



Farmers & Merchants Bancorp, Inc. Reports Record 2018 Fourth-Quarter and Full-Year Financial Results

February 13, 2019

ARCHBOLD, Ohio, Feb. 13, 2019 (GLOBE NEWSWIRE) -- Farmers & Merchants Bancorp, Inc. (Nasdaq: FMAO) today reported financial results for the 2018 fourth quarter and twelve months ended December 31, 2018.

2018 Fourth Quarter Financial Highlights Include (on a year-over-year basis unless noted):

- 63 consecutive quarters of profitability
- Net interest income after provision for loan losses increased 6.3% to \$10,081,000
- Net income was \$3,193,000 and included \$742,000 of one-time merger related expenses
- Earnings per basic and diluted share were \$0.34 and included \$0.07 per basic and diluted share of one-time merger related expenses
- Return on average assets, excluding one-time merger related expenses, was 1.39%, compared to 1.25% for the same period last year
- Return on average equity, excluding one-time merger related expenses, was 10.92%, compared to 10.29% for the same period last year

2018 Full-Year Financial Highlights Include (on a year-over-year basis unless noted):

- Net interest income after provision for loan losses increased 10.1% to \$39,533,000
- Net income increased 17.5% to a record \$14,949,000 and included \$742,000 of one-time merger related expenses
- Earnings per basic and diluted share increased 16.7% to a record \$1.61 and included \$0.07 per basic and diluted share of one-time merger related expenses
- Excluding one-time merger related expenses, earnings per basic and diluted share increased 21.7%
- Total deposits increased \$9,450,000 to \$928,790,000
- Return on average assets, excluding one-time merger related expenses, was 1.40%, compared to 1.18% for the same period last year
- Return on average equity, excluding one-time merger related expenses, was 11.34%, compared to 9.75% for the same period last year
- Tangible book value per share increased 6.9% to \$14.96

"For the fourth consecutive year, F&M has achieved record results including record assets and earnings, and we ended 2018 with strong operational and financial momentum," stated Lars B. Eller, President and Chief Executive Officer. "This is an exciting time at the company as we focus on integrating the Limberlost Bancshares acquisition, continuing our geographic expansion, and investing in new ways to engage with and provide value for our customers. During the fourth quarter, we incurred one-time merger related expenses of \$742,000, or \$0.07 per basic and diluted share. Backing out these one-time expenses, earnings per basic and diluted share increased 10.8% during the fourth quarter and 21.7% for 2018. We are successfully integrating the Limberlost acquisition and I am pleased to report our system conversion was completed in January 2019 with no material business or customer disruptions. With the contribution of Limberlost, F&M now has total assets of approximately \$1.5 billion, loans of approximately \$1.1 billion, and deposits of approximately \$1.1 billion. The combination of Limberlost and F&M creates a compelling opportunity for future growth, and we are excited by the opportunities we have in 2019 and beyond."

Income Statement

Net income for the 2018 fourth quarter ended December 31, 2018, was \$3,193,000, or \$0.34 per basic and diluted share, compared to \$3,436,000, or \$0.37 per basic and diluted share for the same period last year. The 2018 fourth quarter included \$742,000 of one-time expenses related to the Limberlost acquisition that was announced on August 20, 2018 and closed on January 1, 2019.

Net income for 2018 was \$14,949,000, or \$1.61 per basic and diluted share compared to \$12,720,000, or \$1.38 per basic and diluted share for the twelve months ended December 31, 2017. The 17.5% improvement in net income for 2018 was primarily due to a 10.1% increase in net interest income after provision for loan losses and the benefits of the Tax Cut and Jobs Act, partially offset by a 12.1% increase in noninterest expense. The increase in noninterest expenses was primarily due to \$742,000 of one-time expenses related to the Limberlost acquisition.

Loan Portfolio and Asset Quality

Total loans at December 31, 2018, increased by \$23,350,000 to \$846,374,000, compared to \$823,024,000 at December 31, 2017. The year-over-year improvement resulted primarily from a 2.3% increase in commercial real estate loans, a 14.1% increase in agricultural loans, an 11.1% increase in consumer loans, and a 7.1% increase in agricultural real estate.

