SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549
FORM 10-K
X Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2001
or
Transition Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
For the transition period from to

Commission File Number 0-14492
FARMERS & MERCHANTS BANCORP, INC.

OHIO	34-1469491
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
307-11 North Defiance Street Archbold, Ohio	43502
(Address of principal Executive offices)	(Zip Code)

Registrant's telephone number , including area code (419)446-2501

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
None	None

Securities registered pursuant to Section 12(b) of the Act:

Common shares without par value
(Title of class)

(Title of class)

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 305 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. { }

As of March 1, 2002, Registrant had outstanding 1,300,000 shares of common stock at a market value of $117,000,000.

FARMERS & MERCHANTS BANCORP, INC.

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BUSINESS

HISTORY

The Farmers & Merchants State Bank is a community bank, as it has been since 1897. When Archbold's population was less than 900, there were six local businessmen foresighted enough in their thinking and views to realize the need for a bank in the village of Archbold. J. O. Swisher and Jacob Ehrat (livestock brokers) C. M. McLaughlin and A. J. Vernier (hardware merchants) and L. D. Gotshall and I. W. Gotshall (lumber merchants), were founders of the then Farmers & Merchants Bank, a private bank. The bank's first office was one room located in the Vernier Hotel building, currently occupied by the Archbold Barber Shop.

In 1907, the first new structure was built at the corner of Depot and North Defiance Streets, which is now the Subway. The bank was heralded as one of the most unusual and attractive banks in the area, featuring marble interior, brass trimmed teller cages, tile floor, leaded windows, and high vaulted ceiling. The vault featured a time controlled money safe. The building and equipment were unique to the early 1900's and adequately served the banking needs of the area for over 50 years with only minor interior alterations.

In August of 1913 the village of Archbold was hit by a disastrous fire which destroyed all the business district on the east side of N. Defiance Street from the bank at the corner of Depot Street to the Murbach medical building at the corner of Holland Street. This was a tremendous loss for a dozen or more businesses, causing many to liquidate. Young businessmen and enterprising citizens promoted a waterworks system and passed a $16,000 bond issue to finance the project. This seemed to be the turning point for the advancement of industry and the community rallied from this eventful experience to an unusual growth.

In 1919 the founding directors elected to change from a private bank to a state chartered bank and at this time changed its name from the Farmers & Merchants Bank to The Farmers & Merchants State Bank, as required in the state charter. This has been the only name change in the bank's 99 year history. The bank's capital funds were $53,510 thousand and resources were $571,549 thousand.

The bank experienced growth, especially during the post-war years and early 1950's. By 1958, the bank's resources had grown to 7 1/2 million dollars. The directors and officers realized the need for a larger building to accommodate the increase in business and services. In 1958, the bank moved to its present N. Defiance Street location greatly improving service to its customers and offering drive-up banking, electronic bookkeeping, convenient parking, and a social room for the community to use. The new building featured the latest in modern banking facilities and The Farmers & Merchants State Bank was prepared to more efficiently serve the ever growing community.

With resources of over $23 million in 1969, The Farmers & Merchants State Bank again realized the need for additional space and inaugurated a building expansion, which nearly doubled the original structure built in 1958. The new addition, opened early in 1970, provided for an additional drive-up window, walk-up window, direct entrance from the bank parking lot to the lobby, three spacious private offices, conference room, and a large community room with a fully equipped kitchen to facilitate groups from 60 to 100.

In 1972, with total resources of over $34 million and to continue its growth, The Farmers & Merchants State Bank established an office on N. Shoop Avenue, Wauseon. The office was opened in November 1973 and provided greater banking service to the Wauseon area. The Wauseon office provided complete banking service and a community room with kitchen facilities to accommodate 15 - 80 people.

In 1977 - 1978 additional office space was added to The Farmers & Merchants State Bank in Archbold, and an automatic teller machine, "Teller 24", was installed in the entrance lobby.

A second Wauseon office was established in the downtown area on the corner of N. Fulton and Depot streets in August of 1978. It is a very convenient location for shoppers and businesses. The Downtown office also provides 24 hour banking with "Teller 24".

During April of 1980 a second office was opened in Archbold, located in the Lugbill Addition near Woodland Oaks. The Woodland office is a convenient branch offering full banking services to those Archbold residents in the outlying area.

With resources of $83 million the decision was made to open full service offices in Stryker and West Unity in 1981.

During that year, new computerized proof equipment was added to capture the required data in today's complex and competitive banking environment. A new division was added to the Operations Department in the creation of the Central Information File Department. Plus, two new branches were opened, the Delta office in June and the all new Bryan E. High office in December.

In 1985 the conversion of the former bank, The Farmers & Merchants State Bank, into a holding company structure was performed to provide greater flexibility for expanding the bank's business into activities closely related to banking, as well as, placing the bank in a position to react in a timely and effective manner to the many complex changes affecting the banking industry. On April 22, 1985, a new Ohio chartered bank was formed and incorporated as the FMSB Bank following the formation of a holding company, The Farmers & Merchants Bancorp, Inc., which was incorporated as a bank holding company under the laws of the State of Ohio on February 25, 1985. A triangular merger was then effected whereby the former bank, The Farmers & Merchants State Bank, was merged with and into the new bank, the FMSB Bank with each outstanding share of common stock of the former bank being converted by operation of law upon consummation of the merger into two shares of common stock of Farmers & Merchants Bancorp, Inc. Upon the merger becoming effective July 31, 1985, 260,000 shares of Farmers & Merchants Bancorp, Inc., no par value common stock were issued. The resulting new bank in the merger is the FMSB Bank; however, its name was changed concurrently with the merger to The Farmers & Merchants State Bank. Upon consummation of the merger, the stockholders of Farmers & Merchants Bancorp, Inc. received the same percentage of ownership in the holding company as their percentage of ownership of the former bank. The former bank then ceased to exist. All of the 260,000 issued and outstanding shares of stock of the new bank, The Farmers & Merchants State Bank, were held by the bank holding company, Farmers & Merchants Bancorp, Inc.

With the success The Farmers & Merchants State Bank was experiencing in Stryker, West Unity and Bryan and the prospect of continued growth in Williams County, it was decided to open another office in Bryan and one in Montpelier. In May of 1992, the doors were opened at a second office in Bryan located on S. Main Street; and in July of 1992 the bank was pleased to be able to offer their financial services to the community of Montpelier. The Bryan S. Main Street banking center has three drive-up lanes and a drive-up ATM. Also during 1992, the West Unity Office was expanded and an additional drive-up lane was added at the Delta Office.

Also during 1992, an accidental death and disability insurance company was formed, Farmers & Merchants Life Insurance Company. The company was organized under the laws of the State of Arizona with 100% of the 100,000 issued and outstanding shares of common stock owned by Farmers & Merchants Bancorp, Inc.

The growth of The Farmers & Merchants State Bank continued to be very favorable in 1993 with assets in excess of $370 million, but with the tremendous growth that was occurring, the bank was feeling growing pains brought on by cramped quarters. There were no longer community rooms in either the Main Office or the Wauseon Shoop Office. All available space at the Main Office had been used, by turning closets and storage space into offices and many of the offices that were designed for one officer were housing two officers. The Marketing and Personnel departments had been moved to the Wauseon Shoop Office basement, the former community room. The time had come for the addition of more office space at the Main Office. The former Christy Building, located on the north side of the Main Office, was demolished during the fall of 1993 to clear the way for the building expansion to begin.

Because of the ever-increasing flow of customers at the Wauseon N. Shoop Office, a decision was made to install a drive-up ATM. That ATM was installed in December, 1993. An ATM was also installed at Sauder Woodworking Co. to better serve the Sauder employees, who work various shifts, making it inconvenient for them to bank during regular banking hours.

1994 was a very special year for The Farmers & Merchants State Bank. Earnings were very strong, asset quality remained outstanding, and the bank expanded its presence within its market area. The goals for 1994 were exceeded, with a new high in assets of $406 million. With a growing interest to expand the bank's market area and branch into Henry County, an application was submitted for a Napoleon office. Once the application was approved, the bank wasted no time in getting the building constructed. The full service Napoleon Office, with a drive-up ATM, was conveniently located on St. Rt. 108 on the north edge of Napoleon making it easily accessible for the residents of Henry County.

During the time the Napoleon office was under construction, plans were completed for expansion of the Wauseon N. Shoop Office. This was the first expansion of this office since its opening in 1973, and with the basement being used for offices, more office space was greatly needed. The new addition consisted of four additional offices, a large secretarial/new accounts area, restroom, and supply room.

In October, 1994, the newly constructed expansion of the Main Office and the remodeling of the first floor of the original structure was completed. The offices were ready for occupancy in time for the annual Christmas Club Open House, November 4th and 5th. The remodeling of the offices located in the basement of the Main Office began as soon as Open House was over.

The Napoleon Office opened for business during the second week of February, 1995. On Sunday, February 12, 1995, an Open House was held at the Main Office and the new Napoleon Office.

An ATM was placed at Northwest State Community College in March, 1995, to better serve the customers from the Four County Area. In April, 1995, a drive-up ATM was installed at the Archbold Woodland Office.

During the spring of 1996, the Delta Office began an extensive remodeling and expansion project. The need was seen for more loan officer space and an ATM machine. The project was completed in October of 1996. Two more ATM locations were also secured during this year. An ATM was placed in the Community Hospital of Williams County, Bryan, and another in the Fulton County Health Center, Wauseon. The Farmers & Merchants State Bank now has twelve ATM's located throughout Fulton, Williams, and Henry Counties.

In June of 1996, Farmers & Merchants Bancorp split its stock, 5 for 1. The goal was to bring the price per share down so it would be more affordable and possibly encourage trading.

The Farmers & Merchants State Bank again hit a new growth plateau. At year end assets went over the $500 million mark.

The Bank continued to expand ATM locations during 1997 by installing a drive-up machine at our West Unity office. During the fourth quarter 1997 an ATM (cash dispensing only) was installed at Wyse Commons at the Fairlawn Haven Complex in Archbold. 1997 proved to be a very profitable year for the Bank and ended the year with $528,273,000 in assets. An application was submitted and approved for a new full service office to be located at the east end of the village of Montpelier. Construction of that building began in October 1997 and was open for business in June 1998.

With the opening of the Montpelier Eastside Office in June 1998, The Farmers & Merchants State Bank had 12 office locations in 8 communities. There were four new ATM's installed during 1998. Those ATM's are located at the Bryan East High Office, Stryker Office, Montpelier Eastside Office, and Repp Oil in Fayette. With the addition of these new ATM's the bank now has 18 ATM locations throughout our market area. The existing Fulton County Health Center ATM was relocated to Beck's Petro Country Store, Ridgeville Corners.

Construction of the Swanton Office began in June 1999. This office, which opened in November 1999, is the bank's first office located in Lucas County. With the addition of another drive-up ATM at the Swanton Office, the bank now has 19 ATM locations. Assets at the end of the fourth quarter were $598,529 million.

FM Investments, the brokerage department of The Farmers & Merchants State Bank, opened for business in April 1999. The office for this department is located in the Main Office, Archbold. Securities are offered through Raymond James Financial Services, Inc.

In 2000, two new automated teller machines were added to off-site locations, Sauder Village in Archbold, Ohio and the Delta Eagles in Delta, Ohio. In December of 2000 construction of the new Defiance Banking Center began. Assets at the end of the fourth quarter exceeded $635 million.

In 2001 the new Defiance branch was opened in Defiance, Ohio. Construction of a new operations facility located in Archbold, Ohio is scheduled to begin and be completed in 2002.

One thing that has never changed through the tremendous growth The Farmers & Merchants State Bank experienced over the years is that it continues to be "Your Community Bank". This image remains a goal of the Bank's strategic plan. The Bank is proud to have played a large part in the growth of northwest Ohio. It is The Farmers & Merchants State Bank's commitment to insure that community banking continues to grow and prosper by providing quality customer service and adequately fulfilling the financial needs of the individuals, farmers, businesses, and industries in our market area.

NATURE OF ACTIVITIES

The Farmers & Merchants State Bank through its equivalent of 231 full time employees engages in general commercial banking and savings business. Its activities include commercial and residential mortgage, consumer, and credit card lending activities. Because of the geographical locations in which the bank's branches are located, a substantial amount of the bank's loan portfolio is composed of loans made to the farming industry for such things as farm land, farm equipment, livestock and general operation loans for seed, fertilizer, feed, etc. Other types of lending activities include loans for home improvements, student loans, and loans for such items as autos, trucks, recreational vehicles, mobile homes, motorcycles, etc. The bank also is engaged in direct finance leasing and has invested in leveraged type leases, although the activity in this area has substantially decreased in recent years.

The bank also provides checking account services, as well as, savings and other time deposit services such as certificates of deposits. In addition, ATM's (automated teller machines) (Money Access Corporation) are also provided in its offices in Archbold, Wauseon, Bryan, Delta and Napoleon, Ohio. Two ATM's are also located at Sauder Woodworking Co., Inc., a major employer in Archbold. Additional locations are at Northwest State Community College, Fulton County Hospital in Wauseon, and Williams County Hospital in Bryan.

Farmers & Merchants Life Insurance Company was established to provide needed additional services to The Farmers & Merchants State Bank's customers through the issuance of life and disability insurance policies. The lending officers of The Farmers & Merchants State Bank are the selling agents of the policies to the bank's customers. The insuring company will be USLIFE Credit Insurance Company, an Illinois Corporation, while Farmers & Merchants Life Insurance Co. will be the participating reinsurer. Farmers & Merchants Bancorp, Inc.'s original investment in Farmers & Merchants Life Insurance Co. was $100,000. This investment represented less than 5% of Farmers & Merchants Bancorp, Inc.'s equity capital.

F&M Investments, the brokerage department of The Farmers & Merchants State Bank, opened for business in April, 1999. Securities are offered through Raymond James Financial Services, Inc.

Farmers & Merchants Bancorp, Inc. is a bank holding company within the meaning of the Bank Holding Company Act of 1956. The bank subsidiary, The Farmers & Merchant State Bank, is in turn regulated and examined by the Ohio Division of Banks, the Federal Deposit Insurance Corporation and the Federal Reserve System. The activities of the bank subsidiary are also subject to other federal and state laws and regulations, including usury and consumer credit laws, state laws relating to fiduciaries, the Federal Truth-in-Lending Act and Regulation Z as promulgated thereunder by the Board of Governors, the Truth in Savings Act, the Bank Bribery Act, the Competitive Equality Banking Act of 1987, the Expedited Funds Availability Act, the Community Reinvestment Act, the FDICIA (Federal Deposit Insurance Corporation Insurance Act), FIRREA (Federal Institutions Reform, Recovery, and Enforcement Act of 1989), and the Bank Merger Act among others.

The commercial banking business in the geographical area in which The Farmers & Merchants State Bank operates is highly competitive. In its banking activities, it competes directly with other commercial banks and savings and loan institutions in each of its operating localities. The following is a summary by geographical area of The Farmers & Merchants State Bank principal competition:

Branch	Location
Archbold, Ohio	Sky Financial (2 offices)
Wauseon, Ohio	National City Bank (Subsidiary of National City Corporation) First Federal Savings & Loan of Defiance City Loan Bank State Bank & Trust Company Sky Financial
Stryker, Ohio	Sky Financial
West Unity, Ohio	National Bank of Montpelier
Delta, Ohio	State Bank & Trust Company First Federal Savings & Loan of Delta
Bryan, Ohio	Sky Financial (2 offices) National City Bank (Subsidiary of National City Corporation) First Federal Savings & Loan of Defiance (2 offices) Community First Bank & Trust National Bank of Montpelier
Montpelier, Ohio	Sky Financial National Bank of Montpelier (2 offices) First Federal Savings & Loan of Defiance
Napoleon, Ohio	Henry County Bank (3 offices) Beneficial Bank First Federal Savings & Loan of Defiance, Ohio Sky Financial (2 offices) National City Bank (Subsidiary of National City Corporation) (2 offices)

Swanton, Ohio	National City Bank Fifth Third Bank First Federal Savings & Loan of Delta Key Bank
Defiance, Ohio	State Bank & Trust Company First Federal Savings & Loan of Defiance Sherwood State Bank City Loan American General Employees Own Federal Credit Union Fort Defiance Federal Credit Union

SELECTED STATISTICAL AND FINANCIAL INFORMATION

EARNINGS SUMMARY

Farmers & Merchants Bancorp, Inc. reported net income of $6.8 million for 2001, which is a decrease of $635 thousand over the 2000 net income of $7.4 million, and virtually the same as 1999 net income of $6.8 million. The decrease in 2001 net income is primarily a result of an increase in operating expenses and the write-off of a large credit. Earnings per share correspondingly decreased for 2001 to $5.20 per share compared to $5.69 per share and $5.23 per share for 2000 and 1999, respectively.

