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FARMERS & MERCHANTS BANCORP INC

Form 10-Q

November 01, 2006

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2006

OR

Transition Report Pursuant to Section 13 or 15(d) 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
(State or other jurisdiction of
incorporation or organization)

34-1469491
(I.R.S Employer
Identification No.)

307-11 North Defiance Street, Archbold, Ohio
(Address of principal executive offices)

43502
(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 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 No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer ___ Accelerated filer Non-accelerated filer ___

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ___ 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 | 5,176,000 |
| Class | Outstanding as of October 25, 2006 |

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10Q

FARMERS & MERCHANTS BANCORP, INC.

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ITEM 1 FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(in thousands of dollars)

| | Sept 30, 2006 | Dec 31, |
|--------------------------------------------------------------------------------------------------------------------------------------|---------------|---------|
| | ----- | ----- |
| ASSETS: | | |
| Cash and due from banks | \$ 15,652 | \$ 20,0 |
| Interest bearing deposits with banks | 306 | 2,5 |
| Federal funds sold | 512 | |
| Investment Securities: | | |
| U.S. Treasury | 2,382 | 2,3 |
| U.S. Government | 113,558 | 138,3 |
| State & political obligations | 50,892 | 62,8 |
| All others | 4,004 | 3,8 |
| Loans and leases (Net of reserve for loan losses of \$5,716 & \$5,388 respectively) | 490,787 | 458,7 |
| Bank premises and equipment-net | 14,314 | 14,8 |
| Accrued interest and other assets | 16,042 | 17,3 |
| | ----- | ----- |
| TOTAL ASSETS | \$708,449 | \$720,9 |
| | ===== | ===== |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| LIABILITIES: | | |
| Deposits: | | |
| Noninterest bearing | \$ 50,889 | \$ 64,7 |
| Interest bearing | 505,733 | 511,5 |
| Federal funds purchased and securities sold under agreement to repurchase | 30,844 | 21,1 |
| Other borrowed money | 28,963 | 34,9 |
| Accrued interest and other liabilities | 5,432 | 5,9 |
| | ----- | ----- |
| Total Liabilities | 621,861 | 638,3 |
| SHAREHOLDERS' EQUITY: | | |
| Common stock, no par value - authorized 6,500,000 shares; issued 5,176,000 shares | 12,677 | 12,6 |
| Treasury Stock - 24,000 shares, Unearned stock awards 9,720 shares and for Dec. 31, 2005 - 80 shares, Unearned stock 3,920 shares | (569) | (1 |
| Undivided profits | 75,830 | 71,9 |
| Accumulated other comprehensive income (expense) | (1,350) | (1,9 |
| | ----- | ----- |
| Total Shareholders' Equity | 86,588 | 82,5 |

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LIABILITIES AND SHAREHOLDERS' EQUITY

\$708,449

\$720,9

=====

=====

See Notes to Condensed Consolidated Unaudited Financial Statements.

Note: The December 31, 2005 Balance Sheet has been derived from the audited financial statements of that date.

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

| | Three Months Ended | | Ni |
|--------------------------------------------------|--------------------|---------------|----------|
| | Sept 30, 2006 | Sept 30, 2005 | Sept 30, |
| INTEREST INCOME: | | | |
| Loans and leases | \$ 9,035 | \$ 7,794 | \$ 25, |
| Investment Securities: | | | |
| U.S. Treasury securities | 19 | 34 | |
| Securities of U.S. Government agencies | 1,045 | 960 | 3, |
| Obligations of states and political subdivisions | 515 | 508 | 1, |
| Other | 57 | 46 | |
| Federal funds | 57 | -- | |
| Deposits in banks | 3 | 42 | |
| | 10,731 | 9,384 | 31, |
| INTEREST EXPENSE: | | | |
| Deposits | 4,126 | 3,058 | 11, |
| Borrowed funds | 711 | 384 | 1, |
| Total Interest Expense | 4,837 | 3,442 | 13, |
| NET INTEREST INCOME BEFORE | | | |
| PROVISION FOR LOAN LOSSES | 5,894 | 5,942 | 17, |
| PROVISION FOR LOAN LOSSES | 652 | (352) | |
| NET INTEREST INCOME AFTER | | | |
| PROVISION FOR LOAN LOSSES | 5,242 | 6,294 | 17, |
| OTHER INCOME: | | | |
| Service charges | 977 | 1,041 | 2, |
| Other | 651 | 624 | 1, |
| Net securities gains (losses) | (1) | 5 | |
| | 1,627 | 1,670 | 4, |
| OTHER EXPENSES: | | | |
| Salaries and wages | 2,093 | 2,197 | 6, |
| Pension and other employee benefits | 599 | 585 | 1, |
| Occupancy expense (net) | 192 | 157 | |
| Other operating expenses | 1,079 | 1,976 | 5, |
| | 3,963 | 4,915 | 13, |
| INCOME BEFORE FEDERAL INCOME TAX | 2,906 | 3,049 | 8, |
| FEDERAL INCOME TAXES | 789 | 821 | 2, |
| | | | |

