

# July 2022 Investor Presentation

Statements contained in any portion of the Company's annual meeting may be forward-looking statements, as that term is defined in the private securities litigation reform act of 1995. Forward-looking statements may be identified by the use of such words as "intend," "believe," "expect," "anticipate," "should," "planned," "estimated," and "potential." Such forward-looking statements are based on current expectations, but may differ materially from those currently anticipated due to a number of factors, which include, but are not limited to, factors discussed in documents filed by the Company with the Securities and Exchange Commission from time to time. Other factors which could have a material adverse effect on the operations of the Company and its subsidiaries which include, but are not limited to, changes in interest rates, general economic conditions, legislative and regulator changes, monetary and fiscal policies of the U.S. Government, including policies of the U.S. Treasury and the Federal Reserve Board, the quality and composition of the loan or investment portfolios, demand for loan products, deposit flows, competition, demand for financial services in the bank's market area, changes in relevant accounting principles and guidelines and other factors over which management has no control. The forward-looking statements are made as of the date of this meeting, and the Company assumes no obligation to update the forward-looking statements or to update the reasons why actual results could differ from those projected in the forward looking statements.



FARMERS AND MERCHANTS' BANK

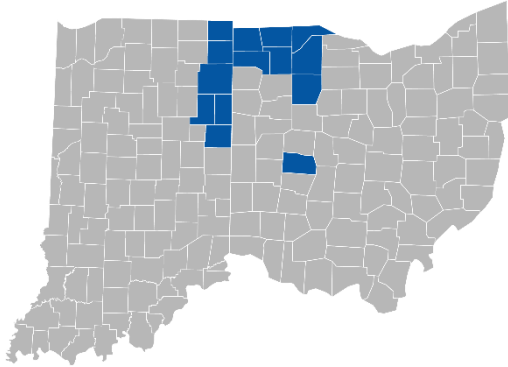
Vision

*We are community vested to help people realize their best lives*

Mission

*We nurture lasting relationships*

**Full service independent community bank, serving customers in Northwest Ohio, Northeast Indiana, and Southern Michigan**



## Overview

- Compelling valuations and returns (at June 30, 2022):
  - P/LTM EPS: 15.2x
  - Dividend (yield): \$0.7725 (2.3%)
  - 2022 Q1 Adj. ROATCE: 14.86%
  - 2022 Q1 NIM: 3.14%
- Top 100 Farm Lending Bank and Top 200 Publicly Traded Community Bank, according to American Banker
- Twice named Top 50 Social Media Banks by ICBA
- Strong asset quality, and robust net income growth
- Total assets on a pro-forma basis of \$2.686 billion and have grown at a 24% CAGR since 2018
- Net income on a pro-formal basis of \$32.4 million, and has grown at a 21% CAGR since 2018

## Track Record of Growth

- Management team focused on creating value by increasing earnings and executing growth oriented strategic plan
- Announced the acquisition of Peoples-Sidney Financial Corporation of Sidney, Ohio in June 2022
- Completed the acquisition of Perpetual Bank Federal Saving Bank in October 2021
- New full-service office opened in Ft. Wayne in 2021
- Acquired Ossian Financial Services, Inc. in 2021
- Three highly productive LPOs opened in 2020 in OH, IN, and MI

## F&M Market Highlights

	Ohio	Indiana
Deposit Market Share <sup>(1)</sup>	#4	#4
Offices	18	12
Population <sup>(2)</sup>	778,859	541,877
Total Businesses <sup>(2)</sup>	56,045	41,494
Agricultural Land <sup>(3)</sup>	1.5 mil. acres	1.2 mil. Acres
Farms <sup>(3)</sup>	5,756	5,939
Avg. Median HH Income <sup>(2)</sup>	\$57,925	\$54,826

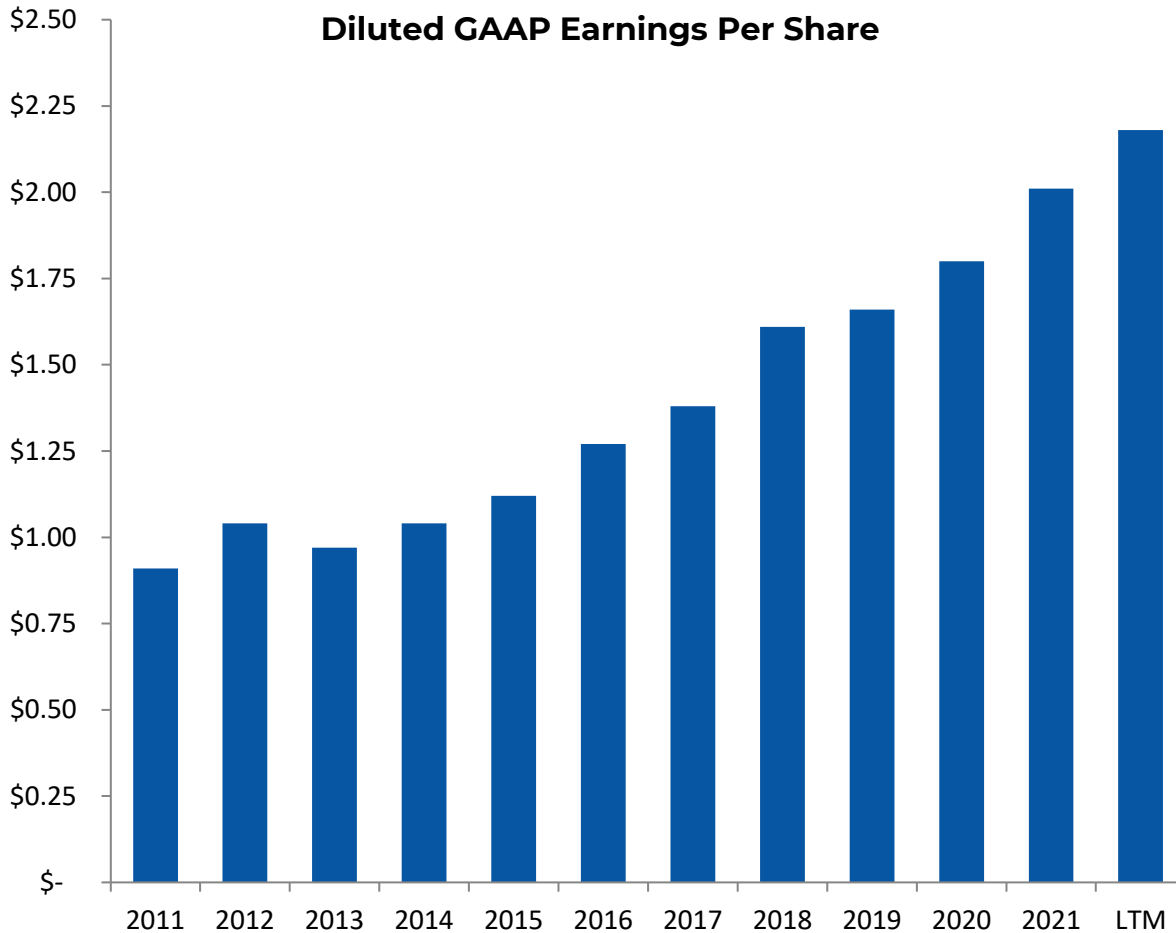
<sup>(1)</sup> Market share data based on zip codes of all F&M offices