The company's provision for loan losses for the 2018 fourth quarter was \$105,000, compared to \$25,000 for the 2017 fourth quarter. The provision for loan losses for 2018 was \$324,000, compared to \$222,000 in 2017.

F&M's loan quality remains strong as the allowance for loan losses to nonperforming loans was 1,249.6% at December 31, 2018, compared to 684.8% at December 31, 2017. Net charge-offs for the year ended December 31, 2018 were \$417,000, or 0.05% of average loans, compared to \$138,000 or 0.02% of average loans, at December 31, 2017.

Stockholders' Equity and Dividends

Tangible stockholders' equity increased to \$138,885,000 as of December 31, 2018, compared to \$129,667,000 at December 31, 2017. On a per share basis, tangible stockholders' equity at December 31, 2018 was \$14.96 compared to \$13.99 at December 31, 2017. The increase in tangible stockholders' equity is the result of growth in retained earnings due to increased profitability. At December 31, 2018, the company had a Tier 1 leverage ratio of 12.81%, compared to 12.02% at December 31, 2017.

For 2018, the company declared cash dividends of \$0.56 per share, which is a 12.0% increase over 2017's declared dividend. For 2018, the dividend payout ratio was 34.40% compared to 36.02% for the same period last year.

Mr. Eller continued, "F&M's success is a direct result of the value we provide customers throughout Northwest Ohio, Northeast Indiana, and Southern Michigan. These markets support compelling growth opportunities for F&M as a result of stable economic trends and our strengthening market position. During 2019, we plan on opening a new office in southwest Fort Wayne and we have recently relocated our Decatur office to a new freestanding location. While we are focused on growth and expansion, we continue to proactively manage risk and ended 2018 with excellent asset quality. Nonperforming loans declined to 0.06% of total loans, compared to 0.12% last year."

"I appreciate Paul Siebenmorgen's support through the leadership transition and on behalf of everyone at F&M, I want to thank him for his 14 plus years of experience, dedication and service to F&M. Since I joined the company in September 2018, I have had the privilege to engage with many of F&M's customers, employees, and shareholders. I am confident in the direction we are headed and believe 2019 will be a strong year for the bank," concluded Mr. Eller.

About Farmers & Merchants Bancorp, Inc.:

Farmers & Merchants Bancorp, Inc. ("F&M") (NASDAQ: FMAO), is the holding company for the Farmers & Merchants State Bank, a local independent community bank that has been serving Northwest Ohio and Northeast Indiana since 1897. The Farmers & Merchants State Bank provides commercial banking, retail banking and other financial services through its 30 offices. Our locations are in Fulton, Defiance, Hancock, Henry, Lucas, Williams, and Wood counties in Northwest Ohio. In Northeast Indiana, we have offices located in Adams, Allen, DeKalb, Jay and Steuben counties.

Safe harbor statement

Farmers & Merchants Bancorp, Inc. ("F&M") wishes to take advantage of the Safe Harbor provisions included in the Private Securities Litigation Reform Act of 1995. Statements by F&M, including management's expectations and comments, may not be based on historical facts and are "forward-looking statements" within the meaning of Section 27A of the

Securities Act of 1933, as amended, and Section 21B of the Securities Act of 1934, as amended. Actual results could vary materially depending on risks and uncertainties inherent in general and local banking conditions, competitive factors specific to markets in which F&M and its subsidiaries operate, future interest rate levels, legislative and regulatory decisions or capital market conditions. F&M assumes no responsibility to update this information. For more details, please refer to F&M's SEC filing, including its most recent Annual Report on Form 10-K and quarterly reports on Form 10-Q. Such filings can be viewed at the SEC's website, www.sec.gov.

