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**FIRST FARMERS AND MERCHANTS CORPORATION REPORTS
RECORD FIRST QUARTER NET INCOME OF \$3.1 MILLION
OR \$0.70 PER COMMON SHARE**

COLUMBIA, Tenn. (April 25, 2018) – First Farmers and Merchants Corporation (OTC Pink: FFMH), the holding company for First Farmers and Merchants Bank, today announced unaudited financial results for the quarter ending March 31, 2018.

Key highlights of First Farmers’ results for the first quarter of 2018 include:

- Net income of \$3.1 million or \$0.70 per common share, up 45% from \$2.2 million or \$0.48 per common share for the previous quarter and up 31% from \$2.4 million or \$0.52 per common share for the year-earlier quarter;
- Adjusted net income, which excludes special items, of \$3.1 million or \$0.70 per common share, compared to adjusted net income of \$3.2 million or \$0.71 per common share for the previous quarter and \$2.4 million or \$0.52 per common share for the year-earlier quarter (see non-GAAP reconciliation);
- Loan growth of \$9 million or 1% from the previous quarter and \$22 million or 3% compared with the year-earlier quarter;
- Net interest margin of 3.31%, down from net interest margin of 3.38% for the previous quarter but up from 3.28% for the year-earlier quarter; and
- Non-interest income of \$3.4 million up 7% from \$3.2 million for the previous quarter and up 22% from \$2.8 million for the year-earlier quarter.

Commenting on the results, T. Randy Stevens, Chairman and Chief Executive Officer of First Farmers, said “We are pleased to begin 2018 with record quarterly earnings and significant improvement in our results compared to the same period in 2017. Propelling our record earnings was our strategic focus to improve revenue with pricing discipline and grow non-interest income while limiting additional non-interest expense.” Stevens continued, “We remain focused on growing our non-interest income lines of business in 2018 while also looking for strategic opportunities within the Middle Tennessee market to expand our franchise by hiring talented bankers.”

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First Quarter 2018 Results of Operations

The improvement in first quarter of 2018 earnings of \$968,000 compared with the previous quarter was driven by a decrease in provision for income taxes and an increase in non-interest income offset by an increase in non-interest expense. The \$1.6 million decrease in provision for income taxes includes the deferred tax assets revaluation which resulted in a \$1.0 million expense recorded in the fourth quarter of 2017, in addition to a decrease in income taxes provision expense due to a reduced corporate tax rate effective under the new Tax Cuts and Jobs Act legislation. The increase of \$222,000 in non-interest income was primarily driven by an increase in trust services fee income of \$167,000 and mortgage banking activities of \$40,000. The increase of \$579,000 in non-interest expense for the quarter includes an increase of \$446,000 in other non-interest expenses driven by audit and examinations expense and other loan related expenses. The \$748,000 increase in reported quarterly earnings for the first quarter of 2018 compared with the year-earlier quarter resulted from increases in net interest income after provision for loan and lease losses expense of \$475,000 and non-interest income of \$572,000, which were offset by an increase in non-interest expense of \$283,000.

For the first quarter of 2018, outstanding loan balances increased \$9 million from the previous quarter and increased \$22 million or 3% from the year-earlier quarter. Net interest margin declined to 3.31% compared to 3.38% for the previous quarter but improved from 3.28% for the year-earlier quarter. The primary reason for the decline in the net interest margin from the prior quarter was the tax equivalent adjustment for tax-free investments and loans using the new, lower corporate tax rate. Adjusting for the impact of the new lower corporate tax rate, net interest margin continued to expand during the first quarter when compared to the previous quarter and the year-earlier quarter. Total deposits stood at \$1.203 billion at the end of the first quarter of 2018, down \$3 million from the previous quarter and \$11 million or 1% from the year-earlier quarter.

Asset Quality

Total nonperforming assets decreased to \$2.7 million, or 0.20% of total assets, compared to \$2.8 million, or 0.20% of total assets, for the previous quarter and declined from \$3.3 million, or 0.24% of total assets, when compared to the year-earlier quarter. Net recoveries to average loans were 0.02% for the first quarter of 2018 compared to net charge-offs of 0.02% for the previous quarter and net recoveries of 0.01% for the year-earlier quarter. As a result of the improvement in the quality of the loan portfolio coupled with an increase in net recoveries, no provision for loan and lease losses expense was recorded during the first quarter of 2018. The allowance for loan and lease losses represented 1.06% of total loans outstanding for the first quarter of 2018 compared to 1.07% for the previous quarter and 1.11% for the year-earlier quarter.

Capital Management Initiatives

First Farmers repurchased 7,000 shares of common stock, during the first quarter, at an average price of \$41.50 per share under its stock repurchase program. Authorization to repurchase approximately 193,000 shares remains under the current program, which is set to expire in December 2018, unless extended or otherwise completed.

