



Farmers & Merchants Bancshares, Inc.

Annual Meeting of Shareholders

April 29, 2025



The "Community" Bank that Puts People First

Upperco ... Hampstead ... Greenmount ... Reisterstown ... Owings Mills ... Westminster ... Eldersburg ... Towson

Forward-Looking Statements

This presentation may contain forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. Forward-looking statements do not represent historical facts, but are statements regarding management's beliefs, plans and objectives about the future. These statements are evidenced by words such as "may", "will", "should", "expect", "plan", "anticipate", "intend", "believe", "estimate", "predict", "potential", or "continue" or the negative of those words and other comparable words. Although these statements reflect management's good faith beliefs and projections, they are based on various factors, were derived based on numerous assumptions, and are subject to known and unknown risks and uncertainties. If management's assumptions prove to be incorrect or if any of the known or unknown risks or uncertainties were to materialize, then actual results could differ materially from those reflected in these forward-looking statements. You should bear this in mind when reading this presentation and not place undue reliance on forward-looking statements. You should also consider carefully the risks discussed in the section of the periodic reports filed by Farmers and Merchants Bancshares, Inc. with the Securities and Exchange Commission entitled "Risk Factors", the materialization of which could cause our actual results to differ materially from those set forth in the forward-looking statements.



The "Community" Bank that Puts People First

Upperco ... Hampstead ... Greenmount ... Reisterstown ... Owings Mills ... Westminster ... Eldersburg ... Towson

Highlights for 2024

- Earnings in 2024 were \$4.3 million, or \$1.37 per share, compared to 2023 earnings of \$6.4 million, or \$2.08 per share
 - Cost of deposits and borrowings increased by 102 basis points in 2024 compared to 2023 causing the decline in net income
 - The Company completed a core system conversion which resulted in added non-recurring expenses in 2024
- Dividends paid increased to \$.67 per share, up from \$.66 per share in 2023
 - 14th consecutive year the dividend has increased
 - 49% dividend payout ratio
- Assets increased by \$44.7 million, or 6%, to \$844.6 million
- Loans increased by \$59.7 million, or 11%, to \$583.0 million
- Loan Quality is strong with only 2 delinquent loans at year end



The "Community" Bank that Puts People First

Upperco ... Hampstead ... Greenmount ... Reisterstown ... Owings Mills ... Westminster ... Eldersburg ... Towson

Assets

(in thousands)

	12/31/2024	12/31/2023	Change
Cash & Due From Banks	\$ 64,659	\$ 44,690	\$ 19,969
Investments	146,212	184,248	(38,036)
Loans & Loans Held For Sale	582,993	523,308	59,685
Fixed Assets	7,349	6,584	765
Bank Owned Life Insurance	15,324	14,931	393
Other Real Estate Owned	1,176	1,242	(66)
Goodwill & Other Intangibles	7,026	7,034	(8)
Deferred Income Taxes	7,606	8,313	(707)
Other	12,298	9,591	2,707
Total	\$ 844,643	\$ 799,941	\$ 44,702



The "Community" Bank that Puts People First

Upperco ... Hampstead ... Greenmount ... Reisterstown ... Owings Mills ... Westminster ... Eldersburg ... Towson

Loan Portfolio

- The loan portfolio increased by \$59.7 million during 2024

Loan Quality:

- Net loan losses for 2024 were 0.03% of loans and 0.00% in 2023
- Non performing assets to total assets remained low with 0.29% at 12/31/24, compared to 0.24% at 12/31/23
- Non-accrual loans (90 days or more past due) to total loans were 0.42% at 12/31/24 and 0.13% at 12/31/23 compared to 0.41% and 0.32% for our national peer group



The "Community" Bank that Puts People First

Upperco ... Hampstead ... Greenmount ... Reisterstown ... Owings Mills ... Westminster ... Eldersburg ... Towson

Liabilities and Equity

(in thousands)

	12/31/2024	12/31/2023	Change
Deposits	\$ 758,806	\$ 680,963	\$ 77,843
Repurchase Agreements	5,564	6,761	(1,197)
FHLB Advances	5,000	5,000	-
FRB BTFP Advances	-	33,000	(33,000)
Long-Term Debt	11,329	13,212	(1,883)
Other	7,672	8,827	(1,155)
Total Liabilities	<u>788,371</u>	<u>747,763</u>	40,608
Stockholders' Equity	56,272	52,178	4,094
Total	<u>\$ 844,643</u>	<u>\$ 799,941</u>	<u>\$ 44,702</u>