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| | | | |
|----------------------------------------------------|-----------|-----------|--------|
| NET INCOME | 2,117 | 2,228 | 6, |
| | ===== | ===== | ===== |
| OTHER COMPREHENSIVE INCOME (NET OF TAX): | | | |
| Unrealized gains (losses) on securities | 1,331 | (449) | |
| COMPREHENSIVE INCOME (EXPENSE) | \$ 3,448 | \$ 1,779 | \$ 6, |
| NET INCOME PER SHARE | \$ 0.41 | \$ 0.43 | \$ 1 |
| Based upon average weighted shares outstanding of: | 5,185,883 | 5,198,956 | 5,191, |
| DIVIDENDS DECLARED | \$ 0.15 | \$ 0.12 | \$ 0 |

No disclosure of diluted earnings per share is required as shares are antidiluted as of quarter end.

See Notes to Condensed Consolidated Unaudited Financial Statements.

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

| | Nine Months Ended | |
|-----------------------------------------------------------------------------------|-------------------|---------------|
| | Sept 30, 2006 | Sept 30, 2005 |
| | ----- | ----- |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 6,104 | \$ 6,464 |
| Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities: | | |
| Depreciation and amortization | 839 | 910 |
| Premium amortization | 535 | 890 |
| Discount amortization | (211) | (99) |
| Provision for loan losses | 617 | (461) |
| Provision (Benefit) for deferred income taxes | -- | 561 |
| (Gain) Loss on sale of fixed assets | 26 | 38 |
| (Gain) Loss on sale of investment securities | 9 | (5) |
| Changes in Operating Assets and Liabilities: | | |
| Accrued interest receivable and other assets | 1,061 | (1,412) |
| Accrued interest payable and other liabilities | (517) | 1,079 |
| | ----- | ----- |
| Net Cash Provided by Operating Activities | 8,463 | 7,965 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Capital expenditures | (305) | (472) |
| Net (increase) decrease in Federal Funds Sold | (512) | -- |
| Proceeds from sale of fixed assets | -- | -- |
| Proceeds from maturities of investment securities: | 37,457 | 25,118 |
| Proceeds from sale of investment securities: | 19,006 | -- |
| Purchase of investment securities | (19,336) | (38,679) |
| Net (increase) decrease in loans and leases | (32,700) | 12,378 |
| | ----- | ----- |
| Net Cash Provided (Used) by Investing Activities | 3,610 | (1,655) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net increase (decrease) in deposits | (19,675) | (10,219) |
| Net change in short-term borrowings | 9,686 | 1,957 |
| Increase in long-term borrowings | -- | 5,000 |

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| | | |
|--------------------------------------------------|-----------|-----------|
| Payments on long-term borrowings | (5,989) | (1,041) |
| Purchase of Treasury stock | (454) | -- |
| Payments of dividends | (2,272) | (1,885) |
| | ----- | ----- |
| Net Cash Provided (Used) by Financing Activities | (18,704) | (6,188) |
| | ----- | ----- |
| Net change in cash and cash equivalents | (6,631) | 122 |
| Cash and cash equivalents - Beginning of year | 22,589 | 24,256 |
| | ----- | ----- |
| CASH AND CASH EQUIVALENTS - END OF THE YEAR | \$ 15,958 | \$ 24,378 |
| | ===== | ===== |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS: | | |
| Cash and cash due from banks | \$ 15,652 | \$ 15,181 |
| Interest bearing deposits | 306 | 9,197 |
| | ----- | ----- |
| | \$ 15,958 | \$ 24,378 |
| | ===== | ===== |

See Notes to Condensed Consolidated Unaudited Financial Statements.