<sup>(2)</sup> According to U.S. Census Bureau

<sup>(3)</sup> According to USDA

# Proven Earnings Model...

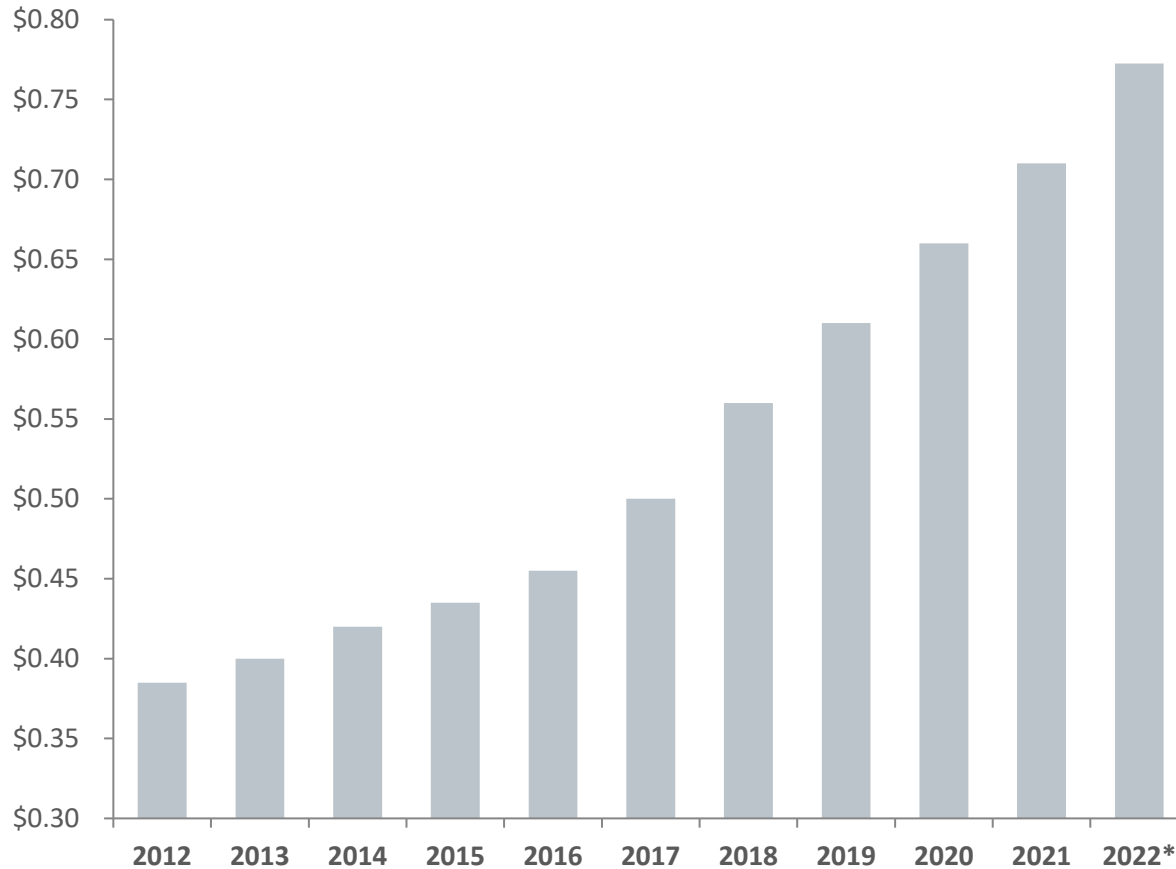
**Diluted GAAP Earnings Per Share**



Proven earnings model supported by geographic expansion, strong loan growth and pricing, controlled operating expenses, accretive acquisitions, and the contribution of noninterest income.

