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FIRST FARMERS AND MERCHANTS CORPORATION REPORTS 2020 NET INCOME OF $14.2 MILLION, OR $3.25 PER COMMON SHARE

COLUMBIA, Tenn. (January 25, 2021) – 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, 2020.

Key highlights of First Farmers' results for 2020 include:

- Net income of $14.2 million, or $3.25 per common share, down 12% from $16.1 million, or $3.62 per common share for 2019;
- Adjusted net income, which excludes special items, totaled $13.0 million, or $2.98 per common share, compared with $14.0 million, or $3.15 per common share for 2019 (see non-GAAP reconciliation);
- Stock book value increased to $36.68, up $3.74, or 11%, from the prior year;
- Mortgage banking activities revenue reached record $1.3 million, up 22% from $1.1 million for 2019; and
- Total assets reached record $1.8 billion and total deposits reached record $1.6 billion, while administered trust assets surpassed record $5.9 billion.

Commenting on the results, T. Randy Stevens, Chairman and Chief Executive Officer of First Farmers, said, "We are pleased to report record levels of growth in 2020 including record total assets, total deposits and total administered trust assets which exceeded $5.9 billion. The sustained economic impact resulting from the COVD-19 pandemic led to decreases in our net income and adjusted net income for the fourth quarter and full year. However, we did experience stronger growth towards the latter part of the fourth quarter in our non-interest income, and we saw slight increases in our net interest income for both the fourth quarter and full year. Our continuing efforts to expand multiple revenue streams have been successful with growth in fee income from trust services and mortgage banking activities, the latter up a strong 25% and 22% for the fourth quarter and full year, respectively. Asset quality held up well throughout the year, and we are also pleased that most loans for which payments were deferred for borrowers in response to the global pandemic are back to current status. Additionally, we experienced net recoveries in our loan portfolio which is a tribute to our disciplined lending philosophy. We will continue to assist our customers and businesses in the geographies we serve with the newly announced round of the Small Business Administration Payroll Protection Program. In conclusion, continued diversification of our income streams, solid credit metrics and building long term relationships with our customers, affirms our confidence as we enter 2021."

Brian K. Williams, President, added, "The economic environment in 2020 presented unprecedented challenges, and I am thankful for the dedication and resilience of our bank team as First Farmers was able to achieve favorable financial performance while maintaining our commitment to serve our customers. The growth of our bank in 2020 alongside a steady focus on safety and soundness exemplifies First Farmers during times of economic stress. As we enter 2021, we are focused on improvement in our net interest margin as this extraordinarily low interest rate environment persists. Further, the investments we made in technology allowed us to transition to remote work early on in the pandemic and promoted our digital services to our customers. In fact, we expect to continue to accelerate the bank's digital offering and capabilities during the coming year. We are also committed to realizing greater efficiency company-wide as a result of technology investments and process improvement. Despite the uncertainty which has defined 2020, our Board has remained committed to the delivery of meaningful value to our shareholders, as evidenced by the continued support of the cash dividend and extension of the stock repurchase program of up to 200,000 shares through 2021."

2020 Results of Operations

Net income for 2020 declined to $14.2, down $1.9 million, or 12%, from 2019. The reduction in earnings was primarily driven by the one-time gain on sale of the Company's White Bluff office totaling $2.0 million, net of tax, in 2019. Net income, adjusted for special items, was $13.0 million, down $1.0 million, or 7%, from the prior year. Net interest income improved $1.1 million driven by growth in interest earning assets of $237.6 million offset in part by a decline in the net interest margin as a result of the decrease in market interest rates. As a result of the uncertainty related to the COVID-19 induced economic recession, we increased our provision for loan losses $1.1 million from 2019. Non-interest income, adjusted for special items (non-GAAP), was $13.2 million down $176,000, or 1%, driven by the reduction in service fees on deposit accounts as result of the economic recession. Non-interest expense was $40.3 million up $683,000, or 2%, driven by increases in employee health insurance of $588,000 and software support and other computer expense of $462,000 offset in part by a reduction in advertising and promotions expense of $375,000.

Net income for the fourth quarter was $3.3 million down $383,000, or 10%, compared with the linked quarter primarily driven by a decrease in net interest income of $85,000 and an increase in non-interest expense of $459,000. The increase in non-interest expense was due to higher salaries and employee benefits of $399,000 and higher advertising and promotions expense of $104,000, which was offset by a decrease in professional and legal fees of $36,000.

First Farmers ended 2020 with interest earning assets of $1.5 billion up $237.6 million, or 19.0%, propelling total assets to $1.8 billion, a record for the Company. Total loans reached $965 million, an increase of $27 million, or 3%, for the year. Small Business Administration Paycheck Protection Program ("SBA PPP") loans ended the year at $68.4 million following $17.6 million in loan redemptions recorded during the fourth quarter. Total deposits reached a record $1.6 billion for 2020, an increase of $388 million, or 32%, for the year.

