For additional information contact
Robert E. Krimmel
Chief Financial Officer
(931) 380-8257

FIRST FARMERS AND MERCHANTS CORPORATION REPORTS IMPROVED 2021 RESULTS

Net Income Rises 10% to $15.6 Million
Adjusted Net Income Increases 14% to $14.8 Million

COLUMBIA, Tenn. (January 24, 2022) – First Farmers and Merchants Corporation (OTC Pink: FFMH), the holding company for First Farmers and Merchants Bank, today announced double digit growth in net income and adjusted net income for 2021, compared with 2020. The Company also reported record assets and deposits for the year ended December 31, 2021.

Key highlights of First Farmers' results for 2021 include:

- Net income rose 10% to $15.6 million in 2021 compared with $14.2 million for 2020. Net income per common share increased 10.5% to $3.59 in 2021 from $3.25 in 2020. The 2021 results include one-time executive retirement benefit expenses of $1.5 million ($1.1 million net of tax);
- Adjusted net income, which excludes special items, rose 14% to $14.8 million in 2021, or $3.40 per common share, compared with $13.0 million, or $2.98 per common share, in 2020 (see "Non-GAAP Financial Measures" section);
- Net interest income after provision increased 5.8% to $45.3 million in 2021 from $42.8 million in 2020;
- Trust services fee income reached a record $4.0 million, up 11% from $3.6 million in 2020. Total administered trust assets climbed to a record $6.3 billion;
- Mortgage banking activities revenue was a record $1.4 million in 2021, up 5.8% from $1.3 million in 2020; and
- Total assets reached a record $2.0 billion and total deposits reached a record $1.8 billion.

Commenting on the results, T. Randy Stevens, Chairman and Chief Executive Officer of First Farmers, said, "First Farmers set new records in 2021 for assets, deposits, and trust assets under management. We are very proud of our record performance in 2021. We also remained focused on the safety and soundness of First Farmers and reported continued improvements in our loan quality at year-end 2021. Last year, we returned $5.3 million to First Farmers' shareholders in cash dividends and stock repurchases as part of our program to build long-term shareholder value. We repurchased 42,432 shares of First Farmers' stock in 2021, up from 20,133 shares repurchased in the prior year."

Brian K. Williams, President, added, “First Farmers’ excellent results in 2021 benefited from growth in net interest income, non-interest income and low loan losses. We experienced growth across our markets in Middle Tennessee and our loan pipeline has improved at year-end 2021 compared with last year. We are very proud of our entire team at First Farmers who contributed to our growth as they continued to serve our customers at a high level, despite the challenges of the COVID economy.

“We are very positive about our opportunities in 2022. We are making significant investments in new systems and software to support our future growth. We plan to roll out new systems late in the first quarter that will expand First Farmers online portal with best-in-class digital banking services, enhance our customer contact center and expand our platform of other banking products and services.

“Our focus for 2022 remains on maintaining our high asset quality to support our earnings and our capital base. Last year, we recorded no provision for loans losses for the last three quarters of 2021 and ended the year with a lower level of nonperforming assets than in 2020, no net charge-offs and a low level of past due loans and classified loans. We expect the high quality of our loan portfolio combined with our momentum in interest income and non-interest income to benefit our future growth,” continued Williams.

Fourth Quarter 2021 Results of Operations

Net income was $3.1 million in the fourth quarter of 2021, down $226,000, or 6.9%, from the year-earlier quarter. The decline in earnings was due to one-time executive retirement benefit expenses of $1.5 million ($1.1 million net of tax) recognized during the fourth quarter of 2021, partially offset by strong revenue growth of $1.3 million in the quarter. Adjusted net income, which excludes one-time items, rose 22.3% to $4.0 million, up $734,000 from the year-earlier quarter. Net interest income improved by $882,000 with growth in interest earning assets supported by an increase in interest on investments of $427,000 along with a reduction in interest expense of $455,000.

Non-interest income increased $451,000 driven by the gain on sale of available-for-sale securities of $254,000 coupled with an increase in service fees on deposit accounts of $144,000. Non-interest expense was up by $1.7 million from the year-earlier quarter due primarily to an increase in salaries and employee benefits expense, including the $1.5 million one-time executive retirement benefit expenses.