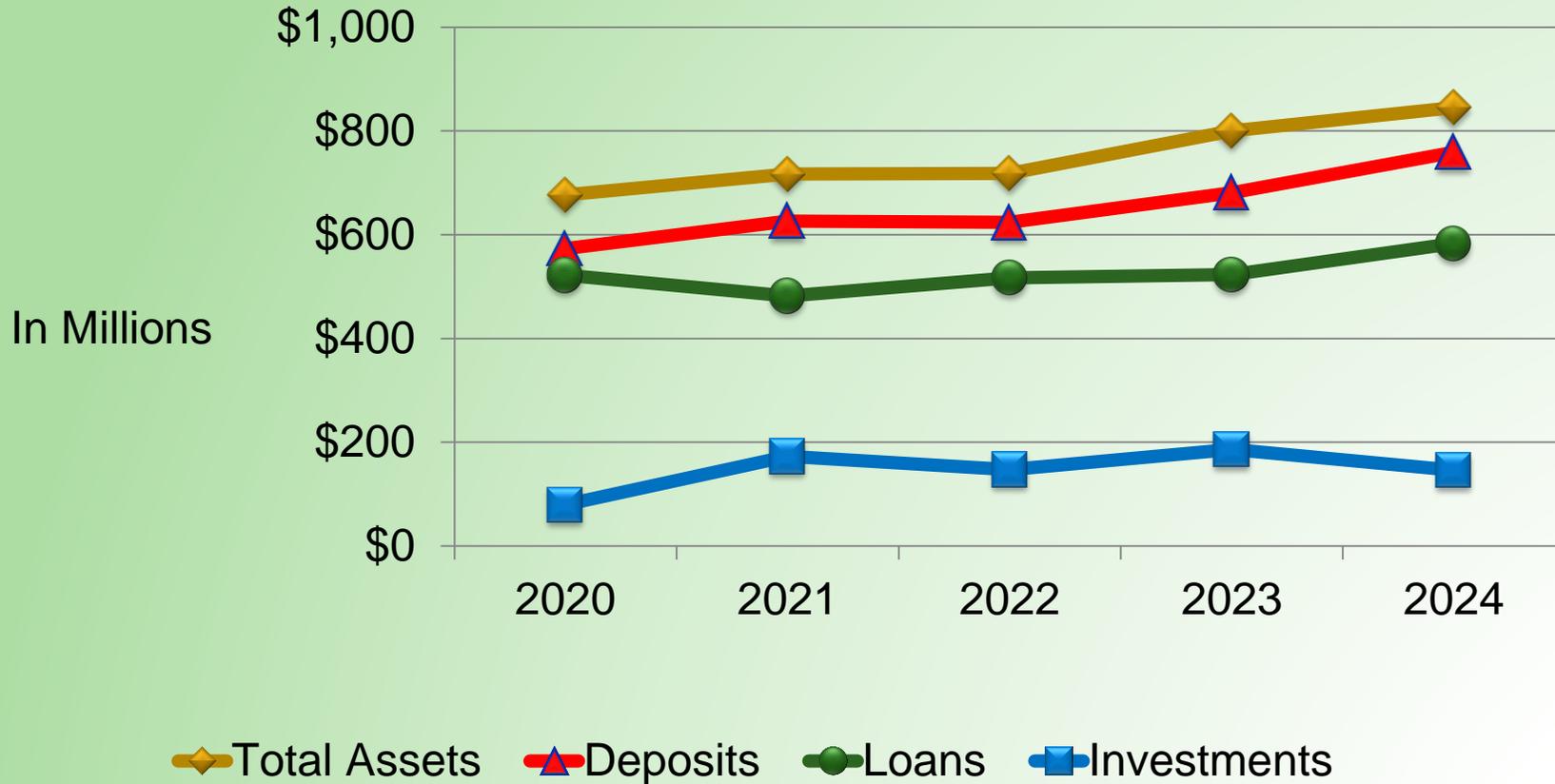


The "Community" Bank that Puts People First

Upperco ... Hampstead ... Greenmount ... Reisterstown ... Owings Mills ... Westminster ... Eldersburg ... Towson

