FARMERS & MERCHANTS BANCORP INC
Form DEF 14A
March 14, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A INFORMATION STATEMENT

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-12

FARMERS & MERCHANTS BANCORP, INC.

(Name of Registrant as Specified In Its Charter)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

March 15, 2018

Dear Fellow Shareholders:

I am pleased to invite you to attend the Annual Meeting of Shareholders of Farmers & Merchants Bancorp, Inc. The meeting will be held at Founders Hall, located at Sauder Village, 22611 State Route 2, Archbold, Ohio 43502 on **Thursday, April 19, 2018 at 7:00 P.M. (local time).** The sit down dinner will begin at 6:00 P.M.

There are two proposals scheduled to be voted on at the meeting which includes the election of members to serve on the Company Board of Directors and an advisory vote on the selection of our independent registered accounting firm, which gives you the opportunity to endorse or not endorse the Company s appointment of the independent registered public accounting firm.

YOUR VOTE IS IMPORTANT NO MATTER HOW MANY SHARES YOU OWN. I encourage you to read the proxy statement carefully and then to vote your shares. If you choose not to attend the Annual Meeting of Shareholders, you may vote by mail by signing, dating and returning the proxy card in the accompanying envelope. If you hold shares of Farmers & Merchants Bancorp, Inc. common stock directly in your name, you may also vote over the internet or by telephone. Internet and telephone voting instructions are printed on the proxy card sent to you.

If you do attend the meeting and desire to vote in person, you may do so even though you have previously submitted your proxy. In that case, your vote at the meeting would supersede your proxy. Please keep in mind that if you vote your shares at the Annual Meeting, you must bring your Proxy Card Control Number and proof of identity.

We look forward to seeing you at the meeting.

Sincerely,

Paul S. Siebenmorgen, President and CEO
Farmers & Merchants Bancorp, Inc.
P.O. Box 216 307 North Defiance St., Archbold, Ohio 43502 Phone (419) 446-2501

FARMERS & MERCHANTS BANCORP, INC.

307 North Defiance St.

Archbold, Ohio 43502

(419) 446-2501

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS TO BE HELD

April 19, 2018

To Our Shareholders:

Notice Is Hereby Given that the Annual Meeting of Shareholders of Farmers & Merchants Bancorp, Inc., an Ohio corporation (the Company), will be held at Founders Hall, located at Sauder Village, 22611 State Route 2, Archbold, Ohio 43502 on **Thursday, April 19, 2018 at 7:00 P.M. (local time)**, for the following purposes:

1. **Election of Directors** - To elect the following ten nominees to the Board of Directors to serve until the Annual Meeting of Shareholders in 2019:

Eugene N. Burkholder	Marcia S. Latta	Paul S. Siebenmorgen
Steven A. Everhart	Steven J. Planson	K. Brad Stamm
Jo Ellen Hornish	Anthony J. Rupp	
Jack C. Johnson	Kevin J. Sauder	

2. **Nonbinding Auditor Ratification.** An advisory vote on the ratification of the Company s appointment of the independent registered public accounting firm, BKD, LLP.

3. **Other Business**. To transact any other business which may properly come before the meeting or any adjournment of it.

The Board of Directors has fixed the close of business on February 28, 2018 as the record date for determination of shareholders who are entitled to notice of and to vote at the meeting.

By Order of the Board of Directors

Lydia A. Huber
Corporate Secretary
Archbold, Ohio

March 15, 2018

If the enclosed proxy statement and annual report are being delivered to two or more security holders who share the same address, and the security holders sharing the same address each desires to receive a proxy statement and annual report, or if there is more than one copy of the proxy statement and annual report being delivered to security holders who share the same address, and it is preferred to receive a single copy of such proxy statement and annual report, please notify Ms. Lydia A. Huber, Corporate Secretary of Farmers & Merchants Bancorp, Inc. This request should be in writing addressed to Ms. Huber at Farmers & Merchants Bancorp, Inc., 307 North Defiance St., Archbold, Ohio 43502. If you have questions, please contact Ms. Huber by telephone at 419-446-2501.

YOUR VOTE IS IMPORTANT

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDERS MEETING TO BE HELD ON APRIL 19, 2018

The proxy statement and annual report to security holders are available at:

http://www.fm.bank/proxy(FMAO)fm2017/fm_info.cfm

The following items are available at the specified web site:

The proxy statement being issued in connection with the 2018 Annual Meeting of Shareholders;

The Company s 2017 Annual Report to Shareholders;

The form of proxy for use in connection with the 2018 Annual Meeting of Shareholders; and

The Company s 2017 10-K Report.

Your Vote Is Important

If you hold stock directly in your own name: Even if you plan to attend the meeting, please complete, date and sign the enclosed proxy and return it promptly in the enclosed envelope or follow the voting instructions for internet or telephone voting enclosed if you are a shareholder of record.

If you hold stock in a brokerage account, IRA, 401(k) plan, or trust account: With respect to a limited number of proposals, your broker or bank is permitted to vote your shares even when you have not provided instructions on how you would like your shares to be voted. The New York Stock Exchange and the rules of the SEC govern how shares held in brokerage or other accounts may be discretionarily voted by brokers and banks in the absence of voting instructions from the actual owner. Under these rules, if you do not direct your broker or bank on how to vote your shares on Proposal One, your shares will remain un-voted on such proposals.

Therefore, if you hold shares in one or more accounts, it is very important that you direct your broker or bank on how to vote your shares for all proposals. Most banks and brokerage firms permit shareholders to direct their votes via the internet or by telephone. Your broker or bank will provide you with instructions for how to direct the voting of your shares.

If you would like to vote your shares in person at the meeting: Please contact Ms. Lydia A. Huber, Corporate Secretary of the Company at (419) 446-2501 if you would like information on how to obtain directions to be able to attend the meeting, and vote in person or if you have any additional questions.

The Proxy Statement, Proxy Card and Farmers & Merchants Bancorp, Inc. 2017 Annual Report will be mailed to shareholders commencing on or about March 15, 2018.

FARMERS & MERCHANTS BANCORP, INC.

Proxy Statement

for

Annual Meeting of Shareholders

April 19, 2018

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Farmers & Merchants Bancorp, Inc., an Ohio corporation (Company), to be used at the Annual Meeting of Shareholders of the Company, to be held at Founders Hall, located at Sauder Village, 22611 State Route 2, Archbold, Ohio 43502 on Thursday, April 19, 2018 at 7:00 P.M. (local time), and at any adjournments thereof, pursuant to the accompanying Notice of Meeting.

General Information about the Meeting and Voting Securities and Procedures

Who may vote at the meeting?

The Board of Directors has fixed the close of business on February 28, 2018 as the record date for the determination of shareholders who are entitled to notice of and to vote at the meeting. Subject to your right to vote cumulatively in the election of directors, if properly implemented, you are entitled to one vote for each share of common stock you held on the record date, including shares:

held directly in your name; and

held for you in an account with a broker, bank or other nominee (shares held in street name).

How many shares must be present to hold the meeting?

The Company s Code of Regulations generally provides that thirty-three and one-third percent (33 1/3%) of the Company s shares entitled to vote be present in person or by proxy at any meeting shall constitute a quorum for purposes of holding the meeting and conducting business. As of December 31, 2017 there were 9,265,880 shares of the Company s common stock, without par value (Common Stock) outstanding, of which 92,350 shares are subject to restricted stock grants, the holders of which shares are entitled to vote such shares. Each of the holders of the outstanding shares and restricted stock grants totaling 9,265,880 shares are entitled to one vote per share, subject to the right to vote cumulatively in the election of directors, if properly implemented. Your shares are counted as present at the meeting if you:

are present and vote in person at the meeting; or

have properly submitted a proxy card or have voted electronically or by telephone prior to the meeting.

Abstentions and broker non-votes are counted for purposes of determining the presence or absence of a quorum for the transaction of business at the meeting.

What proposals will be voted on at the meeting?

There are two proposals scheduled to be voted on at the meeting which include the election of members to serve on the Company Board of Directors and an advisory vote on the selection of our independent registered accounting firm, which gives you the opportunity to endorse or not endorse the Company s appointment of the independent registered public accounting firm.

Who is requesting my vote?

The solicitation of proxies on the enclosed form is made on behalf of the Board of Directors of the Company and will be conducted primarily through the mail. Please mail your completed proxy in the envelope included with these proxy materials. In addition to the use of the mail, members of the Board of Directors and certain officers and employees of the Company or its subsidiary may solicit the return of proxies by telephone, facsimile, and other electronic media or through personal contact. The directors, officers and employees that participate in such solicitation will not receive additional compensation for such efforts, but will be reimbursed for out-of-pocket expenses. The cost of preparing, assembling and mailing this Proxy Statement, the Notice of Meeting and the enclosed proxy will be borne by the Company.

How many votes are required to approve each proposal?

Proposal One:

Directors will be elected by a plurality of the votes cast at the Annual Meeting. This means that the ten nominees who receive the largest number of FOR votes cast will be elected as directors.

The laws of Ohio, under which the Company is incorporated, and the Company s Articles of Incorporation provide that if notice in writing is given by any shareholder to the President, Vice President or the Secretary of the Company not less than 48 hours before the time fixed for holding a meeting of shareholders for the purpose of electing directors, that he desires that the voting at that election shall be cumulative, and if an announcement of the giving of such notice is made upon the convening of the meeting by the Chairman or Secretary or by or on behalf of the shareholder giving such notice, each shareholder shall have the right to cumulate such voting power as he possesses in voting for directors. Cumulative voting rights allow shareholders to vote the number of shares owned by them times the number of directors to be elected and to cast such votes for one nominee or to allocate such votes among nominees as they deem appropriate. Shareholders will not be entitled to exercise cumulative voting unless at least one shareholder properly notifies the Company of their desire to implement cumulative voting at the Annual Meeting. The Company is soliciting the discretionary authority to cumulate votes represented by proxy, if such cumulative voting rights are exercised.

Proposal Two:

The affirmative vote of a majority of the votes cast by the holders of the Company s common stock is required to approve Proposal Two, a non-binding advisory vote on the appointment of the independent registered public accounting firm.

What are the effects of abstentions and broker non-votes on each proposal?

If you hold your shares in a trust or brokerage account (sometimes referred to as holding shares in street name) please note that your bank or brokerage firm has no discretionary voting authority with respect to Proposal One and therefore cannot vote on any of such proposal in the absence of your instructions. As a result, unless you direct your broker on how to vote your shares with respect to Proposal One, your shares will remain un-voted on Proposal One. Shares held in street name for which no voting instructions have been provided by the beneficial owner (and which are not voted by the broker pursuant to discretionary voting authority) are generally referred to as broker non-votes . Although abstentions and broker non-votes will be counted for purposes of determining the presence of a quorum, they are not considered votes cast.

Proposal One:

Under Proposal One, Directors will be elected by a plurality of the votes cast at the Annual Meeting. This means that the ten nominees who receive the largest number of FOR votes cast will be elected as directors. Abstentions from voting and broker non-votes, if any on Proposal One will have no effect on outcome of the election of Directors.

Proposal Two:

Proposal Two requires only the vote of the majority of the votes cast at the Annual Meeting. Because abstentions from voting and broker non-votes are not treated as votes cast , they will have no effect on outcome of the passage of the proposal.

How does the Board recommend that I vote?

The Board of Directors urges you to read the Proxy statement carefully and then vote your shares for the Annual Meeting. The Board of Directors recommends that you vote FOR all of the director nominees listed in Proposal One. The Board also recommends that you vote FOR Proposal Two.

How are shares voted?

For proposal One, a shareholder may:

Vote FOR each of the nominees for election to the Company s Board of Directors

WITHHOLD AUTHORITY to vote for one or more nominees

Abstain from voting on the proposal

For Proposal Two, a shareholder may:

Vote FOR the proposal

Vote AGAINST the proposal

Abstain from voting on the proposal

If the accompanying proxy is properly signed and returned and is not withdrawn or revoked, the shares represented thereby will be voted in accordance with the specifications thereon. If the manner of voting such shares is not indicated on the Proxy, the shares will be voted **FOR** the election of each of the nominees for directors named in Proposal One, and **FOR** the approval of Proposal Two. Your shares will also be voted in the discretion of the proxy committee on any other business properly brought forth at the Annual Meeting.

If your shares are held by a broker, your broker is not permitted to discretionarily vote on your behalf in the absence of voting instructions from you for Proposal One. For your vote to be counted in the election of directors and for the approval of the Company s independent registered public accounting firm you must communicate your voting decisions to your bank, broker or other holder of record before the date of the Annual Meeting.

How do I vote my shares without attending the meeting?

Whether you hold shares directly or in street name , you may direct your vote without attending the Annual Meeting. If you are a shareholder of record, you may vote by granting a proxy as follows:

By Mail You may vote by mail by signing and dating your proxy card and mailing it in the envelope provided. You should sign your name exactly as it appears on the proxy card. If you are signing in a representative capacity (for example as guardian, trustee, custodian, attorney or officer of a corporation), you should indicate your name and title or capacity.

By Phone You may vote by phone by calling 1-800-652-VOTE (8683) and following the instructions given.

By Internet You may vote by internet by going to the following web site, following the instructions given and entering the requested information on your computer screen:

https://www.investorvote.com/FMAO

Your vote by phone or internet is valid as authorized by the Ohio General Corporation Law.

For shares held in street name , you should follow the voting instructions provided by your broker or nominee. You may complete and mail a voting instruction card to your broker or nominee or, in some cases, submit voting instructions by telephone or the internet. If you provide specific voting instructions by mail, telephone, or internet, your broker or nominee will vote your shares as you have directed. Under NYSE Rule 452, brokers will no longer be allowed to vote uninstructed shares in regard to the election of directors.

How do I vote my shares in person at the meeting?

Even if you plan to attend the meeting, we encourage you to vote by mail, phone or internet so your vote will be counted if you later decide not to attend the meeting.

If you choose to vote at the Annual Meeting:

If you are a shareholder of record, to vote your shares at the meeting you should bring the enclosed proxy card and proof of identity.

If you hold your shares in street name , you must obtain a proxy in your name from your bank, broker or other holder of record in order to vote at the meeting and bring proof of beneficial ownership, such as a recent brokerage statement or a letter from your bank or broker, and proof of identity.

What does it mean if I receive more than one proxy?

It likely means you hold shares registered in more than one account. To ensure that all of your shares are voted, sign and return each proxy.

May I change my vote?

