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**FIRST FARMERS AND MERCHANTS CORPORATION REPORTS
RECORD FIRST QUARTER NET INCOME OF \$5.3 MILLION
OR \$1.20 PER COMMON SHARE**

COLUMBIA, Tenn. (April 22, 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 ending March 31, 2019.

Key highlights of First Farmers' results for the first quarter of 2019 include:

- Net income of \$5.3 million or \$1.20 per common share, up 71% from \$3.1 million or \$0.70 per common share for the year-earlier quarter and up 50% from \$3.6 million or \$0.80 per common share for the previous quarter;
- Adjusted net income, which excludes special items, totaled \$3.4 million or \$0.75 per common share, compared with \$3.1 million or \$0.70 per common share for the year-earlier quarter and \$3.2 million or \$0.72 per common share for the previous quarter (see non-GAAP reconciliation);
- Recorded a one-time gain on the sale of the Company's White Bluff office totaling \$2.0 million, net of tax; and
- Non-interest income of \$5.8 million, up 71% from \$3.4 million for the year-earlier quarter and up 55% from \$3.7 million for the previous quarter.

Commenting on the results, T. Randy Stevens, Chairman and Chief Executive Officer of First Farmers, said, " We are pleased to begin the new year with strong financial performance, highlighted by record first quarter earnings, significant margin expansion and increases in our loan portfolio and deposit base – all compared with the year-earlier quarter. Notably, even excluding non-operational items, net income increased solidly over the first quarter of 2018. Considering the sound fundamentals driving our business, the economic vibrancy of the markets we serve, and the opportunities we continue to see ahead as we pursue long-term growth, we remain confident about the coming year and our ability to continue to reward our shareholders for their loyalty."

Brian K. Williams, President, added, "While there are many accomplishments that stand out in First Farmers' quarterly results, we are particularly pleased with the excellent credit quality that continues to define both our loan portfolio and our lending philosophy. Nonperforming assets declined to just 0.12% of total assets from 0.20% in the year-earlier quarter and remained level on a sequential quarter basis. Importantly, these improvements occurred against the backdrop of a year-over-year increase in net interest margin, which further underscores our efforts to maintain a disciplined approach to the way we build our business. After all, we are not just adding loans to a portfolio, we are building relationships that we expect will grow and prosper for years to come."

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First Quarter 2019 Results of Operations

The \$2.2 million increase in reported quarterly earnings for the first quarter of 2019 compared with the year-earlier quarter was primarily driven by the one-time gain on sale of the Company's White Bluff office totaling \$2.0 million, net of tax. Adjusted net income, which excludes this gain and other special items, increased \$222,000 compared with the year-earlier quarter. The increase in adjusted net income was the result of improvement in net interest income of \$535,000, offset in part by a decrease in non-interest income of \$290,000. The improvement in net interest income was bolstered by the growth in net interest margin of 20 basis points as loan yields increased at a faster pace than deposit costs.

The improvement in first quarter of 2019 earnings of \$1.7 million compared with the previous quarter was driven by the aforementioned one-time gain on sale of an office totaling \$2.0 million, net of tax. Adjusted net income in the first quarter of 2019, which excludes this gain and other special items, increased \$115,000 compared with the previous quarter. The increase in adjusted net income primarily reflected a decline in non-interest expense of \$909,000 offset by decreases in net interest income of \$431,000 and non-interest income of \$372,000. The decrease in non-interest expense for the quarter includes a reduction of \$957,000 in salaries and employee benefits expense primarily due to a decrease in employee health insurance expense. Net interest margin declined to 3.51% compared with 3.54% for the previous quarter.

For the first quarter of 2019, the outstanding loan balances increased \$28 million from the year-earlier quarter and decreased \$4 million from the previous quarter. Total deposits stood at \$1.154 billion at the end of the first quarter of 2019, down \$49 million from the year-earlier quarter and \$20 million from the previous quarter. The outstanding loan balances and total deposits were affected by the sale of \$4 million of loans and \$29 million of deposits in connection with the sale of the White Bluff office during the first quarter. Excluding the impact of the sale of the White Bluff office, outstanding loan balances were steady compared with the previous quarter, while total deposits increased \$9 million during the first quarter of 2019.

Asset Quality

Total nonperforming assets declined to \$1.6 million, or 0.12% of total assets, from \$2.7 million, or 0.20% of total assets, in the year-earlier quarter and decreased from \$1.7 million, or 0.12% of total assets, for the previous quarter. Net charge offs to average loans were 0.00% for the first quarter of 2019 compared to net recoveries of 0.02% for the year-earlier quarter and net recoveries of 0.01% for the previous quarter. As a result of the improvement in the quality of the loan portfolio coupled with a modest decline in loan balances, no provision for loan and lease losses was recorded during the first quarter of 2019. The allowance for loan and lease losses represented 1.04% of total loans outstanding for the first quarter of 2019 compared with 1.06% for the year-earlier quarter and 1.04% for the previous quarter.