Note: LTM at March 31, 2022

## Annual Dividends



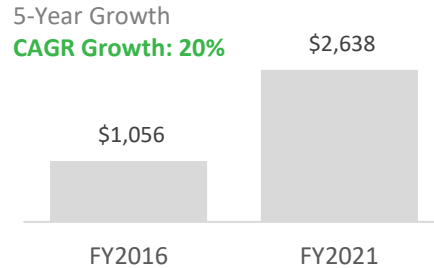
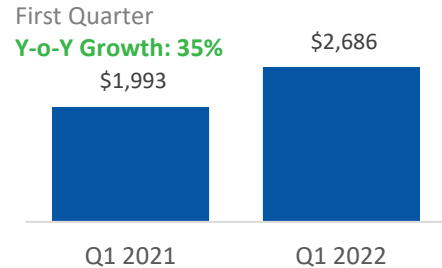
The Company's annual dividend has increased for 27 consecutive years as a result of its strong capital position and high-quality loan portfolio.

On June 28, 2022, F&M's Board of Directors declared a cash dividend of \$0.19 per share, and a special one-time cash dividend of \$0.0125 to honor F&M's 125<sup>th</sup> anniversary. The combined cash dividend of \$0.2025 represents a 19.1% year-over-year increase in F&M's second quarter dividend payment.

Only 10 publicly traded banks out of ~800 in the country have a longer track record of consecutive dividend increases according to data from S&P Global Market Intelligence.

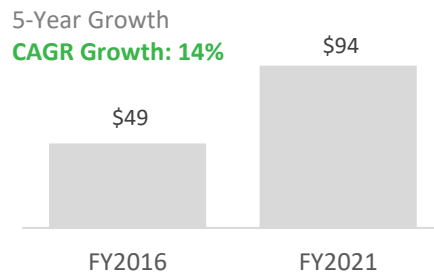
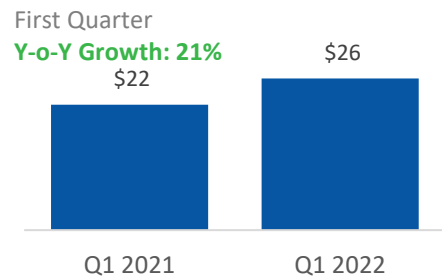
\*Annualized

## Total Assets (\$ in millions)



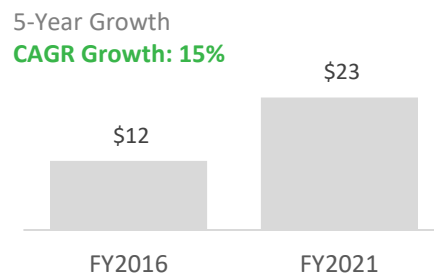
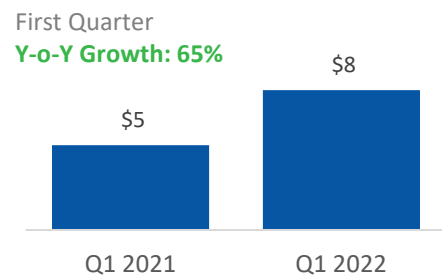
- Loans, net increased 46.3% year-over-year due to the acquisitions of both the Perpetual Federal Savings Bank, Inc. and Ossian Financial Services, Inc.
- Organic loan growth of 22.0% excludes PPP loans and loan balances a time of acquisitions.

## Total Revenue (\$ in millions)



- Avg. earning assets grew 39.4% year-over-year to \$2,523 million in Q1.

## Net Income (\$ in millions)



- Efficiency ratio improved to 55.44% during the 2022 first quarter, compared to 62.57% at March 31, 2021, and 58.76% at December 31, 2021.
- Management expects robust earnings growth throughout 2022 as a result of the Company's larger scale, strong asset quality, and prudent expense management.

**F&M is following a 3-year strategic plan focused on growing earnings and creating value for its shareholders**



Customer  
Acquisition  
and Retention



Attract,  
Develop and  
Retain Talent



Actively Pursue  
Accretive  
Acquisitions



Drive Financial  
and Operating  
Excellence



Develop  
Compelling  
Digital  
Strategy



## F&M continues making significant progress in each of its five strategic objectives

### Customer Acquisition and Retention

- Grew deposits 33.8% YoY at Q1 2022
- Q1 2021 loans increased 22.0% organically, and without PPP loans
- 4<sup>th</sup> largest bank based on deposits in both our Ohio and Indiana markets

### Attract, Develop, and Retain Talent

- Multiple promotions throughout the organization
- Attracted new associates from outside the organization including new high-quality commercial, ag, and healthcare lenders
- Added two new strong directors representing F&M's expansion into the Detroit and Urbana markets

### Actively Pursue Accretive Acquisitions

- Closed the acquisition of Perpetual Federal Savings Bank in Q3 2021
- Closed the acquisition of Ossian Financial Services, Inc. in Q2 2021
- Purchased the assets and clients of Adams County Financial Resources in Q4 2020

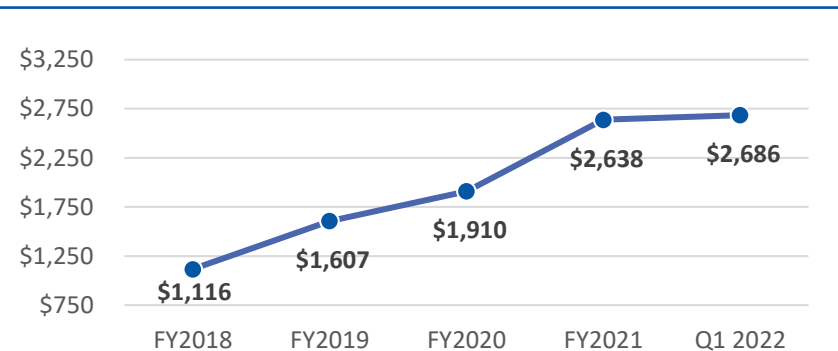
### Drive Financial and Operating Excellence

