



F&M BANK REPORTS POSITIVE FINANCIAL NEWS FOR 2005

COLUMBIA, Tenn. April 19, 2006 – During its annual stockholders meeting on April 18, First Farmers & Merchants Bank reported a year of positive results. Interest and dividend income, net loans, shareholders' equity, net interest income after provision for loan losses and market value of the bank's stock all increased over the previous year.

“This is an exciting time for First Farmers & Merchants Bank,” said T. Randy Stevens, F&M chairman and chief executive officer. “In addition to generating positive financial results, we became a state-chartered financial institution, expanded our reach into Williamson County and opened a new office in Dickson. All of these efforts have yielded positive results for our stockholders and positioned us for future success as well.”

F&M reported that shareholders' equity increased by \$2.3 million in 2005 for a year-end total of \$106 million, part of a 33.45 percent growth over the last five years. F&M's tier one capital to average assets percentage was 12.13 percent on December 31, 2005, up 6.8 percent from 2004 and 24.3 percent stronger than three years ago.

The value of F&M stock increased by 6.7 percent during the past year. The year-end value of one share was \$48, part of a total market increase of 28 percent over the last three years.

“A \$100 investment in the holding company's stock grew by more than 65 percent in the last five years. Investing in F&M was more profitable than making a comparable investment at other banks. For example, the regional banks' index showed an average increase of just 42 percent during this time,” Stevens said.

Net loans grew by 2.6 percent increase during the year and totaled \$452 million at year-end. Over the past two years, net loans have increased by 9.1 percent. Net interest income after provision for loan losses rose by 1.2 percent in 2005, as well, to \$30 million.

“F&M continues to improve an already strong portfolio of sound loans, which is our largest asset and income source,” said Stevens. “We also displayed solid credit management in 2005. Total past due loans as a percentage of total gross loans at the end were at 0.88 percent – well below that of banks in our peer group. It's also a 35 percent improvement over the previous year end.”

F&M also announced that total interest and dividend income increased by 4.1 percent over the past year, from \$37.6 million to \$39.1 million. Total net income decreased by

1.5 percent, from \$8.9 million to \$8.7 million.

“As we continue to be successful, our core values of relationships, leadership and commitment to our shareholders and customers will remain strong,” said Stevens. “We will always be a hometown bank, no matter how much we grow or how many hometowns we serve.”

In addition to reporting year-end figures, stockholders attending the meeting voted to reinstate members of the F&M’s Board of Directors. Those who were voted on include: Kenneth A. Abercrombie, James L. Bailey Jr., Hulet M. Chaney, H. Terry Cook Jr., Tom Napier Gordon, Dr. O. Rebecca Hawkins, Dr. Joseph W. Remke III, T. Randy Stevens, John P. Tomlinson III, William R. Walter, Dan C Wheeler, Dr. David S. Williams, W. Donald Wright and James E. York.

Founded in 1909, First Farmers & Merchants Bank (Member FDIC) is one of the largest independent banks in Tennessee, with total assets over \$800 million and an additional \$2.5 billion in assets held by its Trust & Financial Management Department. Headquartered in Columbia, the bank operates 19 offices in a seven-county area that includes Maury, Lawrence, Marshall, Hickman, Dickson, Giles and Williamson counties. It is distinguished by its commitment to traditional, personal banking relationships that incorporate state-of-the-art technology to provide the highest possible level of service.

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