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FIRST FARMERS AND MERCHANTS CORPORATION REPORTS IMPROVED THIRD QUARTER RESULTS

Net Income Rises 10.6% to $4.1 Million
Adjusted Net Income Increases 6.9% to $3.9 Million

COLUMBIA, Tenn. (October 25, 2021) – First Farmers and Merchants Corporation (OTC Pink: FFMH), the holding company for First Farmers and Merchants Bank, today announced growth in net interest income and net income for the third quarter ended September 30, 2021, compared with the prior year's third quarter. The Company also reported record assets and deposits for the third quarter ended September 30, 2021.

Key highlights of First Farmers' results for the third quarter of 2021 include:

- Net income rose 10.6% to $4.1 million from $3.7 million for the year-earlier quarter. Net income per common share increased 11.1% to $0.94 from $0.84 in the third quarter of 2020. Net income declined 25.7% from $5.5 million, or $1.26 per common share, reported in the second quarter of 2021 that included a one-time gain of $1.3 million, net of tax, on the sale of the Company's Visa Class B common stock;
- Adjusted net income, which excludes special items, rose 6.9% to $3.9 million, or $0.91 per common share, compared with $3.7 million, or $0.84 per common share, for the year-earlier quarter. Third quarter adjusted income rose 0.6% from $3.9 million, or $0.90 per common share, reported in the second quarter of 2021 (see non-GAAP reconciliation);
- Net interest income increased 6.1% to $11.6 million from $11.0 million for the year-earlier quarter and was up 3.9% from $11.2 million for the second quarter of 2021;
- Loan growth, excluding SBA Paycheck Protection ("SBA PPP") loans, was up 2.7% for the quarter; and
- Total assets reached a record $1.9 billion and total deposits reached a record $1.7 billion.

Commenting on the results, T. Randy Stevens, Chairman and Chief Executive Officer of First Farmers, said, "We are pleased to report continued growth in the third quarter with record deposits and assets as well as a solid increase in net income compared with last year's third quarter. These strong results allowed us to increase our stock repurchases during the quarter, which were up 87.9% to 20,477 shares compared with 10,900 shares repurchased in the second quarter, and a significant increase over our first quarter purchases of 930 shares. This marked our third consecutive quarterly increase in stock repurchases and an increase in the return of a portion of our earnings to First Farmers' shareholders."

Brian K. Williams, President, added, "Our excellent third quarter results were driven by the outstanding performance of our First Farmers team, which continues to serve our customers at a high level, as well as our strong local economy. This was our second consecutive quarter of organic loan growth coming at the same time we are winding down our SBA PPP loan redemptions. The growth in loans and investments during the third quarter contributed to higher net interest income, our largest source of earnings. We also reported growth in non-interest income that was driven by continued strength in trust services fee income and improved service fees on deposit accounts as deposits rose to a record $1.7 billion."

"First Farmers earnings growth has benefited from the longstanding quality of our loan portfolio. We recorded no provision for loans losses for the last two quarters due to our low level of charge-offs, past due loans and classified loans. We expect the high quality of our loan portfolio combined with momentum in interest income and non-interest income to continue into the fourth quarter. We are optimistic about the way 2021 performance is shaping up as we enter the final quarter of the year."

Third Quarter 2021 Results of Operations

Net income increased to $4.1 million, up $389,000, or 10.6%, from the year-earlier quarter. The improvement in earnings was driven by solid growth in operating leverage. Net interest income improved $672,000 with growth in the net interest margin of three basis points supported by an increase in interest on investments of $568,000 along with a reduction in interest expense of $292,000. Non-interest income increased $316,000 driven by the gain on sale of available-for-sale securities of $181,000 coupled with an increase in service fees on deposit accounts of $129,000 and continued momentum in trust services fee income. The improvement in revenue was in part offset by growth in salaries and employee benefits of $516,000 to support our continued growth.

