

Reaching New Heights

2017 Annual Report

NASDAQ WELCOMES
FARMERS & MERCHANTS
BANCORP, INC.

JULY 26, 2017



FARMERS &
MERCHANTS
BANCORP, INC.

FMA O Nasdaq Listed



NASDAQ WELCOMES
PAUL SIEBENMORGEN
PRESIDENT & CEO
JULY 26, 2017



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MERCHANTS
BANCORP, INC.

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Message from Management

Dear Shareholders,

Across the board, 2017 was a historic year of achievements for Farmers & Merchants as our bank attained record financial and operating results. For 2017, compared with the prior year, our total assets increased 4.8% to \$1.1 billion, total loans grew by 8.6% to \$823.0 million, basic and diluted earnings per share increased by 8.7% to \$1.38, and return on average equity increased 37 basis points to 9.75%.

We were pleased to increase the company's quarterly cash stock dividend twice during the year, as well as declare a 2-for-1 stock split in August. The annual cash dividend, adjusted for the 2-for-1 stock split, increased 13.0% year-over-year to \$0.13 per share, representing the 18th consecutive year F&M raised its annual cash dividend.

The growth we achieved during 2017 was a direct result of the company's focus on loan growth, the contribution of the three new branches we have opened in the past three years, and stable economic trends across our markets. In addition, F&M's market share growth in our new geographies has helped F&M grow faster than many of our peers. Our success in both new and existing markets can be traced to our number one goal of always serving our customers. F&M's commitment is to ensure that community banking continues to grow and prosper by providing quality customer service and effectively supplying the right products to meet the financial needs of individuals, farmers, businesses, and industries within our market area.

During the year we were recognized with many honors. In April, F&M was again named to American Banker Magazine's Top 200 Publicly Traded Community Banks and Thrifts, and we were voted as the number one bank in the 2017 Readers Choice competition in our Fort Wayne market.

In May, the Bank was approved for listing on The NASDAQ Stock Market LLC. In recognition of this, the leadership team and several Board of Directors went to New York City on July 26th to ring the opening bell for trading at the NASDAQ. In June, the Bank was included in the broad market Russell 3000 Index, and in December 2017, the Bank was added to the ABA NASDAQ Community Bank Index (ABAI), which is the most broadly representative stock index for community banks. We believe these significant milestones for F&M will contribute to providing greater liquidity and visibility for our stock, thereby attracting new investors.

To continue better serving our customers and to enhance online security, F&M became the first bank in our markets with a .BANK address, and in May 2017 our website transitioned to a new domain www.fm.bank. The .BANK domain is an enhanced, more secure Internet domain exclusively for banks, and is an easily identifiable channel between the bank and its customers.

As 2018 begins, we are optimistic the new year will be another strong period in the company's 120-year-old history. We plan to continue expanding into new exciting markets and will open two new branches during the year. One of the branches recently opened is in Findlay, Ohio, located in Hancock County. Findlay is the second largest city in Northwest Ohio, with approximately 42,000 residents and a strong base of employers such as the Blanchard Valley Health System, Whirlpool Corporation, Marathon Petroleum Corporation, Healthside, and the Cooper Tire & Rubber Company. In addition, the University of Findlay has an enrollment of about 4,200 students. We are excited to offer our financial services and products to the businesses and citizens of Findlay.

As you can see, 2017 was a momentous year for the company, and much of our success is a result of the experienced leadership team we've assembled, and the nearly 280 full time employees that dedicate every day to serving our customers across Northwest Ohio and Northeastern Indiana. I am extremely proud of our accomplishments, and excited about our future.

On behalf of everyone at F&M, we appreciate your loyalty and support and hope you will be able to attend our annual meeting on April 19, 2018.

Sincerely,



Paul S. Siebenmorgen
President & CEO





Board of Directors



Front Row Left to Right:

Paul S. Siebenmorgen

*President/Chief Executive Officer, Farmers & Merchants Bancorp, Inc.
President/Chief Executive Officer, Farmers & Merchants State Bank*

Jo Ellen Hornish

*Chief Executive Officer, Hornish Bros, Inc.,
Advantage Powder Coating, Inc.,
Fountain City Leasing, Inc.*

Marcia S. Latta

*Vice President, University of Findlay
Division of University Advancement*

Jack C. Johnson

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

Back Row Left to Right:

Steven A. Everhart

Self-Employed

Kevin J. Sauder

President/Chief Executive Officer, Sauder Woodworking Co.

K. Brad Stamm

*Professor of Economics, Chairman of Division of Business,
Cornerstone University*

Eugene N. Burkholder

President, Falor Farm Center

Steven J. Planson

President, Planson Farms, Inc.

Anthony J. Rupp

Retired, Past President, Rupp Furniture Co.

