FIRST FARMERS & MERCHANTS CORP
Form 10-Q
November 06, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark one)

[X] **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2015

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	62-1148660
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
816 South Garden Street Columbia, Tennessee	38401
(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.

[X] 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).

[X] 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 [X]
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 [X] No

As of October 30, 2015, the registrant had 4,779,697 shares of common stock outstanding.

FIRST FARMERS AND MERCHANTS CORPORATION AND SUBSIDIARIES

INDEX

FIRST FARMERS AND MERCHANTS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

			September 30, **2015**		December 31,
	(dollars in thousands, except per share data)		(unaudited)		**2014**
ASSETS	Cash and due from banks	$	20,302	$	18,511
	Interest-bearing deposits		8,956		10,086
	Federal funds sold		-		1,700
	Total cash and cash equivalents		29,258		30,297
	Securities:				
	Available-for-sale		403,366		397,886
	Held-to-maturity (fair market value $3,240 and $22,263 as of September 30, 2015 and December 31, 2014, respectively)		3,210		21,985
	Total securities		406,576		419,871
	Loans, net of deferred fees		727,535		652,052
	Allowance for loan and lease losses		(8,585)		(7,934)
	Net loans		718,950		644,118
	Bank premises and equipment, net		25,741		25,773
	Other real estate owned		90		5
	Bank owned life insurance		26,447		26,176
	Goodwill		9,018		9,018
	Deferred tax asset		3,271		5,097
	Other assets		11,545		10,640
	TOTAL ASSETS	$	1,230,896		$1,170,995
LIABILITIES	Deposits:				
	Noninterest-bearing	$	223,380	$	204,358
	Interest-bearing		837,821		815,597
	Total deposits		1,061,201		1,019,955
	Federal funds purchased		11,515		-
	Securities sold under agreements to repurchase		24,936		22,834
	Accounts payable and accrued liabilities		13,282		13,622
	TOTAL LIABILITIES		1,110,934		1,056,411
SHAREHOLDERS EQUITY	Common stock - $10 par value per share, 8,000,000 shares authorized; 4,779,697 and 4,900,576 shares issued and outstanding as of September 30, 2015 and December 31, 2014, respectively		47,797		49,006
	Retained earnings		71,831		67,609
	Accumulated other comprehensive income (loss)		239		(2,126)
	TOTAL SHAREHOLDERS EQUITY BEFORE NONCONTROLLING INTEREST - PREFERRED STOCK OF SUBSIDIARY		119,867		114,489
	Noncontrolling interest - preferred stock of subsidiary		95		95
	TOTAL SHAREHOLDERS EQUITY		119,962		114,584
	TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$	1,230,896	$	1,170,995

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

FIRST FARMERS AND MERCHANTS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

		Three months ended September 30,		Nine months ended September 30,	
(dollars in thousands, except per share data)		**2015**	**2014**	**2015**	**2014**
INTEREST AND DIVIDEND INCOME	Interest and fees on loans	$ 7,815	$ 7,248	$ 22,604	$ 21,190
	Income on investment securities:				
	Taxable interest	1,422	1,469	4,385	4,230
	Exempt from federal income tax	530	578	1,692	1,867
	Dividends	50	56	160	209
	Total interest income	9,817	9,351	28,841	27,496
INTEREST EXPENSE	Interest on deposits	528	587	1,605	1,798
	Interest on other short-term borrowings	28	18	73	50
	Total interest expense	556	605	1,678	1,848
	Net interest income	9,261	8,746	27,163	25,648
	Provision for loan and lease losses	-	-	-	-
	Net interest income after provision	9,261	8,746	27,163	25,648
NONINTEREST INCOME	Gain on loans sold	77	86	190	180
	Trust department income	619	633	1,911	1,886
	Service fees on deposit accounts	1,695	1,681	4,916	4,845
	Brokerage fees	144	103	442	325
	Earnings on bank owned life insurance	99	104	271	293
	Gain (loss) on sale of securities	135	(7)	405	540
	Gain on foreclosed property	-	475	17	471
	Other noninterest income	138	102	414	379
	Total noninterest income	2,907	3,177	8,566	8,919
NONINTEREST EXPENSE	Salaries and employee benefits	4,654	4,483	13,701	13,380
	Net occupancy expense	566	510	1,638	1,453
	Depreciation expense	377	349	1,114	1,060
	Data processing expense	654	573	1,878	1,734
	Legal and professional fees	213	219	1,032	647
	Stationary and office supplies	68	74	229	229
	Advertising and promotions	307	376	903	1,055
	FDIC insurance premium expense	147	172	426	461
	Other real estate expense	1	17	1	68
	Other noninterest expense	1,537	1,393	4,183	4,202
	Total noninterest expense	8,524	8,166	25,105	24,289
	Income before taxes	3,644	3,757	10,624	10,278
	Provision for income taxes	925	1,031	2,578	2,685
	Net income before non-controlling interest - dividends on preferred stock of subsidiary	2,719	2,726	8,046	7,593
	Non-controlling interest - dividends on preferred stock subsidiary	-	-	8	8
	Net income for common shareholders	$ 2,719	$2,726	$ 8,038	$7,585
	Weighted average shares outstanding	4,808,352	4,934,895	4,852,628	4,977,091
	Basic earnings per share	$ 0.57	$ 0.55	$ 1.66	$ 1.52

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

FIRST FARMERS AND MERCHANTS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)
(Dollars in thousands)