Yes. The presence of a shareholder at the Annual Meeting will not automatically revoke such shareholder s previously submitted proxy. However, shareholders may revoke a proxy at any time prior to its exercise by filing with the Secretary of the Company a written notice of revocation, by delivering to the Company a duly executed proxy bearing a later date than a previously submitted proxy, or by attending the Annual Meeting and notifying the Inspector of Elections of his or her intention to vote in person. Written notices of revoked proxies may be directed to Ms. Norma J. Kauffman, Inspector of Elections of Farmers & Merchants Bancorp, Inc., 307 North Defiance Street, Archbold, Ohio 43502.

When will the proxy and annual report be mailed to shareholders?

This Proxy Statement and the accompanying Notice of Annual Meeting of Shareholders and Proxy are being mailed to the Company s shareholders on or about March 15, 2018.

How may I view the proxy and annual report electronically?

You may access the reports by going to our website at the following address:

http://www.fm.bank/proxy(FMAO)fm2017/fm_info.cfm

How many shares are owned by Directors and Executive Officers?

All directors and named executive officers of the Company as a group (comprised of 15 individuals), beneficially held 417,442 shares of the Company s common stock as of December 31, 2017, representing 4.51% of the outstanding common stock of the Company.

PROPOSAL ONE

Election of Directors and Information Concerning Directors and Officers

Pursuant to the Code of Regulations of Farmers & Merchants Bancorp, Inc. the number of directors is currently set at ten. Set forth below, as of the record date, is information concerning the nominees for election to the Board of Directors. The following persons have been nominated as directors by the Board of Directors upon the recommendation of the Company s Corporate Governance and Nominating Committee to serve until the Annual Meeting of shareholders in 2019:

Name	Age	Principal Occupation or Employment for Past Five Years	Year First Became Director
Eugene N. Burkholder	65	President, Falor Farm Center, Inc.	2012
Steven A. Everhart	63	Self Employed	2003
Jo Ellen Hornish	64	CEO, Hornish Bros, Inc. / Fountain City Leasing, Inc. / Advantage Powder Coating, Inc.	2013
Jack C. Johnson	65	President, Hawk s Clothing, Inc.	1991
Dr. Marcia S. Latta	56	Vice President of University Advancement, The University of Findlay	2009
Steven J. Planson	58	President, Planson Farms, Inc.	2008
Anthony J. Rupp	68	Retired, Past President of Rupp Furniture Co.	2000
Kevin J. Sauder	57	President, Chief Executive Officer, Sauder Woodworking Co.	2004
Paul S. Siebenmorgen	68	President and CEO of the Corporation and The Farmers & Merchants State Bank	2005
Dr. K. Brad Stamm	65	Professor of Economics, Chairman of Division of Business at Cornerstone University	2016

There are no family relationships among any of the directors, nominees for election as directors and executive officers of the Company.

While it is contemplated that all nominees will stand for election, and the nominees have confirmed this with the Company, if one or more of the nominees at the time of the Annual Meeting should be unavailable or unable to serve as a candidate for election as a director of the Company, the proxies reserve full discretion to vote the common shares represented by the proxies for the election of the remaining nominees and any substitute nominee(s) designated by the Board of Directors. The Board of Directors knows of no reason why any of the above-mentioned persons will be unavailable or unable to serve if elected to the Board. The attached form of proxy grants to the persons listed in such proxy the right to vote shares cumulatively in the election of directors if a shareholder properly implements cumulative voting.

Proxies in the form solicited hereby which are properly executed and returned to the Company will be voted in favor of each nominee for election to the Board of Directors unless otherwise instructed by the shareholder. Directors will be elected by a plurality of the votes cast at the Annual Meeting. This means that the ten nominees with the largest number of FOR votes cast will be elected as directors. The attached form of proxy grants to the persons listed in such proxy the right to vote shares cumulatively in the election of directors if a shareholder properly implements cumulative voting. Abstentions from voting and broker non-votes, if any, on Proposal One will have no effect on outcome of the election of Directors.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS TO SHAREHOLDERS THE ELECTION OF THE AFOREMENTIONED PERSONS AS DIRECTORS FOR THE COMPANY.

The following table sets forth certain information with respect to the named executive officers of the Company and the Bank. Executive officers of the Company are appointed annually at the organizational meeting of the Company s Board of Directors.

Name	Age	Officer Since	Positions and Offices Held With Company and the Bank & Principal Occupation Held Past Five Years
Paul S. Siebenmorgen	68	2004	President and CEO (PEO[1])
Barbara J. Britenriker	56	1992	Executive Vice President and Chief Financial Officer (PFO[1])
Todd A. Graham	67	2008	Executive Vice President & Chief Lending Officer
Allen G. Lantz	64	1983	Executive Vice President of Retail Banking
Edward A. Leininger	61	1981	Executive Vice President and Chief Operating Officer
Rex D. Rice	59	1984	Executive Vice President and Senior Commercial Banking Manager

(1) The designation PEO means principal executive officer and PFO means principal financial officer under the rules of the SEC.

Security Ownership of Certain Beneficial Owners and Named Executive Officers

The following table sets forth the number of shares of common stock beneficially owned on December 31, 2017 by each director and nominee, and all directors and named executive officers as a group. As of the date of this Proxy Statement, management is not aware of any person who beneficially owns more than five percent of the Company s common stock.

Directors:		
Eugene N. Burkholder	21,948[1]	0.24%
Steven A. Everhart	21,580[2]	0.23%
Jo Ellen Hornish	14,718[3]	0.16%
Jack C. Johnson	3,498	0.04%
Marcia S. Latta	3,101	0.03%
Steven J. Planson	16,316[4]	0.18%
Anthony J. Rupp	36,417[5]	0.39%
Kevin J. Sauder	7,961[6]	0.09%
Paul S. Siebenmorgen	58,908[7]	0.64%
K. Brad Stamm	160,936[8]	1.74%
Named Executive Officers (other than Mr. Siebenmorgen who is noted above):		
Barbara J. Britenriker	17,639[9]	0.19%
Todd A. Graham	3,375[10]	0.04%
Allen G. Lantz	12,190[11]	0.13%
Edward A. Leininger	21,390[12]	0.23%
Rex D. Rice	17,465[13]	0.19%
Directors and Executive Officers as a Group (15 persons)	417,442	4.51%

(1) Includes 8,644 shares of common stock owned by Mr. Burkholder s spouse in trust of which he is the trustee, and 13,304 shares of common stock held in his individual trust.

(2) Includes 21,580 shares of common stock owned jointly with Mr. Everhart s spouse.

(3) Includes 14,718 shares of common stock owned jointly with Ms. Hornish s spouse.

(4) Includes 3,130 shares of common stock owned jointly with Mr. Planson s spouse, 2,499 shares of common stock owned individually by Mr. Planson s spouse, 6,094 shares of common stock held individually, and 4,593 shares of common stock held in his individual trust.

(5) Includes 19,289 shares of common stock owned individually by Mr. Rupp s spouse.

(6) Includes 3,980 shares of common stock owned by Mr. Sauder s spouse in trust.

(7) Includes 23,695 shares of common stock owned jointly by Mr. Siebenmorgen with his spouse, 23,213 shares of common stock held individually, and 12,000 shares representing restricted stock awards issued pursuant to the Company s Long Term Incentive Plan, 4,000 shares which will vest on 8/21/18, 4,000 shares which will vest on 8/19/19, and 4,000 shares which will vest on 8/18/20.

(8) Includes 11,960 shares of common stock owned by Mr. Stamm s spouse, 22,880 shares of common stock of which he is the custodian, 28,776 shares of common stock owned in trusts of which Mr. Stamm is co-trustee, and 97,320 shares of common stock held individually and in his individual trust.

(9) Includes 13,239 shares of common stock owned jointly with Ms. Britenriker s spouse and 4,400 shares representing restricted stock awards issued pursuant to the Company s Long Term Incentive Plan, 1,200 shares which will vest on 8/21/18, 1,200 shares which will vest on 8/19/19, and 2,000 shares which will vest on 8/18/20.

(10) Includes 2,600 shares representing restricted stock awards for Mr. Graham pursuant to the Company s Long Term Incentive Plan, 1,200 shares which will vest on 8/21/18, 1,000 shares which will vest on 8/19/19, and 400 shares which will vest on 8/18/20.

(11) Includes 9,590 shares of common stock owned jointly with Mr. Lantz spouse, and 2,600 shares representing restricted stock awards issued pursuant to the Company s Long Term Incentive Plan, 1,200 shares which will vest on 8/21/18, 1,000 shares which will vest on 8/19/19, and 400 shares which will vest on 8/18/20.

(12) Includes 18,390 shares of common stock owned jointly with Mr. Leininger s spouse, and 3,000 shares representing restricted stock awards issued pursuant to the Company s Long Term Incentive Plan, 1,200 shares which will vest on 8/21/18, 1,000 shares which will vest on 8/19/19, and 800 shares which will vest on 8/18/20.

(13) Includes 13,665 shares of common stock owned jointly with Mr. Rice s spouse and 3,800 shares representing restricted stock awards issued pursuant to the Company s Long Term Incentive Plan, 1,200 shares which will vest on 8/21/18, 1,200 shares which will vest on 8/19/19, and 1,400 shares which will vest on 8/18/20.

Committees of the Board of Directors

The following table summarizes the membership of the Board of Directors as of December 31, 2017 and each of its committees, and the number of times each met during 2017.

	Board	Audit Committee	Compensation Committee	Corporate Governance And Nominating Committee
Eugene N. Burkholder	Member			
Steven A. Everhart	Member	Chair	Member	
Jo Ellen Hornish	Member	Member		Member
Jack C. Johnson	Chair		Member	Member
Marcia S. Latta	Member			Chair
Steven J. Planson	Member	Member		
Anthony J. Rupp	Member		Member	Member
Kevin J. Sauder	Member		Chair	
Paul S. Siebenmorgen	Member			
K. Brad Stamm	Member	Member		
Number of Meetings in 2017	9	8	3	4

The Directors of Farmers & Merchants Bancorp, Inc. are also the directors of The Farmers & Merchants State Bank, the primary operating subsidiary of the Company. The Company s Board of Directors met 9 times during 2017 whereas the Board of Directors of the Bank met 13 times in 2017. The Company s Board of Directors also has each of the following duly constituted committees: Compensation Committee; Corporate Governance and Nominating Committee; and Audit Committee.

During 2017, each director attended 95% or more of the total meetings of the Board and the committees on which they served (held during the period that each served as a director) of the Company and Farmers & Merchants State Bank.

The Compensation Committee is responsible for establishing salary levels and benefits for the executive officers of the Company. In determining the compensation of the executive officers of the Company s subsidiary, the subsidiary has sought to create a compensation program that relates compensation to financial performance, recognizes individual contributions and achievements, and attracts and retains outstanding executive officers.

The Company has a Corporate Governance and Nominating Committee, which is responsible for recommendations to the full Board of Directors of candidates to serve as Director of the Company and the Bank, and to suggest any proposed amendments to the Company s Articles of Incorporation, Code of Regulations and other corporate governance policies.

The Company also has an Audit Committee established in accordance with 15 U.S.C. 78c (a) (58) (A). The primary function of the Audit Committee is to review the adequacy of the Company s system of internal controls, to oversee the scope and adequacy of the work of the Company s independent public accountants and to approve and engage a firm of accountants to serve as the Company s independent public accountants.

Corporate Governance

Starting in 2003, the Company reviewed its corporate governance policies as a matter of good business practices and in light of the passage of the Sarbanes-Oxley Act of 2002 (Sarbanes Oxley) and regulations promulgated by the Securities and Exchange Commission (SEC) and listing standards adopted by NASDAQ. While the corporate governance requirements set forth in the NASDAQ listing standards were not applicable to the Company at that time,

because it was not listed on NASDAQ, the Company chose to

implement most of those corporate governance policies to encourage appropriate conduct among the members of its Board of Directors, officers and employees and to assure that the Company operates in an efficient and ethical manner. On May 10, 2017, the Company began listing on the NASDAQ Stock Exchange and became subject to the NASDAQ Capital Market listing standards and corporate governance requirements.

In consideration of the size, complexity, and nature of the Company s business, the Board of Directors and Corporate Governance and Nominating Committee have chosen to establish separate positions for the President and the Board Chairman in order to maintain a separation of power and duties to further strengthen the governance structure. The Board Chairman is a non-employee, director who is not directly involved with the daily operations of the Company. Thus, the Board Chairman is able to focus attention on corporate structure and future strategic direction. The Board Chairman serves as the leader of the Board of Directors, presiding over full board meetings and ensuring full accountability for the shareholders interests. Effectively monitoring the decisions and actions of management is one of the primary roles of the Board of Directors. The President and Chief Executive Officer is a bank insider providing management and leadership for ongoing operations of the Company who is also accountable to the Board of Directors. Succession plans exist for the Board Chairman and President and Chief Executive Officer, as well as Vice Chairman of the Board, and all the Executive Officers of the Bank.

Director Independence

The Corporate Governance and Nominating Committee of the Board of Directors of the Company undertakes a review of director independence annually and reports on its findings to the full Board in connection with its recommendation of nominees for election to the Board of Directors. In reviewing the independence of members, the Board of Directors took into account the transactions disclosed under the caption Related Party Transactions appearing in this proxy and also considered the following relationship:

Based upon the review and report of the Corporate Governance and Nominating Committee, the Board of Directors has determined that, with the exception of Mr. Siebenmorgen, the current President and Chief Executive Officer: (A) all directors have met the independence standards of the NASDAQ Marketplace Rules; and (B) no directors have any relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In addition, the members of each of the Compensation Committee, the Corporate Governance and Nominating Committee, and the Audit Committee were determined to be, and under the terms of the respective charters, will continue to be independent pursuant to standards adopted by NASDAQ for such committees.

Committee Charters

The Board of Directors has adopted charters for the Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee. Copies of the charters for each of these committees are available on the Bank s website (www.fm.bank), and are available upon request from the Company. Shareholders desiring a paper copy of one or all of the charters should address written requests to Ms. Lydia A. Huber, Corporate Secretary of Farmers & Merchants Bancorp, Inc., 307 North Defiance Street, Archbold, Ohio 43502.

Code of Conduct and Ethics

The Board of Directors has adopted a Code of Business Conduct and Ethics (the Code). The Code applies to all officers, directors and employees of the Company and the Bank. The administration of the Code has been delegated to the Audit Committee of the Board of Directors, a committee comprised entirely of independent directors . The Code addresses topics such as compliance with laws and regulations, honest and ethical conduct, conflicts of interest, confidentiality and protection of Company assets, fair dealing and accurate and timely periodic reports, and also provides for enforcement mechanisms. The Board and management of the Company intend to continue to monitor not only the developing legal requirements in this area, but also the best practices of comparable companies, to assure that the Company maintains sound corporate governance practices in the future.

