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**FIRST FARMERS AND MERCHANTS CORPORATION REPORTS RECORD
2018 NET INCOME OF \$14.2 MILLION OR \$3.17 PER COMMON SHARE**

COLUMBIA, Tenn. (January 28, 2019) – 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 and year ending December 31, 2018.

Key highlights of First Farmers' results for 2018 include:

- Net income of \$14.2 million or \$3.17 per common share compared with \$10.4 million or \$2.29 per common share for 2017;
- Adjusted net income, which excludes special items, totaled \$13.8 million or \$3.08 per common share compared with \$11.4 million or \$2.51 per common share for 2017 (see non-GAAP reconciliation);
- Quarterly cash dividend increased 5% to \$0.21 per share;
- Non-interest income of \$14.0 million, up 15% from \$12.5 million for 2017;
- The opening of its second Davidson County office on December 27, 2018, at 2306 21st Avenue South, which it purchased from First Tennessee Bank; and
- The closing of the sale of its White Bluff office, announced in 2018, to F&M Bank on January 18, 2019.

Commenting on the announcement, T. Randy Stevens, Chairman and Chief Executive Officer, said, "We are pleased to report record earnings for 2018, as measured by both net income and adjusted net income, the latter of which excludes the year-over-year disparity caused by tax reform in the fourth quarter last year and provides the most rigorous benchmark for our progress and performance. Solid loan growth during the year, along with continued strong asset quality and higher non-interest income contributed by our fee-income services, all combined to increase adjusted net income per common share 23% in 2018. With these strong fundamentals driving our performance, together with the opportunities we see ahead associated with our further expansion into the Nashville market and other aspects of our measured branching strategy, we look forward with confidence to ongoing success in 2019."

Brian K. Williams, President, added, "My thanks go to all our team members for their hard work and dedicated efforts to make 2018 so prosperous – for our customers, company and shareholders. I truly believe we have assembled one of the best banking teams in the state, which contributed greatly to our growth during the past year and the remarkable earnings we reported. Another factor underscoring our success last year was our team's ability to adhere to a sound pricing discipline, which, as a result, complemented loan growth and led to continued expansion of net interest margin at a time when many other competitors are experiencing margin pressure. As we look ahead, we continue to believe the economic climate in our state remains strong and vibrant and our competitive position is attractive in an increasingly disrupted banking environment. We like what we see coming in 2019, and we invite our customers and shareholders to grow with us."

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Fourth Quarter 2018 Results of Operations

The increase in net interest income reflected improved margins and loan growth of \$40 million over the course of 2018. The Company's higher non-interest income compared with the year-earlier quarter resulted from a gain on redemption of bank owned life insurance of \$492,000 coupled with increases of \$95,000 in trust services fee income and \$93,000 in service fees on deposits, which were offset in part by a loss of \$211,000 on the sale of available-for-sale securities. The increase in non-interest expense was due to higher salaries and employee benefits of \$706,000 related to the hiring of several key team members for newer banking offices and an increase in employee health insurance expense of \$400,000 since the year-earlier quarter.

The \$19,000 decrease in fourth quarter earnings compared with the linked quarter was driven by increases in employee health insurance expense of \$482,000, a loss of \$211,000 on the sale of available-for-sale securities, and an increase in advertising and promotions expense of \$200,000, which were offset in part by higher net interest income of \$385,000 and non-interest income of \$223,000. The increase in net interest income reflected improvement in margins and loan growth, while the increase in non-interest income reflected a gain on redemption of bank owned life insurance of \$492,000 in the fourth quarter of 2018 compared with the previous quarter.

First Farmers achieved loan growth of \$40 million or 5% as of December 31, 2018, from the year-earlier period and \$24 million from the linked quarter. Interest income is expected to improve in 2019 as a result of the growth in loan balances. Total deposits stood at \$1.175 billion at the end of the fourth quarter of 2018, down \$32 million or 3% from the year-earlier quarter but up \$10 million or 1% from the linked quarter.

Asset Quality

Total nonperforming assets decreased 40% to \$1.7 million or 0.12% of total assets at December 31, 2018, from \$2.8 million or 0.21% of total assets for the linked quarter and \$2.8 million or 0.20% of total assets for the year-earlier quarter. Net recoveries to average loans were 0.01% for the fourth quarter of 2018, remaining virtually flat compared with both the linked and year-earlier quarters. As a result of loan growth, a provision for loan and lease losses expense in the amount of \$50,000 was recorded during the fourth quarter of 2018. The allowance for loan and lease losses represented 1.04% of total loans outstanding as of December 31, 2018, compared with 1.06% for the linked quarter and 1.07% for the year-earlier quarter.

Capital Management Initiatives

During the fourth quarter of 2018, First Farmers' Board of Directors voted to increase the Company's regular quarterly cash dividend \$0.01 or 5% to \$0.21 per share. This dividend marked the third increase in the Company's cash payout over the past five years, for a cumulative increase of 13%.

