FIRST FARMERS

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FIRST FARMERS AND MERCHANTS CORPORATION REPORTS FIRST QUARTER NET INCOME OF $3.0 MILLION OR $0.69 PER COMMON SHARE

COLUMBIA, Tenn. (April 26, 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 ending March 31, 2021.

Key aspects of First Farmers' results for the first quarter of 2021 include:

- Net income of $3.0 million or $0.69 per common share, down 6% from $3.2 million, or $0.73 per common share, for the year-earlier quarter and down 9% from $3.3 million, or $0.76 per common share, for the previous quarter;
- Adjusted net income, which excludes special items, totaled $2.9 million, or $0.67 per common share, up 12% from $2.6 million, or $0.59 per common share, for the year-earlier quarter but down 12% from $3.3 million, or $0.76 per common share, for the previous quarter (see non-GAAP reconciliation);
- Mortgage banking activities revenue reached $468,000, up 66% from $282,000 for the year-earlier quarter and up 12% from $419,000 for the previous quarter;
- Total assets reached a record $1.9 billion and total deposits reached a record $1.7 billion, while administered trust assets reached a record $6.0 billion; and
- Provision credit for loan and lease losses of $150,000 compared with provision expense for loan and lease losses of $515,000 for the year-earlier quarter and $0 for the previous quarter.

Commenting on the results, T. Randy Stevens, Chairman and Chief Executive Officer of First Farmers, said, "Despite a continued challenging operating environment, we are optimistic about the core operating results of the company as we posted a 12% year-over-year increase in adjusted net income. This came alongside strong balance sheet growth, achieving record total assets and total deposits. Additionally, total administered trust assets surpassed a record $6.0 billion. Net income decreased for both the sequential and year-over-year periods with most of the decrease from the prior quarter attributed to elevated employee benefits costs, including health insurance expense. We also saw increased expenses related to lending technology investments.

Stevens continued, "We are focused on improving our net interest income and net interest margin both of which decreased for the comparison periods, primarily due to low market interest rates, and the purchase of lower yielding investments. With an improving trend in our loan pipeline, we expect to see improvement in our net interest margin in 2021. Our teams' focus on diversifying our revenue streams also resulted in non-interest income increasing from the sequential period and adjusted non-interest income increasing for both the year-over-year and sequential periods. Contributing to this improvement, we experienced strong growth of 66% in mortgage banking income and an 11%

increase in trust services fee income, year-over-year, as well as solid growth from the sequential quarter. Looking ahead, First Farmers' operating performance bolstered by the general health of the mid-state economy and improving trends related to the pandemic support the momentum we expect over the balance of the year."

Brian K. Williams, President, added, "Soft loan pipelines at the close of 2020 pointed to the loan contraction experienced during the quarter, when coupled with payoff activity as customers took advantage of the low interest rate environment for refinancing. However, as we moved through the first quarter, loan pipelines were building and support our expectations for loan growth in the coming quarters. First Farmers has continued to assist customers with the second round of the SBA Paycheck Protection Program making just over $24 million of these loans during the first quarter."

Williams continued, "Asset quality remains strong. Total nonperforming assets declined to 0.08% of total assets from 0.09% for the sequential quarter and 0.11% in the year-earlier and no net charge-offs were recorded for the period. We recorded a provision credit for loan and lease losses of $150,000 for the quarter resulting from decreased lending activity and the company's healthy loan quality metrics, compared to a provision expense of $515,000 for the same period last year. Our allowance for loan and lease losses, excluding SBA Paycheck Protection Program loans, now represents 1.12% of total loans outstanding, an increase from 1.08% for the sequential quarter and 1.00% in the year-earlier period."

First Quarter 2021 Results of Operations

Net income declined to $3.0 million, down $197,000, or 6%, from the year-earlier quarter. The reduction in earnings was primarily driven by the gain on redemption of bank owned life insurance of $423,000 recorded in the year-earlier quarter offset in part with a reduction in provision for loan and lease losses. Net income, adjusted for special items, was $2.9 million, up $308,000 or 12% from the year earlier quarter. The increase in adjusted net income from the year-earlier quarter was the result of a reduction in provision for loan and lease loss expense of $665,000 coupled with growth in mortgage banking activities revenue of $186,000 offset in part by lower net interest income of $187,000 and higher technology related expense of $160,000.

Net income declined $294,000, or 9%, from the sequential quarter. The decrease in earnings was primarily driven by elevated non-interest expense of $397,000 and a reduction in net interest income of $276,000 offset in part by improvement in non-interest income of $138,000. The increase in non-interest expense was attributable to salaries and employee benefits of $163,000 and an increase in net occupancy expense of $179,000.