Balance Sheet

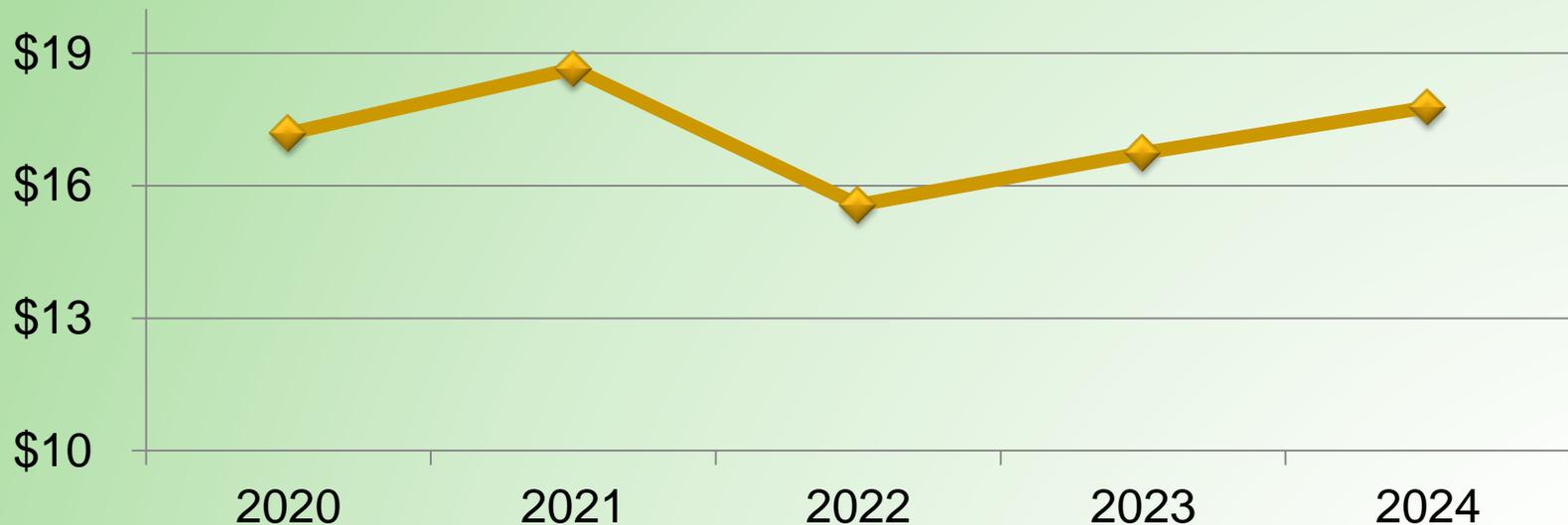
Five Year Trend



The "Community" Bank that Puts People First

Upperco ... Hampstead ... Greenmount ... Reisterstown ... Owings Mills ... Westminster ... Eldersburg ... Towson

Book Value per Share Five Year Trend (at year end)



The unrealized loss on available for sale securities is the cause of the decrease in 2022 and has not recovered as of 12/31/24.



The “Community” Bank that Puts People First

Upperco ... Hampstead ... Greenmount ... Reisterstown ... Owings Mills ... Westminster ... Eldersburg ... Towson

Income Statement Highlights for 2024

	Twelve Months Ended	
	December 31, 2024	December 31, 2023
	As Reported	As Reported
Income before income taxes	\$ 5,509	\$ 8,435
Income taxes	1,231	2,017
Net income	<u>\$ 4,278</u>	<u>\$ 6,418</u>
Earnings per share	\$ 1.37	\$ 2.08
Return on average assets	0.53%	0.86%
Return on average equity	7.83%	13.08%



The "Community" Bank that Puts People First

Upperco ... Hampstead ... Greenmount ... Reisterstown ... Owings Mills ... Westminster ... Eldersburg ... Towson

Income Statement Highlights for 2024

(continued)

