

Edgar Filing: FARMERS & MERCHANTS BANCORP INC - Form 10-Q

FARMERS & MERCHANTS BANCORP INC

Form 10-Q

August 09, 2007

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 June 30, 2007

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
incorporation or organization)

34-1469491
(I.R.S Employer
Identification No.)

307-11 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 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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).
Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐

Indicate 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 issuers classes of common stock, as

Edgar Filing: FARMERS & MERCHANTS BANCORP INC - Form 10-Q

of the latest practicable date:

Common Stock, No Par Value
Class

5,096,702
Outstanding as of July 20, 2007

SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549 FORM 10Q

FARMERS & MERCHANTS BANCORP, INC. INDEX

Form 10-Q Items -----	Page -----
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements (Unaudited)	
Condensed Consolidated Balance Sheets- June 30, 2007, December 31, 2006	1
Condensed Consolidated Statements of Net Income- Three Months and Six Months Ended June 30, 2007 and June 30, 2006	2
Condensed Consolidated Statements of Cash Flows- Six Months Ended June 30, 2007 and June 30, 2006	3
Notes to Condensed Financial Statements	4
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	4-6
Item 3. Qualitative and Quantitative Disclosures About Market Risk	7
Item 4. Controls and Procedures	8
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings	8
Item 1A. Risk Factors	8
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	8
Item 3. Defaults Upon Senior Securities	8
Item 4. Submission of Matters to a Vote of Security Holders	8-9
Item 5. Other Information	9
Item 6. Exhibits	9
Signatures	10

Edgar Filing: FARMERS & MERCHANTS BANCORP INC - Form 10-Q

Exhibit 31. Certifications Under Section 302	11-12
Exhibit 32. Certifications Under Section 906	13

ITEM 1 FINANCIAL STATEMENTS

FARMERS & MERCHANTS BANCORP, INC. CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited) (in thousands of dollars)

	June 30, 2007	Dec 31, 2006
	-----	-----
ASSETS:		
Cash and due from banks	\$ 15,309	\$ 23,583
Interest bearing deposits with banks	303	311
Federal funds sold	1,282	13,353
Investment Securities:		
U.S. Treasury	389	388
U.S. Government	117,449	122,231
State & political obligations	41,905	45,495
All others	4,063	4,063
Loans and leases (Net of reserve for loan losses of \$5,296 and \$5,594 respectively)	498,277	498,580
Bank premises and equipment-net	14,584	14,189
Accrued interest and other assets	20,012	14,903
	-----	-----
TOTAL ASSETS	\$713,573	\$737,096
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Deposits:		
Noninterest bearing	\$ 50,422	\$ 60,211
Interest bearing	502,346	525,198
Federal funds purchased and securities sold under agreement to repurchase	44,523	34,818
Other borrowed money	22,868	23,233
Accrued interest and other liabilities	5,211	5,904
	-----	-----
Total Liabilities	625,370	649,364
SHAREHOLDERS' EQUITY:		
Common stock, no par value - authorized 6,500,000 shares; issued 5,200,000 shares	12,677	12,677
Treasury Stock - 93,478 shares 2007, 36,180 shares 2006	(2,362)	(1,060)
Unearned Stock Awards 9,820 for 2007 and 2006		
Undivided profits	79,520	77,089
Accumulated other comprehensive income (expense)	(1,632)	(974)
	-----	-----
Total Shareholders' Equity	88,203	87,732
	-----	-----
LIABILITIES AND SHAREHOLDERS' EQUITY	\$713,573	\$737,096
	=====	=====

Edgar Filing: FARMERS & MERCHANTS BANCORP INC - Form 10-Q

See Notes to Condensed Consolidated Unaudited Financial Statements.

Note: The December 31, 2006 Balance Sheet has been derived from the audited financial statements of that date.