	Three months ended September 30,		Nine months ended September 30,	
	2015	**2014**	**2015**	**2014**
Net income	$ 2,719	$ 2,726	$ 8,038	$ 7,585
Other comprehensive income (loss):				
Unrealized holding gains (losses) on securities, net of tax expense (benefit) of $1,719 and ($475) for the three months ended and net of tax expense of $1,683 and $3,376 for the nine months ended September 30, 2015 and 2014, respectively	2,745	(759)	2,688	5,393
Reclassification adjustment for realized (gains) losses included in net income, net of tax effect	(83)	4	(249)	(332)
Reclassification adjustment for pension plan obligation included in net income, net of tax effect	(25)	(30)	(74)	(89)
Other comprehensive income (loss)	2,637	(785)	2,365	4,972
Comprehensive income	5,356	1,941	10,403	12,557
Less: comprehensive income attributable to the noncontrolling interest	-	-	-	-
Total comprehensive income	$ 5,356	$ 1,941	$ 10,403	$ 12,557

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

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

(Unaudited)
(Dollars in thousands)

		Nine months ended September 30,	
		2015	**2014**
OPERATING	Net income available for common shareholders	$ 8,038	$ 7,585
ACTIVITIES	Adjustments to reconcile net income to net cash provided		
	by operating activities		
	Provision for depreciation and amortization of		
	premises and equipment	1,114	1,060
	Deferred income tax	345	250
	Net securities gains	(405)	(540)
	Gain on loans sold	(190)	(180)
	Proceeds from sale of mortgage loans held for sale	11,828	7,913
	Funding of mortgage loans held for sale	(11,490)	(9,718)
	Gain on other real estate owned	(17)	(471)
	Loss on sale of assets	-	1
	Amortization of investment security premiums,		
	net of accretion of discounts	874	818
	Increase in cash surrender value of life insurance contracts	(271)	(29)
	Changes in:		
	Other assets	(1,053)	38
	Other liabilities	1,352	2,997
	Net cash provided by operating activities	10,125	9,724
INVESTING	Proceeds from sales of available-for-sale securities	60,449	24,389
ACTIVITIES	Proceeds from maturities and calls of available-for-sale securities	24,742	21,878
	Proceeds from maturities and calls of held-to-maturity securities	18,795	3,970
	Purchase of investment securities available-for-sale	(87,194)	(86,924)
	Net increase in loans	(74,922)	(10,543)
	Proceeds from sales of other real estate owned	22	912
	Purchases of premises and equipment	(1,082)	(1,294)
	Purchase of life insurance policy	-	(175)
	Net cash used in investing activities	(59,190)	(47,787)
FINANCING	Net increase in deposits	41,246	18,852
ACTIVITIES	Net increase in securities sold under agreements to repurchase	2,102	9,272
	Net increase in federal funds purchased	11,515	-
	Repurchase of common stock	(3,243)	(2,799)
	Cash dividends paid on common stock	(3,594)	(3,685)
	Net cash provided by financing activities	48,026	21,640
	Decrease in cash and cash equivalents	(1,039)	(16,423)
	Cash and cash equivalents at beginning of period	30,297	55,408
	Cash and cash equivalents at end of period	$ 29,258	$38,985
	Supplemental disclosures of cash flow information		
	Cash paid during the period for:		
	Interest paid	$ 1,780	$1,768
	Income taxes paid	2,220	1,929

Real estate acquired in settlement of loans	90	5

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business First Farmers and Merchants Corporation (the Company) is a $1.2 billion bank holding company whose principal activity is the ownership and management of its wholly-owned subsidiary, First Farmers and Merchants Bank (the Bank). The Bank is primarily engaged in providing a full range of banking and financial services, including lending, investing of funds, obtaining deposits, trust and wealth management operations and other financing activities to individual and corporate customers in the Middle Tennessee area. The Bank is subject to competition from other financial institutions. The Company and Bank are subject to regulation by certain federal and state agencies and undergo periodic examinations by those regulatory authorities.

Basis of Presentation The accompanying consolidated financial statements are presented in accordance with the requirements of Form 10-Q and Regulation S-X and consequently do not include all of the disclosures normally required by accounting principles generally accepted in the United States of America (GAAP) or those normally made in the Company s Annual Report on Form 10-K. Accordingly, the reader of this Quarterly Report on Form 10-Q should refer to the Company s Annual Report on Form 10-K for the year ended December 31, 2014 for further information in this regard. The consolidated balance sheet of the Company as of December 31, 2014 has been derived from the audited consolidated balance sheet of the Company as of that date. The results of operations for the period are not necessarily indicative of the results to be expected for the full year.

The accompanying unaudited consolidated financial statements reflect all adjustments that are, in the opinion of management of the Company, necessary to fairly present the financial position, results of operations and cash flows of the Company. Those adjustments consist only of normal recurring adjustments.

Use of Estimates The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term include the determination of the allowance for loan and lease losses, any potential impairment of intangible assets, including goodwill and the valuation of deferred tax assets, other real estate owned, and our investment portfolio, including other-than-temporary impairment. These financial statements should be read in conjunction with the Company s Annual Report on Form 10-K for the year ended December 31, 2014. There have been no significant changes to the Company s significant accounting policies as disclosed in the Company s Annual Report on Form 10-K for the year ended December 31, 2014.

Recent Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued *ASU 2014-09, Revenue from Contracts with Customers, (Topic 606)*. ASU 2014-09 states a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under existing guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. In August of 2015, the FASB issued *ASU 2015-14, Revenue from Contracts with Customers, (Topic 606): Deferral of the Effective Date*. ASU 2015-14 defers the effective date of Update 2014-09 for all entities by one year. As such, ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. The amendments can be applied retrospectively to each prior reporting period or retrospectively with the cumulative effect of initially applying this update recognized at the date of initial application. The Company is currently evaluating the impact of adopting the new guidance on the consolidated financial statements, but the Company does not expect it to have a material impact.

