

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, 2003

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

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

(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 Section
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 checkmark whether the registrant is an
accelerated filer (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

1,300,000

Class

Outstanding as of July 1, 2003

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, 2003	December 31, 2002	June 30, 2002
ASSETS:			
Cash and due from banks	\$ 23,423	\$ 18,508	\$ 16,295
Interest bearing deposits with banks	509	279	3,507
Federal funds sold	0	-	1,610
Investment Securities:			
U.S. Treasury	3,852	4,215	4,430
U.S. Government	115,619	117,021	108,795
State & political obligations	54,649	55,860	52,100
All others	2,006	1,697	3,558
Loans and leases (Net of reserve for loan losses of \$8,840, \$6,400 and \$6,133 respectively)	492,004	497,515	476,077
Bank premises and equipment-net	16,088	15,034	12,649
Accrued interest and other assets	16,610	16,357	12,671
TOTAL ASSETS	\$ 724,760	\$ 726,486	\$ 691,692
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES:			
Deposits:			
Demand	\$ 45,977	\$ 43,808	\$ 40,573
Time and savings	536,074	532,565	535,145
Federal funds purchased and securities sold under agreement to repurchase	30,339	38,200	19,827
Other borrowed money	27,929	28,696	16,726
Accrued interest and other liabilities	4,816	5,479	5,191
Total Liabilities	645,135	648,748	617,462
SHAREHOLDERS' EQUITY:			
Common stock, no par value - authorized 1,500,000 shares; issued 1,300,000 shares	12,677	12,677	12,677
Undivided profits	63,259	61,345	58,634
Accumulated other comprehensive income	3,689	3,716	2,919
Total Shareholders' Equity	79,625	77,738	74,230
LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 724,760	\$ 726,486	\$ 691,692

See Notes to Condensed Consolidated Unaudited Financial Statements.

Note: The December 31, 2002 Balance Sheet has been derived from the audited financial statements of that date.

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

	Three Months Ended		Six Months Ended	
	June 30, 2003	June 30, 2002	June 30, 2003	June 30, 2002
INTEREST INCOME:				
Loans and leases	\$ 8,880	\$ 8,558	\$ 17,510	\$ 17,644
Investment Securities:				
U.S. Treasury securities	40	49	84	121
Securities of U.S. Government agencies	1,076	1,356	2,241	2,707
Obligations of states and political subdivisions	565	576	1,143	1,145
Other	37	84	74	189
Federal funds	14	27	17	41
Deposits in banks	15	12	17	17
Total Interest Income	10,627	10,662	21,086	21,864
INTEREST EXPENSE:				
Deposits	3,470	4,543	7,115	9,210
Borrowed funds	403	340	822	689
Total Interest Expense	3,873	4,883	7,937	9,899
NET INTEREST INCOME BEFORE				
PROVISION FOR LOAN LOSSES	6,754	5,779	13,149	11,965
PROVISION FOR LOAN LOSSES	760	393	4,698	1,049
NET INTEREST INCOME AFTER				
PROVISION FOR LOAN LOSSES	5,994	5,386	8,451	10,916
OTHER INCOME:				
Service charges	547	499	1,061	936
Other	1,120	606	1,861	1,469
Net securities gains (losses)	480	13	522	63
	2,147	1,118	3,444	2,468
OTHER EXPENSES:				
Salaries and wages	1,621	1,992	3,446	3,900
Pension and other employee benefits	519	467	981	923
Occupancy expense (net)	142	86	351	194
Other operating expenses	1,821	1,803	3,558	3,636
	4,103	4,348	8,336	8,653
INCOME BEFORE FEDERAL INCOME TAX				
FEDERAL INCOME TAXES	4,038	2,156	3,559	4,731
NET INCOME	939	543	591	1,213
NET INCOME	3,099	1,613	2,968	3,518
OTHER COMPREHENSIVE INCOME (NET OF TAX):				
Unrealized gains (losses) on securities	214	1,464	(27)	1,338
COMPREHENSIVE INCOME	\$ 3,313	\$ 3,077	\$ 2,941	\$ 4,856
NET INCOME PER SHARE (Based upon				
weighted average number of shares outstanding of 1,300,000	\$ 2.38	\$ 1.24	\$ 2.28	\$ 2.71
DIVIDENDS DECLARED	\$ 0.40	\$ 0.40	\$ 0.80	\$ 0.75

See Notes to Condensed Consolidated Unaudited Financial Statements.

