 times the annual amount paid by PFSB for its director and officer liability insurance coverage immediately prior to the Effective Date (the "**Insurance Amount**"); provided further, that if F&M is unable to maintain or obtain the insurance called for by this Section 8.5, F&M shall obtain as much comparable insurance as is available for the Insurance Amount; provided, further, that officers and directors of PFSB may be required to make application and provide customary representations and warranties to F&M's insurance carrier for the purpose of obtaining such insurance.

(b) Following the Effective Date, F&M will provide any PFSB officers, directors and employees who become officers, directors and employees of F&M or the Continuing Bank or their subsidiaries with the same directors and officers liability insurance coverage and indemnification protections that F&M provides to other officers, directors and employees of F&M or its subsidiaries. In addition, F&M further agrees to indemnify and advance expenses to the current and former directors, officers and employees of PFSB after the Effective Date, for all actions taken by them prior to the Effective Date in their respective capacities as directors, officers and employees of PFSB to the same extent (and subject to the same limitations) as the indemnification provided by PFSB under its Articles of Incorporation and Code of Regulations (as applicable) to such directors, officers and employees immediately prior to the Effective Date and as permitted under applicable law. Notwithstanding the foregoing, the indemnity obligations contained herein shall be limited as may be required by applicable federal banking laws and regulations.

(c) All rights to indemnification and exculpation from liabilities for acts or omissions occurring on or prior to the Effective Date now existing in favor of the current or former directors, officers or employees of PFSB as provided in its Articles of Incorporation and Code of Regulations and any existing indemnification agreements or arrangements of PFSB described in the PFSB Disclosure Letter, shall survive the Merger and shall continue in full force and effect in accordance with their terms to the extent permitted by law, and shall be honored by F&M following the Effective Date with respect to acts or omissions of such individuals occurring or alleged to occur on or prior to the Effective Date.

(d) In the event of any threatened or actual claim, action, suit, proceeding or investigation, whether civil, criminal or administrative, including, without limitation, any such claim, action, suit, proceeding or investigation in which any individual who is now, or has been at any time prior to the date of this Agreement, or who becomes prior to the Effective Date, a director or officer of PFSB, is, or is threatened to be, made a party based in whole or in part on, or arising in whole or in part out of, or pertaining to (i) the fact that he or she is or was a director, officer or employee of PFSB or any of their predecessors or (ii) this Agreement or any of the transactions contemplated hereby, whether in any case asserted or arising before or on or after the Effective Date, the parties hereto agree to cooperate and use their best reasonable efforts to defend against and respond thereto.

(e) If F&M shall consolidate with or merge into any other entity and shall not be the continuing or surviving entity of such consolidation or merger or shall transfer all or substantially all its assets to any entity, then and in each case, proper provision shall be made so that the successors and assigns of F&M shall assume the obligations set forth in this Section 6.5.

6.6 SEC and Other Reports. Promptly upon its becoming available, F&M shall furnish to PFSB one copy of each financial statement, report, notice, or proxy statement sent by F&M to its shareholders generally and of each regular or periodic report, registration statement or prospectus filed by F&M with the SEC or any successor agency, and of any notice or communication received by F&M from the SEC, which is not available on the SEC's EDGAR internet database.

6.7 F&M Disclosure Letter. F&M shall supplement, amend and update as of the Effective Date the F&M Disclosure Letter with respect to any matters hereafter arising which, if in existence or having occurred as of the date of this Agreement, would have been required to be set forth or described in the F&M Disclosure Letter. If, at any time prior to the Effective Date, F&M becomes aware of a fact or matter that might indicate that any of the representations and warranties of F&M herein may be untrue, incorrect or misleading in any material respect, F&M shall promptly disclose such fact or matter to PFSB in writing.

6.8 Adverse Actions. Neither F&M nor F&M Bank shall (a) take any action while knowing that such action would, or is reasonably likely to, prevent or impede the Merger from qualifying as a reorganization within the meaning of Section 368 of the Code; or (b) knowingly take any action that is intended or is reasonably likely to result in (i) any of its representations and warranties set forth in this Agreement being or becoming untrue in any respect at any time at or prior to the Effective Date, (ii) any of the conditions to the Merger set forth in Section 7 not being satisfied, (iii) a material violation of any provision of this Agreement, or (iv) a material delay in the consummation of the Merger except, in each case, as may be required by applicable law or regulation.

6.9 Cooperation. F&M and F&M Bank shall cooperate with PFSB and its officers, employees, attorneys, accountants and other agents, and do such other acts and things in good faith as may be reasonable, necessary or appropriate to timely effectuate the intents and purposes of this Agreement and the consummation of the transactions contemplated hereby.

6.10 Preservation of Business. On and after the date of this Agreement and until the Effective Date or until this Agreement is terminated as herein provided, F&M and F&M Bank shall (a) except as set forth in the F&M Disclosure Letter, carry on their business diligently, substantially in the same manner as heretofore conducted, and in the ordinary course of business; (b) use commercially reasonable efforts to preserve their business organizations intact, to keep their present officers and employees and to preserve their present relationship with customers and others having business dealings with them; (c) maintain, or cause to be maintained, in full force and effect insurance on its properties and operations with regard to such liabilities and hazards as customarily are maintained by other companies operating similar businesses; and (d) not do or fail to do anything which will cause a material breach of, or material default in, any contract, agreement, commitment, obligation, understanding, arrangement, lease or license to which they are a party or by which they are or may be subject or bound.

6.11 Representation on F&M and F&M Bank Boards. F&M and F&M Bank shall cause a current director of PFSB who is mutually acceptable to F&M, F&M Bank and PFSB to be

appointed to the F&M and F&M Bank Boards of Directors according to the F&M and F&M Bank Articles of Incorporation, Code of Regulations, and other corporate governance guidelines and requirements, effective as of the Effective Date.

SECTION 7

CONDITIONS PRECEDENT TO THE MERGER

The obligation of each of the parties hereto to consummate the transactions contemplated by this Agreement is subject to the satisfaction and fulfillment of each of the following conditions on or prior to the Effective Date:

7.1 Shareholder Approval. The shareholders of PFSB shall have approved the Merger as required by applicable law.

7.2 Registration Statement Effective. F&M shall have registered its F&M Shares to be issued to shareholders of PFSB in accordance with this Agreement with the SEC pursuant to the 1933 Act, and all state securities and “blue sky” approvals and authorizations required to offer and sell such shares, if any, shall have been received by F&M. The Registration Statement shall have been declared effective by the SEC and no stop order shall have been issued or threatened. The F&M Shares to be issued to shareholders of PFSB in accordance with this Agreement shall have been listed for trading on the NASDAQ Capital Market (subject to official notice of issuance).

