



Farmers and Merchants Bancshares, Inc.

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# President's Message



Farmers and Merchants Bancshares, Inc. (Company) had positive growth for 2019. Net income for 2019 totaled \$169,261 or \$0.64 per share, compared to a net loss of \$50,071 or \$0.19 per share in 2018. The primary reason for the increased earnings was improved asset quality, which resulted in reduced provision for loan losses expense.

The Company experienced good growth in 2019 with total assets ending the year at \$200,201,841. Total deposits increased \$16.2 million or 10% year over year as the new deposit products introduced in 2019 resulted in an influx of new deposit accounts and funds. Total loan balances were \$135,247,069 at year-end 2019 and grew \$2.0 million or 1% year over year.

The Four Points Financial and Trust Services area of the bank under the umbrella of Integrated Financial Resources (IFR) had a great year in 2019 exceeding budget forecast for Assets under Management (AUM) growth, new account growth, and net income after taxes. IFR contributed significantly to the bottom line of the bank with \$215,364 of net income after taxes. Assets under Management (AUM) increased by \$32.1 million from 2018 and finished at \$248.3 million. Trust and brokerage opened up 156 new accounts in 2019, while operating margins remained strong at 17.8%.

Stockholders' equity was \$13,905,373 at year-end 2019 with a Book Value per share of \$52.20. Once again, we were able to return to you our shareholders, through two cash dividends of \$0.50 per share, a total of \$1.00 per share in 2019.

Our capital ratios continue to exceed "Well Capitalized" levels with the Company's Tier 1 Leverage ratio at 9.3% and the Total Risk-Based Capital ratio at 15.4% as of December 31, 2019. In addition, the Company's liquidity position remains favorable due to our strong core deposit base.

As I look back on 2019, I take great pride in being part of the only real community bank in Burlington, Iowa, servicing it along with the surrounding towns in our market area. Being part of our community is what sets us apart from the bigger banks. We love to get someone started in their new business, help someone purchase a new home or educate our children through our financial literacy programs. We have established deep roots in the community and helped to build this strong community. Faces may have changed through the years but our core values remain the same. We will continue to be a real community bank, dedicated to the place that we call home.

## Highlights of 2019 include the following:

- The Bank partnered with many nonprofit organizations by donating \$95,799 in 2019 and our employees donated an additional \$7,749 through a payroll deduction program. Beyond the financial contributions, F&M employees gave over 4,200 hours of volunteer work in our community during 2019. Some of the volunteerism included coaching youth sports teams, serving on Boards of non-profit groups and helping to organize community events.
- The F&M Community Foundation complemented these community efforts by raising more than \$23,611. This total was an increase of \$2,000 from 2018. The money was used to help purchase school supplies that benefit Burlington, West Burlington and Mediapolis teachers and their students. The F&M Foundation also partnered with Case New Holland employees who helped collect tissues and hand sanitizer. The partnership was so successful that the products were able to be distributed multiple times throughout the year.
- The F&M Navigators hosted two events. The first program was presented by Air Choice One which offers Burlington the opportunity to connect to large travel hubs such as St. Louis, Chicago and Minneapolis. President & CEO, Shane Storz along with Brian Kinsey, Airport Assistant Marketing & Business Development from St. Louis International Airport gave an overview of the history of Air Choice One and addressed where they see their business going in the future. The second program was presented by Mona Ash, Director of Bridges Out of Poverty. This organization's purpose is to unify a community to impact the futures of neighbors and friends who are caught trying to survive in the daily struggles of poverty. Both of these events were unique, allowing our clients and guests to learn more about a small business and a local non-profit in our community.
- The Financial Literacy Department was active operating F&M Kids Banks in eight schools, F&M Teen Banks in four schools, the After School Program and the Summer Enrichment Program. In 2019, a weekly F&M Kids Homeschool Bank, staffed with homeschooled students began at our West Burlington location.
- The Bank continually provides innovative products and services to our clients. 2019 marked a big year for the launch of our new F&M website. This interactive site allows clients the ability to apply for loans and open accounts online. We also began offering new accounts which include the F&M Young Farmers, F&M Campus Account, F&M Interest Account, F&M My Way, and F&M 50+. Another new product we added was Zelle. Zelle is a money exchange service from person to person via a mobile phone app. In the technology division, we replaced all of our PCs and upgraded them to a Windows 10 operating system. We also upgraded all of our servers.

We will stay the course with optimism in 2020. We are more than just numbers and we look forward to many more years supporting and making a positive impact on our community. On behalf of our team, thank you for your continued support and for being a part of our history!

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

Sincerely,



Charles E. Walsh  
President

# Financials

## Balance Sheets

<b>Assets</b>	<b>12/31/2019</b>	<b>12/31/2018</b>
Cash	\$21,283	\$6,972
Investments	28,482	33,123
Net Loans	133,754	131,517
All Other Assets	16,683	15,818
<b>TOTAL ASSETS</b>	<b>\$200,202</b>	<b>\$187,430</b>
<b>Liabilities</b>		
Total Deposits	\$178,852	\$162,620
All Other Liabilities	7,445	11,676
<b>TOTAL LIABILITIES</b>	<b>\$186,297</b>	<b>\$174,296</b>
<b>Capital</b>		
Total Capital Accounts	13,905	13,134
<b>TOTAL LIABILITIES AND CAPITAL</b>	<b>\$200,202</b>	<b>\$187,430</b>

## Income Statements

Total Interest and Dividend Income	\$7,043	\$6,776
Total Interest Expense	(1,012)	(596)
Provision for Loan Losses	(408)	(1,115)
<b>Net Interest Income After Provision for Loan Losses</b>	<b>\$5,623</b>	<b>\$5,065</b>
Total Non-Interest Income	2,822	2,715
Total Non-Interest Expense	(8,314)	(7,901)
Income (Loss) Before Income Taxes	\$131	\$(121)
Income Tax Benefit (Expense)	38	71
<b>NET INCOME (LOSS)</b>	<b>\$169</b>	<b>\$(50)</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  
186 shareholders representing 266,406 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)