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FIRST FARMERS AND MERCHANTS CORPORATION REPORTS THIRD QUARTER NET INCOME OF $3.9 MILLION OR $0.88 PER COMMON SHARE

COLUMBIA, Tenn. (October 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 third quarter ended September 30, 2019.

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

- Net income of $3.9 million or $0.88 per common share, up 8% from $3.6 million or $0.80 per common share for the year-earlier quarter and up 17% from $3.3 million or $0.75 per common share for the previous quarter;
- Adjusted net income, which excludes special items, totaled $3.7 million or $0.84 per common share, compared with $3.6 million or $0.80 per common share for the year-earlier quarter and $3.4 million or $0.77 per common share for the previous quarter (see non-GAAP reconciliation);
- Loan growth of $11 million or 1% from the previous quarter and $30 million or 3% compared with the year-earlier quarter; and
- Provision credit for loan and lease losses expense of $305,000 compared with $0 for the year-earlier quarter and $55,000 for the previous quarter.

Commenting on the results, T. Randy Stevens, Chairman and Chief Executive Officer of First Farmers, said, "We are very pleased to report net income for the third quarter of 2019 of $3.9 million, an increase of 8% year over year and 17% from the prior quarter. Net interest margin increased seven basis points year over year, primarily due to an 8% increase in interest and fees on loans, as well as an increase in loans both on a year-over-year and sequential quarterly basis to $902 million. Loan growth reflects continued trust in the economic vibrancies of the markets we serve and growing relationships with our customers. Total deposits grew 3% from the previous quarter and 1% year over year, a testament to growing our business through long-term, generational clients. Income from mortgage banking activities increased a strong 62%, in large part due to the Federal Reserve Bank cutting rates twice during the quarter. These outstanding results reflect solid execution of our strategic plan, which is based on relationship banking for over 100 years, and validates our confidence as we enter the remaining quarter of the year."

Brian K. Williams, President, added, "I am also pleased with our continued strong asset quality and prudent credit discipline at this last cycle juncture. Total nonperforming assets for the third quarter decreased 8% over the prior-year period, declining two basis points to 0.19% of total assets. Net charge-offs to average loans for the third quarter remained flat at 0.00% compared with the previous quarter, while net recoveries for the year-earlier quarter were 0.01%. We are particularly pleased to report year-over-year increases in net interest margin at a time when many of our peers are experiencing margin pressure. Our Board remains optimistic, and we repurchased 24,000 shares of common stock during the current quarter at an average price of $44.29. Looking ahead, we remain confident in the growth trajectory of our community bank and our team's ability to remain competitive in today's marketplace."

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Third Quarter 2019 Results of Operations

The $304,000 increase in earnings for the third quarter of 2019 compared with the year-earlier quarter was driven by a provision credit in the amount of $305,000 and an increase in net interest income of $144,000, offset by an increase in non-interest expense of $169,000. The increase in net interest income reflected improvement in margins and loan growth of $30 million for the third quarter of 2019 compared with the year-earlier quarter. The provision credit was driven by improvement in the credit quality of the loan portfolio along with continued low levels of non-performing assets. The increase in non-interest expense resulted from increases of $401,000 in salaries and employee benefits expense, offset by decreases of $130,000 in FDIC insurance premium expense, $74,000 in legal and professional fees, and $80,000 in other non-interest expenses. The $557,000 increase in third quarter earnings compared with the previous quarter was driven by recording a provision credit in the amount of $305,000 and an increase in non-interest income of $143,000, coupled with a decline in non-interest expense of $292,000. The decrease in non-interest expense primarily resulted from a decrease of $126,000 in advertising and promotions and $121,000 in contingency accrual.

For the third quarter of 2019, First Farmers experienced an increase in loan balances of $11 million or 1% from the previous quarter and an increase of $30 million or 3% from the year-earlier quarter. Total deposits stood at $1.178 billion at the end of the third quarter of 2019, up $38 million or 3% from the previous quarter and $14 million or 1% from the year-earlier quarter.

Asset Quality

Total nonperforming assets increased to $2.6 million, or 0.19% of total assets, up $1.0 million when compared to the previous quarter, but was down $238,000, or 9% when compared with the year-earlier quarter. Net charge-offs to average loans were 0.00% for the third quarter of 2019 compared with net charge-offs of 0.00% for the previous quarter and net recoveries of 0.01% for the year-earlier quarter. A provision credit for loan and lease losses expense of $305,000 was recorded during the third quarter of 2019 as a result of improvement in the historical loss experience of the loan portfolio, continued low levels of non-performing assets and no net charge-offs for the period. The allowance for loan and lease losses represented 1.00% of total loans outstanding for the third quarter of 2019 compared with 1.04% for the previous quarter and 1.06% for the year-earlier quarter.

