

FIRST FARMERS & MERCHANTS CORP  
Form 10-Q  
August 11, 2008  
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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 June 30, 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)

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<b>Tennessee</b>	<b>62-1148660</b>
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
<b>816 South Garden Street</b>	
<b>Columbia, Tennessee</b>	<b>38402-1148</b>
(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.

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.

5,624,643 shares of common stock as of August 7, 2008

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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 - June 30, 2008 and December 31, 2007.

Consolidated statements of income - For the three months and six months ended June 30, 2008 and June 30, 2007.

Consolidated statements of cash flows - For the six months ended June 30, 2008 and June 30, 2007.

Selected notes to consolidated financial statements.

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<b>(Dollars in Thousands, Except Per Share Data)</b>	<b>June 30, 2008 (Unaudited)</b>	<b>December 31, 2007 (1)</b>
<b>ASSETS</b>		
Cash and due from banks	\$ 30,435	\$ 35,097
Interest-bearing due from banks	2,148	176
Federal funds sold	29,025	600
Total cash and cash equivalents	61,608	35,873
Securities		
Available-for-sale (amortized cost \$169,064 and \$163,050, respectively)	164,735	163,911
Held-to-maturity (fair market value \$68,389 and \$76,460, respectively)	68,145	75,565
Total Securities	232,880	239,476
Loans, net of deferred fees	534,525	500,143
Allowance for loan losses	(7,692)	(7,381)
Net loans	526,833	492,762
Bank premises and equipment, at cost less allowance for depreciation	14,769	14,306
Core deposit and other intangibles	9,223	9,318
Other assets	34,320	31,311
<b>TOTAL ASSETS</b>	<b>\$ 879,633</b>	<b>\$ 823,046</b>
<b>LIABILITIES</b>		
Deposits		
Noninterest-bearing	\$ 157,825	\$ 131,043
Interest-bearing (including certificates of deposits over \$100: 2008 - \$80,329; 2007 - \$107,398)	563,319	567,916
Total deposits	721,144	698,959
Federal funds purchased and securities sold under agreements to repurchase	2,638	2,507
Dividends payable	1,997	1,991
Short-term borrowings	600	600
Accounts payable and accrued liabilities	49,864	12,650
Minority interest in consolidated subsidiary	95	95
<b>TOTAL LIABILITIES</b>	<b>776,338</b>	<b>716,802</b>
<b>SHAREHOLDERS EQUITY</b>		
Common stock - \$10 par value per share, 8,000,000 shares authorized; 5,624,463 and 5,680,000 shares issued and outstanding as of June 30, 2008 and December 31, 2007, respectively	56,245	56,800
Retained earnings	49,702	48,916
Accumulated other comprehensive income	(2,652)	528
<b>TOTAL SHAREHOLDERS EQUITY</b>	<b>103,295</b>	<b>106,244</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>\$ 879,633</b>	<b>\$ 823,046</b>

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(1) Derived from audited financial statements.

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



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**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,	
	2008	2007	2008	2007
<b>INTEREST AND DIVIDEND INCOME</b>				
Interest and fees on loans	\$ 8,141	\$ 8,313	\$ 16,477	\$ 16,266
Income on investment securities				
Taxable interest	1,775	1,315	3,301	