Capital Management Initiatives

During the first quarter, First Farmers repurchased 6,000 shares of common stock at an average price of \$42.75 per share under its stock repurchase program. Authorization to repurchase approximately 194,000 shares remains under the current program, which is set to expire in December 2019, 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 seven Middle Tennessee counties. As of March 31, 2019, First Farmers reported total assets of approximately \$1.3 billion, total shareholders' equity of approximately \$137 million, and administered trust assets of \$5.1 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, sale of office location gains and losses, gain on bank owned life insurance 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,
	2019	2018	2018
Total non-interest income	\$ 5,787	\$ 3,377	\$ 3,740
Loss on sale of securities	-	-	211
Gain on sale of White Bluff office	(2,700)	-	-
Gain on redemption of bank owned life insurance	-	-	(492)
Adjusted non-interest income	<u>\$ 3,087</u>	<u>\$ 3,377</u>	<u>\$ 3,459</u>
Net income as reported	\$ 5,346	\$ 3,129	\$ 3,572
Total adjustments, net of tax ¹	(1,995)	-	(336)
Adjusted net income	<u>\$ 3,351</u>	<u>\$ 3,129</u>	<u>\$ 3,236</u>
Basic earnings per share	\$ 1.20	\$ 0.70	\$ 0.80
Total adjustments, net of tax ¹	(0.45)	-	(0.08)
Adjusted basic earnings per share	<u>\$ 0.75</u>	<u>\$ 0.70</u>	<u>\$ 0.72</u>

(1) The effective tax rate of 26.1% is used to determine net of tax amounts.

FIRST FARMERS AND MERCHANTS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

		(unaudited)	December 31,
		March 31,	2018 ⁽¹⁾
		2019	
<i>(dollars in thousands, except per share data)</i>			
ASSETS	Cash and due from banks	\$ 19,938	\$ 36,100
	Interest-bearing deposits	12,323	4,173
	Federal funds sold	448	246
	Total cash and cash equivalents	<u>32,709</u>	<u>40,519</u>
	Securities:		
	Available-for-sale	322,642	332,237
	Held-to-maturity (fair market value \$18,344 and \$17,615 as of the periods presented)	18,599	18,644
	Total securities	<u>341,241</u>	<u>350,881</u>
	Loans, net of deferred fees	891,487	895,191
	Allowance for loan and lease losses	(9,278)	(9,282)
	Net loans	882,209	885,909
	Bank premises and equipment, net	36,138	31,605
	Bank-owned life insurance	32,075	31,960
	Goodwill	9,018	9,018
	Deferred tax assets	1,000	3,062
	Other assets	12,102	12,163
		TOTAL ASSETS	<u>\$ 1,346,492</u>
LIABILITIES	Deposits:		
	Noninterest-bearing	\$ 295,793	\$ 302,345
	Interest-bearing	859,016	872,325
	Total deposits	<u>1,154,809</u>	<u>1,174,670</u>
	Securities sold under agreements to repurchase	34,979	40,579
	Federal Home Loan Bank borrowings	-	4,000
	Accounts payable and accrued liabilities	20,162	15,885
	TOTAL LIABILITIES	<u>1,209,950</u>	<u>1,235,134</u>
SHAREHOLDERS' EQUITY	Common stock - \$10 par value per share, 8,000,000 shares authorized; 4,445,747 and 4,451,447 shares issued and outstanding as of the periods presented	44,457	44,514
	Retained earnings	93,215	89,299
	Accumulated other comprehensive loss	(1,225)	(3,925)
	Total shareholders' equity attributable to First Farmers and Merchants Corporation	<u>136,447</u>	<u>129,888</u>
	Noncontrolling interest - preferred stock of subsidiary	95	95
	TOTAL SHAREHOLDERS' EQUITY	<u>136,542</u>	<u>129,983</u>
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 1,346,492</u>	<u>\$ 1,365,117</u>

⁽¹⁾ Derived from audited financial statements as of December 31, 2018.

