

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934

For nine months ended September 30, 1996

Commission file number 014492

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.)
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307-11 North Defiance Street (Address of principal executive offices)	43502 (Zip Code)
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Registrant's Telephone Number, including area code 419/446-2501

Not applicable

Former name, former address, and former fiscal year, if changed since last year

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 periods 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 the number of shares of each of the issuers classes of common stock, as of the latest practicable date:

Class	Outstanding as of November 6, 1996
Common Stock, No Par Value	1,300,000

SECURITIES AND EXCHANGE COMMISSION
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FORM 10-Q

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

	September 30, 1996	December 31, 1995	September 30, 1995
ASSETS:			
Cash and due from banks	\$ 14,233	\$ 14,951	\$ 12,773
Interest bearing deposits in other banks	145	100	145
Federal funds sold and securities sold under agreement to resell	--	10,710	13,510
Investment Securities:			
U.S. Treasury	26,975	22,757	21,623
U.S. Government Agencies	32,254	31,237	26,803
State & political obligations	23,991	19,926	18,086
All others	17,247	10,795	6,102
Loans and leases	369,216	339,676	338,252
Bank premises and equipment	7,521	7,198	7,282
Accrued interest and other assets	7,306	6,740	7,147
TOTAL ASSETS	\$498,888	\$464,090	\$451,723
LIABILITIES AND SHAREHOLDERS' EQUITY:			
LIABILITIES:			
Deposits:			
Demand	\$ 38,210	\$ 37,436	\$ 21,826
Time and savings	393,758	366,554	372,097
Federal funds purchased and securities sold under agreement to repurchase	11,903	6,919	5,926
Other borrowed money	9,193	9,662	9,892
Accrued interest and other liabilities	3,948	3,898	3,301
TOTAL LIABILITIES	457,012	424,469	413,042
SHAREHOLDERS' EQUITY:			
Common stock, no par value - authorized 300,000 shares, issued 260,000 shares in 1996 and 1995	12,677	12,677	12,677
Undivided profits	29,199	26,944	26,004
TOTAL SHAREHOLDERS' EQUITY	41,876	39,621	38,681
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$498,888	\$464,090	\$451,723

See Notes to Condensed Consolidated Unaudited Financial Statements.

Note: The December 31, 1995 Balance Sheet has been derived from the audited financial statements of that date.

FARMERS & MERCHANTS BANCORP, INC.
 CONDENSED CONSOLIDATED STATEMENT OF INCOME
 (Unaudited)
 (in thousands of dollars)

	Three Months Ended		Nine Months Ended	
	September 30, 1996	September 30, 1995	September 30, 1996	September 30, 1995
INTEREST INCOME:				
Loans and leases	\$23,885	\$21,518	\$8,144	\$7,450
Investment Securities:				
U.S. Treasury	1,094	725	418	278
U.S. Government Agencies	1,569	1,086	537	332
States & Political Subdivisions	915	852	331	270
Other	579	367	272	109
Federal funds sold	303	250	2	124
Deposits with other banks	--	--	--	--
TOTAL INTEREST INCOME	28,345	24,798	9,704	8,563
INTEREST EXPENSE:				
Deposits	14,887	11,955	5,058	4,513
Short-term borrowings	284	274	362	77
Other borrowed money	449	483	147	151
TOTAL INTEREST EXPENSE	15,620	12,712	5,567	4,741
NET INTEREST INCOME BEFORE PROVISION FOR LOAN LOSSES				
PROVISION FOR LOAN LOSSES	12,725	12,086	4,137	3,822
PROVISION FOR LOAN LOSSES	790	--	377	--
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES				
	11,935	12,086	3,760	3,822
OTHER INCOME:				
Service charges	818	750	285	254
Other	1,192	1,021	424	568
Securities gains (losses)	--	(27)	--	2
TOTAL OTHER INCOME	2,010	1,744	709	824
OTHER EXPENSE:				
Salaries	3,639	2,902	1,241	992
Pension and employee benefits	738	669	273	264
Occupancy	949	875	332	316
Other operating	2,882	3,087	781	915
TOTAL OTHER EXPENSES	8,208	7,533	2,627	2,487
NET INCOME BEFORE INCOME TAX				
	5,737	6,297	1,842	2,159
PROVISION FOR INCOME TAX				
	1,653	1,882	492	670
NET INCOME				
	\$4,084	\$4,415	\$1,350	\$1,489
NET INCOME PER SHARE (Based upon weighted average number of shares outstanding of 1,300,000 for 1995 and 1996)				
	\$ 3.14	\$ 3.40	\$ 1.04	\$ 1.15

See Notes to Condensed Consolidated Unaudited Financial Statements.

