

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2005

OR

Transition Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number 0-14492

FARMERS & MERCHANTS BANCORP, INC.

(Exact name of registrant as specified in its charter)

OHIO

34-1469491

(State or other jurisdiction of
incorporation or organization)

(I.R.S Employer
Identification No.)

307-11 North Defiance Street, Archbold, Ohio

43502

(Address of principal executive offices)

(Zip Code)

(419) 446-2501

Registrant's telephone number, including area code

(Former name, former address and former fiscal year, if changed since last
report.)

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or Section 15(d) of the Securities
Exchange Act of 1934 during the preceding 12 months (or for such shorter
period that the registrant was required to file such reports), and (2) has
been subject to such filing requirements for the past 90 days.
Yes No

Indicate by checkmark whether the registrant is an accelerated filer (as
defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate by checkmark whether the registrant is a shell company (as
defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares of each of the issuers classes of common
stock, as of the latest practicable date:

Common Stock, No Par Value

1,299,000

Class

Outstanding as of October 26, 2005

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10Q

FARMERS & MERCHANTS BANCORP, INC.
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FARMERS & MERCHANTS BANCORP, INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (Unaudited)
 (in thousands of dollars)

	Sept 30, 2005	Dec 31, 2004	Sept 30, 2004
ASSETS:			
Cash and due from banks	\$ 15,181	\$ 15,026	\$ 15,397
Interest bearing deposits with banks	9,197	9,230	1,740
Federal funds sold	0	0	0
Investment Securities:			
U.S. Treasury	4,844	4,852	2,913
U.S. Government	125,777	113,580	106,631
State & political obligations	53,449	54,647	56,350
All others	3,784	3,655	3,617
Loans and leases (Net of reserve for loan losses of \$6,181, \$6,814 and \$7,673, respectively)	460,269	472,186	488,784
Bank premises and equipment-net	15,044	15,520	15,520
Accrued interest and other assets	15,246	13,817	14,539
	-----	-----	-----
TOTAL ASSETS	\$ 702,791	\$ 702,513	\$ 705,491
	=====	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES:			
Deposits:			
Noninterest bearing	\$ 50,068	\$ 47,958	\$ 47,953
Interest bearing	513,918	526,247	530,708
Federal funds purchased and securities sold under agreement to repurchase	24,809	22,852	21,664
Other borrowed money	25,923	21,964	23,248
Accrued interest and other liabilities	5,721	4,647	3,637
	-----	-----	-----
Total Liabilities	620,439	623,668	627,210
SHAREHOLDERS' EQUITY:			
Common stock, no par value - authorized 1,500,000 shares; issued 1,300,000 shares	12,677	12,677	12,677
Treasury Stock - Unearned stock awards 1,000 shares	(115)	0	0
Undivided profits	70,667	65,956	64,629
Accumulated other comprehensive income (expense)	(877)	212	975
	-----	-----	-----
Total Shareholders' Equity	82,352	78,845	78,281
	-----	-----	-----
LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 702,791	\$ 702,513	\$ 705,491
	=====	=====	=====

See Notes to Condensed Consolidated Unaudited Financial Statements.

Note: The December 31, 2004 Balance Sheet has been derived from the audited financial statements of that date.

FARMERS & MERCHANTS BANCORP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(in thousands of dollars)

	Three Months Ended		Nine Months Ended	
	Sept 30, 2005	Sept 30, 2004	Sept 30, 2005	Sept 30, 2004
INTEREST INCOME:				
Loans and leases	\$ 7,794	\$ 7,727	\$ 23,133	\$ 23,219
Investment Securities:				
U.S. Treasury securities	34	19	100	50
Securities of U.S. Government agencies	960	938	2,857	2,958
Obligations of states and political subdivisions	508	501	1,521	1,515
Other	46	38	130	110
Federal funds	-	2	1	34
Deposits in banks	42	24	132	34
	9,384	9,249	27,874	27,920
INTEREST EXPENSE:				
Deposits	3,058	2,450	8,537	7,369
Borrowed funds	384	309	1,083	915
Total Interest Expense	3,442	2,759	9,620	8,284
NET INTEREST INCOME BEFORE				
PROVISION FOR LOAN LOSSES	5,942	6,490	18,254	19,636
PROVISION FOR LOAN LOSSES	(352)	150	(461)	941
NET INTEREST INCOME AFTER				
PROVISION FOR LOAN LOSSES	6,294	6,340	18,715	18,695
OTHER INCOME:				
Service charges	1,041	550	2,706	1,615
Other	624	824	1,904	2,124
Net securities gains	5	-	5	127
	1,670	1,374	4,615	3,866
OTHER EXPENSES:				
Salaries and wages	2,197	2,099	6,391	5,896
Pension and other employee benefits	585	555	1,685	1,602
Occupancy expense (net)	157	246	486	604
Other operating expenses	1,976	1,744	5,968	5,642
	4,915	4,644	14,530	13,744
INCOME BEFORE FEDERAL INCOME TAX				
	3,049	3,070	8,800	8,817
FEDERAL INCOME TAXES	821	929	2,336	2,629
NET INCOME				
	2,228	2,141	6,464	6,188
OTHER COMPREHENSIVE INCOME (NET OF TAX):				
Unrealized gains (losses) on securities	(449)	1,397	(1,090)	(1,008)
COMPREHENSIVE INCOME (EXPENSE)	\$ 1,779	\$ 3,538	\$ 5,374	\$ 5,180
NET INCOME PER SHARE				
Based upon average weighted shares outstanding of:	\$ 1.71	\$ 1.65	\$ 4.97	\$ 4.76
	1,299,739	1,300,000	1,299,912	1,300,000
DIVIDENDS DECLARED				
	\$ 0.45	\$ 0.45	\$ 1.35	\$ 1.35

No disclosure of diluted earnings per share is required as shares are antidiluted as of quarter end.

See Notes to Condensed Consolidated Unaudited Financial Statements.

FARMERS & MERCHANTS BANCORP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands of dollars)

Nine Months Ended
Sept 30, 2005 Sept 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 6,464	\$ 6,188
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and amortization	910	1,032
Premium amortization	890	1,041
Discount amortization	(99)	(92)
Provision for loan losses	(461)	941
Provision (Benefit) for deferred income taxes	561	730
Loss on sale of fixed assets	38	79
Gain on sale of investment securities	(5)	(127)
Changes in Operating Assets and Liabilities:		
Accrued interest receivable and other assets	(1,412)	2,142
Accrued interest payable and other liabilities	1,079	(1,202)
	-----	-----
Net Cash Provided by Operating Activities	7,965	10,732
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(472)	(757)
Proceeds from sale of fixed assets	-	-
Proceeds from maturities of investment securities:	25,118	54,105
Proceeds from sale of investment securities:	-	10,500
Purchase of investment securities	(38,679)	(62,521)
Net (increase) decrease in loans and leases	12,378	(9,386)
	-----	-----
Net Cash Provided (Used) by Investing Activities	(1,655)	(8,059)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in deposits	(10,219)	3,595
Net change in short-term borrowings	1,957	(5,655)
Increase in long-term borrowings	5,000	-
Payments on long-term borrowings	(1,041)	(1,126)
Payments of dividends	(1,885)	(1,885)
	-----	-----
Net Cash Provided (Used) by Financing Activities	(6,188)	(5,071)
	-----	-----
Net change in cash and cash equivalents	122	(2,398)
Cash and cash equivalents - Beginning of year	24,256	19,535
	-----	-----
CASH AND CASH EQUIVALENTS - END OF THE YEAR	\$ 24,378	\$ 17,137
	=====	=====
RECONCILIATION OF CASH AND CASH EQUIVALENTS:		
Cash and cash due from banks	\$ 15,181	\$ 15,397
Interest bearing deposits	9,197	1,740
	-----	-----
	\$ 24,378	\$ 17,137
	=====	=====

See Notes to Condensed Consolidated Unaudited Financial Statements.