INTEREST INCOME

The following table presents net interest income, interest spread and net interest margin for the three years 1999 through 2001, comparing average outstanding balances of earnings assets and interest bearing liabilities with the associated interest income and expense and their corresponding average rates of earned and paid. The tax exempt asset yields have been tax effected to reflect a marginal corporate tax rate of 34%. Average outstanding loan balances include nonperforming loans and mortgage loans held for sale. Average outstanding security balances are computed based on carrying values including unrealized gains and losses on available-for-sale securities.

DISTRIBUTION OF ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY, INTEREST RATES AND INTEREST DIFFERENTIAL

	2001		
	Average Balance	Interest/ Dividends	Yield/Rate
ASSETS			
Interest Earning Assets:			
Loans (1)	$ 472,181	$ 40,728	8.63%
Taxable investment securities	106,774	6,203	5.81%
Tax-exempt investment securities	29,565	1,310	4.43%
Interest bearing deposits	120	231	192.86%
Federal funds sold	11,342	473	4.17%
Total Interest Earning Assets	619,982	$ 48,945	7.89%
Non-Interest Earning Assets:			
Cash and cash equivalents	22,847		
Other assets	20,640		
Total Assets	$ 663,469		

	Average Balance	Interest/ Dividends	Yield/Rate
LIABILITIES AND SHAREHOLDERS' EQUITY			
Interest Bearing Liabilities:			
Savings deposits	$ 179,610	$ 4,898	2.73%
Other time deposits	320,341	18,049	5.63%
Other borrowed money	20,822	2,085	10.01%
Federal funds purchased and securities sold under agreement to repurchase	25,656	416	1.62%
Total Interest Bearing Liabilities	546,429	25,448	4.66%
Non-Interest Bearing Liabilities:			
Non-interest bearing demand deposits	42,170		
Other	5,440		
Total Liabilities	594,040		
Stockholders' Equity	69,430		
Total Liabilities and Shareholders' Equity	$ 663,469		
Interest/dividend income/yield		$ 48,945	7.89%
Interest expense/yield		25,448	4.66%
Net Interest Spread		$ 23,497	3.24%
Net Interest Margin			3.79%

	2000		
	Average Balance	Interest/ Dividends	Yield/Rate
ASSETS			
Interest Earning Assets:			
Loans (1)	$475,035	$ 42,661	8.98%
Taxable investment securities	78,995	4,782	6.05%
Tax-exempt investment securities	27,094	1,313	4.85%
Interest bearing deposits	100	4	4.00%
Federal funds sold	2,021	130	6.43%
Total Interest Earning Assets	583,245	$ 48,890	8.38%
Non-Interest Earning Assets:			
Cash and cash equivalents	16,020		
Other assets	19,810		
Total Assets	$619,075		

LIABILITIES AND SHAREHOLDERS' EQUITY			
Interest Bearing Liabilities:			
Savings deposits	$ 97,922	$ 4,805	4.91%
Other time deposits	304,666	17,494	5.74%
Other borrowed money	28,637	1,942	6.78%
Federal funds purchased and securities sold under agreement to repurchase	20,670	1,268	6.13%
Total Interest Bearing Liabilities	451,895	$ 25,509	5.64%
Non-Interest Bearing Liabilities:			
Non-interest bearing demand deposits	100,590		
Other	5,102		
Total Liabilities	557,587		
Stockholders' Equity	61,488		
Total Assets & Shareholders' Equity	$619,075		
Interest/dividend income/yield		$ 48,890	8.38%
Interest expense/yield		25,509	5.64%
Net Interest Spread		$ 23,381	2.74%
Net Interest Margin			4.01%

	1999		
	Average Balance	Interest/ Dividends	Yield/Rate
ASSETS			
Interest Earning Assets:			
Loans (1)	$428,087	$ 37,236	8.70%
Taxable investment securities	89,834	5,001	5.57%
Tax-exempt investment securities	30,106	1,434	4.76%
Interest bearing deposits	100	3	3.00%
Federal funds sold	2,019	105	5.20%
Total Interest Earning Assets	550,146	$ 43,779	7.96%
Non-Interest Earning Assets:			
Cash and cash equivalents	9,940		
Other assets	25,103		
Total Assets	$585,189		

LIABILITIES AND SHAREHOLDERS' EQUITY			
Interest Bearing Liabilities:			
Savings deposits	$ 98,711	$ 4,199	4.25%
Other time deposits	295,376	15,577	5.27%
Other borrowed money	16,503	1,029	6.24%
Federal funds purchased and securities sold under agreement to repurchase	6,129	345	5.63%
Total Interest Bearing Liabilities	416,719	$ 21,150	5.08%
Non-Interest Bearing Liabilities:			
Non-interest bearing demand deposits	110,064		
Other	1,544		
Total Liabilities	528,327		
Stockholders' Equity	56,862		
Total Assets & Shareholders' Equity	$585,189		
Interest/dividend income/yield		$ 43,779	7.96%
Interest expense/yield		21,150	5.08%
Net Interest Spread		$ 22,629	2.88%
Net Interest Margin			4.11%

(1) For purposes of these computations, non-accruing loans are included in the daily average outstanding loan amounts.

The primary source of the Company's traditional banking revenue is net interest income. Net interest income is the difference between interest income on interest earning assets, such as loans and securities, and interest expense on liabilities used to fund those assets such as interest bearing deposits and other borrowings. Net interest income is affected by changes in both interest rates and the amount and composition of earnings assets and liabilities. The change in net interest income is most often measured as a result of two statistics - interest spread and net interest margin. The difference between the yields on earning assets and the rates paid for interest bearing liabilities supporting those funds represents the interest spread. Because non-interest bearing sources of funds such as demand deposits and stockholders' equity also support earning assets, the net interest margin exceeds the interest spread.

The following tables show changes in interest income, interest expense and net interest due resulting from changes in volume and rate variances for major categories of earnings assets and interest bearing liabilities.

	2001 vs 2000		
	Net Change	Due to Change in Volume	Rate
Interest Earned On:			
Loans	$(1,933)	$ (246)	$(1,687)
Taxable investment securities	1,421	1,614	(193)
Tax-exempt investment securities	(3)	109	(112)
Interest bearing deposits	227	39	188
Federal funds sold	343	389	(46)
Total Interest Earning Assets	$ 55	$ 1,905	$(1,850)
Interest Paid On:			
Savings deposits	$ 93	$ 2,228	$(2,135)
Other time deposits	555	883	(328)
Other borrowed money	143	(783)	926
Federal funds sold and security repurchase agreements	-- (852)	81	(933)
	$ (61)	$ 2,409	$(2,470)

	2000 vs 1999		
	Net Change	Due to Change in Volume	Rate
Interest Earned On:			
Loans	$ 5,425	$ 4,216	$ 1,209
Taxable investment securities	(219)	(656)	437
Tax-exempt investment securities	(121)	(146)	25
Interest bearing deposits	1	--	1
Federal funds sold	25	--	25
Total Interest Earning Assets	$ 5,111	$ 3,414	$ 1,697
Interest Paid On:			
Savings deposits	$ 606	$ (39)	$ 645
Other time deposits	1,917	533	1,384
Other borrowed money	913	823	90
Federal funds sold and security repurchase agreements	923	892	31
	$ 4,359	$ 2,209	$ 2,150

Interest income from fees on loans and leases decreased $2 million to $40.7 million for 2001 from $42.7 million for 2000. This compares with an increase of $5.4 million for 2000 over 1999 interest income of $37.2 million. The decrease for 2001 was primarily due to a decrease in commercial loan activity.

Net interest margin was 3.79% for 2001, 4.01% for 2000, and 4.11% for 1999. The drop in interest margin was due to a higher proportion of the assets being invested in available for sale securities that have a lower net interest margin than the loan portfolio. Investment in available for sale securities as a percentage of total assets was 25.3 percent for 2001 compared to 17.8 percent for 2000, while the loan portfolio as a percent of total assets dropped from 75.5 percent for 2000 to 66.4 percent for 2001.

NON-INTEREST INCOME

Non-interest income for 2001 experienced a dramatic increase due to an increase in fixed rate mortgage loan activity as a result of the favorable interest rates for such loans in 2001. These types of loans are sold to investors while the Bank retains the mortgage servicing rights on these loans. As a result, mortgage servicing rights income increased $1.6 million for 2001 over 2000 mortgage servicing rights income of $113 thousand and $139 thousand for 1999. Due to the increased activity in mortgage loan activity, earned real estate point income also increased substantially for 2001 to $606 thousand compared to $127 thousand for 2000 and $306 thousand for 1999.

NON-INTEREST EXPENSE

While non-interest expense showed little change for 2000 of $14.6 million over 1999 levels of $14.3 million, non-interest expenses for 2001 demonstrated a significant increase for 2001 rising to $17.2 million, a $2.9 million increase or 17.2 percent increase over 2000. Virtually every category of non-interest expense demonstrated an increase for 2001 over 2000.

Salaries and wages and employee benefits accounted for $851 thousand of this increase. This increase was felt necessary in order to attract and retain qualified personnel in today's competitive labor market.

Furniture and equipment expense increased $266 thousand to $1.4 million for 2001 compared to $1.1 million for 2000 and $1.2 million for 1999. The bulk of this increase for 2001 is in depreciation expense, a non-cash expense. Due to data processing and related equipment purchases, depreciation expense for furniture and equipment was $975 thousand for 2001, a $165 thousand increase over depreciation expense of $810 thousand for 2000. This compares to $981 thousand in depreciation expense for 1999. Also due to the acquisition of equipment, maintenance contract expense for maintaining the equipment in good working order increased $92,000 for 2001 to $409 thousand compared to $ $317 thousand for 2000 and $223 thousand for 1999.

Mortgage servicing expense also increased substantially in 2001. Mortgage servicing expense for 2001 amounted to $911 thousand, a $782 thousand increase over mortgage servicing expense for 2000 expense of $129 thousand. Mortgage servicing expense for 1999 amounted to $163 thousand. As was the case above for mortgage servicing rights income, due to the increased activity in the mortgage loan portfolio, the costs associated with the servicing of these loans increased also.

FINANCIAL CONDITION

Average earning assets have again demonstrated consistent growth over the last three years. Average earnings assets for 2001 were $620 million compared to $583 million for 2000 and $550 million for 1999. This growth in average earnings assets represent a 6.3 percent and 6 percent increase for 2001 and 2000, respectively. Almost all of the increase in assets for 2001 over 2000 has been in the securities available for sale. Average interest bearing liabilities have also showed steady increases rising $95.2 million from $451.2 million for 2000 to $546.4 million for 2001. This compares to an increase of $35 million from $416.7 million for 1999, representing a 21.1 percent increase for 2001 and an 8.4 percent increase for 2000.

INVESTMENT SECURITIES

Security balances at December 31 are summarized below:

	(In Thousands)		
	2001	2000	1999
U.S. Treasury and Government agencies	$ 92,622	$ 61,115	$ 44,921
Mortgage-backed securities	21,409	7,863	9,827
State and local governments	50,819	32,157	31,246
Corporate debt securities	7,091	9,196	9,627
Commercial paper	974	2,908	7,330
Equity securities	47	20	20
	$172,963	$113,259	$102,971

The following table sets forth (dollars in thousands) the maturities of investment securities at December 31, 2001 and the weighted average yields of such securities calculated on the basis of cost and effective yields weighted for the scheduled maturity of each security. Tax-equivalent adjustments, using a thirty-four percent rate have been made in yields on obligations of state and political subdivisions. Stocks of domestic corporations have not been included.

	Maturities			
	Within One Year		After One Year Within Five Years	
	Amount	Yield	Amount	Yield
U.S. Treasury	$ 3,399	6.39%	$ 1,516	6.50%
U.S. Government agency	23,302	4.54%	61,955	5.36%
Mortgage-backed securities	5,048	4.00%	11,220	4.99%
State and local governments	6,625	5.24%	19,704	5.91%
Taxable state and local governments	1,902	6.03%	8,817	5.53%
Corporate debt securities	4,019	5.63%	1,527	0.04%
Commercial paper	974	3.61%	--	3.68%

	Maturities			
	After Five Years Within Ten Years		After Ten Years	
	Amount	Yield	Amount	Yield
U.S. Treasury	$ --	0.00%	$ --	0.00%
U.S. Government agency	--	0.00%	--	0.00%
Mortgage-backed securities	5,101	5.46%	--	0.00%
State and local governments	11,297	6.55%	789	6.87%
Taxable state and local governments	1,122	6.22%	--	0.00%
Corporate debt securities	--	0.00%	2,205	2.19%
Commercial paper	--	0.00%	--	0.00%

At December 31, 2001 the Bank held no large block of any one investment security, except for U.S. Treasury and other U.S. Government agencies. No one holding in debt securities exceeded $3.4 million which was a FHLMC Agency note maturing July 15, 2005. The Bank also holds stock in the Federal Home Loan Bank of Cincinnati at a cost of $3.2 million. This is required in order to obtain Federal Home Loan Bank Loans.

LOAN PORTFOLIO

The Bank's various loan portfolios are subject to varying levels of credit risk. Management mitigates these risks through portfolio diversification and through standardization of lending policies and procedures. The following table shows the Bank's loan portfolio by category of loan:

	(In Thousands)				
	2001	2000	1999	1998	1997
Loans:					
Commercial/industrial	$119,025	$ 96,990	$100,996	$ 81,253	$ 65,633
Agricultural	31,684	51,337	46,035	38,882	44,939
Real estate mortgage	247,545	261,289	237,056	200,675	205,626
Installment	55,845	69,081	71,662	68,385	75,767
IDB	7,590	8,647	7,015	4,587	4,511
Total Loans	$461,689	$487,344	$462,764	$393,782	$396,476

The following table shows the maturity of loans:

	Maturities (In Thousands)			
	Within One Year	After One Year Within Five Years	After Five Years	Total
Commercial/industrial/agriculture	$ 82,539	$ 32,181	$ 35,990	$150,710
Real estate mortgage	5,025	14,118	242,185	261,328
Installment	10,913	42,439	2,497	55,849
Industrial Development Bonds	2,148	229	5,213	7,590

The following table presents the total of loans due after one year which have 1) predetermined interest rates and 2) floating or adjustable interest rates:

	(In Thousands)	
	Fixed Rate	Variable Rate
Real estate	$ 60,138	$201,195
Commercial and industrial	62,557	88,152
Consumer, Master Card and overdrafts	55,143	1,321
Industrial Development Bonds	7,590	--

The following table summarizes the Company's non-accrual and past due loans as of December 31:

	(In Thousands)				
	2001	2000	1999	1998	1997
Nonaccrual loans	$ 5,353	$ 6,622	$ 6,504	$ 6,455	$ 2,890
Accruing loans past due 90 days or more	5,408	2,577	2,264	1,988	1,396
Total	$10,761	$ 9,199	$ 8,768	$ 8,443	$ 4,286

As of December 31, 2001, management, to the best of their knowledge, is not aware of any significant loans, group of loans or segments of the loan portfolio not included above, where there are serious doubts as to the ability of the borrowers to comply with the present loan payment terms.

Although loans may be classified as non-performing, many continue to pay interest irregularly or at less than original contractual rates. Interest income that would have been recorded under the original terms of these loans was $1.9 million for 2001 and $1.4 million for 2000. Any collections of interest on non-accrual loans are included in interest income when collected. This amounted to $257 thousand for 2001 and $177 for 2000.

