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**FIRST FARMERS AND MERCHANTS CORPORATION REPORTS
SECOND QUARTER NET INCOME UP 38%
TO \$3.9 MILLION OR \$0.87 PER COMMON SHARE**

COLUMBIA, Tenn. (July 23, 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 second quarter ended June 30, 2018.

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

- Net income of \$3.9 million or \$0.87 per common share, up 38% from \$2.8 million or \$0.63 per common share for the year-earlier quarter and up 25% from \$3.1 million or \$0.70 per common share for the previous quarter;
- Net interest margin improved nine basis points from the year-earlier quarter and seven basis points from the previous quarter; and
- Non-interest expense increased less than 1% from the year-earlier quarter and decreased \$540,000 or 6% from the previous quarter.

Commenting on the results, T. Randy Stevens, Chairman and Chief Executive Officer of First Farmers, said, “We are pleased to report continued strong earnings growth for the second quarter, which extends the success we witnessed in the first quarter and builds on the momentum that has characterized our business for some time. This progress reflects steadily higher margins as the rate environment has improved and as we pursue prudent pricing for new lending opportunities. It also underscores the increasing significance of our fee-based lines of business, especially trust services. As we move into the second half of the year, we do so confidently, knowing that the power for our future growth will be driven by all lines of business, across all our markets, and will be complemented by expansion opportunities as they arise.”

Brian K. Williams, President, added, “I am excited to see the key elements of our business continue to grow, improve and gain increasing sustainability for the long-term. While this success reflects in part the strategic choices we have made to shape a strong future for First Farmers, I believe it also highlights the benefits derived from our longstanding philosophy of relationship banking, where customers become friends and family and time horizons move beyond loan terms to encompass generations. With that philosophy, I think we continue to remain relevant to customers, shareholders, and our team.”

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Second Quarter 2018 Results of Operations

The \$1.1 million improvement in earnings for the second quarter of 2018 compared with the year-earlier quarter was driven by an increase of \$606,000 in net interest income and an increase of \$371,000 in non-interest income. The increase in net interest income reflected an improvement in margins and loan growth of \$12.1 million for the second quarter of 2018 compared with the year-earlier quarter. The increase in non-interest income resulted from an increase of \$110,000 in trust services fee income, \$59,000 in mortgage banking activities, \$56,000 in investment services fee income and a \$50,000 gain on bank-owned life insurance. The \$776,000 increase in second quarter earnings compared with the previous quarter was driven by a \$438,000 increase in net interest income coupled with a \$540,000 decrease in non-interest expense. The increase in net interest income reflected an improvement in margins and loan growth of \$7.2 million for the second quarter of 2018 compared with the previous quarter. The decrease in non-interest expense primarily resulted from a decrease of \$429,000 in employee health insurance expense.

For the second quarter of 2018, First Farmers achieved loan growth of \$7.2 million from the previous quarter and \$12.1 million or 1% from the year-earlier quarter. Interest income is expected to improve due to the Federal Reserve's intentions to increase market interest rates through 2019. Total deposits stood at \$1.192 billion at the end of the second quarter of 2018, down \$12 million from the previous quarter, but up \$7 million or 1% from the year-earlier quarter.

Asset Quality

Total nonperforming assets increased to \$2.8 million, or 0.21% of total assets, compared with \$2.7 million, or 0.20% of total assets, for the previous quarter, but was down from \$2.9 million, or 0.21% of total assets, when compared with the year-earlier quarter. Net recoveries to average loans were 0.01% for the second quarter of 2018 compared with net recoveries of 0.02% for the previous quarter and net charge-offs of 0.02% for the year-earlier quarter. No provision for loan and lease losses expense was recorded during the second quarter of 2018. The allowance for loan and lease losses represented 1.06% of total loans outstanding for the second quarter of 2018 compared with 1.06% for the previous quarter and 1.08% for the year-earlier quarter.