Notes to Condensed Consolidated Unaudited Financial Statements

NOTE 1 BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions for Form 10Q and Rule 10-01 of Regulation S-X; accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring accruals, considered necessary for a fair presentation have been included. Operating results for the nine months ended September 30, 2005 are not necessarily indicative of the results that are expected for the year ended December 31, 2005. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2004.

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Statements contained in this portion of the Company's report 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 words such 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 regulatory 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 report, and the Company assumes no obligation to update the forward-looking statements or to update the reasons why actual results differ from those projected in the forward-looking statements.

CRITICAL ACCOUNTING POLICY AND ESTIMATES

The Company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, and the Company follows general practices within the industries in which it operates. At times the application of these principles requires Management to make assumptions estimates and judgments that affect the amounts reported in the financial statements. These assumptions, estimates and judgments are based on information available as of the date of the financial statements. As this information changes, the financial statements could reflect different assumptions, estimates and judgments. Certain policies inherently have a greater reliance on assumptions, estimates and judgments and as such have a greater possibility of producing results that could be materially different than originally reported. Examples of critical assumptions, estimates and judgments are when assets and liabilities are required to be recorded at fair value, when a decline in the value of an asset not required to be recorded at fair value warrants an impairment write-down or valuation reserve to be established, or when an asset or liability must be recorded contingent upon a future event.

Based on the valuation techniques used and the sensitivity of financial statement amounts to assumptions, estimates, and judgments underlying those amounts, management has identified the determination of the Allowance for Loan and Lease Losses (ALLL) and the valuation

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (Continued)

of its Mortgage Servicing Rights as the accounting areas that requires the most subjective or complex judgments, and as such could be the most subject to revision as new information becomes available.

The ALLL represents management's estimate of credit losses inherent in the Bank's loan portfolio at the report date. The estimate is composite of a variety of factors including past experience, collateral value and the general economy. ALLL includes a specific portion, a formula driven portion, and a general nonspecific portion.

Farmers & Merchants Bancorp, Inc. was incorporated on February 25, 1985, under the laws of the State of Ohio. Farmers & Merchants Bancorp, Inc., and its subsidiaries The Farmers & Merchants State Bank and Farmers & Merchants Life Insurance Company are engaged in commercial banking and life and disability insurance, respectively. The executive offices of Farmers & Merchants Bancorp, Inc. are located at 307-11 North Defiance Street, Archbold, Ohio 43502.

LIQUIDITY, CAPITAL RESOURCES AND MATERIAL CHANGES IN FINANCIAL CONDITION

Liquidity continues to remain strong as the investment portfolio grew \$7.7 million for the quarter and over \$11 million year to date. A portion of the increase was due to a decrease in loans of approximately \$3.5 million for the quarter and \$12.7 million year to date. Deposits increased slightly for the quarter providing additional funds of just under \$1 million. However, year to date, deposits are down approximately \$10 million. Overall, bank assets are down \$2.7 million from September 2004 but up slightly, \$250 thousand, compared to year end December 2004.

Quality loan growth has been elusive during the last two years while the bank focused on improving asset quality. Loan quality has continued to remain strong, evidenced by the decreased need for additional loan provision due to improved past due ratios and decreased non-performing loans. Crop yields are coming in higher than expected though down from last year. Agricultural and agricultural real estate loans increased over \$3.5 million compared to September 2004. Industrial Development Bonds showed the only other increase in the loan portfolio compared to September 2004, up about \$2.5 million. The consumer portfolio showed the largest decreases in consumer and consumer real estate loans. Home Equity loans were higher in available lines, but minimal actual borrowings. The development of new markets remains a focus for loan growth along with improvement within our newer branches.

Until loan growth occurs, the need for aggressive deposit generation has not existed. Total deposits are down \$14.675 million from a year ago mirroring loan decreases. Year to date, deposits are down \$10.2 million while up \$1 million for the quarter. Promotional certificate of deposits have been offered consistently through the year not to attract new money but to retain existing customer relationships. While promotional CD's are more expensive, the promotions helped to keep the standard renewing CD terms stable. This strategy was used to lessen the increased cost of funds being driven by the Federal Reserve Federal Funds rate increases. The flattening of the yield curve has also made deposit pricing difficult.

The tightening of the net interest rate margin and shrinking balance sheet totals has forced the Company to look elsewhere for improved profitability. The bank introduced Overdraft Privilege in February and the increased fees and customer usage has provided a stable source of revenue. The other source of improved profitability is from the decrease in the loan loss provision due to the lack of loan growth but more importantly the improved asset quality. The Company continues to look for opportunities to provide services our customers want that aid in the profitability of the Company also.

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (Continued)

MATERIAL CHANGES IN RESULTS OF OPERATIONS

The income statement shows the effects of the tightening of our interest margin and decrease in asset size. Net interest income is lower by \$1.4 million for the nine months ended Sept 2005 compared to Sept 2004. The tightening of the margin has been caused by the liability side (deposits) of the balance sheet repricing higher than the asset side (loans). This has been the predicted outcome of the Federal Reserve raising of rates for the Company as the interest rate risk testing has shown over the last year.

As discussed earlier, the two main determinants for the improved profitability in 2005 is the lower loan loss provision and the increase in service charge fees. Improved loan quality has actually made it necessary for a reversal of previous loan loss provision. This was also facilitated by the decrease in the size of the loan portfolio. In comparing the nine months provisions for 2005 and 2004, a \$1.4 million swing in expense has occurred, increasing year to date net income by \$461,000. For the corresponding quarters ended September 30, a \$500 thousand swing has also occurred. While the reversal of previous loan loss provision has improved the profitability of the Company, the Company would rather have loan growth make the reversal unnecessary. To the extent that loan growth is realized or asset quality deteriorates, this revenue may discontinue going forward. Eventually, the impact of future reversals will be minimal to income. The effect of Overdraft Privilege is shown in the increased service charge fee income, especially when comparing quarter ended September 30, 2005 to September 30, 2004, an increase of \$491 thousand.

Expenses show a 5.7% increase over last year as of September and a 6.5% increase in comparing the quarters ended September 30. The largest increases are in personnel expenses. Two factors driving the higher cost are increased staffing in support departments and increased cost of providing medical benefits. The increased staffing was needed to strengthened internal control procedures and to fulfill increased regulatory reporting requirements. Medical benefit expenses increased by 17% upon renewal of contracts. Accounting and auditing expense also increased for the year due to cost of complying with new regulations.

The Company continues to show improved profitability for the year. Net income for nine months ended September was \$6.464 million for 2005 compared to \$6.188 million for 2004, an increase of almost 4.5%. Improvement for the quarter was \$87,000 compared to same quarter last year. Similarly, earnings per share were up for the both periods presented.

