

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, 1998
OR
Transition Report Pursuant to Section 13 or 15(d)
--- of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commisison 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.)

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 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 August 1, 1998

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

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

	June 30, 1998	December 31, 1997	June 30, 1997
ASSETS:			
Cash and due from banks	\$ 13,699	\$ 16,213	\$ 14,126
Interest bearing deposits with banks	100	100	145
Federal funds sold	21,050	6,485	-
Investment Securities:			
U.S. Treasury	20,590	22,372	24,771
U.S. Government	33,275	31,313	31,137
State & political obligations	28,771	25,618	23,376
All others	24,361	20,584	17,799
Loans and leases	385,111	390,806	380,169
Bank premises and equipment-net	8,152	7,665	7,428
Accrued interest and other assets	7,373	7,117	7,501
TOTAL ASSETS	\$ 542,482	\$ 528,273	\$ 506,452
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES:			
Deposits:			
Demand	\$ 47,692	\$ 51,163	\$ 39,585
Time and savings	424,521	410,135	401,341
Federal funds purchased and securities sold under agreement to repurchase	2,833	2,598	6,457
Other borrowed money	10,922	11,292	8,651
Accrued interest and other liabilities	4,230	4,241	4,491
Total Liabilities	490,198	479,429	460,525
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	38,559	35,164	32,790
Accumulated other comprehensive income	1,048	971	460
Total Shareholders' Equity	52,284	48,844	45,927
LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 542,482	\$ 528,273	\$ 506,452

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)

	Three Months Ended		Six Months Ended	
	June 30, 1998	June 30, 1997	June 30, 1998	June 30, 1997
INTEREST INCOME:				
Loans and leases	\$ 8,932	\$ 8,457	\$ 17,842	\$ 16,857
Investment Securities:				
U.S. Treasury securities	337	385	676	773
Securities of U.S. Government agencies	473	521	954	1,062
Obligations of states and political subdivisions	353	308	691	609
Other	316	316	689	704
Federal funds	143	36	202	104
Deposits in banks	-	-	2	-
Total Interest Income	10,554	10,023	21,056	20,109
INTEREST EXPENSE:				
Deposits	5,223	5,081	10,441	10,105
Borrowed funds	238	340	456	716
Total Interest Expense	5,461	5,421	10,897	10,821
NET INTEREST INCOME BEFORE				
PROVISION FOR LOAN LOSSES	5,093	4,602	10,159	9,288
PROVISION FOR LOAN LOSSES	331	249	470	462
NET INTEREST INCOME AFTER				
PROVISION FOR LOAN LOSSES	4,762	4,353	9,689	8,826
OTHER INCOME:				
Service charges	347	274	644	569
Other	755	299	1,490	764
Net securities gains (losses)	-	(3)	0	(10)
	1,102	570	2,134	1,323
OTHER EXPENSES:				
Salaries and wages	1,227	861	2,501	2,100
Pension and other employee benefits	277	290	574	544
Occupancy expense (net)	125	323	246	634
Other operating expenses	1,312	1,005	2,581	1,971
	2,941	2,479	5,902	5,249
INCOME BEFORE FEDERAL INCOME TAX	2,923	2,444	5,921	4,900
FEDERAL INCOME TAXES	871	709	1,746	1,432
NET INCOME	2,052	1,735	4,175	3,468
OTHER COMPREHENSIVE INCOME (NET OF TAX):				
Unrealized gains (losses) on securities	77	248	45	(268)
COMPREHENSIVE INCOME	\$ 2,129	1,983	\$ 4,220	3,200
NET INCOME PER SHARE (Based upon				
weighted average number of shares outstanding of 1,300,000	\$ 1.58	\$ 1.33	\$ 3.21	\$ 2.67
DIVIDENDS DECLARED	\$ 0.30	\$ 0.25	\$ 0.60	\$ 0.50

See Notes to Condensed Consolidated Unaudited Financial Statements.

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

	June 30, 1998	June 30, 1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 4,175	\$ 3,468
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and amortization	351	326
Premium amortization	149	238
Discount amortization	(37)	(87)
Provision for loan losses	470	462
Provision for deferred income taxes	5	(27)
(Gain) loss on sale of fixed assets	7	-
(Gain) loss on sale of investment securities	-	10
Changes in Operating Assets and Liabilities:		
Accrued interest receivable and other assets	(261)	(390)
Accrued interest payable and other liabilities	(11)	756
Net Cash Provided by Operating Activities	4,848	4,756
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(845)	(178)
Proceeds from sale of fixed assets	-	-
Proceeds from maturities of investment securities:	7,111	51,934
Proceeds from sale of investment securities:	-	3,972
Purchase of investment securities-	(14,288)	(51,823)
Net increase in loans and leases	5,225	(11,412)
Net Cash Used by Investing Activities	(2,797)	(7,507)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits	10,915	2,549
Net change in short-term borrowings	235	(306)
Increase in long-term borrowings	-	-
Payments on long-term borrowings	(370)	(347)
Payments of dividends	(780)	(845)
Net Cash Provided by Financing Activities	10,000	1,051
Net change in cash and cash equivalents	12,051	(1,700)
Cash and cash equivalents - Beginning of year	22,798	15,971
CASH AND CASH EQUIVALENTS - END OF THE YEAR	\$ 34,849	\$ 14,271
RECONCILIATION OF CASH AND CASH EQUIVALENTS:		
Cash and cash due from banks	\$ 13,699	\$ 14,126
Interest bearing deposits	100	145
Federal funds sold	21,050	-
	\$ 34,849	\$ 14,271

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 June 30, 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 June 30, 1998 comes primarily from net income from operations of \$4.2 million and increases in deposits of \$10.9 million. This compares with net income of \$3.5 million and deposit increases of \$2.5 million for the same period for 1997. Total deposits as of June 30, 1998 were \$472 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.

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	10.63%
Total Capital Ratio	12.62%
Risk Based Capital Tier 1	14.08%
Risk Based Capital Tier 2	18.63%
Stockholders' Equity/Total Assets	9.64%

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 June 30, 1998.

3-MOS
DEC-31-1998
JAN-01-1998
JUN-30-1998
13,699
100
21,050
0
106,997
0
0
385,111
5,997
542,482
472,213
2,833
4,230
10,922
0
0
12,677
39,607
542,482
17,842
3,010
204
21,056
10,441
456
10,159
470
0
5,902
5,921
4,175
0
0
4,175
3.21
3.21
2.33
5,530
5,404
0
10,934
5,850
354
303
6,269
6,269
0
0