

FARMERS & MERCHANTS BANCORP INC  
Form 10-Q  
July 29, 2015  
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**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 10-Q**

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the quarterly period June 30, 2015**

**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.**

**(Exact name of registrant as specified in its charter)**

**OHIO**

**34-1469491**

**(State or other jurisdiction of  
incorporation or organization)**

**(IRS Employer  
Identification No.)**

**307 North Defiance Street, Archbold, Ohio  
(Address of principal executive offices)**

**43502  
(Zip Code)**

**(419) 446-2501**

**Registrant's telephone number, including area code**

**(Former name, former address and former fiscal year, if changed since last report.)**

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  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

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Large accelerated filer  Accelerated filer  x  
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company   
Indicated by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No  x

Indicate the number of shares of each of the issuers' classes of common stock, as of the latest practicable date:

Common Stock, No Par Value	4,608,453
Class	Outstanding as of July 29, 2015

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FORM 10Q

FARMERS & MERCHANTS BANCORP, INC.

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- (1) Pursuant to Rule 406T of Regulation S-T, the interactive Data Files in Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

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## ITEM 1 FINANCIAL STATEMENTS

## FARMERS &amp; MERCHANTS BANCORP, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

	Condensed Consolidated Balance Sheets (in thousands of dollars)	
	June 30, 2015 (Unaudited)	December 31, 2014
<b>Assets</b>		
Cash and due from banks	\$ 21,073	\$ 22,246
Federal Funds Sold	1,014	2,049
Total cash and cash equivalents	22,087	24,295
Securities - available-for-sale	253,607	248,492
Other Securities, at cost	3,717	3,717
Loans, net	614,664	616,021
Premises and equipment	20,261	20,300
Goodwill	4,074	4,074
Mortgage Servicing Rights	2,028	2,023
Other Real Estate Owned	1,098	1,094
Other assets	21,027	21,197
<b>Total Assets</b>	<b>\$ 942,563</b>	<b>\$ 941,213</b>

**Liabilities and Stockholders Equity**

<b>Liabilities</b>		
Deposits		
Noninterest-bearing	\$ 160,077	\$ 164,009
Interest-bearing		
NOW accounts	183,376	179,862
Savings	225,356	223,189
Time	192,839	195,500
Total deposits	761,648	762,560
Federal funds purchased and securities sold under agreements to repurchase	57,983	55,962
Dividend payable	1,007	965
Accrued expenses and other liabilities	5,033	7,233
Total liabilities	825,671	826,720

**Commitments and Contingencies**

**Stockholders Equity**

Common stock - No par value - 6,500,000 shares authorized 5,200,000 shares issued	13,102	12,222
Treasury Stock - 591,547 shares 2015, 572,662 shares 2014	(13,165)	(11,928)
Retained earnings	116,735	113,755
Accumulated other comprehensive income	220	444
<b>Total stockholders equity</b>	<b>116,892</b>	<b>114,493</b>

**Total Liabilities and Stockholders Equity** \$ 942,563 \$ 941,213

See Notes to Condensed Consolidated Unaudited Financial Statements.

Note: The December 31, 2014, Condensed Consolidated Balance Sheet has been derived from the audited financial statements of that date.

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## FARMERS &amp; MERCHANTS BANCORP, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME &amp; COMPREHENSIVE INCOME

(Unaudited)

Condensed Consolidated Statement of Income & Comprehensive Income  
(in thousands of dollars, except per share data)

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
<b>Interest Income</b>				
Loans, including fees	\$ 7,163	\$ 6,977	\$ 14,257	\$ 13,654
<b>Debt securities:</b>				
U.S. Treasury and government agency	620	759	1,216	1,671
Municipalities	458	522	905	1,047
Dividends	37	40	74	83
Federal funds sold	3	1	5	1
Other	8	4	16	7
<b>Total interest income</b>	<b>8,289</b>	<b>8,303</b>	<b>16,473</b>	<b>16,463</b>
<b>Interest Expense</b>				
Deposits	808	905	1,605	1,783
Federal funds purchased and securities sold under agreements to repurchase	63	65	124	127
Borrowed funds				4
<b>Total interest expense</b>	<b>871</b>	<b>970</b>	<b>1,729</b>	<b>1,914</b>
<b>Net Interest Income - Before provision for loan losses</b>				
	7,418	7,333	14,744	14,549
<b>Provision for Loan Losses</b>	183	444	297	872
<b>Net Interest Income After Provision For Loan Losses</b>				
	7,235	6,889	14,447	13,677
<b>Noninterest Income</b>				
Customer service fees	1,424	1,278	2,783	2,524
Other service charges and fees	965	928	1,879	1,720
Net gain on sale of loans	173	203	348	292
Net gain on sale of available-for-sale securities	137	180	246	302
<b>Total noninterest income</b>	<b>2,699</b>	<b>2,589</b>	<b>5,256</b>	<b>4,838</b>
<b>Noninterest Expense</b>				
Salaries and Wages	2,714	2,456	5,369	4,891
Employee benefits	687	720	1,751	1,565
Net occupancy expense	368	271	723	575