A copy of the Company s Code is available on the website of the Bank (www.fm.bank). In addition, a copy of the Code is available to any shareholder free of charge upon request. Shareholders desiring a copy of the Code should address written requests to Ms. Lydia A. Huber, Corporate Secretary of Farmers & Merchants Bancorp, Inc., 307 North Defiance Street, Archbold, Ohio 43502, and are asked to mark Code of Business Conduct and Ethics on the outside of the envelope containing the request.

Nominations for Members of the Board of Directors

As noted above under Corporate Governance , the Company has a Corporate Governance and Nominating Committee. The current members of the committee all are independent directors (as defined by NASDAQ). The Corporate Governance and Nominating Committee has developed a policy regarding the consideration of nominations for directors by shareholders. The policy is posted on the Bank s website for review by shareholders. As outlined in its policy, the Corporate Governance and Nominating Committee will consider nominations from shareholders, although it does not actively solicit such nomination recommendations. Proposed nominations should be addressed to Chairman of the Corporate Governance and Nominating Committee of Farmers & Merchants Bancorp, Inc., 307 North Defiance Street, Archbold, Ohio 43502. Such nominations must include a description of the specific qualifications the candidate possesses and a discussion as to the effect on the composition and effectiveness of the Board. The identification and evaluation of all candidates for nominee to the Board of Directors are undertaken on an ad hoc basis within the context of the Company s strategic initiatives at the time a vacancy occurs on the Board or as anticipated retirement dates approach. In evaluating all candidates, including candidates recommended for nomination by shareholders, the committee considers a variety of factors, including the candidate s integrity, independence, qualifications, skills, occupation, experience (including experiences in finance and banking), familiarity with accounting rules and practices, and compatibility with existing members of the Board. In addition, attributes such as place of residence and geographic markets represented, age, gender, involvement and visibility in the counties and communities represented by the Company s current and future geographic footprint, and relationships with the Company and the Bank are given consideration. Other than the foregoing, there are no stated minimum criteria for nominees, although the committee may consider such other factors as it may deem at the time to be in the best interest of the Company and its shareholders, which factors may change from time to time.

To maintain a wide-ranging mix of individuals, primary consideration is given to the depth and breadth of an individual s business and civic experience in leadership positions, as well as their ties to the Farmers & Merchants Bancorp, Inc. s markets. Consideration has been given to the number of directors based on the board size of the nine peer bank holding companies as identified in the Compensation Discussion and Analysis for comparison of executive officer compensation. A formal Board Self-Evaluation was not deemed necessary in 2017.

With the retirement of Darryl Faye from the Board of Directors in September 2017, the committee evaluated the present size of the Board of Directors and need to fill the open position. The open seat on the Board of Directors was closed for the present time and the number of seats on the Board of Directors was reduced to ten (10). All current directors were deemed eligible for nomination in the ensuing year. The Corporate Governance and Nominating

Committee will continue to assess and evaluate how the Board of Directors is functioning and whether additional board members are needed. Attention will also be given to anticipated retirement dates and other events that might affect a director s continued service.

As currently comprised, the Board of Directors is a diverse group of individuals who are drawn from various market sectors and industry groups with a presence in the Farmers & Merchants Bancorp, Inc. s markets. Board members are individuals with leadership skills, extensive knowledge, and proven experience who reside in, serve and represent the Company s geographic footprint throughout the counties and communities served, as well as the broader region. Current board representation provides a background in accounting, auditing, agriculture, construction, finance, fund raising, manufacturing, retail, commercial, and education. The expertise of these individuals covers accounting and financial reporting, economics and economic analysis, corporate management and leadership, professional development, strategic planning, business acquisitions, marketing, education, human resources and employee relations, retail sales, small business operations, and family farm operations. In addition, gender and generational attributes further broaden the diversity of the full Board of Directors. What follows is a brief description of the particular experience and qualifications of each member of the Company s Board of Directors.

Eugene N. Burkholder

Mr. Burkholder owns and manages Falor Farm Center, Inc., a large, independent agricultural retail fertilizer, chemical and seed company. His involvement with Falor Farm Center, Inc. spans over 35 years. He is part owner and member of Black Swamp Equipment, LLC, Burkholder Farms, LLC, and owner of JRBC Properties, LLC. He is also a cash grain farmer. Through his business relationships, he is knowledgeable of the markets covering Fulton, Defiance, Lucas, Henry, and Wood Counties in Ohio and Lenawee County, Michigan. These are the same areas where the Company s potential customer base is growing and expanding. His induction into the Fulton County Agricultural Hall of Fame in 2011 attests to the depth of his agricultural involvement. He is a current member of the Fulton County Agricultural Society and Ohio Agricultural Business Association.

With his involvement in multiple companies, he also brings an understanding of the concerns and operations of small business. He is a current member of NFIB (National Federation of Independent Businesses), the Ohio Chamber of Commerce and also serves on the Pike-Delta-York School s Financial Advisory Board. Mr. Burkholder chairs the Enterprise Risk Management Committee and is also a member of the Executive Committee.

Mr. Burkholder is familiar with the workings of the Bank as he previously served on the Bank s Delta Advisory Board. He graduated from Ohio State University with a Bachelor of Science in Agronomy specializing in soil fertility. A graduate of Wauseon High School, he previously worked for Fulton County Soil & Water Conservation Society and taught Vocational Agriculture at Stryker Local Schools in Stryker, Ohio.

Steven A. Everhart

Mr. Everhart is the Board of Directors designated financial expert providing financial expertise to the board structure. A Certified Public Accountant, Mr. Everhart worked for Ernst & Young, a large international accounting firm. His experience in public accounting included external bank audits and involvement with large corporate mergers and acquisitions. Currently, Mr. Everhart has a consulting business focused on business development and accounting services. He was the long-time Secretary/Treasurer and board member of a multi-state construction group that specialized in highway contracting, bridge building, steel erection, commercial and industrial construction, as well as environmental remediation. His professional duties included all financial activities and financial reporting, audit preparation, budgeting, compensation reviews, and knowledge of government regulatory requirements. He brings extensive accounting and financial expertise with a sound understanding of accounting principles and practices; experience in preparing, analyzing, and evaluating financial statements; knowledge of internal controls and procedures for financial

reporting; as well as insight on audit committee functions. Mr. Everhart is Chairman of the Audit Committee, a member of the Compensation Committee and the Enterprise Risk Management Committee. A graduate of the University of Cincinnati with a Bachelor of Arts degree in Business Administration, Mr. Everhart is a long-term resident of Northwest Ohio. His current memberships include Ohio Society of Certified Public Accountants and the Institute of Internal Auditors (IIA).

Jo Ellen Hornish

Ms. Hornish is the President and CEO of several Defiance area companies. She oversees the day-to-day strategic and financial operations of Hornish Bros., Inc., Fountain City Leasing, Inc., Advantage Powder Coating, Inc., OneSource Diversified Services, Ltd., and Hornish Properties, LLC. Hornish Bros., Inc. is a trucking company purchased in 1984 which has common and contract authority in 48 states and Canada. It has been recognized as an eight-time General Motors Worldwide Supplier of the Year. Fountain City Leasing, Inc. is a privately-owned business with over 120 trucks and 600 trailers leased to Hornish Bros., Inc. and employs over 115 drivers, office, and shop employees. Advantage Powder Coating, Inc. was formed to powder coat iron castings for the automotive community, with a line capacity to process over 100,000 pounds of castings per hour. Advantage Powder Coating, Inc. has expanded its services to include impregnation, feddling, inspection, and other foundry related services. OneSource Diversified Services, Ltd. supplies rental properties and buildings for vendors providing services to automotive companies. Hornish Properties, LLC is a holding company for farmland and real estate. Due to her corporate leadership and involvement in the automotive and transportation industries, Ms. Hornish can provide guidance to the Board on corporate management and matters relating to the automotive industry and transportation industry. She currently serves on the Audit Committee and the Corporate Governance and Nominating Committee.

Ms. Hornish is also a managing member of the Sam Hornish Jr. Foundation and is responsible for gifting which includes many local and national charities. Area recipients include the Sam Hornish Family Heart Center at Defiance Regional Hospital, the Defiance Senior Center, Defiance Christmas for Kids, Sam Hornish Family Youth Lounge at the Defiance YMCA, Sam Hornish Family Fitness Room at Tinora High School, Sam Hornish Family Chapel at the Defiance Hospice Center, and the Browning Masonic Community Alzheimer Unit at Waterville. National charities include Feed the Children, Wounded Warrior Project, USO, St. Jude Children s Research Hospital, and the Shriners Hospital for Children.

Born and raised in the Milwaukee, Wisconsin area, Ms. Hornish relocated to Northwest Ohio over 35 years ago. She currently resides near Defiance, Ohio. Her memberships include the American Trucking Association, Ohio Trucking Association, and the Northern Ohio Minority Supplier Development Council.

Jack C. Johnson

Mr. Johnson has over 40 years experience in running an independent retail clothing business. His background and experience encompasses the various aspects of running a small retail business including accounting principles and practices, purchasing, retail sales, marketing, human resource management, and taxes. He brings valuable insight regarding small retail business operations; retail marketing and sales of products and services to consumers; and consumer buying habits and trends during various economic cycles. Prior to joining the Farmers & Merchants Bancorp, Inc. Board of Directors, Mr. Johnson served on the Bank s Bryan Advisory Board. Mr. Johnson is Chairman of the Board of Directors and the Executive Committee and is a member of the Corporate Governance and Nominating Committee, the Compensation Committee, and the Enterprise Risk Management Committee.

Mr. Johnson graduated from Ohio State University with a Bachelor of Science degree in Business Administration specializing in marketing. A life-time resident of Williams County, Ohio, he is a member of the Bryan Chamber of Commerce and former board member representing the retail division. In addition, he is a member and former president of the Bryan Retail Merchants Association, a graduate of the Hagger Business School, a member of the Men s Apparel Guild of California, and a member of the Action Sports Retailing Group. Annually, Mr. Johnson attends a trade show called Surf Expo which provides educational seminars offering guidance and advice on current

retailing and marketing ideas. Recent seminars addressed secrets of successful retailers; tips, trends and techniques for the new era of merchandising; and effective email strategies for retailers. Mr. Johnson is a former member of The Doneger Group, a fashion merchandising and consulting group providing apparel retailers with merchandising information and trend analysis for the apparel market segments.

Marcia S. Latta

Dr. Marcia Latta serves as Vice President for Advancement at The University of Findlay where she oversees fundraising, alumni and parent relations, community outreach, and the nationally-known Mazza Museum. Prior executive experience includes serving as Vice President for Advancement at DePauw University where she organized and launched a $250 million campaign and more than doubled funds raised, and as the Bowling Green State University Foundation Vice President and Campaign Director for BGSU s Building Dreams Centennial Campaign which resulted in nearly $150 million raised the largest fundraising effort in Northwest Ohio history. Dr. Latta is a frequent presenter across the nation and internationally on development and board governance issues. She began her career as a congressional aide on Capitol Hill and then did volunteer work in Costa Rica before beginning her work in advancement. In addition to higher education, Dr. Latta has worked in hospital philanthropy, marketing, and served as the founding president of the Bowling Green Community Foundation.

Dr. Latta is a former president of the Northwest Ohio Chapter of Association of Fundraising Professionals, which named her its Outstanding Fundraising Executive. She holds a doctor of education degree in leadership and policy studies from BGSU and has completed Harvard University s School of Education s Management and Leadership in Education program. Through her experience and education, she provides a strong understanding and commitment to leadership, board governance, corporate management, and public policy. Dr. Latta chairs the Corporate Governance and Nominating Committee. She is active in many civic and professional organizations including the Toledo Zoo Board of Directors, Rotary International and the Ohio Citizens for the Arts Board, among others. A former resident of Williams County, Ohio, she now resides in Wood County.

Steven J. Planson

Mr. Planson has successfully managed a large family farm corporation for over 25 years with a primary focus on grain production and processing tomatoes. In addition, he is involved with a family trucking operation. Mr. Planson and his wife were previously named the Ohio Farm Bureau Federation s Outstanding Young Couple in recognition of their farming operation accomplishments and leadership in the agricultural community. He is a past recipient of Red Gold Master Grower Awards for his tomato growing operation. His extensive farming background and practical experience provide significant insight regarding farm business management; agriculture finance; commodity sales and marketing; as well as the local farm economy and challenges to the farming industry. He also offers a valuable perspective on local and state government matters from his service as a Township Trustee. Mr. Planson is a member of the Audit Committee and the Enterprise Risk Management Committee.

Prior to joining the Farmers & Merchants Bancorp, Inc. Board of Directors, Mr. Planson served on the Bank s Stryker Advisory Board. A life-time resident of Williams County, Ohio and graduate of Stryker High School, Stryker, Ohio, Mr. Planson has served as a Springfield Township Trustee in Williams County, Ohio for over 20 years. As a Township Trustee, he also served on the Springfield Township Zoning Board. He was a member of the Stryker Farmers Exchange Board for 22 years, serving as president six of those years. A former board member of the Williams County Farm Bureau and former trustee of the Campbell Soup Tomato Growers Association, Mr. Planson is an active member of the Williams County Farm Bureau, Stryker Chamber of Commerce, Stryker Heritage Council, Stryker Rotary Club, and Friends of Stryker Library. In 2011, Mr. Planson was the recipient of the Paul Harris Award by the Rotary Foundation. The Paul Harris Award recognizes individuals who have made contributions in promoting human philanthropic projects throughout the local community and around the world.

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Anthony J. Rupp

Mr. Rupp has served as President of a family-owned retail furniture business located in Archbold, Ohio for over 40 years. With the recent sale of the family business, he is now retired. He was responsible for the management and day-to-day operations of the business. His background and experience encompass the various aspects of running a small business including accounting and finance; purchasing; retail sales and marketing; and human resource management. He offers a valuable perspective regarding small retail business operations; business finance; retail marketing and sales of products and services to consumers; economic trends; and consumer buying habits. Mr. Rupp is Vice Chairman of the Board of Directors and is a member of the Corporate Governance and Nominating Committee, Executive Committee, and the Compensation Committee.

Prior to joining the Farmers & Merchants Bancorp, Inc. Board of Directors, Mr. Rupp served on the Bank s Archbold Advisory Board. He has a Bachelor of Science degree in Business Administration from Bowling Green State University. A long-term resident of Fulton County, Ohio, Mr. Rupp is a former elected member of the Archbold Village Council, a retired member of the Archbold Area Chamber of Commerce, and a former board member and retail division vice president of the Archbold Area Chamber of Commerce. He is a member and past president of the Archbold Rotary Club, and a recipient of the Paul Harris Award by the Rotary Foundation.

