

FARMERS & MERCHANTS BANCORP  
Form 10-Q  
August 06, 2010

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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 June 30, 2010  
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  
(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 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

o

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes

No  x

Number of shares of common stock of the registrant: Par value \$0.01, authorized 20,000,000 shares; issued and outstanding 780,944 as of July 31, 2010.

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FARMERS & MERCHANTS BANCORP

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## PART I. - FINANCIAL INFORMATION

## Item 1 - Financial Statements

FARMERS & MERCHANTS BANCORP  
Consolidated Balance Sheets (Unaudited)

(in thousands)	June 30,	December	June 30,
	2010	31, 2009	2009
<b>Assets</b>			
<b>Cash and Cash Equivalents:</b>			
Cash and Due From Banks	\$32,525	\$32,660	\$36,984
Federal Funds Sold	1,781	1,972	575
<b>Total Cash and Cash Equivalents</b>	<b>34,306</b>	<b>34,632</b>	<b>37,559</b>
<b>Investment Securities:</b>			
Available-for-Sale	324,423	365,549	375,060
Held-to-Maturity	68,773	69,617	70,589
<b>Total Investment Securities</b>	<b>393,196</b>	<b>435,166</b>	<b>445,649</b>
<b>Loans</b>			
Loans	1,188,840	1,212,718	1,191,138
Less: Allowance for Loan Losses	31,403	29,813	25,454
<b>Loans, Net</b>	<b>1,157,437</b>	<b>1,182,905</b>	<b>1,165,684</b>
Premises and Equipment, Net	24,437	24,887	23,572
Bank Owned Life Insurance	44,663	43,759	42,873
Interest Receivable and Other Assets	68,659	59,665	45,687
<b>Total Assets</b>	<b>\$1,722,698</b>	<b>\$1,781,014</b>	<b>\$1,761,024</b>
<b>Liabilities</b>			
<b>Deposits:</b>			
Demand	\$293,773	\$324,073	\$279,619
Interest Bearing Transaction	169,088	180,570	152,651
Savings	422,930	414,285	386,608
Time	564,493	579,196	687,529
<b>Total Deposits</b>	<b>1,450,284</b>	<b>1,498,124</b>	<b>1,506,407</b>
Securities Sold Under Agreement to Repurchase	60,000	60,000	60,000
Federal Home Loan Bank Advances	4,821	20,149	676
Subordinated Debentures	10,310	10,310	10,310
Interest Payable and Other Liabilities	26,535	27,704	25,466
<b>Total Liabilities</b>	<b>1,551,950</b>	<b>1,676,287</b>	<b>1,602,859</b>
<b>Shareholders' Equity</b>			
Common Stock	8	8	8
Additional Paid-In Capital	76,198	76,198	76,679
Retained Earnings	89,646	83,767	77,371
Accumulated Other Comprehensive Income	4,896	4,754	4,107
<b>Total Shareholders' Equity</b>	<b>170,748</b>	<b>164,727</b>	<b>158,165</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>\$1,722,698</b>	<b>\$1,841,014</b>	<b>\$1,761,024</b>

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

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## FARMERS &amp; MERCHANTS BANCORP

