

FARMERS & MERCHANTS BANCORP
Form 10-Q
May 06, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

T QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2010

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: 000-26099

FARMERS & MERCHANTS BANCORP
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

94-3327828
(I.R.S. Employer
Identification No.)

111 W. Pine Street, Lodi, California
(Address of principal Executive offices)

95240
(Zip Code)

Registrant's telephone number, including area code (209) 367-2300

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 T No £

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes £ No £

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one):

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Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Number of shares of common stock of the registrant: Par value \$0.01, authorized 20,000,000 shares; issued and outstanding 780,944 as of April 30, 2010.

FARMERS & MERCHANTS BANCORP

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

FARMERS & MERCHANTS BANCORP
Consolidated Balance Sheets (Unaudited)
(in thousands)

| | March 31, 2010 | December 31, 2009 | March 31, 2009 |
|--|-------------------|----------------------|-------------------|
| Assets | | | |
| Cash and Cash Equivalents: | | | |
| Cash and Due From Banks | \$29,575 | \$ 32,660 | \$37,289 |
| Federal Funds Sold and Securities Purchased Under Agreements to Resell | 63,937 | 1,972 | 112,023 |
| Total Cash and Cash Equivalents | 93,512 | 34,632 | 149,312 |
| Investment Securities: | | | |
| Available-for-Sale | 327,855 | 365,549 | 262,308 |
| Held-to-Maturity | 69,218 | 69,617 | 70,953 |
| Total Investment Securities | 397,073 | 435,166 | 333,261 |
| Loans | 1,165,998 | 1,212,718 | 1,168,738 |
| Less: Allowance for Loan Losses | 33,192 | 29,813 | 20,500 |
| Loans, Net | 1,132,806 | 1,182,905 | 1,148,238 |
| Premises and Equipment, Net | 24,697 | 24,887 | 22,406 |
| Bank Owned Life Insurance | 44,209 | 43,759 | 42,418 |
| Interest Receivable and Other Assets | 59,596 | 59,665 | 36,175 |
| Total Assets | \$1,751,893 | \$ 1,781,014 | \$1,731,810 |
| Liabilities | | | |
| Deposits: | | | |
| Demand | \$289,012 | \$ 324,073 | \$267,936 |
| Interest Bearing Transaction | 170,555 | 180,570 | 143,688 |
| Savings | 452,607 | 414,285 | 370,470 |
| Time | 573,880 | 579,196 | 694,287 |
| Total Deposits | 1,486,054 | 1,498,124 | 1,476,381 |
| Securities Sold Under Agreements to Repurchase | 60,000 | 60,000 | 60,000 |
| Federal Home Loan Bank Advances | 635 | 20,149 | 690 |
| Subordinated Debentures | 10,310 | 10,310 | 10,310 |
| Interest Payable and Other Liabilities | 25,408 | 27,704 | 22,946 |
| Total Liabilities | 1,582,407 | 1,616,287 | 1,570,327 |
| Shareholders' Equity | | | |
| Common Stock | 8 | 8 | 8 |
| Additional Paid-In Capital | 76,198 | 76,198 | 76,839 |
| Retained Earnings | 89,817 | 83,767 | 78,284 |
| Accumulated Other Comprehensive Income | 3,463 | 4,754 | 6,352 |
| Total Shareholders' Equity | 169,486 | 164,727 | 161,483 |
| Total Liabilities and Shareholders' Equity | \$1,751,893 | \$ 1,781,014 | \$1,731,810 |

The accompanying notes are an integral part of these unaudited consolidated financial statements

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FARMERS & MERCHANTS BANCORP

Consolidated Statements of Income (Unaudited)

(in thousands except per share data)

| | Three Months Ended March 31, | |
|---|---------------------------------|-----------|
| | 2010 | 2009 |
| Interest Income | | |
| Interest and Fees on Loans | \$ 18,081 | \$ 18,661 |
| Interest on Federal Funds Sold and Securities Purchased Under Agreements to Resell | 20 | 33 |
| Interest on Investment Securities: | | |
| Taxable | 2,661 | 3,491 |
| Exempt from Federal Tax | 712 | 743 |
| Total Interest Income | 21,474 | 22,928 |
| Interest Expense | | |
| Deposits | 1,976 | 4,231 |
| Borrowed Funds | 539 | 539 |
| Subordinated Debentures | 80 | 119 |
| Total Interest Expense | 2,595 | 4,889 |
| Net Interest Income | 18,879 | 18,039 |
| Provision for Loan Losses | 4,115 | 870 |
| Net Interest Income After Provision for Loan Losses | 14,764 | 17,169 |
| Non-Interest Income | | |
| Service Charges on Deposit Accounts | 1,596 | 1,612 |
| Net Gain (Loss) on Investment Securities | 2,846 | 1,020 |
| Increase in Cash Surrender Value of Life Insurance | 450 | 453 |
| Debit Card and ATM Fees | 599 | 504 |
| Net Gain (Loss) on Deferred Compensation Investments | 195 | (51) |
| Other | 557 | 620 |
| Total Non-Interest Income | 6,243 | 4,158 |
| Non-Interest Expense | | |
| Salaries and Employee Benefits | 7,274 | 7,304 |
| Net Gain (Loss) on Deferred Compensation Investments | 195 | (51) |
| Occupancy | 640 | 709 |
| Equipment | 601 | 699 |
| ORE Holding Costs | 404 | 505 |
| FDIC Insurance | 801 | 1,126 |
| Other | 1,438 | 1,683 |
| Total Non-Interest Expense | 11,353 | 11,975 |
| Income Before Income Taxes | 9,654 | 9,352 |
| Provision for Income Taxes | 3,604 | 3,418 |
| Net Income | \$ 6,050 | \$ 5,934 |
| Earnings Per Share | \$ 7.75 | \$ 7.55 |

The accompanying notes are an integral part of these unaudited consolidated financial statements

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FARMERS & MERCHANTS BANCORP

Consolidated Statements of Comprehensive Income (Unaudited)

(in thousands)

| | Three Months Ended March 31, | |
|---|---------------------------------|---------|
| | 2010 | 2009 |
| Net Income | \$6,050 | \$5,934 |
| Other Comprehensive Income - | | |
| Unrealized Gains on Securities: | | |
| Unrealized holding gains arising during the period, net of income tax benefits of \$259 and \$931 for the quarters ended March 31, 2010 and 2009, respectively. | 358 | 1,283 |
| Less: Reclassification adjustment for realized gains included in net income, net of related income tax effects of \$(1,197) and \$(429) for the quarters ended March 31, 2010 and 2009, respectively. | (1,649) | (591) |
| Total Other Comprehensive Income | (1,291) | 692 |
| Comprehensive Income | \$4,759 | \$6,626 |

The accompanying notes are an integral part of these unaudited consolidated financial statements

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FARMERS & MERCHANTS BANCORP

Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

(in thousands except share data)

| | Common Shares Outstanding | Common Stock | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive Income | Total Shareholders' Equity |
|----------------------------|---------------------------------|-----------------|----------------------------------|----------------------|---|----------------------------------|
| Balance, December 31, 2008 | 786,960 | \$8 | \$78,527 | \$72,350 | \$ 5,660 | \$ 156,545 |
| Net Income | | - | - | 5,934 | - | 5,934 |
| Repurchase of Stock | (4,395) | | | | | |