Net income, adjusted for special items, was $3.9 million, up $255,000 from the year-earlier quarter. The increase in adjusted net income from the year-earlier quarter was due to increases in net interest income of $672,000 and non-interest income of $135,000. Non-interest expense was up by $556,000 from the year-earlier quarter due primarily to an increase in salaries and employee benefits expense.

Net income decreased $1.4 million, or 25.7% from the sequential second quarter. The decrease in earnings was due primarily to the gain on the sale of Visa class B stock in the amount $1.3 million, net of tax, recognized during the second quarter. Net income, adjusted for special items, was slightly higher at $3.9 million, compared with the previous quarter.

For the third quarter of 2021, the outstanding loan balances decreased $5 million, or 0.6%, from the previous quarter to $903 million and decreased $90 million, or 9.1%, from the year-earlier quarter. Loan contraction for the quarter was driven by SBA PPP loan forgiveness of $29 million. Loan balances, excluding SBA PPP loans, increased $24 million, or 2.7%, for the quarter. Total deposits increased $41 million, or 2.4%, from the previous quarter to a record $1.736 billion, and increased $210 million, or 13.8%, from the year-earlier quarter.

Nine Months Results

Net income available to common shareholders rose 15.2% to $12.5 million, or $2.88 per share, for the first nine months of 2021 compared with $10.9 million, or $2.50 per share, in the first nine months of 2020. The increase in net income benefited from a 5.0% increase in net interest income after provision for loan losses to $33.6 million and a 17.1% increase in non-interest income to $12.9 million, including the $1.8 million gain on sale of the Visa stock.

First Farmers reported organic growth from banking services, trust services and mortgage banking activities. Service fees on deposits rose 6.8% to $5.3 million, trust services fee income increased 11.2% to $3.0 million and revenue from mortgage banking activities was up 18.2% to $1.1 million compared with the first nine months of 2020.

Non-interest expenses rose 3.4% in the first nine months of 2021 to $31.0 million compared with the same period in 2020. The increases were due mostly to higher salaries and employee benefits, net occupancy expense, software support, and advertising and promotions; offset by lower expenses for data processing expense, legal and professional fees, and other non-interest expenses.

Asset Quality

Total nonperforming assets remained at a historically low level increasing slightly to $1.6 million, or 0.08% of total assets, up from $1.3 million or 0.07% from the previous quarter. Net charge-offs to average loans were 0.00% for the third quarter of 2021 compared with net charge-offs of 0.00% for the previous quarter and net recoveries of 0.01% for the year-earlier quarter. No provision for loan and lease losses expense was recorded during the third quarter of 2021. The allowance for loan and lease losses represented 1.06% of total loans outstanding for the third quarter of 2021 compared with 1.05% for the previous quarter and 0.98% for the year-earlier quarter. The allowance for loan and lease losses for the third quarter of 2021 represented 1.07% of total loans outstanding, excluding SBA PPP loans.

Capital Management Initiatives

During the third quarter, First Farmers repurchased 20,477 shares of the Company's common stock. Of this amount, 10,477 shares were repurchased under a Rule 10b-18 plan of the Securities Exchange Act of 1934 at an average price of $35.04 per share in accordance with the Company's stock repurchase program. The Company also repurchased 10,000 shares through privately negotiated transactions at an average price of $42.75 per share. Authorization to repurchase approximately 168,000 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 September 30, 2021, First Farmers reported total assets of approximately $1.9 billion, total shareholders' equity of approximately $161 million, and administered trust assets of $6.2 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 Visa Class B stock, gain on sale of fixed assets, 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			Nine Months Ended	
	September 30,		June 30,	September 30,	
	2021	2020	2021	2021	2020
Total non-interest income	$ 3,712	$ 3,396	$ 5,658	$ 12,920	$ 11,035
Gain on sale of securities	(181)	-	(65)	(367)	(129)
Gain on equity securities	-	-	(239)	(239)	(242)
Gain on sale of Visa Class B Stock	-	-	(1,811)	(1,811)	-
Gain on sale of fixed assets	-	-	-	-	(102)
Gain on redemption of bank-owned life insurance	-	-	-	-	(820)
Adjusted non-interest income	$ 3,531	$ 3,396	$ 3,543	$ 10,503	$ 9,742
Net income as reported	$ 4,069	$ 3,680	$ 5,476	$ 12,548	$ 10,897
Total adjustments, net of tax[1]	(134)	-	(1,563)	(1,786)	(1,170)
Adjusted net income	$ 3,935	$ 3,680	$ 3,913	$ 10,762	$ 9,727
Basic earnings per share	$ 0.94	$ 0.84	$ 1.26	$ 2.88	$ 2.50
Total adjustments, net of tax[1]	(0.03)	-	(0.36)	(0.41)	(0.27)
Adjusted basic earnings per share	$ 0.91	$ 0.84	$ 0.90	$ 2.47	$ 2.23