1

FARMERS & MERCHANTS BANCORP, INC. CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited) (in thousands of dollars, except per share data)

	Three Months Ended		Six Months	
	June 30, 2007	June 30, 2006	June 30, 2007	
INTEREST INCOME:				
Loans and leases	\$ 9,468	\$ 8,654	\$ 18,967	\$
Investment Securities:				
U.S. Treasury securities	4	18	9	
Securities of U.S. Government agencies	1,394	1,109	2,718	
Obligations of states and political subdivisions	409	538	831	
Other	65	51	128	
Federal funds	26	31	77	
Deposits in banks	3	3	29	
	-----	-----	-----	
Total Interest Income	11,369	10,404	22,759	
INTEREST EXPENSE:				
Deposits	4,626	3,733	9,022	
Borrowed funds	744	652	1,524	
	-----	-----	-----	
Total Interest Expense	5,370	4,385	10,546	
	-----	-----	-----	
NET INTEREST INCOME BEFORE				
PROVISION FOR LOAN LOSSES	5,999	6,019	12,213	
PROVISION FOR LOAN LOSSES	154	15	135	
NET INTEREST INCOME AFTER				
	-----	-----	-----	
PROVISION FOR LOAN LOSSES	5,845	6,004	12,078	
OTHER INCOME:				
Service charges	795	952	1,556	
Other	762	698	1,377	
Net securities gains (losses)	--	(29)	--	
	-----	-----	-----	
	1,557	1,621	2,933	
OTHER EXPENSES:				
Salaries and wages	2,062	2,100	4,151	
Pension and other employee benefits	742	604	1,559	
Occupancy expense (net)	122	159	271	
Other operating expenses	1,707	2,074	3,368	
	-----	-----	-----	
	4,633	4,937	9,349	
	-----	-----	-----	
INCOME BEFORE FEDERAL INCOME TAX	2,769	2,688	5,662	
FEDERAL INCOME TAXES	778	721	1,592	

Edgar Filing: FARMERS & MERCHANTS BANCORP INC - Form 10-Q

NET INCOME	1,991	1,967	4,070
OTHER COMPREHENSIVE INCOME (NET OF TAX):			
Unrealized gains (losses) on securities	(948)	(624)	(658)
COMPREHENSIVE INCOME (EXPENSE)	\$ 1,043	\$ 1,343	\$ 3,412
NET INCOME PER SHARE	\$ 0.39	\$ 0.38	\$ 0.79
Based upon average weighted shares outstanding of:	5,117,901	5,192,689	5,133,846
DIVIDENDS DECLARED	\$ 0.16	\$ 0.15	\$ 0.32

No disclosure of diluted earnings per share is required as shares are antidiluted as of quarter end.

See Notes to Condensed Consolidated Unaudited Financial Statements.

2

FARMERS & MERCHANTS BANCORP, INC. CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) (in thousands of dollars)

	Six Months Ended	
	June 30, 2007	June 30, 2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 4,070	\$ 3,986
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and amortization	594	554
Premium amortization	161	404
Discount amortization	(96)	(148)
Provision for loan losses	135	(35)
(Gain) Loss on sale of fixed assets	(1)	(31)
(Gain) Loss on sale of investment securities	--	9
Changes in Operating Assets and Liabilities:		
Accrued interest receivable and other assets	(1,664)	964
Accrued interest payable and other liabilities	(843)	163
Net Cash Provided by Operating Activities	2,356	5,866
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(988)	(156)
Proceeds from sale of fixed assets	--	--
Proceeds from maturities of investment securities:	33,684	35,431
Proceeds from sale of investment securities:	--	4,777
Purchase of investment securities	(26,373)	(5,318)
Purchase of Bank Owned Life Insurance	(3,000)	--
Net (increase) decrease in loans and leases	167	(26,470)
Net Cash Provided (Used) by Investing Activities	3,490	8,264
CASH FLOWS FROM FINANCING ACTIVITIES		

Edgar Filing: FARMERS & MERCHANTS BANCORP INC - Form 10-Q

Net increase (decrease) in deposits	(32,641)	(32,933)
Net change in short-term borrowings	9,705	19,616
Increase in long-term borrowings	--	--
Payments on long-term borrowings	(365)	(5,390)
Purchase of Treasury stock	(1,302)	(164)
Payments of dividends	(1,596)	(1,494)
	-----	-----
Net Cash Provided (Used) by Financing Activities	(26,199)	(20,365)
	-----	-----
Net change in cash and cash equivalents	(20,353)	(6,235)
Cash and cash equivalents - Beginning of year	37,247	22,589
	-----	-----
CASH AND CASH EQUIVALENTS - END OF THE YEAR	\$ 16,894	\$ 16,354
	=====	=====
RECONCILIATION OF CASH AND CASH EQUIVALENTS:		
Cash and cash due from banks	\$ 15,309	\$ 15,221
Interest bearing deposits	303	311
Federal funds sold	1,282	822
	-----	-----
	\$ 16,894	\$ 16,354
	=====	=====

See Notes to Condensed Consolidated Unaudited Financial Statements.