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

	Six Months Ended	
	June 30, 2003	June 30, 2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 2,968	\$ 3,518
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and amortization	724	730
Premium amortization	426	409
Discount amortization	(54)	(58)
Provision for loan losses	4,698	1,049
Provision for deferred income taxes	(882)	10
(Gain) loss on sale of fixed assets	32	(10)
(Gain) loss on sale of investment securities	(522)	(63)
Changes in Operating Assets and Liabilities:		
Accrued interest receivable and other assets	629	(581)
Accrued interest payable and other liabilities	(663)	2,021
Net Cash Provided by Operating Activities	7,356	7,025
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,810)	(1,037)
Proceeds from sale of fixed assets	-	-
Proceeds from maturities of investment securities:	13,160	35,822
Proceeds from sale of investment securities:	26,954	7,135
Purchase of investment securities-	(37,338)	(37,893)
Net increase in loans and leases	813	(8,883)
Net Cash Used by Investing Activities	1,779	(4,856)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits	5,678	9,561
Net change in short-term borrowings	(7,861)	(6,712)
Increase in long-term borrowings	-	-
Payments on long-term borrowings	(767)	(684)
Payments of dividends	(1,040)	(910)
Net Cash Provided by Financing Activities	(3,990)	1,255
Net change in cash and cash equivalents	5,145	3,424
Cash and cash equivalents - Beginning of year	18,787	17,988
CASH AND CASH EQUIVALENTS - END OF THE YEAR	\$ 23,932	\$ 21,412
RECONCILIATION OF CASH AND CASH EQUIVALENTS:		
Cash and cash due from banks	\$ 23,423	\$ 16,295
Interest bearing deposits	509	3,507
Federal funds sold	-	1,610
	\$ 23,932	\$ 21,412

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 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 three months ended June 30, 2003 are not necessarily indicative of the results that are expected for the year ended December 31, 2003. 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, 2002.

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 for the first six months ended June 30, 2003 came from multiple sources. Refinancing of real estate loans remained brisk throughout the period. The impact to liquidity came in terms of gains on sale of these loans into the secondary market and also a decrease in the loan portfolio for those variable and fixed rate loans previously being held by the bank and sold to the secondary markets. Deposit balances also increased during the period and security activity was heavier than normal with calls and sales.

During the period, the bank booked \$.5 million in realized gains on securities. This was done to strengthen the income position to allow for further loan reserve provisions. The average maturity of the investment portfolio was extended slightly and yield sacrifice was kept to a minimum. During the second quarter of 2003, the bank continued to see its net interest margin strengthen due mainly to deposit repricing. The margin is expected to see continued improvement through August with the higher rate certificate of deposits that are maturing.

As stated previously, the bank did make additional provisions to the loan reserve. With the aid of an external vendor, the bank is analyzing the loan loss reserve to confirm its adequacy. The review will be complete by the end of the third quarter.

The capital position of the bank improved as shown in the capital ratios listed on the following page. The bank is positioned to have strong earnings through the remainder of the year. The banks financial ratios continued to improve each month since the first quarter and this is expected to continue throughout 2003.

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

The first quarter is not representative of the bank's earnings potential. It is not anticipated that the loss adjustments will be repeated anytime soon. The bank has seen an improvement in net interest margin and based on the yield and maturity schedules, the margin should continue to improve through the second and third quarters as a result of maturing time deposits that currently have a higher average yield than current reinvestment rates. The bank has also continued to be extremely busy in the residential real estate market with refinancing activities. This should continue to bolster income through at least the second quarter.

Management is working diligently to reanalyse the loan loss reserve to ensure it is adequate. This will take time but should be completed in the next few months. The bank remains well capitalized with strong earnings potential. Assuming no major changes in overall economic conditions, subsequent quarters should show improvement for the reasons stated previously.

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

The following is a summary of five capital ratios as they are calculated from the June 30, 2003 financial statements:

Primary Ratio	12.06%
Total Capital Ratio	15.87%
Risk Based Capital Tier 1	15.37%
Risk Based Capital Tier 2	22.47%
Stockholders' Equity/Total Assets	10.99%

ITEM 3 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 the purposes other than trading such as loans, available for sale securities, interest bearing deposits, short term borrowings and long term borrowings. 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 income to help in the analysis.