- Total Interest Income increased by \$7 million to \$38 million.
 - Average interest earning assets increased by \$57 million
 - Net yield on interest-earning assets decreased to 2.68% in 2024 from 2.97% in 2023
 - Cost of funds on interest bearing deposits and borrowings was up 102 basis points
 - Net interest income decreased \$580 thousand in 2024 to \$21 million
 - Several interest rate swaps were entered into during 2023, some in combination with the purchase of mortgage backed securities, to offset the impact of higher interest expense
- Noninterest Income increased by \$161 thousand
 - Gain on insurance proceeds increased by \$138 thousand
 - Income from investment in BOLI increased by \$49 thousand
- Operating Expenses up \$1.8 million
 - In 2024 the Bank completed a core operating system conversion which drove up non-recurring expenses. While much of that cost was capitalized, \$84 thousand was expensed in 2024
 - The bank opened its Towson Commercial Banking Office which increased its staffing levels and compensation expense
 - Efficiency ratio was 72% in 2024 versus the national peer avg. of 65%

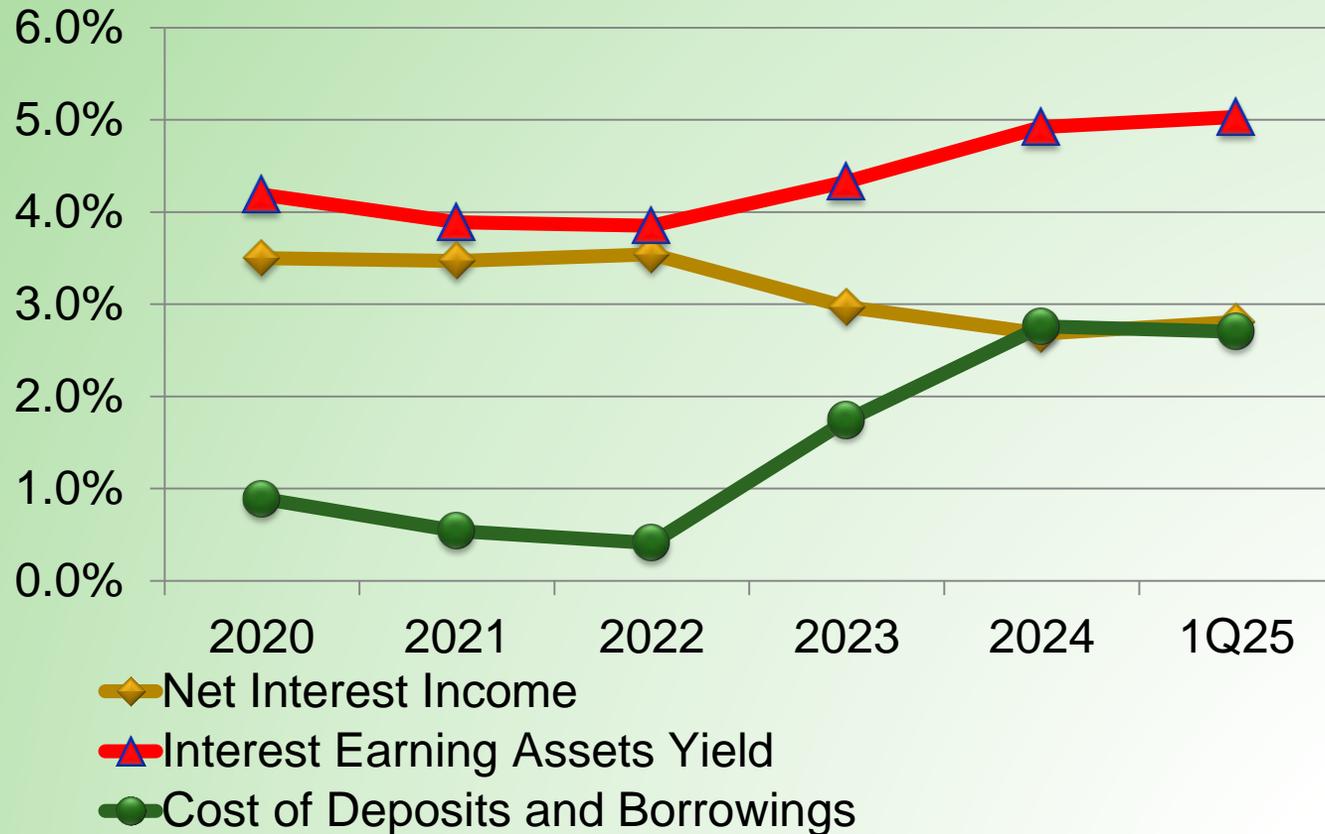


The “Community” Bank that Puts People First

Upperco ... Hampstead ... Greenmount ... Reisterstown ... Owings Mills ... Westminster ... Eldersburg ... Towson