Market Area

F&M services accounts in Ohio, Indiana, and Michigan. We have 25 offices and over 34 ATMs located in Defiance, Fulton, Hancock, Henry, Lucas, Williams and Wood counties in Ohio and Allen, DeKalb and Steuben Counties in Indiana. In the first quarter of 2018, we opened our 25th full-service office in Findlay, Ohio which expanded our footprint into Hancock County, Ohio.

F&M's commitment is to ensure that community banking continues to grow and prosper by providing quality customer service and effectively supplying the right products to meet the financial needs of individuals, farmers, businesses, and industries within our market area.

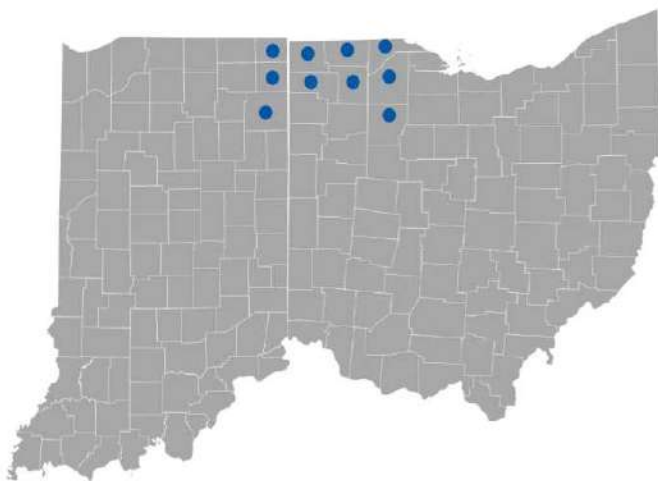


Office Locations

OHIO

Archbold Main
Archbold Operations Center
Archbold Woodland
Bryan East High
Bryan SouthTowne
Bowling Green
Custar
Defiance
Delta
Findlay
Hicksville
Montpelier

Napoleon
Perrysburg
Stryker
Swanton
Sylvania
Waterville
Wauseon Downtown
Wauseon Shoop
West Unity
INDIANA
Angola
Auburn
Butler
Huntertown



Corporate Information

Nature of Business

Farmers & Merchants Bancorp, Inc. is a \$1.1 billion bank holding company headquartered in Archbold, Ohio. Farmers & Merchants State Bank services 25 offices located in Defiance, Fulton, Hancock, Henry, Lucas, Williams and Wood counties in Ohio and Allen, DeKalb 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 19, 2018
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 LLC 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
9916 Brewster Lane
Powell, OH 43065
Ph: 866.326.8113

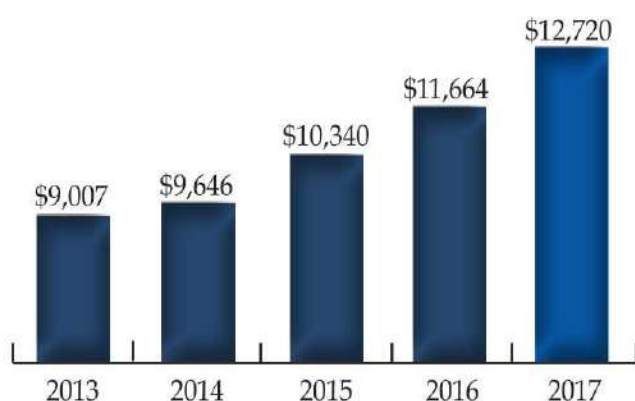
Keefe, Bruyette & Woods (KBW)
787 7th Avenue, 4th Floor
New York, NY 10019
Ph: 212.887.8901

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

Financial Performance

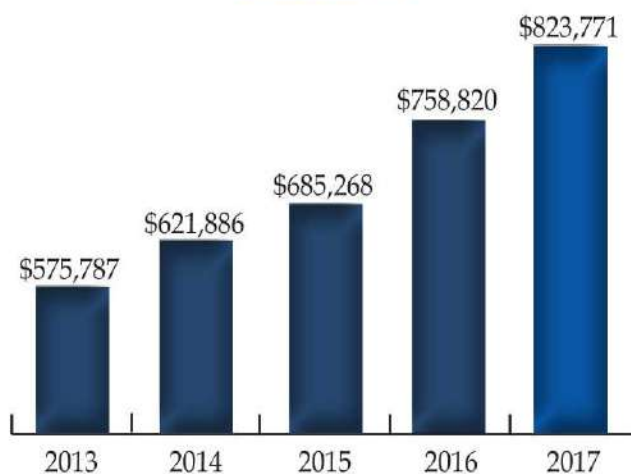
Net Income



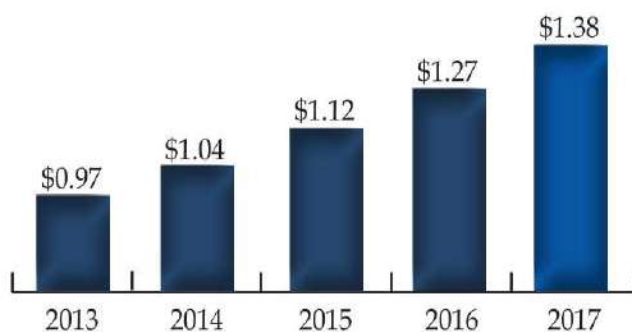
*Dividends Declared Per Share**



Total Loans



*Earnings Per Share**



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

Financial Data

Summary of Consolidated Statement of Income - UNAUDITED

(In Thousands, except share data)