7.3 Tax Opinions.

(a) F&M shall have obtained an opinion of Shumaker, Loop & Kendrick, LLP, in form and substance reasonably acceptable to the parties, dated on or about the Effective Date, to the effect that the Merger effected pursuant to this Agreement should constitute a reorganization within the meaning of Section 368(a) of the Code. Such opinion shall be based upon factual representations received by counsel from PFSB and F&M, which representations may take the form of written certifications.

(b) PFSB shall have received a letter from Vorys, Sater, Seymour and Pease LLP addressed to the shareholders of PFSB, in form and substance reasonably acceptable to the parties, dated on or about the Effective Date, to the effect that the Merger effected pursuant to this Agreement should constitute a reorganization within the meaning of Section 368(a) of the Code. Such opinion shall be based upon factual representations received by counsel from PFSB and F&M, which representations may take the form of written certifications..

7.4 Regulatory Approvals. The ODFI and FDIC shall have authorized and approved the Merger and the transactions related thereto and the Federal Reserve Board shall either have authorized and approved the Merger and the transactions related thereto, or issued a waiver of its approval for the Merger. In addition, all appropriate orders, consents, approvals and clearances from all other regulatory agencies and governmental authorities whose orders, consents, approvals or clearances are required by law for consummation of the transactions contemplated by this Agreement shall have been obtained. All regulatory approvals remain in full force and effect and all statutory waiting periods shall have expired or been terminated. Copies of all such regulatory approvals shall have been delivered to PFSB

7.5 Officer's Certificate. F&M and PFSB shall have delivered to each other a certificate signed by their respective Chairman or President and their Secretary, dated the Effective Date, certifying that (a) all of the representations and warranties of their respective corporations are true, accurate and correct in all material respects on and as of the Effective Date, except that representations and warranties that are qualified by materiality or a Material Adverse Effect shall be true and correct in all respects, and provided that for those representations and warranties which address matters only as of an earlier date, then they shall be tested as of such earlier date; (b) all the covenants of their respective corporations have been complied with in all material respects from the date of this Agreement through and as of the Effective Date; and (c) their respective corporations have satisfied and fully complied with in all material respects all conditions necessary to make this Agreement effective as to them. Additionally, PFSB shall certify as to the number of shares of its capital stock issued and outstanding as of the Effective Date.

7.6 Secretary's Certificate. F&M and PFSB shall have delivered to each other copies of the resolutions adopted by the Board of Directors of F&M, F&M Bank and PFSB, certified by each entity's Secretary as of the Effective Date, relative to the approval of this Agreement and the Merger.

7.7 No Judicial Prohibition. None of PFSB, F&M or F&M Bank shall be subject to any order, decree or injunction of a court or agency of competent jurisdiction which enjoins or prohibits the consummation of the Merger.

7.8 PFSB Fairness Opinion. Prior to the execution of this Agreement, the PFSB Board of Directors has received the opinion of Keefe, Bruyette & Woods, Inc. (which, if initially rendered verbally has been or will be confirmed by a written opinion, dated the same date) to the effect that as of the date thereof and based upon and subject to the terms, conditions and qualifications set forth therein, the Merger Consideration in the Merger is fair, from a financial point of view, to the holders of PFSB Common Stock. As of the date of this Agreement, such opinion has not been amended or rescinded.

7.9 Termination of Employment Agreements. Effective as of the Effective Time, PFSB shall have terminated the Employment Agreements and paid the change in control payments due thereunder.

7.10 Appointment to Board of Directors. Pursuant to Section 6.11, F&M and F&M Bank shall have taken all appropriate corporate action to cause, effective as of the Effective Date, a mutually acceptable PFSB director to be appointed to the F&M and F&M Bank Boards of Directors.

7.11 Exchange Fund. F&M shall have (i) authorized the issuance of and shall have made available to the Exchange Agent, for the benefit of the registered shareholders of PFSB Common Stock for exchange in accordance with Section 1, the New Certificates to be issued pursuant to Section 1.5, or confirmation regarding issuance of the interest in the F&M Shares in book entry form, and (ii) deposited with the Exchange Agent sufficient cash for payment of the cash portion of the Merger Consideration and cash in lieu of any fractional F&M Shares in accordance with Section 1.5.

7.12 D&O Tail Insurance. F&M shall have delivered to PFSB evidence of the endorsement to its director and officer liability insurance policy or purchase of a director and officer liability insurance in accordance with Section 6.5, as applicable.

7.13 Miscellaneous. F&M, F&M Bank and PFSB shall have delivered to each other such other documents and information, in a form reasonable satisfactory to the receiving party, as the other party or its legal counsel may have reasonably requested.

SECTION 8

TERMINATION OF MERGER

8.1 Manner of Termination. This Agreement and the transactions contemplated hereby may be terminated at any time prior to the Effective Date by written notice delivered by F&M or F&M Bank to PFSB or by PFSB to F&M and F&M Bank only for the following reasons:

(a) By the mutual consent of F&M, F&M Bank and PFSB, if the Board of Directors of each so determines by vote of a majority of the members of its entire Board;

(b) By F&M and F&M Bank or by PFSB, if its respective Board of Directors so determines by vote of a majority of the members of its entire Board, in the event of either: (i) a material breach by the other party of any representation or warranty contained herein which breach cannot be or has not been cured within 30 days after the giving of written notice to the breaching party of such breach; (ii) a material breach by the other party of any of the covenants or agreements contained herein, which breach cannot be or has not been cured within 30 days after the giving of written notice to the breaching party of such breach; or (iii) any event, fact or circumstance shall have occurred with respect to the other party that has had or could be reasonably expected to have a Material Adverse Effect on such party;

(c) By F&M, F&M Bank or PFSB, in the event of the failure of PFSB's shareholders to approve the Agreement at the Shareholder Meeting; provided, however, that PFSB shall only be entitled to terminate the Agreement pursuant to this clause if it has complied in all material respects with its obligations under Section 5.1;

(d) By F&M, F&M Bank or PFSB, if either (i) any approval, consent or waiver of any Governmental Entity required to permit consummation of the transactions contemplated by this Agreement shall have been denied and such denial has become final and non-appealable or (ii) any court or other Governmental Entity of competent jurisdiction shall have issued a final, unappealable order enjoining or otherwise prohibiting consummation of the transactions contemplated by this Agreement;

(e) By PFSB, F&M or F&M Bank, if the transaction contemplated herein has not been consummated by December 31, 2021; provided that the terminating party is not then in material breach of any representation, warranty, covenant or other agreement contained herein;

(f) By PFSB, in accordance with the terms of Section 5.5(b) of this Agreement;

(g) By F&M or F&M Bank, if PFSB's Board of Directors fails to make, withdraws or modifies its recommendation for PFSB's shareholders to vote in favor of the Merger following receipt of a written proposal for an Acquisition Proposal;

(h) By F&M or F&M Bank, (i) if PFSB breaches in any material respect its notice obligations under Section 5.5(c) or (ii) if within 60 days after giving F&M written notice pursuant to Section 5.5(c) of an Acquisition Proposal, PFSB does not terminate all discussions, negotiations and information exchanges related to such Acquisition Proposal and provide F&M with written notice of such termination; or

(i) By F&M and F&M Bank if greater than 10% of the outstanding shares of PFSB Common Stock have become and remain Dissenting Shares as described in Section 1.6.

