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FIRST FARMERS AND MERCHANTS CORPORATION REPORTS RECORD 2019 NET INCOME OF $16.1 MILLION OR $3.62 PER COMMON SHARE

COLUMBIA, Tenn. (January 27, 2020) – 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, 2019.

Key highlights of First Farmers' results for 2019 include:

- Net income of $16.1 million or $3.62 per common share, up 13% from $14.2 million or $3.17 per common share for 2018;
- Adjusted net income, which excludes special items, totaled $14.0 million or $3.15 per common share, compared with $13.8 million or $3.08 per common share for 2018 (see non-GAAP reconciliation);
- Total assets reach record $1.4 billion and administered trust assets reach record $5.4 billion;
- Mortgage banking activities revenue reach record $1.1 million, up 31% from $849,000 for 2018;
- Loan growth of $42 million or 5% compared with 2018; and
- Deposit growth of $46 million or 4% compared with 2018.

Commenting on the results, T. Randy Stevens, Chairman and Chief Executive Officer of First Farmers, said, "We are very pleased to report record results for 2019 for both net income and adjusted net income, the latter of which excludes the sale of our White Bluff office during the first quarter 2019 and provides the best measure of our financial performance. The year ended with solid loan growth matched with strong credit metrics which meets our expectation of prudent lending. We also experienced increases in net interest income and a 31% rise in mortgage banking activities which contributed to a double digit increase in our net income. Our administered trust assets reached a record $5.4 billion as we celebrate 50 years of offering trust services to our clients. These outstanding results reflect solid execution of our operating plan, which focuses on building long-lasting relationships with our customers, and validate our confidence as we enter 2020."

Brian K. Williams, President, added, "The operating environment in 2019 certainly presented a few challenges, and I am thankful for the focus of our bank team as First Farmers again delivered record performance. The achievement of record milestones for assets, loans, and deposits is a direct reflection of the commitment and talent of our outstanding team of bankers; and points to the foundation that has been laid to enable future earnings growth and shareholder returns. Underscoring our success last year was our team's ability to manage our loan growth and adhere to strong credit discipline, which, as a result, led to expansion of our net interest margin at a time when many of our peers experienced margin contraction. Our Board remains committed to First Farmers' community bank model, as evidenced by the Company's repurchase of 72,000 shares in 2019 at an average price of $44.14 and the extension of our repurchase program to include up to 200,000 shares through 2020."

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2019 Results of Operations

Net income improved to a record $16.1 million, up $1.9 million, or 13%, from 2018. Propelling earnings for the year was the gain on the sale of the First Farmers White Bluff office of $2.0 million, net of tax, during the first quarter of 2019. Net interest income improved $729,000 as a result of $42 million of loan growth and an improved net interest margin for 2019. Credit trends continued to improve for 2019, which resulted in $360,000 of provision credit for loan and lease losses. Mortgage banking activities revenue increased to a record $1.1 million, up $265,000, or 31%, for 2019. The increase in non-interest expense for 2019 was due to higher salaries and employee benefits of $948,000 related to the investment in key additions to our bank team.

The $418,000 decrease in fourth quarter earnings compared with the linked quarter was driven by a decrease of $305,000 in provision credit and a decrease in non-interest income of $96,000. The decrease in non-interest income was primarily driven by a gain on the redemption of bank-owned life insurance of $150,000 during the third quarter of 2019.

First Farmers ended 2019 with $935 million of loans, a record for the Company, and recorded loan growth of $42 million, or 5% for the year. Total deposits reached a record $1.220 billion for 2019, an increase of $46 million, or 4% for the year. Loan and deposit growth was achieved even though 2019 began with First Farmers selling $4 million in loan balances and $29 million in deposits as it divested its White Bluff office.

Asset Quality

Total nonperforming assets decreased to $1.7 million, or 0.12% of total assets, down $1.0 million from the linked quarter and flat from the year-earlier quarter. The Company ended 2019 with no net charge-offs to average loans or any other real estate repossessed. The allowance for loan and lease losses declined to 0.96% of total loans outstanding, driven by improving credit metrics, compared with 0.99% for the linked quarter and 1.04% for the year-earlier quarter.

