



**For additional information contact  
Robert E. Krimmel  
Chief Financial Officer  
(931) 380-8257**

**FIRST FARMERS AND MERCHANTS CORPORATION REPORTS A 20% INCREASE  
IN THIRD QUARTER NET INCOME TO \$3.6 MILLION OR \$0.80 PER COMMON SHARE**

COLUMBIA, Tenn. (October 22, 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 third quarter ended September 30, 2018.

Key highlights of First Farmers’ performance for the third quarter of 2018 include:

- Net income of \$3.6 million or \$0.80 per common share, up 20% from \$3.0 million or \$0.66 per common share for the year-earlier quarter. On a sequential-quarter basis, net income declined 8% from \$3.9 million or \$0.87 per common share;
- Net interest margin improved six basis points from the year-earlier quarter and three basis points from the previous quarter;
- Non-interest income increased 7% from the year-earlier quarter and 3% from the previous quarter; and
- The Company completed the previously announced purchase of a branch office in Nashville, Tennessee, its second location there, and it entered into a definitive agreement to sell its branch office in White Bluff, Tennessee, which is expected to close during the first quarter of 2019.

Commenting on the results, T. Randy Stevens, Chairman and Chief Executive Officer, said, “We are pleased to announce another solid operational performance by First Farmers in the third quarter, with earnings per share increasing 21% from the prior-year period. This progress reflects our continued successful execution of several long-term strategies, including those focused on sensible loan production that protects and expands our margins – coupled with strong credit quality. Also, key to our long-term vision for the Company is the ongoing alignment of our regional footprint, efforts to increase our fee-based income, and good expense control in areas not related directly to revenue growth. With so many of our diverse business lines contributing to First Farmers’ overall results through the first nine months of 2018, we remain confident in the Company’s earnings trajectory for the full year and are excited about the prospects we see ahead in 2019.”

Brian K. Williams, President, added, “These are indeed exciting times for First Farmers. Our top- and bottom-line growth potential – reflecting strong strategic underpinnings – continues to become more tangible and apparent. Additionally, with the recent purchase of a branch office in Nashville and the pending sale of a branch office in White Bluff, our footprint expansion and realignment efforts present us with attractive opportunities to introduce our style of community banking in high-growth markets. Customers clearly want more from their financial institutions, both in terms of capabilities and responsiveness, and with our core philosophy of relationship banking combined with a full range of financial services, we continue to believe that First Farmers remains the clear solution for many.”

**-MORE-**

### **Third Quarter 2018 Results of Operations**

The increase in net interest income reflected improved margins and loan growth of \$13 million for the third quarter of 2018 compared with the year-earlier quarter. The Company's higher non-interest income compared with the year-earlier quarter resulted from increases of \$104,000 in trust services fee income, \$55,000 in investment services, and \$31,000 in service fees on deposits. The increase in non-interest expense was due to higher salaries and employee benefits of \$443,000 related to the hiring of several key team members for new banking offices opened since the year-earlier quarter.

The \$314,000 decrease in third quarter earnings compared with the previous quarter was driven by an increase of \$300,000 for employee health insurance expense and \$263,000 for salaries and employee benefits, which together were offset in part by higher net interest income of \$143,000 and non-interest income of \$110,000. The increase in net interest income reflected an improvement in margins and loan growth, while the increase in non-interest income underscored higher trust services fee income, investment services fee income and mortgage banking activities for the third quarter of 2018 compared with the previous quarter.

For the third quarter of 2018, First Farmers achieved loan growth of \$13 million or 2% from the year-earlier quarter and \$1 million from the previous quarter. Interest income is expected to continue to improve due to the Federal Reserve's intentions to increase market interest rates through 2019. Total deposits stood at \$1.164 billion at the end of the third quarter of 2018, down \$7 million or 1% from the year-earlier quarter and \$27 million from the previous quarter.

### **Asset Quality**

Total nonperforming assets were down to \$2.8 million, or 0.21% of total assets, when compared with \$2.9 million, or 0.22% of total assets, for the year-earlier quarter and remained essentially flat compared with the previous quarter. Net recoveries to average loans were 0.01% for the third quarter of 2018 compared with net charge-offs of 0.01% for the year-earlier quarter and net recoveries of 0.01% for the previous quarter. No provision for loan and lease losses expense was recorded during the third quarter of 2018, as was the case in the third quarter of last year and the second quarter of 2018. The allowance for loan and lease losses represented 1.06% of total loans outstanding at the end of the third quarter of 2018 compared with 1.08% for the year-earlier quarter and 1.06% for the previous quarter.

