Farmers and Merchants Bancshares, Inc. (FMFG)

Updated April 25th, 2026, by Nikolaos Sismanis

Key Metrics

Current Price:	$17.97	**5 Year Annual Expected Total Return:**	5.4%	**Market Cap:**	$58 M
Fair Value Price:	$17.00	**5 Year Growth Estimate:**	2.0%	**Ex-Dividend Date:**	07/10/26[1]
% Fair Value:	101%	**5 Year Valuation Multiple Estimate:**	-0.2%	**Dividend Payment Date:**	07/24/26
Dividend Yield:	4.0%	**5 Year Price Target**	$18.77	**Years Of Dividend Growth:**	16
Dividend Risk Score:	D	**Sector:**	Financials	**Rating:**	Hold

Overview & Current Events

Farmers and Merchants Bancshares is a Maryland financial holding company and the parent of Farmers and Merchants Bank, a community bank founded in 1919. The bank serves customers in Carroll and Baltimore Counties through its Upperco main office, six full-service branches, a Westminster satellite branch, and a Towson loan production office. It offers deposits, consumer and residential loans, commercial real estate and business lending, digital banking, an investment securities portfolio, and an insurance subsidiary. As of March 31st, 2026, the company had $863.4 million in assets and $66.1 million in stockholders' equity. Today, it trades at a market cap of just $58 million.

On April 24th, 2026, Farmers and Merchants Bancshares released its results for the period ending March 31st, 2026. For the quarter, net income totaled $1.8 million, or $0.56 per share, up from $1.2 million, or $0.37 per share, in the same period of 2025. Net interest income increased to $6.8 million from $5.5 million, driven by higher earning-asset yields and growth in average earning assets to $835.0 million. Interest expense declined slightly to $4.4 million from $4.4 million, while noninterest income decreased to $431 thousand and noninterest expense increased to $4.7 million, mainly due to higher employee benefits, occupancy, furniture and equipment, and other real estate owned expenses. Total assets decreased to $863.4 million from $872.0 million, while total deposits declined to $711.3 million from $720.5 million. For 2026, we expect EPS of $2.00.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$1.35	$1.31	$1.61	$1.54	$0.90	$2.70	$2.66	$2.08	$1.37	$1.81	***$2.00***	***$2.21***
DPS	$0.40	$0.43	$0.47	$0.51	$0.52	$0.57	$0.63	$0.66	$0.67	$0.68	***$0.68***	***$0.75***
Shares[2]	2.9	2.9	2.9	3.0	3.0	3.0	3.0	3.1	3.1	3.2	***3.2***	***3.3***

Farmers and Merchants Bancshares' EPS growth over the past decade has been somewhat underwhelming, rising at a CAGR of just about 3.3%. From 2016 to 2019, the bank remained a traditional Maryland community bank, earning mainly from spread income and recurring fees such as deposit charges, mortgage banking, SBA loan sales, and BOLI. Results improved overall, though not evenly, as operating expenses rose and asset quality showed modest noise.

In 2020, EPS fell sharply to $0.90 as the bank absorbed pandemic uncertainty, built reserves, and incurred acquisition related expense tied to the October 2020 Carroll Bancorp merger, even though it also generated strong mortgage and PPP activity. Those moves made 2020 messy on the income statement, but they also enlarged the franchise and positioned it for recovery. In 2021 and 2022, EPS jumped to $2.70 and $2.66 as the bank benefited from merger scale, PPP fee recognition, and then a healthier commercial lending backdrop. By 2022, management explicitly said commercial loan growth offset the expected decline in mortgage banking, while disciplined liquidity management let the bank earn materially more on excess cash as rates rose.

[1] Estimated dates based on past dividend dates.
[2] In millions

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From 2023 to 2025, FMFG faced the same pressures as many small banks after Fed rate hikes, especially higher funding costs. EPS fell to $2.08 in 2023 and $1.37 in 2024 as deposit and borrowing costs compressed margins, though the bank stayed profitable and credit quality held up. In 2025, EPS recovered to $1.81 as net interest income rose from $20.8 million to $24.4 million on higher loan balances, better yields, and slightly lower funding costs.

Moving forward, we believe the bank can grow its EPS at a rate of 2% to be driven by modest loan growth, continued improvement in loan yields, and a gradual remix toward more stable core deposits as brokered CDs run off, offset by only limited Fed easing, still-high funding costs on CDs and FHLB advances, and periodic credit provisioning that can weigh disproportionately on a bank of FMFG's size. The dividend is likely to grow at a similar pace. The bank has raised it for 16 consecutive years.

Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	10.6	12.2	11.2	11.4	15.3	7.6	8.2	9.6	11.5	9.1	***9.0***	***8.5***
Avg. Yld.	2.8%	2.7%	2.6%	2.9%	3.8%	2.8%	2.9%	3.3%	4.2%	4.1%	***4.0%***	***4.0%***

FMFG has historically traded mostly between about 8x and 12x earnings, with 2020 elevated by depressed pandemic earnings and 2021 to 2022 lower due to unusually strong PPP and merger related benefits. We set our fair multiple at 8.5x, near the lower end of its historical range, to reflect a more normalized earnings base today. That discount is warranted by the bank's small size, limited trading liquidity, modest long term growth outlook, and continued sensitivity to funding costs and credit volatility. Therefore, we expect a potential valuation headwind ahead.

Safety, Quality, Competitive Advantage, & Recession Resiliency

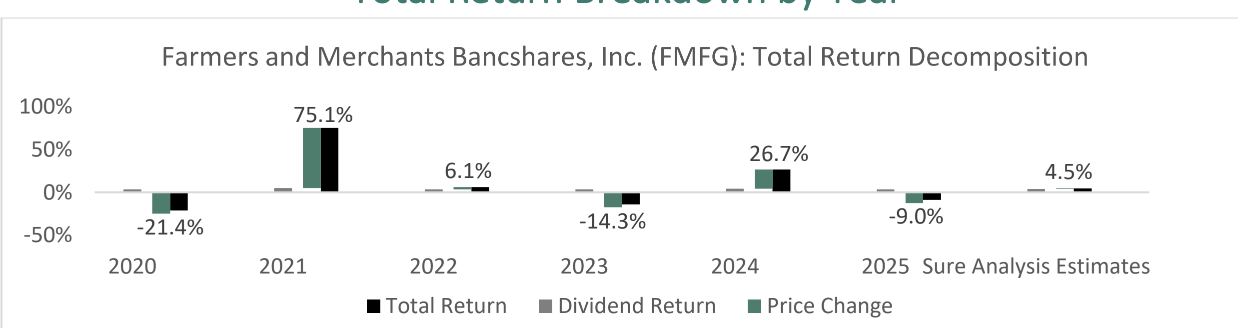
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	30%	33%	29%	33%	58%	21%	24%	32%	49%	38%	***34%***	***34%***

FMFG looks like a modest quality community bank with a long local operating history, solid capital, and a traditional relationship banking model, but it is not a premium quality franchise given its smaller scale, narrower diversification, and more volatile earnings profile. Its competitive advantage is mainly local market knowledge and customer relationships rather than scale, fee diversity, or a uniquely low cost funding base. Note that the bank has remained profitable through difficult periods, but the fact that it cut its dividend during the 2008 to 2009 financial crisis is an important reminder that its payout is not untouchable in stress. We believe this is more of a conservatively run small bank with a decent staying, but not a standout compounder with clear structural advantages.

Final Thoughts & Recommendation

FMFG is a small community bank with consistent earnings and a stable local franchise, but its appeal is limited by its size, modest growth, and funding sensitivity. We see annualized returns of 4.5% through 2031, to be mainly driven by the dividend and projected growth, offset by a potential valuation headwind. FMFG earns a hold rating.

Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	17	18	19	20	23	28	29	33	40	44
D&A Exp.	0	0	0	0	0	0	0	1	1	1
Operating Profit	6	6	6	6	6	11	11	8	6	7
Operating Margin	34.0%	32.3%	30.4%	27.8%	28.1%	38.0%	36.9%	25.6%	13.8%	16.7%
Net Profit	4	4	5	5	3	8	8	6	4	6
Net Margin	23.2%	21.1%	24.6%	22.6%	11.8%	29.3%	28.3%	19.5%	10.7%	13.1%
Free Cash Flow	3	7	5	5	4	10	4	5	1	6
Income Tax	2	2	1	1	0	2	2	2	1	2

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	381	403	418	443	678	717	719	800	846	873
Cash & Equivalents	12	6	11	7	40	25	6	44	64	46
Goodwill & Int. Ass.	-	-	-	-	7	7	7	7	8	8
Total Liabilities	340	361	371	392	625	661	671	748	790	808
Long-Term Debt	9	17	3	1	23	23	36	52	18	76
Shareholder's Equity	39	42	45	49	52	57	48	52	56	65
LTD/E Ratio	0.93	0.93	0.31	0.25	0.93	0.51	0.87	1.13	0.42	1.24

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	1.1%	1.0%	1.1%	1.1%	0.5%	1.2%	1.1%	0.8%	0.5%	0.7%
Return on Equity	10.4%	9.4%	10.8%	9.6%	5.3%	15.0%	15.5%	12.8%	7.9%	9.5%
ROIC	5.5%	4.9%	6.7%	7.5%	3.3%	8.8%	9.3%	6.4%	4.5%	5.1%
Shares Out.	2.9	2.9	2.9	3.0	3.0	3.0	3.0	3.1	3.1	3.2
Revenue/Share	5.82	6.18	6.54	6.83	7.65	9.23	9.40	10.66	12.78	13.82
FCF/Share	1.09	2.49	1.85	1.74	1.26	3.26	1.39	1.49	0.36	1.96

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.