Loans are placed on non-accrual status in the event one of the following occurs: the total line of the customer is charged off to the extent of 50%, the loan is in past due status for more than 180 days.

The $5.3 million of non-accrual loans as of December 31, 2001 are secured.

At December 31, 2000 the Bank has $10.7 million of loans which it considers to be potential problem loans in that the borrowers are experiencing financial difficulties. These loans are subject to constant management attention and are reviewed more frequently that quarterly.

The amount of the potential problem loans was considered in management's review of the loan loss reserve required at December 31, 2001.

In extending credit to families, businesses and governments, banks accept a measure of risk against which an allowance or reserve for possible loan losses is established by way of expense charges to earnings. This expense, used to enlarge a bank's allowance for loan losses, is determined by management based on a detailed monthly review of the risk factors affecting the loan portfolio, including general economic conditions, changes in the portfolio mix, past due loan-loss experience and the financial condition of the bank's borrowers.

At December 31, 2001, the Bank had loans outstanding to individuals and firms engaged in the various fields of agriculture in the amount of $32 million. The ratio of this segment of loans to the total loan portfolio is not considered unusual for a bank engaged in and servicing rural communities

The allowance for loan losses is evaluated based on an assessment of the losses inherent in the loan portfolio. This assessment results in an allowance consisting of two components, allocated and unallocated.

Management considers several different risk assessments in determining the allowance for loan losses. The allocated component of the allowance for loan losses reflects expected losses resulting from an analysis of individual loans, developed through specific credit allocations for individual loans and historical loss experience for each loan category. For those loans where the internal credit rating is at or below a predetermined classification and management can reasonably estimate the loss that will be sustained based upon collateral, the borrowers operating activity and economic conditions in which the borrower operates, a specific allocation is made. For those borrowers that are not currently behind in their payment, but for which management believes based on economic conditions and operating activities of the borrower, the possibility exists for future collection problems, a reserve is established. The amount of reserve allocated to each loan portfolio is based on past loss experiences, the different levels of risk within each loan portfolio. The historical loan loss portion is determined using a historical loss analysis by loan category.

The unallocated portion of the reserve for loan losses is determined based on management's assessment of general economic conditions as well as specific economic factors in the Bank's marketing area. This assessment inherently involves a higher degree of uncertainty. It represents estimated inherent but undetected losses within the portfolio that are probable due to uncertainties in economic conditions, delays in obtaining information, including unfavorable information about a borrower's financial condition and other current risk factors that may not have yet manifested themselves in the Bank's historical loss factors used to determine the allocated component of the allowance.

Actual charge-off of loan balances is based upon periodic evaluations of the loan portfolio by management. These evaluations consider several factors, including, but not limited to, general economic conditions, financial condition of the borrower, and collateral.

As can be seen from the table below, charge-offs increased to $3.1 million for 2001, and the provision was $2.6 million. Both of these amounts are up significantly over prior years. Credit losses in the installment loan and real estate loan portfolio have remained fairly steady even given the downturn in the economy. The increase was primarily the result of one large commercial credit in which $1,500,000 of the note was written off and another $1.75 million of this loan was added to the reserve for loan losses.

The following table presents a reconciliation of the allowance for loan losses:

	(In Thousands)				
	2001	2000	1999	1998	1997
Loans	$461,689	$487,344	$462,764	$393,782	$396,476
Daily average of outstanding loans	$472,181	$475,035	$428,087	$408,291	$384,498
Allowance for loan losses-January 1	$ 7,160	$ 6,750	$ 5,850	$ 5,850	$ 5,500
Loans Charged Off:					
Commercial	1,826	257	185	472	263
Installment	1,254	1,883	1,085	1,260	1,239
Real estate mortgages	54	233	304	42	29
	3,134	2,373	1,574	1,774	1,531
Loan Recoveries:					
Commercial	421	358	493	540	384
Installment	191	923	331	339	364
Real estate mortgages	5	6	13	3	22
	617	1,287	837	882	770
Net Charge Offs	2,517	1,086	737	892	761
Privision for loan loss	2,632	1,496	1,637	892	1,111
Allowance for loan losses-December 31	$ 7,275	$ 7,160	$ 6,750	$ 5,850	$ 5,850
Ratio of net charge-offs to average loans outstanding	0.53%	0.23%	0.17%	0.22%	0.20%

Allocation of the allowance for loan losses among the various loan categories is as follows:

	Amount (000's)	% of Loans in Each Category To Total Loans
Balance at End of Period Applicable To:		
Commercial/industrial	$4,235	32.83%
Installment	1,526	11.91%
Real estate	1,101	53.62%
Unallocated	413	1.64%
	$7,275	100.00%

DEPOSITS

The amount of outstanding time certificates of deposits and other time deposits in amounts of $100,000 or more by maturity are as follows:

	Under Three Months	Over Three Months Less Less Than One Year	Over One Year Less Than Three Years	Over Three Years
Time deposits	$22,639	$33,118	$24,913	$ 1,066

The following table presents the average amount of and average rate paid on each deposit category:

	Demand Deposits	NOW Accounts	Savings Accounts	Time Accounts
December 31, 2001:				
Average balance (In thousands)	$ 38,377	$ 75,765	$ 118,393	$ 318,326
Average rate	0.00%	2.00%	2.86%	5.67%
December 31, 2000:				
Average balance (In thousands)	$ 41,211	$ 45,753	$ 97,922	$ 304,666
Average rate	0.00%	2.14%	3.44%	5.77%
December 31, 1999:				
Average balance (In thousands)	$ 43,655	$ 61,609	$ 101,506	$ 292,581
Average rate	0.00%	2.44%	2.65%	5.32%

SHORT-TERM BORROWINGS

The Company's average balance of short-term borrowings was less than 30% of end of year stockholders' equity for each year reported.

RETURN ON ASSETS AND EQUITY

The Company has consistently maintained regulatory capital ratios at or above the "well capitalized" levels. See Note 16 to the Consolidated Financial Statements for more information.

Stockholders' equity as of December 31, 2001 was $70 million compared to $65 million for 2000 and $57.9 million for 1999, a $5 million or 8.25 percent increase. Dividends for 2001 increased by $.10 per share to $1.60 compared to $1.50 per share and $1.40 per share for 2000 and 1999, respectively resulting in the dividend payout ratios shown in the table below. Management and the Board of Directors are continually reviewing this ratio. The dividends that can be paid are subject to regulatory restrictions.

The following table shows consolidated operating and capital ratios of the Company for each of the last three years:

	2001	2000	1999
Return on average assets	1.02%	1.19%	1.16%
Return on average equity	9.73%	12.02%	11.95%
Dividend payout ratio	30.79%	26.38%	26.79%
Equity to assets ratio	10.29%	10.23%	9.67%

FUNDING

The Company's bank subsidiary continues to follow the strategy of acquiring assets for investment purposes and retaining its own loan production, attempting to achieve reasonable spreads through matching such assets with one of a number of funding sources available.

The Farmers & Merchants State Bank functions as a financial intermediary, and as a result, its financial condition should be examined in terms of trends in its sources and uses of funds. The following comparison of daily average balances (in thousands) indicates how the bank has managed its sources and uses of funds.

	2001		
	Average Balance	Net Change Amount	Net Change Percentage
Funding Uses:			
Loans	$472,181	$ (2,854)	-0.60%
Taxable securities	106,774	27,779	35.17%
Tax exempt securities	29,565	2,471	9.12%
Interest bearing deposits	120	20	20.00%
Federal funds sold	11,342	9,321	461.21%
	$619,982	$ 36,737	6.30%
Funding Sources:			
Deposits:			
Noninterest bearing demand	$ 42,170	$(58,420)	-58.08%
Savings	179,610	81,688	83.42%
Other time	320,341	15,675	5.14%
Other borrowed money	20,822	(7,815)	-27.29%
Federal funds purchased agreements to repurchase	25,656	4,986	24.12%
	$588,599	$ 36,114	6.54%

	2000			1998
	Average Balance	Net Change Amount	Net Change Percentage	Average Balance
Funding Uses:				
Loans	$475,035	$ 46,948	10.97%	$428,087
Taxable securities	78,995	(10,839)	-12.07%	89,834
Tax exempt securities	27,094	(3,012)	-10.00%	30,106
Interest bearing deposits	100	--	0.00%	100
Federal funds sold	2,021	2	0.10%	2,019
	$583,245	$ 33,099	6.02%	$550,146
Funding Sources:				
Deposits:				
Noninterest bearing demand	$100,590	$ (9,474)	-8.61%	$110,064
Savings	97,922	(789)	-0.80%	98,711
Other time	304,666	9,290	3.15%	295,376
Other borrowed money	28,637	12,134	73.53%	16,503
Federal funds purchased agreements to repurchase	20,670	14,541	237.25%	6,129
	$552,485	$ 25,702	4.88%	$526,783

LIQUIDITY

Historically, the primary source of liquidity has been core deposits that include non-interest bearing demand deposits, NOW and money market accounts and time deposits of individuals. Through marketing efforts and competitive interest rates, new customers were attracted during 2001 and core deposits increased in 2001. Overall deposits increased almost $50 million to $566 million for 2001 compared to deposits at the end of 2000 of $516 million and $503 million for 1999. These increases represent 9.6 percent and 2.6 percent increases, respectively.

Again, historically, the primary use of new funds is placing the funds back into the community through loans for the acquisition of new homes, consumer products and for business development. The use of new funds for loans is measured by the loan to deposit ratio. The Company's loan to deposit ratio for 2001 was 82.71 percent, 93 percent for 2000 and 92.13% for 1999. Because of the decline in the overall economy, loan activity slowed during 2001. The reason for this drop in loan to deposit ratio is a result of the weakened economy in 2001 and the uneasy feelings about the future, and as a result, loan activity slowed. With the decrease in loan activity, the Bank's management chose to invest these funds in primarily in government agency and municipal securities. This provided a good return while leaving the Bank in a position to liquidate these investments with little risk in the event of an upswing in loan activity.

Short-term debt such as federal funds purchased and securities sold under agreement to repurchase also provides the Company with liquidity. Short-term debt for both federal funds purchased and securities sold under agreement to repurchase amounted to $26.5 million at December 31, 2001 compared to $18.9 million at the end of 2001 and $7.3 million at the end of 1999. These funds provided an additional $7.6 million in liquidity for 2001.

Other borrowings are also a source of funds. Other borrowings consist of loans from the Federal Home Loan Bank of Cincinnati at fixed rates. These funds are then used to provide housing mortgages back to the community in the form of fixed rate loans. Borrowings from this source decreased by $13.4 million to $17.4 million at December 31m 2001 due to repayments. This compares to increased borrowings in 2000 of $5.7 million to $30.7 million at December 31, 2000, and borrowings of $25 million at the end of 1999.

ASSET/LIABILITY MANAGEMENT

The primary functions of asset/liability management are to assure adequate liquidity and maintain an appropriate balance between interest earning assets and interest bearing liabilities. It involves the management of the balance sheet mix, maturities, repricing characteristics and pricing components to provide an adequate and stable net interest margin with an acceptable level of risk. Interest rate sensitivity management seeks to avoid fluctuating net interest margins and to enhance consistent growth of net interest income through periods of changing interest rates.

Changes in net income, other than volume related, arise when interest rates on assets reprice in a time frame or interest rate environment that is different from that of the repricing period for liabilities. Changes in net interest income also arise from changes in the mix of interest-earning assets and interest-bearing liabilities.

Historically, The Farmers & Merchants State Bank has maintained liquidity through cash flows generated in the normal course of business, loan repayments, maturing earning assets, the acquisition of new deposits, and borrowings. The Bank's asset and liability management program is designed to maximize net interest income over the long term while taking into consideration both credit and interest rate risk.

Interest rate sensitivity varies with different types of interest-earning assets and interest bearing liabilities. Overnight federal funds on which rates change daily and loans that are tied to the market rate differ considerably from long-term investment securities and fixed rate loans. Similarly, time deposits over $100,000 and money market certificates are much more interest rate sensitive than passbook savings accounts. The shorter-term interest rate sensitivities are the key to measurement of the interest sensitivity gap, or excess interest sensitive earnings assets over interest-bearing liabilities.

The following table summarizes the repricing opportunities as of December 31, 2001 for each major category of interest-earning assets (at amortized cost) and interest-bearing liabilities:

	0-90 Days	90-365 Days	1-5 Years	Over 5 Years	Total
Interest bearing deposit	$ 146	$ --	$ --	$ --	$ 146
Investment securities	15,587	36,671	102,178	18,527	172,963
Loans	140,933	185,659	83,847	65,038	475,477
Total Rate Sensitive Assets	156,666	222,330	186,025	83,565	648,586
Deposits	142,110	167,354	256,693	--	566,157
Federal funds purchased and agreements to repurchase	26,539	--	--	--	26,539
Other borrowings	1,099	889	9,740	5,682	17,410
Total Rate Sensitive Liabilities	169,748	168,243	266,433	5,682	610,106
Gap	$ (13,082)	$ 54,087	$ (80,408)	$ 77,883	$ 38,480

OTHER MATTERS

The Financial Accounting Standards Board issued several new pronouncements during 2001. Statement of Financial Accounting Standards No. 141 entitled Business Combinations deals with the accounting treatment when two companies are combined. Under prior rules two methods were appropriate, the pooling-of-interest method or the purchase method. Statement No. 141 now permits only method, the purchase method to be used. Management believes that this pronouncement will not have a material impact on Farmers & Merchants Bancorp's financial statements, as the primary method of growth for the Company has been through opening new branches in desired locations as opposed to acquiring existing banks.

Statement of Financial Accounting Standards No. 142 entitled Goodwill and Other Intangible Assets deals with the accounting and reporting of acquired goodwill and other intangible assets. For the same reasons as discussed above for SFAS No. 141, management does anticipate this pronouncement having a material impact on the financial statements

Statement of Financial Accounting Standards No. 143 entitled Accounting for Asset Retirement Obligations addresses the financial accounting and reporting procedures for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs, and applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development or normal operations of long-lived assets. According to the pronouncement, a legal obligation is an obligation that a party is required to settle as a result of an existing or enacted law, statute, ordinance, or written or oral contract. Again, it is not expected that this pronouncement will have a material impact on the financial statements of Farmers & Merchants Bancorp, Inc.

Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets supercedes Statement No. 121 Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, and the accounting and reporting provisions of APB Opinion No. 30 Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions, for the disposal of a segment of a business. Again, it is not anticipated that this pronouncement will have a material impact on the financial accounting and reporting practices of Farmers & Merchants Bancorp, Inc.

Other information required by subsections of Item 1, to which no response has been made, are inapplicable to the business of the Company.

PROPERTIES

The principal office of Farmers & Merchants Bancorp, Inc. is located in facilities owned by The Farmers & Merchants State Bank at 307-11 North Defiance Street, Archbold, Ohio 43502.

The Farmers & Merchants State Bank operates from and utilizes the entire facilities at 307-11 North Defiance Street. In addition, the bank owns the property from 200 to 208 Ditto Street, Archbold, Ohio, which it uses for Bank parking and a community mini-park area. The Bank owns real estate at two locations, 207 Ditto Street and 209 Ditto Street in Archbold, Ohio upon which the bank built a commercial building to be used for storage, and a parking lot for company vehicles and employee parking.

In late 1993 construction began on a 15,237 square foot addition on an adjacent lot it owned at 313 North Defiance Street. This addition was substantially completed by the end of 1994 with final completion taking place in the spring of 1995. Then in 1993 the Bank purchased real estate across from the main facilities to provide for possible parking expansion.

In 1989 the Bank purchased additional real estate in Bryan, Ohio, and has established another branch operation in Bryan. The Bank, in 1988, purchased real estate immediately adjacent to its branch bank premises in Delta, Ohio for expansion of parking facilities. In 1990 the Bank purchased real estate in Delta, Ohio for additional parking to serve its branch office. The Bank constructed in 1994 a 1,540 square foot addition to the branch in Wauseon, Ohio. The bank obtained permission to open a branch in Napoleon, Ohio. Facilities were completed in the Spring of 1995.

