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, 2002

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 405 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, 2003, Registrant had outstanding 1,300,000 shares of common stock at a market value of $123,500,000.

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 $7.5 million. 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. With resources of $83 million the decision was made to open full service offices in Stryker and West Unity in 1981.

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.

New computerized proof equipment to capture the required data in today's complex and competitive banking environment was also added during 1985, along with a new division being added to the Operations Department in the creation of the Central Information File Department. Plus, two new branches were opened for business, the Delta office in June and the all-new Bryan E. High Street office in December.

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.

With strong earnings, outstanding asset quality, and the bank expanding its presence in the market area, 1994 was a very special year for The Farmers & Merchants State Bank. 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. Also during that year, The Farmers & Merchants State Bank again hit a new growth plateau. Year end assets were over $500 million.

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 million 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, there were 19 ATM locations. Assets at the end of the fourth quarter were $598 million.

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 and an ATM was placed at the Bryan Eagles, Bryan, Ohio. With the Main office experiencing a lack of office space, plans for a new operations facility were in progress. The ATM was removed from Beck's Petro County Store, Ridgeville Corners.

During the first quarter of 2002, construction of the new operations center began on the corner of Fulton County Rd. C and Clyde's Way, Archbold, Ohio. Occupation of the center is planned for the first quarter of 2003.

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 275 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, Stryker, West Unity, Bryan, Delta and Napoleon, Montpelier, Swanton, and Defiance. Two ATM's are also located at Sauder Woodworking Co., Inc., a major employer in Archbold. Additional locations are at Northwest State Community College, Archbold; Williams County Hospital, Bryan; Fairlawn Haven Wyse Commons, Archbold; Repp Oil, Fayette; Delta Eagles, Bryan; and Sauder Village Barn Restaurant, Archbold.

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. 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 Midwest Community Federal Credit Union
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 Midwest Community Federal Credit Union
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)
Swanton, Ohio	Fifth Third Bank National City Bank First Federal Savings & Loan of Delta Key Bank

Defiance, Ohio	State Bank & Trust Company (4 offices)
	First Federal Bank of the Midwest
	Sherwood State Bank
	City Loan
	American General
	Midwest Community Federal Credit Union
	Fort Defiance Federal Credit Union
	Sky Financial

SELECTED STATISTICAL AND FINANCIAL INFORMATION

EARNINGS SUMMARY

Farmers & Merchants Bancorp, Inc. reported net income of $7.4 million for 2002, which is an increase of $642 thousand over the 2001 net income of $6.8 million, and virtually the same as 2000 net income of $7.4 million. Earnings per share correspondingly increased for 2002 to $5.69 per share compared to $5.20 per share and $5.69 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 2000 through 2002, 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

	2002		
	Average Balance	Interest/ Dividends	Yield/Rate
ASSETS			
Interest Earning Assets:			
Loans (1)	$476,981	$ 35,309	7.40%
Taxable investment securities	134,990	6,410	4.75%
Tax-exempt investment securities	39,812	1,622	4.07%
Interest bearing deposits	823	25	3.04%
Federal funds sold	3,522	58	1.65%
Total Interest Earning Assets	656,128	$ 43,424	6.62%
Non-Interest Earning Assets:			
Cash and cash equivalents	15,873		
Other assets	23,135		
Total Assets	$695,136		

LIABILITIES AND SHAREHOLDERS' EQUITY			
Interest Bearing Liabilities:			
Savings deposits	$197,819	$ 1,705	0.86%
Other time deposits	333,247	15,869	4.76%
Other borrowed money	17,773	990	5.57%
Federal funds purchased and securities sold under agreement to repurchase	23,609	415	1.76%
Total Interest Bearing Liabilities	572,448	$ 18,979	3.32%
Non-Interest Bearing Liabilities:			
Non-interest bearing demand deposits	40,485		
Other	7,708		
Total Liabilities	620,641		
Stockholders' Equity	74,495		
Total Liabilities and Shareholders' Equity	$695,136		
Interest/dividend income/yield		$ 43,424	6.62%
Interest expense/yield		18,979	3.32%
Net Interest Spread		$ 24,445	3.30%
Net Interest Margin			3.73%

	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	192.50%
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		

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	594,039		
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	$143,675	$ 4,805	3.34%
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	497,648	$ 25,509	5.13%
Non-Interest Bearing Liabilities:			
Non-interest bearing demand deposits	54,837		
Other	5,102		
Total Liabilities	557,587		
Stockholders' Equity	61,488		
Total Liabilities and Shareholders' Equity	$619,075		
Interest/dividend income/yield		$ 48,890	8.38%
Interest expense/yield		25,509	5.13%
Net Interest Spread		$ 23,381	3.26%
Net Interest Margin			4.01%

(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.

	2002 vs 2001		
	Net Change	Due to Change in Volume	Rate
Interest Earned On:			
Loans	$(5,419)	$ 355	$(5,774)
Taxable investment securities	207	1,340	(1,133)
Tax-exempt investment securities	312	417	(105)
Interest bearing deposits	(206)	21	(227)
Federal funds sold	(415)	(129)	(286)
Total Interest Earning Assets	$(5,521)	$ 2,005	$(7,526)
Interest Paid On:			
Savings deposits	$(3,193)	$ 157	$(3,350)
Other time deposits	(2,180)	615	(2,795)
Other borrowed money	(1,095)	(170)	(925)
Federal funds sold and security repurchase agreements	(1)	(36)	35
	$(6,469)	$ 566	$(7,035)

	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)

Interest income from fees on loans and leases decreased $5.4 million to $35.3 million for 2002 from $40.7 million for 2001. This compares with a decrease of $2 million for 2001 under 2000 interest income of $42.7 million. The decrease for 2001 was primarily due to a decrease in commercial loan activity, while the decrease for 2002 was primarily due to a drop in interest rates.

Net interest margin was 3.73 percent for 2002, 3.79% for 2001, and 4.01% for 2000. Although the interest rate earned on the bank's interest earning assets dropped in 2002, there was a corresponding drop in the interest rate paid on deposits resulting in a net interest margin approximately the same as for 2001.

NON-INTEREST INCOME

Non-interest income for 2002 of $5.8 million is just slightly less than that for 2001 of $5.9 million. Non-interest income for 2001 experienced a dramatic increase over 2000 levels 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. As a result of the refinancing activity in 2001, there was not as much of this activity in 2002. As a result mortgage servicing rights for 2002 dropped to a level similar to that of 2000. Service charges on deposits and other service charges increased for 2002 enough to offset the drop in mortgage servicing rights income.

NON-INTEREST EXPENSE

Non-interest expense for 2002 increased approximately a half a million dollars for 2002 over 2001 to $17.7 million, a 3.2 percent increase. This compares to an increase of $2.9 million or 17.2 percent increase for 2001 over 2000.

FINANCIAL CONDITION

Average earning assets have again demonstrated consistent growth over the last three years. Average earnings assets for 2002 were $656 million compared to $620 million for 2001 and $583 million for 2000. This growth in average earnings assets represent a 5.83 percent and 6.3 percent for 2002 and 2001, respectively. Almost all of the increase in assets for 2002 over 2001 has been in the securities available for sale. Average interest bearing liabilities have also showed steady increases rising $26 million in 2002 and an increase of $48.8 million in 2001.