FARMERS & MERCHANTS BANCORP, INC.

Notes to Condensed Consolidated Unaudited Financial Statements

NOTE 1 BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions for Form 10Q and Rule 10-01 of Regulation S-X; accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring accruals, considered necessary for a fair presentation have been included. Operating results for the six months ended June 30, 2007 are not necessarily indicative of the results that are expected for the year ended December 31, 2007. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2006.

The Company's Board of Directors declared a 4 for 1 stock split effective May 12, 2006. Therefore, all references in the financial statements and other disclosures related to the number of shares and per share amounts of the Company's stock have been retroactively restated to reflect the increased number of shares outstanding.

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Statements contained in this portion of the Company's report may be forward-looking statements, as that term is defined in the Private

Edgar Filing: FARMERS & MERCHANTS BANCORP INC - Form 10-Q

Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of words such as "intend," "believe," "expect," "anticipate," "should," "planned," "estimated," and "potential." Such forward-looking statements are based on current expectations, but may differ materially from those currently anticipated due to a number of factors, which include, but are not limited to, factors discussed in documents filed by the Company with the Securities and Exchange Commission from time to time. Other factors which could have a material adverse effect on the operations of the company and its subsidiaries which include, but are not limited to, changes in interest rates, general economic conditions, legislative and regulatory changes, monetary and fiscal policies of the U.S. Government, including policies of the U.S. Treasury and the Federal Reserve Board, the quality and composition of the loan or investment portfolios, demand for loan products, deposit flows, competition, demand for financial services in the Bank's market area, changes in relevant accounting principles and guidelines and other factors over which management has no control. The forward-looking statements are made as of the date of this report, and the Company assumes no obligation to update the forward-looking statements or to update the reasons why actual results differ from those projected in the forward-looking statements.

CRITICAL ACCOUNTING POLICY AND ESTIMATES

The Company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, and the Company follows general practices within the industries in which it operates. At times the application of these principles requires Management to make assumptions estimates and judgments that affect the amounts reported in the financial statements. These assumptions, estimates and judgments are based on information available as of the date of the financial statements. As this information changes, the financial statements could reflect different assumptions, estimates and judgments. Certain policies inherently have a greater reliance on assumptions, estimates and judgments and as such have a greater possibility of producing results that could be materially different than originally reported. Examples of critical assumptions, estimates and judgments are when assets and liabilities are required to be recorded at fair value, when a decline in the value of an asset not required to be recorded at fair value warrants an impairment write-down or valuation reserve to be established, or when an asset or liability must be recorded contingent upon a future event.

Based on the valuation techniques used and the sensitivity of financial statement amounts to assumptions, estimates, and judgments underlying those amounts, management has identified the determination of the Allowance for Loan and Lease Losses (ALLL) and the valuation

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (Continued)

of its Mortgage Servicing Rights as the accounting areas that requires the most subjective or complex judgments, and as such have the highest possibility of being subject to revision as as new information becomes available.

The ALLL represents management's estimate of credit losses inherent in the Bank's loan portfolio at the report date. The estimate is composite of a variety of factors including past experience, collateral value and the

Edgar Filing: FARMERS & MERCHANTS BANCORP INC - Form 10-Q

general economy. ALLL includes a specific portion, a formula driven portion, and a general nonspecific portion.

Farmers & Merchants Bancorp, Inc. was incorporated on February 25, 1985, under the laws of the State of Ohio. Farmers & Merchants Bancorp, Inc., and its subsidiaries The Farmers & Merchants State Bank and Farmers & Merchants Life Insurance Company are engaged in commercial banking and life and disability insurance, respectively. The executive offices of Farmers & Merchants Bancorp, Inc. are located at 307-11 North Defiance Street, Archbold, Ohio 43502.

