

FIRST FARMERS & MERCHANTS CORP
Form 10-Q
August 08, 2007

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, 2007**

or

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

For the transition period from _____ to _____

Commission File Number: 000-10972

First Farmers and Merchants Corporation

(Exact name of registrant as specified in its charter)

Tennessee

(State or other jurisdiction of incorporation or organization)
No.)

62-1148660

(I.R.S. Employer Identification

816 South Garden Street

Columbia, Tennessee

(Address of principal executive offices)

38402-1148

(Zip Code)

931-388-3145

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(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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

5,720,000 shares as of August 8, 2007

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, 2007 and December 31, 2006.

Consolidated statements of income - For the three months and six months ended June 30, 2007 and June 30, 2006.

Consolidated statements of cash flows - For the six months ended June 30, 2007 and June 30, 2006.

Selected notes to consolidated financial statements.

FIRST FARMERS AND MERCHANTS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

		June 30, 2007	December 31, 2006
<i>(Dollars In Thousands, Except Per Share Data)</i>		<i>(Unaudited)</i>	<i>(1)</i>
ASSETS			
	Cash and due from banks	\$ 19,703	\$ 45,558
	Interest-bearing deposits in banks	1,949	2,573
	Federal funds sold	4,100	26,850
	Total cash and cash equivalents	25,752	74,981
	Securities		
	Available for sale (amortized cost \$140,750 and \$149,040, respectively)	137,758	147,001
	Held to maturity (fair market value \$76,319 and \$82,109 respectively)	76,749	81,247
	Total securities	214,507	228,248
	Loans, net of deferred fees	495,859	473,353
	Allowance for possible loan and lease losses	(7,296)	(7,262)
	Net loans	488,563	466,091
	Bank premises and equipment, at cost less allowance for depreciation	10,260	10,428
	Core deposit and other intangibles	9,471	9,874
	Other assets	32,875	30,462
	TOTAL ASSETS	\$ 781,428	\$ 820,084
LIABILITIES			
	Deposits		
	Noninterest-bearing	\$ 120,695	\$ 142,933
	Interest-bearing (including certificates of deposit over \$100: 2007 - \$78,855; 2006 - \$98,205)	538,847	556,029
	Total deposits	659,542	698,962
	Federal funds purchased and securities sold under agreements to repurchase	2,122	2,654
	Dividends payable	1,976	1,971
	Other short-term liabilities	542	385
	Accounts payable and accrued liabilities	13,556	12,305
	TOTAL LIABILITIES	677,738	716,277
SHAREHOLDERS' EQUITY			
	Common stock - \$10 par value per share, 8,000,000 shares authorized; 5,726,992 and 5,760,000 shares issued and outstanding as of June 30, 2007 and December 31, 2006, respectively	57,270	57,600
	Additional paid-in capital	-	1,120
	Retained earnings	48,259	46,342
	Accumulated other comprehensive loss	(1,839)	(1,255)
	TOTAL SHAREHOLDERS' EQUITY	103,690	103,807
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 781,428	\$ 820,084

(1) Derived from audited financial statements.

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

FIRST FARMERS AND MERCHANTS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

		<i>Three Months Ended</i>		<i>Six Months Ended</i>		
		<i>June 30,</i>		<i>June 30,</i>		
		<i>(Unaudited)</i>		2007	2006	2007
<i>(Dollars In Thousands, Except Per Share Data)</i>						
INTEREST AND	Interest and fees on loans	\$ 8,313	\$ 7,853	\$ 16,266	\$ 15,121	
DIVIDEND INCOME	Income on investment securities					
	Taxable interest	1,315	1,726	2,598	3,359	
	Exempt from federal income tax	958	1,068	1,981	2,146	
	Dividends	44	45	107	94	
		2,317	2,839	4,686	5,599	
	Other interest income	287	22	595	56	
	TOTAL INTEREST INCOME	10,917	10,714	21,547	20,776	
INTEREST EXPENSE	Interest on deposits	3,969	3,031	7,964	6,019	
	Interest on other short-term borrowings	42	193	73	269	
	TOTAL INTEREST EXPENSE	4,011	3,224	8,037	6,288	
	NET INTEREST INCOME	6,906	7,490	13,510	14,488	
	PROVISION FOR POSSIBLE LOAN LOSSES	-	-	-	-	
	NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	6,906	7,490	13,510	14,488	
NONINTEREST INCOME	Trust department income	642	608	1,349	1,148	
	Service fees on deposit accounts	1,952	2,024	3,705	3,839	
	Other service fees, commissions and fees	166	106	296	194	
	Other operating income	222	212	496	396	
	TOTAL NONINTEREST INCOME	2,982	2,950	5,846	5,577	
NONINTEREST EXPENSE	Salaries and employee benefits	3,784	4,212	7,521	8,347	
	Net occupancy expense	552	551	1,095	1,113	
	Furniture and equipment expense	261	308	538	605	
	Other operating expenses	2,545	2,968	5,126	5,679	
	TOTAL NONINTEREST EXPENSES	7,142	8,039	14,280	15,744	
	INCOME BEFORE PROVISION FOR INCOME TAXES	2,746	2,401	5,076	4,321	
	PROVISION FOR INCOME TAXES	699	484	983	760	
	NET INCOME	\$ 2,047	\$ 1,917	\$ 4,093	\$ 3,561	
BASIC EARNINGS PER SHARE	Weighted Average Shares Outstanding	5,736,645	5,840,000			