- Implemented office re-alignment strategy that will further F&M's efforts to control noninterest expense
- Strong efficiency ratio of 55.44% at March 31, 2022

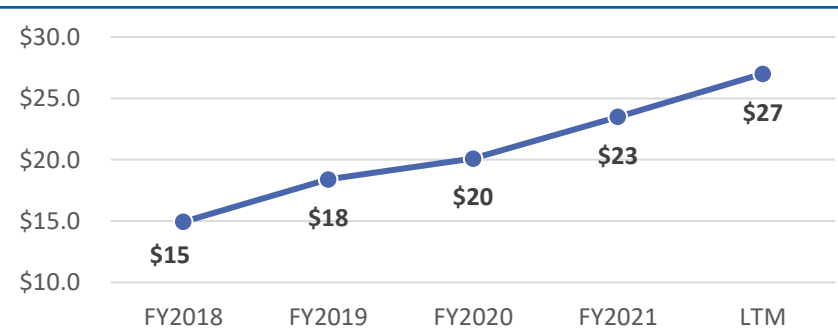
### Develop Compelling Digital Strategy

- 2021 YoY growth across multiple KPIs including: a 47% increase in mobile deposits, a 61% increase in customers enrolled in ACH services, and a 13% increase in online banking customers.
- Converted payroll system, and onboarding and tax forms
- Automated back-office procedures related to online account opening

### Total Assets (\$ in millions)



### Net Income (\$ in millions)

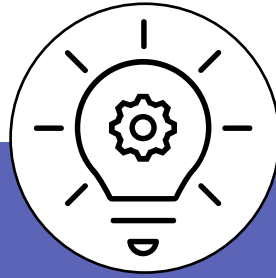




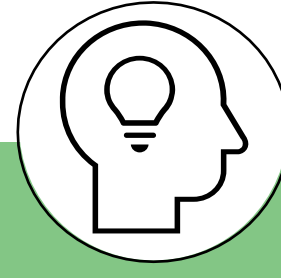
Improve the customer experience



Leverage Modern Technologies



Upgrade Systems and Processes

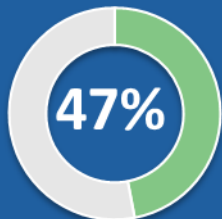


Reskill Workforce

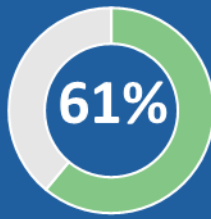


Align Leadership and Culture

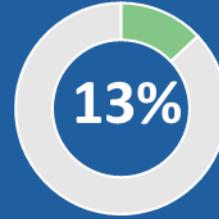
## 2021 Digital Engagement Growth



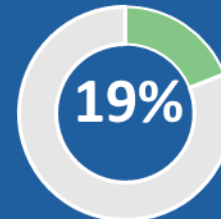
Increase in **Mobile Deposits**



Increase in **ACH Services**



Increase in **Retail Online Banking Customers**



Increase in **Mobile Banking**

# Experienced Leadership Team

*Average of 27 years of banking experience*

**Lars B. Eller**

President, Chief Executive Officer & Director



Mr. Eller joined F&M in September 2018. He has more than 30 years of banking experience, which includes positions at PNC Bank, Royal Bank of America, and TD Bank.

**Barbara J. Britenriker**

EVP, Chief Financial Officer & Chief Retail Banking Officer



Ms. Britenriker has been employed by F&M for 35 years, beginning in the new accounts department and progressing through operations to become the Comptroller and then the CFO.

**Benét S. Rupp**

SVP & Chief Administrative Officer



Ms. Rupp joined the Bank in 2019 as the Chief People Officer. She has over 32 years of HR experience and most recently served as Senior Vice President, HR at ProMedica.

**Rex D. Rice**

EVP & Chief Lending Officer



Mr. Rice has been with the Bank for 40 years. He began his career as an Assistant Agricultural Banker serving the Wauseon and Delta areas.

**Shalini Singhal**

Chief Information Officer



Ms. Singhal joined the Bank in 2020 and has over 20 years of information technology and banking experience. Ms. Singhal is also responsible for F&M's M&A integrations.

**Katrina DeGross**

SVP, Chief Financial Officer (Farmers & Merchants State Bank)



Ms. DeGross joined F&M in 2016 as Comptroller. In 2019, she was promoted to SVP/Chief Financial Officer for the Bank. Katrina has almost 30 years of finance experience.

**Amy L. Cover**

VP Chief Marketing Officer



Ms. Cover joined the Bank in 2009 as the Marketing Assistant and was promoted to her current position as Vice President/Marketing Manager and joined the executive team in 2019.

**David Gerken**

SVP Senior Commercial Banking Manager



Mr. Gerken joined the Bank in 2016 and was promoted in 2020 to his current position. Mr. Gerken has over 27 years of commercial banking experience.

**Brett Baumeister**

SVP Regional President



Mr. Baumeister joined F&M in 2019 and has over 30 years of commercial banking experience. In 2021, Brett was promoted to SVP/Regional President of F&M's Southern Ohio market.

**Alexis Smith**

VP Chief People Officer



Ms. Smith joined F&M in 2020. She has over 25 years of HR, training and development experience, across multiple industries.

**Phillip Lucas**

SVP Regional President



Mr. Lucas serves F&M as SVP/Regional President of the East Central Indiana market. He has over 34 years of banking experience and came to F&M in January 2019 through the merger with the Bank of Geneva.

**Jack C. Johnson**  
Chairman  
Age: 68



Partner of REJO Partnership and owner and President of Hawk's Clothing Inc.