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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 nine months ended September 30, 2006 are not necessarily indicative of the results that are expected for the year ended December 31, 2006. 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, 2005.

The Company's Board of Directors declared a 4 for 1 stock split effective May 12, 2006. Therefore, all references in the financial statements and other disclosures related to the number of shares and per share amounts of the Company's stock have been retroactively restated to reflect the increased number of shares outstanding.

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

Statements contained in this portion of the Company's report may be forward-looking statements, as that term is defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of words such as "intend," "believe," "expect," "anticipate," "should," "planned," "estimated," and "potential." Such forward-looking statements are based on current expectations, but may differ materially from those currently anticipated due to a number of factors, which include, but are not limited to, factors discussed in documents filed by the Company with the Securities and Exchange Commission from time to time. Other factors which could have a material

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adverse effect on the operations of the company and its subsidiaries which include, but are not limited to, changes in interest rates, general economic conditions, legislative and regulatory changes, monetary and fiscal policies of the U.S. Government, including policies of the U.S. Treasury and the Federal Reserve Board, the quality and composition of the loan or investment portfolios, demand for loan products, deposit flows, competition, demand for financial services in the Bank's market area, changes in relevant accounting principles and guidelines and other factors over which management has no control. The forward-looking statements are made as of the date of this report, and the Company assumes no obligation to update the forward-looking statements or to update the reasons why actual results differ from those projected in the forward-looking statements.

CRITICAL ACCOUNTING POLICY AND ESTIMATES

The Company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, and the Company follows general practices within the industries in which it operates. At times the application of these principles requires Management to make assumptions estimates and judgments that affect the amounts reported in the financial statements. These assumptions, estimates and judgments are based on information available as of the date of the financial statements. As this information changes, the financial statements could reflect different assumptions, estimates and judgments. Certain policies inherently have a greater reliance on assumptions, estimates and judgments and as such have a greater possibility of producing results that could be materially different than originally reported. Examples of critical assumptions, estimates and judgments are when assets and liabilities are required to be recorded at fair value, when a decline in the value of an asset not required to be recorded at fair value warrants an impairment write-down or valuation reserve to be established, or when an asset or liability must be recorded contingent upon a future event.

Based on the valuation techniques used and the sensitivity of financial statement amounts to assumptions, estimates, and judgments underlying those amounts, management has identified the determination of the Allowance for Loan and Lease Losses (ALLL) and the valuation

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

of its Mortgage Servicing Rights as the accounting areas that requires the most subjective or complex judgments, and as such could be the most subject to revision as new information becomes available.

The ALLL represents management's estimate of credit losses inherent in the Bank's loan portfolio at the report date. The estimate is composite of a variety of factors including past experience, collateral value and the general economy. ALLL includes a specific portion, a formula driven portion, and a general nonspecific portion.

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.

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LIQUIDITY, CAPITAL RESOURCES AND MATERIAL CHANGES IN FINANCIAL CONDITION

Commercial loans grew again in the third quarter 2006 by \$2.6 million from the second quarter which showed a \$13 million improvement over the first quarter of 2006. Commercial real estate grew \$4.1 million in the third quarter 2006 which reflects a steady improvement also, as the second quarter also improved by \$3.9 million. The agricultural portfolio regained \$1.8 million of the \$3.2 million decline experienced in the second quarter 2006 period. Consumer loans slid downward by \$1.0 million which was very similar to the second quarter decline of \$1.2 million. Despite some declines quarter over quarter the total loan portfolio increased by \$5.6 million which improves the year to date increase by \$31.6 million for the year. The bank's goal is still to improve the total loan portfolio with quality loans. The average year to date loan to deposit ratio at third quarter end was 85.2 %, second quarter was at 83.6 %, first quarter was at 81.3 % and December 2005 was at 82.1% respectfully.

The past due ratios by quarter ends were September 0.80 %, for June at 0.73 %, for March at 1.16 % and month ended December 2005 at 1.37% respectfully. This continuous improvement in past due ratios reflects the importance of making good quality loans while increasing the loan portfolio mentioned above.

