



FARMERS &
MERCHANTS
BANCORP, INC.

2018 Annual Report

Message from Management

Dear Shareholders,

For the fourth year in a row, F&M has achieved record results including record assets and earnings. For 2018, compared with the prior year, our total assets increased to a record \$1.1 billion, and total loans grew to a record \$846.4 million. Profitability was strong for 2018 despite incurring approximately \$0.7 million, or \$0.07 per basic and diluted share of one-time expenses associated with the Limberlost acquisition. F&M's net income increased 17.5% to a record \$14.9 million, basic and diluted earnings per share increased by 21.7% to a record \$1.68, return on average equity increased 159 basis points to 11.34%, and return on average assets increased 22 basis points to 1.40%.

F&M has attained strong growth by remaining dedicated to its core communities and customers while expanding services to neighboring markets that benefit from F&M's community banking approach and values. During this period of consistent expansion, we are pleased to report that F&M's asset quality has continually improved, and we ended 2018 with nonperforming assets to total assets in the top sixth percentile of banking institutions with assets between \$1.0 billion and \$3.0 billion. F&M's growth and strong asset quality have resulted in significant increases in earnings, book value, and stock price.

As a result of our continued growth, record results, and confidence in the direction we are headed, F&M's Board of Directors approved two increases in the quarterly cash dividend during 2018. This past year was the 19th consecutive year F&M raised its annual cash dividend and our current dividend of \$0.15 per share represents a 15.4% increase over the same period last year.

F&M's success is a direct result of the value we provide customers throughout Northwest Ohio, Northeast Indiana, and Southern Michigan. We believe there are many neighboring markets where we do not have a presence currently that will benefit from our community banking approach. To this end, we continue to expand our footprint and in January 2018, we opened our 24th full-service office in Findlay, Ohio. We are also continuing to invest in enhancing the way F&M interacts and serves customers. These investments include improvements in our digital banking platform, new state-of-the-art Interactive Teller Machines, or ITMs, and remodeling our offices. Our Waterville and Perrysburg offices were the first locations remodeled. We are receiving positive customer feedback and are excited for further enhancements to our physical offices during 2019. During the first quarter of 2019, we relocated our Decatur office to a new freestanding location. In addition, our de novo growth will continue with a planned new office in southwest Fort Wayne, which is expected to open later this year.

Accelerating F&M's geographic expansion in Indiana was the acquisition of Limberlost Bancshares, Inc., the holding company for Bank of Geneva, that was announced on August 20, 2018, and closed on January 1, 2019. Limberlost was established in 1892 and is based in Geneva, Indiana. Serving the Berne, Monroe, Monroeville, Portland and Decatur markets, the Bank of Geneva was a natural extension of F&M's community banking footprint and was a complementary fit with F&M's recently opened offices in Indiana. In addition, both banks had very similar cultures and approaches. Our integration is going smoothly, and we look forward to providing the convenience of local decision makers throughout our office network.

As a result of the Limberlost acquisition, F&M now has total assets of approximately \$1.4 billion, loans of approximately \$1.1 billion, and deposits of approximately \$1.1 billion. We now have 30 full-service office locations, 10 in Indiana and 20 in Ohio and we are excited to welcome the customers, employees and shareholders of Limberlost to F&M. The combination of the Bank of Geneva and F&M creates a compelling opportunity for future growth.

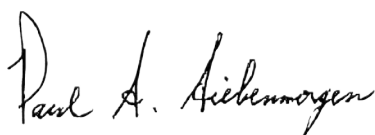
F&M continues to be recognized as a top performing bank. We were voted as the best bank in the 2018 Readers Choice competition in the Fort Wayne market. We recently received the Torch Award for ethics and integrity in the marketplace by the Toledo Better Business Bureau.

Finally, for the second consecutive year, F&M was again named to American Banker Magazine's Top 200 Publicly Traded Community Banks and Thrifts.

To successfully manage F&M's growth opportunity and continue to achieve strong financial results, we must add talented, motivated and experienced people to our organization. We are pleased with the progress we made during the year and have assembled a strong leadership team of proven executives.