**Andrew J. Briggs**  
Director  
Age: 66



Former Chairman of Limberlost Bancshares, Inc and President of its wholly-owned subsidiary Bank of Geneva

**Kevin J. Sauder**  
Vice Chairman  
Age: 60



Chief Executive Officer and President at Sauder Woodworking Company

**Steven J. Planson**  
Director  
Age: 61



President at Planson Farms, Inc.

**Eugene N. Burkholder**  
Director  
Age: 66



Owner and Manager of Falor Farm Center, Inc.

**Frank R. Simon**  
Director  
Age: 51



Founding and Managing Member of Simon PLC Attorneys & Counselors.

**Jo Ellen Hornish**  
Director  
Age: 67



President and CEO of several Defiance area companies.

**K. Brad Stamm**  
Director  
Age: 68



President and Educational Consultant of Stamm Management Group

**Lori A. Johnston**  
Director  
Age: 59



President of ProMedica Insurance Corporation

**Marcia S. Latta**  
Director  
Age: 59



Serves as Vice President for Advancement at The University of Findlay

**David Vernon**  
Director  
Age: 54



Operates Vernon Family Funeral Homes in Champaign County, Ohio and active in numerous organizations throughout Champaign County.

# Track Record of Loan and Deposit Growth

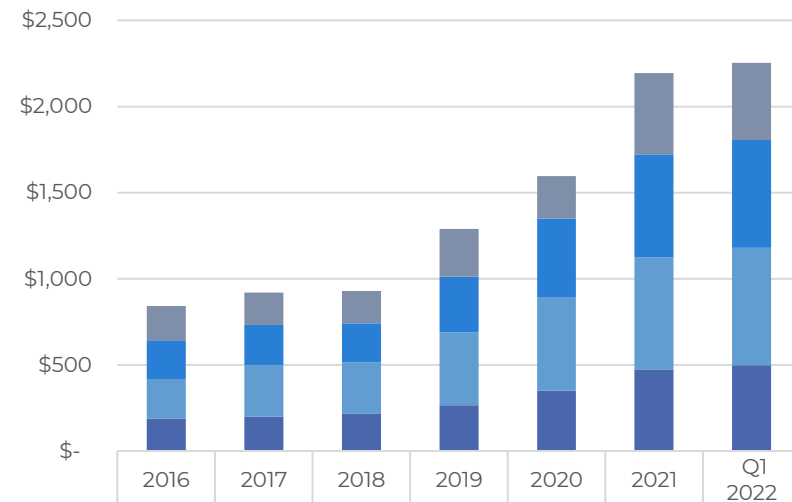
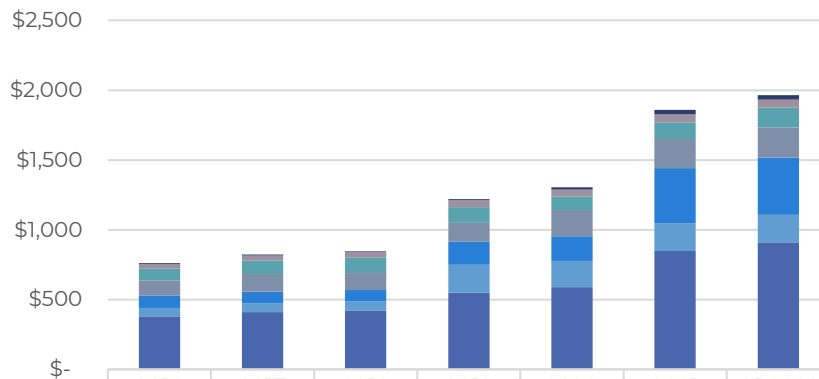
**Organic loan and deposit growth supported by new market expansion and F&M's focus on providing customers with community banking values and local service**

## Loans, net (in millions)

## Total Deposits (in millions)

- Loans increased at a 20% CAGR from 2016 to 2021  
At March 31, 2022, loans increased 22.0% organically from the same period a year ago.

- Deposits increased at a 21% CAGR from 2016 to 2021  
Deposits at March 31, 2022, increased 33.8% year-over-year



# Strong Liquidity and Capital Position

Loan growth funded  
through core  
deposits

**87.1%**

Total loans, net /  
Total deposit ratio

**\$140 million**

Total cash and cash  
equivalents

**\$414 million**

Securities  
available for sale

**11.18%**

Tier 1 Leverage  
Capital  
(to Adj. Total Assets)