Company Contact:

Marty Filogamo
Senior Vice President – Marketing Manager
Farmers & Merchants Bancorp, Inc.
(419) 445-3501 ext. 15435
mfilogamo@fm.bank

Investor and Media Contact:

Andrew M. Berger
Managing Director
SM Berger & Company, Inc.
(216) 464-6400
andrew@smberger.com

FARMERS & MERCHANTS BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME & COMPREHENSIVE INCOME (Unaudited)
(in thousands of dollars, except per share data)

| | Three Months Ended | | | | Twelve Months Ended | | |
|--|----------------------|-----------------------|------------------|-------------------|----------------------|----------------------|----------------------|
| | December 31, 2018 | September 30, 2018 | June 30, 2018 | March 31, 2018 | December 31, 2017 | December 31, 2018 | December 31, 2017 |
| Interest Income | | | | | | | |
| Loans, including fees | \$ 10,955 | \$ 10,725 | \$ 10,521 | \$ 10,102 | \$ 9,828 | \$ 42,303 | \$ 37,195 |
| Debt securities: | | | | | | | |
| U.S. Treasury and government agencies | 630 | 613 | 612 | 623 | 610 | 2,478 | 2,480 |
| Municipalities | 250 | 275 | 289 | 281 | 288 | 1,095 | 1,193 |
| Dividends | 56 | 56 | 53 | 55 | 52 | 220 | 187 |
| Federal funds sold and other | 112 | 84 | 62 | 75 | 90 | 333 | 193 |
| Total interest income | 12,003 | 11,753 | 11,537 | 11,136 | 10,868 | 46,429 | 41,248 |
| Interest Expense | | | | | | | |
| Deposits | 1,670 | 1,611 | 1,389 | 1,319 | 1,194 | 5,989 | 4,483 |
| Federal funds purchased and securities sold under agreements to repurchase | 127 | 134 | 118 | 124 | 131 | 503 | 497 |
| Borrowed funds | 20 | 20 | 20 | 20 | 37 | 80 | 147 |
| Total interest expense | 1,817 | 1,765 | 1,527 | 1,463 | 1,362 | 6,572 | 5,127 |
| Net Interest Income - Before Provision for Loan Losses | 10,186 | 9,988 | 10,010 | 9,673 | 9,506 | 39,857 | 36,121 |
| Provision for Loan Losses | 105 | 47 | 132 | 40 | 25 | 324 | 222 |
| Net Interest Income After Provision For Loan Losses | 10,081 | 9,941 | 9,878 | 9,633 | 9,481 | 39,533 | 35,899 |
| Noninterest Income | | | | | | | |
| Customer service fees | 1,612 | 1,392 | 1,465 | 1,466 | 1,478 | 5,935 | 5,609 |
| Other service charges and fees | 1,032 | 1,097 | 1,040 | 1,012 | 1,054 | 4,181 | 4,268 |
| Net gain on sale of loans | 140 | 184 | 301 | 132 | 211 | 757 | 811 |
| Net gain (loss) on sale of available-for-sale securities | (19) | 10 | - | - | - | (9) | 47 |
| Total noninterest income | 2,765 | 2,683 | 2,806 | 2,610 | 2,743 | 10,864 | 10,735 |
| Noninterest Expense | | | | | | | |
| Salaries and wages | 3,834 | 3,391 | 3,225 | 3,310 | 3,239 | 13,760 | 12,613 |
| Employee benefits | 1,102 | 1,029 | 848 | 1,136 | 987 | 4,115 | 3,635 |
| Net occupancy expense | 451 | 478 | 441 | 387 | 268 | 1,757 | 1,489 |
| Furniture and equipment | 450 | 588 | 565 | 507 | 402 | 2,110 | 1,858 |
| Data processing | 318 | 364 | 305 | 331 | 294 | 1,318 | 1,213 |
| Franchise taxes | 244 | 243 | 228 | 239 | 226 | 954 | 902 |
| ATM expense | 368 | 327 | 333 | 312 | 320 | 1,340 | 1,173 |
| Advertising | 218 | 236 | 247 | 186 | 209 | 887 | 757 |
| Net loss on sale of other assets owned | 27 | 1 | (1) | 17 | - | 44 | 27 |
| FDIC assessment | 77 | 81 | 81 | 87 | 83 | 326 | 330 |
| Mortgage servicing rights amortization | 100 | 84 | 95 | 85 | 87 | 364 | 353 |
| Consulting fees | 461 | 179 | 178 | 110 | 98 | 928 | 377 |
| Other general and administrative | 1,167 | 1,125 | 1,093 | 933 | 992 | 4,318 | 4,004 |
| Total noninterest expense | 8,817 | 8,126 | 7,638 | 7,640 | 7,205 | 32,221 | 28,731 |
| Income Before Income Taxes | 4,029 | 4,498 | 5,046 | 4,603 | 5,019 | 18,176 | 17,903 |
| Income Taxes | 836 | 623 | 932 | 836 | 1,583 | 3,227 | 5,183 |
| Net Income | 3,193 | 3,875 | 4,114 | 3,767 | 3,436 | 14,949 | 12,720 |
| Other Comprehensive Income (Loss) (Net of Tax): | | | | | | | |
| Net unrealized gain (loss) on available-for-sale securities | 2,374 | (617) | (344) | (2,471) | (1,717) | (1,058) | 267 |
| Reclassification adjustment for (gain) loss on sale of available-for-sale securities | 19 | (10) | - | - | - | 9 | (47) |
| Net unrealized gain (loss) on available-for-sale securities | 2,393 | (627) | (344) | (2,471) | (1,717) | (1,049) | 220 |
| Tax expense (benefit) | 503 | (132) | (72) | (519) | (585) | (220) | 74 |
| Other comprehensive income (loss) | 1,890 | (495) | (272) | (1,952) | (1,132) | (829) | 146 |
| Comprehensive Income | \$ 5,083 | \$ 3,380 | \$ 3,842 | \$ 1,815 | \$ 2,304 | \$ 14,120 | \$ 12,866 |
| Basic and Diluted Earnings Per Share | \$ 0.34 | \$ 0.42 | \$ 0.44 | \$ 0.41 | \$ 0.37 | \$ 1.61 | \$ 1.38 |