Capital Management Initiatives

First Farmers repurchased 24,000 shares of common stock during the second quarter at an average price of $44.29 per share under its stock repurchase program. Authorization to repurchase 153,000 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 September 30, 2019, First Farmers reported total assets of approximately $1.4 billion, total shareholders' equity of approximately $143 million, and administered trust assets of $5.3 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 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			Nine Months Ended	
	September 30,		June 30,	September 30,	
	2019	2018	2019	2019	2018
Total non-interest income	$ 3,553	$ 3,517	$ 3,410	$ 12,750	$ 10,301
Gain on sale of securities	(12)	-	-	(12)	(6)
Gain on sale of White Bluff office	-	-	-	(2,700)	-
Gain on bank-owned life insurance	(150)	-	-	(150)	(50)
Adjusted non-interest income	$ 3,391	$ 3,517	$ 3,410	$ 9,888	$ 10,245
Contingency accrual	(6)	-	115	109	-
Net income as reported	$ 3,895	$ 3,591	$ 3,338	$ 12,579	$ 10,625
Total adjustments, net of tax[1]	(163)	-	85	(2,073)	(54)
Adjusted net income	$ 3,732	$ 3,591	$ 3,423	$ 10,506	$ 10,571
Basic earnings per share	$ 0.88	$ 0.80	$ 0.75	$ 2.83	$ 2.37
Total adjustments, net of tax[1]	(0.04)	-	0.02	(0.47)	(0.01)
Adjusted basic earnings per share	$ 0.84	$ 0.80	$ 0.77	$ 2.36	$ 2.36

(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

	(dollars in thousands, except per share data)	**(unaudited) September 30, 2019**	**December 31, 2018[1]**
ASSETS	Cash and due from banks	$ 28,269	$ 36,100
	Interest-bearing deposits	8,085	4,173
	Federal funds sold	98	246
	Total cash and cash equivalents	36,452	40,519
	Securities:		
	Available-for-sale	329,756	332,237
	Held-to-maturity (fair market value $18,032 and $17,615 as of the periods presented)	17,617	18,644
	Total securities	347,373	350,881
	Loans, net of deferred fees	901,560	895,191
	Allowance for loan and lease losses	(8,937)	(9,282)
	Net loans	892,623	885,909
	Bank premises and equipment, net	36,297	31,605
	Bank-owned life insurance	32,083	31,960
	Goodwill	9,018	9,018
	Other assets	14,760	15,225
	TOTAL ASSETS	$ 1,368,606	$ 1,365,117
LIABILITIES	Deposits:		
	Noninterest-bearing	$ 312,782	$ 302,345
	Interest-bearing	865,526	872,325
	Total deposits	1,178,308	1,174,670
	Securities sold under agreements to repurchase	12,667	40,579
	Federal Home Loan Bank borrowings	12,000	4,000
	Accounts payable and accrued liabilities	22,331	15,885
	TOTAL LIABILITIES	1,225,306	1,235,134
SHAREHOLDERS' EQUITY	Common stock - $10 par value per share, 8,000,000 shares authorized; 4,404,871 and 4,451,447 shares issued and outstanding as of the periods presented	44,049	44,514
	Retained earnings	97,270	89,299
	Accumulated other comprehensive income (loss)	1,886	(3,925)
	Total shareholders' equity before noncontrolling interest – preferred stock of subsidiary	143,205	129,888
	Noncontrolling interest - preferred stock of subsidiary	95	95
	TOTAL SHAREHOLDERS' EQUITY	143,300	129,983
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,368,606	$ 1,365,117