Kevin J. Sauder

Mr. Sauder has served as President/Chief Executive Officer since 2001 of Sauder Woodworking Company, a large privately-held, family-run corporation. The corporation, which is North America s largest manufacturer of ready-to-assemble furniture, employs over 2,800 employees. Through its subsidiaries, Sauder Manufacturing and Progressive, Inc., serves the worship, education, health care, and assembled bedroom furniture markets. His extensive experience in executive management and corporate leadership enables him to provide knowledge and expertise to the board regarding corporate management, corporate finance, product sales and marketing, and human resource management. His knowledge and expertise further enable him to assist the board on matters involving business acquisition, financial turnarounds, strategic planning, executive officer compensation and incentives, and shareholder relations. Mr. Sauder is Vice President of the Board of Directors, Chairman of the Compensation Committee and a member of the Executive Committee.

Mr. Sauder has a Master s of Business Administration degree from Duke University, and an undergraduate degree from Miami University. A long-term resident of Fulton County, Ohio, he is a member of the Archbold Rotary Club. Mr. Sauder is the past Chairman of the American Home Furnishings Alliance, a Trustee of the ProMedica Health System, and the Great Lakes Collaborative for Autism.

Paul S. Siebenmorgen

Mr. Siebenmorgen has over 30 years of senior management experience in community banks based in Indiana and Ohio. He is a past recipient of the American Bankers Association Presidential Citation and has experience in managing bank mergers and acquisitions. With a Bachelor of Science and Master s Degree from Indiana State University, he has graduated from numerous state and national banking schools. Mr. Siebenmorgen has served as the Chairman of the Ohio Bankers League Board of Directors. He is a past member of the American Bankers Association Government Relations Council and Community Banker Council, also a past member of the Federal Reserve Bank of Cleveland Community Depository Institutions

Advisory Council. He is member of the Risk Management Association, a professional association that helps members identify and manage the impacts of credit risk, operational risk, and market risk on their businesses and customers. His extensive knowledge and long-term experience in banking provide a deep understanding of finance and financial reporting; regulatory and risk management; consumer banking; commercial and small business banking; business development; and government relations. Having a strong lending background enables Mr. Siebenmorgen to provide extensive analytical expertise in evaluating loans and loan relationships. His numerous years in corporate leadership and management result in significant insight on matters involving corporate

governance, strategic planning, mergers and acquisitions, executive officer compensation and incentives, human resource management, and shareholder relations. Mr. Siebenmorgen serves as the President and Chief Executive Officer of the Board of Directors as well as the Company s subsidiary, The Farmers & Merchants State Bank. He is a member of the Executive Committee.

A former elected City Council member and former County Agricultural Extension Agent in Indiana, Mr. Siebenmorgen also served on the Indiana Statewide Certified Development Corporation Loan Committee and was a Community Development Corporation and County Economic Development Commission member in Indiana. He is an active member of the Archbold Rotary Club and a former board member and past president of the Archbold Area Chamber of Commerce, Archbold, Ohio. In 2011, Mr. Siebenmorgen was appointed to the Northwest State Community College Board of Trustees by Ohio Governor John Kasich. The past two years, he served as Chairman of the Northwest State Community College Board of Trustees.

K. Brad Stamm

Dr. Stamm is presently Chair of the Division of Business at Cornerstone University in Grand Rapids, Michigan, where he also has taught economics for the past seventeen years. Prior to that he was Chair of the Division of Business and Economics at Nyack College in New York with campuses both in Nyack and New York City.

He received his undergraduate degree from Bowling Green State University with a Bachelor of Science degree in Business Administration and Economics, his MBA from Eastern University in St. David s, Pennsylvania, his Ph.D. in Economics from Fordham University in New York City, and additional coursework at Gordon College and Florida State University. His academic specializations and certifications are in Applied Microeconomics, International Economics, Macroeconomic Theory, and Industrial Organization. Dr. Stamm has taught graduate courses several times in China, been a special lecturer in economics for the past six years at LCC International University in Klaipeda, Lithuania, and is a reviewer for the *Christian Business Academic Review.*

He has extensive experience in management, marketing, promotion, finance, and economic analysis. Dr. Stamm is a regular economic commentator on radio stations in West Michigan and periodically serves as an Economic Analyst for West Michigan Television Stations. He has had several articles published in newspapers and business journals on topics related to economics along with his annual economic forecast. He is a member of the Audit Committee.

Raised in Archbold, Ohio, he worked for several years in the community before moving to the East Coast where he was involved in concert promotion and production with large outdoor festivals in addition to marketing concerts for Radio City Music Hall and Madison Square Garden. He and his family now reside in Ada, Michigan. His current memberships include the American Economic Association, the Association of Christian Economists, the West Michigan College and Universities Group, Omicron Delta Epsilon (the Graduate International Economics Honors Society), and Delta Mu Delta (Business Honor Society). Dr. Stamm is also a trustee of Pillar College in Newark, New Jersey.

The Corporate Governance and Nominating Committee also has been designated by the Company s Corporate Governance Guidelines to receive, review and respond, as appropriate, to communications concerning the Company from employees, officers, shareholders and other interested parties that such parties want to address to non-management members of the Board of Directors. Shareholders who want to direct such questions to the non-management members of the Board of Directors should address them to the Chairman of the Corporate Governance and Nominating Committee, Farmers & Merchants Bancorp, Inc., 307 North Defiance Street, Archbold, Ohio 43502.

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The Company s Corporate Governance Guidelines also contain a provision stating that it is expected that all members of the Board of Directors will attend the Annual Meeting of Shareholders. All of the members of the Board of Directors attended the 2017 Annual Meeting of Shareholders.

Respectfully submitted by the members of the Corporate Governance and Nominating Committee:

Dr. Marcia S. Latta, Chairman

Jo Ellen Hornish, Jack C. Johnson, Anthony J. Rupp

Risk Oversight

The Board of Directors is responsible for ensuring that an adequate risk management framework is in place and functioning as intended. A clear understanding and working knowledge of the types of risks inherent to the Company s activities is an absolute necessity. The Board has appointed a Risk Committee comprised of the following ten members: the President and Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Chief Lending Officer, Sr. Commercial Loan Officer, Operations & Information Technology Officer, EVP of Retail Banking, Marketing Director, Deposit Administrator and the Risk Management Officer. The Risk Committee is responsible for loss control and day-to-day oversight of the risk management function.

The risk management program focuses risk assessment on ten risk categories. The Risk Committee meets monthly and reviews several risk categories each month ensuring all risk categories are reviewed quarterly. Each risk category is assigned a risk rating (High, Moderate, Low) based on the significance of the risk and a risk trend (Increasing, Decreasing, or Stable) is defined. Additional internal bank experts may attend meetings during each quarter to report on a risk category under review and offer recommendations regarding the risk assessment and trend for a particular risk category. Results of the monthly review of risk categories are reported to the Board of Directors Enterprise Risk Management Committee (ERM) each quarter. In addition, the Company s risk position is reported to the Board of Directors quarterly. Risk management reports include the following:

Discussion of the bank s current overall risk position;

Identification of each of the ten categories of risk and the current position of each of these risk categories;

Analysis of current position of each risk category;

Comparison of actual performance versus expected performance, where appropriate;

Identification of results outside of guidance targets and action plans established for issues to be resolved; and

Recommendations for changes to risk parameters or measurement tools.

The Board ERM Committee defines risk exposure limits for each risk category taking into consideration the bank s strategic goals and objectives and current market conditions. The Board ERM Committee reviews and approves any necessary changes to risk exposure limits after careful consideration of any changes in market conditions or corporate

strategy and adopts guidelines, through the input of the Risk Committee s analysis and discussion, regarding the maximum loss exposure the Bank is able and willing to assume. At least annually, the Board of Directors reviews and approves the risk management program and policies based on information presented throughout the year from the Risk Committee.

Credit Risk

Credit risk is addressed in formal loan proposals presented to the Loan Committee and the Board of Directors. Loans and potential loan relationships greater than $250,000 are analyzed by the Credit Analyst Department and require a formal loan proposal and approval by the appropriate loan committee. Regardless of whether a new loan request, a formal loan proposal, or an annual loan relationship review, each proposed loan, existing loan, or loan relationship has an assigned Loan Risk Rating based on credit factors, collateral adequacy, and financial strength of the loan relationship. Decisions are made based on the most complete up-to-date information available. The defined Loan Risk Ratings are designed to cover a broad range of customers, so dominant risk characteristics determine the rating assigned. In some instances, additional pricing, collateral, covenants, or risk mitigants may be necessary to reduce risk or credit exposure or to improve relationship profitability.

Interest Rate Risk

Interest rate risk is a large component of asset/liability management and is managed within the overall asset/liability framework. The principal objectives of asset/liability management are to manage sensitivity of net interest spreads and net interest 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 Board of Directors seeks to address interest rate and non-interest income risk tolerances and, thereby, control risks. Goals are (1) to increase the dollar amount of net interest income at a growth rate consistent with the growth rate of total assets and, given fluctuations in the external interest-rate environment, (2) to minimize fluctuations in net interest margin as a percentage of earning assets.

This type of risk focuses on the economic scenarios relative to the value of the Bank in the current interest rate environment, and the sensitivity to that value from changes in interest rates. Re-pricing risk, basis risk, yield curve risk, and options risk are types of interest risk to be considered. Interest rate risk occurs due to differences between the timing of rate changes and the timing of cash flows (re-pricing risk); from changing rate relationships among different yield curves affecting bank activities (basis risk); and from changing rate relationships across the range of maturities (yield curve risk); and from interest-related options embedded in bank products (options risk). Interest risk considerations typically include the effect of a change in interest rates on both the bank s accrual earnings and the market value of portfolio equity.

Interest rate sensitivity refers to the Bank s capability and/or need to react to actual and forecast interest rates and yields in the money and capital markets as well as in the local competitive environment. The magnitude of these gains or losses depends on the severity and timing of the market changes and on the ability to adjust. The ability to adjust is controlled by the remaining time to maturity of fixed-rate contracts, customer actions, and the existence of contracts that provide for rate adjustments prior to maturity. Analysis of interest rate sensitivity in the form of a net interest rate shock is employed. In performing interest rate shock analysis, financial forecasting and simulation are used to anticipate the impact of forecast interest rates and evaluate the potential risk of alternative interest rates. This policy is implemented by first producing a current forecast of balance sheet volumes and net earnings for the 12 month forecast horizon. The second step is for eight alternative simulations to be prepared to test the forecast s sensitivity to interest-rate shocks and changes in the shape of the treasury yield curve. The four alternative simulations are +/- 100, +/- 200, +/- 300 and +/-400 basis point shift. After each alternative simulation, the forecast net interest income for the twelve-month period and the present value of equity at the end of the historical period are compared to the net interest income and present value of equity produced by the alternative simulation. The percent changes in net interest income and present value of equity is then compared to management s guideline targets. The Bank also looks at varying scenarios such as nonparallel shifts in the yield curve. The model used for the simulations continues to be analyzed for possible refinements to assumptions. However, neither of financial forecasting or simulation adequately forecasts the impact of potential changes in interest rates on net interest income. A yearly forecast of balance sheet volumes and net earnings is relied upon as a basis for asset liability decisions. Each forecast is subject to testing for alternative interest rate possibilities to evaluate the risk inherent in management s plans. The alternative interest rate possibilities are (1) an immediate 200 basis point change in average interest rates, or (2) a more gradual change in average interest rates. Management believes the first method (instant change) would portray the worst case scenario as an impact on net interest earnings. Therefore, method 1 is used in the interest rate shock analysis.

Liquidity Risk

Liquidity risk may impact earnings or capital based on changes in funding sources. This risk affects the Bank s ability to establish new relationships, service, or continue to service existing relationships. This risk can also expose the Bank to litigation, financial loss, or damage to its reputation. Liquidity risk exposure is present in various funding situations. Thus the Bank is responsible for careful evaluation of the types and levels of risk incurred in dealing with its customers and communities. The liquidity risk policy provides direction and guidance for the management of funding

sources, which also affects interest rate risk

and price risk. Guidance offered provides controls for the risk arising from taking positions in various liquid assets and short-term deposits regarding anticipated changes in interest rates. Controls are vital to the continuity of operations and protections of resources, depositors, and shareholders. It also assists in maximizing the return on shareholder investment without sacrificing its quality and reputation. Various elements of funding volume and funding gaps are analyzed, the availability and size of secondary markets to convert instruments to cash is reviewed, the Bank s cost of funding versus costs paid by competition are assessed, and rate scenarios and stress testing models are used to assess vulnerability. This risk is evaluated and assigned a risk rating with the assessment of overall risk.

Price Risk

Price risk involves risk that may impact earnings or capital resulting from changes in the value of portfolios of financial instruments. This risk affects the Bank s ability to establish new relationships, service, or continue to service existing relationships. Management of this risk is conducted under specific guidelines and product/service standards. Guidelines assist in establishing, reevaluating, and changing prices for financial services or financial products. These guidelines are structured to ensure an appropriate pricing structure, but also address such issues as volume and price sensitivity for various products. Sources of price risk are identified, elements of the of the risk positions are analyzed, the flexibility of the current price profile versus the ability to hedge the risk is assessed, the proper balance of risk versus reward is determined, and appropriate levels of procedures, controls, and self-monitoring are evaluated for implementation and proper administration. A risk rating is assigned in conjunction with the assessment of overall risk.

Foreign Exchange Risk

Foreign Exchange Risk may occur to earnings or capital as a result of movement of foreign exchange rates due to cross-border investing and operating activities. Market making and position taking in foreign currencies involve foreign exchange risk. In most instances foreign checks received are sent for collection. Risk is minimized with issuance of drafts, letters of credit, and wire transfers through correspondent banks. Risk exposure involves litigation, financial loss, and damage to its reputation. Foreign exchange risk is monitored and evaluated and assigned a risk rating with the assessment of overall risk.

Compliance Risk

Compliance risk is monitored within the structure of the compliance risk management program. Operating in compliance with laws, rules, regulations, and related accepted industry standards enhances the reputation, strategic goals and objectives, and operations of the Company. Compliance risk attempts to evaluate and identify the overall level of compliance risk by measuring and defining the areas of risk for a designated law, rule, or regulation. Defined risk factors within three risk categories (legal and regulatory, operational, and reputation risk) assist in determining the overall compliance risk rating assigned to each law, rule, or regulation. Various factors within each risk category can increase or decrease the risk of non-compliance. Each risk category is assigned a risk rating of High, Moderate, or Low. The overall compliance risk rating for each law or regulation is the average of the risk ratings for the three risk categories. The compliance risk assessment is conducted with the Compliance Committee and key business lines, departments, and functional areas. Compliance risk assessment results are reviewed by the Compliance Committee and reported to the Risk Committee and the Audit Committee of the Board of Directors.