NOTE 1 GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In June 2014, the FASB issued *ASU 2014-11, Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures*. ASU 2014-11 aligns the accounting for repurchase-to-maturity transactions and repurchase agreements executed as repurchase financings with the accounting for other typical repurchase agreements. Going forward, these transactions would all be accounted for as secured borrowings. The guidance eliminates sale accounting for repurchase-to-maturity transactions and supersedes the guidance under which a transfer of a financial asset and a contemporaneous repurchase financing could be accounted for on a combined basis as a forward agreement, which has resulted in outcomes referred to as off-balance-sheet accounting. The amendments in ASU 2014-11 require a new disclosure for transactions economically similar to repurchase agreements in which the transferor retains substantially all of the exposure to the economic return on the transferred financial assets throughout the term of the transaction. The amendments in ASU 2014-11 also require expanded disclosures about the nature of collateral pledged in repurchase agreements and similar transactions accounted for as secured. The Company adopted the amendments in this ASU 2014-11 effective January 1, 2015. As of September 30, 2015, all of the Company's repurchase agreements were typical in nature (i.e., not repurchase-to-maturity transactions or repurchase agreements executed as a repurchase financing) and are accounted for as secured borrowings. As such, the adoption of ASU 2014-11 did not have a material impact on the Company's Consolidated Financial Statements.

ASU 2014-14, Receivables Troubled Debt Restructurings by Creditors (Subtopic 310-40). ASU 2014-14 applies to creditors that hold government-guaranteed mortgage loans, including those guaranteed by the FHA and the VA. The amendments in this Update require that a mortgage loan be derecognized and that a separate other receivable be recognized upon foreclosure if the following conditions are met: (1) the loan has a government guarantee that is not separable from the loan before foreclosure. (2) at the time of foreclosure, the creditor has the intent to convey the real estate property to the guarantor and make a claim on the guarantee, and the creditor has the ability to recover under that claim. (3) at the time of foreclosure, any amount of the claim that is determined on the basis of the fair value of the real estate is fixed. Upon foreclosure, the separate other receivable should be measured based on the amount of the loan balance (principal and interest) expected to be recovered from the guarantor. ASU 2014-14 was effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. The adoption of ASU 2014-14 did not have a material impact on the Company s Consolidated Financial Statements.

Reclassifications: Certain reclassifications considered to be immaterial have been made in the prior year consolidated financial statements to conform to current year presentation. These reclassifications had no effect on net income.

NOTE 2 EARNINGS PER SHARE

Income per common share Earnings per share is computed by dividing net income by the weighted average common shares outstanding for the period. The following is a summary of the basic net income per share calculation for the three and nine months ended September 30, 2015 and 2014:

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
	(dollars in thousands, except per share data)			
Numerator - Net income available to common shareholders	$ 2,719	$ 2,726	$8,038	$7,585
Denominator - Weighted average common shares outstanding	4,808,352	4,934,895	4,852,628	4,977,091
Basic net income per common share available to common shareholders	$ 0.57	$ 0.55	$1.66	$ 1.52

NOTE 3 RECLASSIFICATIONS FROM ACCUMULATED OTHER COMPREHENSIVE INCOME (AOCI)

Amounts reclassified from AOCI and the affected line items in the statements of income during the periods ended September 30, 2015 and 2014 were as follows:

	Amounts reclassified from AOCI		
	Three months ended		
	September 30, 2015	September 30, 2014	Affected line item in the Statements of Income
	(dollars in thousands)		
Unrealized gains on available-for-sale securities			
	$ 135	$(7)	Realized gains (losses) on sales of available-for-sale securities
	(52)	3	Tax (expense) benefit
	83	(4)	Net reclassified amount
Amortization of defined benefit pension items			
	39	48	Total reclassified amount before tax
	(14)	(18)	Tax benefit
	25	30	Net reclassified amount
Total reclassifications out of AOCI	$ 108	$26	

NOTE 3 RECLASSIFICATIONS FROM ACCUMULATED OTHER COMPREHENSIVE INCOME (AOCI) (continued)

	Amounts reclassified from AOCI		
	Nine months ended		
	September 30, 2015	September 30, 2014	Affected line item in the Statements of Income
	(dollars in thousands)		
Unrealized gains on available-for-sale securities			
	$ 405	$ 540	Realized gains on sales of available-for-sale securities
	(156)	(208)	Tax expense
	249	332	Net reclassified amount
Amortization of defined benefit pension items			
	122	145	Total reclassified amount before tax
	(48)	(56)	Tax benefit
	74	89	Net reclassified amount
Total reclassifications out of AOCI	$ 323	$ 421	

The components of AOCI included in shareholder s equity are as follows:

	September 30, 2015	December 31, 2014
	(dollars in thousands)	
Net unrealized losses on available-for-sale securities	$ (1,552)	$ (5,517)
Net actuarial gain on unfunded portion of postretirement benefit obligation	1,939	2,062
	387	(3,455)
Income tax (benefit) expense	(148)	1,329
Accumulated other comprehensive income (loss)	$ 239	$ (2,126)

NOTE 4 FAIR VALUE MEASUREMENTS

The fair value of an asset or liability is the price that would be received in a sale of that asset or paid to transfer that liability in an orderly transaction occurring in the principal market (or most advantageous market in the absence of a principal market) for such asset or liability. Fair value measurement must maximize the use of observable inputs and minimize the use of unobservable inputs. In estimating fair value, the Company utilizes valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Such valuation techniques are consistently applied. Inputs to valuation techniques include the assumptions that market participants would use in pricing an asset or liability. *Fair Value Measurements and Disclosures (ASC 820)* establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- *Level 1 Inputs* - Unadjusted quoted prices in active markets for identical assets or liabilities.
- *Level 2 Inputs* - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, market consensus, prepayment speeds, credit risks, etc.) or inputs that are derived principally from or corroborated by market data by correlation or other means.
- *Level 3 Inputs* - Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity s own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

Transfers between levels of the fair value hierarchy are recognized on the actual date of the event or circumstances that caused the transfer, which generally coincides with the Company s monthly and/or quarterly valuation process.