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Furniture and equipment	427	399	849	793
Data processing	320	324	649	638
Franchise taxes	187	195	374	391
Net loss on sale of other assets owned	5	19	11	58
FDIC Assessment	119	130	238	262
Mortgage servicing rights amortization	103	84	183	166
Other general and administrative	1,451	1,444	2,799	2,910
<b>Total noninterest expense</b>	<b>6,381</b>	<b>6,042</b>	<b>12,946</b>	<b>12,249</b>
<b>Income Before Income Taxes</b>	<b>3,553</b>	<b>3,436</b>	<b>6,757</b>	<b>6,266</b>
<b>Income Taxes</b>	<b>956</b>	<b>882</b>	<b>1,809</b>	<b>1,755</b>
<b>Net Income</b>	<b>\$ 2,597</b>	<b>\$ 2,554</b>	<b>\$ 4,948</b>	<b>\$ 4,511</b>
<b>Other Comprehensive Income (Loss)(Net of Tax):</b>				
Net unrealized gain (loss) on available-for-sale securities	(1,824)	1,464	(94)	563
Reclassification adjustment for gain on sale of available-for-sale securities	(137)	(180)	(246)	(302)
Net unrealized gains (loss) on available-for-sale securities	(1,961)	1,284	(340)	261
Tax effect	(667)	(437)	(116)	(89)
Other Comprehensive Income (Loss)	(1,294)	847	(224)	172
<b>Comprehensive Income</b>	<b>\$ 1,303</b>	<b>\$ 3,401</b>	<b>\$ 4,724</b>	<b>\$ 4,683</b>
<b>Earnings Per Share - Basic and Diluted</b>	<b>\$ 0.56</b>	<b>\$ 0.55</b>	<b>\$ 1.07</b>	<b>\$ 0.97</b>
<b>Weighted Average Shares Outstanding</b>	<b>4,608,453</b>	<b>4,626,309</b>	<b>4,615,846</b>	<b>4,632,054</b>
<b>Dividends Declared</b>	<b>\$ 0.22</b>	<b>\$ 0.21</b>	<b>\$ 0.43</b>	<b>\$ 0.42</b>

See Notes to Condensed Consolidated Unaudited Financial Statements

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## FARMERS &amp; MERCHANTS BANCORP, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Condensed Consolidated Statements of Cash Flows (in thousands of dollars) Six Months Ended	
	June 30, 2015	June 30, 2014
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 4,948	\$ 4,511
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	780	719
Accretion and amortization of securities, net	610	809
Amortization of servicing rights	183	166
Amortization of core deposit intangible	161	240
Compensation expense related to stock awards	133	125
Provision for loan loss	297	872
Gain on sale of loans	(348)	(292)
Originations of loans held for sale	(24,883)	(15,856)
Proceeds from sale of loans held for sale	24,664	19,906
Loss on sale of other assets	11	58
Gain on sales of securities available-for-sale	(246)	(302)
Change in other assets and other liabilities, net	(1,918)	(1,381)
Net cash provided by operating activities	4,392	9,575
<b>Cash Flows from Investing Activities</b>		
Activity in securities:		
Maturities, prepayments and calls	5,304	10,850
Sales	30,026	29,290
Purchases	(41,160)	
Proceeds from sales of assets	53	
Additions to premises and equipment	(794)	(1,972)
Loan originations and principal collections, net	1,279	(25,812)
Net cash provided by investing activities	(5,292)	12,356
<b>Cash Flows from Financing Activities</b>		
Net decrease in deposits	(912)	(15,392)
Net change in federal funds purchased and securities sold under agreements to repurchase	2,021	310
Repayment of FHLB advances		(4,500)
Purchase of Treasury Stock	(490)	(576)
Cash dividends paid on common stock	(1,927)	(1,938)

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Net cash used in financing activities	(1,308)	(22,096)
Net decrease in Cash and Cash Equivalents	(2,208)	