Overall, 2018 was an exciting year for F&M. We are extremely proud of the financial and operating accomplishments the Company continues to achieve and look forward to the opportunities the Limberlost acquisition will create. Most importantly, F&M has a strong platform to support our future success. The new year is off to a good start and we are eager to communicate our progress as we work on achieving our goals.

Sincerely,



Paul S. Siebenmorgen



Lars B. Eller



Dear Fellow Shareholders:

On behalf of F&M's employees, customers, and shareholders, I want to thank Paul Siebenmorgen for his more than 14 years of service. Paul announced his retirement in May 2018 and will continue to serve F&M as a director.

Since joining the Company in June 2004, F&M's footprint has increased from 14 offices to 30 offices. Today, our asset size has almost doubled, and full year net income is up 174.3% through the end of December 2018. We also listed on the NASDAQ Stock Market and completed the transformative acquisition of Limberlost Bancshares, Inc. Not many public companies can boast these types of accomplishments. In fact, according to Bloomberg Financial from December 31, 2004 to December 31, 2018, F&M has produced the 13th highest total return of any currently listed U.S. bank stock.

Most importantly, Paul leaves F&M with a strong platform in place to support our future success. I am extremely pleased that we have found a personable, talented and experienced leader in Lars Eller. Everyone at F&M appreciates Paul and Lars' hard work during this transition. Since joining the Company in September 2018, Lars has quickly become a valuable part of the Company's leadership team.

I wish Paul the best in his retirement and I am excited with the opportunities Lars and his team have to grow our Company.

Sincerely,

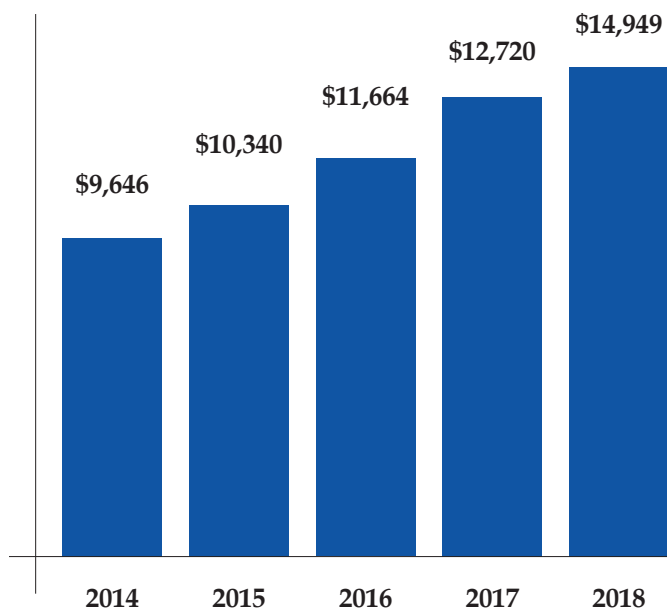


Jack C. Johnson

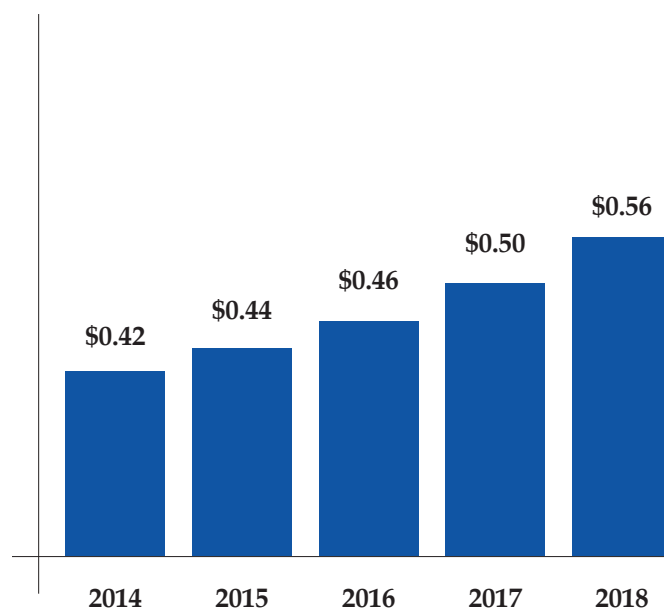
Chairman of the Board, Farmers & Merchants Bancorp, Inc.