The Bank also owns real estate consisting of land and buildings housing each of its full service branch operations, except for the Montpelier, Ohio facilities which are leased. Construction has begun on permanent facilities for the Montpelier operations and was completed in June of 1998.

The Bank has purchased a parcel of land in Archbold, Ohio on which it plans to construct a new $4 million operations center to accommodate the growth that has taken place at the Bank.

Current locations of retail banking services are:

Branch	Location
Archbold, Ohio	1313 South Defiance Street
Wauseon, Ohio	1130 North Shoop Avenue 119 North Fulton Street
Stryker, Ohio	300 South Defiance Street
West Unity, Ohio	200 West Jackson Street
Bryan, Ohio	924 W. High Street 1000 South Main Street
Delta, Ohio	101 Main Street
Montpelier, Ohio	225 West Main Street 1150 East Main Street
Napoleon, Ohio	2255 Scott Street
Swanton, Ohio	7 Turtle Creek Circle
Defiance, Ohio	1175 Hotel Drive

The majority of the above locations have drive-up service facilities.

LEGAL PROCEEDINGS

There are no material pending legal proceedings, other than ordinary routine proceedings incidental to the business of the Bank, to which the Bank is a party or of which any of its properties is the subject.

SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No items were submitted during the fourth quarter of the fiscal year covered by this report to a vote of the security holders through solicitation of proxies or otherwise.

PART II

MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The company's stock is not quoted on the National Association of Securities Dealers Automated Quotations System (NASDAQ).

The company's stock is traded in the principal market area of Fulton, Williams, and Henry Counties, Ohio. The company has no broker that sets a price for the company's stock, therefore, the only source as to the high and low sale price is from private sales. The high and low sale price known to the company's management is as follows:

		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2001	High	$105.00	$115.00	$105.00	$130.00
	Low	$85.00	$85.00	$90.00	$90.00
2000	High	$115.00	$115.00	$115.00	$120.00
	Low	$80.00	$80.00	$85.00	$85.00

As of March 1, 2002, there were 1,718 record holders of common stock of the company.

Dividends are paid quarterly. Per share dividends for the years ended 2001 and 2000 are as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
2001	$.35	$.35	$.35	$.55	$1.60
2000	$.35	$.35	$.35	$.45	$1.50

SELECTED FINANCIAL DATA

Selected financial data is presented on pages 58 and 59 of the Annual Report to shareholders for the year ended December 31, 2001 and are incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Accountants

MESSAGE FROM MANAGEMENT:

The year 2001 was challenging for the Farmers & Merchants Bancorp, Inc. Total income showed an increase of approximately 3.03% with total expenses increasing about 6.00%. Net income has shown a decrease of approximately 10% due primarily to a substantial charge off in the commercial loan portfolio. This charge off along with the slowdown in the economy and eleven interest rate cuts by the Federal Reserve, resulting in a 4.75% reduction of New York Prime Rate, has caused your Bancorp to not have a year to which we have been accustomed. As a result of Fed actions, the Bancorp's net interest margin has dropped well below our goal of 4.00%; however, with astute pricing, the margin has increased since the first of the year. Nonetheless, the Bancorp still had a strong year, with substantial progress being made on numerous customer-focused initiatives. Some of these came at the expense of current earnings, but were necessary to address the competitive realities of the financial services industry and to position the Farmers & Merchants Bancorp, Inc. for future growth.

During the past year, we have continued to expand our customer base. That along with loan development has been our main priority. The success of the Bancorp is in no small part due to our ability to maintain a loan to deposit ratio in the low to mid eighty (80) percentile. However, we have not and will not sacrifice quality for quantity and will continue to make loans using sound underwriting policies and procedures. Mortgage lending was very strong in 2001 with our lenders putting in many extra hours to satisfy our customers' needs. We are positioned to pursue this market aggressively in the coming year, realizing asset quality must remain a high priority. Plus, it is important that credit standards are not relaxed and our lenders are following the same "blueprint" in granting and administering credit.

Among the events of 2001, the September 11th attacks were obviously the most noteworthy. For the Bancorp, completion of the Defiance Office and the introduction of F&M Online "Internet Banking" were the major accomplishments. The Defiance Office opened July 30th which now puts the F&M in all four Northwest Ohio counties, a goal that was formulated shortly after opening our first branch, the Wauseon North Shoop Avenue Office. David Kunesh, Branch Manager, Sue Cuevas, Assistant Branch Manager, and their staff are doing an excellent job of competing in the Defiance Market. If you have not stopped in our newest office, please do so at your earliest convenience. F&M Online "Internet Banking" was introduced March 1st by E-Commerce Officer, Jay Budde. To date we have approximately 1500 personal users and 60 businesses. To learn more about F&M Online Internet Banking or to try a demonstration, visit our home page at www.fm-bank.com or call us today. Construction of the Operations Center will be the major project for 2002. We expect a completion date early in the first quarter of 2003. The new center will free much needed space at the Main Office for new services and expanding services to better serve our customers.

Looking ahead, Farmers & Merchants Bancorp expects to do business in a challenging economic environment. How long the slowdown will continue is not known; undoubtedly, it has affected everyone in our industry. We have a long history of successfully managing our credit quality through phases of a business cycle. The Bancorp has a broad array of products and services available to meet our customers varied needs. While enjoying diversified revenue streams, we are not overly dependent on any one business. Our understanding professionals, using our internal operating guidelines, will be working together as never before to deliver value to customers and, by extension, to our shareholders.

We would like to express our appreciation for the input and support of our Board of Directors, Advisory Boards, loyal employees and customers, and the cooperation of the communities we serve, and finally, the continued confidence of our shareholders. We look forward to the opportunities and challenges of 2002.

Joe E. Crossgrove	Eugene D. Bernath
President/CEO	Chairman of the Board

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Audited Consolidated Financial Statements

FARMERS & MERCHANTS BANCORP, INC.

And wholly owned subsidiaries December 31, 2001

DIRECTORS

EUGENE D. BERNATH
Chairman of the Board
The Farmers & Merchants State Bank

DEXTER L. BENECKE
President
Viking Trucking, Inc.
Vice President
SanJan, Inc.

JERRY L. BOYERS
President
Edifice Construction
Management

JOE E. CROSSGROVE
President/Chief Executive
Officer
The Farmers & Merchants State Bank

ROBERT G. FREY
President
E. H. Frey & Sons, Inc.

JULIAN GIOVARELLI
President
GIO Sales, Inc.

JACK C. JOHNSON
President
Hawk's Clothing, Inc.
Partner
REJO Partnership

DEAN E. MILLER
President
MBC Holdings, Inc.

DALE L. NAFZIGER
Vice President
Homestead Ice Cream Co.

ANTHONY J. RUPP
President
Rupp Furniture Co.

DAVID P. RUPP, JR.
Attorney
Plassman, Rupp, Hensal &
Short

JAMES C. SANEHOLTZ
President
Saneholtz-McKarns, Inc.

MAYNARD SAUDER
Chairman
Sauder Woodworking Co.

MERLE J. SHORT
Farmer
President
Promow, Inc.

STEVEN J. WYSE
President
SteelinQ Systems, Inc.

DIRECTOR EMERITUS
LEE E. GRAFFICE
CHARLES E. LUGBILL
HAROLD H. PLASSMAN
JAMES L. PROVOST
KENNETH E. STAMM
ROBERT H. STOTZER
ROBERT V. WHITMER

ARCHBOLD MAIN OFFICE

EUGENE D. BERNATH
Chairman of the Board

JOE E. CROSSGROVE
President
Chief Executive Officer

MAYNARD SAUDER
Vice President

DEAN E. MILLER
Vice President

EDWARD A. LEININGER

Executive Vice President
Sr. Commercial Loan Officer
Chief Operating Officer

REX D. RICE
Executive Vice President
Chief Lending Officer

BARBARA J. BRITENRIKER
Vice President
Comptroller & Chief
Financial Officer

ALLEN G. LANTZ
Vice President
Branch Administrator

GEORGE JELEN
Asst. Vice President
Secondary Market Officer
Loan Underwriter

RANDAL H. SCHROEDER
Asst. Vice President
Chief Operations Officer

MICHAEL D. CULLER
Asst. Vice President
Chief Agri Finance Officer

DIANN K. MEYER
Asst. Vice President
Human Resource Officer

KENT E. ROTH
Auditor
Security Officer

MARILYN K. JOHNSON
Asst. Cashier
Compliance & CRA Officer

JUDITH A. WARNCKE
Asst. Cashier
Marketing Officer

J. SCOTT MILLER
Asst. Cashier
Agri Finance Officer

JANE C. BRUNER
Asst. Cashier
Operations Supervisor

BRETT J. KAHRS
Asst. Cashier
Senior Investment Executive

KELBY J. SCHMUCKER
Asst. Cashier
Credit Analyst

GLORIA J. LAUBER
Asst. Cashier
Mortgage Loan Director

KERRY S. FOX
Asst. Cashier
Loan Review Officer

LYDIA A. HUBER
Executive Administrative Assistant
Asst. Corporate Secretary

ARCHBOLD WOODLAND
OFFICE

DEBORAH L. SHINABERY
Asst. Vice President
Branch Manager

ARTHUR J. SHORT
Asst. Cashier
Asst. Branch Manager

ARCHBOLD ADVISORY BOARD

BRUCE C. LAUBER
President
Lauber Manufacturing Co.

JO ELLEN HORNISH
President
Hornish Brothers, Inc.

MICHAEL D. KREBS
President
Laub Auto Parts, Inc.

GENE SCHAFFNER
Farmer

GEORGE F. STOTZER
Partner
Stotzer Do-It Center

LARRY M. WENDT
Farmer

President of Board of Directors
Ridgeville Telephone

WAUSEON SHOOP OFFICE

GLORIA GUNN
Asst. Vice President
Branch Manager

SUSAN DIERINGER
Asst. Cashier
Asst. Branch Manager

JERRY A. BORTON
Assistant Cashier
Agri Finance Officer

SUSAN C. PIKE
Asst. Cashier
Credit Card Service
Representative

WAUSEON DOWNTOWN
OFFICE

CAROL J. ENGLAND
Asst. Vice President
Branch Manager
Corporate Secretary

JEAN E. HORWATH
Asst. Cashier
Asst. Branch Manager

WAUSEON ADVISORY BOARD

RICHARD L. ELROD
President
Mustang Corporation

WARREN A. KAHRS

President
Kahrs Tractor Sales, Inc.

JOSEPH H. KOLB
Owner
Kolb & Son

SANDRA K. BARBER
Fulton County Recorder
Chairman, Ohio Lottery Commission

DR. KENNETH H. KLING
Owner
Fulton County Vision Services

STRYKER OFFICE

RONALD D. SHORT
Asst. Vice President
Branch Manager

PATTI L. ROSEBROCK
Asst. Cashier
Asst. Branch Manager

STRYKER ADVISORY
BOARD

FRED W. GRISIER
Retired
Grisier Funeral Home

RICHARD E. RAKER
Retired
Raker Oil Company

STEVEN PLANSON
Farmer

WILLIAM J. BRENNER
Attorney

WEST UNITY OFFICE

LEWIS D. HILKERT
Vice President
Branch Manager

PATRICIA R. BURKHOLDER
Assistant Cashier
Assistant Branch Manager

WEST UNITY ADVISORY
BOARD

BEN G. WESTFALL
President
Westfall Realty, Inc.

TED W. MANEVAL
Farmer

R. BURDELL COLON
President
Rup-Col., Inc.

CHARLES W. KLINGER
Pharmacist
Klinger Pharmacy

DELTA OFFICE

CYNTHIA K. KNAUER
Asst. Vice President
Branch Manager

BETH A. BAY
Asst. Branch Manager

DELTA ADVISORY BOARD

TERRY J. KAPER
Attorney
Barber, Kaper, Stamm & Robinson

ROBERT E. GILDERS
Chairman
GB Manufacturing

EUGENE BURKHOLDER
President
Falor Farm Center

AL KREUZ
Retired Fulton County
Commissioner

DONALD G. GERDES
Human Resource Manager
Worthington Steel, Delta

BRYAN EAST HIGH OFFICE

DAVID C. FRAZER
Assistant Vice President
Branch Manager

CAROL L. CHURCH
Assistant Cashier
Assistant Branch Manager

BRYAN SOUTHTOWNE OFFICE

MICHAEL T. SMITH
Assistant Vice President
Branch Manager

RUTH M. FORD
Asst. Cashier
Asst. Branch Manager

RICHARD S. BRUCE
Assistant Vice President
Commercial Loan Officer

BRYAN ADVISORY BOARD

RUSTY BRUNICARDI
President/Chief Executive Officer
Community Hospital of Williams Co., Inc.

D. ROBERT SHAFFER
Farmer

DR. C NICHOLAS WALZ
President
Bryan Medical Group

PAUL R. MANLEY
Director of Intercompany Synergies
Sauder Woodworking Co.

GARRY COURTNEY
President/CEO
C.E. Electronics

MONTPELIER WEST MAIN
OFFICE

LANCE D. NOFZIGER
Asst. Cashier
Branch Manager

JEANNIE L. VONDEYLEN
Asst. Branch Manager

MONTPELIER EASTSIDE
OFFICE

KELLY L. BENTLEY
Asst. Cashier
Branch Manager

BARRY R. VONDEYLEN
Asst. Branch Manager

MONTPELIER ADVISORY
BOARD

GREGORY D. SHOUP
President
Peltcs Lumber Co., Inc.

RICHARD S. DYE
Self-employed

ROBERT D. MERCER
President
Bob Mercer Realty and
Auctions

GEORGE B. RINGS
Pharmacist
Rings Pharmacy

NAPOLEON OFFICE

STEPHEN E. JACKSON
Asst. Vice President
Branch Manager

DIANA J. DENNIE
Asst. Cashier
Asst. Branch Manager

MICHAEL F. SCHNITKEY
Asst. Cashier
Agri Finance Officer

GARY W. SPENCER
Asst. Vice President
Commercial Loan Officer

NAPOLEON ADVISORY BOARD

BARBARA C. SCHIE
Office Manager
Fulton Anesthesia Associates, Inc.

DAVID M. DAMMAN
Farm Drainage Contractor
Farmer

JAMES J. VAN POPPEL
President
Van Poppel Limited

DENNIS L. MEYER
Realtor
Reiser Realty

SWANTON OFFICE

BARRY N. GRAY
Asst. Vice President
Branch Manager

DEBRA J. KAUFFMAN
Asst. Cashier
Asst. Branch Manager

SWANTON ADVISORY
BOARD

ANTHONY G. FRY
Member
Select Stone
LLC

DANIEL P. MCQUADE
Attorney
The McQuades Co., LPA

LISA J. MITCHELL
Owner/Manager
Swanton Health Care Center

NORMAN ZEITER
President/Owner
Swanton Welding Co.

DEFIANCE OFFICE

DAVID A. KUNESH
Assist. Vice President
Branch Manager

LILLIAN SUE CUEVAS
Asst. Cashier
Asst. Branch Manager

January 11, 2002

Board of Directors
Farmers & Merchants Bancorp, Inc.
Archbold, Ohio

INDEPENDENT AUDITORS' REPORT

We have audited the consolidated balance sheets of Farmers & Merchants Bancorp, Inc. and subsidiaries, Archbold, Ohio, as of December 31, 2001 and 2000 and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the years ended December 31, 2001, 2000 and 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Farmers & Merchants Bancorp, Inc. and subsidiaries, as of December 31, 2001 and 2000, and the results of its consolidated operations and cash flows for the years ended December 31, 2001, 2000 and 1999 in conformity with accounting principles generally accepted in the United States of America.

