

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)
ASSETS		
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
TOTAL ASSETS	\$ 944,047	\$ 935,028
LIABILITIES		
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
TOTAL LIABILITIES	835,713	827,855
SHAREHOLDERS EQUITY		
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
TOTAL SHAREHOLDERS EQUITY BEFORE NONCONTROLLING INTEREST - PREFERRED STOCK OF SUBSIDIARY	108,239	107,078
Noncontrolling interest - preferred stock of subsidiary	95	95
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	\$ 944,047	\$ 935,028

(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
INTEREST AND DIVIDEND INCOME				
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
	2,106	2,111	4,233	4,471
Other interest income	10	27	28	44
TOTAL INTEREST INCOME	10,174	10,048	20,193	20,292
INTEREST EXPENSE				
Interest on deposits	1,535	2,083	3,188	4,327
Interest on other borrowings	250	291	524	603
TOTAL INTEREST EXPENSE	1,785	2,374	3,712	4,930
NET INTEREST INCOME	8,389	7,674	16,481	15,362
PROVISION FOR POSSIBLE LOAN AND LEASE LOSSES	405	770	1,491	1,425
NET INTEREST INCOME AFTER PROVISION FOR LOAN AND LEASE LOSSES	7,984	6,904	14,990	13,937
NONINTEREST INCOME				
Trust department income	465	436	1,025	994
Service fees on deposit accounts	1,797	1,833	3,406	3,555
Other fees and commissions	142	156	257	240
Other operating (loss) income	(112)	267	(61)	367
Securities (loss) gains	(1)	528	502	2,482
TOTAL NONINTEREST INCOME	2,291	3,220	5,129	7,638
NONINTEREST EXPENSE				
Salaries and employee benefits	4,064	4,143	8,180	8,313
Net occupancy expense	673	628	1,314	1,269
Furniture and equipment expense	274	220	532	548
Other operating expenses	3,128	3,179	6,833	6,086
TOTAL NONINTEREST EXPENSES	8,139	8,170	16,859	16,216
INCOME BEFORE PROVISION FOR INCOME TAXES	2,136	1,954	3,260	5,359
PROVISION FOR INCOME TAXES	196	229	128	926
Net income before noncontrolling interest - dividends on preferred stock of subsidiary	\$ 1,940	\$ 1,725	\$ 3,132	\$ 4,433
Noncontrolling interest - dividends on preferred stock of subsidiary	\$	\$	\$	\$
NET INCOME AVAILABLE FOR COMMON SHAREHOLDERS	\$ 1,940	\$ 1,725	\$ 3,132	\$ 4,433
BASIC EARNINGS PER SHARE				
Weighted Average Shares Outstanding	5,487,729	5,547,088	5,495,835	5,560,856
	\$ 0.35	\$ 0.31	\$ 0.57	\$ 0.80

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

Table of Contents

FIRST FARMERS AND MERCHANTS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in Thousands)	Six months ended June 30,	
	2010	2009
OPERATING ACTIVITIES		
Net income available for common shareholders	\$ 3,132	\$ 4,433
Adjustments to reconcile net income to net cash provided by operating activities		
Excess (deficiency) of provision for possible loan and lease losses over net charge-offs	1,491	(415)
Provision for depreciation and amortization of premises and equipment	605	571
Securities gains	(502)	(2,482)
Loss from disposition of fixed assets		129
Loss (gain) from disposition of other real estate	268	(6)
Amortization of deposit base intangibles	37	37
Amortization of investment security premiums, net of accretion of discounts	870	511
Increase in cash surrender value of life insurance contracts	(434)	(15)
(Increase) decrease in		
Deferred income taxes	(467)	457
Interest receivable	360	(108)
Other real estate owned	(2,802)	(3,623)
Other assets	413	
(Decrease) increase in		
Interest payable	(65)	(397)
Other liabilities	726	1,207
Total adjustments	500	(4,134)
Net cash provided by operating activities	3,632	299
INVESTING ACTIVITIES		
Proceeds from maturities, calls, and sales of available-for-sale securities	95,732	148,217
Proceeds from maturities and calls of held-to-maturity securities	6,905	7,834
Purchases of investment securities		