### **Capital Management Initiatives**

First Farmers repurchased 9,000 shares of common stock during the third quarter at an average price of \$43.50 per share under its stock repurchase program. Authorization to repurchase 171,000 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 September 30, 2018, First Farmers reported total assets of approximately \$1.4 billion, total shareholders' equity of approximately \$125 million, and administered trust assets of \$4.9 billion. For more information about First Farmers, visit us on the Web at [www.myfirstfarmers.com](http://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)*

	<b>Three Months Ended</b>			<b>Nine Months Ended</b>	
	<b>September 30, 2018</b>	<b>June 30, 2018</b>	<b>September 30, 2017</b>	<b>September 30, 2018</b>	<b>September 30, 2017</b>
Total non-interest income	\$ 3,517	\$ 3,407	\$ 3,291	\$ 10,301	\$ 9,085
Gain on sale of securities	-	(6)	-	(6)	(21)
Gain on bank-owned life insurance	-	(50)	-	(50)	-
Adjusted non-interest income	<u>\$ 3,517</u>	<u>\$ 3,351</u>	<u>\$ 3,291</u>	<u>\$ 10,245</u>	<u>\$ 9,064</u>
Net income as reported	\$ 3,591	\$ 3,905	\$ 2,983	\$ 10,625	\$ 8,201
Total adjustments, net of tax <sup>(1)</sup>	-	(54)	-	(54)	(13)
Adjusted net income	<u>\$ 3,591</u>	<u>\$ 3,851</u>	<u>\$ 2,983</u>	<u>\$ 10,571</u>	<u>\$ 8,188</u>
Basic earnings per share	\$ 0.80	\$ 0.87	\$ 0.66	\$ 2.37	\$ 1.81
Total adjustments, net of tax <sup>(1)</sup>	-	(0.01)	-	(0.01)	-
Adjusted basic earnings per share	<u>\$ 0.80</u>	<u>\$ 0.86</u>	<u>\$ 0.66</u>	<u>\$ 2.36</u>	<u>\$ 1.81</u>

<sup>(1)</sup> 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.

**FIRST FARMERS AND MERCHANTS CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS**

		(unaudited) September 30, 2018	December 31, 2017 <sup>(1)</sup>
		<u>2018</u>	<u>2017<sup>(1)</sup></u>
<i>(dollars in thousands, except per share data)</i>			
<b>ASSETS</b>	Cash and due from banks	\$ 24,722	\$ 26,878
	Interest-bearing deposits	12,661	26,371
	Federal funds sold	163	1,915
	Total cash and cash equivalents	<u>37,546</u>	<u>55,164</u>
	Securities:		
	Available-for-sale	355,698	371,773
	Held-to-maturity (fair market value \$17,295 and \$18,057 as of the periods presented)	<u>18,652</u>	<u>18,675</u>
	Total securities	<u>374,350</u>	<u>390,448</u>
	Loans, net of deferred fees	871,334	854,033
	Allowance for loan and lease losses	<u>(9,206)</u>	<u>(9,122)</u>
	Net loans	862,128	844,911
	Bank premises and equipment, net	31,513	28,787
	Bank-owned life insurance	32,463	32,091
	Goodwill	9,018	9,018
	Deferred tax assets	4,545	2,445
	Other assets	<u>11,444</u>	<u>12,955</u>
	<b>TOTAL ASSETS</b>	<u>\$ 1,363,007</u>	<u>\$ 1,375,819</u>
<b>LIABILITIES</b>	Deposits:		
	Noninterest-bearing	\$ 298,302	\$ 292,502
	Interest-bearing	<u>866,130</u>	<u>914,047</u>
	Total deposits	<u>1,164,432</u>	<u>1,206,549</u>
	Securities sold under agreements to repurchase	37,488	31,222
	FHLB borrowings	20,000	-
	Accounts payable and accrued liabilities	<u>16,414</u>	<u>14,668</u>
	<b>TOTAL LIABILITIES</b>	<u>1,238,334</u>	<u>1,252,439</u>
<b>SHAREHOLDERS' EQUITY</b>	Common stock - \$10 par value per share, 8,000,000 shares authorized; 4,464,967 and 4,493,855 shares issued and outstanding as of the periods presented	44,650	44,939
	Retained earnings	87,142	79,793
	Accumulated other comprehensive loss	<u>(7,214)</u>	<u>(1,447)</u>
	Total shareholders' equity before noncontrolling interest – preferred stock of subsidiary	<u>124,578</u>	<u>123,285</u>
	Noncontrolling interest - preferred stock of subsidiary	95	95
	<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u>124,673</u>	<u>123,380</u>
	<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>\$ 1,363,007</u>	<u>\$ 1,375,819</u>

<sup>(1)</sup> Derived from audited financial statements as of December 31, 2017.

