

FIRST FARMERS & MERCHANTS CORP  
Form 10-Q  
November 08, 2010  
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**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 September 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   
(Do not check if a smaller reporting company)

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



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**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 - September 30, 2010 and December 31, 2009.

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

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

Selected notes to consolidated financial statements.

Table of Contents**FIRST FARMERS AND MERCHANTS CORPORATION AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

<b>(Dollars in Thousands, Except Per Share Data)</b>	<b>September 30, 2010 (Unaudited)</b>	<b>December 31, 2009 (1)</b>
<b>ASSETS</b>		
Cash and due from banks	\$ 15,292	\$ 11,181
Interest-bearing due from banks	13,098	5,557
Federal funds sold	12,350	16,725
Total cash and cash equivalents	40,740	33,463
Securities		
Available-for-sale (amortized cost \$228,665 and \$207,027, respectively)	233,207	208,238
Held-to-maturity (fair market value \$43,010 and \$48,722, respectively)	40,589	47,613
Total securities	273,796	255,851
Loans, net of deferred fees	575,892	576,655
Allowance for loan losses	(8,964)	(8,929)
Net loans	566,928	567,726
Bank premises and equipment, at cost less allowance for depreciation	23,000	20,625
Core deposit and other intangibles	9,055	9,111
Other assets	49,569	48,252
<b>TOTAL ASSETS</b>	<b>\$ 963,088</b>	<b>\$ 935,028</b>
<b>LIABILITIES</b>		
Deposits		
Noninterest-bearing	\$ 131,644	\$ 116,157
Interest-bearing (including certificates of deposits over \$100: 2010 - \$118,195; 2009 - \$97,572)	674,416	656,168
Total deposits	806,060	772,325
Federal funds purchased and securities sold under agreements to repurchase	5,992	5,856
Dividends payable		2,038
Short-term borrowings	426	414
Accounts payable and accrued liabilities	15,194	13,045
Federal Home Loan Bank advances	24,100	34,177
<b>TOTAL LIABILITIES</b>	<b>851,772</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 Sept. 30, 2010 and December 31, 2009, respectively	54,877	55,070
Retained earnings	53,551	51,264
Accumulated other comprehensive income	2,793	744
<b>TOTAL SHAREHOLDERS EQUITY BEFORE NONCONTROLLING INTEREST - PREFERRED STOCK OF SUBSIDIARY</b>	<b>111,221</b>	<b>107,078</b>
Noncontrolling interest - preferred stock of subsidiary	95	95
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>\$ 963,088</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 September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
<b>INTEREST AND DIVIDEND INCOME</b>				
Interest and fees on loans	\$ 7,890	\$ 8,022	\$ 23,822	\$ 23,799
Income on investment securities				
Taxable interest	741	1,205	3,098	3,650
Exempt from federal income tax	902	935	2,676	2,855
Dividends	14	51	116	157
	1,657	2,191	5,890	6,662
Other interest income	16	11	44	55
<b>TOTAL INTEREST INCOME</b>	<b>9,563</b>	<b>10,224</b>	<b>29,756</b>	<b>30,516</b>
<b>INTEREST EXPENSE</b>				