**13.82%**

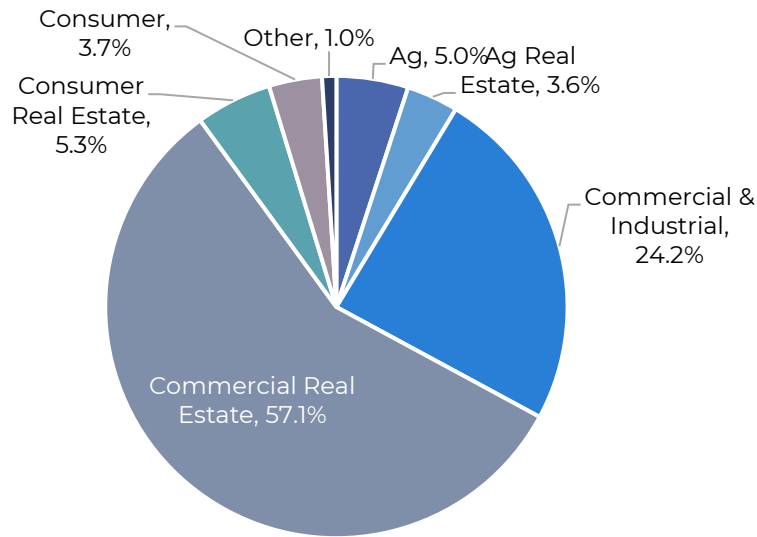
Total  
Risk-Based  
Capital



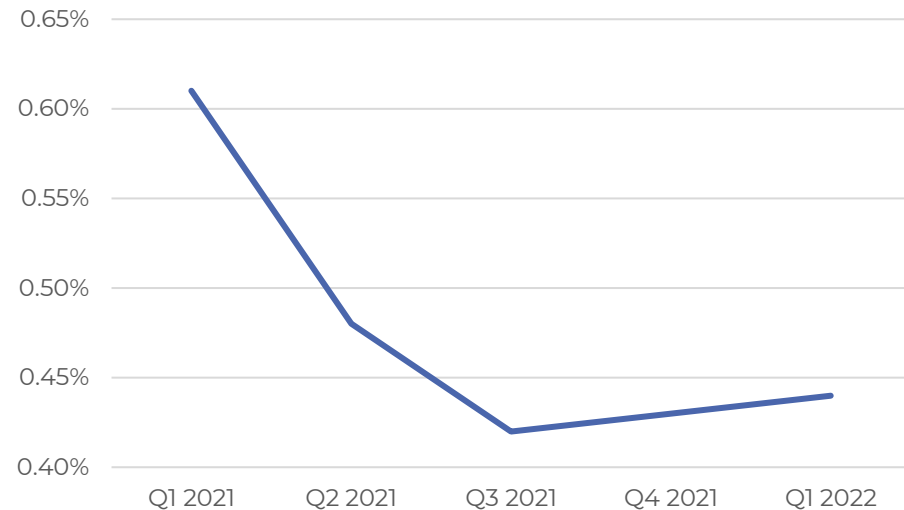
Notes:  
As of March 31, 2022

## Allowance for Loan Losses by Loan Type

ALLL to total loans was 0.85% at March 31, 2022



## Nonperforming Loans to Total Loans



In \$000s unless otherwise stated	For the Year Ended December 31,											
	2016	2017	2018	2019	2020	2021	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	
<b>Loan Loss Reserve</b>												
Loan Loss Reserves - Beginning of Period	6,057	6,784	6,868	6,775	7,228	13,672	13,672	14,425	15,087	15,698	16,242	16,242
Less: Charge-Offs	550	288	580	841	720	1,332	1,013	38	103	178	94	94
Add: Recoveries	156	150	163	156	183	458	66	59	55	278	43	43
Add: Provision Expense	1,121	222	324	1,138	6,981	3,444	1,700	641	659	444	580	580
<b>Loan Loss Reserves - End of Period</b>	<b>6,784</b>	<b>6,868</b>	<b>6,775</b>	<b>7,228</b>	<b>13,672</b>	<b>16,242</b>	<b>14,425</b>	<b>15,087</b>	<b>15,698</b>	<b>16,242</b>	<b>16,771</b>	<b>16,771</b>

- PPP Lending
  - F&M funded in a two-year period \$142.3 million in PPP loans, including \$53.8 million in 2021
  - PPP Lending by F&M is estimated to have impacted more than 18,000 jobs in our communities
- Community Involvement
  - More than \$435,000 in community donations were made in 2021 by F&M to local organizations
  - F&M's annual golf outing has raised more than \$100,000 over the last four years, and more than \$32,000 in 2021 for Connecting Kids to Meals and Community Harvest Food Bank
- Supporting our Agricultural Customers
  - Each year, F&M provides lunches to more than 50 grain elevators in our communities during Fall Harvest season

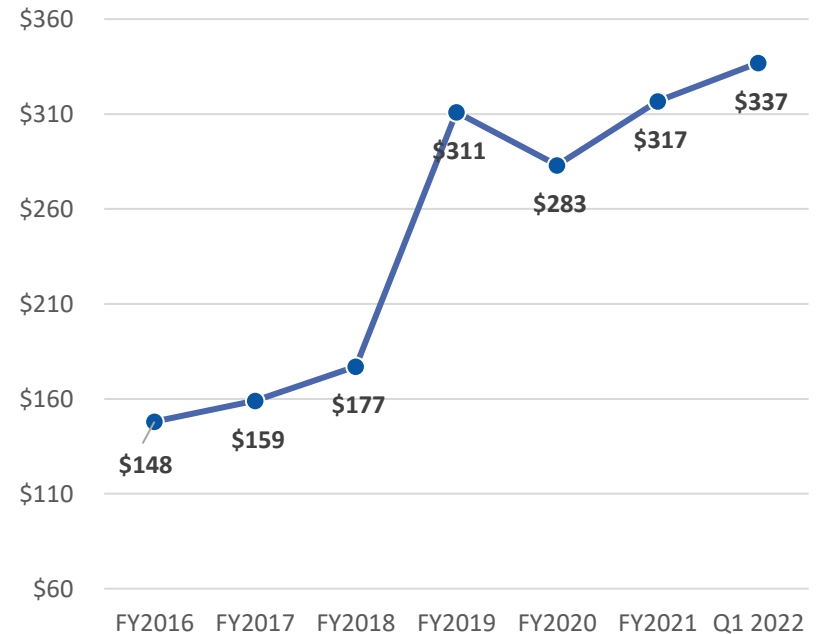




- Increases portfolio diversification and historically inverse cycle with commercial loan performance
  - Concentrated in three Midwest states to leverage soil quality
- ~45% of all F&M Ag lending is sold on the secondary market
  - Significant fee income driver
  - Provides Long Term Fixed Interest Rate Options for Ag Customer with Minimal Interest Rate Risk To F&M
- F&M's Ag lenders average ~30 years in business
  - F&M has focused on Ag lending since 1897
  - Every lender operates their own farm
- Farmers perform well
  - 10-year Ag delinquency = 0.21%
  - 2021 Ag delinquency = 0.18%
- Crop insurance reduces risk
  - +95% of crop production portfolio has insurance
- Majority of Ag portfolio secured by real estate
  - ~50% Average LTV on Real Estate Loans To Cash Grain / Row Crop Borrowers
  - ~60% Average LTV of Support Activities for Animal Production
- General Ag diversity
  - Dairy is less than 50 basis points of total loan portfolio
  - Typical Ag customer has diversified business model

