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FIRST FARMERS AND MERCHANTS CORPORATION REPORTS IMPROVED FIRST QUARTER RESULTS

Net Income Rises 23% to $3.7 Million
Record Assets and Deposits

COLUMBIA, Tenn. (April 25, 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 for the first quarter of 2022, compared with 2021. The Company also reported record assets and deposits for the quarter ended March 31, 2022.

Key highlights of First Farmers' results for the first quarter of 2022 include:

- Net income rose 22.6% to $3.7 million from $3.0 million in the year-earlier quarter. Net income per common share increased 23.8% to $0.85 from $0.69 in the first quarter of 2021. Net income rose 19.9% from $3.1 million, or $0.71 per common share, in the fourth quarter of 2021;
- Adjusted net income, which excludes special items, rose 31.6% to $3.8 million, or $0.89 per common share, compared with $2.9 million, or $0.67 per common share, for the year-earlier quarter (see "Non-GAAP Financial Measures" section);
- Net interest income before provision increased 5.0% to $11.1 million from $10.6 million for the year-earlier quarter;
- During the first quarter of 2022, the Company completed its conversion to an enhanced digital platform. First quarter 2022 noninterest expense included one-time fees of $207,000 related to the new platform;
- Provision credit for loan and lease losses was $320,000 compared with provision credit for loan and lease losses of $150,000 for the year-earlier quarter and $0 for the previous quarter;
- Total nonperforming assets dropped to $1.0 million, or 0.05% of total assets; and
- Total assets reached a record $2.1 billion and total deposits reached a record $2.0 billion.

Commenting on the results, Brian K. Williams, Chairman and Chief Executive Officer of First Farmers, said, "We are pleased to report solid growth in net income, deposits and assets during the first quarter. We also reported a return to organic loan growth following the expiration of the Small Business Administration's Paycheck Protection Program (PPP) last year. Our pipeline for new loans is also strong representing growth from across our markets.

"First Farmers' loan quality continued to improve in the first quarter of 2022. We reported a decrease in nonperforming loans compared with the fourth quarter and the prior year's first quarter. These improvements were reflected in this quarter's provision credit for loan and lease losses that contributed to our double-digit growth in net income.

"Last year, we announced plans to significantly enhance our customers' digital banking experience. The conversion was completed successfully during the first quarter, and our operations team did an excellent job. Our new digital banking platform is best-in-class and provides First Farmers' customers with enhanced services and access to their retail and business accounts. We also expect to roll out additional services and upgrades in the future with the enhanced backbone of the new platform."

Robert E. Krimmel, Chief Financial Officer, added, "We have a very strong balance sheet that is positioned well to fund new loan growth and grow interest income. Our balance sheet is favorably weighted towards assets, allowing First Farmers to benefit from rising interest rates in the coming year.

"Last year, our net interest income benefited from higher loan fees generated through First Farmers participation in the SBA's PPP. We recorded $518,000 in SBA PPP loan fees during the fourth quarter of 2021 that boosted our net interest margin; however, this program expired last year and there was no comparable benefit in the first quarter of 2022. The Federal Reserve is expected to raise interest rates in 2022 to combat higher inflation, and we expect this will benefit our earnings through higher loan yields and growth in our net interest margin in 2022.

"We remain focused on building our sources of noninterest income and reported higher trust services fee income and service fees on deposits in the first quarter of 2022. This growth was offset partially by lower mortgage banking activities due to a reduction in mortgage loan refinancing activity as rates increased and reduced housing inventory weighed on purchase volume in many of our markets. We also remain focused on expense control and reported lower noninterest expenses in the first quarter of 2022. Our new digital banking platform provides a solid foundation to scale our digital banking services and improve our operating efficiency as we grow in the future."

First Quarter 2022 Results of Operations

Net income rose 22.6% to $3.7 million, up $679,000 from the year-earlier first quarter. The improvement in earnings was driven by growth in net interest income of $525,000, a $265,000 decline in non-interest expense and a $170,000 increase in provision credit for loan and lease losses. Net income, adjusted for special items, was $3.8 million, up $921,000, or 31.6%, from the year earlier quarter. The increase in adjusted net income benefited from $1.1 million of growth in income on investment securities offset in part by a decline of $803,000 in SBA PPP loan fees, a $531,000 decline in salaries and employee benefits and a $170,000 increase in provision credit for loan and lease loss expense. The increase in provision credit was related to improving credit quality metrics for our loan portfolio and a $93,000 recovery for a loan charged off in the fourth quarter of 2021.

Net income increased $611,000, or 19.9%, from the sequential fourth quarter while adjusted net income decreased $196,000, or 4.9%. The decrease in adjusted earnings was due to a $518,000 decline in SBA PPP fees due to the expiration of the program, partially offset by a provision credit for allowance for loan and lease losses of $320,000.