Asset Quality

Total nonperforming assets were down to $1.6 million, or 0.09% of total assets, compared to the previous quarter and down $105,000, or 0.12% of total assets, from the year-earlier quarter. Net recoveries to average loans were 0.01% for the fourth quarter of 2020 compared with net recoveries of 0.01% for the previous quarter and net charge-offs of 0.00% the year-earlier quarter. No provision for loan and lease losses expense was recorded during the fourth quarter of 2020. The allowance for loan and lease losses represented 1.01% of total loans outstanding for the fourth quarter of 2020 compared with 0.98% for the previous quarter and 0.96% for the year-earlier quarter. The allowance for loan and lease losses for the fourth quarter of 2020 represented 1.08% of total loans outstanding, excluding SBA PPP loans. The growth in the allowance was impacted by an increase in allocations for uncertain economic conditions related to the COVID-19 pandemic offset in part by the Company's continued low level of loan losses and non-performing assets coupled with underlying loan contraction when removing SBA PPP loans for the year.

Capital Management Initiatives

First Farmers did not purchase any shares during the fourth quarter under its stock repurchase program. First Farmers' Board of Directors extended the stock repurchase program for up to 200,000 shares through December 31, 2021.

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 December 31, 2020, First Farmers reported total assets of approximately $1.8 billion, total shareholders' equity of approximately $160 million, and administered trust assets of $5.9 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 sale of White Bluff office, gain on sale of fixed assets, gain on redemption of bank-owned life insurance, contingency accrual 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,	
	2020	2019	2020	2020	2019
Total non-interest income	$ 3,412	$ 3,457	$ 3,396	$ 14,447	$ 16,207
Gain on sale of securities	-	(15)	-	(129)	(27)
Gain on equity securities	-	-	-	(242)	-
Gain on sale of White Bluff office	-	-	-	-	(2,700)
Gain on sale of fixed assets	-	-	-	(102)	-
Gain on redemption of bank-owned life insurance	-	-	-	(820)	(150)
Adjusted non-interest income	$ 3,412	$ 3,442	$ 3,396	$ 13,154	$ 13,330
Contingency accrual	-	(1)	-	-	108
Net income as reported	$ 3,297	$ 3,477	$ 3,680	$ 14,194	$ 16,056
Total adjustments, net of tax[1]	-	(12)	-	(1,170)	(2,085)
Adjusted net income	$ 3,297	$ 3,465	$ 3,680	$ 13,024	$ 13,971
Basic earnings per share	$ 0.76	$ 0.79	$ 0.84	$ 3.25	$ 3.62
Total adjustments, net of tax[1]	-	-	-	(0.27)	(0.47)
Adjusted basic earnings per share	$ 0.76	$ 0.79	$ 0.84	$ 2.98	$ 3.15

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

FIRST FARMERS AND MERCHANTS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	(dollars in thousands, except per share data)	(unaudited) December 31, 2020	December 31, 2019[1]
ASSETS	Cash and due from banks	$ 29,126	$ 26,614
	Interest-bearing deposits	105,470	6,712
	Federal funds sold	3,774	819
	Total cash and cash equivalents	138,370	34,145
	Securities:		
	Available-for-sale	594,649	329,796
	Held-to-maturity (fair market value $18,195 and $18,005 as of the periods presented)	17,259	17,606
	Equity securities	2,242	2,000
	Loans held-for-sale	3,679	2,540
	Loans, net of deferred fees	964,695	934,770
	Allowance for loan and lease losses	(9,715)	(8,960)
	Net loans	954,980	925,810
	Bank premises and equipment, net	34,421	35,762
	Bank-owned life insurance	34,016	32,198
	Goodwill	9,018	9,018
	Other assets	13,113	14,795
	TOTAL ASSETS	$ 1,801,747	$ 1,403,670
LIABILITIES	Deposits:		
	Noninterest-bearing	$ 427,073	$ 311,274
	Interest-bearing	1,181,101	908,967
	Total deposits	1,608,174	1,220,241
	Securities sold under agreements to repurchase	11,691	11,742
	Federal Home Loan Bank borrowings	-	5,500
	Accounts payable and other liabilities	21,888	21,799
	TOTAL LIABILITIES	1,641,753	1,259,282
SHAREHOLDERS' EQUITY	Common stock - $10 par value per share, 8,000,000 shares authorized; 4,359,738 and 4,379,871 shares issued and outstanding as of the periods presented	43,597	43,799
	Retained earnings	108,761	98,945
	Accumulated other comprehensive income	7,541	1,549
	Total shareholders' equity attributable to First Farmers and Merchants Corporation	159,899	144,293
	Noncontrolling interest - preferred stock of subsidiary	95	95
	TOTAL SHAREHOLDERS' EQUITY	159,994	144,388
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,801,747	$ 1,403,670

(1) Derived from audited financial statements as of December 31, 2019.