Net Interest Margin

Five Year Plus First Quarter Trend



The "Community" Bank that Puts People First

Upperco ... Hampstead ... Greenmount ... Reisterstown ... Owings Mills ... Westminster ... Eldersburg ... Towson

Income Statement

(in thousands)

	2024	2023	Change
Interest - Loans	\$ 30,338	\$ 25,731	\$ 4,607
Interest - Investments	8,025	5,592	2,433
Total Interest Income	38,363	31,323	7,040
Interest Expense	(17,527)	(9,907)	(7,620)
Net Interest Income	20,836	21,416	(580)
Loan Loss Provision	(150)	570	(720)
Other Income	1,752	1,591	161
Operating Expenses	(16,929)	(15,142)	(1,787)
Income Before Taxes	5,509	8,435	(2,926)
Income Taxes	(1,231)	(2,017)	786
Net Income	\$ 4,278	\$ 6,418	\$ (2,140)

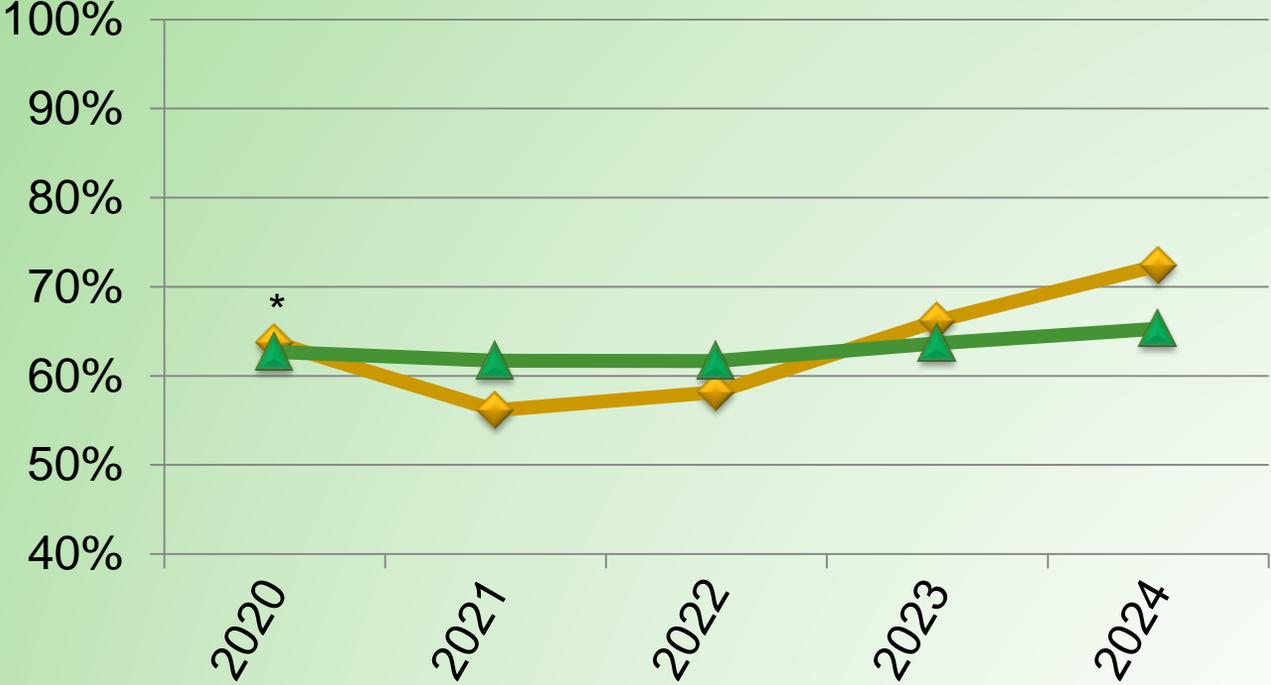


The "Community" Bank that Puts People First

Upperco ... Hampstead ... Greenmount ... Reisterstown ... Owings Mills ... Westminster ... Eldersburg ... Towson

Efficiency Ratio

Five Year Trend



* F&M Bank 2020 ratio excludes the impact of the Carroll Bancorp acquisition costs.