INVESTMENT SECURITIES

Security balances at December 31 are summarized below:

	(In Thousands)		
	2002	2001	2000
U.S. Treasury and Government agencies	$104,618	$ 92,622	$ 61,115
Mortgage-backed securities	16,618	21,409	7,863
State and local governments	55,860	50,819	32,157
Corporate debt securities	1,650	7,091	9,196
Commercial paper	--	974	2,908
Equity securities	47	47	20
	$178,793	$172,962	$113,259

The following table sets forth (dollars in thousands) the maturities of investment securities at December 31, 2002 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	$ 1,927	5.41%	$ 2,198	3.08%
U.S. Government agency	42,313	4.13%	55,256	4.60%
Mortgage-backed securities	3,227	1.70%	7,800	5.11%
State and local governments	8,370	4.86%	20,160	5.95%
Taxable state and local governments	499	6.00%	8,243	5.58%
Corporate debt securities	501	3.60%	1,114	3.68%
Commercial paper	--	0.00%	--	0.00%

	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	5,095	4.90%	--	0.00%
State and local governments	14,758	5.84%	536	7.00%
Taxable state and local governments	1,118	6.22%	--	0.00%
Corporate debt securities	--	0.00%	--	0.00%
Commercial paper	--	0.00%	--	0.00%

At December 31, 2002 the Bank held no large block of any one investment security, except for U.S. Treasury and other U.S. Government agencies. 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 $3.3 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)				
	2002	2001	2000	1999	1998
Loans:					
Commercial/industrial	$100,119	$ 96,992	$ 96,990	$100,996	$ 81,253
Agricultural	66,136	53,717	51,337	46,035	38,882
Real estate mortgage	272,857	247,545	261,289	237,056	200,675
Installment	51,156	55,845	69,081	71,662	68,385
IDB	7,810	7,590	8,647	7,015	4,587
Total Loans	$498,078	$461,689	$487,344	$462,764	$393,782

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	$ 87,449	$ 32,330	$ 46,476	$166,255
Real estate mortgage	6,738	24,407	241,712	272,857
Installment	8,573	36,449	6,134	51,156
Industrial Development Bonds	1,702	1,921	4,187	7,810

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	$ 62,940	$ 216,531
Commercial and industrial	70,509	95,208
Consumer, Master Card and overdrafts	49,591	1,565
Industrial Development Bonds	7,810	--

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

	(In Thousands)				
	2002	2001	2000	1999	1998
Nonaccrual loans	$ 6,014	$ 5,353	$ 6,622	$ 6,504	$ 6,455
Accruing loans past due 90 days or more	2,589	5,408	2,577	2,264	1,988
Total	$ 8,603	$10,761	$ 9,199	$ 8,768	$ 8,443

As of December 31, 2002, 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 $1.5 million for 2002 and $1.9 million for 2001. Any collections of interest on non-accrual loans are included in interest income when collected. This amounted to $195 for 2002, $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 $6 million of non-accrual loans as of December 31, 2002 are secured.

At December 31, 2002 the Bank has $8.6 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, 2002.

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, 2002, the Bank had loans outstanding to individuals and firms engaged in the various fields of agriculture in the amount of $66 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 2002, 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)				
	2002	2001	2000	1999	1998
Loans	$498,078	$461,689	$487,344	$462,764	$393,782
Daily average of outstanding loans	$475,035	$472,181	$475,035	$428,087	$408,291
Allowance for loan losses-January 1	$ 7,275	$ 7,160	$ 6,750	$ 5,850	$ 5,850
Loans Charged Off:					
Commercial	2,987	1,826	257	185	472
Installment	1,050	1,254	1,883	1,085	1,260
Real estate mortgages	215	54	233	304	42
	4,252	3,134	2,373	1,574	1,774
Loan Recoveries:					
Commercial	801	421	358	493	540
Installment	366	191	923	331	339
Real estate mortgages	16	5	6	13	3
	1,183	617	1,287	837	882
Net Charge Offs	3,069	2,517	1,086	737	892
Provision for loan loss	2,194	2,632	1,496	1,637	892
Allowance for loan losses-December 31	$ 6,400	$ 7,275	$ 7,160	$ 6,750	$ 5,850
Ratio of net charge-offs to average loans outstanding	0.65%	0.53%	0.23%	0.17%	0.22%

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	$3,170	1.91%
Installment	1,140	2.23%
Real estate	1,306	0.48%
Unallocated	784	0.16%
	$6,400	4.61%

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 Less Than One Year	Over One Year Less Than Three Years	Over Three Years
Time deposits	$ 33,595	$ 40,446	$ 14,979	$ 1,079

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, 2002:				
Average balance (In thousands)	$ 40,485	$ 93,084	$ 104,735	$ 333,247
Average rate	0.00%	1.18%	1.32%	4.53%
December 31, 2001:				
Average balance (In thousands)	$ 38,377	$ 75,765	$ 118,393	$ 319,326
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%

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, 2002 was $77.7 million compared to $70.3 million for 2001 and $65 million for 2000, a $7.4 million or 10.5 percent increase. Dividends for 2002 increased by $.05 per share to $1.65 compared to $1.60 per share and $1.50 per share for 2001 and 2000, 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:

	2002	2001	2000
Return on average assets	1.06%	1.02%	1.19%
Return on average equity	9.93%	9.73%	12.02%
Dividend payout ratio	28.99%	30.79%	26.38%
Equity to assets ratio	10.70%	10.29%	10.23%

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.

	2002		
		Net Change	
	Average Balance	Amount	Percentage
Funding Uses:			
Loans	$476,981	$ 4,800	1.02%
Taxable securities	134,990	28,216	26.43%
Tax exempt securities	39,812	10,247	34.66%
Interest bearing deposits	823	703	585.83%
Federal funds sold	3,522	(7,820)	-68.95%
	$656,128	$ 36,146	5.83%
Funding Sources:			
Deposits:			
Noninterest bearing demand	$135,214	$ 93,044	220.64%
Savings	104,735	(74,875)	-41.69%
Other time	333,247	12,906	4.03%
Other borrowed money	17,773	(3,049)	-14.64%
Federal funds purchased		--	
agreements to repurchase	23,609	(2,047)	-7.98%
	$614,578	$ 25,979	4.41%

	2001			2000
		Net Change		
	Average Balance	Amount	Percentage	Average Balance
Funding Uses:				
Loans	$472,181	$ (2,854)	-0.60%	$475,035
Taxable securities	106,774	27,779	35.17%	78,995
Tax exempt securities	29,565	2,471	9.12%	27,094
Interest bearing deposits	120	20	20.00%	100
Federal funds sold	11,342	9,321	461.21%	2,021
	$619,982	$ 36,737	6.30%	$583,245
Funding Sources:				
Deposits:				
Noninterest bearing demand	$ 42,170	$(58,420)	-58.08%	$100,590
Savings	179,610	81,688	83.42%	97,922
Other time	320,341	15,675	5.14%	304,666
Other borrowed money	20,822	(7,815)	-27.29%	28,637
Federal funds purchased agreements to repurchase	25,656	4,986	24.12%	20,670
	$588,599	$ 36,114	6.54%	$552,485

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 and additional deposits were attracted during 2002 although not by as much as in 2001. Core deposits increased again in 2002. Overall deposits increased almost $10.2 million to $576 million for 2002 compared to deposits at the end of 2001 of $566 million and $516 million for 2000. These increases represent 1.8 percent and 9.6 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 2002 was 86.32 percent, 2001 was 82.71 percent, and 93 percent for 2000. Because of the decline in interest rates, there was an increase in real estate loan activity which increased the loan to deposit ratio slightly for 2002 over the 2001 ratio.

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 $38.2 million at the end of 2002 compared to $26.5 million at December 31, 2001 and $18.9 million at the end of 2001. These funds provided an additional $11.7 million in liquidity for 2002.

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 increased by $11.3 million to $28.7 million at December 31, 2002. This compares to decreased borrowings during 2001 of $13.4 million to $17.4 million at December 31, 2001, and borrowings of $30.8 million at the end of 2000.

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, 2002 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	$ 279	$ --	$ --	$ --	$ 279
Investment securities	20,205	44,064	93,509	21,015	178,793
Loans	177,844	186,323	67,868	65,804	497,839
Total Rate Sensitive Assets	198,328	230,387	161,377	86,819	676,911
Deposits	150,863	224,522	200,988	--	576,373
Federal funds purchased and	--				
agreements to repurchase	38,200	--	--	--	38,200
Other borrowings	518	1,553	23,259	3,366	28,696
Total Rate Sensitive Liabilities	189,581	226,075	224,247	3,366	643,269
Gap	$ 8,747	$ 4,312	$ (62,870)	$ 83,453	$ 33,642

OTHER MATTERS

The Financial Accounting Standards Board issued several new pronouncements during 2002. Statement of Financial Accounting Standards No. 145 entitled Rescission of FASB Statements No. 4, 44, and 64, and Amendment of FASB State No. 13, and Technical Corrections will not have a material impact on the financial statements of the Company.