Financial Performance

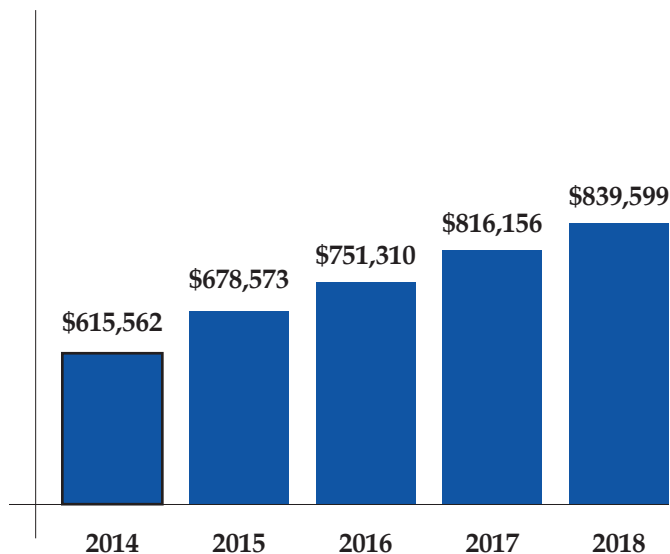
NET INCOME



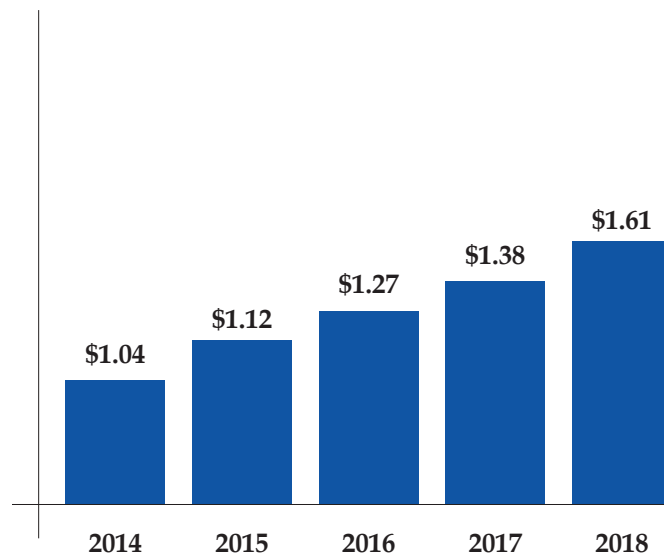
DIVIDENDS DECLARED PER SHARE*



NET LOANS



EARNINGS PER SHARE*



*Share data has been adjusted to reflect a 2-for-one stock split on September 20, 2017

Board of Directors



JACK C. JOHNSON
Chairman of the Board,
Farmers & Merchants
Bancorp, Inc.
President,
Hawk's Clothing, Inc.



ANTHONY J. RUPP
Vice Chairman, *Farmers &*
Merchants Bancorp, Inc.
Retired, Past President,
Rupp Furniture Co.



KEVIN J. SAUDER
Vice President, *Farmers &*
Merchants Bancorp, Inc.
President/CEO
Sauder Woodworking Co.



ANDREW J. BRIGGS
Former President/CEO
Limberlost Bancshares, Inc.
1st Senior Vice President
Farmers & Merchants State
Bank



EUGENE N.
BURKHOLDER
President
Falor Farm Center, Inc.



LARS B. ELLER
President/CEO
Farmers & Merchants
Bancorp, Inc.
President/CEO
Farmers & Merchants State
Bank



STEVEN A.
EVERHART
Self Employed



JO ELLEN HORNISH
CEO
Hornish Bros, Inc, Fountain
City Leasing, Inc./Advantage
Powder Coating, Inc.



DR. MARCIA S.
LATTA
Vice President
University of Findlay
Division of University
Advancement



STEVEN J. PLANSON
President/CEO
Planson Farms, Inc.