The bank was less aggressive in lowering the total securities portfolio in the third quarter with only a \$311 thousand change in the quarter. The second quarter decreased by \$22 million combined with the \$14 million first quarter for a total year to date amount of \$36.3 million to help to fund loan growth. This was a better alternative than raising more expensive money in the CD markets. The bank's assets grew by \$5.9 million over the second quarter but are still \$11.5 million lower than at year end December 2005.

Deposit production reversed direction in the third quarter increasing by \$13.3 million while the second quarter decreased by \$20 million and the first quarter was down \$13 million. The bank did not want to see any further CD monies leaving the bank as was experienced in the prior quarters. The bank continued to carry "special CD promotion programs" throughout the quarter. The bank focused on having or establishing a relationship (check) account tied to these CD programs.

The net interest margin for September was 3.68 %, June was 3.70 %, March dropped to 3.66 % and December 2005 was at 3.79 % respectfully. The Federal Reserve has chosen to not increase their rate and it is hoped that this trend will continue out into the future for awhile. The bank continues to focus it's attention on non-interest income and ways to reduce the non-interest expense side.

At the annual meeting in April of 2005 the stockholders approved a long term stock incentive plan for some of the employees of the bank. In September 2005 there was a Treasury stock award of a total 1000 shares (before stock split 4:1 or equivalent to 4000 shares after) made under the provisions of the plan. In September 2006 there was a second award of 6000 shares to some employees, again based on the provision of the plan. The awards carry a three year cliff vesting stipulation and the employees also receive dividend equivalent compensation over that time period on their portion of stock awards.

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

MATERIAL CHANGES IN RESULTS OF OPERATIONS

The income statement shows the effects of the tightening of the interest margin.

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Interest income for the nine months ended September 2006 was \$31.2 million while the nine months ended September 2005 was \$27.9 million. The \$3.3 million increase reflects the increase in the loan portfolio balances and repricing with higher loan rates. This is however off set by increased interest rates on deposits of \$3.7 million for a net interest decrease of \$400 thousand over the nine months ended September year to year.

Total non interest income reflects a 2.5% increase over the nine months of September 2006 and September 2005. The primary contributions to the \$120 thousand increase were in customer service fees, overdraft checking charges and gain on sale of assets.

The total non interest expense reflects only a 0.7% increase or \$102 thousand for the nine months ended September 2006 to September 2005 time frames. Employee fringe benefit costs increased by \$147 thousand, primarily in the employee health expenses. Consulting fees on the overdraft checking program are higher for the nine months ended September 2006 compared to September 2005. Auditing & examinations were \$104 thousand lower in the quarter ended September 2006 when compared to September 2005 which included additional costs related to the implementation of internal control over financial reporting requirements mandated by the Sarbanes-Oxley Act. FDIC assessments were \$91 thousand less due to lower rates in the current year.

A refinement in the methodology for the Allowance for Credit Losses has been adopted and implemented in the September financials. The end result was an entry to decrease the unfunded allowance (representing income) and an increase to the allowance for loan loss (representing an expense). The allowance for overdraft losses methodology remained unchanged. Year to date the net impact to the allowance for credit losses running through the income statement has been an increase to income of \$75 thousand.

The company continues to be well-capitalized as the capital ratios below show:

| | |
|-----------------------------------|--------|
| Primary Ratio | 13.24% |
| Tier I Leverage Ratio | 12.41% |
| Risk Based Capital Tier 1 | 16.53% |
| Total Risk Based Capital | 17.63% |
| Stockholders' Equity/Total Assets | 12.22% |

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

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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 rate shock as shown in the table following.

Interest Rate Shock on
Net Interest Margin

Interest Rate Shock on
Net Interest Income

| Net Interest Margin (Ratio) | % Change to Flat Rate | Rate Direction | Rate Changes by | Cumulative Total (\$000) | % Change to Flat Rate |
|--------------------------------|--------------------------|-------------------|--------------------|-----------------------------|--------------------------|
| ----- | ----- | ----- | ----- | ----- | ----- |
| 3.57% | -10.979% | Rising | 3.000% | 19,301 | -9.895% |
| 3.72% | -7.283% | Rising | 2.000% | 20,012 | -6.577% |
| 3.86% | -3.623% | Rising | 1.000% | 20,719 | -3.279% |
| 4.01% | 0.000% | Flat | 0.000% | 21,421 | 0.000% |
| 4.07% | 1.476% | Falling | -1.000% | 21,640 | 1.024% |
| 4.10% | 2.398% | Falling | -2.000% | 21,545 | 0.580% |
| 4.12% | 2.731% | Falling | -3.000% | 21,311 | -0.515% |