(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) September 30, 2021	December 31, 2020[1]
ASSETS	Cash and due from banks	$ 28,197	$ 29,126
	Interest-bearing deposits	55,085	105,470
	Federal funds sold	6	3,774
	Total cash and cash equivalents	83,288	138,370
	Securities:		
	Available-for-sale	829,180	594,649
	Held-to-maturity (fair market value $17,364 and $18,195 as of the periods presented)	16,562	17,259
	Equity securities	2,481	2,242
	Loans held-for-sale	1,852	3,679
	Loans, net of deferred fees	903,234	964,695
	Allowance for loan and lease losses	(9,590)	(9,715)
	Net loans	893,644	954,980
	Bank premises and equipment, net	33,332	34,421
	Bank-owned life insurance	35,190	34,016
	Goodwill	9,018	9,018
	Other assets	16,007	13,511
	TOTAL ASSETS	$ 1,920,554	$ 1,802,145
LIABILITIES	Deposits:		
	Noninterest-bearing	$ 490,317	$ 427,073
	Interest-bearing	1,246,297	1,181,101
	Total deposits	1,736,614	1,608,174
	Securities sold under agreements to repurchase	-	11,691
	Accounts payable and accrued liabilities	22,563	22,286
	TOTAL LIABILITIES	1,759,177	1,642,151
SHAREHOLDERS' EQUITY	Common stock - $10 par value per share, 8,000,000 shares authorized; 4,327,431 and 4,359,738 shares issued and outstanding as of the periods presented	43,274	43,597
	Retained earnings	117,646	108,761
	Accumulated other comprehensive income	362	7,541
	Total shareholders' equity attributable to First Farmers and Merchants Corporation	161,282	159,899
	Noncontrolling interest - preferred stock of subsidiary	95	95
	TOTAL SHAREHOLDERS' EQUITY	161,377	159,994
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,920,554	$ 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)