8.2 Effect of Termination. Except as provided below, in the event that this Agreement is terminated pursuant to the provisions of Section 8.1 hereof, this Agreement shall forthwith become void and, no party shall have any liability to any other party for costs, expenses, damages or otherwise; provided, however, that notwithstanding the foregoing, in the event that this Agreement is terminated pursuant to Section 8.1(b)(i) and (ii) hereof on account of a willful breach of any of the representations and warranties set forth herein or any willful breach of any of the agreements set forth herein, then the non-breaching party shall be entitled to recover appropriate damages from the breaching party, including, without limitation, reimbursement to the non-breaching party of its costs, fees and expenses (including attorneys', accountants' and advisors' fees and expenses) incident to the negotiation, preparation and execution of this Agreement and related documentation; provided further, however, that nothing in the foregoing proviso shall be deemed to constitute liquidated damages for the breach by a party of the terms of this Agreement or otherwise limit the rights of the non-breaching party. Notwithstanding the foregoing, in the event of termination by PFSB in accordance with Section 8.1(f) or by F&M in accordance with Section 8.1(g) or 8.1(h), then PFSB shall pay F&M the sum of \$4,250,000.00 as a termination fee. Such payment shall be made within 10 days of the date of notice of termination. F&M shall also be entitled to recover from PFSB its reasonable attorneys' fees, if any, incurred in the enforcement of the two immediately preceding sentences. The termination fee payable by PFSB constitutes liquidated damages and not a penalty and shall be the sole remedy of F&M in the event of termination of this Agreement based on Sections 8.1(f), 8.1(g) or 8.1(h).

SECTION 9

EFFECTIVE TIME OF THE MERGER

Subject to the terms and upon satisfaction of all requirements of law and the conditions specified in this Agreement, the Merger shall become effective on the date and at the time specified in the Certificate of Merger as filed with the Secretary of State of the State of Ohio providing for the Merger of PFSB with and into F&M Bank. Unless otherwise agreed to by the parties, the Effective Time shall be no later than the last business day of the month in which both (a) any waiting period following the last approval of the Merger by a state or federal regulatory agency or governmental authority expires and (b) the conditions precedent to the Merger outlined in Section 7 have been satisfied.

SECTION 10

MISCELLANEOUS

10.1 Effective Agreement. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, but none of the provisions hereof shall inure to the benefit of any other person, firm, or corporation whomsoever; except that (a) the terms and provisions of Sections 6.2(c) and 6.5 of this Agreement shall inure to the benefit of the current and former employees, officers and directors of PFSB, as applicable, as specified in such sections and shall be enforceable by such individuals against F&M, and (b) the terms and provisions of Section 1.5 shall inure to the benefit of the former shareholders of PFSB. Neither this Agreement nor any of the rights, interests, or obligations hereunder shall be assigned or transferred by either party hereto without the prior written consent of the other party.

10.2 Waiver; Amendment.

(a) F&M, F&M Bank and PFSB may, by an instrument in writing executed in the same manner as this Agreement: (i) extend the time for the performance of any of the covenants or agreements of the other party under this Agreement; (ii) waive any inaccuracies in the representations or warranties of the other party contained in this Agreement or in any document delivered pursuant hereto or thereto; (iii) waive the performance by the other party of any of the covenants or agreements to be performed by it or them under this Agreement; or (iv) waive the satisfaction or fulfillment of any condition the nonsatisfaction or nonfulfillment of which is a condition to the right of the party so waiving to terminate this Agreement. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any other or subsequent breach hereunder.

(b) Notwithstanding the prior approval by the shareholders of PFSB, this Agreement may be amended, modified or supplemented by the written agreement of PFSB, F&M and F&M Bank without further approval of such shareholders, except that no such amendment, modification or supplement shall decrease the consideration specified in Section 1.5 hereof, or shall otherwise materially adversely affect the rights of the shareholders of PFSB or the tax consequences of the Merger to the shareholders of PFSB without the further approval of such shareholders.

10.3 Notices. Any and all notices or other communications required or permitted under this Agreement shall be in writing and shall be deemed to be given (i) when delivered in person, (ii) on the next business day, if sent by a nationally recognized overnight courier for overnight delivery (receipt requested), (iii) on the day of transmission if sent via facsimile transmission or electronic mail during normal business hours to the facsimile numbers or email addresses given below, provided telephonic confirmation of receipt is obtained promptly after completion of

transmission, or (iv) on the fifth day after sent by certified or registered mail, postage prepaid, return receipt requested, addressed as follows:

If to F&M:

307 N. Defiance Street
Archbold, Ohio 43502
Attn: Lars B. Eller
President & CEO
FAX: (419) 446-2982
Email: LEller@fm.bank

With a copy to:

Shumaker, Loop & Kendrick, LLP
1000 Jackson Street
Toledo, Ohio 43604-5573
Attn: Thomas C. Blank
David J. Mack
FAX: (419) 241-6894
Email: tblank@shumaker.com
dmack@shumaker.com

If to PFSB:

120 N. Main Street
Urbana, Ohio 43078
Attn: Michael R. Melvin
President & CEO
FAX: (937) 653-7100
Email: mike.melvin@pfsb-urbana.com

With a copy to:

Vorys, Sater, Seymour & Pease
301 East Fourth Street
Suite 3500 Great American Tower
Cincinnati, OH 45202
Attn: Jeffrey E. Smith
Kimberly J. Schaefer
FAX: (513) 852-7892
Email: jesmith@vorys.com
kjschaefer@vorys.com

or to such substituted address as any of them have given to the other in writing.

10.4 Headings. The headings in this Agreement have been inserted solely for the ease of reference and should not be considered in the interpretation or construction of this Agreement.

10.5 Severability. In case any one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Agreement, but this Agreement shall be construed as if such invalid, illegal, or unenforceable provision or provisions had never been contained herein.

10.6 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute one and the same instrument. In addition, this Agreement and the documents to be delivered hereunder may be executed by the parties hereto either manually or by electronic or facsimile signatures, each of which shall constitute an original signature.

10.7 Governing Law. This Agreement is executed in and shall be construed in accordance with the laws of the State of Ohio, without regard to choice of law principles.

