

FIRST FARMERS & MERCHANTS CORP
Form 10-Q
November 08, 2013

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, 2013**.

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

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(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 8, 2013, the registrant had 5,053,822 shares of common stock outstanding.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

The following unaudited condensed consolidated financial statements of First Farmers and Merchants Corporation (the Corporation) are included in this Report:

Condensed consolidated balance sheets - September 30, 2013 and December 31, 2012.

Condensed consolidated statements of income - For the three and nine months ended September 30, 2013 and September 30, 2012.

Condensed consolidated statements of comprehensive income (loss) - For the three and nine months ended September 30, 2013 and September 30, 2012.

Condensed consolidated statements of cash flows - For the nine months ended September 30, 2013 and September 30, 2012.

Selected notes to condensed consolidated financial statements.

FIRST FARMERS AND MERCHANTS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

	Sept. 30, 2013	December 31, 2012
	(unaudited)	(1)
	<i>(Dollars in Thousands, Except Per Share Data)</i>	
ASSETS		
Cash and due from banks	\$ 22,328	\$ 23,443
Interest-bearing due from banks	9,680	31,953
Federal funds sold	10,790	15,000
Total cash and cash equivalents	42,798	70,396
Securities		
Available-for-sale (amortized cost \$352,567 and \$339,971 as of September 30, 2013 and December 31, 2012, respectively)	339,762	345,718
Held-to-maturity (fair market value \$29,734 and \$33,420 as of September 30, 2013 and December 31, 2012, respectively)	28,810	31,755
Total securities	368,572	377,473
Loans, net of deferred fees	591,796	567,159
Allowance for loan and lease losses	(8,656)	(8,809)
Net loans	583,140	558,350
Bank premises and equipment, net	25,012	26,417
Other real estate owned	2,907	5,678
Bank owned life insurance	25,875	25,112
Goodwill	9,018	9,018
Other assets	21,095	17,919
TOTAL ASSETS	\$ 1,078,417	\$ 1,090,363
LIABILITIES		
Deposits		
Noninterest-bearing	\$ 180,851	\$ 169,136
Interest-bearing	755,185	763,713
Total deposits	936,036	932,849
Securities sold under agreements to repurchase	21,027	17,068
Accounts payable and accrued liabilities	13,934	15,755
Federal Home Loan Bank advances	-	10,100
TOTAL LIABILITIES	970,997	975,772
SHAREHOLDERS'		
Common stock - \$10 par value per share, 8,000,000 shares		

EQUITY	authorized; 5,053,822 and 5,180,000 shares issued	
	and outstanding as of September 30, 2013 and December 31, 2012,	
	respectively	50,538 51,800
	Retained earnings	61,340 57,366
	Accumulated other comprehensive income (loss), net of tax	(4,553) 5,330
	TOTAL SHAREHOLDERS' EQUITY BEFORE NONCONTROLLING INTEREST - PREFERRED STOCK OF SUBSIDIARY	107,325 114,496
	Non-controlling interest - preferred stock of subsidiary	95 95
	TOTAL SHAREHOLDERS' EQUITY	107,420 114,591
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 1,078,417 \$ 1,090,363

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

(1) Derived from audited financial statements.

FIRST FARMERS AND MERCHANTS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (unaudited)

(Dollars in Thousands, Except Share and Per Share Data)

		Three Months Ended		Nine Months Ended	
		September 30,		September 30,	
		2013	2012	2013	2012
INTEREST AND	Interest and fees on loans	\$ 7,219	\$ 6,934	\$ 21,495	\$ 20,300
DIVIDEND INCOME	Income on investment securities				
	Taxable interest	1,332	1,338	4,151	3,772
	Exempt from federal income tax	717	762	2,200	2,349
	Other interest and dividend income	60	80	228	271
	Total interest income	9,328	9,114	28,074	27,271
INTEREST EXPENSE	Interest on deposits	642	812	2,073	2,571
	Interest on other borrowings	37	105	191	396
	Total interest expense	679	917	2,264	2,967
	Net interest income	8,649	8,197	25,810	24,304
	Provision for loan and lease losses				