KROUSE, KERN & CO., INC.
Fort Wayne, Indiana

FARMERS & MERCHANTS BANCORP, INC.
Consolidated Balance Sheets
December 31, 2001 and 2000

ASSETS

	(In Thousands)	
	2001	2000
Cash and due from banks	$ 17,842	$ 17,951
Interest bearing deposits with banks	146	100
Federal funds sold	--	370
Securities available for sale at fair value	172,963	113,259
Federal Home Loan Bank stock	3,178	2,973
Loans, less allowance for loan losses of $7,275 for 2001 and $7,160 for 2000	453,836	479,587
Loans held for resale	13,788	328
Finance lease receivable	619	730
Bank premises and equipment-net	12,332	10,354
Accrued interest and other assets	8,922	9,508
TOTAL ASSETS	$683,626	$635,160

LIABILITIES AND SHAREHOLDERS' EQUITY

	2001	2000
LIABILITIES:		
Deposits:		
Demand	$ 41,991	$ 40,729
NOW accounts	84,763	52,850
Savings	111,213	110,393
Time	328,190	312,491
Total Deposits	566,157	516,463
Federal funds purchased	5,595	--
Securities sold under agreement to repurchase	20,944	18,903
Other borrowings	17,410	30,786
Dividend payable	715	585
Accrued interest and other liabilities	2,455	3,435
Total Liabilities	613,276	570,172
SHAREHOLDERS' EQUITY:		
Common stock, no par value - authorized 1,500,000 shares; issued and outstanding 1,300,000 shares	12,677	12,677
Undivided profits	56,092	51,416
Accumulated other comprehensive income	1,581	895
Total Shareholders' Equity	70,350	64,988
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$683,626	$635,160

See Accompanying Notes to Consolidated Financial Statements.

FARMERS & MERCHANTS BANCORP, INC.
Consolidated Statements of Income
for the years ended December 31, 2001, 2000 and 1999

	(In Thousands)(Except for Per Share Amounts)		
	2001	2000	1999
INTEREST INCOME:			
Interest and fees on loans	$ 40,728	$ 42,661	$ 37,236
Interest and Dividends on Investment Securities:			
U.S. Treasury and government agency	4,981	3,829	3,754
State and local governments	1,798	1,513	1,645
Corporate debt securities	528	544	849
Dividends	206	209	187
Interest on federal funds sold	473	130	105
Interest on deposits in banks	231	4	3
Total Interest Income	48,945	48,890	43,779
INTEREST EXPENSE:			
Deposits	22,947	22,299	19,776
Borrowed funds	2,501	3,210	1,374
Total Interest Expense	25,448	25,509	21,150
Net Interest Income	23,497	23,381	22,629
PROVISION FOR LOAN LOSSES	2,632	1,496	1,637
NET INCOME AFTER PROVISION FOR LOAN LOSS	20,865	21,885	20,992
OTHER INCOME:			
Service charges on deposit accounts	1,899	1,745	1,524
Other service charges and fees	2,110	1,420	1,435
Mortgage servicing rights income	1,722	113	139
Net securities gains (losses)	228	--	31
Total Other Income	5,959	3,278	3,129
OTHER EXPENSES:			
Salaries and wages	7,059	6,542	5,885
Pension and other employee benefits	1,937	1,603	1,536
Occupancy expense (net)	482	432	542
Furniture and equipment	1,444	1,178	1,272
Data processing fees	1,001	758	766
Franchise taxes	842	772	629
Mortgage servicing rights expense	911	129	163
Other operating expense	3,500	3,240	3,528
Total Other Expenses	17,176	14,654	14,321
INCOME BEFORE INCOME TAXES	9,648	10,509	9,800
INCOME TAXES	2,892	3,118	3,007
NET INCOME	$ 6,756	$ 7,391	$ 6,793
NET INCOME PER SHARE - BASIC	$ 5.20	$ 5.69	$ 5.23
WEIGHTED AVERAGE SHARES OUTSTANDING	1,300,000	1,300,000	1,300,000

See Accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Shareholder's Equity
for the years ended December 31, 2001, 2000 and 1999

	(In Thousands)			
	Common Stock	Undivided Profits	Accumulated Other Comprehensive Income	Total
BALANCE AT DECEMBER 31, 1998	$ 12,677	$ 41,002	$ 1,671	$ 55,350
Comprehensive income:				
Net income for 1999	--	6,793	--	6,793
Other comprehensive income net of tax:				
Unrealized gain (loss) on Available-For-Sale securities (net of tax effect of ($1,253))	--	--	(2,454)	(2,454)
Reclassification adjustment (net of tax) for	--	--		
Available-For-Sale securities sold			20	20
Total comprehensive income				4,359
Cash dividends ($1.40 per share)	--	(1,820)	--	(1,820)
BALANCE AT DECEMBER 31, 1999	12,677	45,975	(763)	57,889
Comprehensive income:				
Net income for 2000	--	7,391	--	7,391
Other comprehensive income net of tax:				
Unrealized loss on Available-For-Sale securities (net of tax effect of $853)	--	--	1,658	1,658
Total comprehensive income				9,049
Cash dividends ($1.50 per share)	--	(1,950)	--	(1,950)
BALANCE AT DECEMBER 31, 2000	12,677	51,416	895	64,988
Comprehensive income:				
Net income for 2001	--	6,756		6,756
Other comprehensive income net of tax:				
Unrealized gain on Available-For-Sale securities (net of tax effect of $431)	--		836	836
Reclassification adjustment (net of tax) for Available-For-Sale securities sold			(150)	(150)
Total comprehensive income				7,442
Cash dividends ($1.60 per share)	--	(2,080)	--	(2,080)
BALANCE AT DECEMBER 31, 2001	$ 12,677	$ 56,092	$ 1,581	$ 70,350

See Accompanying Notes to Consolidated Financial Statements.

FARMERS & MERCHANTS BANCORP, INC.
Consolidated Statements of Cash Flows
for the years ended December 31, 2001, 2000 and 1999

	(In Thousands)		
	2001	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 6,756	$ 7,391	$ 6,793
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation	1,282	1,096	1,243
Amortization of servicing rights	911	129	163
Amortization of securities premiums/discounts	278	222	413
Provision for loan losses	2,632	1,496	1,637
Provision for deferred income taxes	365	(55)	(172)
(Gain) loss on sale equipment and other assets	21	(80)	(114)
(Gain) loss on sale of securities	(228)	--	(31)
Originations of mortgage loans held for sale	(141,754)	(21,553)	(33,426)
Proceeds from mortgage loans held for sale	128,293	21,727	33,542
Net change in other assets/liabilities	(2,027)	(2,807)	633
Net Cash Provided (Used) by Operating Activities	(3,471)	7,566	10,681
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of bank premises and equipment	(3,469)	(1,276)	(1,991)
Proceeds from sale of bank premises and equipment	195	15	--
Maturity proceeds of available-for-sale securities	46,212	28,427	36,635
Sale proceeds of available-for-sale securities	10,882	--	17,114
Purchase of available-for-sale securities	(116,015)	(36,660)	(32,314)
Net (increase) decrease in loans and leases	23,230	(25,585)	(57,863)
Net Cash (Used) by Investing Activities	(38,965)	(35,079)	(38,419)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase in deposits	49,694	13,297	(9,017)
Net change in short-term borrowings	7,636	11,560	19,427
Proceeds from other borrowings	5,000	27,000	--
Payments on other borrowings	(18,377)	(21,253)	(1,201)
Payment of dividends	(1,950)	(2,015)	(1,820)
Net Cash Provided by Financing Activities	42,003	28,589	7,389
Net Change in Cash and Cash Equivalents	(433)	1,076	(20,349)
CASH AND CASH EQUIVALENTS - JANUARY 1	18,421	17,345	37,694
CASH AND CASH EQUIVALENTS - DECEMBER 31	$ 17,988	$ 18,421	$ 17,345
RECONCILIATION OF CASH AND CASH EQUIVALENTS:			
Cash and due from banks	$ 17,842	$ 17,951	$ 17,245
Interest bearing deposits	146	100	100
Federal funds sold	--	370	--
	$ 17,988	$ 18,421	$ 17,345
SUPPLEMENTARY CASH FLOWS DISCLOSURES:			
Cash paid during the year for:			
Interest (net of amount capitalized)	$ 25,665	$ 25,155	$ 21,357
Income taxes	3,480	4,334	2,024

See Accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

NATURE OF ACTIVITIES:

The consolidated income of Farmers & Merchants Bancorp, Inc. is principally from income of the bank subsidiary, The Farmers & Merchants State Bank. The subsidiary Bank grants agribusiness, commercial, consumer and residential loans to customers primarily in northwest Ohio and accounts for 99% of the consolidated revenues.

CONSOLIDATION POLICY:

The consolidated financial statements include the accounts of Farmers & Merchants Bancorp, Inc. and its wholly-owned subsidiaries, The Farmers & Merchants State Bank (the Bank), a commercial banking institution, and the Farmers & Merchants Life Insurance Company, a life, accident and health insurance company. All material inter- company balances and transactions have been eliminated.

ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The determination of the adequacy of the allowance for loan losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. In connection with the determination of the estimated losses on loans, management obtains independent appraisals for significant collateral.

The Bank's loans are generally secured by specific items of collateral including real property, consumer assets, and business assets. Although the bank has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on local economic conditions in the agricultural industry.

While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in local economic conditions. In addition regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans. Such agencies may require the Bank to recognize additional losses based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the estimated losses on loans may change materially in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

CASH AND CASH EQUIVALENTS:

For purposes of the statement of cash flows, the company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. This includes cash on hand, amounts due from banks, and federal funds sold. Generally, federal funds are purchased and sold for one day periods.

INVESTMENT SECURITIES:

Debt securities are classified as held-to-maturity when the Bank has the positive intent and ability to hold the securities to maturity. Securities held-to-maturity are carried at amortized cost. The amortization of premiums and the accretion of discounts are recognized in interest income using methods approximating the interest method over the period to maturity.

Debt securities not classified as held-to-maturity are classified as available-for-sale. Securities available-for-sale are carried at fair value with unrealized gains and losses reported in other comprehensive income. Realized gains and losses on securities available for sale are included in other income (expense) and, when applicable, are reported as a reclassification adjustment, net of tax, in other comprehensive income. Gains and losses on sales of securities are determined on the specific-identification method.

Declines in the fair value of individual held-to-maturity and available-for-sale securities below their cost that are other than temporary result in write-downs of the individual securities to their fair value. The related write-downs are included in earnings as realized losses.

LOANS:

Loans are stated at the amount of unpaid principal, reduced by unearned discounts and deferred loan fees and costs, as well as, by the allowance for loan losses. Interest on commercial, installment, and real estate loans is accrued on a daily basis based on the principal outstanding.

Generally, a loan (including a loan considered impaired under Statement 114, "Accounting by Creditors for Impairment of a Loan") is classified as nonaccrual and the accrual of interest income is generally discontinued when a loan becomes 90 days past due as to principal or interest and these loans are placed on a "cash basis" for purposes of income recognition. Management may elect to continue the accrual of interest when the estimated net realizable value of collateral is sufficient to cover the principal and accrued interest, and the loan is in the process of collection.

Loans held for resale are valued at the lower of aggregate cost or market, market determined by current market quotations.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

LOANS (Continued):

Loan origination and commitment fees and certain direct loan origination costs are deferred and amortized as a net adjustment to the related loan's yield. The Bank is generally amortizing these costs over the contractual life of such loans. Fees related to standby letters of credit are recognized at the beginning of the commitment period.

ALLOWANCE FOR LOAN LOSSES:

The allowance for possible loan losses is established through a provision for loan losses charged against income. Loans deemed to be uncollectible and changes in the allowance relating to impaired loans are charged against the allowance for loan losses, and subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is maintained at a level believed to be adequate by management to absorb probable loan losses inherent in the loan portfolio for on and off balance sheet credit exposure as of the balance sheet dates. Management's evaluation of the adequacy of the allowance is based on the Bank's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrowers ability to repay (including the timing of future payments), the estimated value of any underlying collateral, composition of the loan portfolio, current economic conditions, and other relevant factors. Allowances for impaired loans are generally determined based on collateral values or the present value of estimated future cash flows. This evaluation is inherently subjective as it may require material estimates including the amount and timing of future cash flows expected to be received on impaired loans that may be susceptible to significant change.

SERVICING ASSETS AND LIABILITIES:

It is the Bank's policy to service loans it has sold to FREDDIE MAC. When the Bank undertakes an obligation to service financial assets, it recognizes either a servicing asset or a servicing liability for that servicing contract at its fair market value. Servicing assets and liabilities are to be amortized in proportion to and over the period of estimated net servicing income. The amount of servicing assets recognized during 2001 was $1.707 million, while servicing assets amortized during 2001 was $911 thousand. Capitalized mortgage servicing rights are included in other assets and totaled $1.666 million and $870 thousand at December 31, 2001 and 2000, respectively. No valuation allowance is required.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

FINANCE LEASES:

Finance leases are recorded at the sum of the minimum lease payments less any executory costs and profit thereon to be paid and any unguaranteed residual value. If the residual is guaranteed, it is included in the minimum lease payments. The difference between the gross investment in the lease and the cost is recorded as unearned income, which is amortized over the lease term by the interest method. The unearned interest is included in the balance sheet as a deduction from the related gross investment, which results in the net investment in the lease.

BANK PREMISES AND EQUIPMENT:

Bank premises and equipment are stated at cost less accumulated depreciation. Depreciation is based on the estimated useful lives of the various properties and is computed using accelerated methods. Costs for maintenance and repairs are charged to operations as incurred. Gains and losses on dispositions are included in current operations.

OTHER REAL ESTATE OWNED:

Real estate properties acquired through or in lieu of loan foreclosure are initially recorded at the lower of the Bank's carrying amount or fair value less estimated selling cost at the date of foreclosure. Any write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for loan losses. After foreclosure, these assets are carried at the lower of their new cost basis or fair value less cost to sell. Costs of significant property improvements are capitalized, whereas, costs relating to holding the property are expensed. The portion of interest costs relating to the development of real estate are capitalized. Valuations are periodically performed by management, and any subsequent write-downs are recorded as a charge to operations, if necessary, to reduce the carrying value of a property to the lower of its cost or fair value less cost to sell.

FAIR VALUE OF FINANCIAL INSTRUMENTS:

FASB Statement No. 107, "Disclosures about Fair Value of Financial Instruments", requires disclosure of the fair value information about financial instruments, both assets and liabilities, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by assumptions used, including the discount rate and estimates of cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instrument. FASB Statement No. 107 excludes certain financial instruments and all non-financial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

FEDERAL INCOME TAX:

Income taxes are provided for the tax effects of the transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of the allowance for loan losses and available-for-sale securities. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets and liabilities are reflected at income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. The Bancorp files consolidated income tax returns with its bank subsidiary.

EARNINGS PER SHARE:

Basic earnings per share are computed based on the weighted average number of shares of common stock outstanding during each year.

NOTE 2. CASH AND CASH EQUIVALENTS

Banks are required to maintain reserve funds in vault cash and/or on deposit with the Federal Reserve Bank. The aggregate reserves required at December 31, 2001 and 2000 were $8.1 million and $4.8 million, respectively.

NOTE 3. INVESTMENT SECURITIES

The amortized cost and estimated market values of investments in securities as of December 31, are detailed below. Fair market values are based on quoted market prices or dealer quotes.

(In Thousands)

2001

	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Gross Market Value
Available-for-Sale:				
U.S. Treasury	$ 4,915	$ 123	$ --	$ 5,038
U.S. Government agency	85,257	2,410	82	87,585
Mortgage-backed securities	21,369	122	82	21,409
State and local governments	50,256	806	243	50,819
Corporate debt securities	7,751	86	746	7,091
Commercial paper	974	--	--	974
Equity securities	47	--	--	47
	$170,569	$ 3,547	$ 1,153	$172,963

NOTE 3. INVESTMENT SECURITIES (Continued)

	(In Thousands) 2000			
	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Gross Market Value
Available-for-Sale:				
U.S. Treasury	$ 7,821	$ 100	$ --	$ 7,921
U.S. Government agency	52,540	778	124	53,194
Mortgage-backed securities	7,924	5	66	7,863
State and local governments	31,438	771	52	32,157
Corporate debt securities	9,251	--	55	9,196
Commercial paper	2,908	--	--	2,908
Equity securities	20	--	--	20
	$111,902	$ 1,654	$ 297	$113,259

The gross realized gains and losses for the years ended December 31, are presented below:

	(In Thousands) 2001	2000	1999
Gross realized gains	$ 228	$ --	$ 38
Gross realized losses	--	--	7
Net Realized Gains (Losses)	$ 228	$ --	$ 31

The amortized cost and estimated market value of debt securities at December 31, 2001, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	(In Thousands) Amortized Cost	Fair Value
One year or less	$ 45,269	$ 45,737
After one year through five years	104,738	107,226
After five years through ten years	17,520	17,698
After ten years	2,995	2,255
Total	$170,522	$172,916

NOTE 3. INVESTMENT SECURITIES (Continued)

Investments with a carrying value of $106.6 million and $95.4 million at December 31, 2001 and 2000, respectively, were pledged to secure public deposits and securities sold under repurchase agreements.

