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# FIRST FARMERS AND MERCHANTS CORPORATION REPORTS SECOND QUARTER RESULTS

***Net Income of $4.5 Million***
***Annualized loan growth accelerates to 23%***

COLUMBIA, Tenn. (July 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 loans and adjusted net income for the second quarter of 2022, compared with 2021.

"First Farmers' strong second quarter results benefited from double digit organic loan growth, increased interest income, and higher non-interest income from trust services fee income and service fees on deposit accounts," stated Brian K. Williams, Chairman and Chief Executive Officer of First Farmers. "For the quarter, total loans grew almost 23% on an annualized basis. We also reported a significant improvement in our efficiency ratio that benefited from our strategy to streamline our operations and move toward innovative technology to support our customers and leverage our long-term growth plans.

"Net income for the second quarter of 2022 was $4.5 million compared with $5.5 million in the second quarter of 2021. Last year's results included a $1.8 million gain, or $1.3 million on an after-tax basis, on the sale of Visa stock that was not repeated this year. Excluding the Visa stock sale, we had double digit growth in net income. Our asset quality also remained strong and highlights our solid loan underwriting and the continued strength of our local economy," continued Williams.

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

- Net income was $4.5 million in the second quarter of 2022 compared with $5.5 million in the year-earlier quarter. The decline in net income from last year was due to a $1.8 million gain on the sale of Visa stock in last year's second quarter. The Visa gain contributed $1.3 million ($0.31 per share) to last year's second quarter's results. Net income per common share was $1.05 in the second quarter of 2022 compared with $1.26 in the second quarter of 2021. Net income rose 23.5% from $3.7 million, or $0.85 per common share, in the first quarter of 2022;
- Adjusted net income, which excludes special items, rose 13.8% to $4.5 million, or $1.03 per common share, compared with $3.9 million, or $0.90 per common share, for the year-earlier quarter (see "Non-GAAP Financial Measures" section);
- Loan growth was up 5.6% for the quarter (22.6% annualized) and up 8.0% from the year-earlier quarter after excluding SBA Paycheck Protection ("SBA PPP") loans;
- Net interest income before provision increased 4.5% to $11.7 million from $11.2 million for the year-earlier quarter.

Williams continued, "We are pleased with our growth in the second quarter and believe our success is due to our team's focus on customer service and our collaborative team approach across our bank. Our growth strategy has focused our resources to enhance customer experience and generate more opportunities for loan and deposit production. We remain very positive about First Farmers' continued growth in the second half of 2022."

Robert E. Krimmel, Chief Financial Officer, added, “Net interest margin rose to 2.46% in the second quarter and benefited from our asset sensitive balance sheet and new loan production. We continue to fund our loan growth from our investment balances and expect this balance sheet shift to enhance future margins and net income as our loan portfolio expands.

“Our core bank earnings were very strong in the second quarter based on improving margins, strength in key non-interest income sources and lower trending non-interest expenses. The quality of these metrics further supports our bank’s efficiency ratio that has improved over the past year and reflects our ongoing strategies to deliver our services more efficiently to our customers. We believe the risk profile of our bank remains very strong and is highlighted by our low levels of nonperforming assets and past due loans, and the quality of new loans generated from our markets.”

**Second Quarter 2022 Results of Operations**

Net income was down 17.1% to $4.5 million, down $938,000 from the year-earlier second quarter. The decline in earnings was driven by a one-time gain on the sale of Visa stock of $1.8 million, a $1.3 million net of tax gain recognized in the second quarter of 2021. Net income, adjusted for special items, increased to $4.5 million, up $539,000 from the year-earlier second quarter driven by growth in net interest income of $507,000 coupled with a decline in non-interest expense $170,000. The increase in net interest income benefited from the growth in income on investment securities of $821,000 offset in part by a reduction in interest and fees on loans of $495,000. The decrease in interest and fees on loans was impacted by $987,000 of SBA PPP loan fees recognized during the second quarter of 2021. The decline in non-interest expense was due to decreases in data processing expense and salaries and employee benefits expense of $195,000 and $194,000, respectively.