Statement of Financial Accounting Standards No. 146 entitled Accounting for Costs Associated with Exit or Disposal Activities was issued in 2002 and is effective for exit or disposal activities initiated after December 31, 2002. Management does anticipate this pronouncement having a material impact on the financial statements.

Statement of Financial Accounting Standards No. 147 entitled Acquisitions of Certain Financial Institutions removes financial institutions from the scope of FASB 72 which dealt with the financial accounting and reporting procedures for acquisitions of banking and thrift institutions accounted for by the purchase method, and requires these types of transactions to be accounted in accordance with FASB Statements No. 141, Business Combinations and No. 142, Goodwill and Other Intangible Assets. 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.

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 is constructing a new $4 million operations center to accommodate the growth that has taken place at the Bank. This facility was completed in February, 2003.

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
2002	High	$110.00	$115.00	$112.00	$115.00
	Low	$85.00	$95.00	$95.00	$95.00
2001	High	$105.00	$115.00	$105.00	$130.00
	Low	$85.00	$85.00	$90.00	$90.00

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	$.40	$.40	$.50	$1.65
2001	$.35	$.35	$.35	$.55	$1.60

SELECTED FINANCIAL DATA

Selected financial data is presented on pages 56 and 57 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:

As the year 2002 drew to a close, the management and associates of Farmers & Merchants Bancorp, Inc. mirrored the nation in demonstrating the capacity for meeting the challenges of change. The ability to remain focused on the company's long-term goals while working through this period is a testament to the dedication of our personnel and the fundamental strength of our organization. Perhaps the start of this decade, in fact century, foretold of the turbulent challenging times that would lie ahead. Remember the dire warning of the year 2000 rollover and the basic nonevent it turned out to be. Since the time change, the new millennium has provided unending challenges. We have weathered the terrorist attack on domestic soil, the lowest rate environment in over forty years, accounting scandals that shake the public trust in private industry, and drops in the stock market being compared to pre-depression times.

The last few years have reinforced the adage - "never say never". Predicting any future trends or rate environment seems difficult. The mortgage activity these past five months has provided a needed revenue source. The return of investor's money back to banking has made most banks flush with deposits. As the stock market begins its slow rebound, an eye will be kept on the deposit levels to insure adequate liquidity in the system.

The current rate environment has hit our population living on fixed incomes the hardest, especially the elderly. We have felt the pain of a tightened interest margin, as have they of losing interest income. Risk management and strategic planning have proven to be essential for maintaining success. While we are not completely satisfied with our 2002 results, we have been able to weather the turbulent times with positive dependable results.

During the course of 2002, we did move ahead with initiatives that we believe will enhance shareholder value for years to come. Our guiding principles have been twofold: 1) To build a financial services company that delivers a broad range of high-value products through a sales culture that builds deep relationships with our customers. 2) To create long-term shareholder value through a diversified earnings stream, effective risk management and superior technical and operational efficiencies. Farmers & Merchants Bancorp, Inc. expects to achieve continued growth through relationship banking with customized services and local decision making.

2003 brings with it renewed expectations of better times. Recovery, slow but sure with the end of the second quarter reinforcing the structure for the remainder of the year. What is missing from the historical comparison in the first paragraph? Think back to the mid 70's and the prices of oil. The wild card in all of this is the eminent threat of war. As all Americans, we stand ready to face the challenges ahead.

Farmers & Merchants Bancorp, Inc. is looking ahead to a year of growth and expanded opportunity. We are grateful for the contributions of our employees and the support of our customers and friends. We hope the new year will bring peace and prosperity for all.

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

FARMERS & MERCHANTS BANCORP, INC.

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and wholly owned subsidiaries December 31, 2002

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.
President
Yoder & Frey, 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.

ANTHONY J. RUPP
President
Rupp Furniture Co.

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

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
DALE L. NAFZIGER
HAROLD H. PLASSMAN
JAMES L. PROVOST
KENNETH E. STAMM
ROBERT V. WHITMER

ARCHBOLD MAIN OFFICE

EUGENE D. BERNATH
Chairman of the Board

JOE E. CROSSGROVE
President
Chief Executive Officer
Cashier

MAYNARD SAUDER
Vice Chairman of the Board

DEAN E. MILLER
Vice President of the Board

EDWARD A. LEININGER
Executive Vice President
Chief Operating Officer
Sr. Commercial Loan Officer

REX D. RICE
Executive Vice President
Chief Lending Officer

BARBARA J. BRITENRIKER
Senior Vice President
Comptroller
Chief Financial Officer

ALLEN G. LANTZ
Senior Vice President
Branch Administrator

GEORGE JELEN
Vice President
Secondary Mortgage Director

RANDAL H. SCHROEDER
Vice President
Senior Operations Officer

MICHAEL D. CULLER
Vice President
Senior Agri Finance Officer

DIANN K. MEYER
Vice President
Human Resource Director

KENT E. ROTH
Auditor
Security Officer

MARILYN K. JOHNSON
Asst. Vice President
Compliance & CRA Officer

J. SCOTT MILLER
Asst. Vice President
Agri Loan Officer

JUDITH A. WARNCKE
Asst. Vice President
Marketing Officer

DOUGLAS A. BERNATH
Asst. Cashier
Financial Advisor

JANE C. BRUNER
Asst. Cashier
Operations Supervisor

JAY A. BUDDE
Asst. Cashier
E-Commerce Director

RUTH ANN DUNN
Asst. Cashier
Loan Document Administrator

NANCY J. FIGY
Asst. Cashier
Administrative Asst Agri Finance

BRETT J. KAHRS
Asst. Cashier
Senior Investment Executive

NORMA J. KAUFFMAN
Asst. Cashier
Deposit Administrator

GLORIA J. LAUBER
Asst. Cashier
Mortgage Loan Director

RYAN D. MILLER
Asst. Cashier
Commercial Lender

LILLIS F. NOWACZYK
Asst. Cashier
Consumer Loan Director

KELBY J. SCHUMUCKER
Asst. Cashier
Credit Analyst

DIANE J. SWISHER
Asst. Cashier
Central Processing Supervisor

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.

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 Vice President
Agri Loan Officer

SUSAN C. PIKE
Asst. Cashier
Credit Card Administrator

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

STEVEN J. PLANSON
Farmer

RICHARD E. RAKER
Retired
Raker Oil Company

WILLIAM J. BRENNER
Attorney

WEST UNITY OFFICE

LEWIS D. HILKERT
Senior 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

MICHAEL L. RICHER
Farmer

DELTA OFFICE

CYNTHIA K. KNAUER
Asst. Vice President
Branch Manager

BETH A. BAY
Asst. Cashier
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
Vice President
Commercial Loan Officer

BRYAN ADVISORY BOARD

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

DR. C. NICHOLAS WALZ
President
Bryan Medical Group

D. ROBERT SHAFFER
Farmer

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

GARRY COURTNEY
President/CEO
C.E. Electronics

MONTPELIER WEST MAIN OFFICE

KELLY L. BENTLEY
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
Asst. Vice President
Branch Manager

LILLIAN SUE CUEVAS
Asst. Cashier
Asst. Branch Manager

January 10, 2003

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, 2002 and 2001 and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the years ended December 31, 2002, 2001 and 2000. 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, 2002 and 2001, and the results of its consolidated operations and cash flows for the years ended December 31, 2002, 2001 and 2000 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, 2002 and 2001

ASSETS

	(In Thousands) 2002	2001
Cash and due from banks	$ 18,508	$ 17,842
Interest bearing deposits with banks	279	146
Investment securities at market	178,793	172,963
Federal Home Loan Bank stock	3,328	3,178
Loans, less allowance for loan losses of $6,400 for 2002 and $7,275 for 2001	491,021	453,836
Loans held for resale	6,076	13,788
Finance lease receivable	418	619
Bank premises and equipment-net	15,034	12,332
Accrued interest and other assets	13,029	8,922
TOTAL ASSETS	$726,486	$683,626

LIABILITIES AND SHAREHOLDERS' EQUITY

	2002	2001
LIABILITIES:		
Deposits:		
Demand	$ 43,808	$ 41,991
NOW accounts	103,316	84,763
Savings	99,657	111,213
Time	329,592	328,190
Total Deposits	576,373	566,157
Federal funds purchased	9,570	5,595
Securities sold under agreement to repurchase	28,630	20,944
Other borrowings	28,696	17,410
Dividend payable	650	715
Accrued interest and other liabilities	4,829	2,455
Total Liabilities	648,748	613,276
SHAREHOLDERS' EQUITY:		
Common stock, $500 par value - authorized 1,300,000 shares; issued and outstanding 1,300,000 shares	12,677	12,677
Undivided profits	61,345	56,092
Accumulated other comprehensive income	3,716	1,581
Total Shareholders' Equity	77,738	70,350
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$726,486	$683,626

See Accompanying Notes to Consolidated Financial Statements.

