

FARMERS & MERCHANTS BANCORP
Form 10-Q
April 25, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

THE QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2008

or

THE 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
(State or other jurisdiction of incorporation or
organization)

94-3327828
(I.R.S. Employer Identification No.)

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

95240
(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 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 2,000,000 shares; issued and outstanding 796,690 as of April 18, 2008.

FARMERS & MERCHANTS BANCORP

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

FARMERS & MERCHANTS BANCORP
Consolidated Balance Sheet (Unaudited)

(in thousands)	March 31, 2008	December 31, 2007	March 31, 2007
Assets			
Cash and Cash Equivalents:			
Cash and Due From Banks	\$ 48,160	\$ 50,240	\$ 41,736
Federal Funds Sold and Securities Purchased Under Agreements to Resell	-	1,150	49,900
Total Cash and Cash Equivalents	48,160	51,390	91,636
Investment Securities:			
Available-for-Sale	226,646	142,043	126,703
Held-to-Maturity	104,418	105,594	110,720
Total Investment Securities	331,064	247,637	237,423
Loans			
Loans	1,111,285	1,140,969	1,058,476
Less: Allowance for Loan Losses	19,032	18,483	18,060
Loans, Net	1,092,253	1,122,486	1,040,416
Premises and Equipment, Net	20,353	20,188	20,223
Bank Owned Life Insurance	40,619	40,180	38,857
Interest Receivable and Other Assets	35,911	37,291	28,556
Total Assets	\$ 1,568,360	\$ 1,519,172	\$ 1,457,111
Liabilities			
Deposits:			
Demand	\$ 273,190	\$ 307,299	\$ 274,846
Interest Bearing Transaction	131,180	138,665	133,314
Savings	319,007	301,678	302,661
Time	570,681	563,148	551,870
Total Deposits	1,294,058	1,310,790	1,262,691
Securities Sold Under Agreement to Repurchase	40,000	-	-
Federal Home Loan Bank Advances	49,441	28,954	25,790
Subordinated Debentures	10,310	10,310	10,310
Interest Payable and Other Liabilities	25,306	25,700	20,151
Total Liabilities	1,419,115	1,375,754	1,318,942
Shareholders' Equity			
Common Stock	8	8	8
Additional Paid-In Capital	82,863	84,437	89,827
Retained Earnings	63,754	57,990	48,595
Accumulated Other Comprehensive Income (Loss)	2,620	983	(261)
Total Shareholders' Equity	149,245	143,418	138,169
Total Liabilities and Shareholders' Equity	\$ 1,568,360	\$ 1,519,172	\$ 1,457,111

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

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FARMERS & MERCHANTS BANCORP

Consolidated Statement of Income (Unaudited)

(in thousands except per share data)

	Three Months Ended March 31,	
	2008	2007
Interest Income		
Interest and Fees on Loans	\$ 20,557	\$ 20,143
Interest on Federal Funds Sold and Securities Purchased Under Agreements to Resell	6	275
Interest on Investment Securities:		
Taxable	2,420	1,908
Exempt from Federal Tax	774	813
Total Interest Income	23,757	23,139
Interest Expense		
Deposits	6,742	6,981
Borrowed Funds	231	399
Subordinated Debentures	195	214
Total Interest Expense	7,168	7,594
Net Interest Income	16,589	15,545
Provision for Loan Losses	570	-
Net Interest Income After Provision for Loan Losses	16,019	15,545
Non-Interest Income		
Service Charges on Deposit Accounts	1,718	1,641
Net Loss on Investment Securities	(139)	(768)
Credit Card Merchant Fees	534	510
Increase in Cash Surrender Value of Life Insurance	439	413
ATM Fees	361	315
Other	64	1,641
Total Non-Interest Income	2,977	3,752
Non-Interest Expense		
Salaries and Employee Benefits	6,486	7,390
Occupancy	658	650
Equipment	496	663
Credit Card Merchant Expense	407	379
Marketing	90	109
Other	1,629	1,830
Total Non-Interest Expense	9,766	11,021
Income Before Income Taxes	9,230	8,276
Provision for Income Taxes	3,466	2,807
Net Income	\$ 5,764	\$ 5,469
Earnings Per Share	\$ 7.21	\$ 6.74

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

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FARMERS & MERCHANTS BANCORP

Consolidated Statement of Comprehensive Income (Unaudited)

(in thousands)

	Three Months Ended March 31,	
	2008	2007
Net Income	\$ 5,764	\$ 5,469
Other Comprehensive Income -		
Reclassification adjustment for realized losses included in net income, net of related income tax effects of \$0 and \$0 for the quarters ended March 31, 2008 and 2007, respectively.	-	1
Unrealized Gains on Securities:		
Unrealized holding gains arising during the period, net of income tax benefits of \$1,130 and \$10 for the quarters ended March 31, 2008 and 2007, respectively.	1,556	13
Less: Reclassification adjustment for realized losses included in net income, net of related income tax effects of \$58 and \$323 for the quarters ended March 31, 2008 and 2007, respectively.	81	445
Total Other Comprehensive Income	1,637	459
Comprehensive Income	\$ 7,401	\$ 5,928

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

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FARMERS & MERCHANTS BANCORP
 Consolidated Statement of Changes in Shareholders'
 Equity (Unaudited)
 (in thousands except share data)

	Common Shares Outstanding	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Shareholders' Equity
Balance, December 31, 2006	811,933	\$ 8	\$ 89,926	\$ 43,126	\$ (720)	\$ 132,340
Net Income		-	-	5,469	-	5,469
Repurchase of Stock	(194)	-	(99)	-	-	(99)
Change in Net Unrealized Gains on Derivative Instruments					1	1
Change in Net Unrealized Loss on Securities Available-for-Sale		-	-	-	458	458
Balance, March 31, 2007	811,739	\$ 8	\$ 89,827	\$ 48,595	\$ (261)	\$ 138,169
Balance, December 31, 2007	800,112	\$ 8	\$ 84,437	\$ 57,990	\$ 983	\$ 143,418
Net Income		-	-	5,764	-	5,764
Repurchase of Stock	(3,422)	-	(1,574)	-	-	(1,574)
Change in Net Unrealized Gains on Securities Available-for-Sale		-	-	-	1,637	1,637
Balance, March 31, 2008	796,690	\$ 8	\$ 82,863	\$ 63,754	\$ 2,620	\$ 149,245

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Consolidated Statement of Cash Flows (Unaudited)

(in thousands)	Three Months Ended	
	March 31, 2008	March 31, 2007
Operating Activities:		
Net Income	\$ 5,764	\$ 5,469
Adjustments to Reconcile Net Income to Net		
Cash Provided by Operating Activities:		
Provision for Loan Losses	570	-
Depreciation and Amortization	417	517
Net Amortization (Accretion) of Investment Security Premiums & Discounts	470	(86)
Net Loss on Investment Securities	139	768
Net Change in Operating Assets & Liabilities:		
Net (Increase) Decrease in Interest Receivable and Other Assets	(248)	3,550
Net Decrease in Interest Payable and Other Liabilities	(394)	(2,617)
Net Cash Provided by Operating Activities	6,718	7,601
Investing Activities:		
Securities Available-for-Sale:		
Purchased	(89,664)	(11,105)
Sold, Matured or Called	7,306	17,160
Securities Held-to-Maturity:		
Purchased	-	(2,165)
Matured or Called	1,148	2,664
Net Loans Originated or Acquired	29,571	(11,697)
Principal Collected on Loans Previously Charged Off	92	94
Net Additions to Premises and Equipment	(582)	(244)
Net Cash Used by Investing Activities		