	2017	2016	2015	2014	2013
Summary of Income:					
Interest income	\$41,248	\$37,727	\$33,650	\$33,453	\$31,428
Interest expense	5,127	4,223	3,587	3,716	4,604
Net Interest Income	36,121	33,504	30,063	29,737	26,824
Provision for loan losses	222	1,121	625	1,191	858
Net interest income after provision for loan losses	35,899	32,383	29,438	28,546	25,966
Other income (expense), net	(17,996)	(16,063)	(15,279)	(15,029)	(13,363)
Net income before income taxes	17,903	16,320	14,159	13,517	12,603
Income taxes	5,183	4,656	3,819	3,871	3,596
Net income	<u>\$12,720</u>	<u>\$11,664</u>	<u>\$10,340</u>	<u>\$9,646</u>	<u>\$9,007</u>
Per Share of Common Stock:					
Earnings per common share outstanding *					
Net income ⁽¹⁾	<u>\$1.38</u>	<u>\$1.27</u>	<u>\$1.12</u>	<u>\$1.04</u>	<u>\$0.97</u>
Dividends ⁽¹⁾	<u>\$0.50</u>	<u>\$0.46</u>	<u>\$0.44</u>	<u>\$0.42</u>	<u>\$0.41</u>
Weighted average number of shares outstanding, including participating securities ⁽¹⁾	<u>9,250,825</u>	<u>9,224,230</u>	<u>9,234,116</u>	<u>9,256,356</u>	<u>9,353,094</u>

*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)

	2017	2016	2015	2014	2013
Total assets	\$1,107,009	\$1,055,895	\$989,068	\$941,213	\$965,938
Loans, net	816,156	751,310	678,573	615,562	570,363
Total Deposits	919,340	842,203	771,339	762,560	776,464
Stockholders' equity	134,137	125,577	120,097	114,493	108,340
Key Ratios					
Return on average equity	9.75%	9.38%	8.80%	8.72%	8.28%
Return on average assets	1.18%	1.14%	1.08%	1.02%	0.96%
Loans to deposits	88.78%	89.45%	88.14%	80.78%	73.53%
Capital to assets	12.12%	11.89%	12.14%	12.16%	11.22%
Dividend payout	36.02%	35.67%	38.54%	40.04%	41.69%

Our Employees

Thank you to each and every one of our employees. Without their hardwork and dedication, a record year like 2017 would not be possible.