NOTE 4 FAIR VALUE MEASUREMENTS (continued)

Recurring Measurements

The following table summarizes financial assets measured at fair value on a recurring basis as of September 30, 2015 and December 31, 2014, and by the level within the fair value hierarchy utilized to measure fair value:

Assets measured at fair value on a recurring basis as of September 30, 2015

(dollars in thousands)

Available-for-sale securities	Level 1	Level 2	Level 3	Total
U.S. government agencies	$ -	$ 150,837	$ -	$ 150,837
U.S. government sponsored agency mortgage-backed securities	-	157,855	-	157,855
States and political subdivisions	-	71,596	-	71,596
Corporate bonds	-	23,078	-	23,078
Total assets at fair value	$ -	$ 403,366	$ -	$ 403,366

Assets measured at fair value on a recurring basis as of December 31, 2014

(dollars in thousands)

Available-for-sale securities	Level 1	Level 2	Level 3	Total
U.S. government agencies	$ -	$ 159,254	$ -	$ 159,254
U.S. government sponsored agency mortgage-backed securities	-	167,970	-	167,970
States and political subdivisions	-	52,882	-	52,882
Corporate bonds	-	17,780	-	17,780
Total assets at fair value	$ -	$ 397,886	$ -	$ 397,886

Below is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. There were no significant changes in the valuation techniques during the nine months ended September 30, 2015.

Available-for-Sale Securities

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, the Company obtains fair value measurements from an independent pricing service, such as Interactive Data, which utilizes pricing models to determine fair value measurement. The Company reviews the pricing quarterly to verify the reasonableness of the pricing. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the securities terms and conditions, among other factors. U.S. government agencies, state and political subdivisions, U.S. government sponsored agency mortgage-backed securities and corporate bonds are classified as Level 2 inputs.

NOTE 4 FAIR VALUE MEASUREMENTS (continued)

Nonrecurring Measurements

The following table summarizes financial assets measured at fair value on a nonrecurring basis as of September 30, 2015 and December 31, 2014, by the level within the fair value hierarchy utilized to measure fair value:

	(dollars in thousands)			
September 30, 2015	Level 1	Level 2	Level 3	Total
Impaired loans	$ -	$ -	$ 920	$ 920
	(dollars in thousands)			
December 31, 2014	Level 1	Level 2	Level 3	Total
Impaired loans	$ -	$ -	$ 1,184	$ 1,184

Impaired Loans

The estimated fair value of impaired loans is based on the appraised fair value of the collateral, less estimated cost to sell. Impaired loans are classified within Level 3 of the fair value hierarchy.

The Company considers the appraisal or evaluation as the starting point for determining fair value and then considers other factors and events that may affect the fair value. Appraisals of the collateral underlying collateral-dependent loans are obtained when the loan is determined to be collateral-dependent and subsequently as deemed necessary by the Company s Chief Credit Officer. Appraisals are reviewed for accuracy and consistency by the Chief Credit Officer. Appraisers are selected from the list of approved appraisers maintained by management. The appraised values are reduced by discounts to consider lack of marketability and estimated cost to sell if repayment or satisfaction of the loan is dependent on the sale of the collateral. These discounts and estimates are developed by the Chief Credit Officer by comparison to historical results.

Loans considered impaired under *ASC 310-35, Impairment of a Loan*, are loans for which, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Impaired loans are subject to nonrecurring fair value adjustments to reflect (1) subsequent write-downs that are based on the observable market price or current appraised value of the collateral or (2) changes in the specific reserve.

NOTE 4 FAIR VALUE MEASUREMENTS (continued)

Unobservable (Level 3) Inputs

The following table presents quantitative information about unobservable inputs used in nonrecurring Level 3 fair value measurements:

Quantitative information about Level 3 Fair Value Measurements (dollars in thousands)

	Fair value at September 30, 2015	Valuation technique(s)	Unobservable input	Weighted average
Impaired loans (collateral-dependent)	$ 920	Discounted appraisals(1)	Appraisal adjustments(2)	33%

Quantitative information about Level 3 Fair Value Measurements (dollars in thousands)

	Fair value at December 31, 2014	Valuation technique(s)	Unobservable input	Range (weighted average)
Impaired loans (collateral-dependent)	$ 1,184	Discounted appraisals(1)	Appraisal adjustments(2)	5% to 10% (7%)(3)

(1)Fair value is generally based on appraisals of the underlying collateral.

(2) Appraisals may be adjusted by management for customized discounting criteria, estimated sales costs, and other relevant information based on the type of collateral.

(3)Ranges presented as a percentage of the non-discounted appraisals.

ASC Topic 825, Financial Instruments, requires disclosure of the fair value of financial assets and liabilities, including those financial assets and liabilities that are not measured and reported at fair value on a recurring basis or non-recurring basis.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it was practicable to estimate that value:

Cash and due from banks The carrying amount approximates fair value.

Interest bearing deposits in other banks The carrying amount approximates fair value.

Federal Home Loan Bank stock The carrying value of Federal Home Loan Bank (FHLB) stock approximates fair value based on the redemption provisions of the FHLB.