Dividends Declared \$ 0.15 \$ 0.14 \$ 0.14 \$ 0.13 \$ 0.13 \$ 0.56 \$ 0.50

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

(in thousands of dollars)

| | December 31, 2018 (Unaudited) | September 30, 2018 | June 30, 2018 | March 31, 2018 | December 31, 2017 |
|---|----------------------------------|---------------------|---------------------|---------------------|---------------------|
| Assets | | | | | |
| Cash and due from banks | \$ 37,492 | \$ 28,782 | \$ 31,838 | \$ 39,349 | \$ 33,480 |
| Federal funds sold | 873 | 939 | 726 | 559 | 987 |
| Total cash and cash equivalents | 38,365 | 29,721 | 32,564 | 39,908 | 34,467 |
| Interest-bearing time deposits | 4,019 | 4,019 | 4,019 | 4,019 | 4,018 |
| Securities - available-for-sale | 168,447 | 183,075 | 187,036 | 192,859 | 196,398 |
| Other securities, at cost | 3,679 | 3,717 | 3,717 | 3,717 | 3,679 |
| Loans held for sale | 495 | 1,679 | 913 | 2,769 | 1,221 |
| Loans, net | 839,599 | 831,943 | 824,226 | 827,937 | 816,156 |
| Premises and equipment | 22,612 | 22,117 | 21,957 | 21,980 | 21,617 |
| Construction in progress | 3 | - | - | - | 109 |
| Goodwill | 4,074 | 4,074 | 4,074 | 4,074 | 4,074 |
| Mortgage servicing rights | 2,385 | 2,373 | 2,356 | 2,313 | 2,299 |
| Other real estate owned | 600 | 717 | 649 | 651 | 674 |
| Bank owned life insurance | 14,884 | 14,799 | 14,692 | 14,604 | 14,523 |
| Other assets | 17,001 | 9,778 | 9,129 | 8,911 | 7,774 |
| Total Assets | \$ 1,116,163 | \$ 1,108,012 | \$ 1,105,332 | \$ 1,123,742 | \$ 1,107,009 |
| Liabilities and Stockholders' Equity | | | | | |
| Liabilities | | | | | |
| Deposits | | | | | |
| Noninterest-bearing | \$ 215,422 | \$ 197,088 | \$ 200,067 | \$ 193,665 | \$ 199,114 |
| Interest-bearing | | | | | |
| NOW accounts | 298,254 | 314,873 | 311,185 | 327,433 | 298,711 |
| Savings | 227,701 | 230,306 | 238,167 | 245,895 | 233,949 |
| Time | 187,413 | 186,592 | 181,347 | 186,345 | 187,566 |
| Total deposits | 928,790 | 928,859 | 930,766 | 953,338 | 919,340 |
| Federal Funds Purchased and | | | | | |
| securities sold under agreements to repurchase | 32,181 | 27,026 | 23,898 | 23,307 | 39,495 |
| Federal Home Loan Bank (FHLB) advances | - | 5,000 | 5,000 | 5,000 | 5,000 |
| Dividend payable | 1,379 | 1,287 | 1,284 | 1,193 | 1,193 |
| Accrued expenses and other liabilities | 10,526 | 6,493 | 6,808 | 6,027 | 7,844 |
| Total liabilities | 972,876 | 968,665 | 967,756 | 988,865 | 972,872 |