(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 September 30,		Nine Months Ended September 30,	
	(dollars in thousands, except per share data)	**2019**	**2018**	**2019**	**2018**
INTEREST AND DIVIDEND INCOME	Interest and fees on loans	$ 10,386	$ 9,591	$ 30,538	$ 27,545
	Income on investment securities				
	Taxable interest	1,252	1,362	3,764	4,029
	Exempt from federal income tax	524	620	1,623	1,906
	Interest from federal funds sold and other	43	40	177	187
	Total interest income	12,205	11,613	36,102	33,667
INTEREST EXPENSE	Interest on deposits	1,399	965	3,804	2,593
	Interest on other borrowings	147	133	492	253
	Total interest expense	1,546	1,098	4,296	2,846
	Net interest income	10,659	10,515	31,806	30,821
	Provision credit for loan and lease losses	(305)	-	(360)	-
	Net interest income after provision	10,964	10,515	32,166	30,821
NON-INTEREST INCOME	Mortgage banking activities	331	204	780	621
	Trust services fee income	902	922	2,707	2,762
	Service fees on deposit accounts	1,793	1,861	5,271	5,487
	Investment services fee income	74	227	267	472
	Earnings on bank-owned life insurance	116	125	346	372
	Gain on sale of investments	12	-	12	6
	Gain on bank-owned life insurance	150	-	150	50
	Gain on sale of White Bluff office	-	-	2,700	-
	Other non-interest income	175	178	517	531
	Total non-interest income	3,553	3,517	12,750	10,301
NON-INTEREST EXPENSE	Salaries and employee benefits	6,124	5,723	17,585	16,263
	Net occupancy expense	678	720	1,930	2,147
	Depreciation expense	527	372	1,547	1,135
	Data processing expense	739	745	2,251	2,076
	Software support and other computer expense	509	561	1,531	1,689
	Legal and professional fees	236	310	757	855
	Audits and exams expense	160	170	500	521
	Advertising and promotions	232	225	984	797
	FDIC insurance premium expense	-	130	173	357
	Other non-interest expense	697	777	2,420	2,567
	Total non-interest expense	9,902	9,733	29,678	28,407
	Income before provision for income taxes	4,615	4,299	15,238	12,715
	Provision for income taxes	720	708	2,651	2,082
	Net income	3,895	3,591	12,587	10,633
	Noncontrolling interest - dividends on preferred stock subsidiary	-	-	8	8
	Net income available to common shareholders	$ 3,895	$ 3,591	$ 12,579	$ 10,625
	Weighted average shares outstanding	4,426,166	4,472,684	4,439,858	4,483,392
	Earnings per share	$ 0.88	$ 0.80	$ 2.83	$ 2.37

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

	For the Three Months Ended				
(dollars in thousands, except per share data)	**September 30, 2019**	**June 30, 2019**	**March 31, 2019**	**December 31, 2018**	**September 30, 2018**
Results of Operations:					
Interest income	$ 12,205	$ 12,059	$ 11,838	$ 12,226	$ 11,613
Interest expense	1,546	1,381	1,369	1,326	1,098
Net interest income	10,659	10,678	10,469	10,900	10,515
(Provision credit) provision for loan and lease losses	(305)	(55)	-	50	-
Non-interest income	3,553	3,410	5,787	3,740	3,517
Non-interest expense and non-controlling interest – preferred stock of subsidiary	9,902	10,194	9,590	10,507	9,733
Income before income taxes	4,615	3,949	6,666	4,083	4,299
Income taxes	720	611	1,320	511	708
Net income for common shareholders	$ 3,895	$ 3,338	$ 5,346	$ 3,572	$ 3,591
Per Share Data:					
Basic earnings per share	$ 0.88	$ 0.75	$ 1.20	$ 0.80	$ 0.80
Weighted average shares outstanding per quarter	4,426,166	4,442,627	4,450,901	4,461,790	4,472,684
Financial Condition Data and Ratios:					
Total securities	$ 347,373	$ 341,956	$ 341,241	$ 350,881	$ 374,350
Loans, net of deferred fees	$ 901,560	$ 890,556	$ 891,487	$ 895,191	$ 871,334
Allowance for loan and lease losses	$ (8,937)	$ (9,227)	$ (9,278)	$ (9,282)	$ (9,206)
Total assets	$ 1,368,606	$ 1,369,290	$ 1,346,492	$ 1,365,117	$ 1,363,007
Total deposits	$ 1,178,308	$ 1,140,513	$ 1,154,809	$ 1,174,670	$ 1,164,432
Net interest income, on a fully taxable-equivalent basis	$ 10,945	$ 10,974	$ 10,773	$ 11,218	$ 10,844
Net interest margin	3.48%	3.55%	3.52%	3.54%	3.41%
Asset Quality Data and Ratios:					
Total nonperforming assets	$ 2,593	$ 1,616	$ 1,610	$ 1,674	$ 2,831
Nonperforming assets to total assets	0.19%	0.12%	0.12%	0.12%	0.21%
Allowance for loan and lease losses to total loans	1.00%	1.04%	1.04%	1.04%	1.06%
Net charge-offs (recoveries) to average loans (annualized)	0.00%	0.00%	0.00%	(0.01%)	(0.01%)

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