FARMERS & MERCHANTS BANCORP INC
Form 10-Q
August 09, 2007

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] 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 ________

Commision 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) | (I.R.S Employer Identification No.) |

| | |
|---|---|
| 307-11 North Defiance Street, Archbold, Ohio | 43502 |
| (Address of principal executive offices) | (Zip Code) |

(419) 446-2501
Registrant's telephone number, including area code

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(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 [X] 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 [X]   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 [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 | 5,096,702 |
|---|---|
| Class | Outstanding as of July 20, 2007 |

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

FARMERS & MERCHANTS BANCORP, INC.
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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 |

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.

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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 |

| | | | | |
|---|---|---|---|---|
| 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.



FARMERS & MERCHANTS BANCORP, INC.
CONDENSED CONSOLIDATED STATMENTS 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 | | |

| | | |
|---|---|---|
| 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

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





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 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 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.



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 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% |

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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% |

| | | | | | |
|---|---|---|---|---|---|
| 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.

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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 Progams | (d) Max that may the |
|---|---|---|---|---|
| 4/1/2007 to 4/30/2007 | | | | |

| | | | |
|---|---|---|---|
| 5/1/2007 to 5/31/2007 | 24,653 | $22.81 | 24,653 |
| 6/1/2007 to 6/30/2007 | 15,200 | $22.37 | 15,200 |
| 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 |



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 |

| | | |
|---|---|---|
| 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



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