10.8 Entire Agreement. This Agreement supersedes any other agreement, whether oral or written, between F&M and PFSB relating to the matters contemplated hereby, and constitutes the entire agreement between the parties hereto.

10.9 Expenses. F&M, F&M Bank and PFSB shall each pay their own expenses incidental to the transactions contemplated hereby. It is understood that the fees of the investment bankers for the fairness opinion desired hereunder shall be borne by the engaging party whether or not the Merger is consummated. This provision shall survive the Effective Date or the earlier termination of this Agreement.

10.10 Securityholder Litigation. Each party shall notify the other party hereto in writing of any litigation related to this Agreement, the Merger or the other transactions contemplated by this Agreement that is brought, or, to the knowledge of either party, threatened in writing, against it and/or the executive officers or members of its Board of Directors (a "**Transaction Litigation**"), and shall keep the other party reasonably informed with respect to the status thereof. Each party shall give the other party the opportunity to participate in the defense or settlement of any Transaction Litigation, and, except to the extent required by applicable law, neither party shall settle, agree to any undertakings or approve or otherwise agree to any waiver that may be sought in connection with such Transaction Litigation, without the prior written consent of the other party (which shall not be unreasonably withheld, conditioned or delayed).

10.11 Certain Definitions. For purposes of this Agreement, "**PFSB's Management**" means either of Michael R. Melvin or Christine A. Phelps; and "**F&M's Management**" means any of Lars B. Eller or Barbara J. Britenriker. The phrases "to the knowledge of", "known to" and similar formulations with respect to PFSB's Management or F&M's Management means matters that are within the actual conscious knowledge of such persons after due inquiry. For purposes of this Agreement, "**business day**" means any day other than a Saturday, Sunday or other day that a federal savings bank or a national banking association is authorized or required by applicable law to be closed.

10.12 Survival of Contents. The provisions of Sections 5.8, 6.4, 8.2, 10.9 and this Section 10.12 shall survive beyond the termination of this Agreement. The provisions of Sections 5.8, 6.2, 6.4, 6.5, 10.9 and this Section 10.12 shall survive beyond the Effective Date.

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[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, F&M, F&M Bank and PFSB have made and entered into this Agreement as of the day and year first above written and have caused this Agreement to be executed and attested by their duly authorized officers.

FARMERS & MERCHANTS BANCORP, INC.

By: /s/ Lars B. Eller
Lars B. Eller, President
and Chief Executive Officer

THE FARMERS & MERCHANTS STATE BANK

By: /s/ Lars B. Eller
Lars B. Eller, President
and Chief Executive Officer

**PERPETUAL FEDERAL SAVINGS BANK OF
URBANA**

By: /s/ Michael R. Melvin
Michael R. Melvin, President
and Chief Executive Officer

EXHIBIT A

LIST OF DIRECTORS OF CONTINUING BANK

Andrew J. Briggs

Eugene N. Burkholder

Lars B. Eller

Jo Ellen Hornish

Jack C. Johnson

Lori A. Johnston

Marcia S. Latta

Steven J. Planson

Anthony J. Rupp

Kevin J. Sauder

Paul Siebenmorgen

K. Brad Stamm

EXHIBIT B

VOTING AGREEMENT

THIS VOTING AGREEMENT (this "Agreement") is entered into this day of , 2021, by and among **FARMERS & MERCHANTS BANCORP, INC.**, an Ohio corporation ("**F&M**"), **THE FARMERS & MERCHANTS STATE BANK**, a commercial bank organized and existing under the laws of the State of Ohio ("**F&M Bank**"), and the undersigned directors (each, a "Director", and collectively, the "Directors") of **PERPETUAL FEDERAL SAVINGS BANK OF URBANA**, a commercial bank organized and existing under the laws of the State of Ohio ("**PFSB**").

W I T N E S S E T H:

In consideration of the execution by F&M and F&M Bank of the Agreement and Plan of Reorganization and Merger among F&M, F&M Bank and PFSB of even date herewith (the "Merger Agreement"), the undersigned Directors of PFSB hereby agree that each of them shall cause all PFSB common shares owned by him/her of record and beneficially, including, without limitation, all shares owned by him/her individually, all shares owned jointly by him/her and his/her spouse, all shares owned by any minor children (or any trust for their benefit), all shares owned by any business of which any of the Directors are directors or are the principal shareholders (but in each such case only to the extent the Director has the right to vote or direct the voting of such shares), and specifically including all shares shown as owned directly or beneficially by each of them on **Schedule 1** attached hereto or acquired subsequently hereto (collectively, the "Shares"), to be voted in favor of the merger of PFSB with and into F&M Bank in accordance with and pursuant to the terms of the Merger Agreement at the annual or special meeting of shareholders of PFSB called for that purpose. Notwithstanding any other provision of this Agreement to the contrary, each Director shall be permitted to vote such Shares in favor of another Acquisition Proposal (as such term is defined in the Merger Agreement) that is submitted for approval by the shareholders of PFSB if both of the following shall have occurred: (a) PFSB's Board of Directors has approved such Acquisition Proposal and recommended such Acquisition Proposal to PFSB's shareholders in accordance with Section 5.5 of the Merger Agreement and (b) the Merger Agreement has been terminated in accordance with Section 8.1(f) thereof.

Each of the Directors further agrees and covenants that he/she shall not sell, assign, transfer, dispose or otherwise convey, nor shall he/she cause, permit, authorize or approve the sale, assignment, transfer, disposition or other conveyance of, any of the Shares or any interest in the Shares to any other person, trust or entity prior to the annual or special meeting of shareholders of PFSB called for the purpose of voting on the Merger Agreement without the prior written consent of F&M, such consent not to be unreasonably withheld in the case of a gift or similar estate planning transaction (it being understood that F&M may decline to consent to any such transfer if the person acquiring such Shares does not agree to take such Shares subject to the terms of this Agreement).

This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio, without regard to conflict of laws provisions thereof. This Agreement may be executed in counterparts, each of which (including any facsimile or Adobe PDF copy thereof) shall be deemed to be an original, but all of which shall constitute one and the same agreement. It is

understood and agreed that Directors who execute this Agreement shall be bound hereby, irrespective of whether all Directors execute this Agreement. The obligations of each of the Directors under the terms of this Agreement shall terminate contemporaneously with the termination of the Merger Agreement.

Notwithstanding any other provision hereof, nothing in this Agreement shall be construed to prohibit a Director from taking any action solely in his or her capacity as a member of PFSB's Board of Directors or from exercising his or her fiduciary duties as a member of PFSB's Board of Directors to the extent specifically permitted by the Merger Agreement.

[Signatures appear on following pages.]

IN WITNESS WHEREOF, F&M, F&M Bank and each of the undersigned Directors of PFSB have made and executed this Agreement as of the day and year first above written.

