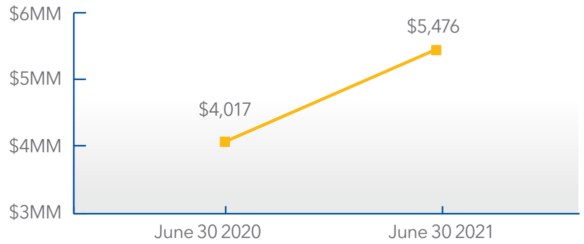
# Second Quarter Highlights

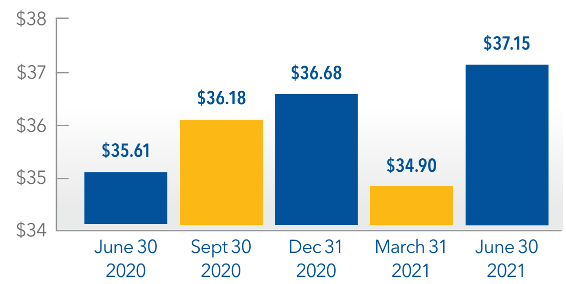
Dollars in thousands, except per share data

## Net Income*

36% Increase

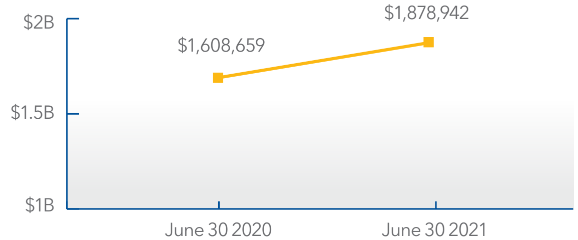



## Book Value per Share

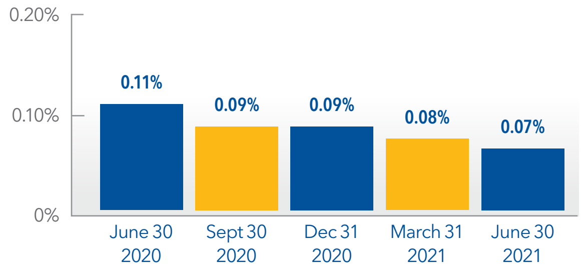



## Total Assets

17% Increase




## Nonperforming Assets to Total Assets




**Recorded a one-time gain on the sale of Visa stock during the second quarter of 2021 for $1.3 million, net of tax*

# Celebrating a Century of Growing in Tennessee

For 100 years, Tennessee Farm Bureau Federation has served the people of our state, and we're proud to have partnered with this great organization along the way. As we celebrate such a significant milestone, we take this opportunity to reflect on our partnership and how it has evolved.

The foundation of the relationship between First Farmers and Tennessee Farm Bureau Federation dates back to 1949 when the retired leader of the Tennessee Farm Bureau, Joe Frank Porter, became president of the bank at the suggestion of Clarence Welchel, the CEO of First Farmers at the time.

Mr. Welchel and Mr. Porter worked together to lead the bank until Porter's passing in 1951, paving the way for First Farmers and Tennessee Farm Bureau Federation to enjoy years of partnership.

First Farmers and Tennessee Farm Bureau have each grown over the years, but the one thing that has never changed is our shared values, principles and commitment to the people we serve. Please join us in celebrating Tennessee Farm Bureau Federation's 100 years of quality service to the people of Tennessee.

## Investing in Youth Development

First Farmers proudly supports our youth throughout the communities we serve. Continuing our longstanding partnership with two local organizations, our team recently presented donations to the Boys & Girls Clubs of South Central Tennessee and aMuse'um Children's Museum of Columbia, Tennessee.

*(L to R)*: First Farmers bankers Trenton Schmidt with daughters Dabney and Lollie; Jennifer Adams, aMuse'um Children's Museum; Brian Williams, First Farmers President; and Robert Stevenson with daughter Marleigh joined together for our 2021 donation to aMuse'um Children's Museum in June.

SHAREHOLDER REPORT

Summer 2021

FIRST FARMERS®
Grow With Us.