Capital Management Initiatives

First Farmers repurchased 13,000 shares of common stock during the second quarter at an average price of \$41.50 per share under its stock repurchase program. Authorization to repurchase 180,000 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 June 30, 2018, First Farmers reported total assets of approximately \$1.4 billion, total shareholders' equity of approximately \$124 million, and administered trust assets of \$4.8 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			Six Months Ended	
	June 30,	March 31,	June 30,	June 30,	
	2018	2018	2017	2018	2017
Total non-interest income	\$ 3,407	\$ 3,377	\$ 3,036	\$ 6,784	\$ 5,794
Gain on sale of securities	(6)	-	(21)	(6)	(21)
Gain on bank-owned life insurance	(50)	-	-	(50)	-
Adjusted non-interest income	<u>\$ 3,351</u>	<u>\$ 3,377</u>	<u>\$ 3,015</u>	<u>\$ 6,728</u>	<u>\$ 5,773</u>
Net income as reported	\$ 3,905	\$ 3,129	\$ 2,837	\$ 7,034	\$ 5,218
Total adjustments, net of tax ¹	(54)	-	(13)	(54)	(13)
Adjusted net income	<u>\$ 3,851</u>	<u>\$ 3,129</u>	<u>\$ 2,824</u>	<u>\$ 6,980</u>	<u>\$ 5,205</u>
Basic earnings per share	\$ 0.87	\$ 0.70	\$ 0.63	\$ 1.57	\$ 1.15
Total adjustments, net of tax ¹	(0.01)	-	-	(0.01)	-
Adjusted basic earnings per share	<u>\$ 0.86</u>	<u>\$ 0.70</u>	<u>\$ 0.63</u>	<u>\$ 1.56</u>	<u>\$ 1.15</u>

(1) The effective tax rate of 26.1% is used to determine net of tax amounts for 2018 periods presented. 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)	
		June 30,	December 31,
		2018	2017 ⁽¹⁾
<i>(dollars in thousands, except per share data)</i>			
ASSETS	Cash and due from banks	\$ 23,565	\$ 26,878
	Interest-bearing deposits	6,655	26,371
	Federal funds sold	281	1,915
	Total cash and cash equivalents	<u>30,501</u>	<u>55,164</u>
	Securities:		
	Available-for-sale	370,917	371,773
	Held-to-maturity (fair market value \$17,650 and \$18,525 as of the periods presented)	18,660	18,675
	Total securities	<u>389,577</u>	<u>390,448</u>
	Loans, net of deferred fees	870,351	854,033
	Allowance for loan and lease losses	(9,187)	(9,122)
	Net loans	861,164	844,911
	Bank premises and equipment, net	28,522	28,787
	Bank-owned life insurance	32,338	32,091
	Goodwill	9,018	9,018
	Deferred tax assets	3,970	2,445
	Other assets	<u>10,955</u>	<u>12,955</u>
	TOTAL ASSETS	<u>\$ 1,366,045</u>	<u>\$ 1,375,819</u>
LIABILITIES	Deposits:		
	Noninterest-bearing	\$ 287,687	\$ 292,502
	Interest-bearing	904,141	914,047
	Total deposits	<u>1,191,828</u>	<u>1,206,549</u>
	Securities sold under agreements to repurchase	35,437	31,222
	Accounts payable and accrued liabilities	15,183	14,668
	TOTAL LIABILITIES	<u>1,242,448</u>	<u>1,252,439</u>
SHAREHOLDERS' EQUITY	Common stock - \$10 par value per share, 8,000,000 shares authorized; 4,474,069 and 4,493,855 shares issued and outstanding as of the periods presented	44,741	44,939
	Retained earnings	84,749	79,793
	Accumulated other comprehensive loss	(5,988)	(1,447)
	Total shareholders' equity before noncontrolling interest – preferred stock of subsidiary	<u>123,502</u>	<u>123,285</u>
	Noncontrolling interest - preferred stock of subsidiary	95	95
	TOTAL SHAREHOLDERS' EQUITY	<u>123,597</u>	<u>123,380</u>
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 1,366,045</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 June 30,		Six Months Ended June 30,		
		2018	2017	2018	2017	
		<i>(dollars in thousands, except per share data)</i>				
INTEREST AND DIVIDEND INCOME	Interest and fees on loans	\$ 9,150	\$ 8,532	\$ 17,954	\$ 16,792	
	Income on investment securities					
	Taxable interest	1,425	1,287	2,665	2,521	
	Exempt from federal income tax	632	648	1,287	1,271	
	Interest from federal funds sold and other	73	79	148	168	
	Total interest income	<u>11,280</u>	<u>10,546</u>	<u>22,054</u>	<u>20,752</u>	
INTEREST EXPENSE	Interest on deposits	836	703	1,628	1,369	
	Interest on other borrowings	72	77	120	111	
	Total interest expense	<u>908</u>	<u>780</u>	<u>1,748</u>	<u>1,480</u>	
	Net interest income	10,372	9,766	20,306	19,272	
	Provision for loan and lease losses	-	-	-	-	
	Net interest income after provision	<u>10,372</u>	<u>9,766</u>	<u>20,306</u>	<u>19,272</u>	
NON-INTEREST INCOME	Mortgage banking activities	175	116	416	162	
	Trust services fee income	880	770	1,840	1,511	
	Service fees on deposit accounts	1,851	1,826	3,627	3,479	
	Investment services fee income	144	88	244	164	
	Earnings on bank-owned life insurance	125	126	247	248	
	Gain on sale of investments	6	21	6	21	
	Gain on bank-owned life insurance	50	-	50	-	
	Other non-interest income	176	89	354	209	
	Total non-interest income	<u>3,407</u>	<u>3,036</u>	<u>6,784</u>	<u>5,794</u>	
NON-INTEREST EXPENSE	Salaries and employee benefits	5,093	4,845	10,540	10,089	
	Net occupancy expense	817	723	1,427	1,519	
	Depreciation expense	379	368	763	743	
	Data processing expense	642	704	1,331	1,359	
	Software support and other computer expense	587	474	1,128	938	
	Legal and professional fees	265	322	545	718	
	Audits and exams expense	176	194	351	381	
	Advertising and promotions	267	389	572	585	
	FDIC insurance premium expense	98	153	227	314	
	Other non-interest expense	739	814	1,790	1,668	
		Total non-interest expense	<u>9,063</u>	<u>8,986</u>	<u>18,674</u>	<u>18,314</u>
		Income before provision for income taxes	4,716	3,816	8,416	6,752
		Provision for income taxes	803	971	1,374	1,526
	Net income	<u>3,913</u>	<u>2,845</u>	<u>7,042</u>	<u>5,226</u>	
	Noncontrolling interest - dividends on preferred stock subsidiary	8	8	8	8	
	Net income available to common shareholders	<u>\$ 3,905</u>	<u>\$ 2,837</u>	<u>\$ 7,034</u>	<u>\$ 5,218</u>	
	Weighted average shares outstanding	4,484,717	4,521,045	4,488,835	4,530,944	
	Earnings per share	\$ 0.87	\$ 0.63	\$ 1.57	\$ 1.15	