PAUL S.
SIEBENMORGEN
Retired President/CEO
Farmers & Merchants
Bancorp, Inc.
Retired President/CEO
Farmers & Merchants State
Bank



DR. K. BRAD STAMM
President and Educational
Consultant
Stamm Management Group

Officers

SENIOR MANAGEMENT

Lars B. Eller

President & Chief Executive Officer

Barbara J. Britenriker

Chief Financial Officer/Farmers & Merchants Bancorp, Inc.

Executive Vice President/Chief Retail Banking Officer

Todd A. Graham

Executive Vice President/Chief Lending Officer

Edward A. Leininger

Executive Vice President/Chief Operations Officer

Rex D. Rice

Executive Vice President/Senior Commercial Banking Manager

James C. Burkhardt

Senior Vice President/Operations/Information Technology

Katrina L. DeGross

Vice President/Chief Financial Officer/Farmers & Merchants State Bank

J. Marty Filogamo

Senior Vice President/Marketing Manager

AGRICULTURAL & COMMERCIAL BANKING

Andrew J. Briggs

1st Senior Vice President/ Business Development

David R. Gerken

Senior Vice President/ Commercial Banker

Robert D. Graham

Senior Vice President/ Commercial Banker

Phillip J. Lucas

Senior Vice President/ Commercial Banker

Jerry A. Borton

Vice President/Agri Finance Banker

Dan R. Clark

Vice President/Commercial Banker

Joshua M. Fern

Vice President/Commercial Banker

Micah W. Hefty

Vice President/ Commercial/Agri Finance Banker

Lewis D. Hilkert

Vice President/Commercial Banker

John D. Kantner

Vice President/Commercial Banker

Thomas W. Lueck

Vice President/Commercial Banker

Curtis M. Metz

Vice President/Commercial Banker

J. Scott Miller

Vice President/Agri Finance Banker

Randall L. Rice

Vice President/Agri Finance Banker

Michael J. Rywalski

Vice President/Commercial Banker

Kelby J. Schmucker

Vice President/Credit Analyst Manager

Michael F. Schnitkey

Vice President/Agri Finance Banker

Jeffery C. Shrader

Vice President/Commercial Banker

Lisa M. Swogger

Vice President/Commercial Banker

Kevin J. Becker

Assistant Vice President/Commercial Credit Specialist

Zachariah L. Chenoweth

Assistant Vice President/Commercial/Agri Finance Banker

James E. Collins

Assistant Vice President/Commercial/Agri Finance Banker

Rick A. Doyle

Assistant Vice President/Commercial/Agri Finance Banker

Logan A. Frey

Assistant Vice President/Commercial Banker

Chad M. Harris

Assistant Vice President/Commercial/Agri Finance Banker

Ruth A. Kauffman

Assistant Vice President/Agri Finance Credit Specialist

Allan J. Kinsman

Assistant Vice President/Commercial Banker

Jonathan S. Kundo

Assistant Vice President/Commercial Banker

Robert E. Rhoades

Assistant Vice President/Commercial/Agri Finance Banker

Douglas W. Shaw, Jr.