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

	Nine Months Ended	
	September 30, 1996	September 30, 1995
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 4,084	\$ 4,415
Adjustments to Reconcile Net Income to Cash Provided by Operating Activities:		
Depreciation & amortization	549	460
Premium amortization	463	97
Discount accretion	(131)	(590)
Provision for loan losses	790	--
Provision for deferred taxes	(209)	325
(Gain) loss on sale of securities	--	(27)
Changes in Operating Assets & Liabilities:		
Accrued interest receivable	(389)	(1,192)
Accrued interest payable	406	628
TOTAL CASH PROVIDED BY OPERATING ACTIVITIES	- 5,563	4,116
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(872)	(24,480)
Purchase of securities	(16,083)	(996)
Proceeds from maturities of securities	0	29,513
Net change in loans and leases	(30,328)	(36,670)
TOTAL CASH PROVIDED BY INVESTING ACTIVITIES	- (47,283)	(32,633)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net change in deposits	27,978	49,528
Net change in short-term borrowings	4,984	(8,472)
Increase in long-term borrowings	--	400
Payments on long-term borrowings	(469)	(383)
Payment of dividends	(1,300)	(1,040)
Unrealized (gains) losses on securities	(856)	444
TOTAL CASH PROVIDED BY FINANCING ACTIVITIES	30,337	40,477
NET CHANGE IN CASH FLOWS	(11,383)	11,960
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	25,761	14,452
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 14,378	\$ 26,412
RECONCILEMENT OF CASH AND CASH EQUIVALENTS		
Cash and due from banks	\$ 14,233	\$ 12,757
Interest bearing deposits	145	145
Federal funds sold	--	13,510
TOTAL CASH AND CASH EQUIVALENTS	\$ 14,378	\$ 26,412

See Notes to Condensed Consolidated Unaudited Financial Statements.

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 10-Q and Rule 10-1 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 nine months ended September 30, 1996 are not necessarily indicative of the results that are expected for the year ended December 31, 1996. 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, 1995.

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

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 AND CAPITAL RESOURCES

Liquidity has continued to be enhanced by the generation of cash through operations primarily by reduction in expenses, and the collection of interest income from productive assets.

The rate of increase on capital expenditures has slowed with the completion of the renovation of the main office and the implementation of the new proof system. There will be reasonable increases in this area due to the major renovation of one of the branch offices.

The following is a list of four capital ratios as they are calculated from the September 30, 1996 financial statements:

Risk-based Capital Ratio	12.80%
Leverage Capital Ratio	8.35%
Risk Based Capital Tier 1	11.55%
Tangible Equity Ratio	8.14%

During the first nine months of 1996, the bank's loan portfolio has increased \$30,358,000. This represents a 9% increase. This was the primary use of cash over the period. An increase of \$27,978,000 in deposits was noted at the quarter ended September 30, 1996. This represents a 7% increase. This increase was do in part to the fact that the bank offers very competitive rates for its deposit products. In addition a concerted effort has been implemented to attract more "core" deposits to help with the maintaining of an acceptable net interest margin.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(A) The following documents are filed as part of this Report:

Exhibit No.	Description
27	Financial Data Schedule

(B) Reports on Form 8-K

No reports on Form 8-K were filed by the Registrant during the quarter ended September 30, 1996.

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: November 12, 1996

By: /s/ Joe E. Crossgrove

Joe E. Crossgrove
Executive Vice-President and
Cashier

Date: November 12, 1996

By: /s/ Randal H. Schroeder

Randal H. Schroeder
Asst. Vice-President and
Chief Accounting Officer

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
27	Financial Data Schedule

9
1,000

9-MOS
DEC-31-1996
JAN-01-1996
SEP-30-1996
145
0
0
100,467
0
0
374,716
5,500
498,888
431,968
11,903
3,948
9,193
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0
12,677
29,199
498,888
23,885
4,157
303
28,345
14,887
733
12,725
790
0
6,198
5,737
5,737
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0
4,084
3.14
3.14
8.14
2,399
3,886
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6,285
5,500
1,259
469
5,500
5,500
0
0