Under its stock repurchase program, First Farmers repurchased 14,000 shares of common stock during the fourth quarter, at an average price of \$43.75 per share, and 42,000 shares of common stock for the year, at an average price of \$42.92 per share. First Farmers' Board of Directors extended the stock repurchase program for up to 200,000 shares through December 31, 2019.

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 23 offices in eight Middle Tennessee counties. As of December 31, 2018, First Farmers reported total assets of approximately \$1.4 billion, total shareholders' equity of approximately \$130 million, and administered trust assets of \$4.9 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, gain on redemption of 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			Twelve Months Ended	
	December 31,		September 30,	December 31,	
	2018	2017	2018	2018	2017
Total non-interest income	\$ 3,740	\$ 3,155	\$ 3,517	\$ 14,041	\$ 12,240
Loss (gain) on sale of securities	211	-	-	211	(21)
Gain on redemption of bank owned life insurance	(492)	-	-	(542)	-
Adjusted non-interest income	\$ 3,459	\$ 3,155	\$ 3,517	\$ 13,710	\$ 12,219
Net income as reported	\$ 3,572	\$ 2,161	\$ 3,591	\$ 14,197	\$ 10,362
Deferred tax asset revaluation	-	1,026	-	-	1,026
Total adjustments, net of tax ¹	(336)	3	-	(386)	(10)
Adjusted net income	\$ 3,236	\$ 3,190	\$ 3,591	\$ 13,811	\$ 11,378
Basic earnings per share	\$ 0.80	\$ 0.48	\$ 0.80	\$ 3.17	\$ 2.29
Total adjustments, net of tax ¹	(0.08)	0.23	-	(0.09)	0.22
Adjusted basic earnings per share	\$ 0.72	\$ 0.71	\$ 0.80	\$ 3.08	\$ 2.51

(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)	
		December 31,	December 31,
		2018	2017 ⁽¹⁾
<i>(Dollars in thousands, except per share data)</i>			
ASSETS	Cash and due from banks	\$ 36,100	\$ 26,878
	Interest-bearing deposits	4,173	26,371
	Federal funds sold	246	1,915
	Total cash and cash equivalents	<u>40,519</u>	<u>55,164</u>
	Securities:		
	Available-for-sale	332,237	371,773
	Held-to-maturity (fair market value \$17,615 and \$18,525 as of the periods presented)	18,644	18,675
	Total securities	<u>350,881</u>	<u>390,448</u>
	Loans, net of deferred fees	895,191	855,632
	Allowance for loan and lease losses	(9,282)	(9,122)
	Net loans	885,909	846,510
	Bank premises and equipment, net	31,605	28,787
	Bank-owned life insurance	31,960	32,091
	Goodwill	9,018	9,018
	Deferred tax assets	3,273	2,763
	Other assets	11,952	11,038
	TOTAL ASSETS	<u>\$ 1,365,117</u>	<u>\$ 1,375,819</u>
LIABILITIES	Deposits:		
	Noninterest-bearing	\$ 302,345	\$ 292,502
	Interest-bearing	872,325	914,047
	Total deposits	<u>1,174,670</u>	<u>1,206,549</u>
	Securities sold under agreements to repurchase	40,579	31,222
	Accounts payable and accrued liabilities	15,885	14,668
	FHLB borrowings	4,000	-
	TOTAL LIABILITIES	<u>1,235,134</u>	<u>1,252,439</u>
SHAREHOLDERS' EQUITY	Common stock - \$10 par value per share, 8,000,000 shares authorized; 4,451,447 and 4,493,855 shares issued and outstanding as of the periods presented	44,514	44,939
	Retained earnings	89,299	79,793
	Accumulated other comprehensive loss	(3,925)	(1,447)
	Total shareholders' equity before noncontrolling interest – preferred stock of subsidiary	<u>129,888</u>	<u>123,285</u>
	Noncontrolling interest - preferred stock of subsidiary	95	95
	TOTAL SHAREHOLDERS' EQUITY	<u>129,983</u>	<u>123,380</u>
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 1,365,117</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 December 31,		Twelve Months Ended December 31,	
		2018	2017	2018	2017
<i>(dollars in thousands, except per share data)</i>					
INTEREST AND DIVIDEND INCOME	Interest and fees on loans	\$ 10,276	\$ 8,926	\$ 37,821	\$ 34,504
	Income on investment securities				
	Taxable interest	1,318	1,162	5,347	4,852
	Exempt from federal income tax	602	643	2,508	2,566
	Interest from federal funds sold and other	30	123	217	171
	Total interest income	<u>12,226</u>	<u>10,854</u>	<u>45,893</u>	<u>42,093</u>
INTEREST EXPENSE	Interest on deposits	1,122	781	3,715	2,892
	Interest on other borrowings	204	37	457	209
	Total interest expense	<u>1,326</u>	<u>818</u>	<u>4,172</u>	<u>3,101</u>
	Net interest income	10,900	10,036	41,721	38,992
	Provision (credit) for loan and lease losses	50	(225)	50	(225)
	Net interest income after provision	<u>10,850</u>	<u>10,261</u>	<u>41,671</u>	<u>39,217</u>
NON-INTEREST INCOME	Mortgage banking activities	228	201	849	583
	Trust service fees income	888	793	3,650	3,122
	Service fees on deposit accounts	1,921	1,828	7,408	7,138
	Investment services fee income	112	87	584	423
	Earnings on bank owned life insurance	115	128	487	504
	(Loss) gain on sale of available-for-sale securities	(211)	-	(211)	21
	Gain on redemption of bank owned life insurance	492	-	542	-
	Other non-interest income	195	118	732	678
	Total non-interest income	<u>3,740</u>	<u>3,155</u>	<u>14,041</u>	<u>12,469</u>
NON-INTEREST EXPENSE	Salaries and employee benefits	6,499	5,393	22,762	20,762
	Net occupancy expense	782	776	2,929	3,045
	Depreciation expense	379	385	1,514	1,472
	Core provider expense	742	664	2,818	2,732
	Software support and other computer expense	532	518	2,221	1,955
	Legal and professional fees	247	210	1,102	1,198
	Audits and exams expense (credit)	171	(115)	692	451
	Advertising and promotions	426	232	1,223	1,056
	FDIC insurance premium expense	217	141	574	630
	Other non-interest expense	504	828	3,071	3,280
	Total non-interest expense	<u>10,499</u>	<u>9,032</u>	<u>38,906</u>	<u>36,581</u>
	Income before provision for income taxes	4,091	4,384	16,806	15,105
	Provision for income taxes	511	2,215	2,593	4,727
	Net income before noncontrolling interest - dividends on preferred stock of subsidiary	<u>3,580</u>	<u>2,169</u>	<u>14,213</u>	<u>10,378</u>
	Noncontrolling interest - dividends on preferred stock subsidiary	8	8	16	16
	Net income for common shareholders	<u>\$ 3,572</u>	<u>\$ 2,161</u>	<u>\$ 14,197</u>	<u>\$ 10,362</u>
	Weighted average shares outstanding	4,461,790	4,507,351	4,477,947	4,523,677
	Earnings per share	\$ 0.80	\$ 0.48	\$ 3.17	\$ 2.29