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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				
	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
Results of Operations:					
Interest income	\$ 11,280	\$ 10,774	\$ 10,854	\$ 10,716	\$ 10,546
Interest expense	908	840	818	803	780
Net interest income	10,372	9,934	10,036	9,913	9,766
Credit for loan and lease losses, net	-	-	(225)	-	-
Non-interest income	3,407	3,377	3,155	3,291	3,036
Non-interest expense	9,071	9,611	9,040	9,235	8,994
Income before income taxes	4,708	3,700	4,376	3,969	3,808
Income taxes	803	571	2,215	986	971
Net income for common shareholders	<u>\$ 3,905</u>	<u>\$ 3,129</u>	<u>\$ 2,161</u>	<u>\$ 2,983</u>	<u>\$ 2,837</u>
Per Share Data:					
Basic earnings per share	\$ 0.87	\$ 0.70	\$ 0.48	\$ 0.66	\$ 0.63
Weighted average shares outstanding per quarter	4,484,717	4,493,000	4,507,351	4,519,030	4,521,045
Financial Condition Data and Ratios:					
Total securities	\$ 389,577	\$ 401,556	\$ 390,448	\$ 384,280	\$ 397,124
Loans, net of deferred fees	\$ 870,351	\$ 863,150	\$ 854,033	\$ 858,170	\$ 858,280
Allowance for loan and lease losses	\$ (9,187)	\$ (9,171)	\$ (9,122)	\$ (9,286)	\$ (9,259)
Total assets	\$ 1,366,045	\$ 1,372,253	\$ 1,375,819	\$ 1,352,235	\$ 1,370,782
Total deposits	\$ 1,191,828	\$ 1,203,432	\$ 1,206,549	\$ 1,171,426	\$ 1,185,240
Net interest margin	3.38%	3.31%	3.38%	3.35%	3.29%
Asset Quality Data and Ratios:					
Total nonperforming assets	\$ 2,836	\$ 2,735	\$ 2,775	\$ 2,926	\$ 2,881
Nonperforming assets to total assets	0.21%	0.20%	0.20%	0.22%	0.21%
Allowance for loan and lease losses to total loans	1.06%	1.06%	1.07%	1.08%	1.08%
Net (recoveries) charge-offs to average loans (annualized)	(0.01%)	(0.02%)	0.00%	0.01%	0.02%

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