LIQUIDITY, CAPITAL RESOURCES AND MATERIAL CHANGES IN FINANCIAL CONDITION

We had decreases in cash and federal funds sold of \$6.4 million from the prior quarter and a year to date decrease of \$26.3 million since December 2006. The Bank experienced a decrease in in the second quarter loans of \$10 million which offset the same increase that was gained in the first quarter leaving the Bank \$302 thousand short of the December 2006 year end balance. To break out loans by type we will begin with Consumer Loans, which for this quarter were \$390 thousand ahead of the first quarter, but are \$1.2 million behind the prior year end total. Real estate loans were \$1.1 million lower this quarter than the previous first quarter and are \$153 thousand under year end. All other loan types were \$9 million less than the first quarter but remain \$1 million better than the year end total. Loan demand remains sluggish and competition is intense. The local economics of our communities appears to be leveling out though the Bank has yet to see a change in loan demands. The next question, naturally, what are we doing to create improvements? The Bank has broken ground on a new Branch location in Perrysburg, Ohio which should give us a new market to enter for growth. We have created two new positions for mortgage originators, their primary duties are to hit the road and cover our current market areas establishing contacts with new businesses or customers. We have 9 apprentice teams generating promotions in all different areas of banking that we provide to generate new income. Finally, we have chosen a vendor to help us establish a better sales culture here at the Bank. This represents a commitment to an on-going process rather than a one-time seminar. It will take time, but eventually every employee will be involved in the training process to enhance their sales abilities.

Loan quality continues to remain strong as the past due 30+ days has been below the 1.0% target range for five out of the six month end time frames this year. Loan quality is also evidenced by the reserve for possible loan loss balance at the end of the second quarter 2007 being \$269 thousand less than at the end of December 2006.

Deposit accounts have declined by \$33 million year to date with \$25 million of that occurring in this second quarter. The NOW accounts in the demand deposit group contributed \$10 million of the quarter decline and savings deposit were \$12 million lower from quarter to quarter. The Bank continues to offer higher rates for short term CD's with an incentive rate for continuing or establishing a relationship (checking) account with the Bank. The Bank has also started to offer Health Savings accounts and the year to date balance at the end of the second quarter was \$220 thousand on deposit. To offset the decline in deposit notice that one area that growth occurred was in the Fed Funds Purchased. June month end the balance was almost \$10 million and in the first week of July, we borrowed from our FHLB line of credit as the Fed Funds Purchased balance was close to \$15 million. We try to maintain a position of +/- under \$10 million in Fed Funds for liquidity purposes. Along with the 110 day CD we have been offering, a new 11 month has been added in June for high balance CD's of \$50,000 which carries the highest rate on our deposit rate sheet. We have heard the request from our CD customers for a longer term than the 110 day promotion. This CD also

Edgar Filing: FARMERS & MERCHANTS BANCORP INC - Form 10-Q

requires a checking account relationship.

The Company purchased 39,853 shares of Treasury stock during the second quarter for an outlay of nearly \$907 thousand for the transactions. These transactions are a continuation of the buyback agreement authorized in the fourth quarter of 2006 and may continue throughout 2007.

5

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (Continued)

MATERIAL CHANGES IN RESULTS OF OPERATIONS

Loan income in the first quarter 2007 generated \$1.4 million over the same three months prior year period. As mentioned in the previous discussion on loans being lower in the second quarter, the quarter only reflected \$814 thousand improvement over same prior year three months. Interest generated from securities of U.S. Government Agencies generated \$74 thousand over the first three months of 2006 and \$285 thousand over the second quarter for a year to date improvement in 2007 of \$359 thousand. The Bank has experienced higher interest expense on deposit accounts both the first and second quarters when compared to prior year. The Bank has had to use higher CD offering rates in efforts to maintain core deposits with our customers.

Net interest income increased \$286 thousand for the six months ended June 2007 as compared to June 2006. As the Federal Reserve has left rates unchanged since June 2006, the Bank has been able to hold the net interest margin steady with only a slight decrease in the percentage. The 2.4% increase in net interest income compares to a 1.4% increase in assets over the same time periods. Thus the margin has been controlled by a change in the mix of the funding source. The bank has seen a good return of interest from its commercial and commercial real estate portfolios when compared to the same time period a year ago. This is a very positive point since the loan growth for this year has been relatively flat when compared to year end 2006 balances. Continual maintenance or improvement of the net interest margin is an important part of the on going profitability of the Company.