Federal Reserve Bank stock The carrying value of Federal Reserve Bank stock approximates fair value based on the redemption provisions of the Federal Reserve Bank.

Federal funds sold The carrying amount approximates fair value.

Securities available-for-sale The carrying amount approximates fair value.

NOTE 4 FAIR VALUE MEASUREMENTS (continued)

Securities held-to-maturity Fair values are based on quoted market prices, if available. If a quoted price is not available, fair value is estimated using quoted prices for similar securities. The fair value estimate is provided to management from a third party using modeling assumptions specific to each type of security that are reviewed and approved by management. Quarterly sampling of fair values provided by additional third parties supplement the fair value review process.

Loans held for sale The fair value is predetermined at origination based on sale price.

Loans (net of the allowance for loan and leases losses) The fair value of fixed rate loans and variable rate mortgage loans is estimated by discounting the future cash flows using current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. For other variable rate loans, the carrying amount approximates fair value.

Accrued interest receivable The carrying amount approximates fair value.

Deposits The fair value of fixed maturity time deposits is estimated by discounting the future cash flows using the rates currently offered for deposits of similar remaining maturities. For deposits, including demand deposits, savings accounts, NOW accounts and certain money market accounts, the carrying value approximates fair value.

Repurchase agreements The fair value is estimated by discounting future cash flows using current rates.

Accrued interest payable The carrying amount approximates fair value.

Federal funds purchased The carrying amount approximates fair value.

Commitments to extend credit and letters of credit The fair value of commitments to originate loans is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair values of letters of credit and lines of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate or otherwise settle the obligations with the counterparties at the reporting date. The fair values of these commitments are not material.

NOTE 4 FAIR VALUE MEASUREMENTS (continued)

The following table presents estimated fair values of the Company s financial instruments as of September 30, 2015 and December 31, 2014, and indicates the level within the fair value hierarchy of the valuation techniques:

			Fair value measurements at September 30, 2015 using				
	Carrying amount		**Quoted prices in active markets for identical assets (Level 1)**		**Significant other observable inputs (Level 2)**		**Significant unobservable inputs (Level 3)**
			(dollars in thousands				
Financial assets							
Cash and due from banks	$ 20,302	$	20,302	$	-	$	-
Interest-bearing deposits in other banks	8,956		8,956		-		-
Federal Home Loan Bank and Federal Reserve Bank stock	3,879		-		3,879		-
Securities available-for-sale	403,366		-		403,366		-
Securities held-to-maturity	3,210		-		3,240		-
Loans held for sale	881		-		881		-
Loans, net	718,950		-		-		718,568
Accrued interest receivable	4,968		-		4,968		-
Financial liabilities							
Noninterest-bearing deposits	223,380		-		-		223,380
Interest bearing deposits	837,821		-		-		837,797
Repurchase agreements	24,936		-		24,936		-
Accrued interest payable	511		-		511		-
Federal funds purchased	11,515		11,515		-		-
Off-balance sheet credit related instruments:							
Commitments to extend credit and letters of credit	-		-		-		-

			Fair value measurements at December 31, 2014 using				
	Carrying amount		**Quoted prices in active markets for identical assets (Level 1)**		**Significant other observable inputs (Level 2)**		**Significant unobservable inputs (Level 3)**
	(dollars in thousands)						
Financial assets							
Cash and due from banks	$ 18,511	$	18,511	$	-	$	-
Interest-bearing deposits in other banks	10,086		10,086		-		-
Federal funds sold	1,700		1,700		-		-
Federal Home Loan Bank and Federal Reserve Bank	3,879		-		3,879		-

stock				
Securities available-for-sale	397,886	-	397,886	-
Securities held-to-maturity	21,985	-	22,263	-
Loans held for sale	354	-	354	-
Loans, net	644,118	-	-	650,770
Accrued interest receivable	4,337	-	4,337	-
Financial liabilities				
Noninterest-bearing deposits	204,358	204,358	-	-
Interest bearing deposits	815,597	-	816,022	-
Repurchase agreements	22,834	-	22,834	-
Accrued interest payable	613	-	613	-
Off-balance sheet credit related instruments:				
Commitments to extend credit and letters of credit	-	-	-	-

NOTE 5 SECURITIES

The amortized cost and estimated fair value of securities at September 30, 2015 and December 31, 2014 were as follows:

September 30, 2015	Amortized cost (dollars in thousands)	Gross unrealized Gains	Losses	Fair value
Available-for-sale securities				
U.S. government agencies	$ 151,100	$ 540	$ (803)	$ 150,837
U.S. government sponsored agency mortgage-backed securities	160,313	106	(2,564)	157,855
States and political subdivisions	70,482	1,423	(309)	71,596
Corporate bonds	23,023	95	(40)	23,078
	$ 404,918	$ 2,164	$ (3,716)	$ 403,366
Held-to-maturity securities				
States and political subdivisions	$ 3,210	$ 30	$ -	$ 3,240

December 31, 2014	Amortized cost (dollars in thousands)	Gross unrealized Gains	Losses	Fair value
Available-for-sale securities				
U.S. government agencies	$ 162,289	$ 50	$ (3,085)	$ 159,254
U.S. government sponsored agency mortgage-backed securities	172,035	64	(4,129)	167,970
States and political subdivisions	51,374	1,658	(150)	52,882
Corporate bonds	17,705	129	(54)	17,780
	$ 403,403	$ 1,901	$ (7,418)	$ 397,886
Held-to-maturity securities				
States and political subdivisions	$ 21,985	$ 278	$ -	$ 22,263

Certain investments in debt securities are reported in the financial statements at an amount less than their historical cost. Total fair value of these investments at September 30, 2015 and December 31, 2014 was $221.2 million and $326.0 million, respectively, which was 54% and 78%, respectively, of the Company s aggregate available-for-sale and held-to-maturity investment portfolio. The Company reviews its investment portfolio on a quarterly basis judging each investment for other-than-temporary impairment (OTTI). Management does not have the intent to sell any of the temporarily impaired investments and believes it is more likely than not that the Company will not have to sell any such securities before a recovery of cost. The OTTI analysis focuses on the duration and amount a security is below book value and assesses a calculation for both a credit loss and a non-credit loss for each measured security considering the security s type, performance, underlying collateral, and any current or potential debt rating changes. The OTTI calculation for credit loss is reflected in the income statement while the non-credit loss is reflected in other comprehensive income. As of September 30, 2015, management did not consider any of the investments in its investment portfolio to have OTTI.