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FIRST FARMERS AND MERCHANTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL HIGHLIGHTS
(unaudited)

For the Three Months Ended

(dollars in thousands, except per share data)

	<u>December 31, 2018</u>	<u>September 30, 2018</u>	<u>June 30, 2018</u>	<u>March 31, 2018</u>	<u>December 31, 2017</u>
Results of Operations:					
Interest income	\$ 12,226	\$ 11,613	\$ 11,280	\$ 10,774	\$ 10,854
Interest expense	1,326	1,098	908	840	818
Net interest income	10,900	10,515	10,372	9,934	10,036
Provision (credit) for loan and lease losses, net	50	-	-	-	(225)
Non-interest income	3,740	3,517	3,407	3,377	3,155
Non-interest expense	10,507	9,733	9,071	9,611	9,040
Income before income taxes	4,083	4,299	4,708	3,700	4,376
Income taxes	511	708	803	571	2,215
Net income for common shareholders	<u>\$ 3,572</u>	<u>\$ 3,591</u>	<u>\$ 3,905</u>	<u>\$ 3,129</u>	<u>\$ 2,161</u>
Per Share Data:					
Basic earnings per share	\$ 0.80	\$ 0.80	\$ 0.87	\$ 0.70	\$ 0.48
Weighted average shares outstanding per quarter	4,461,790	4,472,684	4,484,717	4,493,000	4,507,351
Financial Condition Data and Ratios:					
Total securities	\$ 350,881	\$ 374,350	\$ 389,577	\$ 401,556	\$ 390,448
Loans, net of deferred fees	\$ 895,191	\$ 871,334	\$ 870,351	\$ 863,150	\$ 855,632
Allowance for loan and lease losses	\$ (9,282)	\$ (9,206)	\$ (9,187)	\$ (9,171)	\$ (9,122)
Total assets	\$ 1,365,117	\$ 1,363,007	\$ 1,366,045	\$ 1,372,253	\$ 1,375,819
Total deposits	\$ 1,174,670	\$ 1,164,432	\$ 1,191,828	\$ 1,203,432	\$ 1,206,549
Net Interest Margin	3.54%	3.41%	3.38%	3.31%	3.38%
Asset Quality Data and Ratios:					
Total nonperforming assets	\$ 1,674	\$ 2,831	\$ 2,836	\$ 2,735	\$ 2,775
Nonperforming assets to total assets	0.12%	0.21%	0.21%	0.20%	0.20%
Allowance for loan and lease losses to total loans	1.04%	1.06%	1.06%	1.06%	1.07%
Net (recoveries) charge-offs to average loans annualized	(0.01%)	(0.01%)	(0.01%)	(0.02%)	0.00%

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