NOTE 4. FEDERAL HOME LOAN BANK STOCK

The Federal Home Loan Bank stock is recorded at cost since it is not actively traded, and therefore, has no readily determinable market value. The stock is held as collateral security for all indebtedness of the Bank to the Federal Home Loan Bank.

NOTE 5. LOANS

Loans at December 31, are summarized below:

	(In Thousands)	
Loans:	2001	2000
Real estate	$ 247,545	$ 261,289
Commercial and industrial	119,025	96,990
Agricultural (excluding real estate)	31,684	51,337
Consumer and other loans	54,992	68,429
Overdrafts	853	652
Industrial Development Bonds	7,590	8,647
	461,689	487,344
Less: Deferred loan fees and costs	(578)	(597)
	461,111	486,747
Less: Allowance for loan losses	(7,275)	(7,160)
Loans - Net	$ 453,836	$ 479,587

The following is a maturity schedule by major category of loans including available for sale loans:

	(In Thousands) Principal Payments Due Within		
	One Year	Two to Five Years	After Five Years
Real estate	$ 5,025	$ 14,118	$242,185
Commercial and industrial	82,539	32,181	35,990
Consumer, Master Card and overdrafts	10,913	42,439	2,497
Industrial Development Bonds	2,148	229	5,213
	$100,625	$ 88,967	$285,885

NOTE 5. LOANS (Continued)

The distribution of fixed rate loans and variable rate loans by major loan category is as follows as of December 31, 2001:

	(In Thousands)	
	Fixed Rate	Variable Rate
Real estate	$ 60,138	$201,195
Commercial and industrial	62,557	88,152
Consumer, Master Card and overdrafts	55,143	1,321
Industrial Development Bonds	7,590	--

$139 million in one to four family residential mortgage loans have been pledged as security for loans the Bank has received from the Federal Home Loan Bank.

Senior officers and directors and their affiliated companies were indebted to the Bank in the aggregate of $16.3 and $14.9 million at December 31, 2001 and 2000, respectively. All such loans were made on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the time for comparable loan transactions with other persons. Loans made during 2001 were $57.5 million and repayments were $56.1 million. In the opinion of management, these loans do not involve more than normal risk of collectibility or possess other unfavorable features.

As of December 31, 2001 there were $3.3 million of undisbursed loans in process.

Loans for which the Bank is providing collection services is $191.7, $163.5 and $158.2 million for 2001, 2000 and 1999, respectively. Servicing assets recognized during 2001 amounted to $1.7 million and amortization of servicing assets amounted to $911 thousand. The fair value of recognized servicing assets was $1.9 million, fair value being determined by the present value of expected future cash flows. No allowance for impairment has been provided.

The following is an analysis of the allowance for loan loss:

	(In Thousands)		
	2001	2000	1999
Allowance for Loan Losses:			
Balance at beginning of year	$ 7,160	$ 6,750	$ 5,850
Provision for loan loss	2,632	1,496	1,637
Recoveries	617	1,287	837
Loans charged off	(3,134)	(2,373)	(1,574)
	$ 7,275	$ 7,160	$ 6,750

NOTE 5. LOANS (Continued)

As of December 31, 2001 and 2000, the recorded investment in impaired loans amounted to approximately $16.2 and $9.3 million, respectively. The average recorded investment in impaired loans amounted to approximately $12.8 million, $8.6 million and $6.5 million for 2001, 2000 and 1999, respectively. Of the loans that were considered impaired for 2001 and 2000, the recorded investment in impaired loans that have a related allowance determined in accordance with SFAS No. 114 was $5.1 million and $6.5 million, respectively for which the related allowance for loan loss was $3.8 million and $3.4 million, respectively. As of December 31, 2001 there were no commitments to lend additional funds to debtors whose loans are not performing.

The Bank stops accruing interest income when a loan is deemed to be impaired, and recognizes interest income when the interest income is actually received. Interest income recognized on impaired loans was $257, $177 and $53 thousand for 2001, 2000 and 1999, respectively.

Loans held for sale are residential mortgage loans that will be sold to FREDDIE MAC. Fair market value has been determined based upon the market in which the Bank normally operates and includes consideration of all open positions, outstanding commitments, and related fees paid. Gains or losses are recognized at settlement dates and are determined by the difference between the sales price and the carrying value. Gains and losses are included in other income.

NOTE 6. FINANCE LEASE RECEIVABLE

Finance leases as of December 31 are as follows:

	(In Thousands)	
	2001	2000
Gross investment in leases	$ 684	$ 820
Unearned income	(65)	(90)
Finance Lease Receivable	$ 619	$ 730

All amounts are considered collectible, and therefore, no allowance has been provided.

NOTE 7. BANK PREMISES AND EQUIPMENT

The major categories of banking premises and equipment and accumulated depreciation at December 31 are summarized below:

	(In Thousands)	
	2001	2000
Land	$ 2,601	$ 2,614
Buildings	10,661	9,349
Furnishings	8,308	6,390
	21,570	17,137
Less: Accumulated depreciation	(9,238)	(7,999)
Bank Premises and Equipment (Net)	$ 12,332	$ 10,354

NOTE 8. DEPOSITS

Time deposits at December 31 consist of the following:

	(In Thousands) 2001	2000
Time deposits under $100,000	$246,455	$238,946
Time deposits of $100,000 or more	81,735	73,545
	$328,190	$312,491

For each of the five years subsequent to December 31, 2001, maturities for time deposits having a remaining term of more than one year follows:

2003	$ 135,698
2004	56,378
2005	4,239
2006 and thereafter	1,818

Deposits to directors, executive officers companies in which they have a direct or indirect ownership as of December 31, 2001 and 2000 amounted to $10.7 million and $14.7 million, respectively.

NOTE 9. REPURCHASE AGREEMENTS

The Bank's policy requires qualifying securities as collateral for the underlying repurchase agreements. As of December 31, 2001 and 2000 securities with a book value of $33.1 million and $25.2 million, respectively, were underlying the repurchase agreements and were under the Bank's control.

NOTE 10. OTHER BORROWINGS

Other borrowings consisted of the following at December 31:

	(In Thousands) 2001	2000
Federal Home Loan Bank, various loans due in monthly installments of $161 thousand including interest plus annual principal payments of $ 400 thousand plus interest at fixed rates from 5.4% to 6.88%. Notes are secured by a blanket lien on 100% of the one to four family residential mortgage portfolio and Federal Home Loan Bank Stock	$17,410	$30,786

NOTE 10. OTHER BORROWINGS (Continued)

The following is a schedule by years of future minimum principal payments as of December 31:

2002	$ 2,463
2003	7,309
2004	1,875
2005	1,713
2006	1,634
2007 and thereafter	2,416
	$ 17,410

NOTE 11. FEDERAL INCOME TAXES

Deferred tax assets and liabilities at December 31 are comprised of the following:

	(In Thousands)	
	2001	2000
Deferred Tax Assets:		
Allowance for loan losses	$2,187	$2,142
Net unrealized loss on available-for-sale securities	--	--
	2,187	2,142
Deferred Tax Liabilities:		
Accreted discounts on bonds	139	67
FHLB stock dividends	497	427
Mortgage servicing rights	567	297
Other	50	52
Net unrealized gain on available-for-sale securities	814	461
	2,067	1,304
Net Deferred Tax Asset	$ 120	$ 838

The Company has not recorded a valuation allowance for deferred tax assets because management believes that it is more likely than not that they will be ultimately realized.

NOTE 11. FEDERAL INCOME TAXES (Continued)

The components of income tax expense for the years ended December 31 are as follows:

	2001	2000	1999
		(In Thousands)	
Current:			
Federal	$ 2,732	$ 3,173	$ 3,195
Deferred:			
Federal	160	(55)	(188)
	$ 2,892	$ 3,118	$ 3,007

	2001	2000	1999
		(In Thousands)	
Income tax at statutory rates	$ 3,411	$ 3,485	$ 3,399
Tax effect:			
Tax exempt interest	(596)	(447)	(468)
Costs attributable to tax exempt interest	77	80	76
	$ 2,892	$ 3,118	$ 3,007

NOTE 12. RETIREMENT INCOME PLAN

The Bank has established a 401(k) profit sharing plan which 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 and employer matching contributions. A seven year vesting schedule applies to employer discretionary contributions.

In order to be eligible to participate, the employee must be 21 years of age, 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.

Contributions to the 401(k) profit sharing plan for both the employer matching contribution and the discretionary contribution were $472, $410, and $363 thousand for 2001, 2000 and 1999, respectively.

NOTE 13. RELATED PARTY TRANSACTIONS

The Bank has conducted transactions with its officers and directors as set forth in Notes 5 and 8.

NOTE 14. COMMITMENTS AND CONTINGENT LIABILITIES

The Bank's financial statements do not reflect various commitments and contingent liabilities which arise in the normal course of business and which involve elements of credit risk, interest rate risk and liquidity risk. These commitments and contingent liabilities are commitments to extend credit, credit card arrangements and standby letters of credit. A summary of the Bank's commitments and contingent liabilities at December 31, is as follows:

	(In Thousands)	
	2001	2000
Commitments to extend credit	$81,654	$74,745
Credit card arrangements	23,809	19,515
Standby letters of credit	1,971	898

Commitments to extend credit, credit card arrangements and standby letters of credit all include exposure to some credit loss in the event of nonperformance of the customer. The Bank's credit policies and procedures for credit commitments and financial guarantees are the same as those for extensions of credit that are recorded in the financial statements. Because these instruments have fixed maturity dates, and because many of them expire without being drawn upon, they generally do not present any significant liquidity risk to the Bank.

In the ordinary course of business, the company at times, is subject to pending and threatened legal actions and proceedings. It is the opinion of management that the outcome of any such matters and proceedings would not have a material effect on the financial position of the company.

NOTE 15. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

All of the Bank's loans, commitments, and standby letters of credit have been granted to customers in the Bank's market area of northwest Ohio. All such customers are depositors of the Bank. Also, investments in state and municipal securities may involve governmental entities within the Bank's market area. The concentrations of credit by type of loan are set forth in Note 5. Standby letters of credit were granted primarily to commercial borrowers.

NOTE 16. REGULATORY CAPITAL REQUIREMENTS

The Bank is subject to various regulatory capital requirements administered by its primary federal regulator, the Federal Deposit Insurance Corporation (FDIC). Failure to meet the minimum regulatory requirements can initiate certain mandatory, and possible additional discretionary actions by regulators, that if undertaken, could have a direct material effect on the Bank and the consolidated financial statements. Under the regulatory capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines involving quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification under the prompt corrective action guidelines are also subject to qualitative judgements by the regulators about components, risk weightings, and other factors.

NOTE 16. REGULATORY CAPITAL REQUIREMENTS (Continued)

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of: total risk-based capital and Tier I capital to risk- weighted assets (as defined in the regulations), and Tier I capital to adjusted total assets (as defined). Management believes, as of December 31, 2001, that the Bank meets all the capital adequacy requirements to which it is subject.

As of December 31, 2001 the most recent notification from the FDIC indicated the Bank was categorized as well capitalized under the regulatory framework for prompt corrective action. To remain categorized as well capitalized, the Bank will have to maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as disclosed in the table below. There are no conditions or events since the most recent notification that management believes have changed the Bank's prompt corrective action category.

The Bank's actual and required capital amounts and ratios as of December 31, 2001 and 2000 are as follows:

	Actual		For Capital Adequacy Purposes(a)		To Be Well Capitalized Under the Prompt Corrective Action Provisions (a)	
	(000's) Amount	Ratio	(000's) Amount	Ratio	(000's) Amount	Ratio
As of December 31, 2001:						
Total Risk-Based Capital (to Risk Weighted Assets)						
Consolidated	$76,030	16.78%	$36,255	8.00%	$ --	N/A
Farmers & Merchants State Bank	73,717	15.16%	38,900	8.00%	48,625	10.00%
Tier 1 Capital (to Risk Weighted Assets)						
Consolidated	68,769	15.17%	18,127	4.00%	--	N/A
Farmers & Merchants State Bank	57,625	11.85%	19,451	4.00%	29,177	6.00%
Tier 1 Capital (to Adjusted Total Assets)						
Consolidated	68,769	10.01%	27,488	4.00%	--	N/A
Farmers & Merchants State Bank	57,625	8.39%	27,473	4.00%	34,341	5.00%

NOTE 16. REGULATORY CAPITAL REQUIREMENTS (Continued)

	Actual		For Capital Adequacy Purposes(a)		To Be Well Capitalized Under the Prompt Corrective Action Provisions (a)	
	(000's) Amount	Ratio	(000's) Amount	Ratio	(000's) Amount	Ratio
As of December 31, 2000:						
Total Risk-Based Capital (to Risk Weighted Assets)						
Consolidated	$69,581	15.6%	$35,680	8.0%	$ --	N/A
Farmers & Merchants State Bank	69,199	14.6%	37,920	8.0%	47,400	10.0%
Tier 1 Capital (to Risk Weighted Assets)						
Consolidated	63,977	14.3%	17,900	4.0%	--	N/A
Farmers & Merchants State Bank	53,274	11.3%	18,860	4.0%	28,290	6.0%
Tier 1 Capital (to Adjusted Total Assets)						
Consolidated	63,977	10.2%	25,090	4.0%	--	N/A
Farmers & Merchants State Bank	53,274	8.5%	25,070	4.0%	31,340	5.0%

(a) The amount and ratios provided are minimums under the regulations.

The Bank is restricted as to the amount of dividends that can be paid. Dividends declared by the Bank that exceed the net income for the current year plus retained income for the preceding two years must be approved by federal and state regulatory agencies. Under this formula dividends of $14.3 million may be paid without prior regulatory approval. Regardless of formal regulatory restrictions, the Bank may not pay dividends that would result in its capital levels being reduced below the minimum requirements shown above.

NOTE 17. FAIR VALUE INFORMATION AND INTEREST RATE RISK

Fair values of financial instruments are management's estimate of the values at which the instruments could be exchanged in a transaction between willing parties. These estimates are subjective and may vary significantly from amounts that would be realized in actual transactions. In addition, other significant assets are not considered financial assets including deferred tax assets, premises and equipment and intangibles. Further, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on the fair value estimates and have not been considered in any of the estimates.

NOTE 17. FAIR VALUE INFORMATION AND INTEREST RATE RISK (Continued)

The book values and estimated fair values for on and off-balance sheet financial instruments as of December 31, 2001 and 2000 are reflected below:

	2001		2000	
	Book Value	Fair Value	Book Value	Fair Value
Financial Assets:				
Cash and cash equivalents	$ 17,842	$ 17,842	$ 17,951	$ 17,951
Interest bearing deposits	146	146	100	100
Federal funds sold	--	--	370	370
Available-for-sale securities	172,963	172,963	113,259	113,259
Federal Home Loan Bank	3,178	3,178	2,973	2,973
Net loans	468,243	489,264	480,645	492,595
Interest receivable	6,287	6,287	5,077	5,077
Financial Liabilities:				
Deposits	$566,157	$574,852	$516,463	$518,648
Short-term borrowings:				
Federal funds purchased	5,595	5,595	--	--
Repurchase agreement sold	20,944	20,944	18,903	18,903
Other borrowings	17,410	17,766	30,786	31,313
Interest payable	1,921	1,921	1,784	1,784
Off-Balance-Sheet Financial Instruments:				
Commitments to extend credit	105,463	105,463	94,260	94,260
Standby letters of credit	1,971	1,971	898	898

The following assumptions and methods were used in estimating the fair value for financial instruments:

CASH AND SHORT-TERM INVESTMENTS:

The carrying amounts reported in the balance sheet for cash and due from banks and federal funds sold approximate their fair values.