17

NOTE 5 SECURITIES (continued)

The following table shows the Company s investments gross unrealized losses and fair value of the Company s investments with unrealized losses that were not deemed to be other-than-temporarily impaired, aggregated by investment class and length of time that individual securities had been in a continuous unrealized loss position at September 30, 2015 and December 31, 2014:

September 30, 2015	Less than 12 months		12 months or greater		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
	(dollars in thousands)					
Type of security						
U.S. government agencies	$ 9,946	$ (31)	$ 55,406	$ (772)	$ 65,352	$ (803)
U.S. government sponsored agency mortgage-backed securities	27,016	(291)	94,680	(2,273)	121,696	(2,564)
States and political subdivisions	24,137	(299)	462	(10)	24,599	(309)
Corporate bonds	7,975	(27)	1,612	(13)	9,587	(40)
	$ 69,074	$ (648)	$ 152,160	$ (3,068)	$ 221,234	$ (3,716)
December 31, 2014	Less than 12 months		12 months or greater		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
	(dollars in thousands)					
Type of security						
U.S. government agencies	$ 46,977	$ (219)	$ 104,815	$ (2,866)	$ 151,792	$ (3,085)
U.S. government sponsored agency mortgage-backed securities	21,339	(77)	128,935	(4,052)	150,274	(4,129)
States and political subdivisions	14,539	(142)	1,418	(8)	15,957	(150)
Corporate bonds	4,783	(17)	3,207	(37)	7,990	(54)
	$ 87,638	$ (455)	$ 238,375	$ (6,963)	$ 326,013	$ (7,418)

As shown in the table above, at September 30, 2015, the Company had approximately $3.7 million in unrealized losses on $221.2 million of securities. The unrealized loss positions are most significant in three types of securities: U.S. government agencies, U.S. government sponsored agency mortgage-backed securities and states and political subdivisions. The unrealized losses associated with these investment securities are driven by changes in interest rates and the unrealized loss is recorded as a component of equity. These securities will continue to be monitored as a part of our ongoing impairment analysis, but are expected to perform even if the rating agencies reduce the credit rating of the bond issuers. Management evaluates the financial performance of the issuers on a quarterly basis to determine if it is probable that the issuers can make all contractual principal and interest payments. If a shortfall in future cash flows is identified, a credit loss will be deemed to have occurred and will be recognized as a change to earnings and a new cost basis for the security will be established.

NOTE 5 SECURITIES (continued)

The amortized cost and fair value of available-for-sale securities and held-to-maturity securities at September 30, 2015, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

September 30, 2015	Available-for-sale Amortized cost	Available-for-sale Estimated fair value	Held-to-maturity Amortized cost	Held-to-maturity Estimated fair value
	(dollars in thousands)			
Within one year	$ 4,668	$ 4,694	$ 475	$ 476
One to five years	112,539	113,057	983	1,000
Five to ten years	88,463	88,477	1,752	1,764
After ten years	38,935	39,283	-	-
Mortgage-backed securities	160,313	157,855	-	-
Total	$ 404,918	$ 403,366	$ 3,210	$ 3,240

December 31, 2014	Available-for-Sale Amortized Cost	Available-for-Sale Estimated Fair Value	Held-to-Maturity Amortized Cost	Held-to-Maturity Estimated Fair Value
	(dollars in thousands)			
Within one year	$ 2,464	$ 2,481	$ 6,354	$ 6,446
One to five years	91,208	90,775	3,558	3,601
Five to ten years	112,329	110,508	12,073	12,216
After ten years	25,367	26,152	-	-
Mortgage-backed securities	172,035	167,970	-	-
Total	$ 403,403	$ 397,886	$ 21,985	$ 22,263

The carrying value of securities pledged as collateral to secure public deposits and for other purposes was $249.9 million at September 30, 2015 and $217.2 million at December 31, 2014. The balance of pledged securities in excess of the pledging requirements was $29.7 million and $20.1 million at September 30, 2015 and December 31, 2014, respectively.

The carrying value of securities sold under agreements to repurchase amounted to $35.3 million at September 30, 2015 and $35.0 million at December 31, 2014.