For the first quarter of 2021, securities available-for-sale increased $215 million driven by a reduction in cash balances along with a solid quarter of deposit growth from the previous quarter, with the growth in investments contributing to downward pressure on our net interest margin for the quarter by 0.14%. Our outstanding loan balances decreased $38 million, or 4%, to $927 million from the previous quarter and decreased $25 million, or 3%, from the year-earlier quarter. Small Business Administration Paycheck Protection Program ("SBA PPP") loans ended the first quarter of 2021 at $69 million, which includes $24 million in new loan originations offset by loan redemptions during the quarter. Total deposits increased $98 million, or 6%, from the previous quarter to a record $1.706 billion and increased $450 million or 36% from the year-earlier period.

Asset Quality

Total nonperforming assets continued to improve, closing the quarter at $1.5 million, or 0.08% of total assets, down from $1.6 million, or 0.09% of total assets, for the previous quarter and decreased from 0.11% of total assets, in the year-earlier quarter. Net charge-offs to average loans were 0.00% for the first quarter of 2021 compared to net recoveries of 0.01% for the previous quarter and 0.00% for the year-earlier quarter. As a result of further stabilization in the current economic environment coupled with loan contraction and strong loan quality, a provision credit for loan and lease losses of $150,000 was recorded during the first quarter of 2021. The allowance for loan and lease losses, excluding SBA PPP loans, represented 1.12% of total loans outstanding for the first quarter of 2021, up from 1.08% for the previous quarter and1.00% for the year-earlier quarter.

Capital Management Initiatives

During the first quarter, First Farmers repurchased 930 shares of common stock under a Rule 10b-18 plan under the Securities Exchange Act of 1934 at an average price of $33.93 per share under its stock repurchase program. Authorization to repurchase approximately 199,000 shares remains under the current program, which is set to expire in December 2021, 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, 2021, First Farmers reported total assets of approximately $1.9 billion, total shareholders' equity of approximately $152 million, and administered trust assets of $6.0 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 other fixed assets included in other non-interest income, gain on redemption of 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,
	2021	2020	2020
Total non-interest income	$ 3,550	$ 3,904	$ 3,412
Gain on sale of securities	(121)	(129)	-
Gain on sale of fixed assets	-	(102)	-
Gain on redemption of bank owned life insurance	-	(423)	-
Adjusted non-interest income	$ 3,429	$ 3,250	$ 3,412
Net income as reported	$ 3,003	$ 3,200	$ 3,297
Total adjustments, net of tax[1]	(89)	(594)	-
Adjusted net income	$ 2,914	$ 2,606	$ 3,297
Basic earnings per share	$ 0.69	$ 0.73	$ 0.76
Total adjustments, net of tax[1]	(0.02)	(0.14)	-
Adjusted basic earnings per share	$ 0.67	$ 0.59	$ 0.76

(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) March 31, 2021	December 31, 2020[1]
ASSETS	Cash and due from banks	$ 24,228	$ 29,126
	Interest-bearing deposits	11,947	105,470
	Federal funds sold	414	3,774
	Total cash and cash equivalents	36,589	138,370
	Securities:		
	Available-for-sale	809,640	594,649
	Held-to-maturity (fair market value $17,335 and $18,195 as of the periods presented)	16,584	17,259
	Equity securities	2,242	2,242
	Loans held-for-sale	2,735	3,679
	Loans, net of deferred fees	927,232	964,695
	Allowance for loan and lease losses	(9,575)	(9,715)
	Net loans	917,657	954,980
	Bank premises and equipment, net	34,256	34,421
	Bank-owned life insurance	34,115	34,016
	Goodwill	9,018	9,018
	Other assets	16,182	13,511
	TOTAL ASSETS	$ 1,879,018	$ 1,802,145
LIABILITIES	Deposits:		
	Noninterest-bearing	$ 458,307	$ 427,073
	Interest-bearing	1,247,870	1,181,101
	Total deposits	1,706,177	1,608,174
	Securities sold under agreements to repurchase	-	11,691
	Federal Home Loan Bank borrowings	-	-
	Accounts payable and accrued liabilities	20,608	22,286
	TOTAL LIABILITIES	1,726,785	1,642,151
SHAREHOLDERS' EQUITY	Common stock - $10 par value per share, 8,000,000 shares authorized; 4,358,808 and 4,359,738 shares issued and outstanding as of the periods presented	43,588	43,597
	Retained earnings	110,826	108,761
	Accumulated other comprehensive (loss) income	(2,277)	7,541
	Total shareholders' equity attributable to First Farmers and Merchants Corporation	152,138	159,899
	Non-controlling interest - preferred stock of subsidiary	95	95
	TOTAL SHAREHOLDERS' EQUITY	152,233	159,994
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,879,018	$ 1,802,145

[1] Derived from audited financial statements as of December 31, 2020.