Capital Management Initiatives

First Farmers repurchased 25,000 shares of common stock during the fourth quarter at an average price of $45.25 per share under its stock repurchase program. First Farmers' Board of Directors extended the stock repurchase program for up to 200,000 shares through December 31, 2020.

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, 2019, First Farmers reported total assets of $1.4 billion, total shareholders' equity of $144 million, and administered trust assets of $5.4 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			Twelve Months Ended	
	December 31,		September	December 31,	
	2019	2018	2019	2019	2018
Total non-interest income	$ 3,457	$ 3,740	$ 3,553	$ 16,207	$ 14,041
(Gain) loss on sale of securities	(15)	211	(12)	(27)	211
Gain on sale of White Bluff office	-	-	-	(2,700)	-
Gain on bank-owned life insurance	-	(492)	(150)	(150)	(542)
Adjusted non-interest income	$ 3,442	$ 3,459	$ 3,391	$ 13,330	$ 13,710
Contingency accrual	(1)	-	(6)	108	-
Net income as reported	$ 3,477	$ 3,572	$ 3,895	$ 16,056	$ 14,197
Total adjustments, net of tax[1]	(12)	(336)	(163)	(2,085)	(386)
Adjusted net income	$ 3,465	$ 3,236	$ 3,732	$ 13,971	$ 13,811
Earnings per share	$ 0.79	$ 0.80	$ 0.88	$ 3.62	$ 3.17
Total adjustments, net of tax[1]	-	(0.08)	(0.04)	(0.47)	(0.09)
Adjusted earnings per share	$ 0.79	$ 0.72	$ 0.84	$ 3.15	$ 3.08

(1) The statutory blended 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, 2019	December 31, 2018[(1)]
ASSETS	Cash and due from banks	$ 27,433	$ 36,100
	Interest-bearing deposits	6,712	4,173
	Federal funds sold	-	246
	Total cash and cash equivalents	34,145	40,519
	Securities:		
	Available-for-sale	329,796	332,237
	Held-to-maturity (fair market value $18,005 and $17,615 as of the periods presented)	17,606	18,644
	Total securities	347,402	350,881
	Loans, net of deferred fees	937,310	895,191
	Allowance for loan and lease losses	(8,960)	(9,282)
	Net loans	928,350	885,909
	Bank premises and equipment, net	36,090	31,605
	Bank-owned life insurance	32,198	31,960
	Goodwill	9,018	9,018
	Other assets	16,467	15,225
	TOTAL ASSETS	$ 1,403,670	$ 1,365,117
LIABILITIES	Deposits:		
	Non-interest bearing	$ 311,274	$ 302,345
	Interest bearing	908,967	872,325
	Total deposits	1,220,241	1,174,670
	Securities sold under agreements to repurchase	11,742	40,579
	Federal Home Loan Bank borrowings	5,500	4,000
	Accounts payable and accrued liabilities	21,799	15,885
	TOTAL LIABILITIES	1,259,282	1,235,134
SHAREHOLDERS' EQUITY	Common stock - $10 par value per share, 8,000,000 shares authorized; 4,379,871 and 4,451,447 shares issued and outstanding as of the periods presented	43,799	44,514
	Retained earnings	98,945	89,299
	Accumulated other comprehensive income (loss)	1,549	(3,925)
	Total shareholders' equity before noncontrolling interest – preferred stock of subsidiary	144,293	129,888
	Noncontrolling interest - preferred stock of subsidiary	95	95
	TOTAL SHAREHOLDERS' EQUITY	144,388	129,983
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,403,670	$ 1,365,117

