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| AUDIT & RISK COMMITTEE CHARTER |
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The Audit & Risk Committee Charter provides general guidelines for members of the Audit & Risk Committee (Committee) of the Board of Directors of Farmers & Merchants Bancorp (Company) and Farmers & Merchants Bank of Central California (Bank). These guidelines will assist the Committee in its efforts to ensure ongoing adequacy of the Bank's and Company's internal audit systems and risk management framework in accordance with the regulations and guidelines of the Federal Reserve, Federal Deposit Insurance Corporation, the California Department of Financial Protection and Innovation, the Securities Exchange Commission and the Public Company Accounting Oversight Board. In discharging its responsibilities, the Committee may utilize outside counsel or other experts and advisors, as it sees fit, and shall assure appropriate funding from the Company or the Bank to meet such needs.

Committee Membership

The Committee shall be appointed annually by the Board of Directors of the Company and shall be composed of at least three **outside** Directors of the Board who (i) are independent for purposes of Rule 5605(a)(2) of the NASDAQ's current listing standards, (ii) satisfy the requirement of Section 10A of the Securities and Exchange Act of 1934 and (iii) are **independent** of the management of the Bank and the Company. Pursuant to Part 363.5 of FDIC Rules and Regulations, at least annually the Board of the Bank will determine whether each committee member is an outside director and is independent of management.

An **outside director** means a person other than an Executive Officer or employee of the Company or any other individual having a relationship which, in the opinion of the Company's board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. For purposes of this charter, "Family Member" means a person's spouse, parents, children and siblings, whether by blood, marriage or adoption, or anyone residing in such person's home. The following persons shall not be considered independent:

1. A director who is, or at any time during the past three years was, employed by the Company;
2. A director who accepted or who has a Family Member who accepted any compensation from the Company in excess of \$120,000 during any period of twelve consecutive months within the three years preceding the determination of independence, other than the following:
 - Compensation for board or board committee service;
 - Compensation paid to a Family Member who is an employee (other than an Executive Officer) of the Company; or
 - Benefits under a tax-qualified retirement plan, or non-discretionary compensation.
 Provided, however, that in addition to the requirements contained in this paragraph 2, Committee members are also subject to additional, more stringent requirements under Rule 5605(c)(2).
3. A director who is a Family Member of an individual who is, or at any time during the past three years was, employed by the Company as an Executive Officer;
4. A director who is, or has a Family Member who is, a partner in, or a controlling Shareholder or an Executive Officer of, any organization to which the Company made, or from which the Company

received, payments for property or services in the current or any of the past three fiscal years that exceed 5% of the recipient's consolidated gross revenues for that year, or \$200,000, whichever is more, other than the following:

- Payments arising solely from investments in the Company's securities; or
 - Payments under non-discretionary charitable contribution matching programs.
5. A director of the Company who is, or has a Family Member who is, employed as an Executive Officer of another entity where at any time during the past three years any of the Executive Officers of the Company serve on the compensation committee of such other entity; or
 6. A director who is, or has a Family Member who is, a current partner of the Company's outside auditor, or was a partner or employee of the Company's outside auditor who worked on the Company's audit at any time during any of the past three years.

Designation of Financial Expert

The Committee shall designate one of its members as a “financial expert”. The financial expert is an individual who is determined by the Board of Directors to possess all of the following attributes:

1. An understanding of financial statements and generally accepted accounting principles (GAAP).
2. An ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves.
3. Experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues generally comparable to what can be expected to be raised by the Bank's or Company's financial statements or experience activity supervising one or more persons engaged in such activities.
4. An understanding of internal controls and procedures for financial reporting.
5. An understanding of corporate audit committee functions.

These attributes may be acquired by:

1. Education and experience as a principal financial officer, principal accounting officer, controller, public accountant, or auditor, or experience in one or more positions that involve the performance of similar functions.
2. Experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor, or person performing similar functions or experience overseeing or assessing the performance of companies or public accountants with respect to the preparation auditing or evaluation of financial statements.
3. Other relevant experience.

Committee Meetings

The Committee shall meet at least bi-monthly to review all recent audit reports (including reports by internal auditors, independent public accountants, credit examiners, and/or regulatory agencies). Management reports shall also be reviewed as they relate to audit findings and risk management matters. The Committee shall have the authority to hold executive sessions as appropriate. The Committee shall maintain and report to the Boards of the Company and the Bank, minutes and other relevant records of their meetings and decisions. Meetings shall be governed in accordance with the provisions of the Company's bylaws.