## Consolidated Statements of Income (Unaudited)

(in thousands except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Interest Income				
Interest and Fees on Loans	\$18,057	\$18,646	\$36,138	\$37,307
Interest on Federal Funds Sold and Securities Purchased Under Agreements to Resell	16	35	36	68
Interest on Investment Securities:				
Taxable	2,151	3,470	4,812	6,961
Tax-Exempt	695	736	1,407	1,479
Total Interest Income	20,919	22,887	42,393	45,815
Interest Expense				
Deposits	1,739	4,041	3,715	8,272
Borrowed Funds	545	546	1,084	1,085
Subordinated Debentures	82	106	162	225
Total Interest Expense	2,366	4,693	4,961	9,582
Net Interest Income	18,553	18,194	37,432	36,233
Provision for Loan Losses	5,120	7,260	9,235	8,130
Net Interest Income After Provision for Loan Losses	13,433	10,934	28,197	28,103
Non-Interest Income				
Service Charges on Deposit Accounts	1,688	1,731	3,284	3,343
Net Gain on Investment Securities	7	1,452	2,853	2,472
Increase in Cash Surrender Value of Life Insurance	454	455	904	908
Debit Card and ATM Fees	651	573	1,250	1,077
Net (Loss) Gain on Non-Qualified Deferred Compensation Plan Investments	(730 )	458	(535 )	407
Other	472	420	1,029	1,040
Total Non-Interest Income	2,542	5,089	8,785	9,247
Non-Interest Expense				
Salaries & Employee Benefits	7,062	7,096	14,336	14,400
Net (Gain) Loss on Non-Qualified Deferred Compensation Plan Investments	(730 )	458	(535 )	407
Occupancy	660	670	1,300	1,379
Equipment	658	651	1,259	1,350
ORE Holding Costs	91	161	495	666
FDIC Insurance	507	675	1,308	1,801
Other	1,598	1,807	3,036	3,490
Total Non-Interest Expense	9,846	11,518	21,199	23,493
Income Before Income Taxes	6,129	4,505	15,783	13,857
Provision for Income Taxes	2,122	1,429	5,726	4,847
Net Income	\$4,007	\$3,076	\$10,057	\$9,010
Earnings Per Share	\$5.13	\$3.93	\$12.88	\$11.48

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



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## FARMERS &amp; MERCHANTS BANCORP

## Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Net Income	\$4,007	\$3,076	\$10,057	\$9,010
Other Comprehensive Income (Loss) -				
Unrealized Losses on Securities:				
Unrealized holding gains (losses) arising during the period, net of income tax benefit of \$1,043 and \$(1,018) for the quarters ended June 30, 2010 and 2009, respectively, and of \$1,302 and \$(87) for the six months ended June 30, 2010 and 2009, respectively.	1,437	(1,403 )	1,795	(120 )
Less: Reclassification adjustment for realized gains included in net income, net of related income tax effects of \$(3) and \$(610) for the quarters ended June 30, 2010 and 2009, respectively, and of \$(1,200) and \$(1,039) for the six months ended June 30, 2010 and 2009, respectively.	(4 )	(842 )	(1,653 )	(1,433 )
Total Other Comprehensive Income (Loss)	1,433	(2,245 )	142	(1,553 )
Comprehensive Income	\$5,440	\$831	\$10,199	\$7,457

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

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## FARMERS &amp; MERCHANTS BANCORP

## Consolidated Statements 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, 2008	786,960	\$8	\$78,527	\$72,350	\$ 5,660	\$ 156,545
Net Income		-	-	9,010	-	9,010
Cash Dividends Declared on Common Stock		-	-	(3,989 )	-	(3,989 )
Repurchase of Stock	(4,805 )	-	(1,848 )	-	-	(1,848 )
Change in Net Unrealized Gain on Securities Available for Sale		-	-	-	(1,553 )	(1,553 )
Balance, June 30, 2009	782,155	\$8	\$76,679	\$77,371	\$ 4,107	\$ 158,165
Balance, December 31, 2009	780,944	\$8	\$76,198	\$83,767	\$ 4,754	\$ 164,727
Net Income		-	-	10,057	-	10,057
Cash Dividends Declared on Common Stock		-	-	(4,178 )	-	(4,178 )
Change in Net Unrealized Gain on Securities Available for Sale		-	-	-	142	142
Balance, June 30, 2010	780,944	\$8	\$76,198	\$89,646	\$ 4,896	\$ 170,748

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## FARMERS &amp; MERCHANTS BANCORP

Consolidated Statements of Cash Flows (Unaudited)  
(in thousands)Six Months Ended  
June 30,      June 30,  
2010              2009

## Operating Activities

Net Income	\$10,057	\$9,010
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Provision for Loan Losses	9,235	8,130
Depreciation and Amortization	954	932
Net Accretion of Investment Security Discounts & Premium	(291 )	(2,564 )
Net Gain on Investment Securities	(2,853 )	(2,472 )
Net Gain on Sale of Property & Equipment	(19 )	(10 )
Net Change in Operating Assets & Liabilities:		
Net Increase in Interest Receivable and Other Assets	(10,000 )	(6,483 )
Net (Decrease) Increase in Interest Payable and Other Liabilities	(1,169 )	1,289
Net Cash Provided by Operating Activities		