FARMERS & MERCHANTS BANCORP
Form S-4/A
September 07, 2016

As filed with the Securities and Exchange Commission on September 7, 2016
Registration No. 333-213337

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

Amendment No. 1 to
FORM S-4

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

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

Delaware	6022	94-3327828
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code No.)	(I.R.S. Employer Identification No.)

111 West Pine Street
Lodi, California 95240
(209) 367-2300
(Address, including zip code and telephone number, including area code, of Registrant's principal executive offices)

Kent A. Steinwert
Farmers & Merchants Bancorp
Chairman, President and Chief Executive Officer
111 West Pine Street
Lodi, California 95240
(209) 367-2300
(Name, address, including zip code, and telephone number, including area code, of agent for service)

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with a copy to:

John F. Stuart, Esq.	S. Alan Rosen, Esq.
Stuart | Moore	Horgan, Rosen, Beckham & Coren, L.L.P.
641 Higuera Street, Suite 302	23975 Park Sorrento, Suite 200
San Luis Obispo, CA 93401	Calabasas, California 91302- 4001
(805) 545-8590	(818) 591-2121

Approximate date of commencement of proposed sale to the public: As soon as practicable following the effectiveness of this Registration Statement, satisfaction or waiver of the other conditions to closing of the merger described herein, and consummation of the merger.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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 the definitions of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b 2 of the Exchange Act. (Check one):

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

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:
Exchange Act Rule 13e 4(i) (Cross Border Issuer Tender Offer)
Exchange Act Rule 14d 1(d) (Cross Border Third Party Tender Offer)

Calculation of Registration Fee

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share or Unit(2)	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee
Common Stock, $0.01 par value per share	12,074	N/A	$7,244,400	$ 730.00 (3)

(1) Represents the maximum number of shares of Farmers & Merchants Bancorp (“F&M Bancorp”) common stock which could be issued in the merger with Delta National Bancorp (“Delta Bancorp”), based upon the conversion ratio as set forth in the Agreement and Plan of Reorganization dated as of June 8, 2016 (the “merger agreement”).
(2) Estimated solely for the purposes of calculating the registration fee and computed pursuant to Rule 457(c) and 457(f)(1) of the Securities Act. The proposed maximum aggregate offering price is equal to the product of (a) $600.00, and (b) the maximum number of shares of F&M Bancorp common stock to be issued pursuant to the merger agreement.
(3) Previously paid.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this document is not complete and may be changed. We may not sell the securities offered by this document until the registration statement filed with the Securities and Exchange Commission is effective. This document is not an offer to sell these securities, and we are not soliciting an offer to buy these securities, in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED SEPTEMBER 7, 2015

PROXY STATEMENT/PROSPECTUS

Proxy Statement of Delta National Bancorp

Prospectus of Farmers & Merchants Bancorp

MERGER PROPOSED — YOUR VOTE IS VERY IMPORTANT

To the Shareholders of Delta National Bancorp:

Delta National Bancorp ("Delta Bancorp") will hold its annual meeting of shareholders on Monday, October 17, 2016, at 5:00 p.m. (local time), at Delta Bank, National Association, 611 North Main Street, Manteca, California 95336. At the annual meeting, you will be asked to consider and to vote upon the following matters:

- The approval of a merger agreement providing for the merger of Delta National Bancorp with and into Farmers & Merchants Bancorp, as described in more detail herein;
- The election of five (5) directors;
- The ratification of Richardson & Company, LLP as Delta Bancorp's independent public accounting firm for 2016; and
- A proposal to adjourn or postpone the annual meeting, if necessary or appropriate, including to solicit additional proxies to approve the merger agreement.

On June 8, 2016, Delta Bancorp entered into an Agreement and Plan of Reorganization (the "merger agreement") with Farmers & Merchants Bancorp (F&M Bancorp") that provides for the merger of the two companies. If approved by Delta Bancorp shareholders, under the merger agreement Delta Bancorp will merge with and into F&M Bancorp (the "merger"), and Delta Bancorp's wholly-owned bank subsidiary, Delta Bank, National Association ("Delta Bank"), will merge with and into Farmers & Merchants Bank of Central California ("F&M Bank"), F&M Bancorp's wholly-owned bank subsidiary (the "bank merger").

If the merger is approved and consummated, holders of Delta Bancorp common stock will, subject to receiving cash in lieu of fractional shares, be entitled to receive, in exchange for each share of Delta Bancorp common stock, 0.031748 shares of F&M Bancorp Common Stock, and holders of Delta Bancorp preferred stock will be entitled to receive, in exchange for each share of Delta Bancorp preferred stock, cash in the amount of $19.827 per share of Delta Bancorp preferred stock without further interest or dividend.

The market value of the merger consideration may fluctuate with the market price of F&M Bancorp common stock and will not be known at the time Delta Bancorp shareholders vote on the merger. Based on the $[*] per share closing price of F&M Bancorp's common stock on the OTCQX Market on September 7, 2016, the last practicable date before the date of this proxy statement/prospectus, the value of the per share merger consideration payable to holders of Delta

Bancorp common stock was approximately $[*] million and the cash payment to the holders of Delta Bancorp preferred stock will be approximately $2.18 million, for an aggregate merger consideration approximating $[*] million. We urge you to obtain current market quotations for F&M Bancorp common stock (OTCQX Market trading symbol “FMCB”) because the value of the per share merger consideration will fluctuate.

As of August 26, 2016, the record date for the Delta Bancorp annual meeting of shareholders, there were 380,303 shares of Delta Bancorp common stock outstanding and entitled to vote and there were 110,000 shares of Delta Bancorp preferred stock outstanding and entitled to vote.

Based on the 380,303 shares of common stock outstanding, F&M Bancorp will issue a maximum of 12,074 shares of common stock to holders of Delta Bancorp common stock before taking into account any fractional shares; provided, however, holders of Delta Bancorp common stock entitled to receive fractional interests of F&M Bancorp common stock will be paid cash instead at the rate of $545.00 per whole share of F&M Bancorp common stock. Accordingly, the exact number of shares of F&M Bancorp common stock that will be issued in the merger will be dependent on the number of fractional interests resolved for cash.

This document, which serves as a proxy statement for Delta Bancorp's annual meeting of shareholders and as a prospectus with respect to the offering and issuance of the F&M Bancorp common stock to be issued in the merger to the holders of Delta Bancorp common stock, describes the Delta Bancorp annual meeting and includes important information about the proposed merger, the companies participating in the merger, and the merger agreement pursuant to which the merger will be consummated, if approved. We encourage you to read the entire document carefully, including the "Risk Factors" section beginning on page [*], for a discussion of the risks related to the proposed merger.

Delta Bancorp's board of directors has determined that the merger agreement and the transactions contemplated thereby, including the merger, are in the best interests of Delta Bancorp and its shareholders, has unanimously approved the merger agreement and the transactions contemplated thereby, and recommends that Delta Bancorp shareholders vote "FOR" all of the proposals described in this proxy statement/prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of these materials. Any representation to the contrary is a criminal offense. Shares of common stock of F&M Bancorp are not savings accounts, deposits or other obligations of any bank and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

The date of these materials is September [*], 2016, and they are expected to be first mailed to shareholders on or about September 14, 2016.

611 North Main Street
Manteca, California 95336

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To be held on October 17, 2016

TO THE SHAREHOLDERS OF DELTA NATIONAL BANCORP:

The annual meeting of shareholders of Delta National Bancorp will be held on Monday, October 17, 2016, at 5:00 p.m. (local time), at Delta Bank, National Association, 611 North Main Street, Manteca, California 95336, for the following purposes:

1. Approval of Merger Agreement. To consider and vote on the Agreement and Plan of Reorganization (the "merger agreement") under which Delta National Bancorp ("Delta Bancorp") will merge with and into Farmers & Merchants Bancorp ("F&M Bancorp"), as more particularly described in the following materials.

2. Election of Directors. To elect the following five (5) nominees to the Delta Bancorp board of directors to serve: (i) until the consummation of the merger; or (ii) in the event the merger is not consummated and the merger agreement is terminated, until the next annual meeting of shareholders and until their successors are duly elected and have qualified:

William B. Barringer	Valerie Rossi
Theodore Poulos	Warren E. Wegge
Toinette Rossi	

3. Ratification of Auditors. To consider and ratify the appointment of Richardson & Company, LLP as Delta Bancorp's independent public accounting firm for the year ending December 31, 2016.

4. Adjournment. To approve the adjournment or postponement of the annual meeting, if necessary or appropriate, including to solicit additional proxies to approve the merger agreement.

5. Transaction of Other Business. To transact such other business as may properly come before the annual meeting or any adjournments of the annual meeting.

Management of Delta Bancorp is not aware of any other business to be conducted at the annual meeting.

This proxy statement/prospectus describes the proposals listed above in more detail. Please refer to the following materials, including the merger agreement and all other annexes, and any documents incorporated by reference, for further information with respect to the business to be transacted at the annual meeting. You are encouraged to read this entire document carefully before voting. In particular, see the section entitled "Risk Factors" beginning on page [*].

The Delta Bancorp board of directors has fixed the close of business on August 26, 2016, as the record date for determination of shareholders entitled to notice of, and the right to vote at, the annual meeting. Therefore, if you were a shareholder of record at the close of business on August 26, 2016, you may vote at the annual meeting.

The board of directors has determined that the merger is advisable and in the best interests of Delta Bancorp shareholders based upon its analysis, investigation and deliberation, and unanimously recommends that its shareholders vote "FOR" approval of the merger agreement.

The Board of Directors also recommends that shareholders vote to approve the remaining proposals to elect the five (5) nominees named in this proxy statement/prospectus to the board of directors, to ratify the appointment of Richardson & Company, LLP as Delta Bancorp's independent public accounting firm for 2016, and to approve the proposal to adjourn the annual meeting to a later date or dates, if necessary, to solicit additional proxies if there are not sufficient votes in favor of the merger agreement or for any other legally permissible purpose.

YOUR VOTE IS VERY IMPORTANT. The enclosed proxy card is solicited by the board of directors. Whether or not you plan to attend the annual meeting, we urge you to promptly complete, sign and date the enclosed proxy card and return it in the postage-paid envelope provided for that purpose. You may revoke your proxy at any time before it is voted at the annual meeting by giving written notice of revocation to the Corporate Secretary of Delta Bancorp, by submitting a properly executed proxy bearing a later date, or by being present at the annual meeting and electing to vote in person by advising the Chairman of the annual meeting of your election.

Please indicate on the proxy card whether or not you expect to attend the annual meeting so that arrangements for adequate accommodations can be made.

If you would like to attend the annual meeting and your shares are held by a broker, bank or other nominee, you must bring to the annual meeting a recent brokerage statement or a letter from the nominee confirming your beneficial ownership of the shares. You must also bring a form of personal identification. In order to vote your shares at the annual meeting, you must also obtain a proxy issued in your name from that nominee.

	By Order of the Board of Directors,
September [*], 2016	Toinette Rossi, Corporate Secretary

2

TABLE OF CONTENTS

LIST OF APPENDICES

Table of Contents

REFERENCES TO ADDITIONAL INFORMATION

This proxy statement/prospectus incorporates important business and financial information about F&M Bancorp from documents that are not included in or delivered with this document. Delta Bancorp shareholders can obtain these documents through the website of the Securities and Exchange Commission ("Commission"), at http://www.sec.gov, or by requesting them in writing or by telephone from F&M Bancorp as follows:

Farmers & Merchants Bancorp
111 West Pine Street
Lodi, California 95240
Attention: Stephen Haley
Telephone: (209) 367-2300

If any Delta Bancorp shareholder would like to request documents, please do so by October 10, 2016 in order to receive them before the Delta Bancorp annual meeting.

DELTA BANCORP SHAREHOLDERS

If you are a Delta Bancorp shareholder and have questions about the merger, the merger agreement or the Delta Bancorp annual meeting, need additional copies of this proxy statement/prospectus or need to obtain proxy cards or other information related to the Delta Bancorp proxy solicitation, you may contact Mr. Warren E. Wegge, Delta Bancorp's President & CEO, at the following address:

Delta National Bancorp
611 North Main Street
Manteca CA 95336

or at the following telephone number:
(209) 824-4030

Delta Bancorp does not have a class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is not subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, and accordingly, does not file documents or reports with the Commission.

For additional information, please see "Where You Can Find More Information" beginning on page [*].

Table of Contents

QUESTIONS AND ANSWERS
ABOUT THE MERGER AND THE ANNUAL MEETING

The following are some questions that you, as a Delta Bancorp shareholder, may have regarding the merger agreement, the merger and the other matters being considered at the annual meeting and the answers to those questions. F&M Bancorp and Delta Bancorp urge you to read carefully the remainder of this document because the information in this section does not provide all the information that might be important to you with respect to the merger and the other matters being considered at the annual meeting. Additional important information is also contained in the appendices to this proxy statement/prospectus and in the documents incorporated herein by reference.

Questions and Answers about the Delta Bancorp Annual Meeting

Q: Why have I received these materials?

A: Delta Bancorp is sending these materials to its shareholders to help them decide how to vote their shares of Delta Bancorp common stock and preferred stock with respect to the proposed merger and the other matters to be considered at the annual meeting.

This document constitutes both a proxy statement of Delta Bancorp and a prospectus of F&M Bancorp. It is a proxy statement because the Board of Directors is soliciting proxies from its shareholders. It is a prospectus of F&M Bancorp because F&M Bancorp will use it in connection with the issuance of shares of F&M Bancorp common stock in exchange for shares of Delta Bancorp common stock in connection with the merger. Delta Bancorp's audited financial statements for the years ended December 31, 2015 and 2014 were previously mailed to its shareholders as a part of its Annual Report. Shareholders requesting additional copies of the Annual Report should contact Mr. Warren E. Wegge, Delta Bancorp's President & CEO, at the following address:

Delta National Bancorp
611 North Main Street
Manteca, CA 95336

or at the following telephone number:
(209) 824-4030

In order to complete the merger, shareholders of Delta Bancorp must vote to approve the merger agreement (which sets forth the term terms of the merger). The enclosed proxy card and voting materials allow you to vote your shares without actually attending the annual meeting.

Q: When and where will the annual meeting be held?

A: The Delta Bancorp annual meeting will be held at Delta Bank, National Association, 611 North Main Street, Manteca, California 95336, on Monday, October 17, 2016, at 5:00 p.m. (local time).

Q: Who is entitled to vote at the annual meeting?

A: Delta Bancorp shareholders of record as of the close of business on August 26, 2016, will be entitled to vote at the annual meeting.

Q: What are Delta Bancorp shareholders being asked to vote on?

A: If you hold shares of Delta Bancorp common stock and/or Delta Bancorp preferred stock as of the record date for the annual meeting you are being asked to vote to:

2

- approve the merger agreement;

- elect the five (5) nominees named in this proxy statement/prospectus to the board of directors to serve: (i) until consummation of the merger; or (ii) in the event the merger is not consummated and the merger agreement is terminated, until the next annual meeting of shareholders and until their successors are elected and have qualified;

- ratify the selection of Richardson & Company, LLP to serve as Delta Bancorp's independent public accounting firm for the year ending December 31, 2016;

- approve any adjournment or postponement of the annual meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes in favor of the merger agreement or for any other legally permissible purpose; and

- transact such other business as may properly come before the annual meeting and any adjournment or adjournments thereof.

Q: What vote is required to approve each proposal?

A: The proposal to approve the merger agreement requires the affirmative votes of the holders of (i) a majority of the outstanding shares of Delta Bancorp common stock and preferred stock, voting together, and (ii) 66-2/3% of the Delta Bancorp preferred stock voting as a separate class; in each case, based upon the number of shares outstanding as of the record date for the annual meeting and entitled to vote at the meeting.

With respect to the election of directors, the five nominees receiving the greatest number of votes will be elected to the board of directors with the common and preferred stock voting together.

The proposal to adjourn the annual meeting, if necessary, and the proposal to ratify the selection of auditors require the affirmative vote of at least a majority of the outstanding shares of Delta Bancorp common stock and preferred stock, voting together, present in person or represented by proxy and entitled to vote at the annual meeting.

There are 380,303 shares of common stock and 110,000 shares of preferred stock outstanding and entitled to vote at the annual meeting. Therefore, the approval of the merger agreement will require the favorable vote of at least 245,152 shares, on a combined basis, and at least 73,334 shares of the preferred stock.

All of Delta Bancorp's directors and executive officers have agreed, in writing, to vote their shares "FOR" the merger agreement. See "Proposal 1 – The Merger—Shareholder Agreements" beginning on page [*] for more information. Delta Bancorp's directors and executive officers collectively hold, as of the record date for the annual meeting: (i) 174,941 shares of Delta Bancorp common stock, representing 46.0% of Delta Bancorp's issued and outstanding shares of common stock; and (ii) 110,000 shares of Delta Bancorp preferred stock, representing 100.0% of the issued and outstanding shares of preferred stock. Therefore, on a combined basis, the directors and executive officers hold 284,941 shares.

Q: How does the board of directors recommend that I vote on each proposal?

A: The board of directors recommends that you vote as follows:

- "FOR" the merger agreement;

- "FOR" the election of each of William B. Barringer, Theodore Poulos, Toinette Rossi, Valerie Rossi, and Warren E. Wegge to the board of directors;

- "FOR" the ratification of Richardson & Company, LLP as Delta Bancorp's independent public accounting firm for the year ending December 31, 2016, and

- "FOR" the adjournment or postponement of the annual meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes in favor of the merger agreement or for any other legally permissible purpose.

Table of Contents

Q: How many votes do I have and how do I vote at the annual meeting?

A: Except with respect to the election of directors, you may vote “FOR,” “AGAINST” or “ABSTAIN” with respect to any of the proposals presented at the annual meeting. You are entitled to one vote for each share that you owned as of the record date for the annual meeting. Each share of preferred stock is entitled to one vote per share on all matters on which holders of common stock are entitled to vote.

With respect to the election of directors you may vote “FOR” the election of all the nominees to the board of directors, or you may “WITHHOLD vote from all nominees,” or you may vote “FOR ALL EXCEPT” and withhold your vote for one or more of the nominees by marking your enclosed proxy card in the manner instructed on the proxy card. Shares may be voted cumulatively for the election of directors if a nominee’s or nominees’ name(s) have been properly placed in nomination prior to the voting and you or another shareholder informs Delta Bancorp at or prior to the annual meeting of your or their intention to cumulate votes at the annual meeting. See “The Delta Bancorp Annual Meeting—Number of Votes; Cumulative Voting” beginning on page [*] for a discussion of cumulative voting with respect to the election of directors.

If you are a shareholder of record, you may vote in person at the annual meeting, or you may vote by proxy using the enclosed proxy card.

Whether or not you plan to attend the annual meeting, you are urged to vote by proxy to ensure your vote is counted. You may still attend the annual meeting and vote in person if you have already voted by proxy.

To vote in person, simply attend the annual meeting and you will be given a ballot when you arrive.

To vote using the proxy card, simply complete, sign and date the enclosed proxy card and return it promptly in the envelope provided. If you return your signed proxy card before the annual meeting, your shares will be voted as you direct.

Q: What if my shares are held in street name by my broker or other nominee?

A: If you are a beneficial owner of shares registered in the name of your broker or other nominee, you should have received a proxy card and voting instructions with these proxy materials directly from that organization rather than from Delta Bancorp. Except with respect to the ratification of accountants, which is a routine matter, your broker or nominee cannot vote your shares unless you provide instructions on how to vote them, which is referred to as a broker non-vote. To vote your shares, follow the voting instructions your broker or nominee provides when forwarding these proxy materials to you and complete and mail the proxy card to ensure that your vote is counted. Alternatively, you may vote by telephone or over the Internet as instructed by your broker or nominee. To vote in person at the annual meeting, you must obtain a valid proxy from your broker or nominee. If you do not provide voting instructions to your broker, bank or agent, this will have the same effect as a vote “AGAINST” the merger agreement. Your abstention will have no effect on the outcome of any of the other proposals to be voted on at the annual meeting. See “The Delta Bancorp Annual Meeting—Abstentions and Broker Non-Votes” beginning on page [*].

Q: May I revoke or change my vote after I have provided proxy instructions?

A: Yes. If you hold shares in certificate form, you may revoke or change your proxy at any time before the time your proxy is voted at the annual meeting by: (i) filing with the Corporate Secretary of Delta Bancorp at the applicable address listed below an instrument revoking it or a duly executed proxy bearing a later date; or (ii) appearing and voting in person at the annual meeting.

Table of Contents

Your attendance alone at the annual meeting will not revoke your proxy. If you wish to revoke your vote by providing written notice, such notice must be sent so that notice is received before the vote is taken at the annual meeting and should be addressed as follows:

Delta National Bancorp
611 North Main Street
Manteca, CA 95336
Attention: Toinette Rossi,
Corporate Secretary

If you have instructed a broker or other nominee to vote your shares, you must follow directions received from your broker or other nominee in order to change those instructions.

Q: What will happen if I do not return my proxy card or otherwise vote?

A: If you fail to execute and return your proxy card or otherwise do not vote in person at the annual meeting, it will have the same effect as voting against the merger agreement. The failure to execute and return your proxy card or the failure to vote in person will have no effect on the other proposals to which you are entitled to vote at the annual meeting.

Q: What will happen if I sign and return my proxy card without indicating how I wish to vote?

A: If you sign and return your proxy card without indicating how to vote on any particular proposal, the proxy holder designated in your proxy card will vote your proxy as recommended by Delta Bancorp's board of directors, including voting "FOR" approval of the merger agreement, in which case you will be prohibited from asserting dissenters' rights.

Q: What constitutes a quorum for purposes of the annual meeting?

A: A quorum of shareholders is necessary to hold a valid meeting. A majority of the shares of Delta Bancorp common stock and preferred stock issued and outstanding and entitled to vote on the record date (taken together) must be represented in person or by proxy at the annual meeting in order for a quorum to be present for purposes of transacting business. Proxies marked as abstaining (including proxies containing broker non-votes) on any matter to be acted upon by shareholders will be treated as present at the meeting for purposes of determining a quorum but will not be counted as votes cast on such matters. If there is no quorum, a majority of the votes present at that meeting may adjourn the meeting to another date.

Questions and Answers Specific to the Merger Agreement and the Merger

Q: What will happen if Delta Bancorp shareholders approve the merger agreement, and what will I receive if the merger is completed?

A: Subject to the satisfaction or waiver of all other conditions in the merger agreement, including regulatory approvals, if Delta Bancorp shareholders approve the merger agreement: (i) F&M Bancorp will acquire Delta Bancorp by merging Delta Bancorp with and into F&M Bancorp, with F&M Bancorp surviving; (ii) F&M Bancorp will issue shares of its common stock in exchange for shares of Delta Bancorp common stock and will pay cash for fractional shares of common stock and for shares of Delta Bancorp preferred stock pursuant to the terms of the merger agreement; and (iii) following the merger of Delta Bancorp with and into F&M Bancorp, Delta Bank will be merged with and into F&M Bank with F&M Bank surviving and continuing commercial bank operations of the combined bank following the merger.

If you hold shares of Delta Bancorp stock and do not exercise and/or perfect your dissenters' rights under California law (which is discussed more fully below under the caption "The Delta Bancorp Annual Meeting – Dissenters' Rights" beginning on page [*]), your shares of Delta Bancorp stock will be converted, effective as of the close of the merger, into the right to receive the merger consideration as determined in accordance with the merger agreement.

Table of Contents

Please read the sections entitled "Proposal 1 – The Merger—Structure of the Merger" and "Proposal 1 – The Merger —The Merger Consideration" beginning on pages [*] and [*], respectively, for additional information.

Q: Is the exchange ratio subject to adjustment based on changes in the price of F&M Bancorp common stock or Delta Bancorp common stock?

A: No. The exchange ratio of 0.031748 shares of F&M Bancorp common stock for each share of Delta Bancorp common stock is fixed and no adjustments to the exchange ratio will be made based upon changes in the price of either F&M Bancorp common stock or Delta Bancorp common stock prior to the completion of the merger. As a result of any such changes in stock price, the aggregate market value of the shares of F&M Bancorp common stock that a Delta Bancorp shareholder is entitled to receive at the time that the merger is completed could vary significantly from the value of such shares on the date of this proxy statement/prospectus, the date of the annual meeting or the date on which such Delta Bancorp shareholder actually receives shares of F&M Bancorp common stock in the merger.

However, the merger agreement provides that if Delta Bancorp's tangible equity (as defined in the merger agreement) falls below a pre-determined level (as provided in the merger agreement) then the exchange ratio of 0.031748 will be adjusted lower.

The cash payment of $19.827 for each share of Delta Bancorp preferred stock is not subject to adjustment, regardless of any variation in the price of Delta Bancorp preferred stock from the value of such shares on the date of this proxy statement/prospectus, the date of the annual meeting or the date on which the Delta Bancorp shareholders actually receive the cash payment for their preferred stock in the merger, or based on the level of tangible equity.

Q: Why has the Board of Directors approved the merger?

A: The board of directors of Delta Bancorp has considered a number of available strategic options and, in the board's opinion, none of these options, including remaining independent, is likely to create value for Delta Bancorp shareholders greater than that created by the proposed transaction with F&M Bancorp. Please read the sections entitled "Proposal 1 – The Merger—Background of the Merger" and "Proposal 1 – The Merger—Delta Bancorp's Reasons for Merger and Recommendation of the Delta Bancorp Board of Directors" beginning on page [*].

Q: When do you expect the merger to be completed?

A: Delta Bancorp and F&M Bancorp are working to complete the merger as soon as possible and expect to complete the merger in the fourth quarter of 2016. However, the merger is subject to various conditions, including shareholder and regulatory approvals. Subject to the various conditions and due to possible factors outside Delta Bancorp's and F&M Bancorp's control, it is possible that the merger will not be completed until a later time, or not at all. Therefore, there may be a substantial amount of time between the date of the annual meeting and the completion of the merger.

Q: What are the U.S. federal income tax consequences of the merger?

A: Crowe Horwath, LLP has issued a tax opinion to F&M Bancorp and Delta Bancorp that the merger will qualify as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code. As a "reorganization," Delta Bancorp shareholders who own only common stock receiving F&M Bancorp common stock will not recognize gain or loss on the exchange of their Delta Bancorp common stock for F&M Bancorp common stock for U.S. federal income tax purposes, except with respect to any cash received in exchange for fractional shares. However, holders of Delta Bancorp common stock who also own preferred stock will recognize gain, but not loss upon the receipt of the cash payment in the merger. See "Proposal 1 – The Merger—Material Federal Income Tax Consequences" beginning on page [*].

6

Table of Contents

Q: What happens if I sell my shares after the record date for the annual meeting, but before the annual meeting?

A: If you transfer your shares after the record date for the annual meeting but before the date of the annual meeting, you will retain your right to vote at the annual meeting. However, you will not have the right to receive any shares of F&M Bancorp common stock in exchange for your former shares of Delta Bancorp common stock if and when the merger is completed. In order to receive shares of F&M Bancorp common stock in exchange for your shares of Delta Bancorp common stock, you must hold your Delta Bancorp common stock through the completion of the merger.

Q: Should I send in my certificates now?

A: No. You should NOT send in your stock certificates in the envelope provided for use in returning your proxy card. You will be sent written instructions for exchanging your stock certificates only if the merger agreement and the transactions contemplated therein are approved and completed.

Q: What should I do now?

A: You should do two things now:

First, after reading this proxy statement/prospectus, you should vote on the proposals. Simply indicate on your proxy card how you want to vote, then sign and mail your proxy card in the enclosed return envelope in time to be represented at the annual meeting.

Second, if you do not own your shares through a brokerage firm which holds your shares in street name, you should immediately locate and make sure you have possession of the certificates evidencing your Delta Bancorp common and preferred stock.

IF YOUR CERTIFICATE(S) FOR DELTA BANCORP COMMON STOCK IS/ARE LOST, STOLEN, OR DESTROYED, YOU ARE URGED TO IMMEDIATELY NOTIFY MR. WARREN E. WEGGE, DELTA BANCORP'S PRESIDENT & CEO, AT (209) 824-4030, SO THAT A "STOP TRANSFER" INSTRUCTION CAN BE PLACED ON YOUR LOST CERTIFICATE(S) TO PREVENT TRANSFER OF OWNERSHIP TO ANOTHER PERSON. DELTA BANCORP WILL SEND YOU THE FORMS TO PERMIT THE ISSUANCE OF A REPLACEMENT CERTIFICATE(S).

As soon as reasonably practicable after the effective time of the merger, the exchange agent for the merger, Computershare, Inc. ("Computershare"), will mail to each holder of record of a Delta Bancorp common and preferred stock certificate a letter of transmittal and instructions for use in effecting the surrender of the holder's certificate(s).

Q: Who can help answer my other questions?

A: If you have any additional questions about the merger agreement and the merger you may direct your questions to Warren Wegge, President and Chief Executive Officer, Delta National Bancorp, 611 North Main Street, Manteca CA 95336; phone: (209) 824-4030.

Table of Contents
SUMMARY

This summary highlights selected information from this proxy statement/prospectus and may not contain all of the information that is important to the shareholders of Delta National Bancorp. To more fully understand the merger and for a more complete description of the legal terms of the merger, you should read carefully this entire proxy statement/prospectus, including the merger agreement and the other documents included with this proxy statement/prospectus. See "Where You Can Find More Information" beginning on page [*]. Page references are included in this summary to direct the reader to a more complete description of the topics.

Throughout this proxy statement/prospectus, "F&M Bancorp" refers to Farmers & Merchants Bancorp," "Delta Bancorp" refers to Delta National Bancorp and "Delta Bank" refers to Delta Bank, National Association. Also, throughout this proxy statement/prospectus, the Agreement and Plan of Reorganization, dated as of June 8, 2016 by and between F&M Bancorp and Delta Bancorp, is referred to as the "merger agreement." The merger of Delta Bancorp with and into F&M Bancorp is referred to as the "merger."

Parties to the Proposed Merger (Page [*])

F&M Bancorp

Farmers & Merchants Bancorp is a California-based bank holding company for Farmers & Merchants Bank of Central California ("F&M Bank"), a California chartered commercial bank. F&M Bancorp's principal asset is all of the capital stock of F&M Bank which is currently celebrating its 100th anniversary.

Although F&M Bancorp has initiated efforts to expand its geographic footprint into the East Bay of San Francisco, its primary service area remains the mid Central Valley of California. Through its network of 24 full-service banking offices, F&M Bancorp emphasizes personalized service along with a broad range of banking services to businesses and individuals located in the service areas of its offices. Although it focuses on marketing its services to small- and medium-sized businesses, a broad range of retail banking services are made available to the local consumer market. F&M Bancorp provides a broad complement of lending products, including commercial, real estate construction, agribusiness, consumer, credit card, real estate loans, and equipment leases. Commercial products include term loans, lines of credit and other working capital financing and letters of credit. Financing products for individuals include automobile financing, lines of credit, residential real estate, home improvement and home equity lines of credit.

As of June 30, 2016, F&M Bancorp had, on a consolidated basis, total assets of $2.7 billion, total stockholders' equity of $265.3 million and total deposits of $2.3 billion. Earnings for the six months ended June 30, 2016 were $14.5 million compared to $13.2 million for the first six months of 2015.

F&M Bancorp's principal executive offices are located at 111 West Pine Street, Lodi, California 95241 and its telephone number is (209) 367-2300.

Financial statements and other important information relating to F&M Bancorp are incorporated by reference into this proxy statement/prospectus in accordance with the rules of the Securities and Exchange Commission (the "Commission"). See "Where You Can Find More Information" at page [*] for information on how you may obtain this information.

Delta Bancorp

Delta Bancorp is a California-based bank holding company for Delta Bank, a national banking association, headquartered in Manteca, California. Delta Bank received its national charter and commenced banking operations in 1973. It maintains four full-service banking offices in Stanislaus and San Joaquin counties in California's Central

Valley. As of June 30, 2016, Delta Bancorp had, on a consolidated basis, total assets of $109.1 million, total deposits of $100.1 million and total stockholders' equity of $8.6 million. Losses for the six months ended June 30, 2016 were $280,000 compared to $404,000 for the first six months of 2015.

Table of Contents

Delta Bancorp's principal executive offices are located at 611 North Main Street, Manteca, California 95336 and its telephone number is (209) 824-4000.

Date, Time and Location of the Delta Bancorp Annual Meeting (Page [*])

The Delta Bancorp annual meeting will be held on Monday, October 17, 2016, at 5:00 p.m. (local time), at Delta Bank, 611 North Main Street, Manteca, California 95336. At the Delta Bancorp annual meeting, Delta Bancorp shareholders will be asked to:

- approve the merger agreement providing for the merger of Delta Bancorp with and into F&M Bancorp, as described in more detail herein;
- elect five (5) directors;
- ratify Richardson & Company, LLP as Delta Bancorp's independent public accounting firm for 2016; and
- approve a proposal to adjourn or postpone the annual meeting, if necessary or appropriate, including to solicit additional proxies to approve the merger agreement.

Record Date and Voting Rights for the Delta Bancorp Annual Meeting (Page [*])

Each Delta Bancorp common and preferred shareholder is entitled to vote at the Delta Bancorp annual meeting if he or she owned shares of Delta Bancorp common or preferred stock as of the close of business on August 26, 2016, the record date for the Delta Bancorp annual meeting. Each Delta Bancorp common shareholder will have one vote at the annual meeting for each share of Delta Bancorp common stock that he or she owned on that date and each Delta Bancorp preferred shareholder will also have one vote at the annual meeting for each share of Delta Bancorp preferred stock that he or she owned on that date.

Delta Bancorp shareholders of record may vote by mail or by attending the Delta Bancorp annual meeting and voting in person. Each proxy returned to Delta Bancorp by a holder of Delta Bancorp common or preferred stock, which is not revoked, will be voted in accordance with the instructions indicated thereon. If no instructions are indicated on a signed Delta Bancorp proxy that is returned, such proxy will be voted "FOR" the approval of the merger agreement; "FOR" the election of the five (5) nominees named in this proxy statement/prospectus to the board of directors; "FOR" the ratification of the selection of Richardson & Company, LLP as Delta Bancorp's independent public accounting firm for the year ending December 31, 2016; and "FOR" the approval of any adjournment or postponement of the annual meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes in favor of the merger agreement or for any other legally permissible purpose.

Information Concerning Nominees for Directors (Page [*])

For information concerning the five nominees for directors of Delta Bancorp as well as Delta Bancorp's management, compensation, and related party transactions, see "Proposal 2 - Election of Directors" beginning on page [*].

The Merger (Page [*])

The merger agreement is attached to this proxy statement/prospectus as Appendix A, which is incorporated by reference herein. Please read the entire merger agreement. It is the legal document that governs the merger. Pursuant to the terms and conditions set forth in the merger agreement, Delta Bancorp will be acquired by F&M Bancorp in a transaction in which Delta Bancorp will merge with and into F&M Bancorp, with F&M Bancorp as the surviving institution. Immediately following the consummation of the merger, Delta Bank will be merged with and into F&M

Bank, with F&M Bank as the surviving institution. The parties expect to complete the mergers in the fourth quarter of 2016.

Table of Contents

Delta Bancorp's Reasons for Merger and Factors Considered by Delta Bancorp's Board of Directors (Page [*])

Based on Delta Bancorp's reasons for the merger described in this proxy statement/prospectus, including the fairness opinion of FIG Partners, LLC ("FIG"), an independent investment banking firm, the Delta Bancorp board of directors believes that the merger is fair to Delta Bancorp shareholders from a financial point of view and in their best interests, and unanimously recommends that Delta Bancorp shareholders vote "FOR" approval of the merger agreement. For a discussion of the circumstances surrounding the merger and the factors considered by Delta Bancorp's board of directors in approving the merger agreement, see "Proposal 1 - The Merger—Delta Bancorp's Reasons for the Merger and Recommendation of the Delta Bancorp Board of Directors" beginning on page [*].

FIG Provided a Fairness Opinion to Delta Bancorp's Board of Directors in connection with the Merger (Page [*])

FIG delivered its written opinion to Delta Bancorp's board of directors that, as of June 7, 2016, and based upon and subject to the assumptions made, procedures followed, matters considered and limitations and qualification on the review undertaken set forth in its opinion, the merger consideration to be paid by F&M Bancorp to Delta Bancorp shareholders in the merger pursuant to the merger agreement was fair, from a financial point of view, to Delta Bancorp and the holders of Delta Bancorp common and/or preferred stock.

The full text of the written opinion of FIG, dated June 7, 2016, which sets forth the assumptions made, procedures followed, matters considered and limitations and qualifications on the review undertaken is attached as Appendix B to this proxy statement/prospectus. Delta Bancorp's shareholders should read the opinion in its entirety. FIG provided its opinion for the information and assistance of Delta Bancorp's board of directors in connection with its consideration of the transaction. The FIG opinion does not address the underlying business decision to proceed with the merger and is not a recommendation as to how any holder of Delta Bancorp common or preferred stock should vote on matters to be considered at the Delta Bancorp annual meeting.

Delta Bancorp Common Shareholders Will Receive Shares of F&M Bancorp Common Stock for Each Share of Delta Bancorp Common Stock Exchanged in the Merger, except to the Extent that Cash Is Received in lieu of Fractional Shares (Page [*])

At the effective time of the merger, each outstanding share of Delta Bancorp common stock (subject to certain exceptions) will, by virtue of the merger and without any action on the part of a Delta Bancorp shareholder, be converted into the right to receive 0.031748 shares of F&M Bancorp common stock, subject to possible downward adjustment as described below. Cash will be paid in lieu of any fractional share interest.

Exchange Ratio and Possible Adjustment

The common stock exchange ratio of 0.031748 shares of F&M Bancorp common stock is subject to possible downward adjustment in the event that Delta Bancorp's tangible equity falls below the "minimum tangible equity amount" provided for in the merger agreement, as described below under "Proposal 1 - The Merger – The Merger Consideration" at page [*].

Fractional Shares

No fractional shares of F&M Bancorp common stock will be issued and, in lieu thereof, each holder of Delta Bancorp common stock who would otherwise be entitled to a fractional share interest will receive an amount in cash, without interest, determined by multiplying such fractional interest by $545.00, rounded to the nearest whole cent.

Per Share Market Price and Dividend Information (Page [*])

Shares of F&M Bancorp common stock currently trade on the OTCQX market under the symbol “FMCB. Shares of Delta Bancorp common stock are quoted on the OTC Pink market under the symbol “DEBC.”

The following table sets forth the closing sale prices of (i) F&M Bancorp common stock as quoted on the OTCQX, and (ii) Delta Bancorp common stock as quoted on the OTC Pink market, on June 7, 2016, the last trading day before F&M Bancorp announced the merger, and on September 7, 2016, the last practicable trading day before the distribution of this proxy statement/prospectus. To illustrate the market value of the per share merger consideration to be received by Delta Bancorp's shareholders, the following table also presents the equivalent market values per share of Delta Bancorp common stock as of June 7, 2016 and September 7, 2016, which were determined by multiplying the closing price for the F&M Bancorp common stock on those dates by the exchange ratio of 0.031748 of a share of F&M Bancorp common stock for each share of Delta Bancorp common stock. The equivalent market value per share of Delta Bancorp common stock presented below does not reflect the possible downward adjustment if Delta Bancorp's minimum tangible equity amount is less than that specified in the merger agreement. See "Proposal 1 – The Merger—The Merger Consideration" beginning on page [*] for additional information about the merger consideration to be received by holders of Delta Bancorp common stock.

	F&M Bancorp Common Stock	Delta Bancorp Common Stock	Equivalent Market Value Per Share of Delta Bancorp
At June 7, 2016	$ 600.00	$ 7.90	$ 19.05
At September 7, 2016	$	$	$

The market price of F&M Bancorp common stock and Delta Bancorp common stock will fluctuate prior to the date of Delta Bancorp's annual meeting and the date such Delta Bancorp shareholder receives the merger consideration. Therefore, the value of the stock to be received in the merger by the Delta Bancorp shareholders will not be known at the time the Delta Bancorp common shareholders vote on the merger agreement in connection with the merger. Delta Bancorp shareholders should obtain a current price quotation for the shares of F&M Bancorp common stock to update the implied value for a share of Delta Bancorp common stock.

Following the completion of the merger, and based on [*] shares of F&M Bancorp common stock outstanding as of September 7, 2016, the former Delta Bancorp common shareholders will own approximately [*]% of the outstanding shares of F&M Bancorp common stock and the current shareholders of F&M Bancorp will own the remaining approximately [*]% of the outstanding shares of F&M Bancorp common stock.

F&M Bancorp and, before it was formed, F&M Bank, have paid cash dividends for the past 82 consecutive years. F&M Bancorp pays semi-annual dividends and paid a total of $12.90 in cash dividends for 2015. For the first half of 2016, F&M Bancorp declared a cash dividend of $6.55 per share. It is anticipated that the cash dividend for the second half of 2016 will be declared on or about November 8, 2016, with a record date in December, and that Delta Bancorp shareholders who receive shares of F&M Bancorp common stock in the merger will receive such dividend. The decision regarding the amount and frequency of dividends is solely within the discretion of the F&M Bancorp board of directors.

There are limitations under Delaware corporate law as to the amounts of cash dividends that may be paid by F&M Bancorp. Additionally, if F&M Bancorp decided to defer interest on its 2003 subordinated debentures, it would be prohibited from paying cash dividends on the F&M Bancorp common stock. F&M Bancorp is dependent on cash dividends paid by F&M Bank to fund its cash dividend payments to its shareholders. There are also regulatory limitations on cash dividends that may be paid by F&M Bank under state and federal laws.

Delta Bancorp has not paid a cash dividend on its common stock since 2008. Pursuant to the merger agreement, Delta Bancorp has certain restrictions on the payment of dividends to its shareholders pending the closing of the merger. See "Proposal 1 – The Merger—Business Pending the Merger" beginning on page [*].

Delta Bancorp Preferred Shareholders Will Receive Cash for Each Share of Delta Bancorp Preferred Stock Exchanged in the Merger (Page [*])

At the effective time of the merger, each outstanding share of Delta Bancorp preferred stock will, by virtue of the merger and without any action on the part of a Delta Bancorp preferred shareholder, be converted into the right to receive cash of $19.827 per preferred share.

Table of Contents

Transmittal Materials (Page [*])

Within three business days of the closing of the merger, F&M's transfer agent, Computershare, will send to both common and preferred shareholders of Delta Bancorp an approved form of transmittal materials. These materials will contain detailed instructions on how to exchange a shareholder's shares along with materials to be completed and signed. After the transmittal materials have been received back by F&M Bancorp's transfer agent, the Delta Bancorp shareholders will be sent the F&M Bancorp common stock and/or cash to which they are entitled. If a Delta Bancorp shareholder holds shares in street name, he or she will receive information from his or her bank, broker or other nominee advising such Delta Bancorp shareholder of the process for receiving the F&M Bancorp common stock and/or cash to which he or she is entitled.

Each Delta Bancorp shareholder will need to surrender his or her Delta Bancorp common or preferred stock certificates, as the case may be, to receive the appropriate merger consideration. However, Delta Bancorp shareholders should not send any certificates now.

Material Federal Income Tax Consequences of the Merger (Page [*])

The merger is intended to qualify as a "reorganization" within the meaning of Section 368(a) of the Code, which is referred to in this proxy statement/prospectus as the Code, and it is a condition to completion of the merger that F&M Bancorp and Delta Bancorp receive an opinion to that effect.

Assuming the merger qualifies as a reorganization, subject to the limitations and more detailed discussion set forth in "Proposal 1 – The Merger—Material Federal Income Tax Consequences" of this proxy statement/prospectus, a Delta Bancorp common shareholder that is a U.S. holder generally will not recognize gain or loss on such exchange, other than with respect to cash received in lieu of fractional shares of F&M Bancorp common stock. However, holders of Delta Bancorp common stock who also receive cash for their Delta Bancorp preferred stock will recognize gain, but not loss, for U.S. federal income tax purposes in an amount equal to the lesser of (1) the amount of cash received by such holder in the merger and (2) an amount equal to the excess, if any, of (a) the sum of the amount of cash plus the fair market value of the shares of F&M Bancorp common stock received in the merger, over (b) such holder's tax basis in the Delta Bancorp common stock and Delta Bancorp preferred stock. (The preceding sentence does not apply to any cash you receive in lieu of fractional F&M Bancorp common stock, the tax consequences of which are discussed above).

Tax matters are complicated, and the tax consequences of the merger to a particular Delta Bancorp shareholder will depend in part on such shareholder's individual circumstances and whether such shareholder is a common or a preferred shareholder or both. Accordingly, each Delta Bancorp shareholder is urged to consult his or her own tax advisor for a full understanding of the tax consequences of the merger to such shareholder, including the applicability and effect of federal, state, local and foreign income and other tax laws.

Approval of the Merger Agreement Requires the Affirmative Vote of Holders of (i) Two-Thirds of the Issued and Outstanding Shares of Delta Bancorp Preferred Stock Voting as a Separate Class and (ii) a Majority of the Issued and Outstanding Shares of Delta Bancorp Common and Preferred Stock Voting Together (Page [*])

The affirmative vote of the holders of two-thirds of the issued and outstanding shares of Delta Bancorp preferred stock voting as a class is necessary to approve the merger agreement on behalf of Delta Bancorp. The affirmative vote of the holders of a majority of the issued and outstanding shares of Delta Bancorp preferred and common stock voting together is also necessary to approve the merger agreement on behalf of Delta Bancorp. When the common and preferred shares vote together, each share of common and preferred stock is entitled to one vote. At the close of business on the record date, there were 380,303 shares of Delta Bancorp common stock outstanding held by 225 holders of record and there were 110,000 shares of Delta preferred stock outstanding held by two holders of record. If a Delta Bancorp shareholder does not vote, it will have the same effect as a vote against the merger agreement.

Table of Contents

Management of Delta Bancorp Owns Shares Which May Be Voted at the Delta Bancorp Annual Meeting (Page [*])

As of the record date, the executive officers and directors of Delta Bancorp, as a group, held (i) 174,971 shares of Delta Bancorp common stock, or approximately 46.0% of the outstanding Delta Bancorp common stock, and 110,000 shares of Delta Bancorp preferred stock, or 100% of the outstanding Delta Bancorp preferred stock. These executive officers and directors have each entered into shareholder agreements with F&M Bancorp pursuant to which they have agreed, among other things, in their capacity as shareholders of Delta Bancorp, to vote their shares of Delta Bancorp common and preferred stock in favor of the merger agreement. The form of shareholder agreements are attached as Annexes A and B to the merger agreement, which is attached as Appendix A to this proxy statement/prospectus.

Delta Bancorp's Shareholders Have Dissenters' Rights (Page [*])

Under the California General Corporation Law ("CGCL"), holders of Delta Bancorp common and preferred stock have the right to demand appraisal of their shares of Delta Bancorp common or preferred stock, as the case may be, in connection with the merger and to receive, in lieu of the merger consideration, payment in cash, for the fair value of their shares of Delta Bancorp common or preferred stock. Any Delta Bancorp shareholder electing to exercise dissenters' rights must not have voted his, her or its shares of Delta Bancorp common or preferred stock "FOR" approval of the merger agreement and must specifically comply with the provisions of the CGCL in order to perfect the rights of dissent and appraisal. Strict compliance with the statutory procedures is required to perfect dissenters' rights. These procedures are described under "Proposal 1 – The Merger—Dissenters' Rights" in this proxy statement/prospectus, and a copy of the relevant provisions of the CGCL is attached as Appendix C to this proxy statement/prospectus.

Delta Bancorp is Prohibited from Soliciting Other Offers (Page [*])

Delta Bancorp has agreed that, while the merger is pending, it will not solicit, initiate, encourage or, subject to some limited exceptions, engage in discussions with any third party other than F&M Bancorp regarding extraordinary transactions such as a merger, business combination or sale of a material amount of its assets or capital stock.

F&M Bancorp and Delta Bancorp Must Meet Several Conditions to Complete the Merger (Page [*])

Completion of the merger depends on meeting a number of conditions, including the following:

- common and preferred shareholders of Delta Bancorp must approve the merger agreement;
- F&M Bancorp and Delta Bancorp must receive all required regulatory approvals for the merger and the merger of their respective banking subsidiaries, no such approval may contain any condition that F&M Bancorp's board of directors reasonably determines in good faith would materially reduce the benefits of the merger to such a degree that, had such condition been known, F&M Bancorp would not have entered into the merger agreement and any waiting periods required by law must have passed;
- there must be no law, injunction or order enacted or issued preventing completion of the merger;
- the representations and warranties of each of F&M Bancorp and Delta Bancorp in the merger agreement must be true and correct, subject to the materiality standards provided in the merger agreement;
- F&M Bancorp and Delta Bancorp must have complied in all material respects with their respective obligations in the merger agreement;
- F&M Bancorp and Delta Bancorp must have received a written opinion that the merger will be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code;

13

Table of Contents

- as of the month end prior to the closing date, Delta Bank shall not have materially increased the costs of its deposits from the previous month end, shall have aggregate outstanding balance of total deposits equal to at least $90 million and non-CD deposits equal to at least $75 million, excluding brokered or wholesale sourced deposits;

- as of the month end prior to the closing date, Delta Bancorp's tangible equity (as defined and subject to certain specified adjustments set forth in the merger agreement) must not be less than $8.3 million, provided, that this minimum amount will be reduced by $75,000 for each month end occurring after September 30;

- dissenting shares must not represent 10% or more of the outstanding shares of Delta Bancorp common stock;

- neither F&M Bancorp nor Delta Bancorp must have suffered any event which has had or could reasonably be expected to result in a material adverse change;

- Warren Wegge, Theodore Poulos, Valerie Rossi and Toinette Rossi shall have entered into post-closing shareholder agreements with F&M Bancorp restricting their ability to sell or transfer the shares of F&M Bancorp common stock that they receive in the merger. The form of the post-closing shareholder agreement is attached as Annex F to the merger agreement, which is attached as Appendix A to this proxy statement/prospectus; and

- as of the closing date, Delta Bancorp's allowance for loan losses shall be maintained in accordance with generally accepted accounting principles and its reserve for loan losses shall be not less than 1.38%.

Unless prohibited by law, the party benefitted by a condition could elect to waive such condition that has not been satisfied and complete the merger. The parties cannot be certain whether or when any of the conditions to the merger will be satisfied, or waived where permissible, or that the merger will be completed.

F&M Bancorp and Delta Bancorp Have Filed Regulatory Applications to Seek Regulatory Approvals to Complete the Merger (Page [*])

To complete the merger and the bank merger, the parties need the prior approval from (i) the Board of Governors of the Federal Reserve System (the "Federal Reserve"), (ii) the Federal Deposit Insurance Corporation (the "FDIC"), and (iii) the California Department of Business Oversight ("CA DBO"). The U.S. Department of Justice is also able to provide input into the approval process of federal banking agencies and will have between fifteen (15) and thirty (30) days following any approval of a federal banking agency to challenge the approval on antitrust grounds. F&M Bancorp and Delta Bancorp have filed all necessary applications with the FDIC and the CA DBO and have filed a waiver request with the Federal Reserve in accordance with its regulations in lieu of an application. The Federal Reserve waiver was granted on July 15, 2016. F&M Bancorp and Delta Bancorp have also received regulatory approvals from the FDIC and the CA DBO and neither of such approvals have conditions which are deemed to be detrimental to F&M Bancorp following completion of the merger.

F&M Bancorp and Delta Bancorp may Terminate the Merger Agreement (Page [*])

F&M Bancorp and Delta Bancorp can mutually agree at any time to terminate the merger agreement before completing the merger, even if shareholders of Delta Bancorp have already voted to approve it.

F&M Bancorp or Delta Bancorp can also terminate the merger agreement:

- if the other party breaches any of its representations, warranties, covenants or agreements under the merger agreement that (i) cannot be or has not been cured within thirty (30) days of the giving of written notice to the breaching party or parties and (ii) would entitle the non breaching party or parties not to consummate the merger;

- if the merger is not consummated by November 30, 2016, except to the extent that the failure to consummate the merger by that date is due to (i) the terminating party's failure to perform or observe its covenants and agreements in the merger agreement, or (ii) the failure of any of the Delta Bancorp shareholders (if Delta Bancorp is the party seeking to terminate) to perform or observe their respective covenants under the relevant shareholder agreement;

Table of Contents

- if any required governmental approval of the merger has been denied by final non appealable action or an application for approval of the merger has been permanently withdrawn at the request of a governmental authority, provided that no party has the right to terminate the merger agreement if the denial is due to the terminating party's failure to perform or observe its covenants in the merger agreement; or

- if the shareholders of Delta Bancorp do not approve the merger agreement.

In addition, F&M Bancorp may terminate the merger agreement at any time prior to the Delta Bancorp annual meeting if the board of directors of Delta Bancorp withdraws or modifies its recommendation to the Delta Bancorp shareholders that the merger agreement be approved in any way which is adverse to F&M Bancorp, or breaches its covenants requiring the calling and holding of the Delta Bancorp annual meeting to consider the merger agreement and prohibiting the solicitation of other offers. F&M Bancorp also may terminate the merger agreement if a third party commences a tender offer or exchange offer for 15% or more of the outstanding Delta Bancorp common stock and the board of directors of Delta Bancorp recommends that Delta Bancorp shareholders tender their shares in the offer or otherwise fails to recommend that they reject the offer within a specified period.

Termination Fee (Page [*])

Delta Bancorp and F&M Bancorp have agreed to cause payment to the other of a $425,000 termination fee if the merger agreement is terminated under specified circumstances.

F&M Bancorp and Delta Bancorp May Amend the Merger Agreement (Page [*])

The parties may amend or supplement the merger agreement by written agreement at any time before the merger actually takes place; provided, however, no amendment may be made after the Delta Bancorp annual meeting which by law requires further approval by the shareholders of Delta Bancorp without obtaining such approval.

Delta Bancorp's Directors and Officers Have Some Interests in the Merger that Are in Addition to or Different than the Interests of Delta Bancorp Shareholders (Page [*])

Delta Bancorp directors and officers have interests in the merger as individuals that are in addition to, or different from, their interests as shareholders of Delta Bancorp, which are:

- the agreement of F&M Bancorp to honor indemnification obligations of Delta Bancorp for a period of six (6) years, as well as to purchase liability insurance for Delta Bancorp's directors and officers for six (6) years following the merger, subject to the terms of the merger agreement;

- Warren Wegge, Delta Bancorp's Chief Executive Officer and a director, and Valerie and Toinette Rossi, officers and directors of Delta Bancorp, shall have each entered into a consulting agreement with F&M Bank, to be effective as of the closing of the merger, and provide compensation to those individuals for continued provision of services to F&M Bank following the merger. The form of consulting agreements are attached as Annex F to the merger agreement, which is attached as Appendix A to this proxy statement/prospectus; and

- The holders of the Delta Bancorp preferred stock, who are both directors of Delta Bancorp, will receive cash in exchange for their shares of Delta preferred stock.

The board of directors of F&M Bancorp and Delta Bancorp were aware of the foregoing interests and considered them, among other matters, in approving the merger agreement and the merger.

Table of Contents

Accounting Treatment of the Merger (Page [*])

The merger will be accounted for under the acquisition method of accounting under generally accepted accounting principles ("GAAP").

Shareholders of F&M Bancorp and Delta Bancorp Have Different Rights (Page [*])

The rights of shareholders of F&M Bancorp differ from the rights of shareholders of Delta Bancorp. F&M Bancorp is incorporated under the laws of the State of Delaware and Delta Bancorp is incorporated under the laws of the State of California. The rights of holders of F&M Bancorp common stock are governed by the Delaware General Corporation Law ("DGCL"), as well as its amended and restated certificate of incorporation ("certificate of incorporation") and amended and restated bylaws ("bylaws"), and the rights of holders of Delta Bancorp common stock are governed by the CGCL, as well as its articles of incorporation and bylaws. Shareholders of Delta Bancorp will receive shares of F&M Bancorp common stock in exchange for their shares of Delta Bancorp common stock and become shareholders of F&M Bancorp, and their rights as shareholders of F&M Bancorp will be governed by F&M Bancorp's certificate of incorporation and bylaws and the DGCL.

Table of Contents

SELECTED HISTORICAL FINANCIAL DATA

The following tables present selected consolidated historical financial data of F&M Bancorp and selected consolidated historical financial data of Delta Bancorp.

Selected Consolidated Historical Financial Data of Farmers & Merchants Bancorp

	At or for the Six Months Ended June 30,		At or for the Year Ended December 31,				
	2016	2015	2015	2014	2013	2012	2011
	(Dollars in thousands, except per share data)						
Balance Sheet Data:							
Investment securities	$432,044	$426,620	$438,328	$438,082	$480,331	$493,751	$549,947
Total loans & leases, gross	2,068,107	1,818,642	1,996,359	1,712,244	1,388,236	1,246,902	1,163,078
Allowance for credit losses	44,118	39,037	41,523	35,401	34,274	34,217	33,017
Total assets	2,690,865	2,456,759	2,615,345	2,360,551	2,076,073	1,974,686	1,919,684
Total deposits	2,327,946	2,163,136	2,277,532	2,064,073	1,807,691	1,722,026	1,626,197
Total long term debt	10,310	10,310	10,310	10,310	10,310	10,310	10,310
Total liabilities	2,425,593	2,215,595	2,363,510	2,127,373	1,866,169	1,769,653	1,730,338
Total shareholders' equity	265,272	241,164	251,835	233,178	209,904	205,033	189,346
Income Statement Data:							
Interest income	$48,340	$43,049	$90,075	$81,521	$76,531	$78,491	$82,354
Interest expense	1,871	1,627	3,325	2,813	2,891	5,140	7,974
Net interest income	46,469	41,422	86,750	78,708	73,640	73,351	74,380
Provision for credit losses	2,600	650	750	1,175	425	1,850	6,775
Net interest income after provision for credit losses	43,869	40,772	86,000	77,533	73,215	71,501	67,605
Noninterest income	5,596	7,490	14,575	14,329	15,937	14,110	12,274
Noninterest expense	26,756	26,979	56,259	51,366	50,870	48,277	45,028
Income before income tax	22,709	21,283	44,316	40,496	38,282	37,334	34,851
Income tax	8,205	8,131	16,924	15,094	14,221	13,985	12,642

Net income	$14,504	$13,152	$27,392	$25,402	$24,061	$23,349	$22,209
Per Share Data:							
Net income per common share	$18.31	$16.74	$34.82	$32.64	$30.93	$29.99	$28.49
Common shares outstanding at end of period	792,387	785,782	790,787	784,082	777,882	777,882	779,424
Weighted average common shares outstanding	792,141	785,575	786,582	778,358	777,882	778,648	779,424
Book value per common share	$334.78	$306.91	$318.46	$297.39	$269.84	$263.61	$242.93
Dividends per common share	$6.55	$6.40	$12.90	$12.70	$12.50	$12.10	$11.75
Performance Ratios:							
Return on average assets	1.12 %	1.10 %	1.12 %	1.17 %	1.21 %	1.22 %	1.19 %
Return on average equity	11.13 %	10.94 %	11.21 %	11.43 %	11.54 %	11.62 %	12.10 %
Average equity to average assets	10.10 %	10.05 %	10.02 %	10.28 %	10.52 %	10.45 %	9.85 %
Equity to total assets at end of period	9.86 %	9.82 %	9.63 %	9.88 %	10.11 %	10.38 %	9.86 %
Net interest rate spread	3.85 %	3.76 %	3.80 %	3.94 %	4.05 %	4.13 %	4.26 %
Net interest margin	3.92						
Income tax benefit related to exercise of stock options	—	—	12,613	—	—	12,613	
3-for-2 stock split	15,487,507	155	(155)	—	—	—	
Unrealized loss on investment securities, net of tax	—	—	—	—	(1,257)	(1,257)	
BALANCE, November 1,	46,462,708	$ 4 65	$ 76,295	$ 243,630	$ (1,257)	$ 319,133	

2008						
FISCAL 2007						
BALANCE, February 4, 2007	29,408,576	$ 294	$ 43,493	$ 242,800	$ —	$ 286,587
Net income	—	—	—	46,183	—	46,183
Dividends paid on common stock,						
($0.1333 per share - 1st and 2nd quarters)	—	—	—	(12,013)	—	(12,013)
($0.1667 per share - 3rd quarter)	—	—	—	(7,532)	—	(7,532)
Common stock issued on exercise of stock options	854,965	9	11,126	—	—	11,135
Issuance of non-vested stock, net of forfeitures	138,345	1	(1)	—	—	—
Amortization of non-vested stock grants	—	—	2,913	—	—	2,913
Stock option compensation expense	—	—	248	—	—	248
Income tax benefit related to exercise of stock options	—	—	7,878	—	—	7,878
Common stock purchased and retired	(95,700)	(1)	(3,294)	—	—	(3,295)
BALANCE, November 3, 2007	30,306,186	$ 303	$ 62,363	$ 269,438	$ —	$ 332,104

See notes to unaudited condensed financial statements.

Table of Contents

THE BUCKLE, INC.
STATEMENTS OF CASH FLOWS
(Dollar Amounts in Thousands)
(Unaudited)

	Thirty-nine Weeks Ended	
	November 1, 2008	November 3, 2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 70,069	$ 46,183
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	15,620	14,519
Amortization of non-vested stock grants	3,899	2,913
Stock option compensation expense	257	248
Gain on involuntary conversion of corporate aircraft to monetary asset	(2,963)	—
Unrealized loss on securities	1,800	—
Other	177	101
Changes in operating assets and liabilities:		
Accounts receivable	(1,770)	(361)
Inventory	(40,563)	(29,186)
Prepaid expenses and other assets	(3,193)	(3,601)
Accounts payable	16,904	14,361
Accrued employee compensation	(557)	(294)
Accrued store operating expenses	3,439	1,979
Gift certificates redeemable	(2,695)	(2,446)
Income taxes payable	(3,524)	1,766
Long-term liabilities and deferred compensation	3,872	3,813
Net cash flows from operating activities	60,772	49,995
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(40,654)	(19,785)
Proceeds from sale of property and equipment	11,816	18
Change in other assets	(212)	151
Purchases of investments	(42,481)	(69,222)
Proceeds from sales/maturities of investments	132,387	47,785
Net cash flows from investing activities	60,856	(41,053)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the exercise of stock options	12,716	11,135
Excess tax benefit from stock option exercises	11,266	7,103
Purchases of common stock	—	(3,295)
Payment of dividends	(117,484)	(19,545)
Net cash flows from financing activities	(93,502)	(4,602)
NET INCREASE IN CASH AND CASH EQUIVALENTS	28,126	4 ,340
CASH AND CASH EQUIVALENTS, Beginning of period	64,293	35,752
CASH AND CASH EQUIVALENTS, End of period	$ 92,419	$ 40,092

See notes to unaudited condensed financial statements.

Table of Contents

THE BUCKLE, INC.
NOTES TO FINANCIAL STATEMENTS
THIRTEEN and THIRTY-NINE WEEKS ENDED NOVEMBER 1, 2008 AND NOVEMBER 3, 2007
(Dollar Amounts in Thousands Except Share and Per Share Amounts)
(Unaudited)

1. Management Representation

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments necessary for the fair presentation of the results of operations for the interim periods have been included. All such adjustments are of a normal recurring nature. Because of the seasonal nature of the business, results for interim periods are not necessarily indicative of a full year's operations. The accounting policies followed by the Company and additional footnotes are reflected in the financial statements for the fiscal year ended February 2, 2008, included in The Buckle, Inc.'s 2007 Form 10-K.

2. Description of the Business

The Company is a retailer of medium to better priced casual apparel, footwear, and accessories for fashion conscious young men and women. The Company operates its business as one reportable industry segment. The Company had 384 stores located in 39 states throughout the continental United States (excluding the northeast) as of November 1, 2008, and 367 stores in 38 states as of November 3, 2007. During the third quarter of fiscal 2008, the Company opened three new stores and substantially remodeled four stores. During the third quarter of fiscal 2007, the Company opened five new stores and substantially remodeled one store.

The following is information regarding the Company's major product lines, stated as a percentage of the Company's net sales:

	Percentage of Net Sales Thirteen Weeks Ended		Percentage of Net Sales Thirty-nine Weeks Ended	
Merchandise Group	Nov. 1, 2008	Nov. 3, 2007	Nov. 1, 2008	Nov. 3, 2007
Denims	43.6%	45.8%	40.4%	42.2%
Tops (including sweaters)	39.6	37.3	38.9	35.2
Accessories	7.4	6.7	7.4	7.4
Sportswear/Fashions	1.3	1.3	6.2	6.1
Footwear	4.7	5.2	4.9	6.3
Outerwear	2.9	2.8	1.3	1.4
Casual bottoms	0.4	0.8	0.8	1.3
Other	0.1	0.1	0.1	0.1
	100.0%	100.0%	100.0%	100.0%

Table of Contents

THE BUCKLE, INC.
NOTES TO FINANCIAL STATEMENTS
THIRTEEN and THIRTY-NINE WEEKS ENDED NOVEMBER 1, 2008 AND NOVEMBER 3, 2007
(Dollar Amounts in Thousands Except Share and Per Share Amounts)
(Unaudited)

3. Net Earnings Per Share

Basic earnings per share data are based on the weighted average outstanding common shares during the period. Diluted earnings per share data are based on the weighted average outstanding common shares and the effect of all dilutive potential common shares, including stock options.

	Thirteen Weeks Ended November 1, 2008			Thirteen Weeks Ended November 3, 2007		
	Income	Weighted Average Shares	Per Share Amount	Income	Weighted Average Shares	Per Share Amount
Basic EPS	$ 29,076	45,666	$ 0 .64	$ 22,198	44,687	$ 0 .50
Effect of dilutive securities						
Stock options and non-vested shares	—	1,185	(0.02)	—	1,685	(0.02)
Diluted EPS	$ 29,076	4 6,851	$ 0.62	$ 22,198	46,372	$ 0.48

	Thirty-nine Weeks Ended November 1, 2008			Thirty-nine Weeks Ended November 3, 2007		
	Income	Weighted Average Shares	Per Share Amount	Income	Weighted Average Shares	Per Share Amount
Basic EPS	$ 70,069	4 5,273	$ 1.55	$ 46,183	44,517	$ 1 .04
Effect of dilutive securities						
Stock options and non-vested shares	—	1,290	(0.05)	—	1,746	(0.04)
Diluted EPS	$ 70,069	4 6,563	$ 1.50	$ 46,183	46,263	$ 1.00

4. Stock Split/Special Dividend – On September 15, 2008, the Company's Board of Directors approved a 3-for-2 stock split payable in the form of a stock dividend for shareholders of record as of October 15, 2008, with a distribution date of October 30, 2008. All share and per share data (except par value and historical stockholders' equity data) presented in the financial statements for all periods has been adjusted to reflect the impact of this stock split. On September 15, 2008, the Company's Board of Directors also authorized a $3.00 per share ($2.00 per share split-adjusted) special one-time cash dividend to be paid to shareholders of record at the close of business on October 15, 2008. The one-time cash dividend was paid on October 27, 2008 together with the Company's third quarter dividend of $0.30 per share ($0.20 per share split adjusted). Both the special one-time cash dividend and the regular quarterly dividend were paid before the impact of the 3-for-2 stock split, which also had a record date of October 15, 2008. The total dividend payment on October 27, 2008 was $102,215.

Table of Contents

THE BUCKLE, INC.
NOTES TO FINANCIAL STATEMENTS
THIRTEEN and THIRTY-NINE WEEKS ENDED NOVEMBER 1, 2008 AND NOVEMBER 3, 2007
(Dollar Amounts in Thousands Except Share and Per Share Amounts)
(Unaudited)

5. Investments

The following is a summary of investments as of November 1, 2008:

	Amortized Cost or Par Value	Gross Unrealized Gains	Gross Unrealized Losses	Other-than Temporary Impairment	Estimated Fair Value
Available-for-Sale Securities:					
Auction-rate securities	$ 45,545	$ —	$ (1,996)	$ (1,800)	$ 41,749
Held-to-Maturity Securities:					
State and municipal bonds	$ 33,743	$ 127	$ (378)	$ —	$ 33,492
Fixed maturities	1,250	9	—	—	1,259
Certificates of deposit	2,945	—	(7)	—	2,938
U.S. treasuries	6,483	23	—	—	6,506
	$ 44,421	$ 159	$ (385)	$ —	$ 44,195
Trading Securities:					
Mutual funds	$ 5,056	$ —	$ (817)	$ —	$ 4,239

The following is a summary of investments as of February 2, 2008:

	Amortized Cost or Par Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-Sale Securities:				
Auction-rate securities	$ 145,835	$ —	$ —	$ 145,835
Held-to-Maturity Securities:				
State and municipal bonds	$ 26,260	$ 375	$ (10)	$ 26,625
Fixed maturities	2,899	1	—	2,900
U.S. treasuries	4,990	24	—	5,014
	$ 34,149	$ 400	$ (10)	$ 34,539
Trading Securities:				
Mutual funds	$ 4,143	$ 5	$ (21)	$ 4,127

The auction-rate securities were invested as follows as of November 1, 2008:

Nature	Underlying Collateral	Par Value
Municipal revenue bonds	83% insured by AAA/AA/A-rated bond insurers at November 1, 2008	$ 14,945
Municipal bond funds	Fixed income instruments within issuers money market funds	11,750
Student loan bonds		11,450

	Student loans guaranteed by state entities		
Tax preferred securities	Underlying investments of closed-end funds		7,400
Total		$	45,545

Table of Contents

THE BUCKLE, INC.
NOTES TO FINANCIAL STATEMENTS
THIRTEEN and THIRTY-NINE WEEKS ENDED NOVEMBER 1, 2008 AND NOVEMBER 3, 2007
(Dollar Amounts in Thousands Except Share and Per Share Amounts)
(Unaudited)

As of November 1, 2008, the Company's auction-rate securities portfolio was 71% AAA/Aaa-rated, 23% AA/Aa-rated, and 6% A-rated.

The amortized cost and fair value of debt securities by contractual maturity as of November 1, 2008 is as follows:

	Amortized Cost	Fair Value
Fiscal Periods		
Twelve months ending October 31, 2009	$ 17,763	$ 17,803
Twelve months ending October 30, 2010	9,750	9,761
Twelve months ending October 29, 2011	5,501	5,500
Twelve months ending October 27, 2012	2,704	2,698
Twelve months ending November 2, 2013	1,509	1,497
Thereafter	7,194	6,936
	$ 44,421	$ 44,195

At November 1, 2008 and February 2, 2008, held-to-maturity investments of $26,658 and $20,152 are classified in long-term investments. Trading securities are held in a Rabbi Trust, intended to fund the Company's deferred compensation plan, and are classified in long-term investments.

The Company's investments in auction-rate securities ("ARS") are classified as available-for-sale and reported at fair market value. At the end of the third quarter of fiscal 2008, the reported investment amount is net of $1,996 of temporary impairment and $1,800 of other-than-temporary impairment. These amounts have been recorded during the first three quarters of fiscal 2008 to account for the impairment of certain securities from their stated par value. The temporary impairment is reported net of tax as an "accumulated other comprehensive loss" of $1,257 in stockholders' equity as of November 1, 2008. The Company has reported the other-than-temporary impairment as a loss in the statements of income for the thirteen and thirty-nine week periods ended November 1, 2008.

As of November 1, 2008, the Company had $45,545 invested in ARS at par value, which are reported at their estimated fair value of $41,749. As of February 2, 2008, the Company had $145,835 invested in ARS. ARS have a long-term stated maturity, but are reset through a "dutch auction" process that occurs every 7 to 49 days, depending on the terms of the individual security. Until February 2008, the ARS market was highly liquid. During February 2008, however, a significant number of auctions related to these securities failed, meaning that there was not enough demand to sell the entire issue at auction. The impact of the failed auctions on holders of ARS is that the holder cannot sell the securities and the issuer's interest rate is generally reset to a higher "penalty" rate. The failed auctions have limited the current liquidity of certain of the Company's investments in ARS and the Company has reason to believe that at least one of the underlying issuers of its ARS is currently at risk; however, the Company does not anticipate that further auction failures will have a material impact on the Company's ability to fund its business. The Company was able to successfully liquidate $104,890 of its investments in ARS at par value during the first three quarters of fiscal 2008.

As of November 1, 2008, $8,200 of the Company's investment in ARS was classified in short-term investments, due to known or anticipated subsequent redemptions, and $33,549 was classified in long-term investments. The amount classified in long-term investments has not experienced a successful auction subsequent to the end of the Company's fiscal year and is net of $1,996 of temporary impairments plus $1,800 of other-than-temporary impairments, related to certain securities whose fair values have declined from their stated par value. For the investments considered temporarily impaired, the Company believes that these ARS can be successfully redeemed or liquidated through future auctions at par value plus accrued interest. The Company believes it has the ability and maintains its intent to hold these investments until such recovery of market value occurs; therefore, the Company believes the current lack of liquidity has created the temporary impairment in valuation.

Table of Contents

THE BUCKLE, INC.
NOTES TO FINANCIAL STATEMENTS
THIRTEEN and THIRTY-NINE WEEKS ENDED NOVEMBER 1, 2008 AND NOVEMBER 3, 2007
(Dollar Amounts in Thousands Except Share and Per Share Amounts)
(Unaudited)

As of February 2, 2008, $88,913 of the Company's investment in ARS was classified in short-term investments and $56,922 was classified in long-term investments.

6. Fair Value Measurements

Effective February 3, 2008, the Company adopted the provisions of FASB Statement No. 157 ("SFAS 157"), Fair Value Measurements. This standard defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The provisions of SFAS 157 apply to all financial instruments that are being measured and reported on a fair value basis. In addition, in February 2008, FASB issued FASB Staff Position ("FSP) FAS 157-2, Effective Date of FASB Statement No. 157. This FSP delays the effective date of SFAS 157 to fiscal years beginning after November 15, 2008 for all non-financial assets and liabilities. The partial adoption of SFAS 157 did not have any impact on the Company's financial position or results of operations.

As defined by SFAS 157, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1 – Quoted market prices in active markets for identical assets or liabilities. Short-term and long-term investments with active markets or known redemption values are reported at fair value utilizing Level 1 inputs.
- Level 2 – Observable market-based inputs (either directly or indirectly) such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or inputs that are corroborated by market data. Items reported at fair value using Level 2 inputs consist of certain auction-rate securities ("ARS") classified as long-term investments due to failed auctions and are valued using brokerage pricing or pricing from similar securities.
- Level 3 – Unobservable inputs that are not corroborated by market data and are projections, estimates, or interpretations that are supported by little or no market activity and are significant to the fair value of the assets.

As of November 1, 2008, the Company held certain assets that are required to be measured at fair value on a recurring basis including available-for-sale and trading securities. The Company's available-for-sale securities include its investments in ARS, as further described in Note 5. The failed auctions, beginning in February 2008, related to certain of the Company's investments in ARS have limited the availability of quoted market prices. The Company has determined the fair value of its ARS using Level 1 inputs for known or anticipated subsequent redemptions at par value and Level 2 inputs where the following criteria were considered in estimating fair value:

- Pricing was provided by the custodian of ARS
- Pricing was provided by a third-party broker for ARS
- Sales of similar securities
- Quoted prices for similar securities in active markets
- Quoted prices for similar assets in markets that are not active - including markets where there are few transactions for the asset, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly.

In addition, the Company considers other factors including, but not limited to, the financial condition of the investee, the credit rating, insurance, guarantees, collateral, cash flows, and the current and expected market and industry conditions in which the investee operates. Management believes it has used information that was reasonably obtainable in order to complete its valuation process and determine if the Company's investments in ARS had incurred any temporary and/or other-than-temporary impairment as of November 1, 2008.

Table of Contents

THE BUCKLE, INC.
NOTES TO FINANCIAL STATEMENTS
THIRTEEN and THIRTY-NINE WEEKS ENDED NOVEMBER 1, 2008 AND NOVEMBER 3, 2007
(Dollar Amounts in Thousands Except Share and Per Share Amounts)
(Unaudited)

As a result of the decline in fair value for certain of the Company's investments in ARS, the Company recorded a temporary impairment of $1,996 and an other-than-temporary impairment of $1,800 during the first three quarters of fiscal 2008. The Company has reported the $1,996 of temporary impairment, net of tax, as a $1,257 reduction to stockholders' equity in "accumulated other comprehensive loss" as of November 1, 2008. Any future fluctuation in fair value related to these securities that the Company judges to be temporary, including any recoveries of previous write-downs, would be recorded as an adjustment to "accumulated other comprehensive loss." The Company has reported the $1,800 other-than-temporary impairment as a loss in the statements of income for the thirteen and thirty-nine week periods ended November 1, 2008. The Company reviews all investments for other-than-temporary impairment at least quarterly or as indicators of impairment exist. The value and liquidity of ARS held by the Company may be affected by continued auction-rate failures, the credit quality of each security, the amount and timing of interest payments, the amount and timing of future principal payments, and the probability of full repayment of the principal. Additional indicators of impairment include the duration and severity of the decline in market value. The interest rates on these investments will be determined by the terms of each individual ARS. The material risks associated with the ARS held by the Company include those stated above as well as the current economic environment, downgrading of credit ratings on investments held, and the volatility of the entities backing each of the issues. In addition, the Company considers other factors including, but not limited to, the financial condition of the investee, the credit rating of the investee, and the current and expected market and industry conditions in which the investee operates.

The Company's financial assets measured at fair value on a recurring basis subject to the disclosure requirements of SFAS 157 as of November 1, 2008 were as follows:

	Fair Value Measurements at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
ASSETS:				
Available-for-sale securities (including auction-rate securities)	$ 8,200	$ 33,549	$ —	$ 41,749
Trading securities (including mutual funds)	4,239	—	—	4,239
Totals	$ 12,439	$ 33,549	$ —	$ 45,988

ARS included in Level 1 represent securities which have a known or anticipated upcoming redemption as of November 1, 2008. ARS included in Level 2 represent securities which have not experienced a successful auction subsequent to February 2, 2008. The fair market value for these securities was determined by applying a discount to par value based on auction prices for similar securities that had most recently experienced a successful auction subsequent to February 2, 2008. Prior to fiscal 2008, the fair value for these securities had been based on quoted market prices, which were readily available at that time.

THE BUCKLE, INC.
NOTES TO FINANCIAL STATEMENTS
THIRTEEN and THIRTY-NINE WEEKS ENDED NOVEMBER 1, 2008 AND NOVEMBER 3, 2007
(Dollar Amounts in Thousands Except Share and Per Share Amounts)
(Unaudited)

7. Comprehensive Income

Comprehensive income consists of net income and unrealized gains and losses on available-for-sale securities. Unrealized losses on the Company's investments in auction-rate securities have been included in accumulated other comprehensive loss and are separately included as a component of stockholders' equity, net of related income taxes.

	Thirteen Weeks Ended	
	November 1, 2008	November 3, 2007
Net income	$ 29,076	$ 22,198
Changes in net unrealized losses on investments in auction-rate-securities, net of taxes of $166 and $0	(281)	—
Comprehensive Income	$ 28,795	$ 22,198

	Thirty-nine Weeks Ended	
	November 1, 2008	November 3, 2007
Net income	$ 70,069	$ 46,183
Changes in net unrealized losses on investments in auction-rate-securities, net of taxes of $739 and $0	(1,257)	—
Comprehensive Income	$ 68,812	$ 46,183

8. Supplemental Cash Flow Information

The Company had non-cash investing activities during the thirty-nine week periods ended November 1, 2008 and November 3, 2007 of $1,544 and $2,865, respectively. The non-cash investing activity relates to unpaid purchases of property, plant, and equipment included in accounts payable as of the end of the period. Amounts reported as unpaid purchases are recorded as cash outflows from investing activities for purchases of property, plant, and equipment in the statement of cash flows in the period they are paid.

Additional cash flow information for the Company includes cash paid for income taxes during the thirty-nine week periods November 1, 2008 and November 3, 2007 of $33,310 and $18,967, respectively.

9. Stock-Based Compensation

The Company has several stock option plans which allow for granting of stock options to employees, executives, and directors; as described more fully in the notes included in the Company's 2007 Annual Report. The options are in the form of non-qualified stock options and are granted with an exercise price equal to the market value of the Company's common stock on the date of grant. The options generally expire ten years from the date of grant. The Company also has a restricted stock plan that allows for the granting of non-vested shares of common stock to employees and executives.

As of November 1, 2008, 637,126 shares were available for grant under the various stock option plans, of which 452,502 were available for grant to executive officers. Also as of November 1, 2008, 314,625 shares were available for grant under the Company's 2005 Restricted Stock Plan, all of which were available for grant to executive officers. On May 28, 2008, shareholders also approved the Company's 2008 Director Restricted Stock Plan. The plan is designed to replace the annual stock option grants historically made to non-employee directors under the Company's 1993 Director Stock Option Plan with annual grants of restricted shares beginning with the grants scheduled to be made on the first day of fiscal 2009. A total of 90,000 shares have been reserved for issuance under the plan.

Table of Contents

THE BUCKLE, INC.
NOTES TO FINANCIAL STATEMENTS
THIRTEEN and THIRTY-NINE WEEKS ENDED NOVEMBER 1, 2008 AND NOVEMBER 3, 2007
(Dollar Amounts in Thousands Except Share and Per Share Amounts)
(Unaudited)

The Company accounts for stock-based compensation in accordance with FASB Statement No. 123 (revised 2004) ("SFAS 123(R)"), Share-Based Payment. Compensation expense was recognized during the first three quarters of fiscal 2008 and 2007 for new awards, based on the grant date fair value, as well as for the portion of awards granted in fiscal years prior to SFAS 123(R) adoption that was not vested as of the beginning of fiscal 2006. The fair value of stock options is determined using the Black-Scholes option pricing model, while the fair value of grants of non-vested common stock awards is the stock price on the date of grant.

Information regarding the impact of stock-based compensation expense is as follows:

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	Nov. 1, 2008	Nov. 3, 2007	Nov. 1, 2008	Nov. 3, 2007
Stock-based compensation expense, before tax:				
Stock options	$ 58	$ 46	$ 257	$ 248
Non-vested shares of common stock	1,300	972	3,899	2,913
Total stock-based compensation expense, before tax	$ 1,358	$ 1,018	$ 4,156	$ 3,161
Total stock-based compensation expense, after tax	$ 856	$ 641	$ 2,618	$ 1,991

SFAS 123(R) requires the benefits of tax deductions in excess of the compensation cost recognized for stock options exercised during the period to be classified as financing cash inflows. This amount is shown as "excess tax benefit from stock option exercises" on the statement of cash flows. For the thirty-nine week periods ended November 1, 2008 and November 3, 2007, the excess tax benefit realized from exercised stock options was $11,266 and $7,103, respectively.

Stock options granted during the first three quarters of fiscal 2008 and 2007 were granted under the Company's 1993 Director Stock Option Plan. Grants were made with an exercise price equal to the market value of the Company's common stock on the date of grant and a contractual term of ten years. Options granted under the 1993 Director Stock Option Plan typically vest over a period of three years.

The weighted average grant date fair value of options granted during the thirty-nine weeks ended November 1, 2008 and November 3, 2007 was $12.61 and $12.81 per option, respectively. The fair value of options granted was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions:

	2008	2007
Risk-free interest rate (1)	3.10%	4.80%
Dividend yield (2)	2.40%	2.40%
Expected volatility (3)	33.0%	39.0%
Expected lives -years (4)	7.0	7.0

(1) Based on the U.S. Treasury yield curve in effect at the time of grant with a term consistent with the expected lives of stock options.
(2) Based on expected dividend yield as of the date of grant.
(3) Based on historical volatility of the Company's common stock over a period consistent with the expected lives of options.
(4) Based on historical and expected exercise behavior.

Table of Contents

THE BUCKLE, INC.
NOTES TO FINANCIAL STATEMENTS
THIRTEEN and THIRTY-NINE WEEKS ENDED NOVEMBER 1, 2008 AND NOVEMBER 3, 2007
(Dollar Amounts in Thousands Except Share and Per Share Amounts)
(Unaudited)

On September 15, 2008, the Board of Directors authorized a $3.00 per share ($2.00 per share after 3-for-2 stock split) special one-time cash dividend to be paid on October 27, 2008 to shareholder of record at the close of business on October 15, 2008. To preserve the intrinsic value for option holders, the Board also approved, pursuant to the terms of the Company's various stock option plans, a proportional adjustment to both the exercise price and the number of shares covered by each award for all outstanding stock options. This adjustment did not result in any incremental compensation expense.

A summary of the Company's stock-based compensation activity related to stock options for the thirty-nine week period ended November 1, 2008 is as follows:

	Shares	Weighted Average Exercise Price	2008 Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding - beginning of year	3,085,842	$ 8.48		
Granted	40,500	28.01		
Other (1)	422	9.34		
Expired/forfeited	(254)	10.65		
Exercised	(1,490,375)	8.53		
Outstanding - end of quarter	1,636,135	$ 6.92	4.39 years	$ 31,780
Exercisable - end of quarter	1,576,821	$ 6.34	4.23 years	$ 31,531

(1) Adjustments were made to the exercise price and number of option outstanding for both the special cash dividend and 3-for-2 stock split during the third quarter of fiscal 2008. Hirstorical information in this table has been adjusted to reflect the 3-for-2 stock split. "Other" represents additional options issued as a result of the special cash dividend in October 2008.

The total intrinsic value of options exercised during the thirty-nine week periods ended November 1, 2008 and November 3, 2007, respectively, was $35,436 and $21,292. As of November 1, 2008, there was $314 of unrecognized compensation expense related to non-vested stock options. It is expected that this expense will be recognized over a weighted average period of approximately 1.8 years.

Non-vested shares of common stock granted during fiscal 2008 and fiscal 2007 were granted pursuant to the Company's 2005 Restricted Stock Plan. Shares granted under the plan typically vest over a period of four years, only upon certification by the Compensation Committee of the Board of Directors that the Company has achieved it pre-established performance targets for the fiscal year.

Table of Contents

THE BUCKLE, INC.
NOTES TO FINANCIAL STATEMENTS
THIRTEEN and THIRTY-NINE WEEKS ENDED NOVEMBER 1, 2008 AND NOVEMBER 3, 2007
(Dollar Amounts in Thousands Except Share and Per Share Amounts)
(Unaudited)

A summary of the Company's stock-based compensation activity related to grants of non-vested shares of common stock for the thirty-nine week period ended November 1, 2008 is as follows:

	2008	
	Shares	Weighted Average Grant Date Fair Value
Non-Vested - beginning of year	434,417	$ 18.96
Granted	210,075	28.01
Forfeited	(150)	22.58
Vested	(41,820)	22.58
Non-Vested - end of quarter	602,522	$ 21.86

As of November 1, 2008, there was $5,629 of unrecognized compensation expense related to grants of non-vested shares. It is expected that this expense will be recognized over a weighted average period of approximately 2.0 years. The total fair value of shares vested during the thirty-nine week periods ended November 1, 2008 and November 3, 2007 was $1,341 and $1,372, respectively.

10. Recently Issued Accounting Pronouncements

Effective February 3, 2008, the Company adopted the provisions of FASB Statement No. 157 ("SFAS 157"), Fair Value Measurements. This standard defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The provisions of SFAS 157 apply to all financial instruments that are being measured and reported on a fair value basis. In addition, in February 2008, FASB issued FASB Staff Position ("FSP") FAS 157-2, Effective Date of FASB Statement No. 157. This FSP delays the effective date of SFAS 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for all non-financial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. The partial adoption of SFAS 157 did not have any impact on the Company's financial position or results of operations.

Effective February 3, 2008, the Company adopted the provisions of FASB Statement No. 159 ("SFAS 159"), The Fair Value Option for Financial Assets and Financial Liabilities. This standard provides an option for companies to report selected financial assets and liabilities at fair value. Although the Company adopted the provisions of SFAS 159 effective with the beginning of the Company's 2008 fiscal year, it did not elect the fair value option for any financial instruments or other items held by the Company. Therefore, the adoption of SFAS 159 did not have any impact on the Company's financial position or results of operations.

11. Insurance Proceeds

During the second quarter of fiscal 2008, one of the Company's corporate aircrafts was destroyed in a tornado. The Company received $11,500 of insurance proceeds, which is included in proceeds from sale of property and equipment in the statements of cash flows. During the second quarter, Company recorded a $2,963 gain from the involuntary conversion of the aircraft, which is included in general and administrative expenses. During the third quarter of fiscal 2008 the Company purchased a replacement aircraft at a cost of $14,304.

Table of Contents

THE BUCKLE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Financial Statements and notes thereto of the Company included in this Form 10-Q. The following is management’s discussion and analysis of certain significant factors which have affected the Company’s financial condition and results of operations during the periods included in the accompanying financial statements.

EXECUTIVE OVERVIEW

Company management considers the following items to be key performance indicators in evaluating Company performance.

Comparable Store Sales – Stores are deemed to be comparable stores if they were open in the prior year on the first day of the fiscal period being presented. Stores which have been remodeled, expanded, and/or relocated, but would otherwise be included as comparable stores, are not excluded from the comparable store sales calculation. Online sales are excluded from comparable store sales. Management considers comparable store sales to be an important indicator of current Company performance, helping leverage certain fixed costs when results are positive. Negative comparable store sales results could reduce net sales and have a negative impact on operating leverage, thus reducing net earnings.

Net Merchandise Margins – Management evaluates the components of merchandise margin including initial markup and the amount of markdowns during a period. Any inability to obtain acceptable levels of initial markups or any significant increase in the Company’s use of markdowns could have an adverse effect on the Company’s gross margin and results of operations.

Operating Margin – Operating margin is a good indicator for management of the Company’s success. Operating margin can be positively or negatively affected by comparable store sales, merchandise margins, occupancy costs, and the Company’s ability to control operating costs.

Cash Flow and Liquidity (working capital) - Management reviews current cash and short-term investments along with cash flow from operating, investing, and financing activities to determine the Company’s short-term cash needs for operations and expansion. The Company believes that existing cash, short-term investments, and cash flow from operations will be sufficient to fund current and long-term anticipated capital expenditures and working capital requirements for the next several years.

Table of Contents

THE BUCKLE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The table below sets forth the percentage relationships of sales and various expense categories in the Statements of Income for the thirteen and thirty-nine week periods ended November 1, 2008 and November 3, 2007:

	Thirteen Weeks Ended		Increase/	Thirty-nine Weeks Ended		Increase/
	Nov. 1, 2008	Nov. 3, 2007	(Decrease)	Nov. 1, 2008	Nov. 3, 2007	(Decrease)
Net sales	100.0%	100.0%	25.7%	100.0%	100.0%	30.9%
Cost of sales (including buying, distribution, and occupancy costs)	56.4%	57.8%	22.7%	57.9%	60.6%	25.0%
Gross profit	43.6%	42.2%	29.8%	42.1%	39.4%	40.0%
Selling expenses	18.7%	19.0%	23.7%	19.3%	19.5%	30.0%
General and administrative expenses	3.3%	3.4%	21.8%	3.2%	3.8%	10.0%
Income from operations	21.6%	19.8%	37.0%	19.6%	16.1%	59.0%
Other income, net	0.9%	1.3%	-17.6%	1.1%	1.6%	-6.1%
Unrealized loss on securities	-0.9%	0.0%	n/a	-0.3%	0.0%	n/a
Income before income taxes	21.6%	21.1%	28.5%	20.4%	17.7%	50.8%
Provision for income taxes	7.8%	7.8%	24.3%	7.4%	6.5%	49.1%
Net income	13.8%	13.3%	31.0%	13.0%	11.2%	51.7%

Net sales increased from $167.6 million in the third quarter of fiscal 2007 to $210.6 million in the third quarter of fiscal 2008, a 25.7% increase. Comparable store sales increased by $30.9 million, or 19.1%, for the thirteen week period ended November 1, 2008, compared to the thirteen week period ended November 3, 2007. The comparable store sales increase was primarily due to an increase in the number of transactions at comparable stores during the period, in addition to a 5.6% increase in the average retail price per piece of merchandise sold during the period and a 1.9% increase in the average number of units sold per transaction. Sales growth for the thirteen week period was also attributable to the inclusion of a full quarter of operating results for the 7 new stores opened after the second quarter of fiscal 2007, to the opening of 17 new stores during the first three quarters of fiscal 2008, and to growth in online sales.

The Company’s average retail price per piece of merchandise sold increased $2.45, or 5.6%, during the third quarter of fiscal 2008 compared to the third quarter of fiscal 2007. This $2.45 increase was primarily attributable to the following changes (with their corresponding effect on the overall average price per piece): a 7.9% increase in denim price points ($1.48), a 10.7% increase in knit shirt price points ($1.40), a 16.1% increase in woven shirt price points ($0.32), a 5.7% increase in accessory price points ($0.18), a 6.0% increase in footwear price points ($0.12), a 7.6% increase in sweater price points ($0.10), and increased price point in certain other categories ($0.07). These increases were partially offset by the impact of a shift in the merchandise mix (-$1.22). These changes are primarily a reflection of merchandise shifts in terms of brands and product styles, fabrics, details, and finishes.

Net sales increased from $412.9 million in the first three quarters of fiscal 2007 to $540.6 million in the first three quarters of fiscal 2008, a 30.9% increase. Comparable store sales increased by $92.1 million, or 23.7%, for the thirty-nine week period ended November 1, 2008, compared to the thirty-nine week period ended November 3, 2007. The comparable store sales increase was primarily due to an increase in the number of transactions at comparable stores during the period, in addition to a 5.2% increase in the average retail price per piece of merchandise sold during the period and a 2.4% increase in the average number of units sold per transaction. Sales growth for the thirty-nine week period was also attributable to the inclusion of a full three quarters of operating results for the 20 new stores opened during fiscal 2007, to the opening of 17 new stores during the first three quarters of fiscal 2008, and to growth in online sales. Average sales per square foot increased 22.8% from $224.36 for the thirty-nine week period ended November 3, 2007 to $275.49 for the thirty-nine week period ended November 1, 2008.

Table of Contents

THE BUCKLE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company’s average retail price per piece of merchandise sold increased $2.06, approximately 5.2%, during the first three quarters of fiscal 2008 compared to the first three quarters of fiscal 2007. This $2.06 increase was primarily attributable to the following changes (with their corresponding effect on the overall average price per piece): a 12.8% increase in knit shirt price points ($1.49), a 6.3% increase in denim price points ($1.00), a 12.0% increase in woven shirt price points ($0.27), a 4.4% increase in accessory price points ($0.13), and increased price point in certain other categories ($0.09). These increases were partially offset by the impact of a shift in the merchandise mix (-$0.92). These changes are primarily a reflection of merchandise shifts in terms of brands and product styles, fabrics, details, and finishes.

Gross profit after buying, distribution, and occupancy expenses increased $21.1 million in the third quarter of fiscal 2008 to $91.8 million, a 29.8% increase. As a percentage of net sales, gross profit increased from 42.2% in the third quarter of fiscal 2007 to 43.6% in the third quarter of fiscal 2008. This increase was attributable to a 1.65% reduction, as a percentage of net sales, related to the leveraging of buying, distribution, and occupancy costs. This improvement was, however, partially offset by slight reduction in actual merchandise margins (0.20%, as a percentage of net sales) and an increase in expense related to the incentive bonus accrual (0.05%, as a percentage of net sales). The reduction in merchandise margins for the quarter was the result of an increase in Primo Card redemptions during the period and a slight reduction, as a percentage of net sales, in private label merchandise sales; which were partially offset by an increase in regular price selling.

Year-to-date, gross profit increased $65.0 million for the first thirty-nine weeks of fiscal 2008 to $227.7 million, a 40.0% increase. As a percentage of net sales, gross profit increased from 39.4% for the first three quarters of fiscal 2007 to 42.1% for the first three quarters of fiscal 2008. This increase was attributable to a 0.45% improvement in actual merchandise margins, which was achieved through an increase in regular-price selling during the period that was partially offset by a slight reduction, as a percentage of net sales, in private label merchandise sales and an increase in Primo Card redemptions during the period. The increase was also attributable to a 2.40% reduction, as a percentage of net sales, related to the leveraging of buying, distribution, and occupancy costs. These improvements were, however, partially offset by an increase in expense related to the incentive bonus accrual (0.15%, as a percentage of net sales).

Selling expenses increased from $31.9 million for the third quarter of fiscal 2007 to $39.4 million for the third quarter of fiscal 2008, a 23.7% increase. As a percentage of net sales, selling expenses decreased from 19.0% in the third quarter of fiscal 2007 to 18.7% in the third quarter of fiscal 2008. The decrease was primarily attributable to a 0.50% reduction, as a percentage of net sales, in store payroll expense as well as a 0.45% reduction related to the leveraging of certain other selling expenses. These reductions were, however, partially offset by increases in expense related to the incentive bonus accrual (0.50%, as a percentage of net sales) and internet related fulfillment and marketing expenses (0.15%, as a percentage of net sales).

Year-to-date, selling expenses increased from $80.4 million in the first three quarters of fiscal 2007 to $104.5 million in the first three quarters of fiscal 2008, a 30.0% increase. As a percentage of net sales, selling expenses decreased from 19.5% in fiscal 2007 to 19.3% in fiscal 2008. The decrease was primarily attributable to a 0.65% reduction, as a percentage of net sales, in store payroll expense as well as a 0.45% reduction related to the leveraging of certain other selling expenses. These reductions were, however, partially offset by increases in expense related to the incentive bonus accrual (0.80%, as a percentage of net sales) and internet related fulfillment and marketing expenses (0.10%, as a percentage of net sales).

General and administrative expenses increased from $5.7 million in the third quarter of fiscal 2007 to $7.0 million in the third quarter of fiscal 2008, a 21.8% increase. As a percentage of net sales, general and administrative expenses decreased from 3.4% in the third quarter of fiscal 2007 to 3.3% in the third quarter of fiscal 2008. The reduction was driven by a 0.25% reduction, as a percentage of net sales, related to the leveraging of certain general and administrative expenses; which was partially offset by an increase in expense related to the incentive bonus accrual (0.15%, as a percentage of net sales).

Table of Contents

THE BUCKLE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Year-to-date, general and administrative expense increased from $15.6 million for the first three quarters of fiscal 2007 to $17.2 million for the first three quarters of fiscal 2008, a 10.0% increase. As a percentage of net sales, general and administrative expenses decreased from 3.8% in the first three quarters of fiscal 2007 to 3.2% in the first three quarters of fiscal 2008. General and administrative expenses for the first three quarters of fiscal 2008 are reported net of a $3.0 million gain from the involuntary conversion of one of the Company’s corporate aircrafts to a monetary asset upon receipt of $11.5 million in insurance proceeds. The aircraft was destroyed by a tornado that hit the airport in Kearney, Nebraska on May 29, 2008. Excluding the $3.0 million gain recognized during the second quarter of fiscal 2008, general and administrative expenses were 3.7% of net sales for the first three quarters of fiscal 2008 compared to 3.8% of net sales for the first three quarters of fiscal 2007. The reduction was driven by a 0.35% reduction, as a percentage of net sales, related to the leveraging of certain general and administrative expenses; which was partially offset by an increase in expense related to the incentive bonus accrual (0.25%, as a percentage of net sales).

As a result of the above changes, the Company's income from operations increased 37.0% to $45.4 million for the third quarter of fiscal 2008 compared to $33.1 million for the third quarter of fiscal 2007. Income from operations was 21.6% of net sales for the third quarter of fiscal 2008 compared to 19.8% for the third quarter of fiscal 2007. Income from operations, for the thirty-nine week period ended November 1, 2008, increased 59.0% to $106.1 million compared to $66.7 million for the thirty-nine week period ended November 3, 2007. Income from operations was 19.6% of net sales for the first three quarters of fiscal 2008 compared to 16.1% for the first three quarters of fiscal 2007. Excluding the $3.0 million gain on the involuntary disposal of a corporate aircraft, income from operations for thirty-nine week period ended November 1, 2008 was 19.1%.

Other income decreased from $2.2 million for the quarter ended November 3, 2007 to $1.8 million for the quarter ended November 1, 2008, a decrease of 17.6%. Other income for the year-to-date period decreased 6.1% from $6.6 million for the thirty-nine week period ended November 3, 2007 to $6.2 million for the thirty-nine week period ended November 1, 2008.

Additionally, as referenced in Note 5 to the financial statements, during the third quarter of fiscal 2008 the Company recorded a $1.8 million unrealized loss resulting from the other-than-temporary impairment of certain of its investments in auction-rate securities. The other-than-temporary impairment has been recorded as a separate component of the Statements of Income for the quarter and year-to-date periods ended November 1, 2008.

Income tax expense as a percentage of pre-tax income was 36.0% in the third quarter of fiscal 2008 compared to 37.1% in the third quarter of fiscal 2007, bringing net income to $29.1 million in the third quarter of fiscal 2008 compared to $22.2 million in the third quarter of fiscal 2007, an increase of 31.0%. For the first three quarters of fiscal 2008, income tax expense was 36.6% of pre-tax income compared to 37.0% for the first three quarters of fiscal 2007, bringing year-to-date net income to $70.1 million in fiscal 2008 compared to $46.2 million in fiscal 2007, an increase of 51.7%.

LIQUIDITY AND CAPITAL RESOURCES

As of November 1, 2008, the Company had working capital of $171.8 million, including $92.4 million of cash and cash equivalents and short-term investments of $26.0 million. The Company's primary ongoing cash requirements are for inventory, payroll, occupancy costs, dividend payments, new store expansion, and remodeling. Historically, the Company's primary source of working capital has been cash flow from operations. During the first nine months of fiscal 2008 and fiscal 2007, the Company's cash flow from operating activities was $60.8 million and $50.0 million, respectively.

The uses of cash for both thirty-nine week periods include payment of annual bonuses accrued at fiscal year end, changes in inventory and accounts payable for build-up of inventory levels, dividend payments, and construction costs for new and remodeled stores. The increase in cash flow for the first three quarters of fiscal 2008 compared to the first three quarters of fiscal 2007 was primarily due to the liquidation of auction-rate securities, growth in net income, and insurance proceeds received on the involuntary disposal of one of the Company's corporate aircrafts; which were partially offset by increases in dividends paid, purchases of property and equipment, and buildup of inventory levels.

Table of Contents

THE BUCKLE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

During the first three quarters of fiscal 2008 and 2007, the Company invested $22.2 million and $17.8 million, respectively, in new store construction, store renovation, and store technology upgrades. The Company also spent $18.5 million and $2.0 million in the first three quarters of fiscal 2008 and 2007, respectively, in capital expenditures for the corporate headquarters and distribution facility. The amount spent during fiscal 2008 for capital expenditures at the corporate headquarters includes $14.3 million spent during the third quarter of the fiscal year to purchase a new corporate aircraft as a replacement for the aircraft that was destroyed by a tornado earlier in the year.

During the remainder of fiscal 2008, the Company anticipates completing approximately seven additional store construction projects, including approximately four new stores and approximately three stores to be substantially remodeled and/or relocated. Management still estimates that total capital expenditures during fiscal 2008 will be in the range of approximately $42 to $44 million. The Company believes that existing cash and cash equivalents, investments, and cash flow from operations will be sufficient to fund current and long-term anticipated capital expenditures and working capital requirements for the next several years. The Company has a consistent record of generating positive cash flow each year and, as of November 1, 2008, had total cash and investments of $182.8 million. The Company does not currently have plans for a merger or acquisition and has fairly consistent plans for new store expansion and remodels. Based upon past results and current plans, management does not anticipate any large swings in the Company’s need for cash in the upcoming years.

Future conditions, however, may reduce the availability of funds based upon factors such as a decrease in demand for the Company’s product, change in product mix, competitive factors, and general economic conditions as well as other risks and uncertainties which would reduce the Company’s sales, net profitability, and cash flows. Also, the Company’s acceleration in store openings and/or remodels or the Company entering into a merger, acquisition, or other financial related transaction could reduce the amount of cash available for further capital expenditures and working capital requirements.

The Company has available an unsecured line of credit of $17.5 million with Wells Fargo Bank, N.A. for operating needs and letters of credit. The line of credit provides that outstanding letters of credit cannot exceed $10 million. Borrowings under the line of credit provide for interest to be paid at a rate equal to the prime rate established by the Bank. The Company has, from time to time, borrowed against these lines during periods of peak inventory build-up. There were no bank borrowings during the first three quarters of fiscal 2008 or 2007.

The Company paid $117.5 million of cash dividends during the thirty-nine weeks ended November 1, 2008. This includes quarterly dividends as well as a special one-time cash dividend of $3.00 per share ($2.00 split adjusted), paid on October 27, 2008 from existing cash and cash equivalents. At November 1, 2008, the Company also had a 750,000 share repurchase plan authorized by the Board of Directors. The Company had 356,400 shares remaining at November 1, 2008 to complete this authorization.

As of November 1, 2008, total cash and investments included $41.7 million of auction-rate securities (“ARS”), which compares to $145.8 million of ARS as of February 2, 2008. ARS have a long-term stated maturity, but are reset through a “dutch auction” process that occurs every 7 to 49 days, depending on the terms of the individual security. Until February 2008, the ARS market was highly liquid. During February 2008, however, a significant number of auctions related to these securities failed, meaning that there was not enough demand to sell the entire issue at auction. The impact of the failed auctions on holders of ARS is that the holder cannot sell the securities and the issuer’s interest rate is generally reset to a higher “penalty” rate. The failed auctions have limited the current liquidity of certain of the Company’s investments in ARS and the Company has reason to believe that at least one of the underlying issuers of its ARS is currently at risk; however, the Company does not anticipate that further auction failures will have a material impact on the Company's ability to fund its business.

Table of Contents

THE BUCKLE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Of the $41.7 million in ARS held as of November 1, 2008, $8.2 million has been included in short-term investments, having a maturity of one year of less, due to known and/or anticipated subsequent redemptions at par value plus accrued interest, and $33.5 million has been included in long-term investments. Of the $145.8 million in ARS held as of February 2, 2008, $88.9 million has been included in short-term investments and $56.9 million has been included in long-term investments.

ARS are reported at fair market value, and at the end of the third quarter of fiscal 2008, the reported investment amount is net of a $2.0 million temporary impairment and a $1.8 million other-than-temporary impairment recorded during the first three quarters of fiscal 2008 to account for the impairments of certain securities from their stated par value. The Company reported the $2.0 million temporary impairment, net of tax, as an “accumulated other comprehensive loss” of $1.3 million in stockholders’ equity as of November 1, 2008. The Company has accounted for the impairment as temporary, as it currently expects to be able to successfully liquidate its investments without loss once the ARS market resumes normal operations. The Company reported the $1.8 million other-than-temporary impairment as a loss in the statements of income for the thirteen and thirty-nine week periods ended November 1, 2008. Any future fluctuation in fair value related to these securities that the Company judges to be other-than-temporary, including any recoveries of previous write-downs, would be recorded in the statement of income as an adjustment to net income. The Company reviews all investments for other-than-temporary impairment at least quarterly or as indicators of impairment exist. The value and liquidity of ARS held by the Company may be affected by continued auction-rate failures, the credit quality of each security, the amount and timing of interest payments, the amount and timing of future principal payments, and the probability of full repayment of the principal. Additional indicators of impairment include the duration and severity of the decline in market value. The interest rates on these investments will be determined by the terms of each individual ARS. The material risks associated with the auction-rate securities held by the Company include those stated above as well as the current economic environment, downgrading of credit ratings on investments held, and the volatility of the entities backing each of the issues. In addition, the Company considers qualitative factors including, but not limited to, the financial condition of the investee, the credit rating of the investee, and the current and expected market and industry conditions in which the investee operates.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management’s Discussion and Analysis of Financial Condition and Results of Operations are based upon The Buckle, Inc.’s financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires that management make estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the financial statement date, and the reported amounts of sales and expenses during the reporting period. The Company regularly evaluates its estimates, including those related to inventory and income taxes. Management bases its estimates on past experience and on various other factors that are thought to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Management believes that the estimates and judgments used in preparing these financial statements were the most appropriate at that time. Presented below are those critical accounting policies that management believes require subjective and/or complex judgments that could potentially affect reported results of operations.

1.

Revenue Recognition. Retail store sales are recorded upon the purchase of merchandise by customers. Online sales are recorded when merchandise is delivered to the customer, with the time of delivery being based on estimated shipping time from the Company's distribution center to the customer. Shipping fees charged to customers are included in revenue and shipping costs are included in selling expenses. The Company accounts for layaway sales in accordance with SAB No. 101, Revenue Recognition, recognizing revenue from sales made under its layaway program upon delivery of the merchandise to the customer. Revenue is not recorded when gift cards and gift certificates are sold, but rather when a card or certificate is redeemed for merchandise. A current liability for unredeemed gift cards and certificates is recorded at the time the card or certificate is purchased. The amount of the gift certificate liability is determined using the outstanding balances from the prior three years of issuance and the gift card liability is determined using the outstanding balances from the prior four years of issuance.

Table of Contents

THE BUCKLE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The liability recorded for unredeemed gift cards and gift certificates was $5.8 million and $8.5 million as of November 1, 2008 and February 2, 2008, respectively. The Company records breakage as other income when the probability of redemption, which is based on historical redemption patterns, is remote. The Company establishes a liability for estimated merchandise returns based upon the historical average sales return percentage. Customer returns could potentially exceed the historical average, thus reducing future net sales results and potentially reducing future net earnings. The accrued liability for reserve for sales returns was $0.4 million as of both November 1, 2008 and February 2, 2008.

2. Inventory. Inventory is valued at the lower of cost or market. Cost is determined using an average cost method that approximates the first-in, first-out (FIFO) method. Management makes adjustments to inventory and cost of goods sold, based upon estimates, to reserve for merchandise obsolescence and markdowns that could affect market value, based on assumptions using calculations applied to current inventory levels within each of four different markdown levels. Management also reviews the levels of inventory in each markdown group and the overall aging of the inventory versus the estimated future demand for such product and the current market conditions. Such judgments could vary significantly from actual results, either favorably or unfavorably, due to fluctuations in future economic conditions, industry trends, consumer demand, and the competitive retail environment. Such changes in market conditions could negatively impact the sale of markdown inventory, causing further markdowns or inventory obsolescence, resulting in increased cost of goods sold from write-offs and reducing the Company’s net earnings. The liability recorded as a reserve for markdowns and/or obsolescence was $5.1 million and $5.8 million as of November 1, 2008 and February 2, 2008, respectively. The Company is not aware of any events, conditions or changes in demand or price that would indicate that our inventory valuation may not be materially accurate at this time.

3. Income Taxes. The Company records a deferred tax asset and liability for expected future tax consequences resulting from temporary differences between financial reporting and tax bases of assets and liabilities. The Company considers future taxable income and ongoing tax planning in assessing the value of its deferred tax assets. If the Company determines that it is more than likely that these assets will not be realized, the Company would reduce the value of these assets to their expected realizable value, thereby decreasing net income. Estimating the value of these assets is based upon the Company’s judgment. If the Company subsequently determined that the deferred tax assets, which had been written down, would be realized in the future, such value would be increased. Adjustment would be made to increase net income in the period such determination was made.

4. Operating Leases. The Company leases retail stores under operating leases. Most lease agreements contain tenant improvement allowances, rent holidays, rent escalation clauses, and/or contingent rent provisions. For purposes of recognizing lease incentives and minimum rental expenses on a straight-line basis over the terms of the leases, the Company uses the date of initial possession to begin amortization, which is generally when the Company enters the space and begins to make improvements in preparation of intended use. For tenant improvement allowances and rent holidays, the Company records a deferred rent liability on the balance sheets and amortizes the deferred rent over the terms of the leases as reductions to rent expense on the statements of income.

For scheduled rent escalation clauses during the lease terms or for rental payments commencing at a date other than the date of initial occupancy, the Company records minimum rental expenses on a straight-line basis over the terms of the leases on the statements of income. Certain leases provide for contingent rents, which are determined as a percentage of gross sales in excess of specified levels. The Company records a contingent rent liability on the balance sheets and the corresponding rent expense when specified levels have been achieved or are reasonably probable to be achieved.

Table of Contents

THE BUCKLE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

5. Investments. The Company invests a portion of its short and long-term investments in auction-rate securities ("ARS"). As of November 1, 2008 and February 2, 2008, $41.7 million and $145.8 million, respectively, of investments were in ARS. ARS have a long-term stated maturity, but are reset through a "dutch auction" process that occurs every 7 to 49 days, depending on the terms of the individual security. Until February 2008, the ARS market was highly liquid. During February 2008, however, a significant number of auctions related to these securities failed, meaning that there was not enough demand to sell the entire issue at auction. The impact of the failed auctions on holders of ARS is that the holder cannot sell the securities and the issuer's interest rate is generally reset to a higher "penalty" rate. The failed auctions have limited the current liquidity of certain of the Company's investments in ARS and the Company has reason to believe that at least one of the underlying issuers of its ARS is currently at risk; however, the Company does not anticipate that future auction failures will have a material impact on the Company's ability to fund its business.

Of the $41.7 million in ARS held as of November 1, 2008, $8.2 million has been included in short-term investments, with a maturity of one year or less, due to known and/or anticipated subsequent redemptions at par value plus accrued interest, and $33.5 million has been included in long-term investments. Of the $145.8 million in ARS held as of February 2, 2008, $88.9 million has been included in short-term investments and $56.9 million has been included in long-term investments.

The Company reviews impairment in accordance with Emerging Issues Task Force (EITF) 03-1 and FSP SFAS 115-1 and 124-1, The Meaning of Other-Than-Temporary-Impairment and its Application to Certain Investments, to determine the classification of potential impairments as either temporary or other-than-temporary. A temporary impairment results in an unrealized loss being recorded in other comprehensive income. An impairment that is considered other-than-temporary would be recognized in net income. The Company considers various factors in reviewing impairment, including the length of time and extent to which the fair value has been less than the Company's cost basis, the financial condition and near-term prospects of the issuer, and the Company's intent and ability to hold the investments for a period of time sufficient to allow for any anticipated recovery in market value. The Company believes it has the ability and maintains its intent to hold these investments until recovery of market value occurs.

The Company's investments in ARS are reported at fair market value, and at the end of the third quarter of fiscal 2008, the reported investment amount is net of a $2.0 million temporary impairment and a $1.8 million other-than-temporary impairment recorded during the first three quarters of fiscal 2008 to account for the impairments of certain securities from their stated par value. The Company reported the $2.0 million temporary impairment, net of tax, as an "accumulated other comprehensive loss" of $1.3 million in stockholders' equity as of November 1, 2008. The Company has accounted for the impairment as temporary, as it currently expects to be able to successfully liquidate its investments without loss once the ARS market resumes normal operations. The Company reported the $1.8 million other-than-temporary impairment as a loss in the statements of income for the thirteen and thirty-nine week periods ended November 1, 2008. The Company was able to successfully liquidate $104.9 million of its investments in ARS at par value during the first three quarters of fiscal 2008. The Company reviews all investments for other-than-temporary impairment at least quarterly or as indicators of impairment exist. Indicators of impairment include the duration and severity of the decline in market value. In addition, the Company considers qualitative factors including, but not limited to, the financial condition of the investee, the credit rating of the investee, and the current and expected market and industry conditions in which the investee operates.

- 24 -

Table of Contents

THE BUCKLE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company determined the fair value of ARS using Level 1 inputs for known or anticipated subsequent redemptions at par value and Level 2 inputs where the following criteria were considered in estimating fair value:

- Pricing was provided by the custodian of ARS
- Pricing was provided by a third-party broker for ARS
- Sales of similar securities
- Quoted prices for similar securities in active markets
- Quoted prices for similar assets in markets that are not active - including markets where there are few transactions for the asset, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly.

In addition, the Company considers other factors including, but not limited to, the financial condition of the investee, the credit rating, insurance, guarantees, collateral, cash flows, and the current and expected market and industry conditions in which the investee operates. Management believes it has used information that was reasonably obtainable in order to complete its valuation process and determine if the Company's investments in ARS had incurred any temporary and/or other-than-temporary impairment as of November 1, 2008.

OFF-BALANCE SHEET ARRANGEMENTS,
CONTRACTUAL OBLIGATIONS, AND COMMERCIAL COMMITMENTS

As referenced in the tables below, the Company has contractual obligations and commercial commitments that may affect the financial condition of the Company. Based on management's review of the terms and conditions of its contractual obligations and commercial commitments, there is no known trend, demand, commitment, event, or uncertainty that is reasonably likely to occur which would have a material effect on the Company's financial condition, results of operations, or cash flows. In addition, the commercial obligations and commitments made by the Company are customary transactions which are similar to those of other comparable retail companies. The operating lease obligations shown in the table below represent future cash payments to landlords required to fulfill the Company's minimum rent requirements. Such amounts are actual cash requirements by year and are not reported net of any tenant construction allowances received from landlords.

The following tables identify the material obligations and commitments as of November 1, 2008:

	Payments Due by Period				
Contractual obligations (dollar amounts in thousands)	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long term debt and purchase obligations	$ 2,333	$ 2,057	$ 276	$ —	$ —
Deferred compensation	4,239	—	—	—	4,239
Operating leases	249,013	41,290	73,924	53,568	80,231
Total contractual obligations	$ 255,585	$ 43,347	$ 74,200	$ 53,568	$ 84,470

	Amount of Commitment Expiration Per Period				
Other Commercial Commitments (dollar amounts in thousands)	Total Amounts Committed	Less than 1 year	1-3 years	4-5 years	After 5 years
Lines of credit	$ —	$ —	$ —	$ —	$ —

Total commercial commitments	$ —	$ —	$ —	$ —	$ —

Table of Contents

THE BUCKLE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company has available an unsecured line of credit of $17.5 million, of which $10 million is available for letters of credit, which is excluded from the preceding table. Certain merchandise purchase orders require that the Company open letters of credit. When the Company takes possession of the merchandise, it releases payment on the letters of credit. The amounts of outstanding letters of credit reported reflect the open letters of credit on merchandise ordered, but not yet received or funded. The Company believes it has sufficient credit available to open letters of credit for merchandise purchases. There were no bank borrowings during the third quarter of fiscal 2008 or the third quarter of fiscal 2007. The Company had outstanding letters of credit totaling $1.4 million and $0.8 million at November 1, 2008 and February 2, 2008, respectively. The Company has no other off-balance sheet arrangements.

SEASONALITY AND INFLATION

The Company's business is seasonal, with the holiday season (from approximately November 15 to December 30) and the back-to-school season (from approximately July 15 to September 1) historically contributing the greatest volume of net sales. For fiscal years 2007, 2006, and 2005, the holiday and back-to-school seasons accounted for approximately 38%, 36%, and 37%, respectively, of the Company's fiscal year net sales. Although the operations of the Company are influenced by general economic conditions, the Company does not believe that inflation has had a material effect on the results of operations during the thirteen and thirty-nine week periods ended November 1, 2008 and November 3, 2007. Quarterly results may vary significantly depending on a variety of factors including the timing and amount of sales and costs associated with the opening of new stores, the timing and level of markdowns, the timing of store closings, the remodeling of existing stores, competitive factors, and general economic conditions.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Effective February 3, 2008, the Company adopted the provisions of FASB Statement No. 157 (“SFAS 157”), Fair Value Measurements. This standard defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The provisions of SFAS 157 apply to all financial instruments that are being measured and reported on a fair value basis. In addition, in February 2008, FASB issued FASB Staff Position (“FSP) FAS 157-2, Effective Date of FASB Statement No. 157. This FSP delays the effective date of SFAS 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for all non-financial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. The partial adoption of SFAS 157 did not have any impact on the Company’s financial position or results of operations.

Effective February 3, 2008, the Company adopted the provisions of FASB Statement No. 159 (“SFAS 159”), The Fair Value Option for Financial Assets and Financial Liabilities. This standard provides an option for companies to report selected financial assets and liabilities at fair value. Although the Company adopted the provisions of SFAS 159 effective with the beginning of the Company’s 2008 fiscal year, it did not elect the fair value option for any financial instruments or other items held by the Company. Therefore, the adoption of SFAS 159 did not have any impact on the Company’s financial position or results of operations.

FORWARD LOOKING STATEMENTS

Information in this report, other than historical information, may be considered to be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the “1995 Act”). Such statements are made in good faith by the Company pursuant to the safe-harbor provisions of the 1995 Act. In connection with these safe-harbor provisions, this management's discussion and analysis contains certain forward-looking statements, which reflect management's current views and estimates of future economic conditions, Company performance, and financial results. The statements are based on many assumptions and factors that could cause future results to differ materially. Such factors include, but are not limited to, changes in product mix, changes in fashion trends, competitive factors, and general economic conditions, economic conditions in the retail apparel industry, as well as other risks and uncertainties inherent in the Company's business and the retail industry in general. Any changes in these factors could result in significantly different results for the Company. The Company further cautions that the forward-looking information contained herein is not exhaustive or exclusive. The Company does not undertake to update any forward-looking statements, which may be made from time to time by or on behalf of the Company.

Table of Contents

THE BUCKLE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company has evaluated the disclosure requirements of Item 305 of S-K "Quantitative and Qualitative Disclosures about Market Risk," and has concluded that the Company has inherent risks in its operations as it is exposed to certain market risks, including interest rates.

Interest Rate Risk – To the extent that the Company borrows under its line of credit facility, the Company would be exposed to market risk related to changes in interest rates. As of November 1, 2008, no borrowings were outstanding under our line of credit facility. The Company is exposed to market risk related to interest rate risk on the cash and investments in interest-bearing securities. These investments have carrying values that are subject to interest rate changes that could impact earnings to the extent that the Company did not hold the investments to maturity. If there are changes in interest rates, those changes would also affect the investment income the Company earns on its cash and investments. For each one-quarter percent decline in the interest/dividend rate earned on cash and investments (approximately a 7% change in the rate earned), the Company's net income would decrease approximately $390,000 or approximately $0.01 per share. This amount could vary based upon the number of shares of the Company's stock outstanding and the level of cash and investments held by the Company.

Other Market Risks – At November 1, 2008, the Company held $45.5 million, at par value, in investments in auction-rate securities. The Company concluded that a $2.0 million temporary impairment and $1.8 million other-than-temporary impairment on these securities existed at November 1, 2008. Given current market conditions in the auction-rate security market, we may incur additional temporary or other-than-temporary impairment in the future if market conditions persist and the Company is unable to recover the cost of its investments in auction-rate securities.

ITEM 4 – CONTROLS AND PROCEDURES

The Company maintains a system of disclosure controls and procedures that are designed to provide reasonable assurance that material information, which is required to be timely disclosed, is accumulated and communicated to management in a timely manner. An evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act")) was performed as of the end of the period covered by this report. This evaluation was performed under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer.

Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures as of the end of the period covered by this report were effective to provide reasonable assurance that information required to be disclosed by the Company in the Company's reports that it files or submits under the Exchange Act is accumulated and communicated to management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure and are effective to provide reasonable assurance that such information is recorded, processed, summarized, and reported within the time periods specified by the SEC's rules and forms.

Change in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the Company's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Table of Contents

THE BUCKLE, INC.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings:

None

Item 1A. Risk Factors:

The effect of economic pressures and other business factors – During the thirty-nine weeks ended November 1, 2008, the global recession has caused uncertainty and a wide-ranging lack of liquidity. The market uncertainty has resulted in a lack of consumer confidence and a reduction of consumer spending. The success of our operations depends to a significant extent upon a number of factors relating to discretionary consumer spending, including economic conditions affecting disposable consumer income such as employment, consumer debt, interest rates, increases in energy costs, and consumer confidence. There can be no assurance that consumer spending will not be further negatively affected by general or local economic conditions, which could have an adverse impact on our continued growth and results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds:

The following table sets forth information concerning purchases made by the Company of its common stock for each of the months in the fiscal quarter ended November 1, 2008:

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Number of Shares that May Yet Be Purchased Under Publicly Announced Plans
August 3, to August 30, 2008	—	—	—	356,400
August 31, to October 4, 2008	—	—	—	356,400
October 5, to Nov.1, 2008	—	—	—	356,400
	—	—	—	

The Board of Directors authorized a 750,000 share repurchase plan on November 27, 2007. The Company has 356,400 shares remaining to complete this authorization. Shares have been adjusted to reflect the impact of the Company's 3-for-2 stock split paid in the form of a stock dividend on October 30, 2008.

Item 3. Defaults Upon Senior Securities:

None

Item 4. Submission of Matters to a Vote of Security Holders:

None

Item 5. Other Information:

None

Item 6. Exhibits:

(a) Exhibits 31.1 and 31.2 certifications, as well as Exhibits 32.1 and 32.2 Certifications Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Table of Contents

THE BUCKLE, INC.

SIGNATURES

Pursuant to the requirements 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.

THE BUCKLE, INC.
Dated: December 11, 2008

/s/ DENNIS H. NELSON

DENNIS H. NELSON, President and Chief Executive Officer
(principal executive officer)

Dated: December 11, 2008

/s/ KAREN B. RHOADS

KAREN B. RHOADS, Vice President of Finance
and Chief Financial Officer
(principal accounting officer)