◆ F&M Bank
▲ Peer Group



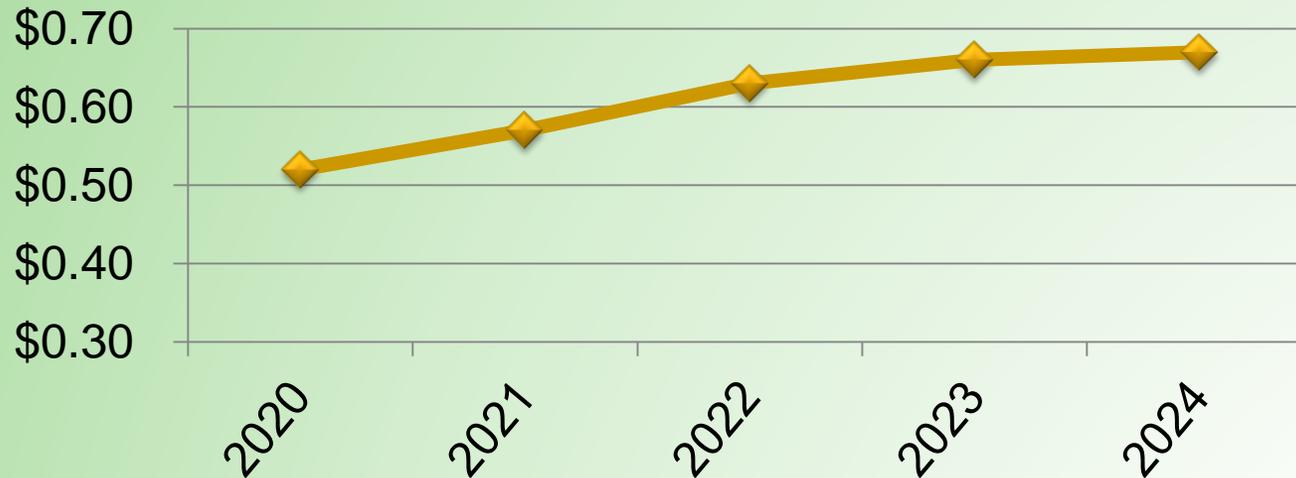
The "Community" Bank that Puts People First

Upperco ... Hampstead ... Greenmount ... Reisterstown ... Owings Mills ... Westminster ... Eldersburg ... Towson

Cash Dividends per Share

Five Year Trend

Cash dividends increased \$0.01 to \$0.67 in 2024 from \$0.66 in 2023
14th consecutive year of dividend increases



The “Community” Bank that Puts People First

Upperco ... Hampstead ... Greenmount ... Reisterstown ... Owings Mills ... Westminster ... Eldersburg ... Towson

Selected Local Banks

Return on Average Assets
Ranked by 5 Year Average Return

	2024	2023	2022	2021	2020	5 Year Average
Bay Vanguard	1.52%	1.54%	1.38%	1.15%	1.43%	1.40%
ACNB	1.35%	1.32%	1.31%	1.03%	0.78%	1.16%
Farmers & Merchants (a)	0.53%	0.86%	1.13%	1.16%	0.97%	0.93%
Orrstown Bank	0.55%	1.19%	0.77%	1.14%	1.00%	0.93%
Harford Bank	1.00%	1.03%	0.85%	1.00%	0.72%	0.92%
Shore Bancshares	0.86%	0.58%	0.90%	1.03%	0.93%	0.86%
Woodsboro	0.78%	0.87%	0.69%	0.64%	0.46%	0.69%
Middletown Valley	0.74%	0.44%	0.78%	0.81%	0.51%	0.66%
Rosedale Federal	0.19%	0.38%	0.27%	0.55%	0.35%	0.35%