INVESTMENT SECURITIES:

Fair values for securities are based on quoted market prices, where available. If quoted prices are not available, fair values are based on quoted market prices of comparable instruments.

NOTE 17. FAIR VALUE INFORMATION AND INTEREST RATE RISK (CONTINUED)

STOCK IN FEDERAL HOME LOAN BANK:

No ready market exists for the stock, and it has no quoted market value. The stock is redeemable at par; therefore, fair value equals cost.

LOANS:

Most commercial and real estate mortgage loans are made on a variable rate basis. For those variable-rate loans that reprice frequently, and with no significant change in credit risk, fair values are based on carrying values. The fair values of the fixed rate and all other loans are estimated using discounted cash flow analysis, using interest rates currently being offered for loans with similar terms to borrowers with similar credit quality.

DEPOSITS:

The fair values disclosed for deposits with no defined maturities are equal to their carrying amounts, which represent the amount payable on demand. The carrying amounts for variable-rate, fixed-term money market accounts and certificates of deposit approximate their fair value at the reporting date. Fair value for fixed-rate certificates of deposit are estimated using a discounted cash flow analysis that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits.

BORROWINGS:

Short-term borrowings are carried at cost that approximates fair value. Other long-term debt was generally valued using a discounted cash flows analysis with a discounted rate based on current incremental borrowing rates for similar types of arrangements, or if not available, based on an approach similar to that used for loans and deposits. Long-term borrowings include their related current maturities.

ACCRUED INTEREST RECEIVABLE AND PAYABLE:

The carrying amounts of accrued interest approximate their fair values.

NOTE 17. FAIR VALUE INFORMATION AND INTEREST RATE RISK (CONTINUED)

OFF-BALANCE-SHEET FINANCIAL INSTRUMENTS

The amounts shown under carrying value represent accruals or deferred fees arising from the related off-balance-sheet financial instruments. Fair value for off-balance-sheet financial instruments are based fees currently charged to enter into similar arrangements, taking into account the remaining terms of the agreements and the counterparties' credit standing.

INTEREST RATE RISK:

The Company assumes interest rate risk (the risk that general interest rate levels will change) as a result of its normal operations. As a result, the fair values of the Company's financial instruments will change when interest rate levels change and that change may be either favorable or unfavorable to the Company. Management attempts to match maturities of assets and liabilities to the extent believed necessary to minimize interest rate risk. However, borrowers with fixed rate obligations are more likely to prepay in a falling rate environment and less likely to prepay in a rising rate environment. Conversely, depositors who are receiving fixed rates are more likely to withdraw funds before maturity in a rising rate environment and less likely to do so in a falling rate environment. Management monitors rates and maturities of assets and liabilities and attempts to minimize interest rate risk by adjusting terms of new loans and deposits and by investing in securities with terms that mitigate the Company's overall interest rate risk.

NOTE 18. FARMERS & MERCHANTS BANCORP, INC. (PARENT COMPANY ONLY) FINANCIAL INFORMATION

BALANCE SHEETS

	(In Thousands) 2001	2000
ASSETS:		
Cash	$ 773	$ 706
Related party receivables:		
Dividends	715	300
Note receivable	10,000	10,000
Investment in subsidiaries	59,756	54,741
TOTAL ASSETS	$71,244	$65,747
LIABILITIES:		
Accrued expenses	$ 179	$ 174
Dividends payable	715	585
Total Liabilities	894	759
SHAREHOLDERS' EQUITY:		
Common stock, no par value - 1,500,000 shares authorized; 1,300,000 shares issued	12,677	12,677
Undivided profits	56,092	51,416
Accumulated other comprehensive income	1,581	895
Total Shareholders' Equity	70,350	64,988
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$71,244	$65,747

NOTE 18. FARMERS & MERCHANTS BANCORP, INC. (PARENT COMPANY ONLY) FINANCIAL INFORMATION (Continued)

STATEMENTS OF INCOME

	(In Thousands)		
	2001	2000	1999
INCOME:			
Equity in net income of subsidiaries	$6,409	$7,055	$6,451
Interest income	600	600	600
Total Income	7,009	7,655	7,051
EXPENSES:			
Miscellaneous	23	23	14
Professional fees	14	17	18
Supplies	7	7	6
Taxes	30	43	44
Total Expense	74	90	82
INCOME BEFORE INCOME TAXES	6,935	7,565	6,969
INCOME TAXES	179	174	176
NET INCOME	$6,756	$7,391	$6,793

NOTE 18. FARMERS & MERCHANTS BANCORP, INC. (PARENT COMPANY ONLY) FINANCIAL INFORMATION (Continued)

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In Thousands)

	Common Stock	Undivided Profits	Accumulated Other Comprehensive Income	Total
BALANCE AT DECEMBER 31, 1998	$ 12,677	$ 41,002	$ 1,671	$ 55,350
Comprehensive income:				
Net income for 1999	--	6,793	--	6,793
Other comprehensive income net of tax:				
Unrealized (loss) on Available-For-Sale securities (net of tax effect of ($1,253))	--	--	(2,454)	(2,454)
Reclassification adjustment for available for sale securities sold (net of tax)			20	20
Total comprehensive income				4,359
Dividends ($1.40 per share)	--	(1,820)	--	(1,820)
BALANCE AT DECEMBER 31, 1999	12,677	45,975	(763)	57,889
Comprehensive income:				
Net income for 2000	--	7,391	--	7,391
Other comprehensive income net of tax:				
Unrealized gain on Available-For-Sale securities (net of tax effect of $853)	--	--	1,658	1,658
Total comprehensive income				9,049
Dividends ($1.50 per share)	--	(1,950)	--	(1,950)
BALANCE AT DECEMBER 31, 2000	12,677	51,416	895	64,988
Comprehensive income:				
Net income for 2001	--	6,756	--	6,756
Other comprehensive income net of tax:				
Unrealized gain on Available-For-Sale securities (net of tax effect of $431)	--	--	836	836
Reclassification adjustment for available for sale securities sold (net of tax)			(150)	(150)
Total comprehensive income				7,442
Dividends ($1.60 per share)	--	(2,080)	--	(2,080)
BALANCE AT DECEMBER 31, 2001	$ 12,677	$ 56,092	$ 1,581	$ 70,350

NOTE 18. FARMERS & MERCHANTS BANCORP, INC. (PARENT COMPANY ONLY) FINANCIAL INFORMATION (Continued)

STATEMENTS OF CASH FLOWS

	(In Thousands)		
	2001	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 6,756	$ 7,391	$ 6,793
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Equity in undistributed net income of subsidiaries	(6,409)	(7,055)	(6,451)
Changes in Operating Assets and Liabilities:			
Accrued expenses	5	(2)	(178)
Net Cash Provided by Operating Activities	352	334	164
CASH FLOWS FROM INVESTING ACTIVITIES:			
Dividends from wholly-owned subsidiaries	1,665	1,718	1,640
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payment of dividends	(1,950)	(2,015)	(1,820)
Net Change in Cash and Cash Equivalents	67	37	(16)
CASH AND CASH EQUIVALENTS - beginning of year	706	669	685
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 773	$ 706	$ 669

FARMERS & MERCHANTS BANCORP, INC.

Five-Year Summary of Consolidated Operations

	2001	2000	1999	1998	1997
Summary of Income:					
Interest income	$ 48,945	$ 48,890	$ 43,779	$ 42,888	$ 40,158
Interest expense	25,448	25,509	21,150	22,085	21,139
Net Interest Income	23,497	23,381	22,629	20,803	19,019
Provision for loan loss	2,632	1,496	1,637	892	1,111
Net interest income after provision for loan loss	20,865	21,885	20,992	19,911	17,908
Other income (expense)	(11,217)	(11,376)	(11,192)	(8,841)	(8,096)
Net income before income taxes	9,648	10,509	9,800	11,070	9,812
Income taxes	2,892	3,118	3,007	3,413	3,035
Net income	$ 6,756	$ 7,391	$ 6,793	$ 7,657	$ 6,777
Per Share of Common Stock:					
Earnings per common share outstanding (Based on weighted average number of shares outstanding):					
Net income	$ 5.20	$ 5.69	$ 5.23	$ 5.89	$ 5.22
Dividends	$ 1.60	$ 1.50	$ 1.40	$ 1.40	$ 1.25
Weighted average number of shares outstanding	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000
Year-end assets	$ 683,626	$ 635,160	$ 598,529	$ 585,869	$ 528,273
Average assets	663,469	619,075	585,189	553,277	510,163
Year-end capital	70,350	64,988	57,889	55,350	48,844
Average equity capital	69,429	61,488	56,862	52,940	46,548

See Independent Auditors' Report on Supplementary Information.

FARMERS & MERCHANTS BANCORP, INC.

Quarterly Financial Data

	Quarter Ended in 2001			
	Mar 31	Jun 30	Sep 30	Dec 31
Summary of Income:				
Interest income	$ 12,711	$ 12,686	$ 12,029	$ 11,519
Interest expense	6,886	6,541	6,178	5,843
Net Interest Income	5,825	6,145	5,851	5,676
Provision for loan loss	184	486	152	1,810
Net interest income after provision for loan loss	5,641	5,659	5,699	3,866
Other income (expense)	(2,891)	(2,677)	(3,100)	(2,549)
Net income before income taxes	2,750	2,982	2,599	1,317
Income taxes	832	851	713	496
Net income	$ 1,918	$ 2,131	$ 1,886	$ 821
Earnings Per Common Share	$ 1.48	$ 1.64	$ 1.45	$ 0.63
Average common shares outstanding	1,300,000	1,300,000	1,300,000	1,300,000

	Quarter Ended in 2000			
	Mar 31	Jun 30	Sep 30	Dec 31
Summary of Income:				
Interest income	$ 11,642	$ 10,578	$ 12,421	$ 14,249
Interest expense	5,776	5,095	6,655	7,983
Net Interest Income	5,866	5,483	5,766	6,266
Provision for loan loss	167	183	630	516
Net interest income after provision for loan loss	5,699	5,300	5,136	5,750
Other income (expense)	(2,952)	(2,822)	(2,947)	(2,655)
Net income before income taxes	2,747	2,478	2,189	3,095
Income taxes	758	627	615	1,118
Net income	$ 1,989	$ 1,851	$ 1,574	$ 1,977
Earnings Per Common Share	$ 1.53	$ 1.42	$ 1.21	$ 1.52
Average common shares outstanding	1,300,000	1,300,000	1,300,000	1,300,000

FARMERS & MERCHANTS BANCORP, INC.

SELECTED FINANCIAL DATA BY MANAGEMENT

Key Ratios:

	1997	1998	1999	2000	2001
Return on average equity	14.56%	14.46%	11.95%	12.02%	9.73%
Return on average assets	1.33%	1.38%	1.16%	1.19%	1.02%
Loan to deposit ratio	86.31%	78.33%	92.13%	93.00%	82.71%
Capital to assets ratio	9.25%	9.45%	9.67%	10.23%	10.29%

[GRAPH] [GRAPH]

[GRAPH] [GRAPH]

FARMERS & MERCHANTS BANCORP, INC.

SELECTED FINANCIAL DATA BY MANAGEMENT

(In Thousands Except for Per Share Amounts)

	1997	1998	1999	2000	2001
Loans	$397,295	$401,192	$456,617	$480,645	$468,243
Total Assets	$528,273	$585,869	$598,529	$635,160	$683,626
Shareholders' Equity	$ 48,844	$ 55,350	$ 57,889	$ 64,988	$ 70,350
Interest Income	$ 40,158	$ 42,888	$ 43,779	$ 48,890	$ 48,945
Interest Expense	$ 21,139	$ 22,085	$ 21,150	$ 25,509	$ 25,448
Net Interest	$ 19,019	$ 20,803	$ 22,629	$ 23,381	$ 23,497
Other Expense	$ 8,096	$ 8,841	$ 11,192	$ 11,376	$ 11,216
Federal Income Tax	$ 3,035	$ 3,413	$ 3,007	$ 3,118	$ 2,892
Net Income	$ 6,777	$ 7,657	$ 6,793	$ 7,391	$ 6,756
Net Income per Share	$ 5.22	$ 5.89	$ 5.23	$ 5.69	$ 5.20
Dividends per Share	$ 1.25	$ 1.40	$ 1.40	$ 1.50	$ 1.60

[GRAPH] [GRAPH]

[GRAPH] [GRAPH]

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Farmers & Merchants Bancorp, Inc. has again continued its consistent pattern of solid income and asset growth. Total interest income remained steady at $48.9 for both 2001 and 2000 compared to $43.8 million for 1999. Interest income from loans decreased slightly from $42.6 million for 2000 to $40.7 million for 2001 while still higher than 1999 levels of $37.2 million. This is a result of the loan portfolio decreasing from $480.6 million for 2000 to $468.2 million for 2001 representing a 2.6% decrease, and also as a result of decreasing interest rates. Interest expense has also remained stable at $25.4 million compared to $25.5 million for 2000 and $21.1 million for 1999 even though deposits have risen from $516.4 million for 2000 to $566.1 million for 2001. As a result net interest income also remained stable at $23.5 million for 2001 compared to $23.4 million for 2000 and $22.6 million for 1999.

Other income has increased to $5.6 million for 2001 compared to $3.3 million and $3.1 million for 2000 and 1999, respectively. This increase was primarily a result of an increase in mortgage servicing income that was a result of refinancing of residential mortgages because of the fall in interest rates during 2001. There was also an increase in other service charges such as mastercard fees, profit on checks and miscellaneous customer service charges.

Operating expenses also increased in virtually every category as a result of additional services required to accommodate the increased activity in loans and deposits. Operating expenses for 2001 were $17.2 million compared to $14.6 million and $14.3 million for 2000 and 1999, respectively.

LIQUIDITY

Maintaining sufficient funds to meet depositor and borrower needs on a daily basis continue to be among management's top priorities. This is accomplished not only by the immediately liquid resources of cash, due from banks and federal funds sold, but also by the Company's available for sale securities portfolio. The average aggregate balance of these assets was $136.3 million for 2001 representing 20.5% of total average assets. Of the $170.5 million of debt securities in the portfolio as of December 31, 2001, $45.3 million or 26.5% of the portfolio is expected to mature in 2002.

CAPITAL RESOURCES

Shareholders' equity was $70 million at December 31, 2001 compared to $65 million for 2000. The company continues to have a strong capital base and its bank subsidiary, The Farmers & Merchants State Bank, continues to maintain regulatory capital ratios that are significantly above the defined regulatory capital ratios.

At December 31, 2001, The Farmers & Merchants State Bank had a total risk-based capital ratio of 15.2% and a 11.8% core capital to risk-based asset ratio which are well in excess of regulatory guidelines. The bank's leverage ratio of 8.4% is also substantially in excess of regulatory guidelines. These ratios compare to 14.6%, 11.3% and 8.5%, respectively for 2000.

The Company's subsidiaries are restricted by regulations from making dividend distributions in excess of certain prescribed amounts.

To accommodate future growth and provide for space for the Company's bank subsidiary's operations department, a $4 million construction project is expected to commence in 2002.

MARKET RISK

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

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

TRADING MARKET FOR THE COMPANY'S STOCK

The Company's stock is not actively traded on any exchange. The range and sales prices, based upon information that the Company has been made aware, are listed below:

	Stock Prices		
	Quarter	Low	High
2001 -- by quarter	1st	$ 85.00	$105.00
	2nd	85.00	115.00
	3rd	90.00	105.00
	4th	90.00	130.00
2000 -- by quarter	1st	$ 80.00	$115.00
	2nd	80.00	115.00
	3rd	85.00	115.00
	4th	85.00	120.00

Dividends declared on a quarterly basis for the last two fiscal years:

	Quarter	2001	2000
Dividends declared per share			
	1st	$ .35	$ .35
	2nd	.35	.35
	3rd	.35	.35
	4th	.55	.45

There are no conditions that currently exist that would indicate that dividends comparable to those paid in the last two years could not be paid in the foreseeable future.