FARMERS & MERCHANTS BANCORP, INC.

By: /s/ Lars B. Eller
Lars B. Eller,
President and Chief Executive Officer

THE FARMERS & MERCHANTS STATE BANK

By: /s/ Lars B. Eller
Lars B. Eller, President
and Chief Executive Officer

DIRECTORS



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Farmers & Merchants Contacts

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Perpetual Federal Savings Bank Contacts

Michael R. Melvin
President and Chief Executive Officer
Perpetual Federal Savings Bank
(937) 653-1700
mike.melvin@pfsb-urbana.com

Farmers & Merchants Bancorp, Inc. Announces Agreement to Acquire Perpetual Federal Savings Bank of Urbana, Ohio

ARCHBOLD, OHIO, May 4, 2021, Farmers & Merchants Bancorp, Inc. (“F&M”, “FMAO”, or the “Company”) (Nasdaq: FMAO), the holding company for Farmers & Merchants State Bank, announced today that they have signed an agreement and plan of reorganization and merger (the “Agreement”) whereby F&M will acquire Perpetual Federal Savings Bank (“PFSB”), in a stock and cash transaction. PFSB operates one full-service office in Urbana, Ohio. At March 31, 2021, PFSB reported \$391 million in total assets, \$326 million in loans, \$305 million in deposits and \$79 million in tangible equity.

Subject to the terms of the merger agreement, which has been approved by the Board of Directors of each company, PFSB shareholders will elect to receive either 1.7766 shares of FMAO stock or \$41.20 per share in cash for each PFSB share owned, subject to adjustment based upon 1,833,999 shares of FMAO to be issued in the merger. At March 31, 2021, PFSB reported 2,470,032 shares of common stock outstanding. Based on FMAO’s closing share price as of May 3, 2021 of \$24.22, the implied aggregate acquisition value equals \$103.7 million.

PFSB expands F&M’s community banking franchise into the compelling Urbana, Columbus, Dayton, Springfield, Piqua, Tipp City, Troy and Sidney markets and supports significant fill-in potential between Findlay and Urbana. After the PFSB transaction, and including the recently closed acquisition of Ossian Financial Services, Inc., F&M will operate 19 offices, a drive-up facility and an LPO in Ohio, 12 offices and an LPO in Indiana, and an LPO in Michigan with total deposits of \$2.129 billion, total loans of \$1.730 billion, and total assets of \$2.513 billion on a pro forma basis at March 31, 2021.

Lars Eller, President and CEO of F&M, stated, “The combination of PFSB and F&M creates immediate value for our shareholders, customers, and communities and I am excited to expand F&M’s community-oriented banking services to the Urbana, Columbus, Dayton, Springfield, Piqua, Tipp City, Troy and Sidney markets. This transaction is an excellent opportunity for PFSB to become part of a larger community banking organization that offers customers a wider range of financial services.”

“F&M has created a successful acquisition platform and PFSB represents F&M’s fourth acquisition over the past two years of banking and complementary financial services companies. F&M’s acquisition strategy, combined with a history of strong organic growth, have contributed to a 125% increase in total assets on a pro forma basis since 2018. On behalf of everyone at F&M, I am pleased to welcome PFSB’s customers and employees to the F&M family,” concluded Mr. Eller.

Michael R. Melvin, President and CEO of Perpetual Federal Savings Bank, stated, “With a shared community-oriented culture, F&M’s scale, diversity, and expertise enhances our service offerings. F&M has a history of completing successful acquisitions and provides PFSB with the necessary resources to pursue compelling growth opportunities throughout our markets. We are excited to join F&M.”

Excluding one-time transaction costs, F&M expects the transaction to be approximately 10.0% and 14.5% accretive to first- and second-year diluted earnings per share, respectively. Tangible book value per share will be diluted approximately 6.6% at closing including the impact of an estimated \$5.0 million of combined pre-tax transaction costs. The tangible book value dilution is expected to be recovered in 3.9 years using the crossover method.

F&M is being advised by ProBank Austin and Shumaker, Loop & Kendrick, LLP. PFSB is being advised by Keefe Bruyette & Woods, A Stifel Company and Vorys, Sater, Seymour and Pease LLP.

Important Information for Investors and Shareholders:

This press release does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any proxy vote or approval. The proposed Merger will be submitted to PFSB’s shareholders for their consideration. In connection with the proposed Merger, F&M will file with the SEC a Registration Statement on Form S-4 that will include a Proxy Statement for PFSB and a Prospectus of F&M, as well as other relevant documents concerning the proposed transaction. **SHAREHOLDERS ARE URGED TO READ THE REGISTRATION STATEMENT AND THE CORRESPONDING PROXY STATEMENT-PROSPECTUS REGARDING THE MERGER WHEN THEY BECOME AVAILABLE, AS WELL AS ANY OTHER RELEVANT DOCUMENTS FILED WITH THE SEC, TOGETHER WITH ALL AMENDMENTS OR SUPPLEMENTS TO THOSE DOCUMENTS, AS THEY WILL CONTAIN IMPORTANT INFORMATION.**

Once filed, you may obtain a free copy of the Proxy Statement – Prospectus, when it becomes available, as well as other filings containing information about F&M and PFSB, at the SEC’s website (<http://www.sec.gov>). You may also obtain these documents, free of charge, by accessing F&M’s website (<http://www.fm.bank>) under the tab “About Us”, then to the heading “Investor Relations,” and finally under the link “SEC Filings and Documents”.

PFSB and its directors and executive officers may be deemed to be participants in the solicitation of proxies from the shareholders of PFSB in connection with the proposed Merger. Additional information regarding the interests of those participants and other persons who may be deemed participants in the transaction may be obtained by reading the Proxy Statement – Prospectus regarding the proposed Merger when it becomes available. Free copies of this document may be obtained as described in the preceding paragraph.

About Farmers & Merchants State Bank:

The Farmers & Merchants State Bank is a local independent community bank that has been serving Northwest Ohio and Northeast Indiana since 1897. The Farmers & Merchants State Bank provides commercial banking, retail banking and other financial services. Our locations are in Fulton, Defiance, Hancock, Henry, Lucas, Williams, and Wood counties in Northwest Ohio. In Northeast Indiana, we have offices located in Adams, Allen, DeKalb, Jay, and Steuben counties.

About Perpetual Federal Savings Bank:

Perpetual Federal Savings Bank of Urbana (PFSB) provides financial products and services through its one office location in Urbana, Ohio. The majority of PFSB’s income is derived from mortgage loans secured by one- to four-family residential property, commercial and multi-family real estate loans and, to a lesser extent, construction or development loans, consumer loans, commercial business loans, as well as making other investments. PFSB accepts demand, savings, and time deposits.