A change in the earnings per share presentation was necessary since the Company purchased 1,000 shares of Treasury Stock. This stock was purchased to facilitate the awarding of stock to management of its subsidiary bank. The 1,000 shares were awarded to 38 employees under the provisions of the long term stock incentive plan approved by shareholders at the annual meeting in April of 2005. The awards carry a three year cliff vesting stipulation. Accordingly, the \$115,000 cost will be amortized over the three year period for financial reporting. The employees will also receive dividend equivalent compensation over that time period on their portion of the stock award.

The company continues to be well-capitalized as the capital ratios below show:

Primary Ratio	12.82%
Tier I Leverage Ratio	11.92%
Risk Based Capital Tier 1	16.55%
Total Risk Based Capital	17.80%
Stockholders' Equity/Total Assets	11.72%

ITEM 3 MARKET RISK

Market risk is the exposure to loss resulting from changes in interest rates and equity prices. The primary market risk to which the Company is subject is interest rate risk. The majority of the Company's interest rate risk arises, from the instruments, positions and transactions entered into for the purposes, other than trading, such as loans, available for sale securities, interest bearing deposits, short term borrowings and long term borrowings. Interest rate risk occurs when interest bearing assets and liabilities reprice at different times as market interest rates change. For example, if fixed rate assets are funded with variable rate debt, the spread between asset and liability rates will decline or turn negative if rates increase.

Interest rate risk is managed within an overall asset/liability framework for the Company. The principal objectives of asset/liability management are to manage sensitivity of net interest spreads and net income to potential changes in interest rates. Funding positions are kept within predetermined limits designed to ensure that risk-taking is not excessive and that liquidity is properly managed. The Company employs a sensitivity analysis in the form of a net interest rate shock as shown in the table following.

Interest Rate Shock on Net Interest Margin

Interest Rate Shock on Net Interest Income

Net Interest Margin (Ratio)	% Change to Flat Rate	Rate Direction	Rate Changes by	Cumulative Total (\$000)	% Change to Flat Rate
3.93%	-2.082%	Rising	3.000%	19,975	-4.599%
3.94%	-1.834%	Rising	2.000%	20,239	-3.342%
3.95%	-1.601%	Rising	1.000%	20,500	-2.096%
4.01%	0.000%	Flat	0.000%	20,938	0.000%
3.97%	-0.947%	Falling	-1.000%	20,811	-0.611%
3.89%	-2.979%	Falling	-2.000%	20,358	-2.774%
3.75%	-6.477%	Falling	-3.000%	19,648	-6.162%

The bank finds itself in a bit of a quagmire. As the table shows, the bank doesn't want rates to rise or fall nor is the bank content with a flattened yield curve. Managing interest rate risk is challenging within this current environment. The worse case scenario is the 300 basis points drop which is also the most unlikely to happen. Even so, the exposure is well within the guidelines set by the risk committee. With the well capitalized position of the Company along with the low amount of risk indicated by the shock table, the Company can take some additional risk with minimal consequences. The bank intends to do some slight leveraging of the balance sheet by borrowing funds and investing in specific securities. A set margin has been established to be earned. The first \$5 million was borrowed this quarter with additional borrowings to come in the last quarter.

As the balance sheet mix changes, the predicted net interest margin improves as compared to December 2004's interest rate shock table. The flat rate predicted in December was 3.87% while the above table shows 4.01%. The net interest margin represents the forecasted twelve month margin. The predictions to the effect of an interest rate increase in the short term have occurred. The current margin has tightened throughout 2005 as the rates have increased and the December 2004 table had shown. The Company is still determined to improve the profitability through growth. Changing the mix and yields by planned growth is the strategy the Company will continue to follow.

ITEM 4 CONTROLS AND PROCEDURES

As of September 30, 2005, an evaluation was performed under the supervision and with the participation of the Company's management including the CEO and CFO, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that the Company's disclosure controls and procedures were effective as of September 30, 2005. There have been no significant changes in the Company's internal controls that occurred for the quarter ended September 30, 2005.

PART II

ITEM 1 LEGAL PROCEEDINGS

None

ITEM 2 UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plan or Programs	(d) Maximum Number of Shares that may yet be purchased under the Plans or Programs
8/1/05 to 8/31/05	1,000	\$115	N/A	N/A

ITEM 3 DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITIES HOLDERS

None

ITEM 5 OTHER INFORMATION

On September 6, 2005, the Company entered into Restricted Stock Agreements with certain executive officers pursuant to the Farmers & Merchants Bancorp, Inc. 2005 Long-Term Stock Incentive Plan (the "Plan"), a copy of which is attached hereto as Exhibit 10.1. The Restricted Stock Agreements, a form of which is attached hereto as Exhibit 10.2, respectively provided for an award of 100 common shares to Paul S. Siebenmorgen and 40 common shares each to Rex D. Rice, Barbara J. Britenriker, Edward A. Leininger, Richard J. Lis, and James C. Burkhart. Pursuant to the terms of each agreement, all awards vest in 2008.

ITEM 6 EXHIBITS

- 3.1 Articles of Incorporation of the Registrant (incorporated by reference to Registrant's Quarterly Report on Form 10-Q filed with the Commission on May 10, 2004)
- 3.2 Code of Regulations of the Registrant (incorporated by reference to Registrant's Quarterly Report on Form 10-Q filed with the Commission on May 10, 2004)
- 10.1 Farmers & Merchants Bancorp, Inc. 2005 Long-Term Stock Incentive Plan (the "2005 Incentive Plan")
- 10.2 Form of Restricted Stock Agreement entered into by the Company pursuant to the 2005 Incentive Plan on 9/6/2005 with each of the following executive officers and for the respective number of shares indicated: Paul S. Siebenmorgen (100 shares); Rex D. Rice (40 shares); Barbara J. Britenriker (40 shares); Edward A. Leininger (40 shares); Richard J. Lis (40 shares); and James C. Burkhart (40 shares)
- 31.1 Rule 13-a-14(a) Certification - CEO
- 31.2 Rule 13-a-14(a) Certification - CFO
- 32.1 Section 1350 Certification - CEO
- 32.2 Section 1350 Certification - CFO

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Farmers & Merchants Bancorp, Inc.,

Date: October 26, 2005

By: /s/ Paul S. Siebenmorgen

Paul S. Siebenmorgen
President and CEO

Date: October 26, 2005

By: /s/ Barbara J. Britenriker

Barbara J. Britenriker
Exec. Vice-President and CFO

Exhibit Index

Ex. No. Description

- 3.1 Articles of Incorporation of the Registrant (incorporated by reference to Registrant's Quarterly Report on Form 10-Q filed with the Commission on May 10, 2004)
- 3.2 Code of Regulations of the Registrant (incorporated by reference to Registrant's Quarterly Report on Form 10-Q filed with the Commission on May 10, 2004)
- 10.1 Farmers & Merchants Bancorp, Inc. 2005 Long-Term Stock Incentive Plan (the "2005 Incentive Plan")
- 10.2 Form of Restricted Stock Agreement entered into by the Company pursuant to the 2005 Incentive Plan on 9/6/2005 with each of the following executive officers and for the respective number of shares indicated: Paul S. Siebenmorgen (100 shares); Rex D. Rice (40 shares); Barbara J. Britenriker (40 shares); Edward A. Leininger (40 shares); Richard J. Lis (40 shares); and James C. Burkhart (40 shares)
- 31.1 Rule 13-a-14(a) Certification - CEO
- 31.2 Rule 13-a-14(a) Certification - CFO
- 32.1 Section 1350 Certification - CEO
- 32.2 Section 1350 Certification - CFO

FARMERS & MERCHANTS BANCORP, INC.
2005 LONG-TERM STOCK INCENTIVE PLAN

FARMERS & MERCHANTS BANCORP, INC.
2005 LONG -TERM STOCK INCENTIVE PLAN

SECTION 1. PURPOSE

The purpose of this 2005 Long-Term Stock Incentive Plan (the "Plan") is to promote the long-term success of Farmers & Merchants Bancorp, Inc. (the "Company") by providing financial incentives to employees of the Company and its subsidiaries who are in positions to make contributions toward such success. The Plan is designed to attract individuals of outstanding ability to employment with the Company and its subsidiaries and to encourage employees to acquire a proprietary interest in the Company through stock ownership, to continue employment with the Company and its subsidiaries, and to render superior performance during such employment.