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>		2019	2018
INTEREST AND DIVIDEND INCOME	Interest and fees on loans	\$ 9,934	\$ 8,804
	Income on investment securities		
	Taxable interest	1,268	1,240
	Exempt from federal income tax	558	655
	Interest from federal funds sold and other	78	75
	Total interest income	<u>11,838</u>	<u>10,774</u>
INTEREST EXPENSE	Interest on deposits	1,206	792
	Interest on other borrowings	163	48
	Total interest expense	<u>1,369</u>	<u>840</u>
	Net interest income	10,469	9,934
	Provision for loan and lease losses	-	-
	Net interest income after provision	<u>10,469</u>	<u>9,934</u>
NON-INTEREST INCOME	Mortgage banking activities	192	241
	Trust services fee income	887	960
	Service fees on deposit accounts	1,650	1,776
	Investment services fee income	82	100
	Earnings on bank owned life insurance	115	122
	Gain on sale of White Bluff office	2,700	-
	Other non-interest income	161	178
	Total non-interest income	<u>5,787</u>	<u>3,377</u>
NON-INTEREST EXPENSE	Salaries and employee benefits	5,542	5,447
	Net occupancy expense	629	610
	Depreciation expense	506	384
	Data processing expense	746	689
	Software support and other computer expense	485	541
	Legal and professional fees	264	280
	Audit and exam expenses	158	175
	Advertising and promotions	394	305
	FDIC insurance premium expense	83	129
	Other non-interest expense	783	1,051
	Total non-interest expense	<u>9,590</u>	<u>9,611</u>
	Income before provision for income taxes	6,666	3,700
	Provision for income taxes	1,320	571
	Net income before noncontrolling interest - dividends on preferred stock of subsidiary	<u>5,346</u>	<u>3,129</u>
	Noncontrolling interest - dividends on preferred stock subsidiary	-	-
	Net income for common shareholders	<u>\$ 5,346</u>	<u>\$ 3,129</u>
	Weighted average shares outstanding	4,450,901	4,493,000
	Earnings per share	\$ 1.20	\$ 0.70

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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>March 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>	<u>September</u> <u>30, 2018</u>	<u>June 30,</u> <u>2018</u>	<u>March 31,</u> <u>2018</u>
Results of Operations:					
Interest income	\$ 11,838	\$ 12,226	\$ 11,613	\$ 11,280	\$ 10,774
Interest expense	<u>1,369</u>	<u>1,326</u>	<u>1,098</u>	<u>908</u>	<u>840</u>
Net interest income	10,469	10,900	10,515	10,372	9,934
Provision (credit) for loan and lease losses, net	-	50	-	-	-
Non-interest income	5,787	3,740	3,517	3,407	3,377
Non-interest expense and non-controlling interest – preferred stock of subsidiary	<u>9,590</u>	<u>10,507</u>	<u>9,733</u>	<u>9,071</u>	<u>9,611</u>
Income before income taxes	6,666	4,083	4,299	4,708	3,700
Income taxes	<u>1,320</u>	<u>511</u>	<u>708</u>	<u>803</u>	<u>571</u>
Net income for common shareholders	<u>\$ 5,346</u>	<u>\$ 3,572</u>	<u>\$ 3,591</u>	<u>\$ 3,905</u>	<u>\$ 3,129</u>
Per Share Data:					
Basic earnings per share	\$ 1.20	\$ 0.80	\$ 0.80	\$ 0.87	\$ 0.70
Weighted average shares outstanding per quarter	4,450,901	4,461,790	4,472,684	4,484,717	4,493,000
Financial Condition Data and Ratios:					
Total securities	\$ 341,241	\$ 350,881	\$ 374,350	\$ 389,577	\$ 401,556
Loans, net of deferred fees	\$ 891,487	\$ 895,191	\$ 871,334	\$ 870,351	\$ 863,150
Allowance for loan and lease losses	\$ (9,278)	\$ (9,282)	\$ (9,206)	\$ (9,187)	\$ (9,171)
Total assets	\$ 1,346,492	\$ 1,365,117	\$ 1,363,007	\$ 1,366,045	\$ 1,372,253
Total deposits	\$ 1,154,809	\$ 1,174,670	\$ 1,164,432	\$ 1,191,828	\$ 1,203,432
Net interest margin	3.51%	3.54%	3.41%	3.38%	3.31%
Asset Quality Data and Ratios:					
Total nonperforming assets	\$ 1,610	\$ 1,674	\$ 2,831	\$ 2,836	\$ 2,735
Nonperforming assets to total assets	0.12%	0.12%	0.21%	0.21%	0.20%
Allowance for loan and lease losses to total loans	1.04%	1.04%	1.06%	1.06%	1.06%
Net charge-offs (recoveries) to average loans annualized	0.00%	(0.01%)	(0.01%)	(0.01%)	(0.02%)

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