NOTE 5 SECURITIES (continued)

The gross realized gains and losses recognized in income are reflected in the following table:

	For the three months ended	
	September 30,	
	2015	2014
	(dollars in thousands)	
Gross gains recognized on sales of securities	$ 135	$ 21
Gross losses recognized on sales of securities	-	(28)
Net realized gains on sales of securities available-for-sale	$ 135	$ (7)

	For the nine months ended	
	September 30,	
	2015	2014
	(dollars in thousands)	
Gross gains recognized on sales of securities	$ 450	$ 626
Gross losses recognized on sales of securities	(45)	(86)
Net realized gains (losses) on sales of securities available-for-sale	$ 405	$ 540

NOTE 6 LOANS

The following table presents the Corporation s loans by class as of September 30, 2015 and December 31, 2014:

	September 30, 2015		December 31, 2014	
	(dollars in thousands)			
Commercial:				
Commercial and industrial	$	131,116	$	99,788
Non-farm, non-residential real estate		161,091		163,461
Construction and development		49,306		50,424
Commercial loans secured by real estate		32,562		27,937
Other commercial		55,701		41,185
Total commercial		429,776		382,795
Retail:				
Consumer		9,267		9,536
Single family residential		254,462		229,559
Other retail		34,030		30,162
Total retail		297,759		269,257
		727,535		652,052
Less:				
Allowance for possible loan losses		(8,585)		(7,934)
Total net loans	$	718,950	$	644,118

The amount of capitalized fees and costs calculated in accordance with ASC 310-20 included in the above loan totals were $1.1 million and $976,000 at September 30, 2015 and December 31, 2014, respectively.

Loan Origination/Risk Management. The Company has certain lending policies and procedures in place that are designed to maximize loan income within an acceptable level of credit risk. Management reviews and approves these policies and procedures on a regular basis. A reporting system supplements the review process by providing management with frequent reports related to loan production, loan quality, concentrations of credit, loan delinquencies and non-performing, and potential problem loans. Diversification in the loan portfolio is a means of managing risk associated with fluctuations in economic conditions.

Commercial and industrial loans are underwritten after evaluating and understanding a borrower s ability to operate profitably and expand its business prudently. Underwriting standards are designed to promote relationship banking rather than transactional banking. Once it is determined that the borrower s management possesses sound ethics and solid business acumen, the Company s management examines current and projected cash flows to determine the ability of the borrower to repay their obligations as agreed. Commercial and industrial loans are primarily made based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not be as expected and the collateral securing these loans may fluctuate in value. Most commercial and industrial loans are secured by the assets being financed or other business assets such as accounts receivable or inventory and may incorporate a personal guarantee; however, some short-term loans may be made on an unsecured basis. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its customers.

NOTE 6 LOANS (continued)

Commercial real estate loans are subject to underwriting standards and processes similar to commercial and industrial loans, in addition to those of real estate loans. These loans are viewed primarily as loans secured by real estate. Commercial real estate lending typically involves higher loan principal amounts and the repayment of these loans is generally largely dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. Commercial real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy. Management monitors and evaluates commercial real estate loans based on collateral, geography and risk grade criteria. As a general rule, the Company avoids financing single-purpose projects unless other underwriting factors are present to mitigate risk. The Company also utilizes third-party experts to provide insight and guidance about economic conditions and trends affecting market areas it serves. In addition, management tracks the level of owner-occupied commercial real estate loans versus non-owner occupied loans. At September 30, 2015, approximately 46% of the outstanding principal balance of the Company s commercial real estate loans was secured by owner-occupied properties.

With respect to loans to developers and builders (construction and development) that are secured by non-owner occupied properties that the Company may originate from time to time, the Company generally requires the borrower to have had an existing relationship with the Company and have a proven record of success. Construction loans are underwritten utilizing feasibility studies, independent appraisal reviews, sensitivity analysis of absorption and lease rates and financial analysis of the developers and property owners. Construction loans are generally based upon estimates of costs and value associated with the complete project. These estimates may be inaccurate. Construction loans often involve the disbursement of substantial funds with repayment substantially dependent on the success of the ultimate project. Sources of repayment for these types of loans may be pre-committed permanent loans from approved long-term lenders, sales of developed property or an interim loan commitment from the Company until permanent financing is obtained. These loans are closely monitored by on-site inspections and are considered to have higher risks than other real estate loans because of their ultimate repayment being sensitive to interest rate changes, governmental regulation of real property, general economic conditions and the availability of long-term financing.

The Company originates consumer retail loans utilizing a computer-based credit scoring analysis to supplement the underwriting process. To monitor and manage consumer retail loan risk, policies and procedures are developed and modified, as needed, jointly by line and staff personnel. This activity, coupled with relatively small loan amounts that are spread across many individual borrowers, minimizes risk. Additionally, trend and outlook reports are reviewed by management on a regular basis. Underwriting standards for home equity loans are heavily influenced by statutory requirements, which include, but are not limited to, a maximum loan-to-value percentage of 80%, collection remedies, the number of such loans a borrower can have at one time and documentation requirements.

The Company contracts with a third party vendor to perform loan reviews. The Company reviews and validates the credit risk program on an annual basis. Results of these reviews are presented to management. The loan review process complements and reinforces the risk identification and assessment decisions made by lenders and credit personnel, as well as the Company s policies and procedures.

A concentration of credit occurs when obligations, direct or indirect, of the same or affiliated interests represent 15% or more of the Company s capital structure. The Company s geographic market area imposes some limitations regarding loan diversification and lending to qualified borrowers within the Company s market area will naturally cause concentrations of real estate loans in the primary communities served and loans to employees of major employers in the area.

NOTE 6 LOANS (continued)

All closed-end commercial loans (excluding loans secured by real estate) are charged off no later than 90 days delinquent. If a loan is considered uncollectable, it is charged off earlier than 90 days delinquent. When a commercial loan secured by real estate is past due, a current assessment of the value of the real estate is made. If the balance of the loan exceeds the fair value of the property, the loan is placed on nonaccrual with a specific reserve equal to the difference between book value and fair value assigned to the credit until such time as the property has been foreclosed upon. When the foreclosed property has been legally assigned to the Company, a charge-off is taken with the remaining balance, which reflects the fair value less estimated costs to sell, transferred to other real estate owned.