Audit System

The Committee shall approve an internal and external audit system, which provides for:

1. **Audit Programs.** These items will be annually presented by the auditor:
 - Scope and frequency of the audit work
 - Documentation of the work performed
 - Conclusions reached and reports issued
2. **Program Effectiveness.** Audit Reports and Responses thereto shall be presented to determine if controls are effective and if appropriate corrective action has been taken.
3. **Audit Arrangements.** The independent auditor, internal auditor and credit examination vendors are ultimately accountable to the Audit & Risk Committee. It is management's responsibility to evaluate and recommend vendor selection and replacement, but it is the Committee's responsibility to approve and replace these vendors, including the independent auditor, if deemed appropriate or necessary. The Committee shall pre-approve all non-audit engagements of the independent auditor. The Committee shall review the report by the independent auditor which is required by Section 10A of the Securities Exchange Act of 1934. The following information related to the independent auditor shall be presented to the Committee with Management's recommendations at least annually:
 - Written Agreement. Annual written contract or engagement letter.
 - Vendor Competence. A resume and references for each individual responsible for maintaining the audit relationship.
 - Vendor Independence. A formal written statement of independence.

Responsibilities

The function of the Committee is oversight. The management of the Company is responsible for the preparation, presentation and integrity of the Company's financial statements. Management is responsible for maintaining appropriate accounting and financial reporting policies and effective internal controls over financial reporting and procedures that provide for compliance with accounting standards and applicable laws and regulations. The independent auditor is responsible for planning and carrying out a proper audit of the Company's annual financial statements, reviews of the Company's quarterly financial statements prior to filing, and other procedures. In fulfilling their responsibilities hereunder, it is recognized that members of the Committee are not full-time employees of the Company and are not, and do not represent themselves to be, performing the functions of auditors or management. As such, it is not the duty or responsibility of the Committee or its members to conduct "field work" or other types of auditing or accounting reviews or procedures or to set auditor independence standards.

Each member of this Committee is entitled to rely on the integrity of those persons and organizations within and outside the Company from which it receives information, the accuracy of the financial and other information provided to this Committee by such persons or organizations absent actual knowledge to the contrary (which shall be reported promptly to the Board of Directors) and representations made by management as to any non-audit services provided by the independent auditor to the Company.

The Committee shall:

1. Review the Forms 10-Q and 10-K prior to presentation to the Board and filing with the Securities and Exchange Commission and recommend inclusion of the Company's financial statements therein.
2. Report to the Board that its members have reviewed the Forms 10-Q and 10K, and whether anything came to the attention of the Committee members which caused them to believe that the audited financial statements contain any materially misleading statements or omit any material information.
3. Review press releases related to quarterly earnings filed on Form 8-K before the earnings press release is filed with the Securities and Exchange Commission.
4. The Committee shall review and discuss with management, and the independent auditor the matters relating to the conduct of the audit required to be discussed by AS 16 (Communications with Audit Committees).
5. Evaluate findings of all internal/external audits and examinations of the Company's operations, credit management, and risk oversight management. Review management responses and corrective action of all audit/examination findings.
6. Provide oversight of all internal controls including applicable policies. Communicate with Company management on internal control issues. Review CEO and CFO certifications required by the Sarbanes-Oxley Act with the CEO and CFO and processes underlying such certifications to determine the adequacy of the due diligence undertaken to support the certification.
7. Oversee Company's Bank Secrecy Act, Anti-Money Laundering, and Patriot Act policies and Customer Identification Program (CIP). Insure an adequate BSA/AML management structure exists in the Company. Communicate all internal control and BSA/AML issues and policies to the entire Board of Directors.
8. Review risk assessments and risk reports to ensure management effectively identifies, mitigates and monitors risks.
9. Establish procedures for the confidential, anonymous submission by employees or other "whistleblowers" of concerns regarding questionable accounting, internal control or auditing matters; and the receipt, retention and treatment of these complaints.
10. Prepare the Audit & Risk Committee report for the Company's Proxy.
11. Ensure that this Charter is disclosed in the Company's Proxy Statement at least every three years.
12. Review and oversee the activities of the Company's internal audit function.
13. Conduct or authorize investigations into any matters with the scope of the Committee's responsibilities.