About First Farmers and Merchants Corporation and First Farmers and Merchants Bank

First Farmers and Merchants Corporation is the holding company for First Farmers and Merchants Bank, a community bank serving the Middle Tennessee area through 22 offices in eight Middle Tennessee counties. As of March 31, 2018, First Farmers reported total assets of approximately \$1.4 billion, total shareholders' equity of approximately \$122 million, and administered trust assets of \$4.7 billion. For more information about First Farmers, visit us on the Web at www.myfirstfarmers.com under "Investor Relations."

Cautionary Note Regarding Forward Looking Statements

This news release may contain certain "forward-looking statements" that represent First Farmers' expectations or beliefs concerning future events and often use words or phrases such as "opportunities," "prospects," "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "intends" or similar expressions. Such forward-looking statements contained herein represent the current expectations, plans or forecast of First Farmers' and are about matters that are inherently subject to risks and uncertainties. These statements are not guarantees of future results or performance and readers are cautioned to not place undue reliance on them, whether included in this news release or made elsewhere from time to time by First Farmers or on its behalf. First Farmers disclaims any obligation to update such forward-looking statements.

Non-GAAP Financial Measures

Statements included in this press release include non-GAAP financial measures and should be read along with the accompanying tables, which provide a reconciliation of non-GAAP financial measures to GAAP financial measures. First Farmers management uses non-GAAP financial measures, including: (i) adjusted net income and (ii) adjusted basic earnings per share, in its analysis of the Company's performance. These non-GAAP financial measures exclude the following from net income: securities gains and losses, losses and gains on the sales of foreclosed property, gain on bank owned life insurance, deferred tax asset revaluation and the income tax effect of adjustments. Management believes that non-GAAP financial measures provide additional useful information that allows readers to evaluate the ongoing performance of the Company.

FIRST FARMERS AND MERCHANTS CORPORATION AND SUBSIDIARIES

UNAUDITED RECONCILIATION OF NON-GAAP MEASURES PRESENTED IN EARNINGS RELEASE

(Dollars in thousands, except per share data)

	Three Months Ended		
	March 31,		December 31,
	2018	2017	2017
Total adjusted non-interest income	\$ 3,377	\$ 2,758	\$ 3,155
Net income as reported	\$ 3,129	\$ 2,381	\$ 2,161
Deferred tax asset revaluation	-	-	1,026
Total adjustments, net of tax ¹	-	-	3
Adjusted net income	\$ 3,129	\$ 2,381	\$ 3,190
Basic earnings per share	\$ 0.70	\$ 0.52	\$ 0.48
Total adjustments, net of tax ¹	-	-	0.23
Adjusted basic earnings per share	\$ 0.70	\$ 0.52	\$ 0.71

- (1) The effective tax rate of 26.1% is used to determine net of tax amounts for period ended March 31, 2018. The effective tax rate of 38.5% is used to determine net of tax amounts for 2017 periods presented.

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FIRST FARMERS AND MERCHANTS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

		(unaudited)	December 31,
		March 31,	2017 ⁽¹⁾
		<u>2018</u>	<u>2017⁽¹⁾</u>
<i>(dollars in thousands, except per share data)</i>			
ASSETS	Cash and due from banks	\$ 18,075	\$ 26,878
	Interest-bearing deposits	11,632	26,371
	Federal funds sold	<u>2,465</u>	<u>1,915</u>
	Total cash and cash equivalents	<u>32,172</u>	<u>55,164</u>
	Securities:		
	Available-for-sale	382,889	371,773
	Held-to-maturity (fair market value \$17,785 and \$18,525 as of the periods presented)	<u>18,667</u>	<u>18,675</u>
	Total securities	<u>401,556</u>	<u>390,448</u>
	Loans, net of deferred fees	863,150	854,033
	Allowance for loan and lease losses	<u>(9,171)</u>	<u>(9,122)</u>
	Net loans	853,979	844,911
	Bank premises and equipment, net	28,752	28,787
	Bank-owned life insurance	32,213	32,091
	Goodwill	9,018	9,018
	Deferred tax assets	3,324	2,445
	Other assets	<u>11,239</u>	<u>12,955</u>
	TOTAL ASSETS	<u>\$ 1,372,253</u>	<u>\$ 1,375,819</u>
LIABILITIES	Deposits:		
	Noninterest-bearing	\$ 279,164	\$ 292,502
	Interest-bearing	<u>924,268</u>	<u>914,047</u>
	Total deposits	<u>1,203,432</u>	<u>1,206,549</u>
	Securities sold under agreements to repurchase	32,082	31,222
	Accounts payable and accrued liabilities	<u>14,635</u>	<u>14,668</u>
	TOTAL LIABILITIES	<u>1,250,149</u>	<u>1,252,439</u>
SHAREHOLDERS' EQUITY	Common stock - \$10 par value per share, 8,000,000 shares authorized; 4,486,906 and 4,493,855 shares issued and outstanding as of the periods presented	44,869	44,939
	Retained earnings	82,142	79,793
	Accumulated other comprehensive loss	<u>(5,002)</u>	<u>(1,447)</u>
	Total shareholders' equity attributable to First Farmers and Merchants Corporation	<u>122,009</u>	<u>123,285</u>
	Noncontrolling interest - preferred stock of subsidiary	<u>95</u>	<u>95</u>
	TOTAL SHAREHOLDERS' EQUITY	<u>122,104</u>	<u>123,380</u>
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 1,372,253</u>	<u>\$ 1,375,819</u>

⁽¹⁾ Derived from audited financial statements as of December 31, 2017.

