

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

X Quarterly Report Pursuant to Section 13 or 15(d)

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of the Securities Exchange Act of 1934  
For the quarterly period ended March 31, 1998  
OR  
Transition Report Pursuant to Section 13 or 15(d)

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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

-----  
(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

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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 May 1, 1998

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

FARMERS & MERCHANTS BANCORP, INC.  
INDEX

Form 10-Q Items	Page
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements (Unaudited)	
Condensed Consolidated Balance Sheets- March 31, 1998, December 31, 1997 and March 31, 1997	1
Condensed Consolidated Statements of Net Earnings- Three Months Ended March 31, 1998 and March 31, 1997	2
Condensed Consolidated Statements of Cash Flows- Three Months Ended March 31, 1998 and March 31, 1997	3
Notes to Condensed Financial Statements	4
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	5
PART II. OTHER INFORMATION	
Item 6. Exhibits and Reports on form 8K	6
Signatures	7

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

	March 31, 1998	December 31, 1997	March 31, 1997
<b>ASSETS:</b>			
Cash and due from banks	\$ 14,502	\$ 16,213	\$ 13,956
Interest bearing deposits with banks	100	100	145
Federal funds sold	2,495	6,485	1,320
Investment Securities:			
U.S. Treasury	22,541	22,372	24,558
U.S. Government	30,103	31,313	33,459
State & political obligations	26,241	25,618	23,613
All others	14,749	20,584	21,555
Loans and leases	407,606	390,806	370,312
Bank premises and equipment-net	7,772	7,665	7,460
Accrued interest and other assets	7,314	7,117	6,878
<b>TOTAL ASSETS</b>	<b>\$533,423</b>	<b>\$528,273</b>	<b>\$503,256</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES:</b>			
Deposits:			
Demand	\$ 40,400	\$ 51,163	\$ 37,774
Time and savings	424,243	410,135	405,740
Federal funds purchased and securities sold under agreement to repurchase	2,566	2,598	2,860
Other borrowed money	11,108	11,292	8,826
Accrued interest and other liabilities	4,561	4,241	3,740
<b>Total Liabilities</b>	<b>482,878</b>	<b>479,429</b>	<b>458,940</b>
<b>SHAREHOLDERS' EQUITY:</b>			
Common stock, no par value - authorized 1,500,000 shares; issued 1,300,000 shares	12,677	12,677	12,677
Undivided profits	36,897	35,164	31,427
Accumulated other comprehensive income	971	1,003	212
<b>Total Shareholders' Equity</b>	<b>50,545</b>	<b>48,844</b>	<b>44,316</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$533,423</b>	<b>\$528,273</b>	<b>\$503,256</b>

See Notes to Condensed Consolidated Unaudited Financial Statements.

Note: The December 31, 1997 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)

INTEREST INCOME:		
Loans and leases	\$ 8,909	\$ 8,400
Investment Securities:		
U.S. Treasury securities	340	388
Securities of U.S. Government agencies	482	541
Obligations of states and political subdivisions	338	301
Other	373	388
Federal funds	59	68
Deposits in banks	1	0
Total Interest Income	10,502	10,086
INTEREST EXPENSE:		
Deposits	5,218	5,025
Borrowed funds	219	376
Total Interest Expense	5,437	5,401
NET INTEREST INCOME BEFORE		
PROVISION FOR LOAN LOSSES	5,065	4,685
PROVISION FOR LOAN LOSSES	139	213
NET INTEREST INCOME AFTER		
PROVISION FOR LOAN LOSSES	4,926	4,472
OTHER INCOME:		
Service charges	297	295
Other	734	465
Net securities gains (losses)	0	(7)
	1,031	753
OTHER EXPENSES:		
Salaries and wages	1,274	1,239
Pension and other employee benefits	297	254
Occupancy expense (net)	121	311
Other operating expenses	1,269	966
	2,961	2,770
INCOME BEFORE FEDERAL INCOME TAX		
	2,996	2,455
FEDERAL INCOME TAXES		
	875	723
NET INCOME		
	2,121	1,732
OTHER COMPREHENSIVE INCOME (NET OF TAX):		
Unrealized gains (losses) on securities	(32)	(479)
COMPREHENSIVE INCOME		
	\$ 2,089	\$ 1,253
NET INCOME PER SHARE (Based upon		
weighted average number of shares outstanding of 1,300,000	\$ 1.63	\$ 1.33
DIVIDENDS DECLARED		
	\$ 0.30	\$ 0.25

See Notes to Condensed Consolidated Unaudited Financial Statements.