SECTION 2. DEFINITIONS

(a) "Board" means the Board of Directors of the Company.

(b) "Change of Control" means and shall be deemed to have occurred on (i) the date upon which a Schedule 13D would be required to be filed pursuant to Section 13(d) of the Securities Exchange Act of 1934 indicating that a group or person, as defined in Rule 13d-3 under said Act, has become the beneficial owner of 35% or more of the outstanding Voting Shares; (ii) the date of a change in the composition of the Board such that individuals who were members of the Board on the date one year prior to such change (or who were subsequently elected to fill a vacancy in the Board, or were subsequently nominated for election by the Company's shareholders, by the affirmative vote of a majority of the directors then still in office who were directors at the beginning of such one year period) no longer constitute a majority of the Board; (iii) the date the shareholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the Voting Shares of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Shares of the surviving entity) at least 50% of the total voting power represented by the Voting Shares of the Company or such surviving entity outstanding immediately after such merger or consolidation; or (iv) the date shareholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all the Company's assets; provided however, that notwithstanding the forgoing a Change of Control shall not be deemed to have occurred in connection with any transaction or series of transactions if such does not constitute a permitted Change of Control as defined by Section 409(a)(2)(A)(v) of the Code, IRS Notice 2005-1 and any subsequent Treasury Regulations issued thereunder.

(c) "Code" means the Internal Revenue Code of 1986, as amended.

(d) "Committee" means the committee referred to in Section 4.

(e) "Company" means Farmers & Merchants Bancorp, Inc., an Ohio corporation, and when used with reference to employment of a Participant, Company includes any Subsidiary of the Company.

(f) "Employee" means an employee of the Company or a Subsidiary who in the opinion of the Committee can contribute significantly to the growth and successful operations of the Company or a Subsidiary.

(g) "Fair Market Value" means the value determined by the Committee, provided that such value shall be in accordance with applicable provisions of the Code and related regulations promulgated under the Code.

(h) "Gross Misconduct" means engaging in any act or acts involving conduct which violates Company policy or is illegal and which results, directly or indirectly, in personal gain to the individual involved at the expense of the Company or a Subsidiary.

(i) "Incentive Award" means an Option, Restricted Share Award, Performance Award, or Share Award granted under the Plan.

(j) "Incentive Stock Option" means an Option that is an Incentive Stock Option, as defined in Section 422 of the Code.

(k) "Nonqualified Stock Option" means an Option that is not an Incentive Stock Option.

(l) "Option" means a right to purchase Shares at a specified price; "Optionee" means the holder of an Option.

(m) "Participant" means an Employee selected to receive an Incentive Award.

(n) "Performance Award" means a right to receive Restricted Shares, Shares, cash, or a combination thereof, contingent upon the attainment of performance objectives determined in the discretion of the Committee as more fully set forth at Section 8 hereof.

(o) "Plan" means the 2005 Stock Incentive Plan as herein set forth as the same shall be amended from time to time.

(p) "Restricted Share Award" means a right to receive Shares that is nontransferable and subject to substantial risk of forfeiture until specific conditions are met; "Restricted Shares" means Shares, which are the subject of a Restricted Share Award; and "Restricted Period" shall have the meaning ascribed to it at Section 7(a).

(q) "Share Award" means an award of Shares that the Committee in its discretion determines to grant to one or more Employees under the Plan that is neither a Performance Award or an award of Restricted Shares.

(r) "Shares" means the Common Shares, no par value, of the Company.

(s) "Subsidiary" means any company more than 50% of the voting stock of which is owned or controlled, directly or indirectly, by the Company.

(t) "Voting Shares" means any securities of the Company, which vote generally in the election of directors of the Company.

SECTION 3. SHARES SUBJECT TO THE PLAN

(a) Maximum Number. The maximum number of Shares that may be subject to Incentive Awards granted pursuant to the Plan shall be two hundred thousand (200,000), subject to adjustment in accordance with Section 3(c). The Shares that may be issued pursuant to Incentive Awards may be authorized and unissued Shares or Shares held in the Company's treasury. In the event of a lapse, expiration, termination, or cancellation of any Incentive Award granted under the Plan without the issuance of Shares or the payment of cash, or if Shares are issued under a Restricted Share Award and are reacquired by the Company as a result of rights reserved upon the issuance thereof, the Shares subject to or reserved for such Incentive Award shall no longer be charged against the 200,000 Share maximum and may again be used for new Incentive Awards.

(b) Maximum Number - Per Employee. The maximum Incentive Awards that may be granted to each Employee in each fiscal year of the Company is as follows:

(i) With respect to Options, no more than twenty thousand (20,000) Shares may be subject to options granted in the year;

(ii) With respect to Restricted Shares (not issued in connection with Performance Awards), no more than twenty thousand (20,000) such Shares may be awarded in the year; and

(iii) With respect to Performance Awards, no more than twenty thousand (20,000) Shares may be awarded in the year the award is made regardless of the year the award is earned or paid).

(c) Adjustment. The Board may make or provide for such adjustments in the numbers of Shares covered by outstanding Options or Performance Shares granted hereunder, in the option exercise prices per share applicable to such Options, and in the kind of shares covered thereby, as the Board, in its sole discretion, exercised in good faith, may determine is equitably required to prevent dilution or enlargement of the rights

of Participants or Optionees that otherwise would result from (a) any stock dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, or (b) any merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation or other distribution of assets, issuance of rights or warrants to purchase securities, or (c) any other corporate transaction or event having an effect similar to any of the foregoing. Moreover, in the event of any such transaction or event, the Board, in its discretion, may provide in substitution for any or all outstanding awards under the Plan such alternative consideration as it, in good faith, may determine to be equitable in the circumstances and may require in connection therewith the surrender of all awards to be replaced. The Board may also make or provide for such adjustments in the numbers of shares specified in Section 3(a) and Section 3(b) as the Board in its sole discretion, exercised in good faith, may determine is appropriate to reflect any transaction or event described in this Section 3(c).

SECTION 4. ADMINISTRATION

(a) Committee. The Plan shall be administered by the Compensation Committee of the Board, or at the discretion of the board a committee which shall be comprised of three or more directors, who shall from time to time be appointed by, and serve at the pleasure of, the Board ("Committee"). Each director serving on the Committee shall be a "non-employee director" within the meaning of Rule 16b-3 promulgated under the Securities Exchange Act of 1934 and an "outside director" within the meaning of Code Section 162(m). The Board shall also have the authority to exercise the powers and duties of the Committee; and until the Board determines otherwise by formal resolution, all powers of the Committee under the Plan shall be exercised by the Board.

