

FIRST FARMERS & MERCHANTS CORP
Form 10-Q
May 12, 2008

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 March 31, 2008

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	62-1148660
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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816 South Garden Street	
Columbia, Tennessee	38402-1148
(Address of principal executive offices)	(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 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. (Check one):

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

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

5,660,000 shares as of May 5, 2008

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 - March 31, 2008 and December 31, 2007.

Consolidated statements of cash flows - For the three months ended March 31, 2008 and March 31, 2007.

Consolidated statements of income - For the three months ended March 31, 2008 and March 31, 2007.

Selected notes to consolidated financial statements.

FIRST FARMERS AND MERCHANTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands, Except Per Share Data)	March 31, 2008 (Unaudited)	December 31, 2007(1)
ASSETS		
Cash and due from banks	\$ 36,079	\$ 35,097
Interest-bearing due from banks	1,614	176
Federal funds sold	2,150	600
Total cash and cash equivalents	39,843	35,873
Securities		
Available-for-sale (amortized cost \$179,638 and \$163,050, respectively)	182,000	163,911
Held-to-maturity (fair market value \$74,184 and \$76,460, respectively)	72,843	75,565
Total Securities	254,843	239,476
Loans, net of deferred fees	519,830	500,143
Allowance for loan and lease losses	(7,382)	(7,381)
Net loans	512,448	492,762
Bank premises and equipment, at cost less allowance for depreciation	14,375	14,306
Core deposit and other intangibles	9,243	9,318
Other assets	31,513	31,311
TOTAL ASSETS	\$ 862,265	\$ 823,046
LIABILITIES		
Deposits		
Noninterest-bearing	\$ 131,000	\$ 131,043
Interest-bearing (including certificates of deposits over \$100: 2008 - \$110,287; 2007 - \$107,398)	569,790	567,916
Total deposits	700,790	698,959
Federal funds purchased and securities sold under agreements to repurchase	3,275	2,507
Dividends payable		1,991
Short-term borrowings	600	600
Accounts payable and accrued liabilities	13,856	12,650
FHLB Borrowings	35,000	
Minority interest in consolidated subsidiary	95	95
TOTAL LIABILITIES	753,616	716,802
SHAREHOLDERS EQUITY		
Common stock - \$10 par value per share, 8,000,000 shares authorized; 5,660,000 and 5,680,000 shares issued and outstanding as of March 31, 2008 and December 31, 2007, respectively	56,600	56,800
Retained earnings	50,596	48,916
Accumulated other comprehensive income	1,453	528
TOTAL SHAREHOLDERS EQUITY	108,649	106,244
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	\$ 862,265	\$ 823,046

(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

(Dollars in Thousands Except Per Share Data) (Unaudited)	Three Months Ended March 31	
	2008	March 31, 2007
INTEREST AND DIVIDEND INCOME		
Interest and fees on loans	\$ 8,336	\$ 7,953
Income on investment securities		
Taxable interest	1,525	1,283
Exempt from federal income tax	1,019	1,023
Dividends	53	63
	2,597	2,369