Source: FDIC Uniform Bank Performance Report and SEC Filings

(a) - excludes Carroll Bancorp acquisition costs in 2020



The "Community" Bank that Puts People First

Upperco ... Hampstead ... Greenmount ... Reisterstown ... Owings Mills ... Westminster ... Eldersburg ... Towson

Bank Stock Price Changes

Ranked by 2024 change

	2024	2023	2022	2021	2020
M & T Bank Corp	27%	-6%	-6%	21%	-25%
Bank of America Corp	23%	2%	31%	-17%	-14%
PNC	20%	-2%	-21%	35%	-7%
Orrstown Bank	19%	27%	-8%	52%	-27%
Bay Vanguard	18%	-43%	24%	18%	-1%
Farmers & Merchants	15%	-20%	0%	66%	-28%
Shore Bancshares	10%	-18%	-16%	43%	-16%
Harford Bank	1%	0%	12%	38%	-28%
ACNB	-12%	11%	29%	25%	-34%

Source: Yahoo Finance



The "Community" Bank that Puts People First

Upperco ... Hampstead ... Greenmount ... Reisterstown ... Owings Mills ... Westminster ... Eldersburg ... Towson

Bank Stock Dividend Yields

Current Yield

	Current (a)	Prior Year
Farmers & Merchants	4.53%	3.91%
PNC	4.22%	4.10%
Shore Bancshares	3.89%	4.47%
Orrstown Bank	3.89%	3.14%
M & T Bank Corp	3.40%	3.72%
ACNB	3.17%	3.42%
Harford Bank	2.85%	2.88%
Bank of America Corp	2.79%	2.66%
Bay Vanguard	0.00%	0.00%

Source: Yahoo Finance (a) as of April 17, 2025



The "Community" Bank that Puts People First

Upperco ... Hampstead ... Greenmount ... Reisterstown ... Owings Mills ... Westminster ... Eldersburg ... Towson

Quarterly Comparison

	Quarters Ended		
	March 31, 2025	December 31, 2024	September 30, 2024
OPERATING DATA			
Interest income	\$ 9,886	\$ 10,271	\$ 9,846
Interest expense	<u>4,391</u>	<u>4,828</u>	<u>4,762</u>
Net interest income	5,495	5,444	5,085
Provision for loan losses	<u>30</u>	<u>150</u>	<u>-</u>
Net interest income after provision for loan losses	5,465	5,294	5,085
Noninterest income	514	423	451
Noninterest expense	<u>4,498</u>	<u>4,623</u>	<u>4,071</u>
Income before income taxes	1,481	1,094	1,465
Income taxes	<u>316</u>	<u>238</u>	<u>342</u>
Net income	<u>\$ 1,165</u>	<u>\$ 856</u>	<u>\$ 1,123</u>
PER SHARE DATA			
Net income (Basic)	\$0.37	\$0.27	\$0.36
Dividends	\$0.00	\$0.67	\$0.00
Book value	\$18.44	\$17.77	\$18.81
KEY RATIOS			
Return on average assets	0.57%	0.42%	0.62%
Return on average equity	8.22%	6.27%	9.16%
Efficiency ratio	75.24%	78.80%	73.54%
Net yield on interest-earning assets	2.81%	2.69%	2.67%
Tier 1 capital leverage ratio	9.48%	9.12%	9.42%

2025 Initiatives

- Grow the C & I portfolio by lending through the recently opened Towson Commercial Banking Office.
 - Since its inception in June 2024, lending initiatives by the Towson Commercial Banking Office has resulted \$29 million in loans and \$8.3 million in new relationship deposits as of March 31, 2025
- Expand deposit growth through C & I lending relationships
- Build upon the \$17.1 million in new loans booked through March 31, 2025
- Leverage our new core operating system to improve operational efficiencies



Summary

Farmers & Merchants Bancshares is:

- Well capitalized
- Profitable
- An active lender in the community



The “Community” Bank that Puts People First

Upperco ... Hampstead ... Greenmount ... Reisterstown ... Owings Mills ... Westminster ... Eldersburg ... Towson

BEST WISHES IN 2025!



The "Community" Bank that Puts People First

Upperco ... Hampstead ... Greenmount ... Reisterstown ... Owings Mills ... Westminster ... Eldersburg ... Towson