

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 March 31, 2002
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 the number of outstanding 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 April 1, 2002

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FORM 10Q

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

	March 31, 2002	December 31, 2001	March 31, 2001
ASSETS:			
Cash and due from banks	\$ 13,435	\$ 17,842	\$ 19,513
Interest bearing deposits with banks	571	146	100
Federal funds sold	2,375	-	19,985
Investment Securities:			
U.S. Treasury	5,391	5,038	7,794
U.S. Government	110,813	108,994	66,104
State & political obligations	51,366	50,819	32,323
All others	3,578	8,112	12,724
Loans and leases	464,898	468,243	472,930
Bank premises and equipment-net	12,400	12,332	10,602
Accrued interest and other assets	14,154	12,100	10,100
TOTAL ASSETS	\$ 678,981	\$ 683,626	\$ 652,175
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES:			
Deposits:			
Demand	\$ 37,508	\$ 41,991	\$ 35,506
Time and savings	529,100	524,166	501,296
Federal funds purchased and securities sold under agreement to repurchase	19,737	26,539	22,714
Other borrowed money	17,071	17,410	20,565
Accrued interest and other liabilities	3,892	3,170	4,896
Total Liabilities	607,308	613,276	584,977
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	57,541	56,092	52,878
Accumulated other comprehensive income	1,455	1,581	1,643
Total Shareholders' Equity	71,673	70,350	67,198
LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 678,981	\$ 683,626	\$ 652,175

See Notes to Condensed Consolidated Unaudited Financial Statements.

Note: The December 31, 2001 Balance Sheet has been derived from the audited financial statements of that date.

FARMERS & MERCHANTS BANCORP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
for Months ended March 31, 2002 and 2001
(Unaudited)
(in thousands of dollars)

	Three Months Ended March 31, 2002	March 31, 2001
INTEREST INCOME:		
Loans and leases	\$ 9,086	\$ 10,822
Investment Securities:		
U.S. Treasury securities	72	123
Securities of U.S. Government agencies	1,351	969
Obligations of states and political subdivisions	569	388
Other	104	220
Federal funds	13	160
Deposits in banks	5	29
Total Interest Income	11,200	12,711
INTEREST EXPENSE:		
Deposits	4,667	6,039
Borrowed funds	349	847
Total Interest Expense	5,016	6,886
NET INTEREST INCOME BEFORE		
PROVISION FOR LOAN LOSSES	6,184	5,825
PROVISION FOR LOAN LOSSES	656	184
NET INTEREST INCOME AFTER		
PROVISION FOR LOAN LOSSES	5,528	5,641
OTHER INCOME:		
Service charges	437	438
Other	863	562
Net securities gains (losses)	50	153
	1,350	1,153
OTHER EXPENSES:		
Salaries and wages	1,908	1,783
Pension and other employee benefits	456	464
Occupancy expense (net)	108	122
Other operating expenses	1,833	1,675
	4,305	4,044
INCOME BEFORE FEDERAL INCOME TAX	2,573	2,750
FEDERAL INCOME TAXES	670	832
NET INCOME	1,903	1,918
OTHER COMPREHENSIVE INCOME (NET OF TAX):		
Unrealized gains (losses) on securities	(126)	748
COMPREHENSIVE INCOME	\$ 1,777	\$ 2,666
NET INCOME PER SHARE (Based upon		
weighted average number of shares outstanding of 1,300,000	\$ 1.46	\$ 1.48
DIVIDENDS DECLARED	\$ 0.35	\$ 0.35

See Notes to Condensed Consolidated Unaudited Financial Statements.

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

	Three Months Ended	
	March 31, 2002	March 31, 2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 1,903	\$ 1,918
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and amortization	365	284
Premium amortization	33	(75)
Discount amortization	(3)	(29)
Provision for loan losses	656	184
Provision for deferred income taxes	-	(113)
(Gain) loss on sale of fixed assets	(4)	(2)
(Gain) loss on sale of investment securities	(50)	(153)
Changes in Operating Assets and Liabilities:		
Accrued interest receivable and other assets	(2,054)	(479)
Accrued interest payable and other liabilities	722	877
Net Cash Provided by Operating Activities	1,568	2,412
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(429)	(530)
Proceeds from sale of fixed assets	-	-
Proceeds from maturities of investment securities:	12,557	7,805
Proceeds from sale of investment securities:	2,205	2,105
Purchase of investment securities-	(13,484)	(11,440)
Net increase in loans and leases	2,689	7,531
Net Cash Used by Investing Activities	3,538	5,471
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits	451	20,339
Net change in short-term borrowings	(6,802)	3,811
Increase in long-term borrowings	-	-
Payments on long-term borrowings	(339)	(10,221)
Payments of dividends	(455)	(455)
Net Cash Provided by Financing Activities	(7,145)	13,474
Net change in cash and cash equivalents	(2,039)	21,357
Cash and cash equivalents - Beginning of year	18,421	18,241
CASH AND CASH EQUIVALENTS - END OF THE YEAR	\$ 16,382	\$ 39,598
RECONCILIATION OF CASH AND CASH EQUIVALENTS:		
Cash and cash due from banks	\$ 13,435	\$ 19,513
Interest bearing deposits	571	100
Federal funds sold	2,375	19,985
	\$ 16,381	\$ 39,598

See Notes to Condensed Consolidated Unaudited Financial Statements.

FARMERS & 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, 2002 are not necessarily indicative of the results that are expected for the year ended December 31, 2002. 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, 2001.

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, 2002 comes primarily from net income from operations of \$1.9 million. This compares with net income of \$1.9 million for the same period in 2001. In addition, funds were purchased from correspondents, and the Federal Home Loan Bank when needed.

During the year loan balances were reduced by 3.3 million. This was primarily due to the payoff of several participation loans with another institution, and also the refinancing of variable rate mortgages that were on the banks books into fixed rate loans that were sold on the secondary market. This also added substantially to the banks liquidity position as is reflected by the amount of federal funds sold. Loan loss reserve was reduced during the quarter due to a large commercial charge off. The level of the reserve is still considered to be adequate to cover any additional loan losses.

The following is a summary of five capital ratios as they are calculated from the March 31, 2002 financial statements. As of March 31, 2002 the most recent notification from FDIC indicate the Bank was categorized as well capitalized under the regulatory framework for prompt corrective action. To remain categorized as well capitalized, the Bank will have to maintain minimum total risk-based, Tier I risk-based, and Tier 1 leverage ratios as disclosed in the table below. There are no conditions or events since the most recent notification that management believes have changed the Bank's prompt corrective action category.

Primary Ratio	11.33%
Total Capital Ratio	13.82%
Risk Based Capital Tier 1	15.65%
Risk Based Capital Tier 2	20.66%
Stockholders' Equity/Total Assets	10.56%

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 purposes other than trading such as loans, available for sales 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.

PART II

EXHIBIT AND REPORTS ON FORM 8-K

ITEM

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(B)

Reports on Form 8-K

No reports on Form 8-K were filed by the registrant during the quarter ended March 31, 2002

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: May 10, 2002

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

Date: May 10, 2002

By: /s/ Randal H. Schroeder
Randal H. Schroeder
Asst. Vice-President
and Senior Operations Officer