FARMERS & MERCHANTS BANCORP, INC.
Consolidated Statements of Income for the years ended
December 31, 2002, 2001 and 2000

	(In Thousands) (Except for Per Share Amounts) 2002	2001	2000
INTEREST INCOME:			
Interest and fees on loans	$ 35,309	$ 40,728	$ 42,661
Interest and Dividends on Investment Securities:			
U.S. Treasury and government agency	5,378	4,981	3,829
State and local governments	2,280	1,798	1,513
Corporate debt securities	224	528	544
Dividends	150	206	209
Interest on federal funds sold	58	473	130
Interest on deposits in banks	25	231	4
Total Interest Income	43,424	48,945	48,890
INTEREST EXPENSE:			
Deposits	17,574	22,947	22,299
Borrowed funds	1,405	2,501	3,210
Total Interest Expense	18,979	25,448	25,509
Net Interest Income	24,445	23,497	23,381
PROVISION FOR LOAN LOSSES	2,194	2,632	1,496
NET INCOME AFTER PROVISION FOR LOAN LOSS	22,251	20,865	21,885
OTHER INCOME:			
Service charges on deposit accounts	2,032	1,899	1,745
Other service charges and fees	2,216	1,686	1,308
Gains (loss) on sale of loans	1,260	424	112
Mortgage servicing rights income	292	1,722	113
Net securities gains (losses)	76	228	--
Total Other Income	5,876	5,959	3,278
OTHER EXPENSES:			
Salaries and wages	7,201	7,059	6,542
Pension and other employee benefits	2,140	1,937	1,603
Occupancy expense (net)	444	482	432
Furniture and equipment	1,566	1,444	1,178
Data processing fees	1,022	1,001	758
Franchise taxes	815	842	772
Mortgage servicing rights expense	902	911	129
Other operating expense	3,650	3,500	3,240
Total Other Expenses	17,740	17,176	14,654
INCOME BEFORE INCOME TAXES	10,387	9,648	10,509
INCOME TAXES	2,989	2,892	3,118
NET INCOME	$ 7,398	$ 6,756	$ 7,391
NET INCOME PER SHARE - BASIC	$ 5.69	$ 5.20	$ 5.69
WEIGHTED AVERAGE SHARES OUTSTANDING	1,300,000	1,300,000	1,300,000

See Accompanying Notes to Consolidated Financial Statements.

FARMERS & MERCHANTS BANCORP, INC.

Consolidated Statements of Changes in Shareholders' Equity
for the years ended December 31, 2002, 2001 and 2000

	(In Thousands)		
	Common Stock	Undivided Profits	Accumulated Other Comprehensive Income
BALANCE AT DECEMBER 31, 1999	$ 12,677	$ 45,975	$ (763)
Comprehensive income:			
Net income for 2000	--	7,391	--
Other comprehensive income net of tax:			
Unrealized gain on Available-For-Sale securities (net of tax effect of $853)	--	--	1,658
Cash dividends ($1.50 per share)	--	(1,950)	--
BALANCE AT DECEMBER 31, 2000	12,677	51,416	895
Comprehensive income:			
Net income for 2001	--	6,756	--
Other comprehensive income net of tax:			
Unrealized loss on Available-For-Sale securities (net of tax effect of $431)	--	--	836
Reclassification adjustment for gain on sale of Available-For-Sale securities (net of tax)	--	--	(150)
Cash dividends ($1.60 per share)	--	(2,080)	--
BALANCE AT DECEMBER 31, 2001	12,677	56,092	1,581
Comprehensive income:			
Net income for 2002	--	7,398	
Other comprehensive income net of tax:			
Unrealized gain on Available-For-Sale securities (net of tax effect of $1,126)	--		2,185
Reclassification adjustment for gain on sale of Available-For-Sale securities (net of tax)			(50)
Cash dividends ($1.65 per share)	--	(2,145)	--
BALANCE AT DECEMBER 31, 2002	$ 12,677	$ 61,345	$ 3,716

See Accompanying Notes to Consolidated Financial Statements.

FARMERS & MERCHANTS BANCORP, INC.
Consolidated Statements of Cash Flows for the years ended
December 31, 2002, 2001 and 2000

	(In Thousands)		
	2002	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 7,398	$ 6,756	$ 7,391
Adjustments to Reconcile Net Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	1,345	1,282	1,096
Amortization of servicing rights	902	911	129
Amortization of securities premiums/discounts	1,360	278	222
Provision for loan losses	2,194	2,632	1,496
Provision for deferred income taxes	245	365	(55)
(Gain) loss on sale of other	(26)	21	(80)
(Gain) loss on sale of securities	(76)	(228)	--
Originations of mortgage loans held for sale	(149,938)	(141,754)	(21,553)
Proceeds from mortgage loans held for sale	143,862	128,293	21,727
Net change in other assets/liabilities	1,101	(2,027)	(2,807)
Net Cash Provided (Used) by Operating Activities	8,367	(3,471)	7,566
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of premises, equipment, & other real estate	(4,551)	(3,469)	(1,276)
Proceeds from sale of premises, equipment, and other real estate	424	195	15
Purchase of life insurance contracts	(5,057)	--	--
Maturity proceeds of available-for-sale securities	65,280	46,212	28,427
Sale proceeds of available-for-sale securities	8,282	10,882	--
Purchase of available-for-sale securities	(77,508)	(116,015)	(36,660)
Net increase in loans and leases	(25,390)	23,230	(25,585)
Net Cash Used by Investing Activities	(38,520)	(38,965)	(35,079)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase in deposits	10,215	49,694	13,297
Net change in short-term borrowings	11,661	7,636	11,560
Proceeds from other borrowings	15,000	5,000	27,000
Payments on other borrowings	(3,714)	(18,377)	(21,253)
Payment of dividends	(2,210)	(1,950)	(2,015)
Net Cash Provided by Financing Activities	30,952	42,003	28,589
Net Change in Cash and Cash Equivalents	799	(433)	1,076
CASH AND CASH EQUIVALENTS - JANUARY 1	17,988	18,421	17,345
CASH AND CASH EQUIVALENTS - DECEMBER 31	$ 18,787	$ 17,988	$ 18,421
RECONCILIATION OF CASH AND CASH EQUIVALENTS:			
Cash and due from banks	$ 18,508	$ 17,842	$ 17,951
Interest bearing deposits	279	146	100
Federal funds sold	--	--	370
	$ 18,787	$ 17,988	$ 18,421
SUPPLEMENTARY CASH FLOWS DISCLOSURES:			
Cash paid during the year for:			
Interest (net of amount capitalized)	$ 19,370	$ 25,665	$ 25,155
Income taxes	1,316	3,480	4,334

See Accompanying 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 2002 was $260 thousand, while servicing assets amortized during 2002 was $901 thousand. Capitalized mortgage servicing rights are included in other assets and totaled $1.025 million and $1.666 million at December 31, 2002 and 2001, respectively. 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 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, 2002 and 2001 were $9.2 million and $8.1 million, respectively.