As was mentioned in the first quarter results, the Bank remained in a Federal Funds Purchased position for much of the year. This correlates to the higher Interest expense for borrowed funds. This also explains the lower interest income reported for Federal Funds Sold.

Other non-interest income has been lagging behind the same six month ended of a year ago. Primarily, the area to note is nonsuffucient funds checking charges lower by \$195 thousand. Other components within non-interest income have generated some additional income to help offset this decrease.

One operating expense that is currently greater than the same time period one year ago is salaries and benefits by \$377 thousand. The Bank continues to see the high cost of health insurance fueling this increase, first quarter 2007 to 2006 increase was \$105 thousand while the second quarter 2007 to 2006 increase amounted to \$156 thousand for a total increase year to year \$261 thousand, even while the number of employees continues to decrease. The Bank is partially self insured and a larger number of claims has occurred during 2007, costing the Bank more dollars.

In June 2006 the Bank was in a negative position of \$35 thousand for bad debt expense but this year \$135 thousand has been expensed to fund the

Edgar Filing: FARMERS & MERCHANTS BANCORP INC - Form 10-Q

provision. This represents a swing of \$170 thousand of additional expense compared to a year ago.

In efforts to offset the increased expenses mentioned above, the Bank has been able to control expenses in consulting, down \$141 thousand, advertising down \$54 thousand, auditing down \$32 thousand and miscellaneous expense down \$58 thousand compared to a year ago. These are but a few of the expenses the Bank incurs. The Bank continues to monitor all expenses to seek improvements to operate as efficiently as possible.

The company continues to be well-capitalized as the capital ratios below show:

Primary Ratio	12.45%
Tier I Leverage Ratio	12.43%
Risk Based Capital Tier 1	16.34%
Total Risk Based Capital	17.33%
Stockholders' Equity/Total Assets	12.36%

6

ITEM 3 QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the exposure to loss resulting from changes in interest rates and equity prices. The primary market risk to which the Company is subject is interest rate risk. The majority of the Company's interest rate risk arises from the instruments, positions and transactions entered into for purposes, other than trading, such as lending, investing and securing sources of funds. Interest rate risk occurs when interest bearing assets and liabilities reprice at different times as market interest rates change. For example, if fixed rate assets are funded with variable rate debt, the spread between asset and liability rates will decline or turn negative if rates increase.

Interest rate risk is managed within an overall asset/liability framework for the Company. The principal objectives of asset/liability management are to manage sensitivity of net interest spreads and net income to potential changes in interest rates. Funding positions are kept within predetermined limits designed to ensure that risk-taking is not excessive and that liquidity is properly managed. The Company employs a sensitivity analysis in the form of a net interest rate shock as shown in the table following.

Interest Rate Shock on
Net Interest Margin

Interest Rate Shock on
Net Interest Income

Net Interest Margin (Ratio)	% Change to Flat Rate	Rate Direction	Rate Changes by	Cumulative Total (\$000)	% Change to Flat Rate
-----	-----	-----	-----	-----	-----
2.91%	-17.508%	Rising	3.000%	10,886	-18.090%
3.12%	-11.597%	Rising	2.000%	11,695	-12.001%
3.33%	-5.761%	Rising	1.000%	12,496	-5.972%
3.53%	0.000%	Flat	0.000%	13,290	0.000%
3.73%	5.623%	Falling	-1.000%	14,067	5.851%
3.94%	11.507%	Falling	-2.000%	14,818	11.498%

Edgar Filing: FARMERS & MERCHANTS BANCORP INC - Form 10-Q

3.97% 12.532% Falling -3.000% 14,920 12.270%

As the balance sheet mix changes, the predicted net interest margin improves as compared to March 2007's interest rate shock table. The net interest margin represents the forecasted twelve month margin. The Bank is still determined to improve the profitability through growth. Changing the mix and yields by planned growth is the strategy the Bank will continue to follow.

