

FARMERS & MERCHANTS BANCORP
Form 10-Q
November 08, 2013

UNITED STATES
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 ended September 30, 2013

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: 000-26099

FARMERS & MERCHANTS BANCORP
(Exact name of registrant as specified in its charter)

Delaware 94-3327828
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

111 W. Pine Street, Lodi, California 95240
(Address of principal Executive offices) (Zip Code)

Registrant's telephone number, including area code (209) 367-2300

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 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 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 definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company
(Do not check if a smaller reporting company)

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

Number of shares of common stock of the registrant: Par value \$0.01, authorized 7,500,000 shares; issued and outstanding 777,882 as of October 31, 2013.

FARMERS & MERCHANTS BANCORP

FORM 10-Q

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31(a) Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31(b) Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32 Certifications of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

FARMERS & MERCHANTS BANCORP

Consolidated Balance Sheets

(in thousands)	Sept. 30, 2013 (Unaudited)	December 31, 2012	Sept. 30, 2012 (Unaudited)
Assets			
Cash and Cash Equivalents:			
Cash and Due From Banks	\$46,234	\$47,366	\$29,863
Interest Bearing Deposits with Banks	1,391	82,060	3,601
Total Cash and Cash Equivalents	47,625	129,426	33,464
Investment Securities:			
Available-for-Sale	421,765	417,991	463,177
Held-to-Maturity	70,961	68,392	68,960
Total Investment Securities	492,726	486,383	532,137
Loans & Leases			
Loans & Leases	1,297,811	1,246,902	1,210,027
Less: Allowance for Credit Losses	34,111	34,217	33,604
Loans & Leases, Net	1,263,700	1,212,685	1,176,423
Premises and Equipment, Net			
Premises and Equipment, Net	21,814	22,901	22,945
Bank Owned Life Insurance	51,652	50,253	48,799
Interest Receivable and Other Assets	87,259	73,038	70,633
Total Assets	\$ 1,964,776	\$ 1,974,686	\$ 1,884,401
Liabilities			
Deposits:			
Demand	\$435,778	\$462,251	\$369,635
Interest Bearing Transaction	257,650	259,141	238,223
Savings and Money Market	561,277	541,526	540,690
Time	439,081	459,108	482,957
Total Deposits	1,693,786	1,722,026	1,631,505
Federal Home Loan Bank Advances			
Federal Home Loan Bank Advances	5,900	-	482
Subordinated Debentures			
Subordinated Debentures	10,310	10,310	10,310
Interest Payable and Other Liabilities			
Interest Payable and Other Liabilities	43,739	37,317	35,773
Total Liabilities	1,753,735	1,769,653	1,678,070
Shareholders' Equity			
Preferred Stock: No Par Value. 1,000,000 Shares Authorized, None Issued or Outstanding			
Preferred Stock: No Par Value. 1,000,000 Shares Authorized, None Issued or Outstanding	-	-	-
Common Stock: Par Value \$0.01, 7,500,000 Shares Authorized, 777,882 Shares Issued and Outstanding at Sept. 30, 2013, December 31, 2012 and Sept. 30, 2012, respectively			
Common Stock: Par Value \$0.01, 7,500,000 Shares Authorized, 777,882 Shares Issued and Outstanding at Sept. 30, 2013, December 31, 2012 and Sept. 30, 2012, respectively	8	8	8

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Additional Paid-In Capital	75,014	75,014	75,014
Retained Earnings	136,357	123,012	122,170
Accumulated Other Comprehensive (Loss) Income, Net	(338)	6,999	9,139
Total Shareholders' Equity	211,041	205,033	206,331
Total Liabilities & Shareholders' Equity	\$ 1,964,776	\$ 1,974,686	\$ 1,884,401

The accompanying notes are an integral part of these unaudited consolidated financial statements

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FARMERS & MERCHANTS BANCORP

Consolidated Statements of Income (Unaudited)

(in thousands except per share data)	Three Months		Nine Months	
	Ended September 30, 2013	2012	Ended September 30, 2013	2012
Interest Income				
Interest and Fees on Loans & Leases	\$16,679	\$16,505	\$48,030	\$49,283
Interest on Deposits with Banks	2	8	49	76
Interest on Investment Securities:				
Taxable	2,297	2,315	6,785	7,958
Exempt from Federal Tax	637	671	1,951	1,961
Total Interest Income	19,615	19,499	56,815	59,278
Interest Expense				
Deposits	632	935	1,943	2,967
Borrowed Funds	7	11	16	1,047
Subordinated Debentures	82	87	245	262
Total Interest Expense	721	1,033	2,204	4,276
Net Interest Income	18,894	18,466	54,611	55,002
Provision for Credit Losses	-	600	250	1,100
Net Interest Income After Provision for Credit Losses	18,894	17,866	54,361	53,902
Non-Interest Income				
Service Charges on Deposit Accounts	1,139	1,248	3,312	3,662
Net (Loss) Gain on Sale of Investment Securities	(1,137)	149	(248)	149
Increase in Cash Surrender Value of Life Insurance	473	500	1,399	1,412
Debit Card and ATM Fees	774	732	2,295	2,197
Net Gain on Deferred Compensation Investments	875	762	2,279	1,381
Other	1,324	662	2,872	1,986
Total Non-Interest Income	3,448	4,053	11,909	10,787
Non-Interest Expense				
Salaries and Employee Benefits	8,244	7,850	25,184	23,792
Net Gain on Deferred Compensation Investments	875	762	2,279	1,381
Occupancy	649	656	1,899	1,925
Equipment	705	686	2,078	2,282
Legal Fees	(69)	204	391	629
FDIC Insurance	246	243	732	728
Other	1,535	1,359	4,683	5,816
Total Non-Interest Expense	12,185	11,760	37,246	36,553
Income Before Income Taxes	10,157	10,159	29,024	28,136
Provision for Income Taxes	3,805	3,827	10,856	10,452
Net Income	\$6,352	\$6,332	\$18,168	\$17,684
Basic Earnings Per Common Share	\$8.17	\$8.13	\$23.36	\$22.70