Net income increased $856,000, or 23.2%, from the sequential first quarter while adjusted net income grew $617,000, or 16.1%. The improvement in earnings was due to growth in interest and fees on loans of $398,000 outpacing the growth in income on investment securities of $310,000 coupled with a decline in data processing expense of $572,000.

For the second quarter of 2022, securities available-for-sale declined $42 million from the sequential first quarter. Securities available-for-sale, amortized cost decreased $17 million and was used to fund part of the loan growth for the quarter while the unrealized loss adjustment for securities available-for-sale increased another $25 million for the quarter as bond prices were driven lower with higher interest rates as the Fed raised short-term interest rates and made adjustments to their quantitative tightening program. Our outstanding loan balances increased $50 million, or 22.6% on an annualized basis, to $941 million as the Company delivered, robust loan growth for the quarter. Total deposits decreased $118 million, or 5.9%, from the previous quarter to $1.9 billion but increased $185 million, or 10.9%, from the year-earlier period.

Total shareholders’ equity declined $15 million due to the unrealized loss adjustment to the available-for-sale securities portfolio that totaled $19 million, net of tax, for the second quarter. The decline is viewed as temporary by management since the intention is to hold these securities until maturity. Total unrealized losses related to the available-for-sale investment portfolio increased to $82.1 million compared to unrealized gains of $19.1 from the year-earlier quarter, and unrealized losses of $57.0 million for the first quarter of 2022. The fair market value of the Company’s available-for-sale securities portfolio is adjusted each quarter based on changes in interest rates.

## Six Months Results

Net income available to common shareholders was $8.2 million for the first six months of 2022, down 3.1% compared with $8.5 million in the first six months of 2021. Net income per share declined 2.1% to $1.90 for the first six months of 2022 compared with $1.95 in the same period of 2021. The decrease in earnings was driven by a one-time gain on the sale of Visa stock of $1.8 million recognized in the second quarter of 2021 offset in part by growth in net interest income of $1.0 million coupled with a decline in non-interest expense of $435,000. Adjusted net income increased 13.8% to $8.3 million for the first six months of 2022 while adjusted net income per share increased 14.7% compared to the same period in 2021.

The increase in adjusted net income benefited from a 5.5% increase in net interest income after provision for loan losses to $23.1 million supported by growth in income on investment securities of $2.0 million offset in part by a reduction in interest and fees on loans of $1.5 million. The reduction in interest and fees on loans was impacted by $1.8 million in recognized SBA PPP loan fees during the first six months of 2021. Non-interest expenses declined 2.1% in the first six months of 2022 to $20.2 million compared with the same period in 2021. The decrease in non-interest expenses was due mostly to lower salaries and employee benefits and data processing expense; offset by higher software support and other computer expense related to technology upgrades experienced during the first quarter of 2022.

## Asset Quality

Nonperforming assets increased to $1.6 million at the end of the second quarter of 2022 and totaled 0.08% of total assets, up from $1.0 million, or 0.05%, from the previous quarter. Nonperforming assets were up $288,000, or 0.07% of total assets, from the year-earlier first quarter. Net recoveries to average loans were 0.02% for the second quarter of 2022 compared with 0.05% for the previous quarter and net charge-offs of 0.00% for the year-earlier quarter. No adjustments were made to provision for loan and lease losses during the second quarter of 2022. The allowance for loan and lease losses represented 1.00% of total loans outstanding for the second quarter of 2022 compared with 1.05% for the previous quarter and 1.05% for the year-earlier quarter.