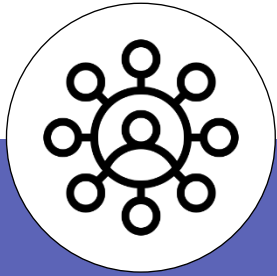
## Total Agriculture Loans (\$ in millions)

Includes both agricultural and agricultural real estate loans





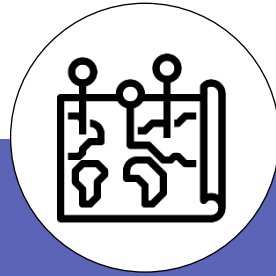
# M&A Strategy / Appendix



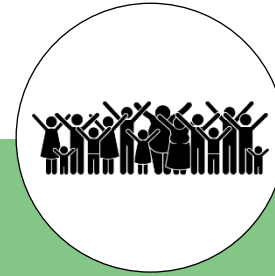
Expand  
Capabilities



Strong Financial  
Performance



Compelling  
Market Position



Community  
Focused Culture



Technology  
Investments

F&M is a commercial-focused community bank seeking the benefits of scale and has developed a disciplined, strategic partnership approach that has a track record of creating long-term shareholder value

## Recent Acquisitions

### Pending Acquisition



**June 2022**  
\$133 Million in Assets

### Acquisition

**PERPETUAL FEDERAL**  
SAVINGS BANK OF URBANA

**October 2021**  
\$395 Million in Assets

### Acquisition



**April 2021**  
\$130 Million in Assets

### Asset Purchase



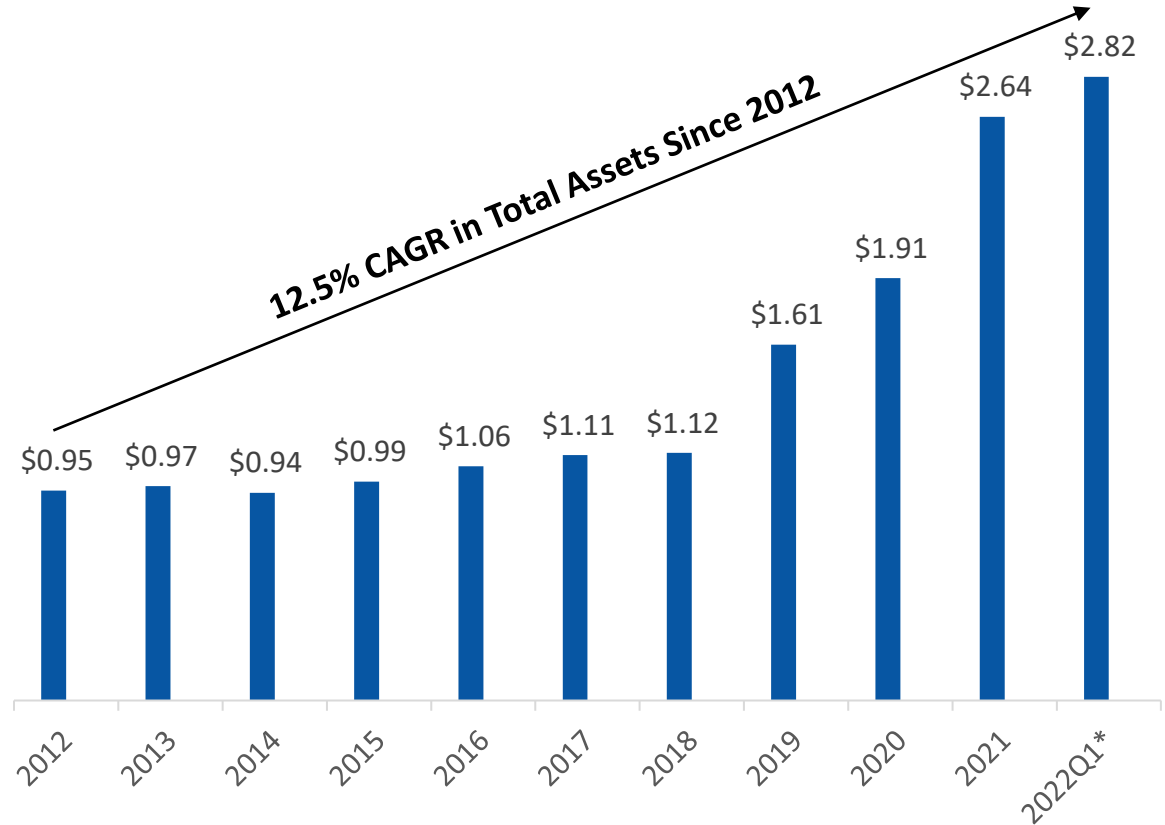
**December 2020**  
\$83 Million in AUM

### Acquisition



**January 2019**  
\$290 Million in Assets

## Total Asset Growth (in Billions)

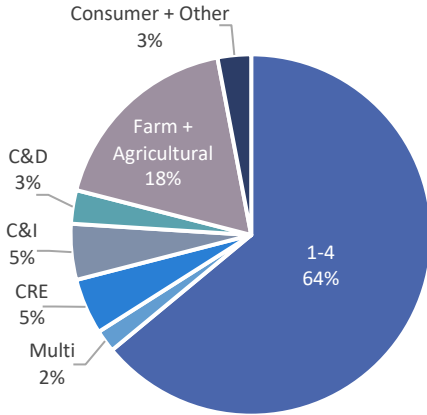


### Notes:

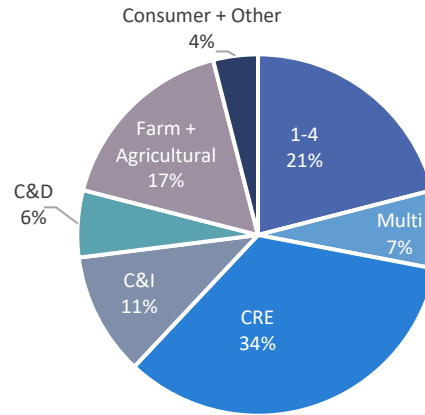
Total assets according to S&P Capital IQ Pro

\* Total assets at 2022Q1 includes \$133 million of assets associated with the Peoples acquisition, F&M had total assets on March 31, 2022 of \$2.69 billion.

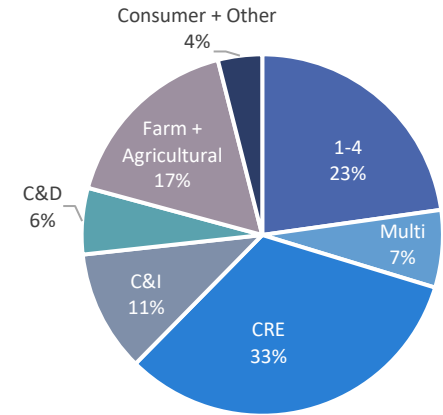
## Peoples Federal Savings and Loan Association



## Farmers & Merchants State Bank



## Pro Forma



### Peoples Federal Savings and Loan Association

**Balance (\$000)**

1-4	\$64,418
Multi	\$2,121
CRE	\$4,619