(b) Authority. The Committee shall have and exercise all the power and authority granted to it under the Plan. Subject to the provisions of the Plan, the Committee shall have authority in its sole discretion from time to time (i) to designate from Employees the persons to whom Incentive Awards are granted; (ii) to prescribe such limitations, restrictions and conditions upon any such awards as the Committee shall deem appropriate, including establishing and administering Performance Goals, as defined in Section 8(a), and certifying whether the Performance Goals have been attained; (iii) to interpret the Plan and to adopt, amend and rescind rules and regulations relating to the Plan; and (iv) to make all other determinations and take all other actions necessary or advisable for the implementation and administration of the Plan.

(c) Committee Actions. A majority of the Committee shall constitute a quorum, and the acts of a majority of the members present at a meeting at which a quorum is present, or acts reduced to or approved in writing by all members of the Committee, shall be acts of the Committee. All such actions shall be final, conclusive, and binding. No member of the Committee shall be liable for any action taken or decision made in good faith relating to the Plan or any Incentive Award thereunder.

(d) Interpretation and Construction. Any provision of this Plan to the contrary notwithstanding, (i) certain designated Incentive Awards under this Plan are intended to qualify as performance-based compensation within the meaning of Code Section 162(m)(4)(C) and (ii) any provision of the Plan that would prevent a designated Incentive Award from so qualifying shall be administered, interpreted and construed to carry out such intention and any provision that cannot be so administered, interpreted and construed shall to that extent be disregarded.

SECTION 5. ELIGIBILITY AND INCENTIVE AWARDS

(a) Eligible Employees. The Committee may grant Incentive Awards to officers and other Employees.

(b) Incentive Awards. Incentive Awards may be granted in any one or more combinations of (i) Incentive Stock Options, (ii) Nonqualified Stock Options, (iii) Restricted Share Awards, (iv) Share Awards and (v) Performance Awards. All Incentive Awards shall be subject to such other terms and conditions as may be established by the Committee. Determinations by the Committee under the Plan, including without limitation, designation of Participants, the form, amount and timing of Incentive Awards, the terms and provisions of Incentive Awards, and the written agreements evidencing Incentive Awards, need not be uniform and may be made selectively among employees who receive, or are eligible to receive, Incentive Awards hereunder, whether or not such employees are similarly situated.

(c) Employment. The Plan and the Incentive Awards granted hereunder shall not confer upon any Employee the right to continued employment with the Company or affect in any way the right of the Company to terminate the employment of an Employee at any time and for any reason.

SECTION 6. OPTIONS

The Committee may grant Incentive Stock Options and Nonqualified Stock Options and such Options shall be subject to the following terms and conditions and such other terms and conditions as the Committee may prescribe:

(a) Option Price. The option price per Share with respect to each Option shall be determined by the Committee but shall not be less than the Fair Market Value of a Share on the date the Option is granted.

(b) Period of Option. The Committee shall fix the period of each Option but in no case may an option be exercised more than ten years after the date of its grant.

(c) Exercise of Option. Unless the Committee determines otherwise, an Option shall become exercisable with respect to 20% of the Shares subject to the option on the first, second, third, fourth and fifth annual anniversary date of the date of

grant of the Option, subject to the provisions of Section 6(d) relating to continuous employment. Any Shares not purchased during a specified period may be purchased thereafter at any time prior to the expiration of the Option unless the Committee determines otherwise. The Committee may at any time remove or alter any restriction on exercise of an Option that was imposed by the Committee.

(d) Termination of Employment. Unless otherwise determined by the Committee and contained in the grant form with respect thereto, no Option may be exercised under the Plan unless the Optionee has been continuously employed by the Company from the date of grant of the Option to the date of exercise except that an Option may, subject to the ten year limitation at Section 6(b), be exercised (i) within one year of cessation of employment in the case of early retirement or death; and (ii) within three years of cessation of employment in the case of normal retirement or disability. After termination of employment Options may be exercised only to the extent they could have been exercised on the date of the Optionee's termination of employment. The Committee shall determine whether authorized leave of absence or absence for military or governmental service shall constitute a termination of employment. Any limitation imposed by the Code with respect to the exercisability of an Incentive Stock Option upon termination of employment which is more restrictive than the forgoing shall supercede the provisions hereof.

(e) Limits on Incentive Stock Options. Except as may be permitted by the Code, the Fair Market Value of Shares (determined at the time of grant of Options) as to which Incentive Stock Options held by an Optionee first become exercisable in any calendar year shall not exceed \$100,000. In addition, no Incentive Stock Option shall be granted to an Employee who possesses, directly or indirectly (within the meaning of Code Section 424(d)), at the time of grant more than 10% of the combined voting power of all classes of stock of the Company unless the option price is at least 110% of the Fair Market Value of the Shares subject to the Option on the date such Option is granted and such Incentive Stock Option is not exercisable after the expiration of five years from the date of grant.

(f) Notice of Exercise and Payment. An Option granted under the Plan may be exercised by the Optionee giving written notice of exercise to the Committee. The Option price for the Shares purchased shall be paid in full at the time such notice is given. An Option shall be deemed exercised on the date the Committee receives written notice of exercise, together with full payment for the Shares purchased. The Option price shall be paid to the Company either in cash, by delivery to the Company of Shares already-owned by the Optionee or any combination of cash and such Shares. The Committee may, however, at any time and in its discretion, adopt guidelines limiting or restricting the use of already-owned Shares to pay all or any portion of the Option price. In the event already-owned Shares are used to pay all or a portion of the Option price, the amount credited to payment of the Option price shall be the Fair Market Value of the already-owned Shares on the date the Option is exercised.

(g) Fractional Shares. No fractional shares shall be issued pursuant to the exercise of an Option, nor shall any cash payment be made in lieu of fractional shares.

(h) Repricing of Options. Without approval of shareholders of the Company, the option exercise price per share of any previously granted option will not, whether through amendment, cancellation, replacement grants or any other means, be lowered, except for adjustments pursuant to Section 3(c).

SECTION 7. RESTRICTED SHARE AWARDS

The Committee may issue Shares to an Employee which Shares shall be subject to the following terms and conditions and such other terms and conditions as the Committee may prescribe in connection with the grant of a Restricted Share Award:

(a) General. With respect to each grant of Restricted Shares, the Committee, in its sole discretion, shall determine the period or periods during which the restrictions set forth at Subsection 7(b) shall apply to the Restricted Shares (the "Restricted Period"); and unless the Committee determines otherwise at the time of grant, 20% of the Shares included in the grant shall have a Restricted Period of one year, 20% a Restricted Period of two years, 20% a Restricted Period of three years, 20% a Restricted Period of four years, and 20% a Restricted Period of five years.

(b) Restrictions. At the time of grant of Restricted Shares to an Employee, a certificate or certificates representing the number of Shares granted and included in each Restricted Period shall be registered in his name but shall be held by the Company for the account of the Employee. The Employee shall have the entire beneficial ownership interest in, and all rights and privileges of a shareholder as to, such Restricted Shares, including the right to receive dividends and the right to vote such Restricted Shares, subject to the following restrictions: (i) subject to Section 7(c), the Employee shall not be entitled to delivery of any Share certificate until the expiration of the Restricted Period with respect to that particular certificate; (ii) Restricted Shares may not be sold, transferred, assigned, pledged, or otherwise encumbered or disposed of during the Restricted Period applicable to the particular shares; and (iii) Restricted Shares shall be forfeited and all rights of the Employee to such Restricted Shares shall terminate without further obligation on the part of the Company unless the Employee remains in the continuous employment of the Company for the entire Restricted Period in relation to which such Restricted Shares were granted, except as provided by Section 7(c). Any Shares received with respect to Restricted Shares as a result of a recapitalization adjustment pursuant to Section 3(b) shall be subject to the same restrictions as such Restricted Shares.