Net income for the fourth quarter of 2021 was down from the sequential third quarter by $1.0 million, or 24.5%. The decrease in earnings was due primarily to one-time executive retirement benefit expenses of $1.1 million, net of tax, recognized during the fourth quarter. Adjusted net income was higher at $4.0 million in the fourth quarter of 2021 and was up $96,000 compared with the sequential third quarter.

For the fourth quarter of 2021, outstanding loan balances decreased $16 million, or 1.8%, from the previous quarter to $887 million and decreased $78 million, or 8.1%, from the year-earlier quarter. Loan contraction for the quarter was driven by a high level of loan payoffs on commercial projects along with Small Business Administration Paycheck Protection Program (“SBA PPP”) loan forgiveness of $7 million. Loan balances, excluding SBA PPP loans of $568,000 at quarter’s end, decreased $9 million, or 1.0%, from the sequential third quarter, and decreased $10 million, or 1.1%, from the year-earlier quarter. Total deposits increased $55 million, or 3.1%, from the sequential third quarter to a record $1.791 billion, and increased $183 million, or 11.4%, from the year-earlier quarter.

Twelve Months Results

Net income rose 10.0% to $15.6 million, or $3.59 per share, for 2021 compared with $14.2 million, or $3.25 per share, for 2020. The increase in net income benefited from a 5.8% increase in net interest income after provision for loan losses to $45.3 million and a 16.2% increase in non-interest income to $16.8 million, including a $1.8 million gain on sale of the Visa stock.

First Farmers reported organic growth from banking services, trust services and mortgage banking activities in 2021. Service fees on deposits rose 7.2% to $7.1 million, trust services fee income increased 11.0% to $4.0 million and revenue from mortgage banking activities was up 5.9% to $1.4 million compared to 2020.

"We experienced organic loan growth through most of 2021 and also benefited from over $115 million in new loans through the SBA's PPP loan program to support businesses and organizations through the pandemic. We made over 1,500 PPP loans and all but three loans totaling $568,000 were paid off or forgiven by the end of 2021. These loans contributed significant fee income for 2021 that benefited our interest income during the year," concluded Williams.

Non-interest expenses rose 6.7% in 2021 to $43.0 million compared with 2020. The increases were due to higher salaries and employee benefits, including one-time executive retirement benefit expenses of $1.5 million, and higher software support, net occupancy expense, advertising and FDIC insurance premium expense; offset by lower data processing expense, legal and professional fees, audit and exams expenses and other non-interest expenses.

Asset Quality

Total asset quality improved in 2021 as measured by only $1.2 million in nonperforming assets that totaled 0.06% of total assets, down from $1.6 million or 0.08% from the previous quarter and down $343,000, or 0.09% of total assets, from the year-earlier quarter. Net charge-offs to average loans were 0.00% for the fourth 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 fourth quarter of 2021. The allowance for loan and lease losses represented 1.08% of total loans outstanding for the fourth quarter of 2021 compared with 1.06% for the previous quarter and 1.01% for the year-earlier quarter.

Capital Management Initiatives

During the fourth quarter of 2021, First Farmers repurchased 10,125 shares of the Company's common stock. Of this amount, 125 shares were repurchased under a Rule 10b-18 plan of the Securities Exchange Act of 1934 at an average price of $35.82 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 $39.98 per share. First Farmers extended the program to repurchase approximately 200,000 shares through December 2022.