Safe harbor statement

Farmers & Merchants Bancorp, Inc. (“F&M”) wishes to take advantage of the Safe Harbor provisions included in the Private Securities Litigation Reform Act of 1995. Statements by F&M, including management’s expectations and

comments, may not be based on historical facts and are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21B of the Securities Exchange Act of 1934, as amended. Actual results could vary materially depending on risks and uncertainties inherent in general and local banking conditions, competitive factors specific to markets in which F&M and its subsidiaries operate, future interest rate levels, legislative and regulatory decisions, capital market conditions, or the effects of the COVID-19 pandemic, and its impacts on our credit quality and business operations, as well as its impact on general economic and financial market conditions. F&M assumes no responsibility to update this information. For more details, please refer to F&M’s SEC filing, including its most recent Annual Report on Form 10-K and quarterly reports on Form 10-Q. Such filings can be viewed at the SEC’s website, www.sec.gov or through F&M’s website www.fm.bank.

Farmers & Merchants Bancorp, Inc.
(NASDAQ: FMAO)
Acquisition of
Perpetual Federal Savings Bank
May 4, 2021

YOU & US.



We Nurture Lasting Relationships

Transaction Overview

Farmers & Merchants Bancorp, Inc. to acquire Perpetual Federal Savings Bank

- Farmers & Merchants Bancorp, Inc. ("FMAO") to acquire Perpetual Federal Savings Bank ("PFSB"), a community bank based in Urbana, Ohio, with one full-service location. PFSB represents FMAO's largest acquisition to date.
- PFSB provides a stable net interest margin franchise with a low noninterest expense base
- Unique opportunity to transform PFSB's customer base to FMAO's full array of retail / commercial products and services
- PFSB's shareholders can elect 1.7766 share of FMAO common shares (with aggregate issuance of 1,833,999 FMAO common shares) or \$41.20 per share in cash
- PFSB reported 2,470,032 shares outstanding at 03/31/2021
- Based on FMAO's 05/03/2021 closing price of \$24.22, the implied aggregate deal value equals \$103.7 million.
- PFSB reported approximately \$391 million in total assets, \$326 million in loans and \$305 million in deposits at 03/31/2021
- PFSB's tangible equity equaled \$79.1 million at 03/31/2021
- PFSB's net income equaled \$1.2 million for the quarter-ended 03/31/2021 and \$4.8 million for the 12-month period ended 03/31/2021

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PFSB Profile – Investment Highlights

Financial Stability and Asset Quality

- Strong profitability – average annual net income and ROAA of \$5.7 million and 1.45%, respectively, between 2018 and 2020
- Consistent earnings - LTM ended 03/31/2021 net income equaled \$4.8 million. Net income equaled \$1.2 million in each of the last five quarters. ROAA between 1.20% to 1.25% over the same five quarters
- Superior capital ratios - 20.3% equity to asset ratio at 03/31/2021 and 35.6% total risk-based ratio
- Strong credit quality - NPAs to assets were 0.23% at 03/31/2021; 1.50% ALLL to 03/31/2021 loans (\$1.1 million PPP loans outstanding); annual net loan recoveries in each of the last 5 calendar years

Balance Sheet Mix and NIM

- PFSB's loan to deposit ratio equaled 107% at 03/31/2021
- PFSB's loan portfolio focused on real estate lending with average life of approximately 5.5 years
- Total loans equaled \$326 million at 03/31/2021 and between approximately \$325 to \$350 million over the last 11 quarters
- Stable deposit levels with total deposits between \$300 to \$310 million over the last 11 quarters
- NIM (FTE) equaled 2.57% for the quarter ended 03/31/2021 vs 2.55% for the quarter ended 12/31/2020
- NIM expansion opportunity from interest expense reduction as time deposits reprice and potential reinvestment of cash/investments redeployed at higher yields



PFSB Profile – Investment Highlights (Cont.)

Margin Improvement Included in Pro Forma Model

- Implement FMAO's retail culture by providing more traditional community bank lending and deposit products/services
- Implement FMAO's ALCO management process to effectively manage interest rate risk
- Transition PFSB's high-cost CD portfolio to a more traditional core deposit base comparable to other FMAO branches

Revenue Enhancement Opportunities (Not Included in Pro Forma Model)

- Significant opportunity to expand commercial lending through FMAO's CRE and Agricultural lending expertise
- Origination and sale of residential mortgage loans in secondary market
- Mortgage servicing revenue not currently in place

Noninterest Expense Controls and Cost Savings

- Noninterest expense to average assets equaled just 1.10% for the quarter ended 03/31/2021 and 1.08% in full calendar year 2020
- PFSB's last 12 months ended 03/31/2021 efficiency ratio equaled 41.4%
- 20 FTE employees at 03/31/2021
- Fully phased-in annual gross cost savings estimated at \$1.75 million or approximately 37% of noninterest expense before any expense add-back
- Minimal employee level cost savings outside of normal retirements/attrition
- Majority of the cost savings recognized in other operating expenses
- Annual expense add-back of \$200,000 to provide support and transition resources to effectively implement FMAO culture



PFSB Profile – Investment Highlights (Cont.)

Strategically Well-Positioned

- Extension of FMAO's franchise into Columbus, Piqua, Sidney, Springfield, Tipp City and Troy markets with significant fill-in potential
- Eastern suburbs of Dayton and western suburbs of Columbus are approximately 30 miles from Urbana
- PFSB currently originates loans in the Columbus market
- FMAO recently established a LPO in Oxford, Ohio which is southwest of Dayton

PFSB's Market

- PFSB is located in Champaign County, which has similar demographics and market size to FMAO's home market of Fulton County
- Champaign County's median household income at approximately \$64,000, exceeding Ohio average
- FMAO operates in similar sized markets in both Ohio and Indiana
- Total Champaign County deposits of \$752 million
- PFSB holds the largest deposit market share in Champaign County at 40.7%; next highest is 19.2%