| Commitments and Contingencies | | | | | |
| Stockholders' Equity | | | | | |
| Common stock - No par value 20,000,000 shares authorized; | | | | | |
| issued and outstanding 10,400,000 shares 12/31/18 and 12/31/17 | 10,823 | 10,589 | 11,842 | 11,690 | 11,546 |
| Treasury stock - 1,114,739 shares 12/31/18, 1,134,120 shares 12/31/17 | (12,409) | (12,409) | (12,186) | (12,158) | (12,160) |
| Retained earnings | 147,887 | 146,072 | 142,330 | 139,483 | 136,577 |
| Accumulated other comprehensive loss | (3,014) | (4,905) | (4,410) | (4,138) | (1,826) |
| Total stockholders' equity | 143,287 | 139,347 | 137,576 | 134,877 | 134,137 |
| Total Liabilities and Stockholders' Equity | \$ 1,116,163 | \$ 1,108,012 | \$ 1,105,332 | \$ 1,123,742 | \$ 1,107,009 |

| Selected financial data | For the Three Months Ended | | | | | | For the Twelve Months Ended | | | | | |
|--------------------------------------|----------------------------|--------------------|---------------|----------------|-------------------|-------------------|-----------------------------|--|--|--|--|--|
| | December 31, 2018 | September 30, 2018 | June 30, 2018 | March 31, 2018 | December 31, 2017 | December 31, 2018 | December 31, 2017 | | | | | |
| Return on average assets | 1.15 | 1.40 | 1.48 | 1.35 | 1.25 | 1.34 | 1.18 | | | | | |
| Return on average equity | 9.04 | 11.19 | 12.08 | 11.20 | 10.29 | 10.86 | 9.75 | | | | | |
| Yield on earning assets | 4.52 | 4.52 | 4.41 | 4.28 | 4.24 | 4.46 | 4.16 | | | | | |
| Cost of interest bearing liabilities | 0.92 | 0.92 | 0.79 | 0.75 | 0.71 | 0.86 | 0.68 | | | | | |

| | | | | | | | | | | | | | | |
|-----------------------------------|----------|---|----------|---|----------|---|----------|---|----------|---|-------|---|-------|---|
| Net interest spread | 3.60 | % | 3.60 | % | 3.62 | % | 3.53 | % | 3.53 | % | 3.60 | % | 3.48 | % |
| Net interest margin | 3.85 | % | 3.85 | % | 3.83 | % | 3.72 | % | 3.72 | % | 3.83 | % | 3.65 | % |
| Efficiency | 67.59 | % | 63.86 | % | 60.89 | % | 61.88 | % | 58.15 | % | 63.19 | % | 60.62 | % |
| Dividend payout ratio | 43.16 | % | 33.21 | % | 31.21 | % | 31.67 | % | 34.72 | % | 25.18 | % | 36.02 | % |
| Tangible book value per share (1) | \$ 14.96 | | \$ 14.53 | | \$ 14.36 | | \$ 14.06 | | \$ 13.99 | | | | | |
| Tier 1 capital to average assets | 12.81 | % | 12.63 | % | 12.38 | % | 12.11 | % | 12.02 | % | | | | |