Assistant Vice President/Commercial Banker

Diane J. Swisher

Assistant Vice President/Commercial Agri Loan Processing Manager

Michael S. Warstler

Agri Finance Banker

Jason P. Wyse

Agri Finance Banker

RETAIL BANKING

Taryn L. Schmitz

Senior Vice President/Retail Banking Manager

Gloria Gunn

Vice President/Home Loan Originator

Debra J. Kauffman

Vice President/Community Relationship Banker

Curtis H. Rash

Vice President/Community Relationship Banker

Arthur J. Short

Vice President/Consumer Lending Manager

Michael T. Smith

Vice President/Community Relationship Banker

Mary E. Stefko

Vice President/Home Loan Manager

Linda C. Bechstein

Assistant Vice President/Personal Relationship Banker Supervisor

Leigh M. Boothman

Assistant Vice President/Home Loan Originator

Amy M. Brentlinger

Assistant Vice President/Home Loan Originator

Patricia R. Burkholder

Assistant Vice President/Home Loan Originator

Sauna L. Cotter

Assistant Vice President/Community Relationship Banker

Christopher Coy

Assistant Vice President/Home Loan Originator

Diana J. Dennie

Assistant Vice President/Home Loan Originator

Susan K. Dieringer

Assistant Vice President/Home Loan
Originator

Timothy Dubach

Assistant Vice President/Regional
Community Relationship Manager

Brent A. Gibson

Assistant Vice President/Community
Relationship Banker

Amber D. Gillengerten

Assistant Vice President/Home Loan
Process Manager

Judy L. Heflin

Assistant Vice President/Home Loan
Originator

Jennifer A. Knapp

Assistant Vice President/Community
Relationship Banker

Michael J. Leitner

Assistant Vice President/Home Loan
Originator

Shaun N. Mack

Assistant Vice President/Community
Relationship Banker

Kelly J. Martin

Assistant Vice President/
Community Relationship Banker

Barbara Mornout

Assistant Vice President/
Community Relationship Banker

Brenda L. Mossing

Assistant Vice President/Community
Relationship Banker

Hallie F. Nagel

Assistant Vice President/Community
Relationship Banker

Tammy Quintanilla

Assistant Vice President/Home Loan
Underwriter/Secondary Market

Kevin E. Rice

Assistant Vice President/Community
Relationship Banker

Kenneth J. Schoen

Assistant Vice President/Home Loan
Originator

Cheryl J. Schuette

Assistant Vice President/Home Loan
Originator

Katherine S. Thorpe

Assistant Vice President/Home Loan
Originator

L. Christine Mosier

Assistant Cashier/Credit Card
Department Supervisor

Julie B. Steiner

Assistant Cashier/Credit Analyst

**AUDIT, COMPLIANCE
& LOAN REVIEW****Marilyn K. Johnson**

Vice President/Compliance & CRA
Manager

R. Jeffrey Justus

Assistant Vice President/Senior Auditor

Ronald E. Spangler

Assistant Vice President/Loan Review
Manager

Jacqueline K. Wells

Assistant Vice President/Bank Secrecy
Officer

Daniel T. Kiscoe

Assistant Cashier/Assistant Compliance
& CRA Manager

Patricia J. Kutzli

Assistant Cashier/Internal Audit
Supervisor

OPERATIONS**Douglas S. Berry**

Vice President/Information Technology
Manager

Jane C. Bruner

Vice President/Operations Services
Manager

Molly A. Miller

Vice President/E-Commerce Manager

Randal H. Schroeder

Vice President/Senior Operations
Manager

Benjamin T. Curry

Assistant Vice President/Network
Administrator

Kimberly A. Graber