In addition to an overall compliance risk assessment, specific regulations require risk assessments based on defined risk factors. Identity Theft Red Flags regulations require an annual Identity Theft risk assessment. The purpose of this risk assessment is to periodically review and update the Identity Theft Red Flag Program based on methods used to open accounts, methods available to access accounts, ongoing account monitoring, and the Company s experiences with identity theft. Regulators expect a risk assessment process for Fair Lending risk. A fair lending risk assessment serves to verify how lending activities are identified, monitored, measured, and controlled, to make sure discriminatory, unfair, deceptive, abusive, and predatory acts and practices do not take place. A fair lending risk

assessment is conducted to evaluate the present risk management process and risk mitigation strategies. Risk indicators defined by interagency

Fair Lending Examination Procedures are used to assess fair lending risk. In evaluating the risk in lending activities, the following factors are considered: changes in leadership and staffing, new products, product pricing, product and service offerings, policies and procedures, processes, and changes or updates to systems. Other factors considered included the present economy of the region, the market area served, and market area demographics. These risk assessments are conducted with key business lines, departments, and functional areas as applicable. Fair Lending Risk assessment results are reviewed by the Compliance Committee and reported to the Risk Committee and Board Audit Committee.

An overall compliance risk assessment is conducted for the Bank Secrecy Act (BSA) and Office of Foreign Asset Control (OFAC). Additionally, more in depth risk assessments for BSA, Anti-Money Laundering (AML), Customer Identification Program (CIP), and OFAC are conducted on an as needed basis by a select group of BSA trained individuals with the results reported as necessary to the Audit Committee of the Board of Directors for approval. At least annually, the quantified results are reported to the Board of Directors. These Risk assessments focus on risk factors due to the Bank s size, market presence, types of customers, types of products, geographic location, method of account opening, transaction type and are incorporated into BSA/AML software to aid in the monitoring and reporting requirements.

Transaction/Operational Risk

Transaction risk relates to service or product delivery and escalates based on problems with services or product delivery. This risk is inherent in all bank products and services and arises on a daily basis as transactions are processed. Controlling transaction risk involves internal controls, vendor management, proper use of information systems, employee integrity, and operating processes. The Board of Directors and Management establish and reevaluate the risk tolerances which thereby control these risks. Policy guidance provides standards to control the potential financial losses due to human error or fraud, incomplete information, or operational disruption. Controlling this risk remains critical to the continuity of operations and protection of resources, depositors, customers, and shareholders. It also assists the Bank to maximize the return on shareholder investment without sacrificing its quality and reputation. Financial services and products are offered on a sound and economically feasible basis to the customers, communities, and markets served. Products and services offered along with the transactions serviced are conducted under specific guidelines and operational standards. Procedures and processes, including the development and introduction of new products and services, encompass the guidelines established.

Control mechanisms have been established to monitor data accuracy, proper accounting treatment, and compliance with laws and regulations, as well as bank policy. Management and staff continually seek training and development to enhance their technical knowledge and skill levels to stay up-to-date on changes in financial service industry operations and industry best practices. Development and issuance of timely internal management reports and bank-wide communication on properly conducting business relative to the transaction risk exposure are ongoing measures. Methodologies to address areas of exposure from human error or fraud, incomplete information, and operational disruption seek to evaluate, mitigate, and identify cost-effective ways to reduce such risks. Analysis and recommendations focus on systems development and utilization, capital investment for technology and hardware, and overall physical premises improvements to ensure efficiency and effectiveness in handling new products and services, complex transactions, and development of new products and services to keep pace with the future.

Strategic Risk

Strategic risk is a function of the compatibility between the bank s strategic goals, its business strategies, the resources used to meet strategic goals, and the quality of implementation. Resources necessary to carry out business strategies include both those that are tangible and those that are intangible. Strategic risk incorporates management s analyses of external factors that affect the strategic direction of the bank. Anticipating change, both externally and internally, are essential to managing this risk. Strategic risk arises from adverse business decisions or improper implementations of

business decisions.

Addressing specific risk tolerances from a strategic focus aids in controlling this risk. The Board of Directors and management provide direction and guidance regarding merger and acquisition plans, marketing initiatives, initiation of diversity in product elements, technology changes, and other related strategic moves. Controlling this risk is necessary for the continuity of operations and protection of resources, depositors, customers, and shareholders. It also assists in maximizing the return on shareholder investment without sacrificing quality or reputation.

Reputation Risk

Reputation risk exposure is present throughout the organization. The types and levels of risk must continually be evaluated in dealings with customers and the communities. Reputation risk refers to the risk to bank capital or earnings arising from negative public opinion. Reputation risk is inherent in all bank activities. It can affect the bank s ability to establish new relationships or services, as well as its ability to continue servicing its existing relationships. An abundance of caution is needed in dealing with bank customers and the community to preserve the bank s reputation.

The Board of Directors and management provide direction and guidance for addressing risks to the Company and the Bank s reputation in the marketplace. Identification of areas of risk minimizes and controls reputation risk. A reputation risk policy offers corporate guidance in anticipating and responding to changes in the market. Controlling this risk is vital to the continuity of operations and protections of resources, depositors, customers, and shareholders. Maximizing the return on shareholder investment without sacrificing quality and reputation are drivers for proper identification and management of reputation risk. Being responsive to Bank customers, making prudent credit risk and interest risk decisions, strong internal controls, sound operations limiting fraud or materials losses, and maintaining strong confidentiality standards are sound practices to minimize reputation risk exposure.

Information Technology Risk

Information Technology (IT) governance is the responsibility of the Board of Directors. The core elements of IT governance encompass value, risk, and controls. Management has appointed the Operations and IT Officer the responsibility for overall management of Information Technology risk. IT risk focuses on information and information systems, especially the most critical and vital information assets. Without reliable and properly secured information systems, business operations could be severely disrupted. Likewise, the preservation and enhancement of the Company s reputation is directly linked to the way in which both information and information systems are managed. Maintaining an adequate level of security is one of several important aspects of managing IT risk.

The Information Systems (IS) Steering Committee serves as an advisory group providing assistance and guidance to management regarding customer information security, information systems planning, systems management organization, systems performance, business continuity, information security, system related expenditures, vendor management, and related policies and procedures. The IS Steering Committee is chaired by the Operations and IT Officer and meets on a monthly basis. Committee members are Executive Management representatives, the Operations and IT Officer, the Information Security Officer, the IT Manager, the Compliance Manager, the Chief Lending Officer and the Risk Manager. Formal meeting minutes serve to document decisions and recommendations by the IS Steering Committee. Meeting minutes are reported to the Management Committee and the Board ERM Committee.

An annual Information Technology Audit, which is facilitated by the Internal Audit Department, is conducted via a co-sourcing agreement with a third party auditor. The objective of the IT audit is to evaluate the effectiveness and efficiency of operations, test the reliability of data and IT controls, and ensure compliance with applicable laws, regulations, guidance, and industry best practices. The audit scope addresses IT Governance, IT Management, IT Operations, and IT Security. The following systems and applications were evaluated based on operational criticality and security risks: Network Resources, Core Data Processing, Internet Banking (Business and Retail), ATM and Debit Cards, Credit Cards, Wire Transfer, ACH Processing, Report and Document Storage, Commercial and Consumer Lending, Mortgage Lending, Custom Report Writing, Accounting, and Payroll.

Testing of the internal network environment and external network perimeter are included in the Results of the IT Audit and are reviewed with the IS Steering Committee and Management. For any exceptions identified, a responsible party is assigned and action plans are developed to address corrective measures. The final results of the IT Audit are reviewed with the Board Audit Committee. The status of unresolved audit issues along with their priority ratings is reported to both Management and the Board Audit Committee at each meeting.

Financial Reporting Internal Controls. Sarbanes-Oxley introduced broad and challenging financial management and disclosure regulations. Non-compliance with Sarbanes-Oxley regulations has serious consequences. As an accelerated SEC filer, the requirements of section 404 of the Sarbanes-Oxley Act are applicable to the Company. Section 404 requires companies to maintain internal controls and procedures for financial reporting. Management conducts an on-going review of key financial controls over financial reporting that ensures the accuracy of financial statements and entity-level controls that ensure compliance with the Committee of Sponsoring Organizations (COSO) internal control framework requirements. The COSO framework consists of five components that actively impact one another: control environment; risk assessment; control activities; information and communication; and monitoring. These components often overlap and consistently evolve due to changes in the Company s internal and external environment.

The review includes discussions with employees, process demonstrations, and detailed transaction testing to determine that controls are designed properly and operating effectively. The Company s external auditor conducts its own Sarbanes-Oxley review independent of management s review. Both management and the external auditor issue an opinion regarding both the design and operating effectiveness of the key controls over financial reporting. Results of both Sarbanes-Oxley reviews are reported to the Board of Directors.

Information Security. In conformance with Gramm-Leach-Bliley Act requirements regarding safeguarding and protecting customer information, an Information Security Risk Assessment is conducted at least annually by the Risk Department and reviewed with the Risk Committee, the Enterprise Risk Management Committee, and the Board of Directors. A risk analysis is performed to evaluate current processes, identify information assets, and determine the adequacy of the safeguarding and protection of confidential customer information collected and maintained. For each information asset identified, the criticality of the asset, the threats to the defined asset, the likelihood of compromise of the asset, the business impact if an asset is compromised, and an overall risk rating for each asset are defined. The results of this assessment are reviewed with the Information Systems (IS) Steering Committee and the Risk Committee and reported at least annually to the Board ERM Committee.

Vendor Management. The Board of Directors bears ultimate responsibility to ensure an effective vendor management program has been implemented for proper oversight of outsourced relationships. Management is charged with the responsibility to determine the necessary course of action to develop and maintain a comprehensive vendor management program. Management has appointed the Operations and Information Technology Officer/ISO to oversee management of the vendor management program. This individual reports directly to the Information Systems (IS) Steering Committee and management. The Senior Operations Officer is the focal point for vendor management standards established by the IS Steering Committee and is responsible for implementation of procedures relating to vendor management. A vendor relationship subcommittee has been established to provide assistance and promote appropriate oversight of third party vendors and service providers, especially technology service providers, who provide products, services, and support for other such activities. Current subcommittee members consist of the Risk Management Officer, the Operations and Information Technology Officer/ISO, the Senior Operations Officer, and the Assistant Compliance Manager.

The vendor management program is used to identify, measure, monitor, and control the risks associated with outsourcing arrangements. Outsourced relationships are addressed from an end to end perspective. The vendor management process reviews and evaluates the internal controls, maintenance and upkeep of an outsourced product or system, and the financial condition of third party vendors or service providers prior to selection for a new product or service, or as a condition for continued support of products and services. Third party vendors and service provider

relationships are ranked by risk (High, Moderate, Low) annually as part of subcommittee s ongoing efforts. Rankings are based on the residual risk of the relationship after analyzing the quantity of risk relative to the controls over those risks. Relationships with high risk ratings receive more frequent and stringent monitoring for due diligence, performance (financial and/or operational), and independent control validation reviews.

Management and the Board of Directors use oversight and monitoring documentation when renegotiating contracts, as well as in developing contingency planning requirements. Third party vendors and service providers may be required to sign a formal confidentiality and non-disclosure agreement. Such an agreement binds these parties to the same standards and level of data confidentiality and controls as those adhered to by the Company. High risk third party vendors and service providers may be required to provide proof of bonding or insurance. The Senior Operations Officer reports annually to the Board of Directors providing an update on the status of the vendor management program along with any significant changes or recommendations to the program.

Audit Committee Report

The Audit Committee of the Board of Directors submits the following report on the performance of its responsibilities for the year 2017. The purposes and responsibilities of the committee are elaborated in the committee charter. The Board of Directors has determined that Steven A. Everhart, Chairman of the Audit Committee, is a financial expert as defined under the regulations promulgated under Sarbanes-Oxley. Mr. Everhart and all of the other members of the Audit Committee have been determined by the Board of Directors to be independent under the listing standards of the NASDAQ Marketplace Rules.

Management of the Company has primary responsibility for the financial statements and the overall reporting process, including the Company s system of internal controls. The independent auditors are responsible for performing an independent audit of the Company s consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (PCAOB/United States). This audit serves as a basis for the auditors opinion in the annual report to shareholders addressing whether the financial statements fairly present the Company s financial position, results of operations and cash flows. The Audit Committee s responsibility is to monitor and oversee these processes.

In reviewing the independence of the Company s external auditors, the committee received from BKD, LLP (BKD) the written disclosures and a letter regarding relationships between BKD and its related entities and the Company and its related entities and discussed with BKD its independence from the Company as required by the applicable requirements of the PCAOB.

In fulfilling its responsibilities relating to the Company s internal controls, accounting and financial reporting policies and auditing practices, the committee has reviewed and discussed with management and BKD the Company s audited financial statements for 2017. In this connection, the committee has discussed with BKD its judgments about the quality, in addition to the acceptability, of the Company s accounting principles as applied in its financial reporting, as required by Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1. AU section 380), as adopted by the PCAOB in Rule 3200T. Based on these reviews and discussions, the committee recommended to the Board of Directors that the audited financial statements be included in the Company s Annual Report on SEC Form 10-K for the year ended December 31, 2017 for filing with the Securities and Exchange Commission.

Respectfully submitted by the members of the Audit Committee:

Steven A. Everhart, Chairman

Jo Ellen Hornish, Steven J. Planson, Dr. K. Brad Stamm

Selection of Auditors/Principal Accounting Firm Fees

The firm of BKD, independent registered public accountants, was retained by the Audit Committee on behalf of the Company as auditors of the Company and its subsidiary for the 2017 fiscal year. BKD was engaged to provide independent audit services for the Company and its subsidiary and to provide certain non-audit services including

advice on accounting, tax and reporting matters. BKD has again been engaged to provide such services for the 2018 fiscal year. The Board of Directors expects that a representative of BKD will be present at the Annual Meeting, will have the opportunity to make a statement if they desire to do so, and will be available to respond to appropriate questions. The Company has been advised by BKD that no member of that firm has any financial interest, either direct or indirect, in the Company or its subsidiary, other than as a depositor, and it has no connections with the Company or its subsidiary in any capacity other than that of public accountants.

BKD and its affiliates billed the aggregate fees shown below for audit, audit related matters, tax and other services rendered to the Company and its subsidiary for the years 2017 and 2016. Audit fees include fees billed in connection with the audit of the Company s annual financial statements, fees billed for the review of the unaudited financial statements contained in the Company s periodic reports on Form 10-Q, as filed with the Securities and Exchange Commission and assistance in compliance with the internal control requirements mandated by Section 404 of Sarbanes-Oxley. Audit related fees may include consulting on other accounting matters. Tax consulting services included assistance regarding franchise tax and federal and state income tax planning.