| Loans | December 31, 2018 | September 30, 2018 | June 30, 2018 | March 31, 2018 | December 31, 2017 |
|--|----------------------|-----------------------|---------------|-------------------|----------------------|
| <i>(Dollar amounts in thousands)</i> | | | | | |
| Commercial real estate | \$ 419,784 | \$ 417,217 | \$ 411,509 | \$ 415,296 | \$ 410,520 |
| Agricultural real estate | 68,609 | 68,548 | 69,701 | 67,596 | 64,073 |
| Consumer real estate | 80,766 | 83,134 | 82,853 | 84,501 | 83,620 |
| Commercial and industrial | 121,793 | 119,536 | 116,351 | 123,439 | 126,275 |
| Agricultural | 108,495 | 103,624 | 104,830 | 99,836 | 95,111 |
| Consumer | 41,953 | 41,444 | 40,513 | 38,569 | 37,757 |
| Industrial development bonds | 5,889 | 6,005 | 6,071 | 6,350 | 6,415 |
| Less: Net deferred loan fees and costs | (915) | (810) | (813) | (850) | (747) |
| Total loans,net | \$ 846,374 | \$ 838,698 | \$ 831,015 | \$ 834,737 | \$ 823,024 |

| Asset quality data | December 31, 2018 | September 30, 2018 | June 30, 2018 | March 31, 2018 | December 31, 2017 | | | | | |
|---|----------------------|-----------------------|---------------|-------------------|----------------------|---|--------|---|--------|---|
| <i>(Dollar amounts in thousands)</i> | | | | | | | | | | |
| Nonaccrual loans | \$ 542 | \$ 483 | \$ 903 | \$ 900 | \$ 1,003 | | | | | |
| Troubled debt restructuring | \$ 178 | \$ 205 | \$ 218 | \$ 527 | \$ 683 | | | | | |
| 90 day past due and accruing | \$ - | \$ - | \$ - | \$ - | \$ - | | | | | |
| Nonperforming loans | \$ 542 | \$ 483 | \$ 903 | \$ 900 | \$ 1,003 | | | | | |
| Other real estate owned | \$ 600 | \$ 717 | \$ 649 | \$ 651 | \$ 674 | | | | | |
| Non-performing assets | \$ 1,142 | \$ 1,200 | \$ 1,552 | \$ 1,551 | \$ 1,677 | | | | | |
| <i>(Dollar amounts in thousands)</i> | | | | | | | | | | |
| Allowance for loan and lease losses | \$ 6,755 | \$ 6,755 | \$ 7,104 | \$ 6,800 | \$ 6,868 | | | | | |
| Allowance for loan and lease losses/total loans | 0.80 | % | 0.81 | % | 0.85 | % | 0.81 | % | 0.83 | % |
| Net charge-offs: | | | | | | | | | | |
| Quarter-to-date | \$ 84 | \$ 81 | \$ 143 | \$ 108 | \$ 27 | | | | | |
| Year-to-date | \$ 417 | \$ 332 | \$ 251 | \$ 108 | \$ 138 | | | | | |
| Net charge-offs to average loans | | | | | | | | | | |
| Quarter-to-date | 0.01 | % | 0.01 | % | 0.02 | % | 0.01 | % | 0.00 | % |
| Year-to-date | 0.05 | % | 0.04 | % | 0.03 | % | 0.01 | % | 0.02 | % |
| Non-performing loans/total loans | 0.06 | % | 0.06 | % | 0.11 | % | 0.11 | % | 0.12 | % |
| Allowance for loan and lease losses/nonperforming loans | 1249.57 | % | 1399.58 | % | 751.49 | % | 755.19 | % | 684.83 | % |

(1) Tangible Equity = Stockholder Equity less goodwill and other intangibles (core deposit intangible)