There have been no indications by the Federal Reserve that they intend to raise or lower rates in the near future based upon the current economic environment or indicators. Net interest margin shows 3.53% as of end of quarter compared to showing 3.48% as of December 31, 2006 in the predicted flat rate environment. The Bank will continue to focus on controlling the cost of funds through deposit promotions aimed at gaining more relationships per customer. Fierce competition continues to pressure the yield and the Bank has focused on using a combination of rate and fees to attract new business. The addition of another banking location will help the expansion of the market though its completion will be late 2007.

7

ITEM 4 CONTROLS AND PROCEDURES

As of June 30, 2007, an evaluation was performed under the supervision and with the participation of the Company's management including the CEO and CFO, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that the Company's disclosure controls and procedures were effective as of June 30, 2007. There have been no significant changes in the Company's internal controls that occurred for the quarter ended June 30, 2007.

PART II

ITEM 1 LEGAL PROCEEDINGS

None

ITEM 1A RISK FACTORS

There have been no material changes in the risk factors disclosed by Registrant in its Report on Form 10-K for the fiscal year ended December 31, 2006.

ITEM 2 UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plan or Programs	(d) Maximum Number of Shares that may be Purchased under the Plan or Programs
4/1/2007 to 4/30/2007				

Edgar Filing: FARMERS & MERCHANTS BANCORP INC - Form 10-Q

5/1/2007			
to	24,653	\$22.81	24,653
5/31/2007			
6/1/2007			
to	15,200	\$22.37	15,200
6/30/2007			
	-----	-----	-----
Total	39,853	\$22.64	39,853 (1)
	-----	-----	-----

- (1) The Company purchased these shares in the market pursuant to a stock repurchase program publicly announced on October 20, 2006. On that date, the Board of Directors authorized the repurchase of 250,000 common shares between October 20, 2006 and December 31, 2007.

ITEM 3 DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITIES HOLDERS

The Annual Meeting of Shareholders of Farmers & Merchants Bancorp, Inc. was held on April 21, 2007. The following directors were elected to a new term of office:

Dexter L. Benecke	David P. Rupp Jr.
Joe E. Crossgrove	James C. Saneholtz
Steven A. Everhart	Kevin J. Sauder
Robert G. Frey	Merle J. Short
Jack C. Johnson	Paul S. Siebenmorgen
Dean E. Miller	Steven J. Wyse
Anthony J. Rupp	Betty K. Young

8

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITIES HOLDERS (Continued)

1. A proposal to elect fourteen (14) directors of the Corporation The results of the voting on the proxy items are as follows:

	For	Withhold
	-----	-----
Dexter L. Benecke	3,781,635	64,772
Joe E. Crossgrove	3,767,375	79,032
Steven A. Everhart	3,769,635	76,772
Robert G. Frey	3,772,183	74,224
Jack C. Johnson	3,761,699	84,708
Dean E. Miller	3,781,935	64,472
Anthony J. Rupp	3,755,499	90,908
David P. Rupp Jr.	3,769,717	76,690
James C. Saneholtz	3,776,215	70,192
Kevin J. Sauder	3,754,397	92,010
Merle J. Short	3,780,715	65,692
Paul S. Siebenmorgen	3,762,205	84,202

Edgar Filing: FARMERS & MERCHANTS BANCORP INC - Form 10-Q

Steven J. Wyse	3,756,653	89,754
Betty K. Young	3,677,347	169,060

2. To transact such other business as may have properly come before the meeting or any adjournment thereof.

ITEM 5 OTHER INFORMATION

ITEM 6 EXHIBITS

- 3.1 Amended Articles of Incorporation of the Registrant (incorporated by reference to Registrant's Quarterly Report on Form 10-Q filed with the Commission on August 1, 2006)
- 3.2 Code of Regulations of the Registrant (incorporated by reference to Registrant's Quarterly Report on Form 10-Q filed with the Commission on May 10, 2004)
- 31.1 Rule 13-a-14(a) Certification -CEO
- 31.2 Rule 13-a-14(a) Certification -CFO
- 32.1 Section 1350 Certification - CEO
- 32.2 Section 1350 Certification - CFO

9

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Farmers & Merchants Bancorp, Inc.,

Date: July 25, 2007

By: /s/ Paul S. Siebenmorgen

Paul S. Siebenmorgen
President and CEO

Date: July 25, 2007

By: /s/ Barbara J. Britenriker

Barbara J. Britenriker
Exec. Vice-President and CFO

10