Pro Forma Footprint



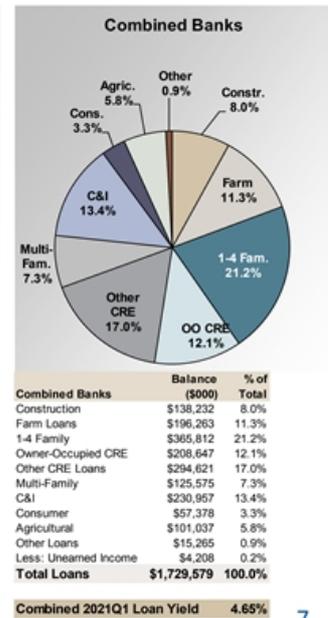
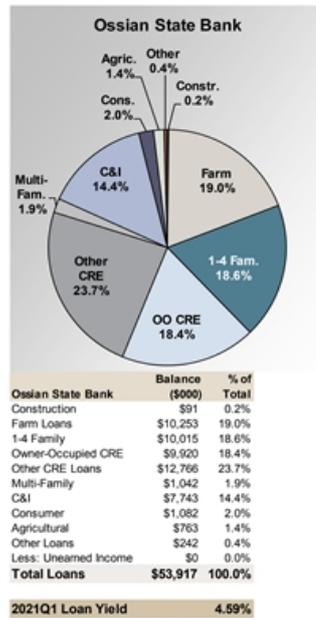
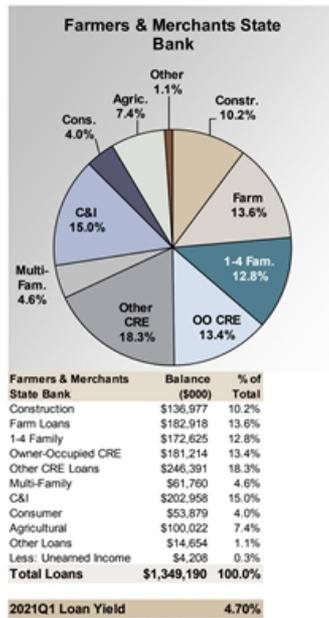
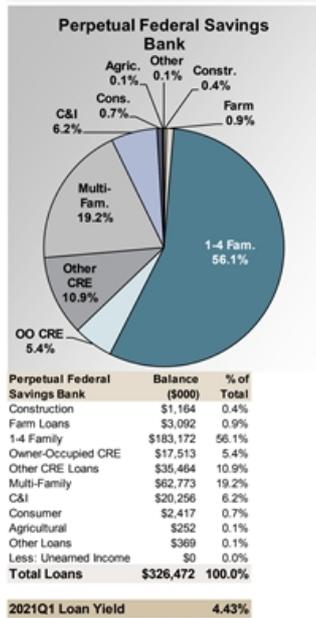
Perpetual Federal Savings Bank				Jun-20
Branch Address	City	County	ST	Deposits (\$000)
1 120 N Main St	Urbana	Champaign	OH	\$306,090
Total				\$306,090

Farmers & Merchants State Bank				Jun-20
Ohio Branches Listed Below				Deposits (\$000)
Branch Address	City	County	ST	Deposits (\$000)
1 307 N Defiance St (1)	Archbold	Fulton	OH	\$326,112
2 1130 N Shoop Ave (1)	Wauseon	Fulton	OH	\$135,963
3 1000 S Main St	Bryan	Williams	OH	\$66,839
4 2255 Scott St	Napoleon	Henry	OH	\$65,520
5 7001 Lighthouse Way	Perrysburg	Wood	OH	\$59,675
6 929 E High St	Bryan	Williams	OH	\$49,567
7 200 W Jackson St	West Unity	Williams	OH	\$49,036
8 101 Main St	Delta	Fulton	OH	\$48,959
9 1175 Hotel Dr	Defiance	Defiance	OH	\$48,287
10 1150 E Main St	Montpelier	Williams	OH	\$45,732
11 7 Turtle Creek Cir	Swanton	Lucas	OH	\$44,575
12 300 S Defiance St	Stryker	Williams	OH	\$42,184
13 100 N Main St	Hicksville	Defiance	OH	\$31,264
14 1660 Tiffin Ave	Findlay	Hancock	OH	\$29,983
15 22973 Defiance Pike	Custar	Wood	OH	\$29,853
16 5830 Monroe St	Sylvania	Lucas	OH	\$24,137
17 8720 Waterville Swanton Rd	Waterville	Lucas	OH	\$21,438
18 1072 N Main St	Bowling Green	Wood	OH	\$10,250
12 Indiana Branches (Includes Ossian State Bank)				\$462,240
Total				\$1,591,614

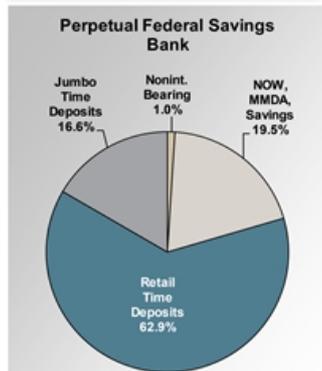
(1) Includes deposits from office modifications effective 03/01/2021.



Pro Forma Loan Mix

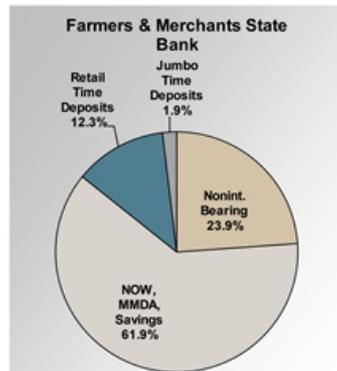


Pro Forma Deposit Mix



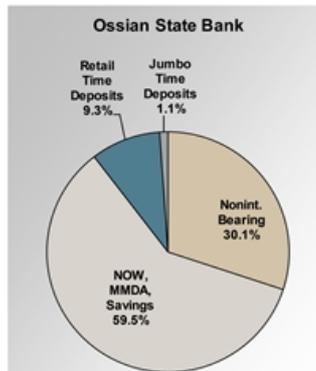
Perpetual Federal Savings Bank	Balance (\$000)	% of Total
Noninterest Bearing	\$3,048	1.0%
NOW, MMDA, Savings	\$59,393	19.5%
Retail Time Deposits	\$192,051	62.9%
Jumbo Time Deposits	\$50,661	16.6%
Total Deposits	\$305,153	100.0%

2021Q1 Cost of Total Deposits 1.62%



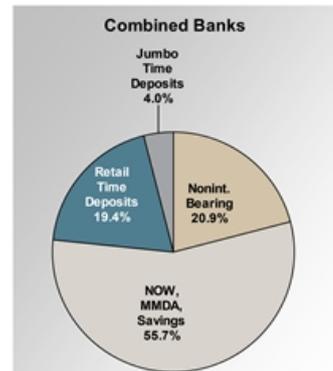
Farmers & Merchants State Bank	Balance (\$000)	% of Total
Noninterest Bearing	\$407,392	23.9%
NOW, MMDA, Savings	\$1,056,576	61.9%
Retail Time Deposits	\$210,573	12.3%
Jumbo Time Deposits	\$32,143	1.9%
Total Deposits	\$1,706,684	100.0%

2021Q1 Cost of Total Deposits 0.32%



Ossian State Bank	Balance (\$000)	% of Total
Noninterest Bearing	\$35,225	30.1%
NOW, MMDA, Savings	\$69,755	59.5%
Retail Time Deposits	\$10,915	9.3%
Jumbo Time Deposits	\$1,311	1.1%
Total Deposits	\$117,206	100.0%

