

# Annual Report 2020



Farmers and Merchants Bancshares, Inc.

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# President's Message



To say that 2020 was one for the books would be an understatement! The pandemic and related events were some of the toughest circumstances Americans have faced in generations. I'm proud to say that during a year of uncertainty and heartbreaking losses, our community stuck together to overcome the challenges. If there was ever a time when F&M Bank exemplified a true community bank, this year was it. We remained committed to building relationships and taking care of our clients, solidifying our role in Burlington and the surrounding communities as a source of strength when it was needed the most.

In March of 2020, along with the rest of the world, we had to dramatically change the way we do business. The Bank closed lobbies and served clients by appointment only using social distancing and requiring masks; we separated team members by department, asking some to work remotely while some continued to come to the office every day. Regardless of where they were, the staff was working diligently to make

sure our clients' needs were met. Using the technology that we already had, we were able to serve clients via telephone, through online channels, and by in person appointments when it was necessary. We offered clients deferred payments on loans, checked on our small business owners and offered help in applying for the Small Business Administration's Paycheck Protection Program loans, and took other measures to help our clients keep going when times were tough.

Throughout the pandemic F&M Bank continued to adapt to the ever-changing nature of the situation. We reopened lobbies for a time with every possible safety measure in place to keep our clients and our staff healthy, only to have to make the difficult decision to close again when COVID-19 positive cases ramped up locally. In 2020 we were also faced with the need to reduce the number of bank staff members on a more permanent basis; while this was a very difficult decision to make, it was a necessary step as we navigated making the bank as efficient as possible during the pandemic and for continued success into the future.

In spite of the adverse conditions presented by the pandemic, the Bank's financial condition remained solid during 2020 due to sound oversight by the Board of Directors and a pro-active management team. In light of the challenges we faced, it's especially satisfying to share with you the following financial highlights from 2020:

Farmers and Merchants Bancshares, Inc. (Company) had strong growth for 2020. Net income for 2020 totaled \$1,188,432 or \$4.44 per share, compared to net income of \$169,261 or \$0.64 per share in 2019.

The primary reason for the increased earnings was increased loan interest income and related fee income as well as bank owned life insurance income.

The Company again experienced good growth in 2020 with total assets ending the year at \$229,635,867. Total deposits increased \$29.3 million or 16% year over year as a result of both new deposit products and clients saving more money in deposit accounts due to the pandemic.

The Four Points Financial and Trust Services area of the bank under the umbrella of Integrated Financial Resources (IFR) had a surprisingly good year despite markets down as much as 30% in the late spring of 2020. Assets under Management (AUM) increased by \$16.2 million or 7% and the area contributed significantly to the bottom line of the bank with \$162,903 of net income after taxes. Trust and brokerage accounts grew 5% in 2020 adding \$8.6 million of net new AUM.

Stockholders' equity was \$15,505,703 at year-end 2020 with a Book Value per share of \$57.27, which was an 11% increase from a year ago. Once again we were able to return to you, our shareholders, through two cash dividends of \$0.50 per shares, a total of \$1.00 per share in 2020.

Our capital ratios continue to exceed "Well Capitalized" levels with the Company's Tier 1 Leverage ratio at 8.6% and the Total Risk-Based Capital ratio at 17.0% as of December 31, 2020. In addition, the Company's liquidity position remains favorable due to our strong core deposit base.

While I am very pleased with the financial achievements of the bank in 2020, I'm most proud of the flexibility of the whole F&M Bank team during an unprecedented time. While we couldn't gather together to support each other as a community in traditional ways, our staff members and management still volunteered their time throughout the community to the tune of 1,758 hours in 2020. I think that speaks volumes to who we are and what we care about at F&M Bank. Rest assured that we will move forward with optimism for our country and our community as we continue to care for our clients and each other.

On behalf of the F&M Bank team, I would like to take this opportunity to thank you, our shareholders, for your continued support. We couldn't do this without you.

I look forward to seeing you at our annual meeting in May.

Sincerely,



Charles E. Walsh  
President



# Financials

## Balance Sheets

<b>Assets</b>	<b>12/31/2020</b>	<b>12/31/2019</b>
Cash	\$22,003	\$21,283
Investments	60,651	28,482
Net Loans	129,709	133,754
All Other Assets	17,273	16,683
<b>TOTAL ASSETS</b>	<b>\$229,636</b>	<b>\$200,202</b>
<b>Liabilities</b>		
Total Deposits	\$208,192	\$178,852
All Other Liabilities	5,938	7,445
<b>TOTAL LIABILITIES</b>	<b>\$214,130</b>	<b>\$186,297</b>
<b>Capital</b>		
Total Capital Accounts	15,506	13,905
<b>TOTAL LIABILITIES AND CAPITAL</b>	<b>\$229,636</b>	<b>\$200,202</b>

## Income Statements

Total Interest and Dividend Income	\$7,665	\$7,043
Total Interest Expense	(941)	(1,012)
Provision for Loan Losses	(700)	(408)
<b>Net Interest Income After Provision for Loan Losses</b>	<b>\$6,024</b>	<b>\$5,623</b>
Total Non-Interest Income	3,561	2,822
Total Non-Interest Expense	(8,234)	(8,314)
Income (Loss) Before Income Taxes	\$1,351	\$131
Income Tax Benefit (Expense)	(163)	38
<b>NET INCOME (LOSS)</b>	<b>\$1,188</b>	<b>\$169</b>

These summary financial statements are derived from the Company's audited consolidated financial statements, which are prepared in accordance with auditing standards generally accepted in the United States of America.

Crowe LLP is the Company's independent auditor. The Company's audited consolidated financial statements are available upon written request to Farmers and Merchants Bancshares, Inc., P.O. Box 928, Burlington, Iowa 52601.

# Organizational Chart

## Farmers and Merchants Bancshares, Inc.

Established in 1993, is a Holding Company consisting of  
185 shareholders representing 267,931 shares owning  
100% of Farmers & Merchants Bank & Trust, Burlington, Iowa

## Farmers & Merchants Bank & Trust

Established in 1916, is a financial institution  
whose primary market area is  
Des Moines and Louisa Counties, Iowa

## Farmers and Merchants Building Corporation Burlington, Iowa

Owned 100% by Farmers & Merchants Bank & Trust, Burlington, Iowa  
The Building Corporation is the Bank's real estate management company.

## Farmers and Merchants Community Foundation

A separate entity founded and organized by Bank employees in 2008.

The Foundation's purpose is to obtain donations of school supplies and funds to help area teachers in Des Moines County, Iowa; to provide scholarships for post-secondary education to graduates of Des Moines County schools and to participate in fundraising efforts with other charitable organizations.

**Monetary donations can be sent to:**  
Farmers and Merchants Community Foundation, Inc.  
PO Box 928  
Burlington, IA 52601



Farmers and Merchants Bancshares, Inc.  
221 Jefferson Street  
P.O. Box 928  
Burlington, Iowa 52601

319-754-BANK or 888-331-BANK  
[fmbanktrust.bank](http://fmbanktrust.bank)