C&I	\$4,997
C&D	\$2,971
Farm + Agricultural	\$18,167
Consumer + Other	\$2,606

### Gross Loans & Leases

**\$99,899**

### Farmers & Merchants State Bank

**Balance (\$000)**

1-4	\$403,508
Multi	\$135,887
CRE	\$674,912
C&I	\$216,918
C&D	\$111,819
Farm + Agricultural	\$337,825
Consumer + Other	\$87,411

### Gross Loans & Leases

**\$1,968,280**

### Pro Forma

**Balance (\$000)**

1-4	\$467,926
Multi	\$138,008
CRE	\$679,531
C&I	\$221,915
C&D	\$114,790
Farm + Agricultural	\$355,992
Consumer + Other	\$90,017

### Gross Loans & Leases

**\$2,068,179**

### Yield on Loans

**4.34%**

### Yield on Loans

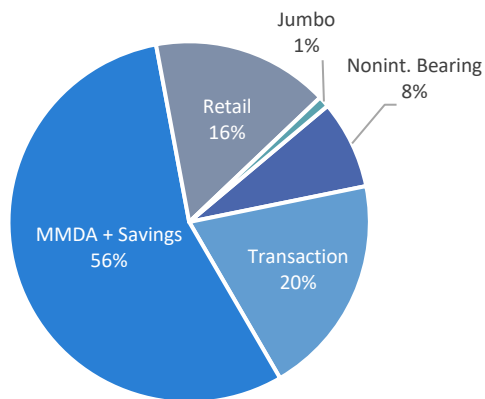
**4.30%**

### Yield on Loans

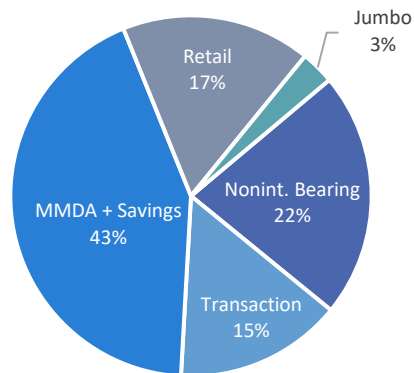
**4.30%**

(According to Call reports as of March 31, 2022)

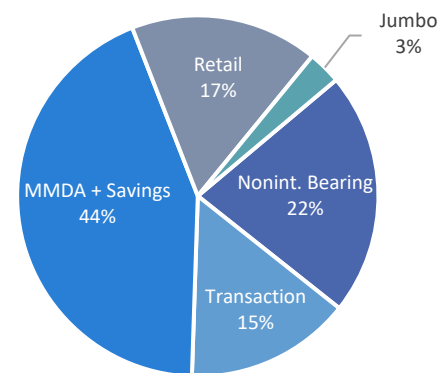
## Peoples Federal Savings and Loan Association



## Farmers & Merchants State Bank



## Pro Forma



### Peoples Federal Savings and Loan Association

**Balance (\$'000)**

Noninterest Bearing	\$8,843
Transaction	\$23,632
MMDA + Savings	\$65,293
Retail	\$18,314
Jumbo	\$777

**Total Deposits \$116,859**

**Cost of Deposits**

**0.09%**

### Farmers & Merchants State Bank

**Balance (\$'000)**

Noninterest Bearing	\$502,625
Transaction	\$327,884
MMDA + Savings	\$980,878
Retail	\$377,110
Jumbo	\$70,476

**Total Deposits \$2,258,973**

**Cost of Deposits**

**0.24%**

### Pro Forma

**Balance (\$'000)**

Noninterest Bearing	\$511,468
Transaction	\$351,516
MMDA + Savings	\$1,046,171
Retail	\$395,424
Jumbo	\$71,253

**Total Deposits \$2,375,832**

**Cost of Deposits**

**0.24%**

Note: Jumbo defined as >\$250k