## Capital Management Initiatives

During the second quarter of 2022, First Farmers repurchased 6,950 shares of the Company’s common stock in the open market at an average price of $29.77 per share in accordance with the Company’s stock repurchase program. Authorization to repurchase approximately 193,000 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 June 30, 2022, First Farmers reported total assets of approximately $2.0 billion, total shareholders’ equity of approximately $109 million, and administered trust assets of $5.6 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 stock, gain on sale of premises and equipment, 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 | | | Six Months Ended | |
|---|---|---|---|---|---|
| | June 30, | | March 31, | June 30, | |
| | 2022 | 2021 | 2022 | 2022 | 2021 |
| Total non-interest income | $ 3,660 | $ 5,658 | $ 3,466 | $ 7,126 | $ 9,208 |
| Gain on sale of securities | - | (65) | - | - | (186) |
| Gain on equity securities | (25) | (239) | - | (25) | (239) |
| Gain on sale of Visa stock | - | (1,811) | - | (91) | - |
| Gain on sale of premises and equipment | (91) | - | - | - | (1,811) |
| Adjusted non-interest income | $ 3,544 | $ 3,543 | $ 3,466 | $ 7,010 | $ 6,972 |
| | | | | | |
| Total non-interest income | $ 9,755 | $ 9,925 | $ 10,425 | $ 20,180 | $ 20,615 |
| One-time digital conversion fees | - | - | (207) | (207) | - |
| Adjusted non-interest expense | $ 9,755 | $ 9,925 | $ 10,218 | $ 19,973 | $ 20,615 |
| | | | | | |
| Net income as reported | $ 4,538 | $ 5,476 | $ 3,682 | $ 8,220 | $ 8,479 |
| Total adjustments, net of tax[1] | (86) | (1,563) | 153 | 67 | (1,652) |
| Adjusted net income | $ 4,452 | $ 3,913 | $ 3,835 | $ 8,287 | $ 6,827 |
| | | | | | |
| Basic earnings per share | $ 1.05 | $ 1.26 | $ 0.85 | $ 1.90 | $ 1.95 |
| Total adjustments, net of tax[1] | (0.02) | (0.36) | 0.04 | 0.02 | (0.38) |
| Adjusted basic earnings per share | $ 1.03 | $ 0.90 | $ 0.89 | $ 1.92 | $ 1.57 |

(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) June 30, 2022 | December 31, 2021[1] |
|---|---|---|---|
| **ASSETS** | Cash and due from banks | $ 32,074 | $ 19,791 |
| | Interest-bearing deposits | 28,815 | 75,065 |
| | Federal funds sold | 966 | 8,374 |
| | Total cash and cash equivalents | 61,855 | 103,230 |
| | Securities: | | |
| | Available-for-sale | 885,129 | 876,987 |
| | Held-to-maturity (fair market value $14,272 and $15,932 as of the periods presented) | 15,108 | 15,128 |
| | Equity securities | 2,505 | 2,481 |
| | Loans held-for-sale | 988 | 2,197 |
| | Loans, net of deferred fees | 941,357 | 886,891 |
| | Allowance for loan and lease losses | (9,386) | (9,605) |
| | Net loans | 931,971 | 877,286 |
| | Bank premises and equipment, net | 32,237 | 32,627 |
| | Bank-owned life insurance | 35,591 | 35,354 |
| | Goodwill | 9,018 | 9,018 |
| | Deferred tax asset | 23,997 | 4,085 |
| | Other assets | 14,010 | 14,345 |
| | **TOTAL ASSETS** | $ 2,012,409 | $ 1,972,738 |
| **LIABILITIES** | Deposits: | | |
| | Noninterest-bearing | $ 546,946 | $ 522,725 |
| | Interest-bearing | 1,333,666 | 1,268,481 |
| | Total deposits | 1,880,612 | 1,791,206 |
| | Accounts payable and accrued liabilities | 22,641 | 22,901 |
| | **TOTAL LIABILITIES** | 1,903,253 | 1,814,107 |
| **SHAREHOLDERS' EQUITY** | Common stock - $10 par value per share, 8,000,000 shares authorized; 4,309,890 and 4,317,306 shares issued and outstanding as of the periods presented | 43,099 | 43,173 |
| | Retained earnings | 125,767 | 119,507 |
| | Accumulated other comprehensive loss | (59,805) | (4,144) |
| | Total shareholders' equity attributable to First Farmers and Merchants Corporation | 109,061 | 158,536 |
| | Noncontrolling interest - preferred stock of subsidiary | 95 | 95 |
| | **TOTAL SHAREHOLDERS' EQUITY** | 109,156 | 158,631 |
| | **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | $ 2,012,409 | $ 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)**