BKD and its affiliates billed the following amounts to the Company and its subsidiary during 2017 and 2016, respectively for audit, audit related fees, tax fees and all other fees:

	BKD -2017	BKD - 2016
Audit fees [1]	$ 166,000	$ 160,000
Audit Related fees	$ 0	$ 0
Tax fees [2]	$ 24,800	$ 19,300
All other fees	$ 0	$ 0
TOTAL	$ 190,800	$ 179,300

(1) Includes fees for the audit of the consolidated financial statements and for review of interim financial information contained in the quarterly reports on Form 10-Q.
(2) Includes fees for tax compliance services, including preparation of federal and state income tax returns, preparation of property tax returns, and tax payment and planning services.

All the services noted above were approved in advance by the Audit Committee in accordance with the requirements of the Audit Committee Charter.

PROPOSAL TWO

Advisory Vote on the Appointment of the Independent Registered Public Accounting Firm

The Audit Committee of the Board of Directors proposes and recommends that the shareholders approve the selection by the Committee of the firm of BKD, LLP to serve as the Company s independent registered public accounting firm for the 2018 fiscal year. Action by the shareholders is not required by law in the appointment of an independent registered public accounting firm, but their appointment is submitted by the Audit Committee of the Board of Directors in order to give the shareholders a voice in the designation of auditors. If the resolution approving BKD, LLP as the Company s independent registered public accounting firm is rejected by the shareholders, the Committee will reconsider its choice of independent auditors. Even if the resolution is approved, the Audit Committee in its discretion may direct the appointment of different independent auditors at any time during the year if it determines that such a change would be in the best interests of the Company and its shareholders.

Vote Required to Approve

The affirmative vote of a majority of the votes cast by the holders of the Company s common stock is required to approve Proposal Two.

THE COMPANY S BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ADOPTION OF THE NON-BINDING ADVISORY PROPOSAL ON THE APPOINTMENT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.

Compensation Discussion and Analysis

Introduction. The Compensation Committee administers our executive compensation program. The committee, which is composed entirely of independent directors, is responsible for reviewing and determining executive officer compensation, for evaluating the President and Chief Executive Officer, for overseeing the evaluation of all other officers and employees, for administering our incentive compensation programs (including the long-term stock incentive plan), for approving and overseeing the administration of our employee benefits programs, for providing insight and guidance to management with respect to employee compensation, and for reviewing and making recommendations to the Board with respect to director compensation. The President and Chief Executive Officer participates with respect to making recommendations concerning annual salary adjustments and long term equity incentive compensation regarding executive officers (other than himself) of the Company.

The Compensation Committee operates under a charter adopted by the Board of Directors. Annually, the Compensation Committee reviews the adequacy of its charter and recommends changes to the Board for approval. The Compensation Committee meets at scheduled times during the year and also acts upon occasion by written consent. The Chair of the Compensation Committee reports on committee activities and makes committee recommendations at meetings of the Board of Directors.

Compensation Philosophy. Our executive compensation programs seek to achieve and maintain equity with respect to balancing the interests of shareholders and executive officers, while supporting our need to attract and retain competent executive management. The Compensation Committee has developed an executive compensation policy, along with supporting executive compensation plans and programs, which are intended to attain the following objectives:

Support a pay-for-performance policy that rewards executive officers for corporate performance.

Motivate executive officers to achieve strategic business goals.

Provide competitive compensation opportunities critical to the Company s long-term success.

The committee collects and analyzes comparative executive compensation information from relevant peer groups, approves executive salary adjustments, recommends executive discretionary cash-based incentive/compensation program thresholds, and administers the Company s long term stock incentive plan (the Long Term Incentive Plan). Additionally, from time to time, the committee reviews other human resource issues, including benefits, management performance appraisals, and succession planning.

The committee uses comparisons of competitive executive pay practices taken from banking industry compensation surveys and, from time-to-time, consultation with independent executive compensation advisors. Peer groups and competitive compensation practices are determined using executive compensation packages at bank holding companies and subsidiaries of comparable size to the Company and its subsidiary. In evaluating Peer Group Companies, the base salary and incentive compensation paid to the chief executive officer of each of the following nine peer bank holding companies (symbol), as well as the respective ROA (Return on Assets) of each are taken into consideration. The committee reviews this information at least once a year in conjunction with events in the industry and marketplace to determine if any changes or revisions are deemed necessary. For 2017 compensation considerations, the Peer Group Companies consisted of nine bank holding companies: Civista Bancshares (CVIB), Farmers National Banc Corp. (FMNB), First Defiance Financial Corp (FDEF), Mutual First Financial, Inc. (MFSF), Horizon Bancorp (HBNC), LCNB Corp. (LCNB), MBT Financial Corp. (MBTF), SB Financial Group, Inc. (SBFG), and United Bancshares Inc. (UBOH).

The financial performance of the selected peer group bank holding companies is also evaluated relevant to the performance of peers located outside of the Midwest, which information is made available by the FDIC as part of its Uniform Bank Performance Report. The Company may periodically review and adjust the selected peer group companies in conjunction with a regular review of executive compensation pay and practices in connection with future compensation decisions.

In making its decisions regarding annual salary adjustments, the committee reviews quantitative and qualitative performance factors as part of an annual performance appraisal. These are established for each executive position and the performance of the incumbent executive is evaluated annually against these standards. This appraisal is then integrated with market-based adjustments to salary ranges to determine if a base salary increase is merited.

The committee administers the cash-based incentive compensation program and the Long Term Incentive Plan. Cash-based incentive bonuses and equity awards are at-risk compensation. Awards under these programs are recommended by the committee to the Board of Directors when, in the judgment of committee members, such awards are deemed to provide executive officers a reasonable incentive for the achievement of the Company s mid and long-term strategic objective, and are otherwise justified by the performance of executive officers in relation to the performance of the Company.

The accounting and tax treatment of particular forms of compensation do not materially affect the committee s compensation decisions. However, the committee evaluates the effect of such accounting and tax treatment on an ongoing basis and will make appropriate modifications to its compensation policies where appropriate.

Components of Compensation. The elements of total compensation paid by the Company to its senior officers, including the President and Chief Executive Officer (the CEO) and the other executive officers identified in the Summary Compensation Table which appears following this Compensation Discussion and Analysis (the CEO and the other executive officers identified in that Table are sometimes referred to collectively as the Named Executive Officers), include the following:

Base salary;

Awards under our cash-based incentive compensation program;

Awards under our Long Term Incentive Plan;

Benefits under our Profit Sharing Plan; and

Benefits under our health and welfare benefits plans.

Base Salary. The base salaries of the Named Executive Officers are reviewed by the committee annually as well as at the time of any promotion or significant change in job responsibilities. The committee reviews peer group data to establish a market-competitive executive base salary program, in conjunction with a formal performance appraisal system that focuses on awards that are integrated with

strategic corporate objectives. Salary income for each Named Executive Office for calendar year 2017 is reported in the Salary column 1 of the Summary Compensation Table, which appears following this Compensation Discussion and Analysis.

In making its decisions regarding annual salary adjustments for 2018, the Compensation Committee reviewed quantitative and qualitative performance factors as part of an annual performance appraisal. This appraisal is then integrated with market-based adjustments to salary ranges to determine if a base salary increase is merited. Based on these factors, the committee increased Mr. Siebenmorgen s annual base salary by 3.00% for 2018.

Cash-Based Incentive Compensation Program. The Company has established a cash-based incentive compensation program. The cash incentive for executive officers under this plan is based on two criteria. The first is return on average assets (ROA) of the Bank.

If the ROA of the Bank equals the target ROA of 1.00%, executive officers receive the full cash incentive established. The targeted goal of ROA is based on reviewing the projected budget, the five and ten year history and average of the Bank along with peer, industry, and other information requested by the Compensation Committee. The calculated ROA is inclusive of the cost of the incentive and is net of the captive insurance expense at the Bank level. The full cash incentive under this criterion is equivalent to 30% of base salary for the CEO and 20% of base salary for the remaining executive officers. If the ROA of the Bank is equal to .70%, fifty percent of the incentive is paid. If the ROA is between .70% and 1.00%, the incentive is paid on a prorated basis. Should the ROA exceed 1.00%, the incentive paid would be increased accordingly. At an ROA of .65%, a forty percent payout is made. Again, with ROA between .65% and .70%, the payout is prorated. Should the ROA be below .65%, no cash incentive is paid under the computation; incentive compensation would then be paid under the same terms to all employees of the Bank. The projected 2017 incentive was based on a calculated ROA base of 1.096% which is inclusive of the cost of the incentive and is net of the captive insurance expense. An ROA of 1.192% at the Bank level exceeded the target ROA of 1.00% which is equivalent to a 132.0% payout of the incentive. Based on a 132.0% payout, 39.6% of base salary is to be paid to the CEO and 26.4% of base salary is to be paid to the remaining executive officers. The percentage of base salary for this 2017 incentive is paid in the first quarter 2018. The target percentage along with budget and base may be adjusted for 2018.

The second criterion used in determining the cash incentive to be paid to executive officers is earnings per share (EPS) of the Company. The target EPS goal is based on reviewing past performance and history and the projected EPS from the budget. Based on the Company s two-for-one stock split on September 20, 2017, the EPS incentive target ranges were adjusted on a split basis as follows: a 5% incentive would be paid for an EPS of $0.925, a 10% incentive would be paid for an EPS of $1.05, and a 15% incentive would be paid for an EPS of $1.175. If the EPS is below $0.925, an incentive would not be paid for this criterion. An EPS in between the stated targets or exceeding $1.175 would be adjusted accordingly. Under this criterion, a split adjusted EPS of $1.26 was used for the projected 2017 incentive. An EPS of $1.375 resulted in a prorated payout of 148.7% of total goal which is equivalent to 23.0% of base salary paid to all executive officers. The percentage of base salary for the 2017 incentive is paid in the first quarter 2018. The target EPS and corresponding percentages may be adjusted for 2018.

The budget or forecast ROA and EPS used for the 2017 incentives were set equivalent to the expected performance of normal operations.

In establishing dual incentives for the executive officers of the Bank, the objective of the Company is to limit the risk exposure to compensating for short term gains while still recognizing the importance of return to its shareholders each year. Thus more emphasis is placed on rewarding for stable, long term performance through the use of ROA criterion along with a higher percentage of pay at risk. The EPS criterion recognizes a yearly target and focuses on the importance of earning performance and its impact on maintaining a healthy profitable corporation from which to pay dividends to shareholders and to maintain and improve the value of their stock. Each year, the committee sets goals

for each incentive which it believes are attainable, but still require executives performance at a consistently

high level to achieve target award levels. As such, the Company believes it has established an equitable and reasonable balance in the incentives for executive management. Given that the target ROA and EPS may be adjusted each year at the Board s discretion, the Company feels it has established a plan that is beneficial to both its executives and shareholders by placing overall emphasis on corporate performance and return to shareholders.

Further discussion of the Bank s overall incentive plan may be found in the 2017 financial report and 10-K.

Incentive Stock Compensation. The Bank uses the grant of stock awards under our Long Term Incentive Plan as the primary vehicle for providing long-term incentive compensation opportunities to its officers, including the Named Executive Officers. The grant of stock awards is intended to serve as both a recruitment tool, as well as an officer retention tool, and as such requires a three-year cliff vesting period prior to issuance without restrictions. Officers and Named Executive Officers past and future services are considered for grants of stock awards. The Bank has not adopted any specific policy regarding the amount or timing of any stock-based compensation under the plan. The number of shares underlying the award granted to each Named Executive Officer in 2017 is set forth in the Grants of Plan Based Awards Table and the fair value dollar amount, determined on the grant date, for calendar year 2015, 2016, and 2017 with respect to each such award is set forth in the column titled Stock Awards of the Summary Compensation Table, each of which follows. Information concerning the number of stock awards held by each Named Executive Officer as of December 31, 2017 is set forth in the Outstanding Equity Awards at Fiscal Year-end Table, which also follows.

Profit Sharing Plan. The Bank has established a 401(k) profit sharing plan that allows eligible employees to save at a minimum one percent of eligible compensation on a pre-tax basis, subject to certain Internal Revenue Service limitations. The Bank will match 50% of employee 401(k) contributions up to four percent of total eligible compensation. In addition, the Bank may make a discretionary contribution from time to time as is deemed advisable. A participant is 100% vested in the participant s deferral contributions. A six-year vesting schedule applies to employer discretionary contributions and employee matching contributions. In order to be eligible to participate, the employee must be 21 years of age, have completed six months of service, work 1,000 hours in the plan year and be employed on the last day of the year. Entry dates have been established at January 1 and July 1 of each year. The plan calls for only lump-sum distributions upon either termination of employment, retirement, death, or disability. The Company s contribution to the plan made on behalf of the Named Executive Officers is included under the All Other Compensation column in the Summary Compensation Table.

Health and Welfare Benefits. The Company provides healthcare, life and disability insurance and other employee welfare benefits programs to its employees, including its executive officers. The committee is responsible for overseeing the administration of these programs and believes that its employee benefits programs should be comparable to those maintained by other members of the relevant peer groups so as to assure that the Company is able to maintain a competitive position in terms of attracting and retaining officers and other employees. Except for our Executive Survivor Income Agreement, our employee benefits plans are provided on a non-discriminatory basis to all employees.

The Company has entered into Executive Survivor Income Agreements with some of the Named Executive Officers that provide certain death benefits to the executive s beneficiaries upon his or her death. The agreements provide a pre-retirement and post-retirement death benefit payable to the beneficiaries of the executive in the event of the executive s death. The Company had originally purchased life insurance policies on the lives of all participants covered by these agreements in amounts sufficient to provide the sums necessary to pay the beneficiaries. As the employees age and their pay increased, the Company is made whole on its investment before beneficiaries receive any proceeds. Therefore, over time, the death benefit payable to the beneficiary may be smaller than the previously anticipated value. One former executive and one current Named Executive Officer have been impacted. The actual gross death benefit amounts payable under this plan are disclosed under Payments and Benefits in Connection with Termination or Change-in-Control.

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Consideration of Advisory Vote on Executive Compensation. The Company again conducted an advisory vote on executive compensation. Votes cast on that advisory proposal indicated a significant level of support in favor of the Company s compensation policies and practices as disclosed in the proxy statement for the 2017 Annual Meeting. Results were favorably comparable to the previous advisory vote on executive compensation which was conducted at the Company s 2014 Annual Meeting of Shareholders. As a result of this strong shareholder support, the Board of Directors and the Committee did not believe that any significant changes to the Company s compensation policies and practices were needed to address shareholder concerns.