# Dear Shareholders,

We are pleased to report that First Farmers reported record net income for the second quarter of 2021. Our favorable results were due to renewed growth in our loan portfolio, net of SBA PPP loans, and organic growth in banking services, trust services and mortgage banking activities. We also recorded a one-time gain of $1.3 million, net of tax, on the sale of the Company's Visa Class B common stock.

**Record Second Quarter**

We reported record net income of $5.5 million, or $1.26 per common share, in the second quarter. Our net income was up 36% from the second quarter of last year and up 82% from the first quarter of 2021. Adjusted net income which excludes special items rose 13.7% to $3.9 million from the second quarter of 2020 and was up 34.3% from the first quarter of 2021. The growth in our net income highlights the solid performance of the bank's core lines of business.

We reported growth in net interest income and non-interest income alongside focused management of operating expenses. Continued growth in non-interest income benefited from increases in services fees on deposit accounts, trust services fees and mortgage banking activities. The combination of organic growth and the gain from the sale of our Visa stock investment resulted in record quarterly net income.

We experienced positive trends in loan demand since the first quarter due to renewed economic activity and the more positive outlook of our customers as they transitioned out of COVID restrictions. Increased construction loan demand reflects the vibrant housing market in Middle Tennessee. Our net loans, excluding SBA PPP loans, grew at a 6% annualized rate to $899 million in the second quarter compared with our first quarter. We saw robust economic activity across our markets and expect that will result in improved loan activity over the remainder of the year.

Second quarter results also highlighted the continuation of our excellent credit quality. Total nonperforming assets declined to a record low $1.3 million, or 0.07% of total assets, from the previous quarter. We recorded no provision for loan losses in the second quarter due to an upgrade in our economic outlook and improvement in our credit metrics. We believe that our attractive credit metrics reflect the strength of the bank's markets and our continued focus on safety and soundness.

One of the best gauges of shareholder value creation is book value per share. We are pleased to report that First Farmers' book value per share increased 6.5% to $37.15 compared with the first quarter of 2021, up $2.25 per share. We also increased our repurchases of First Farmers' stock in the second quarter. We repurchased 10,900 shares during the quarter, a significant increase over our first quarter purchases of 930 shares.

**Outlook for 2021**

First Farmers' brand and banking franchise is deeply rooted across Middle Tennessee. Our markets include some of the fastest growing areas in the country as evidenced by the general health of the Middle Tennessee economy, new job creation and the contribution of new businesses coming to Tennessee.

We believe our success is due to the strong team at First Farmers, which has done an outstanding job in growing and supporting our customer base. They continue to work closely with our customers to support their banking needs and to be the financial partner they value and trust. We are also making investments to expand our product offerings, improve our operational efficiency and deliver improved customer experience. We expect these investments to contribute to our future growth opportunities.

We remain optimistic about our continued performance in 2021 based on improved economic trends, a strong balance sheet, growth in our loan pipeline, improvements in our net interest margin and the continuation of solid credit trends. We value your investment in First Farmers and look forward to reporting on our continued progress in 2021.

Sincerely,

**T. Randy Stevens**
Chairman & CEO

**Brian K. Williams**
President

# Second Quarter 2021

## Results of Operations

Six Months Ended June 30

| Dollars in thousands, except per share data | 2021 (unaudited) | 2020 (unaudited) |
|---|---|---|
| Interest Income | $23,243 | $23,836 |
| Interest Expense | 1,464 | 2,130 |
| Net Interest Income | 21,779 | 21,706 |
| Provision (credit) for Possible Loan Losses | (150) | 700 |
| Non-interest Income | 9,208 | 7,639 |
| Non-interest Expense | 20,623 | 20,154 |
| Income Before Income Taxes | 10,514 | 8,491 |
| Net Income for Common Shareholders | $8,479 | $7,217 |

## Per Share Data

| | | |
|---|---|---|
| Basic Earnings per Share | $1.95 | $1.65 |

## Financial Condition Data

| | JUNE 30, 2021 (unaudited) | JUNE 30, 2020 (unaudited) |
|---|---|---|
| Total Securities | $785,606 | $392,305 |
| Loans, Net of Deferred Fees | $908,510 | $993,710 |
| Allowance for Loan and Lease Losses | $(9,581) | $(9,695) |
| Total Assets | $1,878,942 | $1,608,659 |

**1.800.882.8378**
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