2021Q1 Cost of Total Deposits 0.13%



Combined Banks	Balance (\$000)	% of Total
Noninterest Bearing	\$445,665	20.9%
NOW, MMDA, Savings	\$1,185,724	55.7%
Retail Time Deposits	\$413,539	19.4%
Jumbo Time Deposits	\$84,115	4.0%
Total Deposits	\$2,129,043	100.0%

Combined 2021Q1 Cost of Total Deposits 0.50%



Other Key Assumptions

Purchase Accounting Assumptions ("PAA")	<ul style="list-style-type: none">• Loan credit mark at 1.25% of estimated closing total loans; PFSB's ALLL/Loans currently at 1.50%• Core deposit intangible of 1.0% (\$585,000); amortized 7-year straight line• PAA on loan yield and time deposits TBD but would not alter transaction economics
Transaction Costs	<ul style="list-style-type: none">• Combined transaction expenses (one-time) estimated at \$5.0 million pre-tax
Estimated Cost Savings/ Margin Improvement	<ul style="list-style-type: none">• Approximately \$1.15 million net pre-tax cost savings in first year, and \$1.55 million or 100% fully phased-in second year after consummation• Margin improvement through deposit/funding transformation and more active interest rate management expected to achieve a net interest margin of approximately 2.90% by 2022, 3.20% by 2023 and 3.30% by 2024 on PFSB projected balances
Timing	<ul style="list-style-type: none">• Expected to close during the third quarter of 2021



Transaction Multiples / Pro Forma Results

FMAO Acquisition of PFSB

Aggregate Shares Issued	1,833,999
Aggregate Cash Consideration	\$59.2 million
Aggregate Deal Value ⁽¹⁾	\$103.7 million
Price/TBV (03/31/2021) ⁽²⁾	131%
Price/LTM Earnings (03/31/2021) ⁽³⁾	21.7x
Expected Year 1 EPS Accretion ⁽⁴⁾	10.0%
Expected Year 2 EPS Accretion	14.5%
TBV Dilution at Closing	6.6%
TBV Payback Period (crossover method)	3.9 years
Internal Rate of Return	>20%

⁽¹⁾ Based on FMAO's May 3, 2021 closing price of \$24.22

⁽²⁾ Based on PFSB's tangible equity of \$79.1 million at 03/31/2021

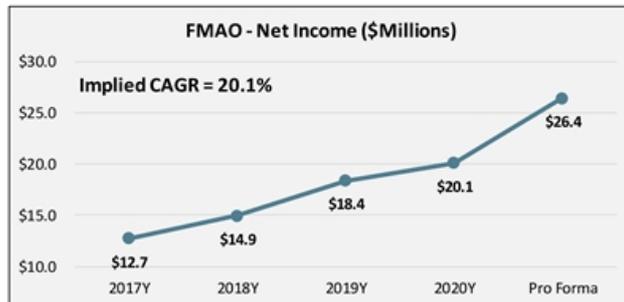
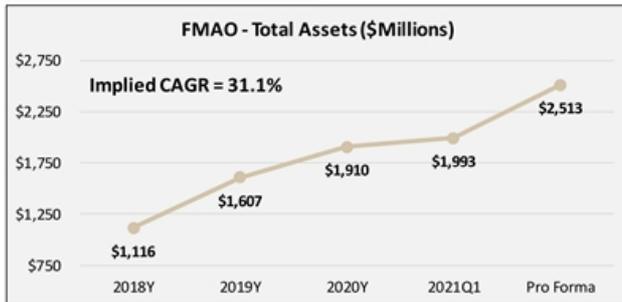
⁽³⁾ PFSB's last 12 months (LTM) net income for the period ended 03/31/2021 of \$4.8 million

⁽⁴⁾ Excluding estimated one-time transaction costs to be incurred year one



History of Organic & Acquisition Growth

FMAO Achieves Record Earnings



CAGR = Compound Annual Growth Rate

M&A Complements Organic Growth to Achieve Record Earnings

- FMAO's pro forma 03/31/2021 (including stated Ossian and PFSB) total assets over \$2.5 billion representing 125% increase from YE 2018 and last 12 months net income (Ossian tax-adjusted) over \$26.4 million representing an implied CAGR over 20% since 2017
- Record earnings in 2018, 2019 and 2020
- Net income of more than \$20 million in 2020 including \$7.0 million loan loss provision expense
- Announces PFSB transaction on 05/04/2021 with current total assets of \$390 million
- Announced Ossian Financial Services transaction in December 2020 and closed April 2021 with 03/31/2021 total assets at \$130 million
- Acquired Adams County Financial Resources with \$83 million in AUM – November 2020
- Closed Limberlost Bancshares, Inc. on 01/01/2019 with \$290 million in total assets



Forward-Looking Statements

This presentation may contain "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Any statements about our expectations, beliefs, plans, strategies, predictions, forecasts, objectives or assumptions of future events or performance are not historical facts and may be forward-looking. These statements include, but are not limited to, the expected completion date, financial benefits and other effects of the proposed merger of FMAO and PFSB. These statements are often, but not always, made through the use of words or phrases such as "anticipates," "believes," "expects," "can," "could," "may," "predicts," "potential," "opportunity," "should," "will," "estimate," "plans," "projects," "continuing," "ongoing," "expects," "seeks," "intends" and similar words or phrases. Accordingly, these statements involve estimates, known and unknown risks, assumptions and uncertainties that could cause actual strategies, actions or results to differ materially from those expressed in them, and are not guarantees of timing, future results or other events or performance. Because forward-looking statements are necessarily only estimates of future strategies, actions or results, based on management's current expectations, assumptions and estimates on the date hereof, and there can be no assurance that actual strategies, actions or results will not differ materially from expectations, readers are cautioned not to place undue reliance on such statements. Factors that may cause such a difference include, but are not limited to, the reaction to the transaction of the companies' customers, employees and counterparties; customer disintermediation; inflation; expected synergies, cost savings and other financial benefits of the proposed transaction might not be realized within the expected timeframes or might be less than projected; the requisite shareholder and regulatory approvals for the proposed transaction might not be obtained; credit and interest rate risks associated with FMAO's and PFSB's respective businesses, customers, borrowings, repayment, investment, and deposit practices; general economic conditions, either nationally or in the market areas in which FMAO and PFSB operate or anticipate doing business, are less favorable than expected; new regulatory or legal requirements or obligations; and other risks; certain risks and important factors that could affect FMAO's future results are identified in its Annual Report on Form 10-K for the year ended December 31, 2020 and other reports filed with the SEC, including among other things under the heading "Risk Factors" in such Annual Report on Form 10-K. Any forward-looking statement speaks only as of the date on which it is made, and FMAO undertakes no obligation to update any forward-looking state

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