(c) Termination of Employment.

(i) Retirement. If an Employee ceases to be employed by the Company prior to the end of a Restricted Period by reason of normal retirement under a retirement plan of the Company or the Employee

otherwise retires with the consent of the Company, the number of Restricted Shares granted to such Employee for such Restricted Period shall be reduced in proportion to the Restricted Period (determined on a quarterly basis) remaining after the Employee ceases to be an Employee and all restrictions on such reduced number of Shares shall lapse. A certificate for such Shares shall be delivered to the Employee in accordance with the provisions of Section 7(d) hereof. The Committee may, if it deems appropriate, direct that the Employee receive a greater number of Shares free of all restrictions but not exceeding the number of Restricted Shares then subject to the restrictions of Section 7(b).

(ii) Death. If an Employee ceases to be employed by the Company prior to the end of a Restricted Period by reason of death, the Restricted Shares granted to such Employee shall immediately vest in his beneficiary or estate and all restrictions applicable to such Shares shall lapse. A certificate for such Shares shall be delivered to the Employee's beneficiary or estate in accordance with the provisions of Subsection 7(d).

(iii) All Other Terminations. If an Employee ceases to be an Employee prior to the end of a Restricted Period for any reason other than retirement or death, the Employee shall immediately forfeit all Restricted Shares then subject to the restrictions of Section 7(b) in accordance with the provisions thereof, except that the Committee may, if it finds that the circumstances in the particular case so warrant, allow an Employee whose employment has so terminated to retain any or all of the Restricted Shares then subject to the restrictions of Section 7(b) and all restrictions applicable to such retained shares shall lapse. A certificate for such retained shares shall be delivered to the Employee in accordance with the provisions of Section 7(d).

(d) Payment of Restricted Shares. At the end of the Restricted Period or at such earlier time as provided for in Subsection 7(c), all restrictions applicable to the Restricted Shares shall lapse and a Share certificate for a number of Shares equal to the number of Restricted Shares, free of all restrictions, shall be delivered to the Employee or his beneficiary or estate, as the case may be. The Company shall not be required to deliver any fractional Share but will pay, in lieu thereof, the Fair Market Value (measured as of the date the restrictions lapse) of such fractional Share to the Employee or his beneficiary or estate, as the case may be.

SECTION 8. PERFORMANCE AWARDS

The Committee may grant to Employees Performance Awards that shall be subject to the following terms and conditions and such other terms and conditions as the Committee may prescribe in connection with the grant of a Performance Award:

(a) Award Period and Performance Goals. The Committee shall determine and include in a Performance Award the period of time during which a Performance Award may be earned ("Award Period"). The Committee shall also establish performance objectives ("Performance Goals") to be met by the Company, Subsidiary or division during the Award Period as a condition to payment of the Performance Award. The Performance Goals may include minimum and optimum objectives or a single set of objectives.

With respect to Performance Awards that are intended to qualify as "performance based" within the meaning of Code Section 162(m)(4)(C), the Committee shall (i) select the Employees for such Incentive Awards, (ii) establish in writing the applicable performance goals no later than 90 days after the commencement of the period of service to which the performance goals relates (or such earlier or later date as may be the applicable deadline for compensation payable hereunder to qualify as "performance based" within the meaning of Code Section 162(m)(4)(C)), and (iii) designate the Performance Awards that are to qualify as "performance based" within the meaning of Code Section 162(m)(4)(C).

The Committee shall establish in writing the Performance Goals for each Award Period, which may be based on any of the following performance criteria, either alone or in any combination, on either a consolidated or business unit or divisional level, and which shall include or exclude discontinued operations and acquisition expenses, as the Committee may determine: level of sales, earnings per share, income before income taxes and cumulative effect of accounting changes, income before cumulative effect of accounting changes, net income, return on assets, return on equity, return on capital employed, total stockholder return, market valuation, cash flow and completion of acquisitions. The foregoing criteria shall have any reasonable definitions that the Committee may specify, which may include or exclude any or all of the following items, as the Committee may specify: extraordinary, unusual or non-recurring items; effects of accounting changes; effects of currency fluctuations; effects of financing activities (e.g., effect on earnings per share of issuing convertible debt securities); expenses for restructuring or productivity initiatives; non-operating items; and effects of divestitures. Any such performance criterion or combination of such criteria may apply to the participant's award opportunity in its entirety or to any designated portion or portions of the award opportunity, as the Committee may specify.

(b) No Discretion. With respect to Performance Awards that are intended to qualify as "performance based" within the meaning of Code Section 162(m)(4)(C), the Committee has no discretion to increase the amount of the award due upon attainment of the applicable performance goals. No provision of this Plan shall preclude the Committee from exercising negative discretion with respect to any award (i.e., to reduce or eliminate the award payable) within the meaning of Treasury Regulation Section 1.162-27(e)(2)(iii)(A).

(c) Performance Award Earned. The Performance Awards may be expressed in terms of Shares and referred to as "Performance Shares" or "Performance

Units," as the Committee may specify. With respect to each Performance Award, the Committee shall fix the number of allocable Performance Shares or Performance Units. The level of Performance Goals attained will determine the percentage of Performance Shares or Performance Units earned for an Award Period. After completion of the Award Period, the Committee shall certify in writing the extent to which the Performance Goals and other material terms applicable to such award are attained. Unless and until the Committee so certifies, the Performance Award shall not be paid.

(d) Performance Award Payment. The Committee, in its discretion, may elect to make payment of the Performance Awards in Restricted Shares, Shares, cash or any combination of the foregoing.

(e) Requirement of Employment. A grantee of a Performance Award must remain in the employment of the Company until the completion of the Award Period in order to be entitled to payment under the Performance Award; provided that the Committee may, in its sole discretion, provide for a partial or full payment of the Performance Award that would have been payable if the grantee had continued employment for the entire Award Period, which shall be paid at the same time as would have been paid if no termination of employment occurred, but only if and to the extent the exercise of such discretion does not prevent any designated Incentive Award from qualifying as "performance based" within the meaning of Code Section 162(m)(4)(C).

(f) Dividends. The Committee may, in its discretion, at the time of the granting of a Performance Award, provide that any dividends declared on Shares during the Award Period, and which would have been paid with respect to Performance Shares had they been owned by a grantee, be (i) paid to the grantee, or (ii) accumulated for the benefit of the grantee and used to increase the number of Performance Shares of the grantee.

SECTION 9. NON-ASSIGNABILITY OF INCENTIVE AWARDS

(a) Except as provided in Section 9(b) with respect to Nonqualified Stock Options, no Incentive Award granted under the Plan shall be assigned, transferred, pledged, or otherwise encumbered by an Employee, otherwise than by will, by designation of a beneficiary after death, or by the laws of descent and distribution, or be made subject to execution, attachment or similar process. Except as provided in Section 9(b) with respect to Nonqualified Stock Options, each Incentive Award shall be exercisable during the Employee's lifetime only by the Employee or, if permissible under applicable law, by the Employee's guardian or legal representative.