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, 2021, First Farmers reported total assets of approximately $2.0 billion, total shareholders' equity of approximately $159 million, and administered trust assets of $6.3 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, gain on sale of Visa Class B stock, gain on sale of fixed assets, gain on redemption of bank-owned life insurance, one-time executive retirement benefits, 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,	
	2021	2020	2021	2021	2020
Total non-interest income	$ 3,863	$ 3,412	$ 3,712	$ 16,783	$ 14,447
Gain on sale of securities	(254)	-	(181)	(621)	(129)
Gain on equity securities	-	-	-	(239)	(242)
Gain on sale of Visa Class B Stock	-	-	-	(1,811)	-
Gain on sale of fixed assets	-	-	-	-	(102)
Gain on redemption of bank-owned life insurance	-	-	-	-	(820)
Adjusted non-interest income	$ 3,609	$ 3,412	$ 3,531	$ 14,112	$ 13,154
Total non-interest expense	$ 11,953	$ 10,293	$ 10,398	$ 42,966	$ 40,281
One-time executive retirement benefits	(1,553)	-	-	(1,553)	-
Adjusted non-interest expense	$ 10,400	$ 10,293	$ 10,398	$ 41,413	$ 40,281
Net income as reported	$ 3,071	$ 3,297	$ 4,069	$ 15,619	$ 14,194
Total adjustments, net of tax[1]	960	-	(134)	(826)	(1,170)
Adjusted net income	$ 4,031	$ 3,297	$ 3,935	$ 14,793	$ 13,024
Basic earnings per share	$ 0.71	$ 0.76	$ 0.94	$ 3.59	$ 3.25
Total adjustments, net of tax[1]	0.22	-	(0.03)	(0.19)	(0.27)
Adjusted basic earnings per share	$ 0.93	$ 0.76	$ 0.91	$ 3.40	$ 2.98

(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, 2021	December 31, 2020[(1)]
ASSETS	Cash and due from banks	$ 19,791	$ 29,126
	Interest-bearing deposits	75,065	105,470
	Federal funds sold	8,374	3,774
	Total cash and cash equivalents	103,230	138,370
	Securities:		
	Available-for-sale	876,987	594,649
	Held-to-maturity (fair market value $15,932 and $18,195 as of the periods presented)	15,128	17,259
	Equity securities	2,481	2,242
	Loans held-for-sale	2,197	3,679
	Loans, net of deferred fees	886,891	964,695
	Allowance for loan and lease losses	(9,605)	(9,715)
	Net loans	877,286	954,980
	Bank premises and equipment, net	32,627	34,421
	Bank-owned life insurance	35,354	34,016
	Goodwill	9,018	9,018
	Other assets	18,430	13,511
	TOTAL ASSETS	$ 1,972,738	$ 1,802,145
LIABILITIES	Deposits:		
	Noninterest-bearing	$ 522,725	$ 427,073
	Interest-bearing	1,268,481	1,181,101
	Total deposits	1,791,206	1,608,174
	Securities sold under agreements to repurchase	-	11,691
	Accounts payable and accrued liabilities	22,901	22,286
	TOTAL LIABILITIES	1,814,107	1,642,151
SHAREHOLDERS' EQUITY	Common stock - $10 par value per share, 8,000,000 shares authorized; 4,317,306 and 4,359,738 shares issued and outstanding as of the periods presented	43,173	43,597
	Retained earnings	119,507	108,761
	Accumulated other comprehensive (loss) income	(4,144)	7,541
	Total shareholders' equity attributable to First Farmers and Merchants Corporation	158,536	159,899
	Noncontrolling interest - preferred stock of subsidiary	95	95
	TOTAL SHAREHOLDERS' EQUITY	158,631	159,994
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,972,738	$ 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 December 31,		Twelve Months Ended December 31,	
	(dollars in thousands, except per share data)	**2021**	**2020**	**2021**	**2020**
INTEREST AND DIVIDEND INCOME	Interest and fees on loans	$ 9,600	$ 10,078	$ 38,491	$ 40,316
	Income on investment securities				
	Taxable interest	2,016	1,130	6,789	4,852
	Exempt from federal income tax	521	480	2,169	1,985
	Interest from federal funds sold and other	14	36	88	170
	Total interest income	12,151	11,724	47,537	47,323
INTEREST EXPENSE	Interest on deposits	400	847	2,380	3,750
	Interest on other borrowings	-	8	1	44
	Total interest expense	400	855	2,381	3,794
	Net interest income	11,751	10,869	45,156	43,529
	Provision (provision credit) for loan and lease losses	-	-	(150)	700
	Net interest income after provision	11,751	10,869	45,306	42,829
NON-INTEREST INCOME	Mortgage banking activities	327	419	1,442	1,362
	Trust services fee income	1,029	931	4,045	3,643
	Service fees on deposit accounts	1,840	1,696	7,093	6,617
	Investment services fee income	85	79	341	371
	Earnings on bank-owned life insurance	165	136	554	551
	Gain on sale of investments	254	-	621	129
	Gain on redemption of bank-owned life insurance	-	-	-	820
	Gain on sale of Visa class B stock	-	-	1,811	-
	Other non-interest income	163	151	876	954
	Total non-interest income	3,863	3,412	16,783	14,447
NON-INTEREST EXPENSE	Salaries and employee benefits	7,925	6,237	26,499	24,229
	Net occupancy expense	623	572	2,699	2,478
	Depreciation expense	526	514	2,033	2,074
	Data processing expense	786	770	3,034	3,132
	Software support and other computer expense	667	664	2,875	2,554
	Legal and professional fees	220	245	794	927
	Audits and exams expense	116	194	637	726
	Advertising and promotions	244	302	1,004	894
	FDIC insurance premium expense	171	131	636	365
	Other non-interest expense	675	664	2,755	2,902
	Total non-interest expense	11,953	10,293	42,966	40,281
	Income before provision for income taxes	3,661	3,988	19,123	16,995
	Provision for income taxes	582	683	3,488	2,785
	Net income	3,079	3,305	15,635	14,210
	Noncontrolling interest - dividends on preferred stock subsidiary	8	8	16	16
	Net income available to common shareholders	$ 3,071	$ 3,297	$ 15,619	$ 14,194
	Weighted average shares outstanding	4,326,090	4,359,738	4,345,665	4,363,539
	Earnings per share	$ 0.71	$ 0.76	$ 3.59	$ 3.25