The Company and its subsidiaries maintain cash balances with high quality credit institutions. At times such balances may be in excess of the federally insured limits.

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)			
	2002			
	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Gross Market Value
Available-for-Sale:				
U.S. Treasury	$ 4,125	$ 90	$ --	$ 4,215
U.S. Government agency	97,569	2,834	--	100,403
Mortgage-backed securities	16,123	495	--	16,618
State and local governments	53,683	2,209	32	55,860
Corporate debt securities	1,615	35	--	1,650
Equity securities	47	--	--	47
	$173,162	$ 5,663	$ 32	$178,793

NOTE 3. INVESTMENT SECURITIES (Continued)

	(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

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

	(In Thousands) 2002	2001	2000
Gross realized gains	$ 79	$ 228	$ --
Gross realized losses	(3)	--	--
Net Realized Gains	76	$ 228	$ --

The amortized cost and estimated market value of debt securities at December 31, 2002, 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	$ 56,838	$ 57,625
After one year through five years	94,771	98,790
After five years through ten years	20,970	21,761
After ten years	536	570
Total	$173,115	$178,746

NOTE 3. INVESTMENT SECURITIES (Continued)

Investments with a carrying value of $131 million and $106.6 million at December 31, 2002 and 2001, 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)	
	2002	2001
Loans:		
Real estate	$ 272,857	$ 247,545
Commercial and industrial	100,119	96,992
Agricultural (excluding real estate)	66,136	53,717
Consumer and other loans	50,996	54,992
Overdrafts	160	853
Industrial Development Bonds	7,810	7,590
	498,078	461,689
Less: Deferred loan fees and costs	(657)	(578)
	497,421	461,111
Less: Allowance for loan losses	(6,400)	(7,275)
Loans - Net	$ 491,021	$ 453,836

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 loans	$ 6,738	$ 24,407	$ 241,712
Commercial and industrial loans	87,449	32,330	46,476
Consumer, Master Card and overdrafts	8,573	36,449	6,134
Industrial Development Bonds	1,702	1,921	4,187

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, 2002:

	(In Thousands)	
	Fixed Rate	Variable Rate
Real estate loans	$ 62,940	$ 216,531
Commercial and industrial loans	70,509	95,208
Consumer, Master Card and overdrafts	49,591	1,565
Industrial Development Bonds	7,810	

$133.7 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 $15.8 and $16.3 million at December 31, 2002 and 2001, 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 2002 were $124.5 million and repayments were $125 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, 2002 and 2001 there were $10.4 million and $3.3 million, respectively of undisbursed loans in process.

Loans for which the Bank is providing collection services is $209.9, $191.7 and $163.5 million for 2002, 2001 and 2000, respectively.

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

	(In Thousands)		
	2002	2001	2000
Allowance for Loan Losses			
Balance at beginning of year	$ 7,275	$ 7,160	$ 6,750
Provision for loan loss	2,194	2,632	1,496
Recoveries	1,183	617	1,287
Loans charged off	(4,252)	(3,134)	(2,373)
	$ 6,400	$ 7,275	$ 7,160

NOTE 5. LOANS (Continued)

As of December 31, 2002 and 2001, the recorded investment in impaired loans amounted to approximately $17.9 and $16.2 million, respectively. The average recorded investment in impaired loans amounted to approximately $5.5 million, $12.8 million and $8.6 million for 2002, 2001 and 2000, respectively. Of the loans that were considered impaired for 2002 and 2001, the recorded investment in impaired loans that have a related allowance determined in accordance with SFAS No. 114 was $5.6 million and $5.1 million, respectively for which the related allowance for loan loss was $2.4 million and $3.8 million, respectively. As of December 31, 2002 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 $195, $257 and $177 thousand for 2002, 2001 and 2000, 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) 2002	2001
Gross investment in leases	$ 460	$ 684
Unearned income	(42)	(65)
Finance Lease Receivable	$ 418	$ 619

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) 2002	2001
Land	$ 2,769	$ 2,601
Buildings	13,974	10,661
Furnishings	8,470	8,308
	25,213	21,570
Less: Accumulated depreciation	(10,179)	(9,238)
Banking Premises and Equipment (Net)	$ 15,034	$ 12,332

NOTE 8. DEPOSITS

Time deposits at December 31 consist of the following:

	(In Thousands) 2002	2001
Time deposits under $100,000	$ 239,493	$ 246,455
Time deposits of $100,000 or more	90,099	81,735
	$ 329,592	$ 328,190

For each of the five years subsequent to December 31, 2002, maturities for time deposits having a remaining term of more than one year follows:

2002	$ 213,882
2003	88,920
2004	22,492
2005	2,589
2006 and thereafter	1,709
	$ 329,592

Deposits to directors, executive officers companies in which they have a direct or indirect ownership as of December 31, 2002 and 2001 amounted to $14.5 million and $10.7 million, respectively.

NOTE 9. REPURCHASE AGREEMENTS

The Bank's policy requires qualifying securities as collateral for the underlying repurchase agreements. As of December 31, 2002 and 2001 securities with a book value of $33.6 million and $33.1 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) 2002	2001
Federal Home Loan Bank, various loans due in monthly installments of $105 thousand plus annual payments of $400 thousand including interest at varying rates from 5.40% to 7.05%. Notes are secured by a blanket lien on 100% of the one to four family residential mortgage loan portfolio	$ 28,696	$ 17,410

NOTE 10. OTHER BORROWINGS (Continued)

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

2003	$ 13,368
2004	2,656
2005	2,243
2006	1,967
2007	6,611
2008 and thereafter	1,851
	$ 28,696

NOTE 11. FEDERAL INCOME TAXES

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

	(In Thousands)	
	2002	2001
Deferred Tax Assets:		
Allowance for loan losses	$ 1,890	$ 2,187
Deferred Tax Liabilities:		
Accreted discounts on bonds	193	139
FHLB stock dividends	564	497
Mortgage servicing rights	348	567
Other	95	50
Net unrealized gain on available-for-sale securities	1,914	814
	3,114	2,067
Net Deferred Tax Asset (Liability)	$ (1,224)	$ 120

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:

	(In Thousands) 2002	2001	2000
Current:			
Federal	$ 2,749	$ 2,732	$ 3,173
Deferred:			
Federal	240	160	(55)
	$ 2,989	$ 2,892	$ 3,118

	(In Thousands) 2002	2001	2000
Income tax at statutory rates	$ 3,594	$ 3,411	$ 3,485
Tax effect:			
Tax exempt interest	(685)	(596)	(447)
Costs attributable to tax exempt interest, etc.	80	77	80
	$ 2,989	$ 2,892	$ 3,118

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 $509, $472, and $410 thousand for 2002, 2001 and 2000, 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)	
	2002	2001
Commitments to extend credit	$ 92,035	$ 81,654
Credit card arrangements	23,582	23,809
Standby letters of credit	2,706	1,971

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.

The Bank was committed in the amount of $561 thousand for the completion of the new operations center as of December 31, 2002.

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

Nearly 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. Most 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.

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

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, 2002, that the Bank meets all the capital adequacy requirements to which it is subject.