For the first quarter of 2022, securities available-for-sale increased $100 million driven by growth in deposits from the previous quarter. The growth in securities available-for-sale was offset partially by an unrealized loss adjustment of $50 million as bond prices were driven lower with higher interest rates as the Fed discontinued its quantitative easing program and raised short-term interest rates.

Our outstanding loan balances increased $4 million, or 1.9% on an annualized basis, to $891 million as we returned to organic loan growth for the quarter. Total deposits increased $207 million, or 11.6%, from the previous quarter to a record $2.0 billion and increased $292 million, or 17.1%, from the year-earlier period. Total shareholders' equity declined $34 million due to the unrealized loss adjustment to our available-for-sale securities portfolio that totaled $37 million, net of tax, for the first quarter. The fair market value of our available-for-sale securities portfolio is adjusted each quarter based on changes in interest rates.

"We expect the rising interest rate environment predicted for 2022 to have a negative impact on the value of our available-for-sale securities portfolio," continued Krimmel. "However, given the quality of our investments and the structure of its cashflow, we expect these unrealized loss adjustments to be temporary and reverse over time as the portfolio pays down."

Asset Quality

Asset quality improved in the first quarter of 2022. Nonperforming assets declined to $1.0 million at the end of the first quarter of 2022 and totaled 0.05% of total assets, down from $1.2 million, or 0.06%, from the previous quarter. Nonperforming assets were down $544,000, or 0.08% of total assets, from the year-earlier first quarter. Net recoveries to average loans were 0.05% for the first quarter of 2022 compared with net charge-offs of 0.00% for the previous quarter and 0.00% for the year-earlier quarter. A provision credit in the amount of $320,000 was recorded during the first quarter of 2022. The allowance for loan and lease losses represented 1.05% of total loans outstanding for the first quarter of 2022 compared with 1.08% for the previous quarter and 1.03% for the year-earlier quarter.

Capital Management Initiatives

During the first quarter of 2022, First Farmers repurchased 466 shares of the Company's common stock under a Rule 10b-18 plan of the Securities Exchange Act of 1934 at an average price of $34.66 per share in accordance with the Company's stock repurchase program. Authorization to repurchase approximately 199,000 shares remains under the current program, which is set to expire in December 2022, 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, 2022, First Farmers reported total assets of approximately $2.1 billion, total shareholders' equity of approximately $124 million, and administered trust assets of $5.9 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, one-time executive retirement benefits, one-time digital conversion fees, 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,
	2022	2021	2021
Total non-interest income	$ 3,466	$ 3,550	$ 3,863
Gain on sale of securities	-	(121)	(254)
Adjusted non-interest income	$ 3,466	$ 3,429	$ 3,609
Total non-interest expense	$ 10,425	$ 10,690	$ 11,953
One-time employee benefit accrual adjustment	-	-	(1,553)
One-time digital conversion fees	(207)	-	-
Adjusted non-interest expense	$ 10,218	$ 10,690	$ 10,400
Net income as reported	$ 3,682	$ 3,003	$ 3,071
Total adjustments, net of tax[1]	153	(89)	960
Adjusted net income	$ 3,835	$ 2,914	$ 4,031
Basic earnings per share	$ 0.85	$ 0.69	$ 0.71
Total adjustments, net of tax[1]	0.04	(0.02)	0.22
Adjusted basic earnings per share	$ 0.89	$ 0.67	$ 0.93

(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, 2022	December 31, 2021[1]
ASSETS	Cash and due from banks	$ 28,534	$ 19,791
	Interest-bearing deposits	178,790	75,065
	Federal funds sold	745	8,374
	Total cash and cash equivalents	208,069	103,230
	Securities:		
	Available-for-sale	926,944	876,987
	Held-to-maturity (fair market value $15,013 and $15,932 as of the periods presented)	15,118	15,128
	Equity securities	2,481	2,481
	Loans held-for-sale	931	2,197
	Loans, net of deferred fees	891,108	886,891
	Allowance for loan and lease losses	(9,388)	(9,605)
	Net loans	881,720	877,286
	Bank premises and equipment, net	32,554	32,627
	Bank-owned life insurance	35,471	35,354
	Goodwill	9,018	9,018
	Other assets	31,900	18,430
	TOTAL ASSETS	$ 2,144,206	$ 1,972,738
LIABILITIES	Deposits:		
	Noninterest-bearing	$ 666,854	$ 522,725
	Interest-bearing	1,331,321	1,268,481
	Total deposits	1,998,175	1,791,206
	Securities sold under agreements to repurchase	-	-
	Accounts payable and accrued liabilities	21,729	22,901
	TOTAL LIABILITIES	2,019,904	1,814,107
SHAREHOLDERS' EQUITY	Common stock - $10 par value per share, 8,000,000 shares authorized; 4,316,840 and 4,317,306 shares issued and outstanding as of the periods presented	43,168	43,173
	Retained earnings	122,272	119,507
	Accumulated other comprehensive (loss) income	(41,233)	(4,144)
	Total shareholders' equity attributable to First Farmers and Merchants Corporation	124,207	158,536
	Noncontrolling interest - preferred stock of subsidiary	95	95
	TOTAL SHAREHOLDERS' EQUITY	124,302	158,631
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 2,144,206	$ 1,972,738

[1] Derived from audited financial statements as of December 31, 2021.