Assistant Cashier/Operations

Michael Hess

Assistant Vice President/Systems
Administrator

SUPPORT**Diann K Meyer-Grieser**

Vice President/Human Resource
Manager

Norma. J. Kauffman

Vice President/Deposit Administrator/
Cash Management Manager

Kent Roth

Vice President/Risk Manager/Security
Officer

Deborah L. Shinabery

Vice President/Sales Manager

Amy L. Cover

Assistant Vice President/Assistant
Marketing Manager

Lesley R. Shirkey

Assistant Vice President/Asset Recovery
Manager

April M. Witte

Assistant Vice President/Assistant
Deposit Administrator

Sharon D. Blair

Assistant Cashier/Asset Recovery

Toni R. Waldfogel

Assistant Cashier/IRA/HSA
Administrator

Lydia A. Huber

Corporate Secretary

INVESTMENT SERVICES**Beth A. Lienau**

Assistant Vice President/Senior
Investment Executive

Jason P. Maassel

Assistant Vice President/Financial
Advisor

Awards and Community



EXTRA LARGE BUSINESS WINNER



BEST BANK



**EVENT
PARTNER**



SPECIAL OLYMPICS CHARITY

Market Area

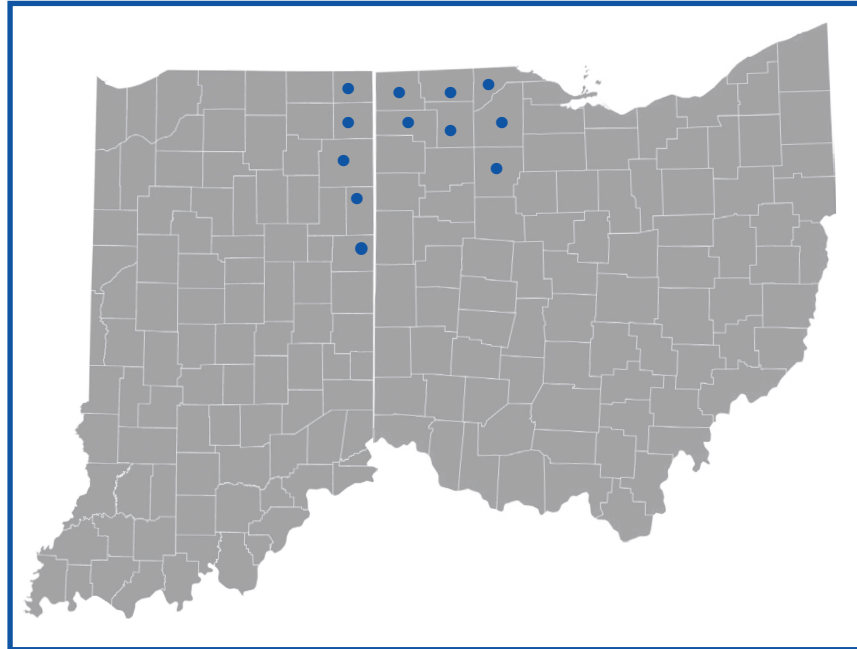
INDIANA

Counties

Adams
Allen
DeKalb
Jay
Steuben

Communities

Angola
Auburn
Berne
Butler
Decatur
Fort Wayne (*coming late 2019*)
Geneva
Huntertown
Monroe
Monroeville
Portland



OHIO

Counties

Defiance
Fulton
Hancock
Lucas
Wood
Williams

Communities

Archbold
Bryan
Bowling Green
Bryan
Custar
Defiance
Delta
Findlay
Hicksville
Montpelier
Napoleon
Perrysburg
Stryker
Swanton
Sylvania
Waterville
Wauseon
West Unity

Farmers & Merchants Bancorp completed its largest merger to date with the 130 year old Limberlost Bancshares, the holding company of the Bank of Geneva. The merger with the Bank of Geneva was a natural extension of F&M's community bank footprint and complementary fit with F&M's offices in Indiana. F&M and the Bank of Geneva share strong similarities including both banks own 1935 Chevrolet firetrucks, both are in pristine conditions are driven in local events. With the merger F&M now expands to 30 full office locations. The chart below indicates the impact of growth from the Bank of Geneva merger.

	F&M	F&M/Bank of Geneva
Assets	\$1,087.5	\$1,377.3
Net Loans	\$839.6	\$1,098.6
Total Deposits	\$929.4	\$1,136.4
<i>(numbers are unaudited and in thousands)</i>		



Financial Data

Summary of Consolidated Statement of Income - UNAUDITED

	(In Thousands, except share data)				
	2018	2017	2016	2015	2014
Summary of Income:					
Interest income	\$ 46,429	\$ 41,248	\$ 37,727	\$ 33,650	\$ 33,453
Interest expense	6,572	5,127	4,223	3,587	3,716
Net Interest Income	39,857	36,121	33,504	30,063	29,737
Provision for loan losses	324	222	1,121	625	1,191
Net interest income after provision for loan losses	39,533	35,899	32,383	29,438	28,546
Other income (expense), net	(21,357)	(17,996)	(16,063)	(15,279)	(15,029)
Net income before income taxes	18,176	17,903	16,320	14,159	13,517
Income taxes	3,227	5,183	4,656	3,819	3,871
Net income	\$ 14,949	\$ 12,720	\$ 11,664	\$ 10,340	\$ 9,646
Per Share of Common Stock:					
Earnings per common share outstanding *					
Net income ⁽¹⁾	\$ 1.61	\$ 1.38	\$ 1.27	\$ 1.12	\$ 1.04
Dividends ⁽¹⁾	\$ 0.56	\$ 0.50	\$ 0.46	\$ 0.44	\$ 0.42
Weighted average number of shares outstanding, including participating securities ⁽¹⁾	9,272,964	9,250,825	9,224,230	9,234,116	9,256,356