January 11, 2002

To the Board of Directors
The Farmers & Merchants State Bank
Archbold, Ohio

INDEPENDENT AUDITORS' REPORT

We have examined management's assertion included in the accompanying Management Report that The Farmers & Merchants State Bank maintained a system of internal control over financial reporting which is designed to provide reasonable assurance to the Bank's management and Board of Directors regarding the preparation of reliable published financial statements in accordance with accounting principles generally accepted in the United States of America as of December 31, 2001, based upon criteria established in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The management of The Farmers & Merchants State Bank is responsible for maintaining effective internal control over financial reporting. Our responsibility is to express an opinion on management's assertion based upon our examination.

Our examination was made in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included obtaining an understanding of the internal control over financial reporting, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal control structure over financial reporting to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assertion that The Farmers & Merchants State Bank maintained a system of internal control over financial reporting which is designed to provided reasonable assurance to the Bank's management and Board of Directors regarding the preparation of reliable published financial statements in accordance with accounting principles generally accepted in the United States of America as of December 31, 2001, is fairly stated, in all material respects, based upon criteria established in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

KROUSE, KERN & CO., INC.
Fort Wayne, Indiana

MANAGEMENT REPORT
as of December 31, 2001

FINANCIAL STATEMENTS

Management of The Farmers & Merchants State Bank is responsible for the preparation, integrity and fair presentation of its published financial statements as of December 31, 2001, and for the year then ended. The financial statements have been prepared in accordance with generally accepted accounting principles and, as such, include amounts, some of which are based on judgments and estimates of management.

INTERNAL CONTROLS

Management is responsible for establishing and maintaining an effective internal control structure over financial reporting. The system contains monitoring mechanisms, and actions are taken to correct deficiencies identified.

There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of an internal control system may vary over time.

Management assessed its internal control structure over financial reporting as of December 31, 2001. This assessment was based on criteria for effective internal control over financial reporting described in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management believes that The Farmers & Merchants State Bank maintained an effective internal control structure over financial reporting as of December 31, 2001.

DESIGNATED LAWS

Management is also responsible for compliance with the federal and state laws and regulations relating to safety and soundness, including those designated laws and regulations regarding dividend restrictions and loans to insiders. Based on our assessment, management believes The Farmers & Merchants State Bank complied in all material respects, with those designated laws and regulations for the year ended December 31, 2001.

DIRECTOR PLASSMAN RETIRES FROM BOARD

Maynard Sauder, Harold Plassman, Eugene Bernath
Merle Short, Joe Crossgrove, Robert Frey,
Dale Nafziger, Julian Giovarelli
Anthony Rupp, Jack Johnson, James Saneholtz,
Jerry Boyers, Dexter Benecke

WAUSEON DOWNTOWN EMPLOYEES
DONATE TO HORSEBACK HAVEN

Jean Horwath, AC/Wauseon Downtown Asst. Mgr
presents check to Diane Timbrook,
Director of Horseback Haven.

WAUSEON HOMECOMING PARADE

Susan Dieringer, AC/Wauseon Shoop Asst. Mgr. and
Becky Huddy, Shoop New Accts. Rep.
and Moola Moola participating in the
Wauseon Homecoming Parade.

BRANCH ADMINISTRATOR & MANAGERS

Stephen Jackson, AVP/Napoleon; Ronald Short, AVP/Stryker;
Lance Nofziger, AC/Montpelier W. Main
Kelly Bentley, AC/Montpelier Eastside; Deborah Shinabery,
AVP/Archbold Woodland; Carol England, AVP/Wauseon
Downtown; Gloria Gunn, AVP/Wauseon Shoop; Cynthia Knauer,
AVP/Delta
David Frazer, AVP/Bryan E. High; Allen Lantz, VP/Branch
Administrator
Michael Smith, AVP/Bryan SouthTowne; Lewis Hilkert, VP/West
Unity; Barry Gray, AVP/Swanton; David Kunesh, AVP/Defiance

F & M DONATES TO OPPORTUNITY CENTER

Lance Nofziger, AC/Montpelier W. Main Mgr.
presents "Your Checking Account" packets
to Williams County Opportunity Center teacher
Kaleb Moore.

WILLIAMS CO. SENIOR CENTER BINGO

Connie Nickells, Bryan E. High Consumer Lender
and Ruth Ford, AC/Bryan SouthTowne Asst. Mgr.
with Bingo players

F & M ONLINE INTERNET BANKING TEAM

Leigh Boothman, Marketing Admin. Asst.;
Marilyn Johnson, AC/Compliance/CRA Officer;
Janet Conley, Operations Dept.
Jay Budde, E-Commerce Officer;
Randal Schroeder, AVP/Chief Operations Officer.

AGRI FINANCE OFFICERS ASSIST WITH FULTON
CO. JR. LIVESTOCK SALE

Michael Schnitkey, AC/Napoleon
J. Scott Miller, AC/Archbold Main;
Jerry Borton, AC/Wauseon Shoop

WILLIAMS COUNTY FAIR DONATION

Lance Nofziger, AC/Montpelier W. Main Mgr.;
Ronald Short, AVP/Stryker Mgr.; Allen Dean,
Williams Co. Agricultural Society Board Member;
Michael Smith, AVP/Bryan SouthTowne Mgr.; Lewis Hilkert,
VP/West Unity Mgr.; Kelly Bentley, AC/Montpelier Eastside Mgr.

FULTON CO. FAIR GRAND CHAMPION
DAIRY STEER

Daryl Nofziger, Archbold Equipment;
Cynthia Knauer, AVP/Delta Mgr.;
Terry Rufenacht, Tri Flo, Inc.;
Gloria Gunn, AVP/Wauseon Shoop Mgr.;
and Jordon Bruner with his
Grand Champion Dairy Steer.

SWANTON SCHOOLS MENTORING PROGRAM

Debra Kauffman, AC/Swanton Asst. Mgr. assists Swanton Park
Elementary student in Mentoring Program.

RIBBON CUTTING CELEBRATION AT DEFIANCE OFFICE

Edward Leininger, EVP/Chief Operating Officer;
David Kunesh, AVP/Defiance Mgr.; and
Joe Crossgrove, President/Chief Executive Officer

CUSTOMER APPRECIATE DAY

Arthur Short, AC/Archbold Wodland Asst. Mgr. offers David Grime a "Customer Appreciation" apple.

SANTA CLAUS AT STRYKER OPEN HOUSE

Ronald Short, AVP/Stryker Mgr. and two young lads watch intently as Santa shows them his harmonica.

EMPLOYEE CHRISTMAS PARTY

David Frazer, AVP/Bryan E. High Mgr., and wife Nanci entertain during annual employee Christmas Party.

WEST UNITY STAFF CELEBRATES 20TH ANNIVERSARY

Jackie Waggoner, Teller; Jean Gerig, Consumer Lender; Debra Marvin, Teller; Kelly Schaffner, Teller; Janice Cox, Sec. Donna Thompson, Teller; Diane Yeupell, Secretary; Cheryl Grine, Teller; Darolee Riegsecker, Teller; Bonnie Gruver, Teller Lewis Hilkert, VP/Mgr.; Douglas Bernath, Financial Advisor; Ellie Shinhearl, Sec. Supervisor; Sheri Rehklau, Sec.; Patricia Burkholder, AC/Asst. Mgr.

ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

No disagreements exist on accounting and financial disclosures or related matters.

No change of accountants has been made since 1982.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

BOARD OF DIRECTORS

The information called for herein is presented below:

Name	Age	Principal Occupation or Employment for Past Five Years	Year First Became Director
Eugene Bernath	69	Farmer Chairman of the Board, Farmers & Merchants Bancorp, Inc. The Farmers & Merchants State Bank	1978
Dexter Benecke	59	President, Viking Trucking, Inc.	1999
Jerry L. Boyers	68	President, Edifice Construction Management	1976
Joe E. Crossgrove	65	President, Chief Executive Officer The Farmers & Merchants State Bank	1992
Robert G. Frey	62	President, E. H. Frey & Sons, Inc.	1987
Julian Giovarelli	70	President, GIO Sales, Inc.	2000
Jack C. Johnson	49	President, Hawk's Clothing, Inc. Partner, REJO Partnership President, MBC Holdings, Inc.	1991
Dean E. Miller	58	President, MBC Holdings, Inc.	1986
Anthony J. Rupp	52	President, Rupp Furniture Co.	2000
David P. Rupp Jr.	60	Attorney, Plassman, Rupp, Hensel & Short	2001
James C. Saneholtz	55	President, Saneholtz-McKarns, Inc.	1995
Maynard Sauder	70	President, Sauder Woodworking Co.	1980
Merle J. Short	61	Farmer, President of Promow, Inc.	1987
Steven J. Wyse	57	President, SteelinQ Systems, Inc.	1991

EXECUTIVE OFFICERS

Name	Age	Principal Occupation for Past Five Years
Eugene Bernath	69	Farmer Chairman of the Board Farmers & Merchants State Bank
Joe E. Crossgrove	65	President, Chief Executive Officer The Farmers & Merchants State Bank (since 1991) Executive Vice President and Treasurer of Farmers & Merchants Bancorp, Inc. Director and Vice President of Farmers & Merchants Life Insurance Co.
Rex D. Rice	42	Executive Vice President Chief Lending Officer
Edward Leininger	45	Executive Vice President Commercial Loan Officer
Carol England	61	Assistant Vice President Corporate Secretary Branch Manager
Barbara Britenriker	39	Assistant Vice President Chief Financial Officer Comptroller
Allen Lantz	48	Vice President Branch Administrator

ITEM 11. MANAGEMENT REMUNERATION AND TRANSACTIONS

The information called for herein is presented in the proxy statement to be furnished in connection with the solicitation of proxies on behalf of the Board of Directors of the Registrant for use at its Annual Meeting to be held on April 6, 2002 is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information called for herein is presented in the proxy statement to be furnished in connection with the solicitation of proxies on behalf of the Board of Directors of the Registrant for use at its Annual Meeting to be held Saturday, April 6, 2002, is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

TRANSACTIONS WITH MANAGEMENT AND OTHER

There are no transactions to report.

CERTAIN BUSINESS RELATIONSHIPS

The information called for herein is presented in the proxy statement to be furnished in connection with the solicitation of proxies on behalf of the Board of Directors of the Registrant for use at its Annual Meeting to be held on April 6, 2002 is incorporated herein by reference.

LOANS TO RELATED PARTIES

This information is presented on page 40, Note 5 of the Annual Report to shareholders, and is incorporated herein by reference.

CERTAIN BUSINESS RELATIONSHIPS

The information called for herein is presented in the proxy statement to be furnished in connection with the solicitation of proxies on behalf of the Board of Directors of the Registrant for use at its Annual Meeting to be held on April 6, 2002 is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL SCHEDULES AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this report:

		Annual Report
(1)	Financial Statements	
	Report of Independent Accountants	Page 29
	Consolidated Balance Sheets	Page 30
	Consolidated Statements of Income	Page 31
	Consolidated Statements of Changes in Shareholders' Equity	Page 32
	Consolidated Statements of Cash Flows	Page 33
	Notes to Consolidated Financial Statements	Pages 34 - 55
(2)	Financial Statement Schedules	
	Five Year Summary of Operations	Page 56
(3)	Other Information	
	Selected Financial Data by Management	Pages 58 - 60
	Trading Market for the Company's Stock	Page 61
	Independent Auditors' Report	Page 62
	Management Report	Page 63
	2001 Annual Report Photos	Pages 64 - 67
(4)	Exhibits	

(3.1) Articles of Incorporation have been submitted with previous 10-K reports.
(13.1) 2001 Annual Report to Shareholders (contained herein)
(23.1) Notice of Annual Meeting and Proxy Statement

(b) Reports on Form 8-K

None

(c) Exhibits required by Item 601.

None required

(d) Schedules required by Regulation S-X

The Condensed Financial Information of the Registrant required by this report are included in the Annual Report to Shareholders, Note 18, pages 50 through 53.

(e) Signatures Page 74

(f) Other schedules required to be filed as part of this report.

	Form 10-K
Schedule of Property and Equipment	Page 72
Schedule of Accumulated Depreciation - Property and Equipment	Page 73

PART IV

ITEM 14. EXHIBITS, FINANCIAL SCHEDULES AND REPORTS ON FORM 8-K

SCHEDULE OF PROPERTY AND EQUIPMENT
(In Thousands)

Exhibit 1

Year Ended December 31, 2001

	Beginning Balance	Additions	Retirements	Ending Balance
Land	$ 2,614	$ 13	$ 26	$ 2,601
Building	9,349	1,312	--	10,661
Equipment	6,390	1,980	62	8,308
	$18,353	$ 3,305	$ 88	$21,570

Year Ended December 31, 2000

	Beginning Balance	Additions	Retirements	Ending Balance
Land	$ 1,983	$ 656	$ 25	$ 2,614
Building	9,123	251	25	9,349
Equipment	6,031	416	57	6,390
	$17,137	$ 1,323	$ 107	$18,353

Year Ended December 31, 1999

	Beginning Balance	Additions	Retirements	Ending Balance
Land	$ 1,681	$ 302	$ --	$ 1,983
Building	8,030	1,093	--	9,123
Equipment	5,867	621	457	6,031
	$15,578	$ 2,016	$ 457	$17,137

SCHEDULE OF ACCUMULATED DEPRECIATION - PROPERTY AND EQUIPMENT

Exhibit 2

	Year Ended December 31, 2001			
	Beginning Balance	Depreciation	Retirements	Ending Balance
Land	$ --	$ --	$ --	$ --
Building	2,944	306		3,250
Equipment	5,055	976	43	5,988
	$ 7,999	$ 1,282	$ 43	$ 9,238

	Year Ended December 31, 2000			
	Beginning Balance	Depreciation	Retirements	Ending Balance
Land	$ --	$ --	$ --	$ --
Building	2,668	286	10	2,944
Equipment	4,293	810	48	5,055
	$ 6,961	$ 1,096	$ 58	$ 7,999

	Year Ended December 31, 1999			
	Beginning Balance	Depreciation	Retirements	Ending Balance
Land	$ --	$ --	$ --	$ --
Building	2,406	262	--	2,668
Equipment	3,742	981	430	4,293
	$ 6,148	$ 1,243	$ 430	$ 6,961

Signatures

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

Farmers & Merchants Bancorp, Inc.

By: /s/ Joe E. Crossgrove   Date: March 29, 2002

Joe E. Crossgrove
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Joe E. Crossgrove	Date: March 29, 2002	/s/ Barbara Britenriker	Date: March 29, 2002
Joe E. Crossgrove, Director Chief Executive Officer		Barbara Britenriker Chief Accounting Officer	
/s/ Eugene D. Bernath	Date: March 29, 2002	/s/ Kent Roth	Date: March 29, 2002
Eugene D. Bernath Director and Chairman		Kent Roth, Auditor	
/s/ Dexter Benecke	Date: March 29, 2002	/s/ Anthony J. Rupp	Date: March 29, 2002
Dexter Benecke, Director		Anthony J. Rupp, Director	
/s/ Jerry Boyers	Date: March 29, 2002	/s/ David P. Rupp Jr.	Date: March 29, 2002
Jerry Boyers, Director		David P. Rupp Jr., Director	
/s/ Robert Frey	Date: March 29, 2002	/s/ James Saneholtz	Date: March 29, 2002
Robert Frey, Director		James Saneholtz, Director	
/s/ Julian Giovarelli	Date: March 29, 2002	/s/ Maynard Sauder	Date: March 29, 2002
Julian Giovarelli, Director		Maynard Sauder, Director	
/s/ Jack C. Johnson	Date: March 29, 2002	/s/ Merle J. Short	Date: March 29, 2002
Jack C. Johnson, Director		Merle J. Short, Director	
/s/ Dean Miller	Date: March 29, 2002	/s/ Steven J. Wyse	Date: March 29, 2002
Dean Miller, Director		Steven J. Wyse, Director	