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

		Three Months Ended March 31,	
	(dollars in thousands, except per share data)	**2022**	**2021**
INTEREST AND DIVIDEND INCOME	Interest and fees on loans	$ 8,587	$ 9,611
	Income on investment securities		
	Taxable interest	2,364	1,241
	Exempt from federal income tax	509	493
	Interest from federal funds sold and other	30	26
	Total interest income	11,490	11,371
INTEREST EXPENSE	Interest on deposits	372	778
	Interest on other borrowings	-	-
	Total interest expense	372	778
	Net interest income	11,118	10,593
	Provision credit for loan and lease losses	(320)	(150)
	Net interest income after provision	11,438	10,743
NON-INTEREST INCOME	Mortgage banking activities	267	468
	Trust services fee income	1,066	975
	Service fees on deposit accounts	1,750	1,649
	Investment services fee income	110	82
	Earnings on bank owned life insurance	116	99
	Gain on sale of available-for-sale securities	-	121
	Other non-interest income	157	156
	Total non-interest income	3,466	3,550
NON-INTEREST EXPENSE	Salaries and employee benefits	5,869	6,400
	Net occupancy expense	662	751
	Depreciation expense	454	509
	Data processing expense	1,058	783
	Software support and other computer expense	847	724
	Legal and professional fees	301	226
	Audit and exam expenses	176	176
	Advertising and promotions	203	256
	FDIC insurance premium expense	169	153
	Other non-interest expense	686	712
	Total non-interest expense	10,425	10,690
	Income before provision for income taxes	4,479	3,603
	Provision for income taxes	797	600
	Net income before non-controlling interest - dividends on preferred stock of subsidiary	3,682	3,003
	Non-controlling interest - dividends on preferred stock subsidiary	-	-
	Net income for common shareholders	$ 3,682	$ 3,003
	Weighted average shares outstanding	4,317,169	4,359,405
	Earnings per share	$ 0.85	$ 0.69

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, 2022**	**December 31, 2021**	**September 30, 2021**	**June 30, 2021**	**March 31, 2021**
Results of Operations:					
Interest income	$ 11,490	$ 12,151	$ 12,143	$ 11,872	$ 11,371
Interest expense	372	400	517	686	778
Net interest income	11,118	11,751	11,626	11,186	10,593
Provision credit for loan and lease losses	(320)	-	-	-	(150)
Non-interest income	3,466	3,863	3,712	5,658	3,550
Non-interest expense and non-controlling interes – preferred stock of subsidiary	10,425	11,961	10,398	9,933	10,690
Income before income taxes	4,479	3,653	4,940	6,911	3,603
Income taxes	797	582	871	1,435	600
Net income for common shareholders	$ 3,682	$ 3,071	$ 4,069	$ 5,476	$ 3,003
Per Share Data:					
Basic earnings per share	$ 0.85	$ 0.71	$ 0.94	$ 1.26	$ 0.69
Weighted average shares outstanding per quarter	4,317,169	4,326,090	4,340,048	4,357,546	4,359,405
Financial Condition Data and Ratios:					
Total securities	$ 944,543	$ 894,596	$ 848,223	$ 785,606	$ 828,466
Available-for-sale securities, fair market value	$ 926,944	$ 876,987	$ 829,180	$ 766,552	$ 809,640
Available-for-sale securities, amortized cost	$ 983,958	$ 883,853	$ 828,465	$ 763,750	$ 813,993
Loans, net of deferred fees	$ 891,108	$ 886,891	$ 829,895	$ 908,510	$ 927,232
Allowance for loan and lease losses	$ (9,388)	$ (9,605)	$ (9,590)	$ (9,581)	$ (9,575)
Total assets	$ 2,144,206	$ 1,972,738	$ 1,920,554	$ 1,878,942	$ 1,879,018
Total deposits	$ 1,998,175	$ 1,791,206	$ 1,736,614	$ 1,695,990	$ 1,706,177
Net interest income, on a fully taxable-equivalent basis	$ 11,379	$ 12,013	$ 11,899	$ 11,484	$ 10,841
Net interest margin	2.43%	2.62%	2.63%	2.60%	2.55%
Asset Quality Data and Ratios:					
Total nonperforming assets	$ 1,002	$ 1,217	$ 1,579	$ 1,347	$ 1,546
Nonperforming assets to total assets	0.05%	0.06%	0.08%	0.07%	0.08%
Allowance for loan and lease losses to total loans	1.05%	1.08%	1.06%	1.05%	1.03%
Net (recoveries) charge-offs to average loans (annualized)	(0.05%)	0.00%	0.00%	0.00%	0.00%

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