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

		Three Months Ended December 31,		Twelve Months Ended December 31,	
	(dollars in thousands, except per share data)	**2020**	**2019**	**2020**	**2019**
INTEREST AND	Interest and fees on loans	$ 10,078	$ 10,234	$ 40,316	$ 40,772
DIVIDEND	Income on investment securities				
INCOME	Taxable interest	1,130	1,278	4,852	5,042
	Exempt from federal income tax	480	520	1,985	2,143
	Interest from federal funds sold and other	36	59	170	236
	Total interest income	11,724	12,091	47,323	48,193
INTEREST	Interest on deposits	847	1,416	3,750	5,220
EXPENSE	Interest on other borrowings	8	31	44	523
	Total interest expense	855	1,447	3,794	5,743
	Net interest income	10,869	10,644	43,529	42,450
	Provision (provision credit) for loan and lease losses	-	-	700	(360)
	Net interest income after provision	10,869	10,644	42,829	42,810
NON-INTEREST	Mortgage banking activities	419	334	1,362	1,114
INCOME	Trust services fee income	931	894	3,643	3,598
	Service fees on deposit accounts	1,696	1,806	6,617	7,077
	Investment services fee income	79	137	371	404
	Earnings on bank-owned life insurance	136	115	551	461
	Gain on sale of investments	-	15	129	27
	Gain on redemption of bank-owned life insurance	-	-	820	150
	Gain on sale of White Bluff office	-	-	-	2,700
	Other non-interest income	151	159	954	676
	Total non-interest income	3,412	3,457	14,447	16,207
NON-INTEREST	Salaries and employee benefits	6,237	6,125	24,229	23,710
EXPENSE	Net occupancy expense	572	588	2,478	2,518
	Depreciation expense	514	509	2,074	2,056
	Data processing expense	770	756	3,132	3,007
	Software support and other computer expense	664	561	2,554	2,092
	Legal and professional fees	245	244	927	1,001
	Audits and exams expense	194	153	726	653
	Advertising and promotions	302	285	894	1,269
	Other non-interest expense	795	699	3,267	3,292
	Total non-interest expense	10,293	9,920	40,281	39,598
	Income before provision for income taxes	3,988	4,181	16,995	19,419
	Provision for income taxes	683	696	2,785	3,347
	Net income	3,305	3,485	14,210	16,072
	Noncontrolling interest - dividends on preferred stock subsidiary	8	8	16	16
	Net income available to common shareholders	$ 3,297	$ 3,477	$ 14,194	$ 16,056
	Weighted average shares outstanding	4,359,738	4,400,940	4,363,539	4,429,952
	Earnings per share	$ 0.76	$ 0.79	$ 3.25	$ 3.62

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

	For the Three Months Ended				
(dollars in thousands, except per share data)	**December 31, 2020**	**September 30, 2020**	**June 30, 2020**	**March 31, 2020**	**December 31, 2019**
Results of Operations:					
Interest income	$ 11,724	$ 11,763	$ 11,761	$ 12,075	$ 12,091
Interest expense	855	809	835	1,295	1,447
Net interest income	10,869	10,954	10,926	10,780	10,644
Provision for loan and lease losses	-	-	185	515	-
Non-interest income	3,412	3,396	3,735	3,904	3,457
Non-interest expense and non-controlling interest – preferred stock of subsidiary	10,301	9,842	9,636	10,518	9,928
Income before income taxes	3,980	4,508	4,840	3,651	4,173
Income taxes	683	828	823	451	696
Net income for common shareholders	$ 3,297	$ 3,680	$ 4,017	$ 3,200	$ 3,477
Per Share Data:					
Basic earnings per share	$ 0.76	$ 0.84	$ 0.92	$ 0.73	$ 0.79
Weighted average shares outstanding per quarter	4,359,738	4,359,738	4,359,738	4,375,025	4,400,940
Financial Condition Data and Ratios:					
Total securities	$ 614,150	$ 492,781	$ 392,305	$ 339,359	$ 349,402
Loans, net of deferred fees	$ 964,695	$ 993,187	$ 993,710	$ 952,491	$ 934,770
Allowance for loan and lease losses	$ (9,715)	$ (9,712)	$ (9,695)	$ (9,485)	$ (8,960)
Total assets	$ 1,801,747	$ 1,717,941	$ 1,608,659	$ 1,437,929	$ 1,403,670
Total deposits	$ 1,608,174	$ 1,526,143	$ 1,416,343	$ 1,256,319	$ 1,220,241
Book value per share	$ 36.68	$ 36.18	$ 35.61	$ 34.56	$ 32.94
Net interest income, on a fully taxable-equivalent basis	$ 11,115	$ 11,204	$ 11,187	$ 11,059	$ 10,926
Net interest margin	2.69%	2.87%	3.08%	3.42%	3.41%
Asset Quality Data and Ratios:					
Total nonperforming assets	$ 1,560	$ 1,616	$ 1,698	$ 1,610	$ 1,665
Nonperforming assets to total assets	0.09%	0.09%	0.11%	0.11%	0.12%
Allowance for loan and lease losses to total loans	1.01%	0.98%	0.98%	1.00%	0.96%
Net (recoveries) charge-offs to average loans (annualized)	(0.01%)	(0.01%)	(0.01%)	0.00%	0.00%

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