All closed-end consumer loans (excluding conventional 1-4 family residential loans and installment and revolving loans secured by real estate) are charged off no later than 120 days (five monthly payments) delinquent. If a loan is considered uncollectable, it is charged off earlier than 120 days delinquent. For conventional 1-4 family residential loans and installment and revolving loans secured by real estate, when a loan is 90 days past due, a current assessment of the value of the real estate is made. If the balance of the loan exceeds the fair value of the property, the loan is placed on nonaccrual and foreclosure proceedings are initiated. When the foreclosed property has been legally assigned to the Company, a charge-off is taken with the remaining balance reflecting the fair value less estimated costs to sell transferred to other real estate owned.

Nonaccrual and Past Due Loans. Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. Loans are placed on nonaccrual status when (i) principal or interest has been in default for a period of 90 days or more or (ii) full payment of principal and interest is not expected. Loans may be placed on nonaccrual status regardless of whether or not such loans are considered past due. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income on nonaccrual loans is recognized only to the extent that cash payments are received in excess of principal due. A loan may be returned to accrual status when all the principal and interest amounts contractually due are brought current and future principal and interest amounts contractually due are reasonably assured, which is typically evidenced by a sustained period (three to six months) of repayment performance by the borrower. Loans that were 90 days or more past due that were not included in nonaccrual loans were $143,000 and $97,000, as of September 30, 2015 and December 31, 2014, respectively.

NOTE 6 LOANS (continued)

The following tables provide details regarding the aging of the Company s loan portfolio as of September 30, 2015 and December 31, 2014:

September 30, 2015	30 - 59 days past due	60 - 89 days past due	90 days and greater past due	Total past due	Current	Total loans
			(dollars in thousands)			
Retail:						
Consumer	$ 24	$ 5	$ 2	$ 31	$ 9,236	$9,267
Single family residential	276	484	209	969	253,493	254,462
Other retail	19	47	-	66	33,964	34,030
Retail total	319	536	211	1,066	296,693	297,759
Commercial:						
Commercial and industrial	$ 561	$ -	$ 39	$ 600	$ 130,516	$131,116
Non-farm, non-residential real estate	-	-	126	126	160,965	161,091
Construction and development	1	-	-	1	49,305	49,306
Commercial loans secured by real estate	8	54	167	229	32,333	32,562
Other commercial	-	-	-	-	55,701	55,701
Commercial total	570	54	332	956	428,820	429,776
Total	$ 889	$590	$543	$2,022	$ 725,513	$727,535

December 31, 2014	30 - 59 days past due	60 - 89 days past due	90 days and greater past due	Total past due	Current	Total loans
			(dollars in thousands)			
Retail:						
Consumer	$ 72	$ 7	$ 42	$ 121	$ 9,415	$9,536
Single family residential	2,361	395	464	3,220	226,339	229,559
Other retail	-	-	-	-	30,162	30,162
Retail total	2,433	402	506	3,341	265,916	269,257
Commercial:						
Commercial and industrial	$ 263	$ 63	$ 1,428	$ 1,754	$ 98,034	$99,788
Non-farm, non-residential real estate	413	145	330	888	162,573	163,461
Construction and development	-	-	-	-	50,424	50,424
Commercial loans secured by real estate	91	56	172	319	27,617	27,936
Other commercial	10	-	1,092	1,102	40,083	41,185
Commercial total	777	264	3,022	4,063	378,731	382,794
Total	$ 3,210	$ 666	$3,528	$ 7,404	$ 644,647	$652,051

NOTE 6 LOANS (continued)

The following tables summarize the impaired loans by loan type as of September 30, 2015, December 31, 2014 and September 30, 2014:

September 30, 2015	Unpaid contractual principal balance	Recorded investment with no allowance	Recorded investment with allowance	Total recorded investment	Related allowance	Average recorded investment year to date	Interest received	Interest accrued
				(dollars in thousands)				
Commercial:								
Commercial and industrial	$ 352	$ 61	$ 245	$ 306	$ 30	$ 326	$ 11	$ 13
Non-farm, non-residential real estate	399	365	-	365	-	383	10	15
Commercial loans secured by real estate	194	-	167	167	29	171	3	10
Other commercial	-	-	-	-	-	-	-	-
Commercial total	945	412	426	838	59	880	24	38
Retail:								
Single family residential	1,409	594	718	1,312	114	1,183	54	56
Other retail	16	15	-	15	-	15	1	-
Retail total	1,425	594	733	1,327	114	1,198	55	56
Total	$ 2,370	$ 1,006	$ 1,159	$ 2,165	$ 173	$ 2,078	$ 79	$ 94

December 31, 2014	Unpaid contractual principal balance	Recorded investment with no allowance	Recorded investment with allowance	Total recorded investment	Related allowance	Average recorded investment year to date	Interest received	Interest accrued
				(dollars in thousands)				
Commercial:								
Commercial and industrial	$ 3,760	$ 2,734	$ 217	$ 2,951	$ 9	$ 3,230	$ 97	$ 207
Non-farm, non-residential real estate	3,720	3,241	-	3,241	-	3,570	213	212
Commercial loans secured by real estate	1,053	564	166	730	33	826	67	77
Other commercial	1,256	1,092	-	1,092	-	1,171	89	84
Commercial total	9,789	7,631	383	8,014	42	8,797	466	580
Retail:								
Single family residential	1,094	539	439	978	10	786	44	42
Other retail	425	411	-	411	-	369	17	19
Retail total	1,519	950	439	1,389	10	1,155	61	61
Total	$ 11,308	$ 8,581	$ 822	$ 9,403	$ 52	$ 9,952	$ 527	$ 641

	Unpaid contractual	Recorded investment	Recorded investment	Total	Average recorded