

FARMERS & MERCHANTS BANCORP INC

Form 10-Q

July 28, 2014

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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, 2014**

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 (State or other jurisdiction of	34-1469491 (IRS Employer
incorporation or organization)	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.

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

Indicated by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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

Common Stock, No Par Value	4,614,748
Class	Outstanding as of July 28, 2014

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101.DEF	XBRL Taxonomy Extension Definition Linkbase Document (1)
101.LAB	XBRL Taxonomy Extension Label Linkbase Document (1)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document (1)

- (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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FARMERS & MERCHANTS BANCORP, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

Farmers & Merchants Bancorp, Inc. and Subsidiary

	Condensed Consolidated Balance Sheets (in thousands of dollars)	
	June 30, 2014	December 31, 2013
Assets		
Cash and due from banks	\$ 15,455	\$ 15,376
Interest bearing deposits with banks	3,099	2,889
Federal Funds Sold	544	998
Total cash and cash equivalents	19,098	19,263
Securities - available for sale (Note 3)	284,628	324,509
Other Securities, at cost	3,717	4,216
Loans, net (Note 4)	592,176	570,919
Bank premises and equipment	19,962	18,709
Goodwill	4,074	4,074
Mortgage Servicing Rights	2,023	2,066
Other Real Estate Owned	1,541	2,091
Accrued interest and other assets	21,009	20,091
Total Assets	\$ 948,228	\$ 965,938
Liabilities and Stockholders Equity		
Liabilities		
Deposits		
Noninterest-bearing	\$ 115,371	\$ 110,452
Interest-bearing		
NOW accounts	211,438	215,185
Savings	216,443	214,467
Time	217,820	236,360
Total deposits	761,072	776,464
Federal funds purchased and securities sold under agreement to repurchase	70,066	69,756
FHLB Advances		4,500
Dividend payable	963	967
Accrued expenses and other liabilities	5,594	5,911

Total liabilities	837,695	857,598
Stockholders Equity		
Common stock - No par value - authorized 6,500,000 shares; issued & outstanding 5,200,000 shares	12,677	12,677
Treasury Stock - 585,292 shares 2014, 561,562 shares 2013	(12,190)	(11,611)
Unearned Stock Awards - 30,805 shares 2014, 31,530 shares 2013	(621)	(642)
Retained earnings	110,489	107,910
Accumulated other comprehensive income	178	6
Total stockholders equity	110,533	108,340
Total Liabilities and Stockholders Equity	\$ 948,228	\$ 965,938

See Notes to Condensed Consolidated Unaudited Financial Statements.

Note: The December 31, 2013 Balance Sheet has been derived from the audited financial statements of that date.

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FARMERS & MERCHANTS BANCORP, INC.

CONDENSED CONSOLIDATED STATEMENT OF INCOME & COMPREHENSIVE INCOME

(Unaudited)

Farmers & Merchants Bancorp, Inc. and SubsidiaryCondensed Consolidated Statement of Income & Comprehensive Income
(in thousands of dollars, except per share data)

	Three Months Ended		Six Months Ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Interest Income				
Loans, including fees	\$ 6,977	\$ 6,089	\$ 13,654	\$ 12,167
Debt securities:				
U.S. Treasury securities	63	64	126	125
Securities of U.S. Government Agencies	696	1,016	1,545	2,008
Municipalities	522	541	1,047	1,049
Dividends	40	45	83	94
Federal funds sold	1	4	1	11
Other	4	6	7	13
Total interest income	8,303	7,765	16,463	15,467
Interest Expense				
Deposits	905	1,079	1,783	2,206
Federal funds purchased and securities sold under agreements to repurchase	65	62	127	122
Borrowed funds		43	4	89
Total interest expense	970	1,184	1,914	2,417
Net Interest Income - Before provision for loan losses	7,333	6,581	14,549	13,050
Provision for Loan Losses (Note 4)	444	112	872	279
Net Interest Income After Provision For Loan Losses	6,889	6,469	13,677	12,771
Noninterest Income				
Customer service fees	1,278	1,256	2,524	2,617
Other service charges and fees	928	967	1,720	1,829
Net loss on sale of other assets owned	(19)	(110)	(58)	(126)
Net gain on sale of loans	203	322	292	802
Net gain on sale of securities - available for sale	180	377	302	598
Total noninterest income	2,570	2,812	4,780	5,720

Noninterest Expenses

Salaries and Wages	2,456	2,260	4,891	4,697
Pension and other employee benefits	720	610	1,565	1,454
Occupancy expense (net)	271	288	575	618
Furniture and equipment	399	358	793	707
Data processing	324	300	638	610
Franchise taxes	195	255	391	510
FDIC Assessment	130	141	262	260
Mortgage servicing rights amortization	84	120	166	257
Other general and administrative	1,444	1,438	2,910	2,783
Total Noninterest Expense	6,023	5,770	12,191	11,896
Income Before Federal Income Taxes	3,436	3,511	6,266	6,595
Federal Income Taxes	882	1,009	1,755	1,941
Net Income	2,554	2,502	4,511	4,654

Other Comprehensive Income (Loss) (Net of Tax):

Unrealized gain (loss) on securities, net of tax benefit (expense) of (\$437), \$2,532, (\$89), and \$2,918 respectively	847	(4,916)	172	(5,666)
Comprehensive Income (Loss)	\$ 3,401	\$ (2,414)	\$ 4,683	\$ (1,012)
Basic Earnings Per Share	\$ 0.55	\$ 0.53	\$ 0.97	\$ 0.99
Weighted Average Shares Outstanding	4,626,309	4,679,971	4,632,054	4,681,805
Dividends Declared	\$ 0.21	\$ 0.20	\$ 0.42	\$ 0.40

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FARMERS & MERCHANTS BANCORP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

Farmers & Merchants Bancorp, Inc. and Subsidiary

	Condensed Consolidated Statements of Cash Flows (in thousands of dollars) Six Months Ended	
	June 30, 2014	June 30, 2013
Cash Flows from Operating Activities		
Net income	\$ 4,511	\$ 4,654
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	719	609
Accretion and amortization of securities, net	809	1,220
Amortization of servicing rights	166	257
Amortization of core deposit intangible	240	156
Compensation expense related to stock awards	125	93
Provision for loan loss	872	279
Gain on sale of loans	(292)	(802)
Originations of loans held for sale	(15,856)	(43,331)
Proceeds from sale of loans held for sale	19,906	46,881
Loss on sale of other assets	58	126
Gain on sales of securities available for sale	(302)	(598)
Change in other assets and other liabilities, net	(1,381)	(194)
Net cash provided by operating activities	9,575	9,350
Cash Flows from Investing Activities		
Activity in securities:		
Maturities, prepayments and calls	10,850	17,305
Sales	29,290	58,413
Purchases		(83,310)
Proceeds from sale of fixed assets		3
Additions to premises and equipment	(1,972)	(1,300)
Loan originations and principal collections, net	(25,812)	(3,428)
Net		