(b) No Nonqualified Stock Option nor any right thereunder may be assigned or transferred by the optionee except by will or the laws of descent and distribution or pursuant to a qualified domestic relations order (as defined in the Code or the Employee Retirement Income Security Act of 1974), provided, however, the Committee may by written action permit any holder of a Nonqualified Stock Option, either before or after the time of grant, to transfer a Nonqualified Stock Option during his

lifetime to one or more members of his family, to one or more trusts for the benefit of one or more members of his family, or to a partnership or partnerships of members of his family, provided that no consideration is paid for the transfer and that such transfer would not result in the loss of any exemption under Rule 16b-3 for any option granted under any plan of the Company. The transferee of a Nonqualified Stock Option shall be subject to all restrictions, terms and conditions applicable to the Nonqualified Stock Option prior to its transfer. The Committee may impose on any transferable Nonqualified Stock Option and on the shares to be issued upon the exercise of a Nonqualified Stock Option such limitations and conditions as the Committee deems appropriate.

SECTION 10. CHANGE OF CONTROL

(a) General. In order to maintain all of the Employee's rights upon a Change of Control of the Company, all Incentive Awards, shall, with respect to any time periods relating to the exercise or realization of any such award, be accelerated, so that such award may be exercised or realized in full on or before such Change in Control on a date fixed by the Committee.

(b) Options. All outstanding Options that are not yet exercisable shall become immediately exercisable in full in the event of a Change of Control of the Company.

SECTION 11. TAXES

(a) Withholding for Taxes. The Company shall be entitled, if necessary or desirable, to withhold the amount of any tax attributable to any amounts payable under any Incentive Award and the Company may defer making payment of any Incentive Award if any such tax, charge, or assessment may be pending until indemnified to its satisfaction.

(b) Use of Shares for Tax Withholding Payments. With the approval of the Committee, Shares may be used in lieu of cash to pay all or any part of the mandatory federal, state or local withholding tax payments to be made by the Employee in connection with an Incentive Award, as follows:

(i) Nonqualified Stock Options. (a) The holder of a Nonqualified Stock Option may elect to have the Company retain from the Shares to be issued upon exercise of such an option Shares having a Fair Market Value equal to the withholding tax to be paid; or (b) the holder of a Nonqualified Stock Option may deliver to the Company already-owned Shares having a Fair Market Value equal to the withholding tax to be paid and in such case.

(ii) Restricted Share Awards. If withholding taxes are required to be paid at the time Restricted Shares are delivered to an Employee or at the expiration of the Restricted Period, then the Employee may pay such

taxes by delivering to the Company Shares having a Fair Market Value equal to the amount of the withholding tax being paid by use of Shares.

(iii) Performance Shares. If withholding taxes are required to be paid at the time Shares are delivered to an Employee as a Performance Award, then the Employee may pay such taxes by delivering to the Company Shares having a Fair Market Value equal to the amount of the withholding tax being paid by use of Shares.

SECTION 12. COMPLIANCE WITH LAWS AND EXCHANGE REQUIREMENTS

No Option shall be granted and no Shares shall be issued in connection with any Incentive Award unless the grant of the Option and the issuance and delivery of Shares or cash pursuant to the Incentive Award shall comply with all relevant provisions of state and federal law, including, without limitation, the Securities Act of 1933, the Securities Exchange Act of 1934, the rules and regulations promulgated thereunder, and the requirements of any market system or stock exchange upon which the Shares may then be listed.

SECTION 13. AMENDMENT AND TERMINATION OF PLAN

(a) Amendment. The Board may from time to time amend the Plan, or any provision thereof, in such respects as the Board may deem advisable except that it may not amend the Plan without shareholder approval so as to:

- (i) increase the maximum number of Shares that may be issued under the Plan except in accordance with Section 3(c);
- (ii) expand the types of awards available under the Plan;
- (iii) permit the granting of Options with exercise prices lower than those specified in Section 6 or materially modify the method for determining the Option exercise price;
- (iv) materially modify the requirements as to eligibility for participation in the Plan;
- (v) materially extend the term of the Plan;
- (vi) delete or modify the limitation on the repricing of Options at Section 6(h); or
- (vii) prevent future grant of Incentive Awards to qualify as "performance based" within the meaning of Code Section 162(m)(4)(C).

(b) Termination. The Board may at any time terminate the Plan.

(c) Effect of Amendment or Termination. Any amendment or the termination of the Plan shall not adversely affect any Incentive Award previously granted nor disqualify an Incentive Award from being treated as "performance based" within the meaning of Code Section 162(m)(4)(C). Incentive Awards outstanding at the time that the Plan is amended or terminated shall remain in full force and effect as if the Plan had not been amended or terminated.

SECTION 14. NOTICES

Each notice relating to the Plan shall be in writing and delivered in person or by certified or registered mail to the proper address. Each notice to the Committee shall be addressed as follows: Farmers & Merchants Bancorp, Inc., Farmers & Merchants Bancorp, Inc., 307-11 N. Defiance Street, Archbold, Ohio 43502, Attention: Compensation Committee. Each notice to a Participant shall be addressed to the Participant at the address of the Participant maintained by the Company on its books and records. Anyone to whom a notice may be given under this Plan may designate a new address by written notice to the other party to that effect.

SECTION 15. BENEFITS OF PLAN

This Plan shall inure to the benefit of and be binding upon each successor of the Company. All rights and obligations imposed upon a Participant and all rights granted to the Company under this Plan shall be binding upon the Participant's heirs, legal representatives and successors.

SECTION 16. PRONOUNS AND PLURALS

All pronouns shall be deemed to refer to the masculine, feminine, singular or plural, as the identity of the person or persons may require.

SECTION 17. SHAREHOLDER APPROVAL AND TERM OF PLAN

(a) The Plan was approved by the Board of Directors of the Company on January 14, 2005 and shall only become effective upon its approval by shareholders at the annual meeting of the shareholders of the Company held in 2005.

(b) Unless sooner terminated under Section 13, the Plan shall be in effect from the date of its approval by shareholders of the Company in accordance with Section 17(a) and shall continue in effect until the tenth anniversary of the date its approval by shareholders.

RESTRICTED STOCK AGREEMENT

THIS RESTRICTED STOCK AGREEMENT (the "Agreement"), made this ____day of _____, 20____, between Farmers & Merchants Bancorp, Inc., an Ohio corporation (the "Company"), and _____(the "Participant").

WITNESSETH:

WHEREAS, the Company adopted the Farmers & Merchants Bancorp, Inc. 2005 Long-Term Stock Incentive Plan (the "Plan") in order to provide select key employees with additional incentives to achieve long-term corporate objectives; and

WHEREAS, the Participant is an Employee and eligible Participant as defined by the Plan; and

WHEREAS, the Compensation Committee of the Company's Board of Directors has decided that the Participant should be granted restricted shares of the Company's no par value common stock, ("Common Stock"), on the terms and conditions set forth below in accordance with the terms of the Plan.

NOW, THEREFORE, in consideration of the past and future services provided to the Company by the Participant and the various covenants and agreements herein contained, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Grant of Restricted Stock.

The Company hereby grants to the Participant a total of _____ (_____) shares of the Common Stock of the Company (the "Restricted Shares"), subject to the transfer restrictions, vesting schedule and other conditions set forth the Plan and this Agreement. The Participant shall not be required to provide the Company with any payment (other than his or her past and future services to the Company in exchange of such Restricted Shares.