		Three Months Ended September 30,		Nine Months Ended September 30,	
	(dollars in thousands, except per share data)	**2021**	**2020**	**2021**	**2020**
INTEREST AND DIVIDEND INCOME	Interest and fees on loans	$ 9,800	$ 9,996	$ 28,891	$ 30,238
	Income on investment securities				
	Taxable interest	1,752	1,245	4,773	3,722
	Exempt from federal income tax	553	492	1,648	1,505
	Interest from federal funds sold and other	38	30	74	134
	Total interest income	12,143	11,763	35,386	35,599
INTEREST EXPENSE	Interest on deposits	517	801	1,980	2,903
	Interest on other borrowings	-	8	1	36
	Total interest expense	517	809	1,981	2,939
	Net interest income	11,626	10,954	33,405	32,660
	Provision (provision credit) for loan and lease losses	-	-	(150)	700
	Net interest income after provision	11,626	10,954	33,555	31,960
NON-INTEREST INCOME	Mortgage banking activities	280	349	1,115	943
	Trust services fee income	1,024	963	3,016	2,712
	Service fees on deposit accounts	1,809	1,680	5,253	4,921
	Investment services fee income	85	97	256	292
	Earnings on bank-owned life insurance	166	148	389	415
	Gain on sale of investments	181	-	367	129
	Gain on redemption of bank-owned life insurance	-	-	-	820
	Gain on sale of Visa class B stock	-	-	1,811	-
	Other non-interest income	167	159	713	803
	Total non-interest income	3,712	3,396	12,920	11,035
NON-INTEREST EXPENSE	Salaries and employee benefits	6,354	5,838	18,574	17,992
	Net occupancy expense	677	622	2,076	1,906
	Depreciation expense	497	517	1,507	1,560
	Data processing expense	784	788	2,248	2,362
	Software support and other computer expense	655	691	2,208	1,890
	Legal and professional fees	157	209	574	682
	Audits and exams expense	174	184	521	532
	Advertising and promotions	272	198	760	592
	FDIC insurance premium expense	152	107	465	234
	Other non-interest expense	676	688	2,080	2,238
	Total non-interest expense	10,398	9,842	31,013	29,988
	Income before provision for income taxes	4,940	4,508	15,462	13,007
	Provision for income taxes	871	828	2,906	2,102
	Net income	4,069	3,680	12,556	10,905
	Noncontrolling interest - dividends on preferred stock subsidiary	-	-	8	8
	Net income available to common shareholders	$ 4,069	$ 3,680	$ 12,548	$ 10,897
	Weighted average shares outstanding	4,340,048	4,359,738	4,352,262	4,364,815
	Earnings per share	$ 0.94	$ 0.84	$ 2.88	$ 2.50

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, 2021**	**June 30, 2021**	**March 31, 2021**	**December 31, 2020**	**September 30, 2020**
Results of Operations:					
Interest income	$ 12,143	$ 11,872	$ 11,371	$ 11,724	$ 11,763
Interest expense	517	686	778	855	809
Net interest income	11,626	11,186	10,593	10,869	10,954
Provision (provision credit) for loan and lease losses	-	-	(150)	-	-
Non-interest income	3,712	5,658	3,550	3,412	3,396
Non-interest expense and non-controlling interest – preferred stock of subsidiary	10,398	9,933	10,690	10,301	9,842
Income before income taxes	4,940	6,911	3,603	3,980	4,508
Income taxes	871	1,435	600	683	828
Net income for common shareholders	$ 4,069	$ 5,476	$ 3,003	$ 3,297	$ 3,680
Per Share Data:					
Basic earnings per share	$ 0.94	$ 1.26	$ 0.69	$ 0.76	$ 0.84
Weighted average shares outstanding per quarter	4,340,048	4,357,546	4,359,405	4,359,738	4,359,738
Financial Condition Data and Ratios:					
Total securities	$ 848,223	$ 785,606	$ 828,466	$ 614,150	$ 492,781
Loans, net of deferred fees	$ 903,234	$ 908,510	$ 927,232	$ 964,695	$ 993,187
Allowance for loan and lease losses	$ (9,590)	$ (9,581)	$ (9,575)	$ (9,715)	$ (9,712)
Total assets	$ 1,920,554	$ 1,878,942	$ 1,879,018	$ 1,802,145	$ 1,717,941
Total deposits	$ 1,736,614	$ 1,695,990	$ 1,706,177	$ 1,608,174	$ 1,526,143
Net interest income, on a fully taxable-equivalent basis	$ 11,899	$ 11,484	$ 10,841	$ 11,115	$ 11,204
Net interest margin	2.63%	2.60%	2.55%	2.69%	2.87%
Asset Quality Data and Ratios:					
Total nonperforming assets	$ 1,579	$ 1,347	$ 1,546	$ 1,560	$ 1,616
Nonperforming assets to total assets	0.08%	0.07%	0.08%	0.09%	0.09%
Allowance for loan and lease losses to total loans	1.06%	1.05%	1.03%	1.01%	0.98%
Net (recoveries) charge-offs to average loans (annualized)	0.00%	0.00%	0.00%	(0.01%)	(0.01%)

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