Consideration on Frequency of Advisory Vote on Executive Compensation. The Company conducted its second advisory vote on the frequency with which shareholders of the company should vote on the executive compensation program. Votes cast on the advisory proposal were again in favor of holding future advisory votes on the Company s executive compensation program at a frequency of every three years. Based on the voting results, the Board of Directors and the Committee did not believe any changes were needed to the frequency with which shareholders of the company would be asked to endorse the executive compensation program.

2017 Executive Officer Compensation Program. For 2017, the Named Executive Officers in the Summary Compensation Table received salaries that were intended to maintain their compensation at a competitive level, and acknowledge the competitive market conditions in which the Bank s business continues to be conducted.

To aid in determining chief executive officer compensation for 2017, the Company used compensation data from peer bank holding companies which are similar in size ($628.8 million to $2.36 billion in assets), and geographic locations (located in Ohio, Indiana, and Michigan), and which are also publicly held and performing similarly to the Company as one piece of information. Data is obtained from the proxy statements filed by those companies as of the previous year end. This provided a regional comparison in addition to compensation data obtained from other state or national peer comparisons.

For 2017 executive officer compensation, the President and CEO and the CFO, participated in the presentation portion of the meeting at which compensation information was presented and reviewed. The committee then met in executive session and made its own determinations regarding compensation for the President and CEO and all other executive officers. Adjustments in 2017 base salary were based upon each Named Executive Officer s annual performance review, an annual review of peer compensation, and the overall performance of the Company. These adjustments are consistent with the Company s salary budget which is approved by the Compensation Committee and becomes part of the overall budget approved annually by the Board of Directors.

As part of its compensation program the Company has entered into agreements with some of the Named Executive Officers pursuant to which they will be entitled to receive severance benefits upon the occurrence of certain enumerated events following a change in control. The events that trigger payment are generally those related to termination of employment without cause or detrimental changes in the executive s terms and conditions of employment. See Employment Contracts and Payments Upon Termination of Change in Control that follows for a more detailed description of these events. The Company believes that this structure will help: (i) assure the executives full attention and dedication to the Company, free from distractions caused by personal uncertainties and risks related to a pending or threatened change in control, (ii) assure the executives objectivity for shareholders interests, (iii) assure the executives of fair treatment in case of involuntary termination following a change in control, and (iv) attract and retain key talent during uncertain times.

Risk Management and Compensation. The compensation policies and practices of the Company are not believed to create risks that are reasonably likely to have a material adverse effect on operations or financial results. The compensation policies and practices of the Company are not designed to provide enormous bonuses and do not encourage employees to take undue amounts of risk. The incentives provided to employees are designed to encourage sound performance over time rather than the pursuit of immediate high-risk profits. The policies and practices of the

Company include controls that mitigate the potential impact of compensation policies that might otherwise create unacceptable levels of risk.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Non-Equity Incentive Compensation ($)[1]	Stock Awards ($)[2]	Option Awards ($)	All Other Compensation ($)[3]	Total ($)
Paul S. Siebenmorgen	2017	362,300	210,179	111,160	0	32,195	715,834
President and Chief Executive	2016	355,431	199,130	64,000	0	31,729	650,290
Officer (PEO)[4]	2015	345,395	185,500	52,700	0	30,386	613,980
Barbara J. Britenriker	2017	203,000	100,282	55,580	0	27,497	386,360
Executive Vice President (PFO)	2016	197,000	94,560	19,200	0	26,784	337,544
	2015	184,680	84,461	15,810	0	24,039	308,990
Todd A. Graham	2017	181,030	89,429	11,116	0	18,817	300,393
Executive Vice President	2016	177,480	85,190	16,000	0	18,573	297,244
	2015	174,000	79,577	15,810	0	17,293	286,680
Edward A. Leininger	2017	181,030	89,429	22,320	0	25,154	317,933
Executive Vice President	2016	177,480	85,190	16,000	0	24,785	303,455
	2015	174,000	79,577	15,810	0	23,383	292,770
Rex D. Rice	2017	171,000	84,474	38,906	0	23,620	318,000
Executive Vice President	2016	166,000	76,680	19,200	0	23,030	284,909
	2015	161,000	73,632	15,810	0	20,655	271,097

Summary Compensation Table Footnotes:

(1) Reflects payments made pursuant to the Company s cash-based incentive compensation program discussed more thoroughly under the section of this Proxy Statement captioned Compensation Discussion and Analysis .

(2) Reflects the dollar amount at the market value on the grant date of each year in which restricted stock awards were granted under the Long Term Incentive Plan, as discussed more thoroughly under the section of this Proxy Statement captioned Compensation Discussion and Analysis . Each award vests three years following the date of grant.

(3) Includes contributions to the Company s defined contribution profit sharing and 401(k) plan and certain life insurance premiums paid by the Company for the benefit of the Named Executive Officer as follows:

Table for Footnote[3]

Name	Retirement Contributions ($)	Life Insurance Premiums ($)	Total ($)
Paul S. Siebenmorgen	31,206	989	32,195
Barbara J. Britenriker	26,891	606	27,497
Todd A. Graham	18,274	543	18,817
Edward A.Leininger	24,611	543	25,154
Rex D. Rice	23,106	514	23,620

(4) Fees paid to Mr. Siebenmorgen as a Director of the Company and the Bank (which totaled in 2017, $26,550, $24,650 in 2016, and $21,100 in 2015) are included in the amounts listed above in the salary column.

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Narrative Explanation to the Summary Compensation table

Named Executive Officers participate in an annual cash-based incentive compensation program that provides for awards tied to the profit performance of the Company during the fiscal year. The amounts set forth in the Non-Equity Incentive Compensation column represent the awards made under the terms of the Plan for 2017 which will be paid to the respective Named Executive Officer during the first quarter of 2018. The awards under the plan in 2015 and 2016 were also paid out to officers in the first quarter of the following year. Refer to the compensation discussion and analysis for a complete explanation of the Plan.

The stock awards reported in the Summary Compensation Table represent the dollar amount valued as of the grant date of restricted stock awards to Named Executive Officers. The vesting of all of the awards of restricted stock made to date under the terms of the Long Term Incentive Plan occurs three years following the grant.

Outstanding Equity Awards at 2017 Fiscal Year-End Table

Name and Principal Position	Number of Shares or Units of Stock that have not Vested[1, 2] **(#)**	Market Value of Shares or Units of Stock that have not Vested[3] **($)**
Paul S. Siebenmorgen, President and CEO (PEO)	12,000	489,600
Barbara J. Britenriker, Executive Vice President (PFO)	4,400	179,520
Todd A. Graham, Executive Vice President	2,600	106,080
Edward A. Leininger, Executive Vice President	3,000	122,400
Rex D. Rice, Executive Vice President	3,800	155,040

(1) Vesting dates for reported stock awards under the Long Term incentive Plan are as follows:

Name	Shares Vesting on 8/21/18 [2]	Shares Vesting on 8/19/19 [2]	Shares Vesting on 8/18/20 [2]
Paul S. Siebenmorgen	4,000	4,000	4,000
Barbara J. Britenriker	1,200	1,200	2,000
Edward A. Leininger	1,200	1,000	800
Todd A. Graham	1,200	1,000	400
Rex D. Rice	1,200	1,200	1,400

(2) Shares adjusted for the 2-for-1 stock split on September 20, 2017.

(3) Market value based on market price on December 31, 2017 of $40.80.

2017 Vesting of Stock Awards Granted 8/15/2014 under the Long Term Incentive Plan

Name	Stock Awards	
	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting [4] ($)
Paul S. Siebenmorgen	1,100	62,205
Barbara J. Britenriker	500	28,275
Edward A. Leininger	500	28,275
Todd A. Graham	500	28,275
Rex D. Rice	520	29,406

(4) The value realized on vesting is based on the market value of Company shares on the vesting date.

2017 Grants of Plan-Based Awards

Name and Principal Position	Year	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units [1] (#)	Grant Date Fair Value of Stock and Option Awards ($)
Paul S. Siebenmorgen, President and CEO (PEO)	2017	8/18/2017	4,000	111,160
Barbara J. Britenriker, EVP (PFO)	2017	8/18/2017	2,000	55,580
Todd A. Graham, EVP	2017	8/18/2017	400	11,116
Edward A.Leininger, EVP	2017	8/18/2017	800	22,320
Rex D. Rice, EVP	2017	8/18/2017	1,400	38,906

[1] Adjusted for the 2-for-1 stock split on 9/20/2017.

Narrative Explanation to the Grants of Plan-Based Awards table

The above amounts represent information regarding restricted stock awards made to each of the respective Named Executive Officers during 2017 under the terms of the Company s Long Term Incentive Plan. The awards vest in full after three years of service from the date of grant to the respective officer. The vesting of the awards is accelerated in the event of the death or disability of the officer or upon a change in control.

Post-Employment Compensation/Change in Control Agreements

The Company entered into Change in Control Severance Compensation Agreements with its executive officers, Mr. Siebenmorgen, Ms. Britenriker, Mr. Leininger, and Mr. Rice. These agreements provide for payment of an amount equal to one year s compensation to the executives, or two years compensation for Mr. Siebenmorgen and Ms. Britenriker, in the event that the executive s employment is terminated in connection with a Change in Control as defined in the Agreements. No payments will be made in such event if the executive is terminated for cause.

If a change in control had occurred as of December 31, 2017, this would have resulted in payments to the executives as shown on the following table. In addition to the payment equal to two times their annual salary for Mr. Siebenmorgen and Ms. Britenriker and one times their annual salary for Mr. Leininger and Mr. Rice, the Agreements provide for the continuation of health insurance and other benefits for the remainder of the Benefit Period, as defined in the Agreements, which amounts are also included in the table. Under the terms of the restricted stock awards, all granted shares would be accelerated to 100% vested and given to the officers. The values of these shares are shown using the market value as of December 31, 2017 at $40.80.

Also included in the table are amounts that would be payable to the executive or their estate upon the death of the executive pursuant to individual executive survivor income agreements (ESIA). See the section of the Compensation Discussion and Analysis captioned Components of Compensation - Health and Welfare Benefits for additional information regarding the ESIA. In addition, all unvested stock awards would also immediately vest upon the death or permanent disability of an executive officer.

Potential Payments upon Termination of Employment or Change in Control

Name of Executive	(2x Salary and Bonus)	Continuation of Health and Welfare Benefits	Acceleration of Stock Awards	Total	Payment on Death or Disability Under ESIAs
Paul S. Siebenmorgen	$ 1,121,140	$ 37,873	$ 489,600	$ 1,648,613	$ 252,605
Barbara J. Britenriker	$ 592,203	$ 23,313	$ 179,520	$ 795,036	$ 300,000
	(1x Salary and Bonus)				
Edward A. Leininger	$ 265,762	$ 13,032	$ 122,400	$ 401,195	$ 280,778
Rex D. Rice	$ 250,262	$ 14,393	$ 155,040	$ 419,695	$ 250,000

CEO Pay Ratio Disclosure

Introduction. The Securities and Exchange Commission adopted a rule under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) requiring annual disclosure of the ratio of the median employee s annual total compensation to the total annual compensation of the president and chief executive officer (CEO). The purpose of the new required disclosure is to provide a measure of the equitability of pay within the organization. We believe our executive compensation program must be consistent and internally equitable to motivate our employees to perform in ways that enhance shareholder value. We are committed to internal pay equity, and the Compensation Committee monitors the relationship between the pay of our executive officers and the pay of our non-executive employees.

The Compensation Committee reviewed a comparison of our CEO s annual total compensation in fiscal year 2017 to that of all other Company employees for the same period.

Identification of Median Employee. The Median Employee was identified by examining the Company s payroll records for all individuals, excluding the CEO, who were actively employed by the Company on December 31, 2017 (whether employed on a full-time, part-time, or seasonal basis). As of this date, the Company employed 273 individuals. For such employees, no assumptions, adjustments, or estimates with respect to total cash compensation were made. Wages and salaries were not annualized for those employees that were not employed for the full year of 2017.

Pay Elements. For simplicity, the Company s contribution to the 401(k) profit sharing plan and the medical benefits provided were excluded as all employees including the CEO are offered the exact same benefits and the Company utilizes the Internal Revenue Service safe harbor provision for 401(k) discrimination testing. Additionally, the Group Term Life Insurance and Accidental Death and Dismemberment benefits were excluded as these benefits cover all employees though the benefit would differ based on age and base salary.

The Median Employee identified is not an Officer of the Company and thus is not eligible for compensation elements available to Officers. As a Director of the Company, Mr. Siebenmorgen is paid director fees separately.

Pay elements included in the annual total compensation calculation for each employee include:

- Base salary received in fiscal year 2017
- Annual incentive payment based on Company performance in fiscal year 2017

Pay Ratio Disclosure. Based on the above methodology for determining annual total compensation for comparison purposes, the annual total compensation for fiscal year 2017 for our CEO was $657,089, and for the Median Employee was $32,503. The resulting ratio of our CEO s pay to the pay of our Median Employee for fiscal year 2017

is 20.2 to 1.0.

Director Compensation Discussion

The Compensation Committee reviews the level of compensation of our directors on an annual basis. To determine the appropriateness of the current level of compensation for directors, the committee has historically obtained data from a number of different sources including publicly available data describing director compensation in peer companies and survey data collected by a member of the Compensation Committee.

At the committee s request, the President and Chief Executive Officer compiled an analysis of director fees and the number of directors from the nine peer bank holding companies also used for comparison of executive officer compensation. The committee reviews this information at least once a year in conjunction with events in the industry and marketplace to determine if any changes or revisions are deemed necessary.

Cash compensation is paid to directors in the form of retainers and meeting fees. The director fee structure effective January 1, 2017 was as follows:

Director Retainer Fee of $16,200 per year;

Chairman of the Board Retainer Fee of $19,200 per year;

Directors Fee of $700 per board meeting attended;

Audit Committee Chairman Fee of $700 per meeting attended; and

Meeting Fees for Other Board Committees of $550 per meeting attended.

Directors participating in a meeting by telephone/video conference call were compensated one-half the meeting fee for that particular meeting. The following table regarding Director Fees Earned or Paid in Cash reflects the fee structure in effect during 2017.

The committee reviewed the director fee structure in November 2017. Based on the size of the Bank and the Bancorp s recent listing on the NASDAQ Capital Market Exchange, adjustments to the Board Retainer Fees and Meeting fees were recommended. The following director fee structure became effective January 1, 2018:

Director Retainer Fee of $21,000 per year;

Chairman of the Board Retainer Fee of $24,000 per year;

Directors Fee of $750 per board meeting attended;

Board Committee Chairman Fee of $700 paid to All Board Committee Chairpersons per board committee meeting attended; and

Meeting Fees for Other Board Committees of $600 per board committee meeting attended.