Jennifer A Adame	Kelly J Culler	Jennifer L Heffernan	Diann K Meyer-Grieser	Penny S Silberg
Stephany M Addy	Benjamin T Curry	Micah W Hefty	Cassandra J Meyers	Alexandria A Sines
Teri L Aldrich	Andrea R Dawson	Bruce A Hengstler	Randi J Middaugh	Christina M Singer
Tiffany A Anderson	Katrina L DeGross	Michelle M Henricks	Courtney M Miller	Janet P Smith
Darian E Andrist	Diana J Dennie	Thomas W Herman	J Scott Miller	Michael T Smith
Brenda J Armitage	Susan K Dieringer	Michael S Hess	Molly A Miller	Reiley A Smith
Justin A Ashenfelter	Sheila Y Doren	Lynnette M Hibbard	Jessica L Moser	Alysa Y Spangler
Leslie A Barnes	Karen R Doughty	Sarah L Higdon	L Christine Mosier	Ronald E Spangler
Katelyn N Barton	Jennifer E Doyle	Annette C Higham	Brenda L Mossing	Teresa L Spangler
Jayla L Beal	Shannon D Drain	Lewis D Hilkert	Brandie K Mull	Shawna R Spires
Kathy M Beaver	Debra A Durham	Lydia A Huber	Hallie F Nagel	Brendan T Squillante
Linda C Bechstein	Cynthia D Eddy	Beth A Jay	Shelly J Oberneder	Jenny L Squillante
Sandra K Beck	Teresa L Erford	Linda D Jewell	Brandy L Parker	Kendra S Startzman
Kevin J Becker	Billie Jo Etchison	Marissa A Johanns	Stacy L Pence	Mary E Stefk
Teresa M Bender	Debra J Felix	Marilyn K Johnson	Kara F Petersen	Anita M Stewart
Staci L Bernath	Joshua M Fern	Sue Ann Junge	Patricia K Peterson	Tori B Studer
Laura Bernath-Schlosser	Heather M Fetterman	R Jeffrey Justus	Tiffany M Pettit	Diane J Swisher
Douglas S Berry	Nancy J Figy	John D Kantner	Janet L Powers	Lisa M Swogger
Lisa M Beverly	Marty Filogamo	Debra J Kauffman	Tammy Quintanilla	Britney M Sworden
Gregory J Bireley	Brice A Ford	Norma J Kauffman	Curtis H Rash	Rhonda D Tanner
Sharon D Blair	Jaimee B Franklin	Ruth A Kauffman	Erica J Reynolds	Jennifer L Tauber
Cindy L Blosser	Mary J Frazee	Vickie J Kaullen	Carnation M Rhoden	Samantha J Taylor
Leigh M Boothman	Dominic J Frey	Melissa A Kendrick	Kevin E Rice	Patricia D Thain
Jerry A Borton	Logan A Frey	Lynette S Kime	Randall L Rice	Rebecca L Vanarsdalen
Lisa D Borton	Brittany L Frost	Catherine A King	Rex D Rice	Erika L Veith
Sandra K Bostelman	Robin R Fuller	Allan J Kinsman	Jacqueline S Richards	Daniel V Vollmer
Brittany N Bowers	Emily E Furman	Daniel T Kiscoe	Debra K Riegsecker	Kelly L VonDeylen
Jackie Sue Bowers	Chawney L Gambler	Aimee L Kistel	Hope Riggenbach	Benjamin T Wachtmann
Amy M Brentlinger	Rachel D Garcia	Jennifer A Knapp	Allison M Roberts	Toni R Waldfoegel
Barbara J Britenriker	David R Gerken	Susan A Koogan	Christy L Rohrs	Ashley E Warren
Jennifer E Broadwater	KaLeigh J Gigax	Jonathan S Kundo	Adam R Rosebrock	Samantha L Warren
Chance C Brown	Amber D Gillengerten	Olivia C Kundo	Kent E Roth	Michael S Warstler
Robin R Brown	Ronald A Ginn	Christopher P Kurt	Bridget S Rupp	Whitney N Weber
Jane C Bruner	Jackie M Goebel	Patricia J Kutzli	Beverly J Saneholtz	Jacqueline K Wells
Mary C Burdine	Lorena Gonzalez	Venus C Lammon	Tammie L Santo	Sarah J Wells
James C Burkhart	Kimberly A Graber	Dawn R Langwell	Trisha A Sattler	Nicole L Whitman
Patricia R Burkholder	Robert D Graham	Ayreal C Lanman	Kelly S Schaffner	Molly J Wiemken
Lucinda M Burrell	Todd A Graham	Allen G Lantz	Elizabeth M Schlegel	Heather A Williams
Donald L Campbell	Irma G Greathouse	Mary F Lawrence	Taryn L Schmitz	Reanna L Williams
Margaret R Carico	Samantha S Greenler	Edward A Leininger	Kelby J Schmucker	Stacy R Williams
Diane Carpenter	Joline M Gregory	Janet S Lemley	Michael F Schnitkey	Chelsea N Williamson
Daniel J Caruso	Keri S Grooms	Adriana Lopez	Randal H Schroeder	April M Witte
Kendra M Chappuis	Mary Beth H Guilford	Thomas W Lueck	Cheryl J Schuette	Marie C Wolff
Cathy A Clark	Gloria J Gunn	Shaun N Mack	Cristie B Sevey	Brenda I Wolfinger
Dan R Clark	Dawn M Haag	Kelly J Martin	Douglas W Shaw Jr	Tanya L Wonderly
Marcia K Cody	Kierestin N Haake	Thomas R Masterson Jr	Deborah L Shinabery	Jamie S Worman
Kyle D Comers	Lori L Hagerman	Abriana J McAtee	Lesley R Shirkey	Isaac D Wust
Carolyn S Cordes	Patricia L Hammons	Mindy J McCarthy	Arthur J Short	Jason P Wyse
Shauna L Cotter	Lydia S Hankins	Isaac C McClarren	Nichole L Short	
Amy L Cover	Sarah M Hankinson	Kimberly A McColley	Rodney J Short	
Christopher M Coy	Jennifer L Hanudel	Hoilyn F McKibben	Jeffery C Shrader	
Kim R Coy	Tisha P Harvey	Lindsay R McKinney	Melissa A Shull	
Wanda L Crowl	Ian Hayward	Curtis M Metz	Paul S Siebenmorgen	

You Can Bank On Us



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BANCORP, INC.

fm.bank