The accompanying notes are an integral part of these unaudited consolidated financial statements

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FARMERS & MERCHANTS BANCORP

Consolidated Statements of Comprehensive Income (Unaudited)

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net Income	\$6,352	\$6,332	\$18,168	\$17,684
Other Comprehensive Income (Loss)				
Increase (Decrease) in Net Unrealized Gains (Losses) on Available-for-Sale Securities	1,681	2,944	(12,907)	7,865
Reclassification Adjustment for Realized Losses (Gains) on Available-for-Sale Securities Included in Net Income	1,137	(149)	248	(149)
Deferred Tax (Expense) Benefit	(1,185)	(1,175)	5,322	(3,244)
Change in Net Unrealized Gains (Losses) on Available-for-Sale Securities, Net of Tax	1,633	1,620	(7,337)	4,472
Total Other Comprehensive Income (Loss)	1,633	1,620	(7,337)	4,472
Comprehensive Income	\$7,985	\$7,952	\$10,831	\$22,156

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FARMERS & MERCHANTS BANCORP

Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

(in thousands except share data)

	Common Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net	Total Shareholders' Equity
Balance, January 1, 2012	779,424	\$ 8	\$ 75,590	\$ 109,081	\$ 4,667	\$ 189,346
Net Income		-	-	17,684	-	17,684
Cash Dividends Declared on Common Stock (\$5.90 per share)		-	-	(4,595)	-	(4,595)
Repurchase of Stock	(1,542)	-	(576)	-	-	(576)
Change in Net Unrealized Gain on Securities Available for Sale, Net of Tax		-	-	-	4,472	4,472
Balance, September 30, 2012	777,882	\$ 8	\$ 75,014	\$ 122,170	\$ 9,139	\$ 206,331
Balance, January 1, 2013	777,882	\$ 8	\$ 75,014	\$ 123,012	\$ 6,999	\$ 205,033
Net Income		-	-	18,168	-	18,168
Cash Dividends Declared on Common Stock (\$6.20 per share)		-	-	(4,823)	-	(4,823)
Change in Net Unrealized Loss on Securities Available for Sale, Net of Tax		-	-	-	(7,337)	(7,337)
Balance, September 30, 2013	777,882	\$ 8	\$ 75,014	\$ 136,357	\$ (338)	\$ 211,041

The accompanying notes are an integral part of these unaudited consolidated financial statements

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FARMERS & MERCHANTS BANCORP

Consolidated Statements of Cash Flows (Unaudited)

(in thousands)

Nine Months Ended
 Sept 30, 2013 Sept 30, 2012

Operating Activities:

Net Income	\$ 18,168	\$ 17,684
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Provision for Credit Losses	250	1,100
Depreciation and Amortization	1,152	1,293
Net Amortization of Investment Security Discounts & Premium	2,543	2,852
Net Loss (Gain) on Sale of Investment Securities	248	(149)
Net Gain on Sale of Property & Equipment	(705)	-
Net Change in Operating Assets & Liabilities:		
Net Increase in Interest Receivable and Other Assets	(10,253)	(1,418)
Net Increase in Interest Payable and Other Liabilities	6,422	2,472
Net Cash Provided by Operating Activities	17,825	23,834

Investing Activities:

Purchase of Investment Securities Available-for-Sale	(221,100)	(122,966)
Proceeds from Sold, Matured, or Called Securities Available-for-Sale	195,339	144,383
Purchase of Investment Securities Held-to-Maturity	(355)	(10,569)
Proceeds from Matured or Called Securities Held-to-Maturity	4,278	4,675
Net Loans & Leases Paid, Originated or Acquired	(51,649)	(47,728)
Principal Collected on Loans & Leases Previously Charged Off	384	266
Additions to Premises and Equipment	(187)	(180)
Proceeds from Disposition of Property & Equipment	827	-
Net Cash Used by Investing Activities	(72,463)	(32,119)

Financing Activities: