

FIRST FARMERS & MERCHANTS CORP  
Form 10-Q  
August 06, 2010  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark one)

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

For the quarterly period ended June 30, 2010

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Numbers: 000-10972

## First Farmers and Merchants Corporation

(Exact name of registrant as specified in its charter)

**Tennessee**

(State or other jurisdiction of incorporation or organization)

**62-1148660**

(I.R.S. Employer Identification No.)

**816 South Garden Street**

**Columbia, Tennessee**

(Address of principal executive offices)

**38402-1148**

(Zip Code)

**931-388-3145**

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

As of August 5, 2010, the registrant had 5,487,713 shares of common stock outstanding.



Table of Contents

**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

The following unaudited consolidated financial statements of the Registrant and its subsidiaries are included in this Report:

Consolidated balance sheets - June 30, 2010 and December 31, 2009.

Consolidated statements of income - For the three months and six months ended June 30, 2010 and June 30, 2009.

Consolidated statements of cash flows - For the six months ended June 30, 2010 and June 30, 2009.

Selected notes to consolidated financial statements.

Table of Contents

**FIRST FARMERS AND MERCHANTS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

(Dollars in Thousands, Except Per Share Data)	June 30, 2010 (Unaudited)	December 31, 2009 (1)
<b>ASSETS</b>		
Cash and due from banks	\$ 15,364	\$ 11,181
Interest-bearing due from banks	3,959	5,557
Federal funds sold	27,500	16,725
Total cash and cash equivalents	46,823	33,463
Securities		
Available-for-sale (amortized cost \$209,730 and \$207,027, respectively)	212,392	208,238
Held-to-maturity (fair market value \$41,685 and \$48,722, respectively)	40,678	47,613
Total securities	253,070	255,851
Loans, net of deferred fees	573,293	576,655
Allowance for loan and lease losses	(9,337)	(8,929)
Net loans	563,956	567,726
Bank premises and equipment, at cost less allowance for depreciation	21,900	20,625
Core deposit and other intangibles	9,074	9,111
Other assets	49,224	48,252
<b>TOTAL ASSETS</b>	<b>\$ 944,047</b>	<b>\$ 935,028</b>
<b>LIABILITIES</b>		
Deposits		
Noninterest-bearing	\$ 122,543	\$ 116,157
Interest-bearing (including certificates of deposits over \$100: 2010 - \$104,704; 2009 - \$97,572)	664,841	656,168
Total deposits	787,384	772,325
Federal funds purchased and securities sold under agreements to repurchase	4,996	5,856
Dividends payable	2,030	2,038
Short-term borrowings	420	414
Accounts payable and accrued liabilities	13,706	13,045
Federal Home Loan Bank Advances	27,177	34,177
<b>TOTAL LIABILITIES</b>	<b>835,713</b>	<b>827,855</b>
<b>SHAREHOLDERS EQUITY</b>		
Common stock - \$10 par value per share, 8,000,000 shares authorized; 5,487,713 and 5,506,993 shares issued and outstanding as of June 30, 2010 and December 31, 2009, respectively	54,877	55,070
Retained earnings	51,725	51,264
Accumulated other comprehensive income	1,637	744
<b>TOTAL SHAREHOLDERS EQUITY BEFORE NONCONTROLLING INTEREST - PREFERRED STOCK OF SUBSIDIARY</b>	<b>108,239</b>	<b>107,078</b>
Noncontrolling interest - preferred stock of subsidiary	95	95
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>\$ 944,047</b>	<b>\$ 935,028</b>

(1) Derived from audited financial statements.

The accompanying notes are an integral part of consolidated financial statements.



Table of Contents

**FIRST FARMERS AND MERCHANTS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**

(Dollars in Thousands Except Per Share Data) (Unaudited)	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
<b>INTEREST AND DIVIDEND INCOME</b>				
Interest and fees on loans	\$ 8,058	\$ 7,910	\$ 15,932	\$ 15,777
Income on investment securities				
Taxable interest	1,173	1,119	2,357	2,445
Exempt from federal income tax	878	946	1,774	1,920
Dividends	55	46	102	106
	<b>2,106</b>	<b>2,111</b>	<b>4,233</b>	<b>4,471</b>
Other interest income	10	27	28	44
<b>TOTAL INTEREST INCOME</b>	<b>10,174</b>	<b>10,048</b>	<b>20,193</b>	<b>20,292</b>