ITEM 3 MARKET RISK (Continued)

	0-90 days	90-365 days	1-5 Years	Over 5 Years	Total
Interest Bearing Dep	509				509
Investment Securities	14,588	63,686	84,859	52,993	176,126
Loans	112,861	105,620	88,399	185,124	492,004
Total Rate Sensitive Assets	127,958	169,306	173,258	238,117	668,639
Deposits	166,458	238,769	114,377	62,447	582,051
Fed Funds Purchased & agreements to repur	30,339				30,339
Other Borrowings		5,194	18,315	4,420	27,929
Total Rate Sensitive Liabilities	196,797	243,963	132,692	66,867	640,319
Gap	-68,839	-74,657	40,566	171,250	28,320

ITEM 4 CONTROLS AND PROCEDURES

As of June 30, 2003, 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, 2003. There have been no significant changes in the Company's internal controls subsequent to June 30, 2003.

PART II

ITEM 1 LEGAL PROCEEDINGS

None

ITEM 2 CHANGES IN SECURITIES AND USE OF PROCEEDS

None

ITEM 3 DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITIES HOLDERS

None

ITEM 5 OTHER INFORMATION

None

ITEM 6 EXHIBITS AND REPORTS ON FORM 8-K

No reports on Form 8-K were filed by the registrant during the quarter ended June 30, 2003.

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: August 1, 2003

By: /s/ Joe E. Crossgrove
Joe E. Crossgrove
President and CFO

Date: August 1, 2003

By: /s/ Barbara J. Britenriker
Barbara J. Britenriker
Senior Vice-President and CFO

10-Q EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
EX-31.1	Certification of Chief Executive Officer pursuant to Section 302
EX-31.2	Certification of Chief Financial Officer pursuant to Section 302
EX-32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
EX-32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

CERTIFICATIONS

I, Joe E. Crossgrove, President and CEO, certify that:

- 1 I have reviewed this quarterly report on Form 10-Q of Farmers & Merchants Bancorp, Inc.;
- 2 Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
- 3 Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
- 4 The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b. evaluated the effectiveness of the registrants' disclosure controls and procedures as of a date within 90 days prior to the filing of this quarterly report (the "Evaluation Date"); and
 - c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
- 5 The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b. any fraud, whether or not material, that involves management or other employees who have significant role in the registrant's internal controls; and
- 6 The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: August 13, 2003

/s/ Joe E. Crossgrove

President and CEO

CERTIFICATIONS

I, Barbara J. Britenriker, Senior Vice-President and CFO, certify that:

- 1 I have reviewed this quarterly report on Form 10-Q of Farmers & Merchants Bancorp, Inc.;
- 2 Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
- 3 Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
- 4 The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b. evaluated the effectiveness of the registrants' disclosure controls and procedures as of a date within 90 days prior to the filing of this quarterly report (the "Evaluation Date"); and
 - c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
- 5 The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b. any fraud, whether or not material, that involves management or other employees who have significant role in the registrant's internal controls; and
- 6 The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: August 13, 2003

 /s/ Barbara J. Britenriker

 Senior Vice-President and CFO

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Quarterly Report of Farmers & Merchants Bancorp, Inc. on Form 10-Q for the period ending June 30, 2003, as filed with the Securities and Exchange Commission ("the report"), I, Joe E. Crossgrove, President and Chief Executive Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- 1 The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2 The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Farmers & Merchants Bancorp, Inc. as of the dates and for the periods expressed in the Report.

Date: August 13, 2003

/s/ Joe E. Crossgrove

Joe E. Crossgrove, President and
Chief Executive Officer

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Quarterly Report of Farmers & Merchants Bancorp, Inc. on Form 10-Q for the period ending June 30, 2003, as filed with the Securities and Exchange Commission ("the report"), I, Barbara J. Britenriker, Senior Vice-President and Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- 1 The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2 The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Farmers & Merchants Bancorp, Inc. as of the dates and for the periods expressed in the Report.

Date: August 13, 2003

/s/ Barbara J. Britenriker

Barbara J. Britenriker, Senior
Vice-President Chief Financial Officer