In addition, directors participating in a meeting by telephone/video conference call will continue to be compensated one-half the meeting fee for that particular meeting. Employee directors are not paid for committee meetings.

2017 Director Compensation

Name	Fees Earned or Paid in Cash
Eugene N. Burkholder	$ 28,750
Steven A. Everhart	$ 35,450
Jo Ellen Hornish	$ 31,425
Jack C. Johnson	$ 36,150
Marcia S. Latta	$ 26,725
Steven J. Planson	$ 32,050
Anthony J. Rupp	$ 29,500
Kevin J. Sauder	$ 27,850
K. Brad Stamm	$ 30,400

Director compensation must retain and help attract appropriate individuals to serve. In consideration of the Company s listing on the NASDAQ Capital Market Exchange and based on a Director s increased responsibility and accountability, the committee feels director compensation should be fair and equitable in comparison to peers. In light of the current regulatory focus on the banking industry, increased shareholder and public scrutiny, and the economic times, performance expectations such as wise counsel, strong leadership, and board member involvement through regular board meeting and committee meeting attendance are extremely important and should be appropriately compensated.

Compensation Committee Report on Executive Compensation

The Compensation Committee is responsible for discharging the responsibilities of the Board with respect to the compensation of executive officers. The Compensation Committee sets performance goals and objectives for the President and Chief Executive Officer and the other executive officers, evaluates their performance with respect to those goals and sets their compensation based upon the evaluation of their performance. In evaluating executive officer pay, the Compensation Committee may retain the services of a compensation consultant and consider recommendations from the President and Chief Executive Officer with respect to goals and compensation of the other executive officers. The Compensation Committee assesses the information it receives in accordance with its business judgment. The Compensation Committee also periodically reviews director compensation. All decisions with respect to executive and director compensation are approved by the Compensation Committee and recommended to the full board for ratification.

The Compensation Committee has reviewed and discussed the disclosures contained in the section of this Proxy Statement captioned Compensation Discussion and Analysis (the CD&A) with management. In reliance on the reviews and discussions referred to above, the Compensation Committee recommended to the Board, and the Board has approved, that the CD&A be included in the proxy statement for the 2018 Annual Meeting of Shareholders.

Respectfully submitted by the Compensation Committee of the Board of Directors:

Kevin J. Sauder, Chairman

Steven A. Everhart, Jack C. Johnson, Anthony J. Rupp

Related Party Transactions

Director Independence

The Corporate Governance and Nominating Committee of the Board of Directors of the Company undertakes a review of director independence annually and reports on its findings to the full Board in connection with its recommendation of nominees for election to the Board of Directors. Based upon this review, the Board of Directors has determined that all directors have met the independence standards of the NASDAQ Marketplace Rules, with the exception of Mr. Siebenmorgen, the current President and Chief Executive Officer. In determining the independence of the members of the Board of Directors, the Corporate Governance and Nominating Committee and the Board considered the following relationship:

Steven A. Everhart, who currently serves as the Chairman of the Audit Committee, is related indirectly by marriage to Marilyn Johnson, Vice President and Compliance Manager of the Bank, who is not deemed to be an executive officer of the Bank or Company.

Transactions with Related Parties

Certain directors, nominees, and executive officers or their associates were customers of and had transactions with the Company or its subsidiary during 2017. Transactions that involved loans or commitments by the Bank were made in the ordinary course of business and on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated persons and did not involve more than the normal risk of collectability or present other unfavorable features. No director, executive officer or beneficial owner of more than five percent of the Company s outstanding voting securities (or any member of their immediate families) engaged in any transaction (other than loan transactions in the ordinary course as described) with the Company during 2017, or proposes to engage in any transaction with the Company, in which the amount involved exceeds $120,000.

Review, Approval or Ratification of Transactions with Related Persons

The Company s Code of Ethics and Business Conduct requires that all related party transactions be pre-approved by the Company s Audit Committee. Exemptions from that pre-approval requirement are routine banking transactions, including deposit and loan transactions, between our subsidiary and any related party that are made in compliance with, and subject to the approvals required by, all federal and state banking regulations. In making a determination to approve a related party transaction the Audit Committee will take into account, among other factors it deems appropriate, whether the proposed transaction is on terms no less favorable to the Company than those generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the related party s interest in the proposed transaction.

Compensation Committee Interlocks and Insider Participation

In 2017 the Compensation Committee members were Kevin J. Sauder, Chairman, Steven A. Everhart, Jack Johnson, and Anthony Rupp. No member of the Board s Compensation Committee is, or has been, an officer or employee of the Company, or has had any relationship with the Company or the Bank requiring disclosure under Item 404 of Regulation S-K under the Securities and Exchange Act of 1934. In addition, no executive officer of the Company or the Bank serves or has served as a member of the Compensation Committee or Board of Directors of any other company (other than the Bank) which employs any member of the Company s Board of Directors.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Company s officers and directors, and persons who own more than ten percent of a registered class of the Company s equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Officers, directors and greater than ten percent shareholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on review of the copies of such forms furnished to the Company, the Company believes that during 2017 all Section 16(a) filing requirements applicable to its officers and directors were met, except for the inadvertent failure of Director Eugene Burkholder to file one Form 4 in a timely manner in 2017 regarding one sale transaction. In addition, it came to the Company s attention that Director Burkholder inadvertently failed to timely file a Form 5 relating to a gift transaction that occurred in 2012 and a Form 4 relating to two separate purchase transactions which occurred in 2013. The Corporation believes that all delinquent reports on Form 4 have been filed with the SEC.

Proposals of Shareholders for Next Annual Meeting

Proposals of shareholders intended to be presented at the 2019 Annual Shareholders Meeting must be received at the Company s offices at 307 North Defiance Street, Archbold, Ohio 43502, prior to November 15, 2018 for inclusion in the proxy statement and form of proxy. Proposals from shareholders for next year s Annual Meeting received by the Company after January 29, 2019 will be considered untimely. With respect to such proposals, the Company will vote all shares for which it has received proxies in the interest of the Company as determined in the sole discretion of its Board of Directors. The Company also retains its authority to discretionarily vote proxies with respect to shareholder proposals received by the Company after November 15, 2018 but prior to January 29, 2019, unless the proposing shareholder takes the necessary steps outlined in Rule 14a-4(c)(2) under the Securities Exchange Act of 1934 to ensure the proper delivery of proxy materials related to the proposal.

Other Matters

The Board of Directors does not know of any other matters that are likely to be brought before the meeting. However, in the event that any other matters properly come before the meeting, the persons named in the enclosed proxy will vote said proxy in accordance with their judgment on such matters.

A copy of the Company s Annual Report to Shareholders for the year ended December 31, 2017 is enclosed. **A copy of the Company s Annual Report on Form 10-K for 2017, with exhibits, as filed with the Securities and Exchange Commission (2016 10-K), is available to any shareholder free of charge.** Shareholders desiring a copy of the 2017 10-K should address written requests to Ms. Barbara J. Britenriker, Chief Financial Officer of Farmers & Merchants Bancorp, Inc., 307 North Defiance Street, Archbold, Ohio 43502, and are asked to mark 2017 10-K Request on the outside of the envelope containing the request.

By Order of the Board of Directors

Lydia A. Huber
Corporate Secretary
Archbold, Ohio

March 15, 2018

IMPORTANT ANNUAL MEETING INFORMATION

Using a **black ink** pen, mark your votes with an **X** as shown in this example. Please do not write outside the designated areas.

q **PLEASE FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.** q

A Proposals The Board of Directors recommends a vote FOR all nominees listed and FOR Proposal 2.

1. Election of Directors - To elect the following ten nominees to the Board of Directors to serve until the Annual Meeting of Shareholders in 2019:

	For	Withhold		For	Withhold		For	Withhold
ugene N. Burkholder			02 - Steven A. Everhart			03 - Jo Ellen Hornish		
ack C. Johnson			05 - Marcia S. Latta			06 - Steven J. Planson		
nthony J. Rupp			08 - Kevin J. Sauder			09 - Paul S. Siebenmorgen		
. Brad Stamm								

	For	Against	Abstain
2. Nonbinding Auditor Ratification. An advisory vote on the ratification of the Company s appointment of the			
3. Other Business - To transact any other business which may properly come before the meeting or any adjournment of it.			

independent registered public
accounting firm, BKD, LLP.

B Authorized Signatures This section must be completed for your vote to be counted. Date and Sign Below
Please sign name as it appears. When shares are held by joint tenants, both should sign. (If signed in a fiduciary capacity, please give full fiduciary title. If signed by a corporation, Sign the full corporate name followed by the signature of the duly authorized officer. If signed by an agent, attach the instrument authorizing the agent to execute the proxy or a photocopy thereof.)

Date (mm/dd/yyyy) Please print date below.	Signature 1 Please keep signature within the box.	Signature 2 Please keep signature within the box.
/ /		

IF VOTING BY MAIL, YOU MUST COMPLETE SECTIONS A - B OF THIS CARD.

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Annual Meeting Materials are available on-line at:

http://www.fm.bank/proxy(FMAO)fm2017/fm_info.cfm

q **PLEASE FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.** q

REVOCABLE PROXY FARMERS & MERCHANTS BANCORP, INC.

ANNUAL MEETING OF SHAREHOLDERS

April 19, 2018

7:00 p.m.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The above signed hereby appoints Jack C. Johnson and Anthony J. Rupp, or either of them, with full power of substitution, for me and in my name, place and stead, to vote all the common stock of Farmers & Merchants Bancorp, Inc. registered in the name of the undersigned as of February 28, 2018, with all powers which the undersigned would possess if personally present at the Annual Meeting of Shareholders of Farmers & Merchants Bancorp, Inc. to be held in the Founders Hall at Sauder Village, 22611 State Route 2, Archbold, Ohio, on Thursday, April 19, 2018, at 7:00 P.M., (local time), and at any adjournments thereof, and to vote as noted below. By appointing the above named persons as proxy for me, I give them the right to vote cumulatively in the election of directors and to cast the number of votes among the nominees indicated in such proportion as they shall deem appropriate, in their sole discretion, unless I have withheld my vote for any nominee, in which case votes shall not be cast for that person. This proxy revokes all prior proxies given by the undersigned.

This proxy is solicited by the Board of Directors and, unless a choice is specified, confers authority to vote: FOR all nominees identified under Proposal 1 and FOR Proposal 2. If any other business is presented at the meeting, this proxy shall be voted in accordance with the recommendations of management. All shares represented by properly executed proxies will be voted as directed.

This proxy may be revoked prior to its exercise by either written notice or personally at the meeting or by a subsequently dated proxy.

PLEASE PROVIDE YOUR INSTRUCTIONS PROMPTLY IN THE ENCLOSED POSTAGE-PAID ENVELOPE.

IF VOTING BY MAIL, YOU MUST COMPLETE SECTIONS A - B OF THIS CARD.

IMPORTANT ANNUAL MEETING INFORMATION

Electronic Voting Instructions

Available 24 hours a day, 7 days a week!

Instead of mailing your proxy, you may choose one of the voting methods outlined below to vote your proxy.

VALIDATION DETAILS ARE LOCATED BELOW IN THE TITLE BAR.

Proxies submitted by the Internet or telephone must be received by 3:00 a.m. Eastern Standard Time April 19, 2018.

Vote by Internet

Go to **www.investorvote.com/FMAO**

Or scan the QR code with your smartphone

Follow the steps outlined on the secure website

Vote by telephone

Call toll free 1-800-652-VOTE (8683) within the USA, US territories & Canada on a touch tone telephone

Follow the instructions provided by the recorded message

Using a **black ink** pen, mark your votes with an **X** as shown in this example. Please do not write outside the designated areas.

q **IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.** q

A Proposals The Board of Directors recommends a vote FOR all nominees listed and FOR Proposal 2.

1. Election of Directors - To elect the following ten nominees to the Board of Directors to serve until the Annual Meeting of Shareholders in 2019:

For	Withhold		For	Withhold		For	Withhold
ugene N. Burkholder		02 - Steven A. Everhart			03 -Jo Ellen Hornish		
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nthony J. Rupp		08 -Kevin J. Sauder			09 - Paul S. Siebenmorgen		
. Brad Stamm							

	For	Against	Abstain
2. Nonbinding Auditor Ratification. An advisory vote on the ratification of the Company s appointment of the independent registered public accounting firm, BKD, LLP.			
3. Other Business - To transact any other business which may properly come before the meeting or any adjournment of it.			

B Authorized Signatures This section must be completed for your vote to be counted. Date and Sign Below

Please sign name as it appears. When shares are held by joint tenants, both should sign. (If signed in a fiduciary capacity, please give full fiduciary title. If signed by a corporation, Sign the full corporate name followed by the signature of the duly authorized officer. If signed by an agent, attach the instrument authorizing the agent to execute the proxy or a photocopy thereof.)

Date (mm/dd/yyyy) Please print date below.	Signature 1 Please keep signature within the box.	Signature 2 Please keep signature within the box.
/ /		

IF VOTING BY MAIL, YOU MUST COMPLETE SECTIONS A - B OF THIS CARD.

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Annual Meeting Materials are available on-line at:

http://www.fm.bank/proxy(FMAO)fm2017/fm_info.cfm

q **IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.**
q

REVOCABLE PROXY FARMERS & MERCHANTS BANCORP, INC. +
ANNUAL MEETING OF SHAREHOLDERS

April 19, 2018

7:00 p.m.

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This proxy is solicited by the Board of Directors and, unless a choice is specified, confers authority to vote: FOR all nominees identified under Proposal 1 and FOR Proposal 2. If any other business is presented at the meeting, this proxy shall be voted in accordance with the recommendations of management. All shares represented by properly executed proxies will be voted as directed.

This proxy may be revoked prior to its exercise by either written notice or personally at the meeting or by a subsequently dated proxy.

PLEASE PROVIDE YOUR INSTRUCTIONS TO VOTE BY TELEPHONE, THE INTERNET, OR COMPLETE, DATE, SIGN, AND MAIL THIS PROXY CARD PROMPTLY IN THE ENCLOSED POSTAGE-PAID ENVELOPE.

C Non-Voting Items

Change of Address Please print your new address below.	**Comments** Please print your comments below.	**Meeting Attendance** Mark the box to the right if you plan to attend the Annual Meeting.

IF VOTING BY MAIL, YOU MUST COMPLETE SECTIONS A - B OF THIS CARD. **+**