*Based on weighted average number of shares outstanding

⁽¹⁾ Share data has been adjusted to reflect a 2-for-1 stock split on September 20, 2017

Summary of Consolidated Balance Sheet - UNAUDITED

	(In Thousands)				
	2018	2017	2016	2015	2014
Total assets	\$ 1,116,163	\$ 1,107,009	\$ 1,055,895	\$ 989,068	\$ 941,213
Loans, net	839,599	816,156	751,310	678,573	615,562
Total Deposits	928,790	919,340	842,203	771,339	762,560
Stockholders' equity	143,287	134,137	125,577	120,097	114,493
Key Ratios					
Return on average equity	10.86%	9.75%	9.38%	8.80%	8.72%
Return on average assets	1.34%	1.18%	1.14%	1.08%	1.02%
Loans to deposits	90.40%	88.78%	89.45%	88.14%	80.78%
Capital to assets	12.84%	12.12%	11.89%	12.14%	12.16%
Dividend payout	34.40%	36.02%	35.67%	38.54%	40.04%

Corporate Information

NATURE OF BUSINESS

Farmers & Merchants Bancorp, Inc. is a \$1.4 billion bank holding company headquartered in Archbold, Ohio. Farmers & Merchants State Bank services 30 offices located in Defiance, Fulton, Hancock, Henry, Lucas, Williams and Wood counties in Ohio and Adams, Allen, DeKalb, Jay and Steuben Counties in Indiana.

HEADQUARTERS

Farmers & Merchants Bancorp, Inc.
307 North Defiance Street
Archbold, Ohio 43502
Ph: 419.446.2501
Toll-free: 800.451.7843
www.fm.bank
Lydia A. Huber, Corporate Secretary

ANNUAL MEETING

April 16, 2019
7:00 p.m.
Founder's Hall at Sauder Village
22611 State Route 2
Archbold, Ohio 43502

COMMON STOCK LISTING

Farmers & Merchants Bancorp, Inc. common stock is traded on the Nasdaq stock market under the symbol "FMAO."

STOCK TRANSFER AGENT

Computershare
250 Royall Street
Canton, MA 02021

INDEPENDENT ACCOUNTANTS

BKD, LLP
200 E. Main Street, Suite 700
Fort Wayne, IN 46802-1900

DIVIDENDS

Common stock dividends are payable quarterly upon authorization of the Board of Directors.

DIVIDEND REINVESTMENT

Farmers & Merchants Bancorp, Inc. has a Dividend Reinvestment Plan administered by Computershare. Shareholders of record have cash payments applied toward the purchase of additional shares at no additional cost. Shareholders desiring information about this plan may contact Lydia Huber, Corporate Secretary at 419.446.2501 or toll-free 800.451.7843.

DIRECT DEPOSIT OF DIVIDENDS

Automatic direct deposit of quarterly dividends into a deposit account is offered to our shareholders and provides secure and timely access to their funds. For further information, please contact Lydia Huber, Corporate Secretary at 419.446.2501 or toll-free 800.451.7843.

CORPORATE COUNSEL

Mr. David P. Rupp Jr.
Rupp, Wesche, Hagans, Bohmer,
Newton & Harmon, LLP
302 North Defiance St.
Archbold, OH 43502

Mr. Thomas Blank
Mr. David J. Mack
Mr. Martin Werner
Shumaker, Loop & Kendrick, LLP
1000 Jackson St.
Toledo, OH 43624

MARKET MAKERS

Boenning & Scattergood
400 Lydia Street
Suite 100
Carnegie, PA 15106
Ph: 800.889.6440

Keefe, Bruyette & Woods (KBW)
787 7th Avenue, 4th Floor
New York, NY 10019
Ph: 212.887.8901

Raymond James Financial, Inc.
222 S. Riverside Plaza, 7th Floor
Chicago, IL 60606
Ph: 800.800.4693

Sweney Cartwright & Co.
17 South High Street, Suite 300
Columbus, OH 43215
Ph: 800.334.7481

You Can Bank on Us



**FARMERS &
MERCHANTS**
BANCORP, INC.

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