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

		Three Months Ended March 31,	
<i>(dollars in thousands, except per share data)</i>		2018	2017
INTEREST AND DIVIDEND INCOME	Interest and fees on loans	\$ 8,804	\$ 8,260
	Income on investment securities		
	Taxable interest	1,240	1,234
	Exempt from federal income tax	655	623
	Interest from federal funds sold and other	75	42
	Total interest income	<u>10,774</u>	<u>10,159</u>
INTEREST EXPENSE	Interest on deposits	792	666
	Interest on other borrowings	48	34
	Total interest expense	<u>840</u>	<u>700</u>
	Net interest income	9,934	9,459
	Provision for loan and lease losses	-	-
	Net interest income after provision	<u>9,934</u>	<u>9,459</u>
NON-INTEREST INCOME	Mortgage banking activities	241	46
	Trust services fee income	960	741
	Service fees on deposit accounts	1,776	1,653
	Investment services fee income	100	76
	Earnings on bank owned life insurance	122	122
	Other non-interest income	178	167
	Total non-interest income	<u>3,377</u>	<u>2,805</u>
NON-INTEREST EXPENSE	Salaries and employee benefits	5,447	5,244
	Net occupancy expense	610	645
	Depreciation expense	384	375
	Data processing expense	689	655
	Software support and other computer expense	541	464
	Legal and professional fees	280	396
	Audit and exam expenses	175	187
	Advertising and promotions	305	196
	FDIC insurance premium expense	129	161
	Other non-interest expense	1,051	1,005
	Total non-interest expense	<u>9,611</u>	<u>9,328</u>
	Income before provision for income taxes	3,700	2,936
	Provision for income taxes	571	555
	Net income before noncontrolling interest - dividends on preferred stock of subsidiary	<u>3,129</u>	<u>2,381</u>
	Noncontrolling interest - dividends on preferred stock subsidiary	-	-
	Net income for common shareholders	<u>\$ 3,129</u>	<u>\$ 2,381</u>
	Weighted average shares outstanding	4,493,000	4,541,043
	Earnings per share	\$ 0.70	\$ 0.52

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FIRST FARMERS AND MERCHANTS CORPORATION AND SUBSIDIARIES
CONSOLIDATED FINANCIAL HIGHLIGHTS
(unaudited)

<i>(dollars in thousands, except per share data)</i>	For the Three Months Ended				March 31, 2017
	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	
Results of Operations:					
Interest income	\$ 10,774	\$ 10,854	\$ 10,716	\$ 10,546	\$ 10,206
Interest expense	840	818	803	780	700
Net interest income	9,934	10,036	9,913	9,766	9,506
Provision credit for loan and lease losses, net	-	(225)	-	-	-
Non-interest income	3,377	3,155	3,291	3,036	2,758
Non-interest expense	9,611	9,040	9,235	8,994	9,328
Income before income taxes	3,700	4,376	3,969	3,808	2,936
Income taxes	571	2,215	986	971	555
Net income for common shareholders	<u>\$ 3,129</u>	<u>\$ 2,161</u>	<u>\$ 2,983</u>	<u>\$ 2,837</u>	<u>\$ 2,381</u>
Per Share Data:					
Basic earnings per share	\$ 0.70	\$ 0.48	\$ 0.66	\$ 0.63	\$ 0.52
Weighted average shares outstanding per quarter	4,493,000	4,507,351	4,519,030	4,521,045	4,541,043
Financial Condition and Performance Data:					
Total securities	\$ 401,556	\$ 390,448	\$ 384,280	\$ 397,124	\$ 421,230
Loans, net of deferred fees	\$ 863,150	\$ 854,033	\$ 858,170	\$ 858,280	\$ 841,254
Allowance for loan and lease losses	\$ (9,171)	\$ (9,122)	\$ (9,286)	\$ (9,259)	\$ (9,364)
Total assets	\$ 1,372,253	\$ 1,375,819	\$ 1,352,235	\$ 1,370,782	\$ 1,374,911
Total deposits	\$ 1,203,432	\$ 1,206,549	\$ 1,171,426	\$ 1,185,240	\$ 1,214,638
Net interest margin	3.31%	3.38%	3.35%	3.29%	3.28%
Asset Quality Data and Ratios:					
Total nonperforming assets	\$ 2,735	\$ 2,775	\$ 2,926	\$ 2,881	\$ 3,331
Nonperforming assets to total assets	0.20%	0.20%	0.22%	0.21%	0.24%
Allowance for loan and lease losses to total loans	1.06%	1.07%	1.08%	1.08%	1.11%
Net (recoveries) charge-offs to average annualized loans	(0.02%)	0.00%	0.01%	0.02%	(0.01%)

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