As of December 31, 2002 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, 2002 and 2001 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, 2002:						
Total Risk-Based Capital (to Risk Weighted Assets)						
Consolidated	$ 83,851	16.51%	$ 40,750	8.00%	$ 50,938	10.00%
Farmers & Merchants State Bank	79,702	15.44%	41,300	8.00%	51,626	10.00%
Tier 1 Capital (to Risk Weighted Assets)						
Consolidated	74,008	14.53%	20,375	4.00%	30,563	6.00%
Farmers & Merchants State Bank	63,302	12.26%	20,650	4.00%	30,976	6.00%
Tier 1 Capital (to Adjusted Total Assets)						
Consolidated	74,008	10.19%	29,059	4.00%	43,589	5.00%
Farmers & Merchants State Bank	63,302	8.84%	28,636	4.00%	35,794	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, 2001:						
Total Risk-Based Capital (to Risk Weighted Assets)						
Consolidated	$ 76,030	16.78%	$ 36,255	8.00%	$ 45,319	10.00%
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%	27,191	6.00%
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%	34,360	5.00%
Farmers & Merchants State Bank	57,625	8.39%	27,473	4.00%	34,341	6.00%

(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 $15.5 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, 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, 2002 and 2001 are reflected below:

	(In Thousands)			
	2002		2001	
	Book Value	Fair Value	Book Value	Fair Value
Financial Assets:				
Cash and cash equivalents	$ 18,508	$ 18,508	$ 17,842	$ 17,842
Interest bearing deposits	279	279	146	146
Available-for-sale securities	178,793	178,793	172,963	172,963
Federal Home Loan Bank	3,328	2,899	3,178	3,178
Net loans	497,515	525,585	468,243	489,264
Interest receivable	5,963	5,963	6,287	6,287
Financial Liabilities:				
Deposits	$ 576,373	$ 584,707	$ 566,157	$ 574,852
Short-term borrowings:				
Federal funds purchased	9,570	9,570	5,595	5,595
Repurchase agreement sold	28,630	28,630	20,944	20,944
Other borrowings	28,696	29,028	17,410	17,766
Interest payable	1,530	1,530	1,921	1,921
Off-Balance-Sheet Financial Instruments				
Commitments to extend credit	$ 115,617	$ 115,617	$ 105,463	$ 105,463
Standby letters of credit	2,706	2,706	1,971	1,971

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.

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.

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

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)	
	2002	2001
ASSETS:		
Cash	$ 655	$ 773
Related party receivables:		
Dividends	325	715
Note receivable	10,000	10,000
Investment in subsidiaries	67,553	59,756
TOTAL ASSETS	$ 78,533	$ 71,244
LIABILITIES:		
Accrued expenses	$ 145	$ 179
Dividends payable	650	715
Total Liabilities	795	894
SHAREHOLDERS' EQUITY:		
Common stock, no par value - 1,500,000 shares authorized; 1,300,000 shares issued	12,677	12,677
Undivided profits	61,345	56,092
Accumulated other comprehensive income	3,716	1,581
Total Shareholders' Equity	77,738	70,350
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 78,533	$ 71,244

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

STATEMENTS OF INCOME

	(In Thousands)		
	2002	2001	2000
INCOME:			
Equity in net income of subsidiaries	$ 7,075	$ 6,409	$ 7,055
Interest income	600	600	600
Total Income	7,675	7,009	7,655
EXPENSES:			
Miscellaneous	35	23	23
Professional fees	20	14	17
Supplies	8	7	7
Taxes	68	30	43
Total Expenses	131	74	90
INCOME BEFORE INCOME TAXES	7,544	6,935	7,565
INCOME TAXES	147	179	174
NET INCOME	$ 7,397	$ 6,756	$ 7,391

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
BALANCE AT DECEMBER 31, 1999	$ 12,677	$ 45,975	$ (763)
Comprehensive income:			
Net income for 2000	-	7,391	-
Other comprehensive income net of tax:			
Unrealized gain on Available-For-Sale securities (net of tax effect of $853)	-	-	1,658
Dividends ($1.50 per share)	-	(1,950)	-
BALANCE AT DECEMBER 31, 2000	12,677	51,416	895
Comprehensive income:			
Net income for 2001	-	6,756	-
Other comprehensive income net of tax:			
Unrealized loss on Available-For-Sale securities (net of tax effect of $431)	-	-	836
Reclassification adjustment for gain on sale of Available-For-Sale securities (net of tax)			(150)
Dividends ($1.60 per share)	-	(2,080)	-
BALANCE AT DECEMBER 31, 2001	12,677	56,092	1,581
Comprehensive income:			
Net income for 2002	-	7,397	-
Other comprehensive income net of tax:			
Unrealized loss on Available-For-Sale securities (net of tax effect of $1,126)	-	-	2,185
Reclassification adjustment for gain on sale of Available-For-Sale securities (net of tax)			(50)
Dividends ($1.65 per share)	-	(2,145)	-
BALANCE AT DECEMBER 31, 2002	$ 12,677	$ 61,344	$ 3,716

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

STATEMENT OF CASH FLOWS

	(In Thousands)		
	2002	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 7,397	$ 6,756	$ 7,391
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Equity in undistributed net income of subsidiaries	(7,075)	(6,409)	(7,055)
Changes in Operating Assets and Liabilities:			
Accrued expenses	271	5	(2)
Net Cash Provided by Operating Activities	593	352	334
CASH FLOWS FROM INVESTING ACTIVITIES:			
Dividends from wholly-owned subsidiaries	1,500	1,665	1,718
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payment of dividends	(2,210)	(1,950)	(2,015)
Net Change in Cash and Cash Equivalents	(117)	67	37
CASH AND CASH EQUIVALENTS - beginning of year	773	706	669
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 656	$ 773	$ 706

FARMERS & MERCHANTS BANCORP, INC.

Five-Year Summary of Consolidated Operations

	2002	2001	2000	1999	1998
Summary of Income:					
Interest income	$ 43,424	$ 48,945	$ 48,890	$ 43,779	$ 42,888
Interest expense	18,979	25,448	25,509	21,150	22,085
Net Interest Income	24,445	23,497	23,381	22,629	20,803
Provision for loan loss	2,194	2,632	1,496	1,637	892
Net interest income after provision for loan loss	22,251	20,865	21,885	20,992	19,911
Other income (expense)	(11,864)	(11,217)	(11,376)	(11,192)	(8,841)
Net income before income taxes	10,387	9,648	10,509	9,800	11,070
Income taxes	2,989	2,892	3,118	3,007	3,413
Net income	$ 7,398	$ 6,756	$ 7,391	$ 6,793	$ 7,657
Per Share of Common Stock:					
Earnings per common share outstanding (Based on weighted average number of shares outstanding):					
Net income	$ 5.69	$ 5.20	$ 5.69	$ 5.23	$ 5.89
Dividends	$ 1.65	$ 1.60	$ 1.50	$ 1.40	$ 1.40
Weighted average number of shares outstanding	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000
Year-end assets	$ 726,486	$ 683,626	$ 635,160	$ 598,529	$ 585,869
Average assets	695,137	663,469	619,075	585,189	553,277
Year-end equity capital	77,738	70,350	64,988	57,889	55,350
Average equity capital	74,495	69,429	61,488	56,862	52,940

FARMERS & MERCHANTS BANCORP, INC.

Quarterly Financial Data

	Quarter Ended in 2002			
	Mar 31	Jun 30	Sep 30	Dec 31
Summary of Income:				
Interest income	$ 11,200	$ 10,662	$ 10,881	$ 10,681
Interest expense	5,016	4,883	4,688	4,392
Net Interest Income	6,184	5,779	6,193	6,289
Provision for loan loss	656	393	537	608
Net interest income after provision for loan loss	5,528	5,386	5,656	5,681
Other income (expense)	(2,955)	(3,230)	(3,234)	(2,445)
Net income before income taxes	2,573	2,156	2,422	3,236
income taxes	670	543	641	1,135
Net Income	$ 1,903	$ 1,613	$ 1,781	$ 2,101
Earnings per Common Share	$ 1.46	$ 1.24	$ 1.37	$ 1.62
Average common shares outstanding	1,300,000	1,300,000	1,300,000	1,300,000

	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

FARMERS & MERCHANTS BANCORP, INC.

SELECTED FINANCIAL DATA BY MANAGEMENT

Key Ratios:

	1998	1999	2000	2001	2002
Return on average equity	14.46%	11.95%	12.02%	9.73%	9.93%
Return on average assets	1.38%	1.16%	1.19%	1.02%	1.06%
Loan to deposit ratio	78.33%	92.13%	93.00%	82.71%	86.32%
Capital to assets ratio	9.45%	9.67%	10.23%	10.29%	10.70%

[CHARTS]

FARMERS & MERCHANTS BANCORP, INC.