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

		<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
<i>(dollars in thousands, except per share data)</i>		<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>INTEREST AND DIVIDEND INCOME</b>	Interest and fees on loans	\$ 9,591	\$ 8,786	\$ 27,545	\$ 25,578
	Income on investment securities				
	Taxable interest	1,362	1,169	4,029	3,690
	Exempt from federal income tax	620	652	1,906	1,923
	Interest from federal funds sold and other	40	109	187	277
	Total interest income	<u>11,613</u>	<u>10,716</u>	<u>33,667</u>	<u>31,468</u>
<b>INTEREST EXPENSE</b>	Interest on deposits	965	742	2,593	2,111
	Interest on other borrowings	133	61	253	172
	Total interest expense	<u>1,098</u>	<u>803</u>	<u>2,846</u>	<u>2,283</u>
	Net interest income	10,515	9,913	30,821	29,185
	Provision for loan and lease losses	-	-	-	-
	Net interest income after provision	<u>10,515</u>	<u>9,913</u>	<u>30,821</u>	<u>29,185</u>
<b>NON-INTEREST INCOME</b>	Mortgage banking activities	204	220	621	382
	Trust services fee income	922	818	2,762	2,329
	Service fees on deposit accounts	1,861	1,830	5,487	5,310
	Investment services fee income	227	172	472	336
	Earnings on bank-owned life insurance	125	128	372	376
	Gain on sale of investments	-	-	6	21
	Gain on bank-owned life insurance	-	-	50	-
	Other non-interest income	178	123	531	331
	Total non-interest income	<u>3,517</u>	<u>3,291</u>	<u>10,301</u>	<u>9,085</u>
<b>NON-INTEREST EXPENSE</b>	Salaries and employee benefits	5,723	5,280	16,263	15,369
	Net occupancy expense	720	701	2,147	2,134
	Depreciation expense	372	342	1,135	1,087
	Data processing expense	745	709	2,076	2,068
	Software support and other computer expense	561	501	1,689	1,437
	Legal and professional fees	310	270	855	1,002
	Audits and exams expense	170	185	521	566
	Advertising and promotions	225	239	797	824
	FDIC insurance premium expense	130	175	357	489
	Other non-interest expense	777	833	2,567	2,573
	Total non-interest expense	<u>9,733</u>	<u>9,235</u>	<u>28,407</u>	<u>27,549</u>
	Income before provision for income taxes	4,299	3,969	12,715	10,721
	Provision for income taxes	708	986	2,082	2,512
	Net income	<u>3,591</u>	<u>2,983</u>	<u>10,633</u>	<u>8,209</u>
	Noncontrolling interest - dividends on preferred stock subsidiary	-	-	8	8
	Net income available to common shareholders	<u>\$ 3,591</u>	<u>\$ 2,983</u>	<u>\$ 10,625</u>	<u>\$ 8,201</u>
	Weighted average shares outstanding	4,472,684	4,519,030	4,483,392	4,529,179
	Earnings per share	\$ 0.80	\$ 0.66	\$ 2.37	\$ 1.81

-MORE-

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

<i>(dollars in thousands, except per share data)</i>	<b>For the Three Months Ended</b>				
	<b>September 30, 2018</b>	<b>June 30, 2018</b>	<b>March 31, 2018</b>	<b>December 31, 2017</b>	<b>September 30, 2017</b>
<b>Results of Operations:</b>					
Interest income	\$ 11,613	\$ 11,280	\$ 10,774	\$ 10,854	\$ 10,716
Interest expense	1,098	908	840	818	803
Net interest income	10,515	10,372	9,934	10,036	9,913
Credit for loan and lease losses, net	-	-	-	(225)	-
Non-interest income	3,517	3,407	3,377	3,160	3,291
Non-interest expense	9,733	9,071	9,611	9,040	9,235
Income before income taxes	4,299	4,708	3,700	4,381	3,969
Income taxes	708	803	571	2,215	986
Net income for common shareholders	<u>\$ 3,591</u>	<u>\$ 3,905</u>	<u>\$ 3,129</u>	<u>\$ 2,166</u>	<u>\$ 2,983</u>
<b>Per Share Data:</b>					
Basic earnings per share	\$ 0.80	\$ 0.87	\$ 0.70	\$ 0.48	\$ 0.66
Weighted average shares outstanding per quarter	4,472,684	4,484,717	4,493,000	4,507,351	4,519,030
<b>Financial Condition Data and Ratios:</b>					
Total securities	\$ 374,350	\$ 389,577	\$ 401,556	\$ 390,448	\$ 384,280
Loans, net of deferred fees	\$ 871,334	\$ 870,351	\$ 863,150	\$ 854,033	\$ 858,170
Allowance for loan and lease losses	\$ (9,206)	\$ (9,187)	\$ (9,171)	\$ (9,122)	\$ (9,286)
Total assets	\$ 1,363,007	\$ 1,366,045	\$ 1,372,253	\$ 1,375,819	\$ 1,352,235
Total deposits	\$ 1,164,432	\$ 1,191,828	\$ 1,203,432	\$ 1,206,549	\$ 1,171,426
Net interest margin	3.41%	3.38%	3.31%	3.38%	3.35%
<b>Asset Quality Data and Ratios:</b>					
Total nonperforming assets	\$ 2,831	\$ 2,836	\$ 2,735	\$ 2,775	\$ 2,926
Nonperforming assets to total assets	0.21%	0.21%	0.20%	0.20%	0.22%
Allowance for loan and lease losses to total loans	1.06%	1.06%	1.06%	1.07%	1.08%
Net (recoveries) charge-offs to average loans (annualized)	(0.01%)	(0.01%)	(0.02%)	0.00%	0.01%

-END-