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, 2021**	**September 30, 2021**	**June 30, 2021**	**March 31, 2021**	**December 31, 2020**
Results of Operations:					
Interest income	$ 12,151	$ 12,143	$ 11,872	$ 11,371	$ 11,724
Interest expense	400	517	686	778	855
Net interest income	11,751	11,626	11,186	10,593	10,869
Provision (provision credit) for loan and lease losses	-	-	-	(150)	-
Non-interest income	3,863	3,712	5,658	3,550	3,412
Non-interest expense and non-controlling interest – preferred stock of subsidiary	11,961	10,398	9,933	10,690	10,301
Income before income taxes	3,653	4,940	6,911	3,603	3,980
Income taxes	582	871	1,435	600	683
Net income for common shareholders	$ 3,071	$ 4,069	$ 5,476	$ 3,003	$ 3,297
Per Share Data:					
Basic earnings per share	$ 0.71	$ 0.94	$ 1.26	$ 0.69	$ 0.76
Weighted average shares outstanding per quarter	4,326,090	4,340,048	4,357,546	4,359,405	4,359,738
Financial Condition Data and Ratios:					
Total securities	$ 894,596	$ 848,223	$ 785,606	$ 828,466	$ 614,150
Loans, net of deferred fees	$ 886,891	$ 903,234	$ 908,510	$ 927,232	$ 964,695
Allowance for loan and lease losses	$ (9,605)	$ (9,590)	$ (9,581)	$ (9,575)	$ (9,715)
Total assets	$ 1,972,738	$ 1,920,554	$ 1,878,942	$ 1,879,018	$ 1,802,145
Total deposits	$ 1,791,206	$ 1,736,614	$ 1,695,990	$ 1,706,177	$ 1,608,174
Net interest income, on a fully taxable-equivalent basis	$ 12,013	$ 11,899	$ 11,484	$ 10,841	$ 11,115
Net interest margin	2.62%	2.63%	2.60%	2.55%	2.69%
Asset Quality Data and Ratios:					
Total nonperforming assets	$ 1,217	$ 1,579	$ 1,347	$ 1,546	$ 1,560
Nonperforming assets to total assets	0.06%	0.08%	0.07%	0.08%	0.09%
Allowance for loan and lease losses to total loans	1.08%	1.06%	1.05%	1.03%	1.01%
Net (recoveries) charge-offs to average loans (annualized)	0.00%	0.00%	0.00%	0.00%	(0.01%)

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