SELECTED FINANCIAL DATA BY MANAGEMENT

	(In Thousands Except for Per Share Amounts)				
	1998	1999	2000	2001	2002
Loans	$ 401,192	$ 456,617	$ 480,645	$ 468,243	$ 497,515
Total Assets	$ 585,869	$ 598,529	$ 635,160	$ 683,626	$ 726,486
Shareholders' Equity	$ 55,350	$ 57,889	$ 64,988	$ 70,350	$ 77,738
Interest Income	$ 42,888	$ 43,779	$ 48,890	$ 48,945	$ 43,424
Interest Expense	$ 22,085	$ 21,150	$ 25,509	$ 25,448	$ 18,979
Net Interest	$ 20,803	$ 22,629	$ 23,381	$ 23,497	$ 24,445
Other Expense	$ 8,841	$ 11,192	$ 11,376	$ 11,216	$ 11,864
Federal Income Tax	$ 3,413	$ 3,007	$ 3,118	$ 2,892	$ 2,989
Net Income	$ 7,657	$ 6,793	$ 7,391	$ 6,756	$ 7,398
Net Income per Share	$ 5.89	$ 5.23	$ 5.69	$ 5.20	$ 5.69
Dividends per Share	$ 1.40	$ 1.40	$ 1.50	$ 1.60	$ 1.65

[CHARTS]

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

While the economic situation in the United States has been generally flat at best during 2002, Farmers & Merchants Bancorp, Inc. has experienced yet another year of solid growth both in terms of net income and assets. Interest rates have experienced a dramatic drop over the past year. As a result, total interest income dropped from $48.9 million for 2001 and 2000 to $43.4 for 2002. This drop is from a reduction in interest income on loans, even though the loan portfolio grew from $468 million at the end of 2001 to $497 million at the end of 2002. But while the interest that the Company has collected has decreased due to a drop in interest rates, the interest that the Company had to pay also demonstrated a significant decrease. Total interest expense dropped to just under $19 million compared to $25.4 and $25.5 million for 2001 and 2000 respectively. The net result of all of this is that net interest income, interest income less interest expense, increased by almost $1 million to $24.4 million for 2002 compared to $23.5 million for 2001 and $23.4 million for 2000.

The Company was able to reduce the provision for loan loss for 2002 to $2.2 million compared to $2.6 and $1.5 million for 2001 and 2000, respectively. The Bank has worked hard to improve loan quality while making credit available to all of those who are in need and worthy. The reserve for loan losses, an estimate of loans currently in the loan portfolio that might become uncollectible was established at $6.4 million as of December 31, 2002 or 1.3 percent of the total loan portfolio compared to $7.3 million as of December 31, 2001 or 1.5 percent of the loan portfolio at December 31, 2001. This drop is a result of better loan quality, but also the write-off of a significant credit during 2002.

Operating expenses for 2002 were $17.7 million a 3.3 percent growth over 2001 operating expenses of $17.2 million. Operating expenses for 2001 climbed $2.5 million from 2000 levels of $14.6 million.

The net result has been an increase in net income for the Company over 2001 to just under $7.4 million compared to $6.75 million for 2001, and even with the net income of $7.4 million for 2000.

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 $195 million during 2002 compared to $159 million for 2001 representing 28.1 percent and 24 percent of total average assets, respectively. Of the almost $179 million of debt securities in the portfolio as of December 31, 2002, $57.6 million or 32 percent of the portfolio is expected to mature in 2003.

CAPITAL RESOURCES

Shareholders' equity was $77.7 million as of December 31, 2002 compared $70 million at December 31, 2001. 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, 2002, The Farmers & Merchants State Bank had a total risk-based capital ratio of 15.4% and a 12.2% core capital to risk-based asset ratio that are well in excess of regulatory guidelines. The bank's leverage ratio of 8.8% is also substantially in excess of regulatory guidelines. These ratios compare to 5.1%, 11.9% and 8.4% respectively for 2001, and 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.

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 as presented below:

	0-90 Days	90-365 Days	1-5 Years	Over 5 Years	Total
Interest Bearing Dep	$ 279	$ --	$ --	$ --	$ 279
Investment Securities	20,205	44,064	93,509	21,015	178,793
Loans	177,844	186,323	67,868	65,804	497,839
Total Rate Sensitive Assets	198,328	230,387	161,377	86,819	676,911
Deposits	150,863	224,522	200,988	--	576,373
Fed Funds Purchased &	--				
Agreements to repurchase	38,200	--	--	--	38,200
Other borrowings	518	1,553	23,259	3,366	28,696
Total Rate Sensitive Liabilities	189,581	226,075	224,247	3,366	643,269
GAP	$ 8,747	$ 4,312	$ (62,870)	$ 83,453	$ 33,642

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
2002-- by quarter	1st	$ 85.00	$ 110.00
	2nd	95.00	115.00
	3rd	95.00	112.00
	4th	95.00	115.00
2001-- by quarter	1st	$ 85.00	$ 105.00
	2nd	85.00	115.00
	3rd	90.00	105.00
	4th	90.00	130.00

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

	Quarter	2002	2001
Dividends declared per share			
	1st	$ .35	$ .35
	2nd	.40	.35
	3rd	.40	.35
	4th	.50	.55

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 10, 2003

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, 2002, 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, 2002, 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, 2002

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, 2002, 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, 2002. 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, 2002.

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, 2002.

[Photo]

WAUSEON SHOOP MANAGERS

AVP/Branch Mgr. Gloria Gunn and
Asst. Cashier/Asst. Branch Mgr. Sue Dieringer

[Photo]
DINING AT GREAT BEAR LODGE

From Left: Super 55 tour guest,
Carol England, AVP/Downtown Branch Mgr., Duane England

[Photo]
WOODLAND BRANCH "POPCORN" DAY
James Snyder and AVP/Mgr. Deborah Shinabery

[Photo]
F & M DONATES TO
QUADCO REHABILITATION CENTER

AVP/Stryker Branch Mgr. Ronald Short presents check to
Quadco Representatives

[Photo]
DELTA MANAGERS SELLING TICKETS AT
DELTA CHICKEN FESTIVAL DINNER

AVP/Branch Mgr. Cynthia Knauer and
Asst. Cashier/Asst. Branch Mgr. Beth Bay

[Photo]
F & M EMPLOYEES STAFF WILLIAMS CO.
BEEF PRODUCERS STAND

St. VP/West Unity Branch Mgr. Lewis Hilkert and
Vickie Grimm, Bryan SouthTowne Secretarial Supervisor

[Photo]
BRYAN SOUTHTOWNE BRANCH CELEBRATES
10TH ANNIVERSARY

Seated from left: Marie Wolff, Asst. Teller Supervisor; Vickie Grimm, Secretarial Supervisor; Becky VanArsdalen, Teller; Erin Hallet, Teller
Standing from left: Cherri Andres, Teller; Linda Coy, New Accounts Rep.; Richard Bruce, VP/Commercial Loan Officer; Michael Smith, AVP/Mgr; Ruth Ford, Asst. Cashier/Asst. Mgr.; Michelle Robarge, Commercial Loan Secretary, Michelle Nape, Teller Supervisor

[Photo]
WILLIAMS COUNTY BUSINESS &
INDUSTRY SHOW F & M BOOTH

AVP/Bryan E. High Branch Mgr. David Frazer and
Children, McKenzie and Mason

[Photo]
MONTPELIER W. MAIN BRANCH CELEBRATES
10TH ANNIVERSARY

Jeannie VonDeylen, W. Main Asst. Mgr; Kelly Bentley, Asst. Cashier/Montpelier Mgr.; Barry VonDeylen, Eastside Asst. Mgr.