Loan growth during the quarter of over \$6 million was funded with certificate of deposit money of over \$13 million, lowering the net interest margin at the flat rate to 4.01% compared to 4.08% at end of June 2006. Growth in the certificate of deposit market coupled with repricing increased the cost of funds greater than the increase on the earning assets. The risk for rising rates is slightly greater than the gain represented from rates being lowered. The shock report actually shows improvement to earnings in two scenarios of decreasing rates. The prime rate remained unchanged during the third quarter and the interest rate shown in the flat rate environment represents an improvement over the 12 month period as compared to the current net interest margin.

The net interest margin represents the forecasted twelve month margin. The predicted rates are higher than the current net interest margin in the flat and 25 basis point adjustment buckets indicating the bank should continue to see improvement in the net interest margin. Overall, the risk to the bank is within policy at all shock levels. The Company remains committed to improve profitability through growth, both within the loan portfolio and in core deposits. Changing the mix and yields to improve profitability is the strategy the Company will continue to follow for the remainder of the year.

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ITEM 4 CONTROLS AND PROCEDURES

As of September 30, 2006, 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 September 30, 2006. There have been no significant changes in the Company's internal controls that occurred for the quarter ended September 30, 2006.

PART II

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ITEM 1 LEGAL PROCEEDINGS

None

ITEM 1A There have been no material changes in the risk factors disclosed by Registrant in its Report on Form 10-K for the fiscal year ended December 31, 2005.

ITEM 2 UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

| Period | (a) Total Number of Shares Purchased | (b) Average Price Paid per Share | (c) Total Number of Shares Purchased as Part of Publicly Announced Plan or Programs | (d) Maxim that may ye the PL |
|------------------------------|-----------------------------------------|-------------------------------------|-------------------------------------------------------------------------------------------|------------------------------------|
| 7/1/2006 to 7/30/2006 | -- | -- | -- | |
| 8/01/2006 to 8/31/2006 | 2,500 | \$23.25 | 2,500 | |
| 9/01/2006 to 9/30/2006 | 10,500 | \$22.13 | 10,500 | |
| Total | 13,000 ===== | \$22.35 ===== | 13,000(1) ===== | |

(1) The Company purchased these shares pursuant to a stock repurchase program publicly announced on December 19, 2005. On that date, the Board of Directors authorized the repurchase of 5,000 common shares between January 1, 2006 and December 31, 2006.

(2) The four-for one stock split effected by the Board of Directors on May 12, 2006 effectively increased the aggregate number of shares authorized for repurchase to 20,000.

ITEM 3 DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITIES HOLDERS

None

ITEM 5 OTHER INFORMATION

ITEM 6 EXHIBITS

3.1 Amended Articles of Incorporation of the Registrant (incorporated by reference to Registrant's Quarterly Report on Form 10-Q filed with the Commission on August 1, 2006)

3.2 Code of Regulations of the Registrant (incorporated by reference to Registrant's Quarterly Report on Form 10-Q filed with the Commission on May 10, 2004)

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31.1 Rule 13-a-14(a) Certification -CEO

31.2 Rule 13-a-14(a) Certification -CFO

32.1 Section 1350 Certification - CEO

32.2 Section 1350 Certification - CFO

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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: October 25, 2006

By: /s/ Paul S. Siebenmorgen

Paul S. Siebenmorgen
President and CEO

Date: October 25, 2006

By: /s/ Barbara J. Britenriker

Barbara J. Britenriker
Exec. Vice-President and CFO

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Exhibit Index

| Exhibit No. | Description |
|-------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ----- | ----- |
| 3.1 | Amended Articles of Incorporation of the Registrant (incorporated by reference to Registrant's Quarterly Report on Form 10-Q filed with the Commission on August 1, 2006) |
| 3.2 | Code of Regulations of the Registrant (incorporated by reference to Registrant's Quarterly Report on Form 10-Q filed with the Commission on May 10, 2004) |
| 31.1 | Rule 13-a-14(a) Certification -CEO |
| 31.2 | Rule 13-a-14(a) Certification -CFO |
| 32.1 | Section 1350 Certification - CEO |
| 32.2 | Section 1350 Certification - CFO |