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

CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 2,121	\$ 1,735
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and amortization	171	163
Premium amortization	116	120
Discount amortization	(35)	(47)
Provision for loan losses	139	213
Provision for deferred income taxes	(8)	5
(Gain) loss on sale of fixed assets	8	-
(Gain) loss on sale of investment securities	-	7
Changes in Operating Assets and Liabilities:		
Accrued interest receivable and other assets	(189)	312
Accrued interest payable and other liabilities	320	5
Net Cash Provided by Operating Activities	2,643	2,513
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(286)	(47)
Proceeds from sale of fixed assets	-	-
Proceeds from maturities of investment securities:	41,558	35,488
Proceeds from sale of investment securities:	-	1,979
Purchase of investment securities-	(35,155)	(35,773)
Net increase in loans and leases	(16,939)	(5,252)
Net Cash Used by Investing Activities	(10,822)	(3,605)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits	3,344	5,137
Net change in short-term borrowings	(32)	(3,903)
Increase in long-term borrowings	-	-
Payments on long-term borrowings	(184)	(172)
Payments of dividends	(650)	(520)
Net Cash Provided by Financing Activities	2,478	542
Net change in cash and cash equivalents	(5,701)	(550)
Cash and cash equivalents - Beginning of year	22,798	15,971
CASH AND CASH EQUIVALENTS - END OF THE YEAR	\$ 17,097	\$ 15,421
RECONCILIATION OF CASH AND CASH EQUIVALENTS:		
Cash and cash due from banks	\$ 14,502	\$ 13,956
Interest bearing deposits	100	145
Federal funds sold	2,495	1,320
	\$ 17,097	\$ 15,421

See Notes to Condensed Consolidated Unaudited Financial Statements.

## FARMERS &amp; 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 three months ended March 31, 1998 are not necessarily indicative of the results that are expected for the year ended December 31, 1998. 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, 1997.

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 three months ended March 31, 1998 comes primarily from net income from operations of \$2.1 million and increases in deposits of \$3.3 million. This compares with net income of \$1.7 million and deposit increases of \$5.1 million for the same period for 1997. Total deposits as of March 31, 1998 were \$464 million compared to \$461 million as of December 31, 1997. A concerted marketing effort continues to be made in order to attract more core deposits to help maintain an acceptable net interest margin.

The principal uses of these funds were for granting loans. Loans as of March 31, 1998 were \$407.6 million compared to \$390.8 million as of December 31, 1997, a \$16.8 million or 4.3% increase after reclassification of \$7.8 million of commercial paper from the loan category to other investments. December 31, 1997 and March 31, 1997 loans and investments have been restated to reflect this change in classification.

Capital expenditures amounted to \$286 thousand for the first three months of 1998.

The following is a summary of five capital ratios as they are calculated from the March 31, 1998 financial statements:

Primary Ratio	10.46%
Total Capital Ratio	12.52%
Risk Based Capital Tier 1	14.26%
Risk Based Capital Tier 2	19.07%
Stockholders' Equity/Total Assets	9.46%

## PART II

## ITEM 6 EXHIBIT 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 March 31, 1998.



## 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, theunto duly authorized.

Farmers & Merchants Bancorp, Inc.,

Date: May 12, 1998

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

Date: May 12, 1998

By: /s/ Randal H. Schroeder  
Randal H. Schroeder  
Asst. Vice-President  
and Chief Operating Officer

EXHIBIT INDEX

EXHIBIT NO.  
27

DESCRIPTION  
Financial Data Schedule

9  
1,000

3-MOS  
DEC-31-1998  
JAN-01-1998  
MAR-31-1998  
14,502  
100  
2,495  
0  
93,634  
0  
0  
407,606  
5,938  
533,423  
464,643  
2,566  
4,561  
11,108  
0  
0  
12,677  
37,868  
533,423  
8,909  
1,533  
60  
10,502  
5,218  
219  
5,065  
139  
0  
2,961  
2,996  
2,121  
0  
0  
2,121  
1.63  
1.63  
2.33  
5,530  
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354  
303  
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0