As provided in Section 4, the Company shall cause the Restricted Shares to be issued and a stock certificate or certificates representing the Restricted Shares to be registered in the name of the Participant promptly upon execution of this Agreement. On or before the date of execution of this Agreement, the Participant shall deliver to the Company one or more stock powers endorsed in blank relating to the Restricted Shares.

2. Restrictions.

(a) The Participant shall have all rights and privileges of a stockholder of the Company with respect to the Restricted Shares, including voting rights and the right to receive dividends paid with respect to the Restricted Shares, except that the following restrictions shall apply until such time or times as these restrictions lapse under Section 3 or any other provision of this Agreement or the Plan:

(i) the Participant shall not be entitled to delivery of the certificate or certificates for any of the Restricted Shares until the restrictions imposed by this Agreement have lapsed with respect to those Restricted Shares:

(ii) the Restricted Shares may not be sold, transferred, assigned, pledged or otherwise encumbered or disposed of by the Participant before these restrictions have lapsed, except with the consent of the Company; and

(iii) the Restricted Shares shall be subject to forfeiture upon termination of the Participants employment with the Company to the extent set forth in Section 6 below.

(b) Any attempt to dispose of Restricted Shares in a manner contrary to the restrictions set forth in this Agreement shall be ineffective.

3. Vesting; When Restrictions Lapse.

Pursuant to terms of the Plan the Committee has determined that the restrictions applicable to the Restricted Shares shall lapse and the Restricted Shares shall vest on August 19, 2008, or at such earlier time as the restrictions may lapse pursuant to the terms of the Plan.

4. Issuance of Stock Certificates for Shares.

The stock certificate or certificates representing the Restricted Shares shall be issued promptly following the execution of this Agreement, and shall be delivered to the Corporate Secretary or such other custodian as may be designated by the Company, to be held until the restrictions lapse. Such stock certificate or certificates shall bear the following legend:

"The transferability of this certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) of a Restricted Stock Agreement entered into between the registered owner and Farmers & Merchants Bancorp, Inc. Copies of such Agreement are on file in the offices of the Corporate Secretary, Farmers & Merchants Bancorp, Inc., 307-11 N. Defiance St., P.O. Box 216, Archbold, Ohio 43502-0216. which will be provided, without charge, to the shareholder upon five days written request therefore."

Once the restrictions imposed by this Agreement have lapsed with respect to the Restricted Shares, a stock certificate for the Restricted Shares shall be returned and exchanged for a new unlegended stock certificate representing the newly vested shares. The new certificates shall be delivered to the Participant (or to the person to whom the rights of the Participant shall have passed by will or the laws of descent and distribution) promptly after the date on which the restrictions imposed on such shares by this Agreement have lapsed, but not before the Participant has made arrangements satisfactory to the Company for tax withholding (as required by Section 5), and provided that any certificate representing the portion of the newly vested shares (if any) that the Participant applies to satisfy his or her tax withholding obligations pursuant to Section 5(b) below shall be delivered to the Company rather than the Participant.

5. Tax Reporting and Withholding.

The Participant is an employee of either the Company, or a Subsidiary, as such terms are defined in the Plan. The Company will make and file, or cause to made and filed by the Subsidiary that employs the Participant, all required tax reports with respect to federal, state, and local taxes applicable to the Restricted Shares.

Upon the earlier to occur of (i) the date the restrictions applicable to the Restricted Shares lapse under the terms of this Agreement, or (ii) the Participant makes a valid election under Section 83 (b) of the Internal Revenue Code of 1986, as amended (the "Code"), the Company shall notify the Participant of the amount of tax that must be withheld by the Company under all applicable federal, state, and local tax laws. The Participant agrees to make arrangements with the Company to (a) remit the required amount to the Company, or its Subsidiary, in cash, (b) deliver to the Company, or its Subsidiary, shares of Common Stock currently held by the Participant (including newly vested Restricted Shares) with a value equal to the required amount, (c) authorize

the deduction of the required amount from the Participant's compensation, or (d) otherwise provide for payment of the required amount in a manner satisfactory to the Company, or its Subsidiary.

Participant will give reasonable advance notice to the Company of an intention to make an election pursuant to Section 83 (b) of the Code and will cooperate with the Company in connection with the timing of such election. Participant shall be solely responsible for any filings, including the timeliness thereof, of any election made by the Participant under Section 83 (b) of the Code.

6. Grant Not to Affect Employment.

Neither this Agreement nor the Restricted Shares granted hereunder shall confer upon the Participant any right to continued employment with the Company, or any Subsidiary.

7. Miscellaneous.

a. Unless otherwise set forth in this Agreement the Restricted Shares are subject to all of the provision applicable to Incentive Awards and Restricted Share Awards as set forth in the Plan.

b. This Agreement may be executed in one or more counterparts, all of which taken together will constitute one and the same instrument.

c. The terms of this Agreement may only be amended, modified or waived by a written agreement executed by both of the parties hereto.

d. The validity, performance, construction and effect of this Agreement shall be governed by the laws of the State of Ohio, without giving effect to principles of conflicts of law; provided, however, that matters of corporate law, including the issuance of shares of Common Stock, shall be governed by the Ohio General Corporation Law.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date and year first above written.

ATTEST:

FARMERS & MERCHANTS BANCORP, INC.

Lydia A. Huber
Corporate Secretary

By: _____

Its: _____

EMPLOYEE

CERTIFICATIONS

I, Paul S. Siebenmorgen, President and CEO of Farmers & Merchants Bancorp, Inc., certify that:

- 1 I have reviewed this quarterly report on Form 10-Q of Farmers & Merchants Bancorp, Inc.;
- 2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3 Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4 The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in the Exchange Acts Rules 13a-15(f) and 15d-15(f) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting; and
- 5 The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 26, 2005

/s/ Paul S. Siebenmorgen

Paul S. Siebenmorgen
President and Chief Executive Officer

CERTIFICATIONS

I, Barbara J. Britenriker, Executive Vice-President and CFO of Farmers & Merchants Bancorp, Inc., certify that:

- 1 I have reviewed this quarterly report on Form 10-Q of Farmers & Merchants Bancorp, Inc.;
- 2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3 Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4 The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in the Exchange Acts Rules 13a-15(f) and 15d-15(f) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting; and
- 5 The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 26, 2005

/s/ Barbara J. Britenriker

Barbara J Britenriker
Executive Vice President and
Chief Financial Officer

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Quarterly Report of Farmers & Merchants Bancorp, Inc. on Form 10-Q for the period ending September 30, 2005, as filed with the Securities and Exchange Commission ("the report"), I, Paul S. Siebenmorgen, President and Chief Executive Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- 1 The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2 The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Farmers & Merchants Bancorp, Inc. as of the dates and for the periods expressed in the Report.

Date: October 26, 2005

/s/ Paul S. Siebenmorgen

Paul S. Siebenmorgen, President and
Chief Executive Officer

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Quarterly Report of Farmers & Merchants Bancorp, Inc. on Form 10-Q for the period ending September 30, 2005, as filed with the Securities and Exchange Commission ("the report"), I, Barbara J. Britenriker, Exec. Vice-President and Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- 1 The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2 The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Farmers & Merchants Bancorp, Inc. as of the dates and for the periods expressed in the Report.

Date: October 26, 2005

/s/ Barbara J. Britenriker

Barbara J. Britenriker, Exec. Vice President
and Chief Financial Officer