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

	(dollars in thousands, except per share data)	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
INTEREST AND DIVIDEND INCOME	Interest and fees on loans	$ 9,611	$ 10,216
	Income on investment securities		
	Taxable interest	1,241	1,270
	Exempt from federal income tax	493	520
	Interest from federal funds sold and other	26	69
	Total interest income	11,371	12,075
INTEREST EXPENSE	Interest on deposits	778	1,275
	Interest on other borrowings	-	20
	Total interest expense	778	1,295
	Net interest income	10,593	10,780
	Provision (credit) for loan and lease losses	(150)	515
	Net interest income after provision	10,743	10,265
NON-INTEREST INCOME	Mortgage banking activities	468	282
	Trust services fee income	975	877
	Service fees on deposit accounts	1,649	1,708
	Investment services fee income	82	119
	Earnings on bank owned life insurance	99	113
	Gain on sale of available-for-sale securities	121	129
	Gain on redemption of bank owned life insurance	-	423
	Other non-interest income	156	253
	Total non-interest income	3,550	3,904
NON-INTEREST EXPENSE	Salaries and employee benefits	6,400	6,521
	Net occupancy expense	751	634
	Depreciation expense	509	524
	Data processing expense	783	797
	Software support and other computer expense	724	564
	Legal and professional fees	226	234
	Audit and exam expenses	176	184
	Advertising and promotions	256	225
	FDIC insurance premium expense	153	25
	Other non-interest expense	712	810
	Total non-interest expense	10,690	10,518
	Income before provision for income taxes	3,603	3,651
	Provision for income taxes	600	451
	Net income before non-controlling interest - dividends on preferred stock of subsidiary	3,003	3,200
	Non-controlling interest - dividends on preferred stock subsidiary	-	-
	Net income for common shareholders	$ 3,003	$ 3,200
	Weighted average shares outstanding	4,359,405	4,375,025
	Earnings per share	$ 0.69	$ 0.73

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

	For the Three Months Ended				
(dollars in thousands, except per share data)	**March 31, 2021**	**December 31, 2020**	**September 30, 2020**	**June 30, 2020**	**March 31, 2020**
Results of Operations:					
Interest income	$ 11,371	$ 11,724	$ 11,763	$ 11,761	$ 12,075
Interest expense	778	855	809	835	1,295
Net interest income	10,593	10,869	10,954	10,926	10,780
Provision (credit) for loan and lease losses	(150)	-	-	185	515
Non-interest income	3,550	3,412	3,396	3,735	3,904
Non-interest expense and non-controlling interest – preferred stock of subsidiary	10,690	10,301	9,842	9,636	10,518
Income before income taxes	3,603	3,980	4,508	4,840	3,651
Income taxes	600	683	828	823	451
Net income for common shareholders	$ 3,003	$ 3,297	$ 3,680	$ 4,017	$ 3,200
Per Share Data:					
Basic earnings per share	$ 0.69	$ 0.76	$ 0.84	$ 0.92	$ 0.73
Weighted average shares outstanding per quarter	4,359,405	4,359,738	4,359,738	4,359,738	4,375,025
Financial Condition Data and Ratios:					
Total securities	$ 828,466	$ 614,150	$ 492,781	$ 392,305	$ 339,359
Loans, net of deferred fees	$ 927,232	$ 964,695	$ 993,187	$ 993,710	$ 952,491
Allowance for loan and lease losses	$ (9,575)	$ (9,715)	$ (9,712)	$ (9,695)	$ (9,485)
Total assets	$ 1,879,018	$ 1,802,145	$ 1,717,941	$ 1,608,659	$ 1,437,929
Total deposits	$ 1,706,177	$ 1,608,174	$ 1,526,143	$ 1,416,343	$ 1,256,319
Net interest income, on a fully taxable-equivalent basis	$ 10,841	$ 11,115	$ 11,204	$ 11,187	$ 11,059
Net interest margin	2.55%	2.69%	2.87%	3.08%	3.42%
Asset Quality Data and Ratios:					
Total nonperforming assets	$ 1,546	$ 1,560	$ 1,616	$ 1,698	$ 1,610
Nonperforming assets to total assets	0.08%	0.09%	0.09%	0.11%	0.11%
Allowance for loan and lease losses to total loans	1.03%	1.01%	0.98%	0.98%	1.00%
Net charge-offs (recoveries) to average loans annualized	0.00%	(0.01%)	(0.01%)	(0.01%)	0.00%

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