[Photo]
NAPOLEON BRANCH CHRISTMAS CARD CLUB OPEN HOUSE
VP/Sr. Agri Finance Officer Michael Culler and AVP/Napoleon Branch Mgr. Stephen Jackson

[Photo]
SWANTON STAFF READY FOR
CHRISTMAS CLUB OPEN HOUSE

Front from left: Kathy Keller, Asst. Teller Supervisor; Hoilyn McKibben, Teller; Debra Kauffman, Asst. Cashier/Asst Mgr.
Back from left: Vicky Bratton, Loan Secretary; Judy Carpenter, Teller Supervisor; Barry Gray, AVP/Mgr.; Carrol Muston, New Accounts Rep.; Joanne Pero, Teller

[Photo]
DEFIANCE OFFICE 1ST ANNIVERSARY

From left: Stephanie Eckert, Teller; Cheri Helberg, Loan Support; Krystie Landversicht, Teller; L. Sue Cuevas, Asst. Cashier/Asst. Mgr.; David Kunesh, AVP/Mgr.; Cathy Wiedman, Teller Supervisor; Tiffany Browns, Teller

[Photo]
DIRECTORS EMERITUS

Front from left: Robert Whitmer, Lee Graffice, Dale Nafziger
Back from left: Harold Plassman, Kenneth Stamm, Charles Lugbill

[Photo]
DIRECTOR DALE NAFZIGER RETIRES

Seated from left: Eugene Bernath, Chairman of the Board, Dale Nafziger, Joe Crossgrove, President/CEO/Cashier
Standing from left: Maynard Sauder, Vice Chairman and Dean Miller, Vice President

[Photo]
TELLERS RECEIVE HONOR ROLL AWARDS

From left: Deb Felix, Main Office Teller Supervisor; Edward Leinger, Exec. VP

[Photo]
BRANCH ADMINISTRATOR AND MANAGERS

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

[Photo]
F&M AG APPRECIATION DAY

AVP/Agri Loan Officer Scott Miller and Max Wyse, Inventory Controller at Pettisville Grain

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	70	Farmer Chairman of the Board, Farmers & Merchants Bancorp, Inc. The Farmers & Merchants State Bank	1978
Dexter Benecke	60	President, Viking Trucking, Inc.	1999
Jerry L. Boyers	69	President, Edifice Construction Management	1976
Joe E. Crossgrove	66	President, Chief Executive Officer The Farmers & Merchants State Bank	1992
Robert G. Frey	63	President, E. H. Frey & Sons, Inc.	1987
Julian Giovarelli	71	President, GIO Sales, Inc.	2000
Jack C. Johnson	50	President, Hawk's Clothing, Inc. Partner, REJO Partnership	1991
Dean E. Miller	59	President, MBC Holdings, Inc.	1986
Anthony J. Rupp	53	President, Rupp Furniture Co.	2000
David P. Rupp Jr.	61	Attorney, Plassman, Rupp, Hensel, Short & Hagans	2001
James C. Saneholtz	56	President, Saneholtz-McKarns, Inc.	1995
Maynard Sauder	71	Chairman, Sauder Woodworking Co.	1980
Merle J. Short	62	Farmer, President of Promow, Inc.	1987
Steven J. Wyse	58	President, SteelinQ Systems, Inc.	1991

EXECUTIVE OFFICERS

Name	Age	Principal Occupation for Past Five Years
Eugene Bernath	70	Farmer Chairman of the Board Farmers & Merchants State Bank
Joe E. Crossgrove	66	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	43	Executive Vice President Chief Lending Officer
Edward Leininger	46	Executive Vice President Commercial Loan Officer
Carol England	62	Assistant Vice President Corporate Secretary Branch Manager
Barbara Britenriker	40	Senior Vice President Chief Financial Officer Comptroller
Allen Lantz	49	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 5, 2003 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 5, 2003, 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 5, 2003 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 5, 2003 is incorporated herein by reference.

ITEM 14. CONTROLS AND PROCEDURES

As of December 31, 2002, an evaluation was performed under the supervision and with the participation of the Company's management, including the CEO and CFO, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that the Company's disclosure controls and procedures are effective as of December 31, 2002. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect the internal controls subsequent to December 31, 2002

PART IV

ITEM 15. EXHIBITS, FINANCIAL SCHEDULES AND REPORTS ON FORM 8-K

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

(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.

PART IV

ITEM 15. EXHIBITS, FINANCIAL SCHEDULES AND REPORTS ON FORM 8-K

SCHEDULE OF PROPERTY AND EQUIPMENT
(In Thousands)

Schedule 1

Year Ended December 31, 2002

	Beginning Balance	Additions	Retirements	Ending Balance
Land	$ 2,601	$ 167	$ -	$ 2,768
Building	10,661	3,314	-	13,975
Equipment	8,308	601	439	8,470
	$ 21,570	$ 4,082	$ 439	$ 25,213

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

SCHEDULE OF ACCUMULATED DEPRECIATION - PROPERTY AND EQUIPMENT

Schedule 2

	Year Ended December 31, 2002			
	Beginning Balance	Depreciation	Retirements	Ending Balance
Land	$ -	$ -	$ -	$ -
Building	3,250	317	-	3,567
Equipment	5,988	1,028	404	6,612
	$ 9,238	$ 1,345	$ 404	$ 10,179

	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

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/s Joe E. Crossgrove Date: March 28, 2003

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 Joe E. Crossgrove, Director Chief Executive Officer	Date: March 28, 2003	/s/ Barbara Britenriker Barbara Britenriker Chief Financial Officer	Date: March 28, 2003
/s/ Eugene D. Bernath Eugene D. Bernath Director and Chairman	Date: March 28, 2003	/s/ Kent Roth Kent Roth, Auditor	Date: March 28, 2003
/s/ Dexter Benecke Dexter Benecke, Director	Date: March 28, 2003	/s/ Anthony J. Rupp Anthony J. Rupp, Director	Date: March 28, 2003
/s/ Jerry Boyers Jerry Boyers, Director	Date: March 28, 2003	/s/ David P. Rupp Jr. David P. Rupp Jr., Director	Date: March 28, 2003
/s/ Robert Frey Robert Frey, Director	Date: March 28, 2003	/s/ James Saneholtz James Saneholtz, Director	Date: March 28, 2003
/s/ Julian Giovarelli Julian Giovarelli, Director	Date: March 28, 2003	/s/ Maynard Sauder Maynard Sauder, Director	Date: March 28, 2003
/s/ Jack C. Johnson Jack C. Johnson, Director	Date: March 28, 2003	/s/ Merle J. Short Merle J. Short, Director	Date: March 28, 2003
/s/ Dean Miller Dean Miller, Director	Date: March 28, 2003	/s/ Steven J. Wyse Steven J. Wyse, Director	Date: March 28, 2003

CERTIFICATION

I, Joe E. Crossgrove certify that:

1. I have reviewed this annual report on Form 10-K of Farmers & Merchants Bancorp, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date March 28, 2003

/s/ Joe E. Crossgrove

Joe E. Crossgrove
Chief Executor Officer

CERTIFICATION

I, Barbara Britenriker certify that:

1. I have reviewed this annual report on Form 10-K of Farmers & Merchants Bancorp, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date March 28, 2003

/s/ Barbara Britenriker
-------- --------------------
Barbara Britenriker
Chief Financial Officer

EXHIBIT 99.1

In connection with the Annual Report on Form 10-K of Farmers & Merchants Bancorp, Inc. for the year ended December 31, 2002, as filed with the Securities and Exchange Commission (the "Report"), I, Joe E. Crossgrove, Chief Executive Officer, of the Company, certify, pursuant to 18 U.S.C. Section 1350, as added by Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirement of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and;

2. To my knowledge, the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

Date: March 28, 2003

/s/ Joe E. Crossgrove

Joe E. Crossgrove, Chief Executive Officer

FARMERS & MERCHANTS BANCORP, INC.

EXHIBIT 99.2

In connection with the Annual Report on Form 10-K of Farmers & Merchants Bancorp, Inc. for the year ended December 31, 2002, as filed with the Securities and Exchange Commission (the "Report"), I, Joe E. Crossgrove, Chief Executive Officer, of the Company, certify, pursuant to 18 U.S.C. Section 1350, as added by Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirement of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and;

2. To my knowledge, the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

Date: March 28, 2003

/s/ Barbara Britenriker

Barbara Britenriker, Chief Financial Officer