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

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)	**2019**	**2018**	**2019**	**2018**
INTEREST AND DIVIDEND INCOME	Interest and fees on loans	$ 10,234	$ 10,276	$ 40,772	$ 37,821
	Income on investment securities				
	Taxable interest	1,278	1,318	5,042	5,347
	Exempt from federal income tax	520	602	2,143	2,508
	Interest from federal funds sold and other	59	30	236	217
	Total interest income	12,091	12,226	48,193	45,893
INTEREST EXPENSE	Interest on deposits	1,416	1,122	5,220	3,715
	Interest on other borrowings	31	204	523	457
	Total interest expense	1,447	1,326	5,743	4,172
	Net interest income	10,644	10,900	42,450	41,721
	Provision (credit) for loan and lease losses	-	50	(360)	50
	Net interest income after provision	10,644	10,850	42,810	41,671
NON-INTEREST INCOME	Mortgage banking activities	334	228	1,114	849
	Trust services fee income	891	888	3,598	3,650
	Service fees on deposit accounts	1,806	1,921	7,077	7,408
	Investment services fee income	137	112	404	584
	Earnings on bank-owned life insurance	115	115	461	487
	Gain (loss) on sale of investments	15	(211)	27	(211)
	Gain on bank-owned life insurance	-	492	150	542
	Gain on sale of White Bluff office	-	-	2,700	-
	Other non-interest income	159	195	676	732
	Total non-interest income	3,457	3,740	16,207	14,041
NON-INTEREST EXPENSE	Salaries and employee benefits	6,125	6,499	23,710	22,762
	Net occupancy expense	588	782	2,518	2,929
	Depreciation expense	509	379	2,056	1,514
	Data processing expense	756	742	3,007	2,818
	Software support and other computer expense	561	532	2,092	2,221
	Legal and professional fees	244	247	1,001	1,102
	Audits and exams expense	153	171	653	692
	Advertising and promotions	285	426	1,269	1,223
	Other non-interest expense	699	721	3,292	3,645
	Total non-interest expense	9,920	10,499	39,598	38,906
	Income before provision for income taxes	4,181	4,091	19,419	16,806
	Provision for income taxes	696	511	3,347	2,593
	Net income	3,485	3,580	16,072	14,213
	Noncontrolling interest - dividends on preferred stock subsidiary	8	8	16	16
	Net income available to common shareholders	$ 3,477	$ 3,572	$ 16,056	$ 14,197
	Weighted average shares outstanding	4,400,940	4,461,790	4,429,952	4,477,947
	Earnings per share	$ 0.79	$ 0.80	$ 3.62	$ 3.17

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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)	**December 31, 2019**	**September 30, 2019**	**June 30, 2019**	**March 31, 2019**	**December 31, 2018**
Results of Operations:					
Interest income	$ 12,091	$ 12,205	$ 12,059	$ 11,838	$ 12,226
Interest expense	1,447	1,546	1,381	1,369	1,326
Net interest income	10,644	10,659	10,678	10,469	10,900
(Provision credit) provision for loan and lease losses	-	(305)	(55)	-	50
Non-interest income	3,457	3,553	3,410	5,787	3,740
Non-interest expense and non-controlling interest – preferred stock of subsidiary	9,928	9,902	10,194	9,590	10,507
Income before income taxes	4,173	4,615	3,949	6,666	4,083
Income taxes	696	720	611	1,320	511
Net income for common shareholders	$ 3,477	$ 3,895	$ 3,338	$ 5,346	$ 3,572
Per Share Data:					
Basic earnings per share	$ 0.79	$ 0.88	$ 0.75	$ 1.20	$ 0.80
Weighted average shares outstanding per quarter	4,400,940	4,426,166	4,442,627	4,450,901	4,461,790
Financial Condition Data and Ratios:					
Total securities	$ 347,402	$ 347,373	$ 341,956	$ 341,241	$ 350,881
Loans, net of deferred fees	$ 937,310	$ 901,560	$ 890,556	$ 891,487	$ 895,191
Allowance for loan and lease losses	$ (8,960)	$ (8,937)	$ (9,227)	$ (9,278)	$ (9,282)
Total assets	$ 1,403,670	$ 1,368,606	$ 1,369,290	$ 1,346,492	$ 1,365,117
Total deposits	$ 1,220,241	$ 1,178,308	$ 1,140,513	$ 1,154,809	$ 1,174,670
Net interest income, on a fully taxable-equivalent basis	$ 10,926	$ 10,945	$ 10,974	$ 10,773	$ 11,218
Net interest margin	3.41%	3.48%	3.55%	3.52%	3.54%
Asset Quality Data and Ratios:					
Total nonperforming assets	$ 1,665	$ 2,593	$ 1,616	$ 1,610	$ 1,674
Nonperforming assets to total assets	0.12%	0.19%	0.12%	0.12%	0.12%
Allowance for loan and lease losses to total loans	0.96%	1.00%	1.04%	1.04%	1.04%
Net charge-offs (recoveries) to average loans (annualized)	0.00%	0.00%	0.00%	0.00%	(0.01%)

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