| | *(dollars in thousands, except per share data)* | Three Months Ended June 30, 2022 | Three Months Ended June 30, 2021 | Six Months Ended June 30, 2022 | Six Months Ended June 30, 2021 |
|---|---|---|---|---|---|
| **INTEREST AND DIVIDEND INCOME** | Interest and fees on loans | $ 8,985 | $ 9,480 | $ 17,572 | $ 19,091 |
| | Income on investment securities | | | | |
| | Taxable interest | 2,615 | 1,780 | 4,979 | 3,021 |
| | Exempt from federal income tax | 512 | 602 | 1,021 | 1,095 |
| | Interest from federal funds sold and other | 86 | 10 | 116 | 36 |
| | Total interest income | 12,198 | 11,872 | 23,688 | 23,243 |
| **INTEREST EXPENSE** | Interest on deposits | 505 | 685 | 877 | 1,463 |
| | Interest on other borrowings | - | 1 | - | 1 |
| | Total interest expense | 505 | 686 | 877 | 1,464 |
| | Net interest income | 11,693 | 11,186 | 22,811 | 21,779 |
| | (Provision credit) for loan and lease losses | - | - | (320) | (150) |
| | Net interest income after provision | 11,693 | 11,186 | 23,131 | 21,929 |
| **NON-INTEREST INCOME** | Mortgage banking activities | 173 | 367 | 440 | 835 |
| | Trust services fee income | 1,027 | 1,017 | 2,093 | 1,992 |
| | Service fees on deposit accounts | 1,944 | 1,795 | 3,694 | 3,444 |
| | Investment services fee income | 110 | 89 | 220 | 171 |
| | Earnings on bank-owned life insurance | 121 | 124 | 237 | 223 |
| | Gain on sale of investments | - | 65 | - | 186 |
| | Gain on equity securities | 25 | - | 25 | 238 |
| | Gain on sale of premises and equipment | 91 | - | 91 | - |
| | Gain on sale of Visa stock | - | 1,811 | - | 1,811 |
| | Other non-interest income | 169 | 390 | 326 | 308 |
| | Total non-interest income | 3,660 | 5,658 | 7,126 | 9,208 |
| **NON-INTEREST EXPENSE** | Salaries and employee benefits | 5,626 | 5,820 | 11,495 | 12,220 |
| | Net occupancy expense | 603 | 648 | 1,141 | 1,399 |
| | Depreciation expense | 478 | 501 | 932 | 1,010 |
| | Data processing expense | 486 | 681 | 1,544 | 1,464 |
| | Software support and other computer expense | 965 | 829 | 1,812 | 1,553 |
| | Legal and professional fees | 218 | 191 | 519 | 417 |
| | Audits and exams expense | 186 | 171 | 362 | 347 |
| | Advertising and promotions | 239 | 232 | 442 | 488 |
| | FDIC insurance premium expense | 161 | 160 | 330 | 313 |
| | Other non-interest expense | 793 | 692 | 1,603 | 1,404 |
| | Total non-interest expense | 9,755 | 9,925 | 20,180 | 20,615 |
| | Income before provision for income taxes | 5,598 | 6,919 | 10,077 | 10,522 |
| | Provision for income taxes | 1,052 | 1,435 | 1,849 | 2,035 |
| | Net income | 4,546 | 5,484 | 8,228 | 8,487 |
| | Noncontrolling interest - dividends on preferred stock subsidiary | 8 | 8 | 8 | 8 |
| | Net income available to common shareholders | $ 4,538 | $ 5,476 | $ 8,220 | $ 8,479 |
| | Weighted average shares outstanding | 4,313,455 | 4,357,546 | 4,315,302 | 4,358,470 |
| | Earnings per share | $ 1.05 | $ 1.26 | $ 1.90 | $ 1.95 |

**FIRST FARMERS AND MERCHANTS CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED FINANCIAL HIGHLIGHTS**
**(unaudited)**

| | For the Three Months Ended | | | | |
|---|---|---|---|---|---|
| *(dollars in thousands, except per share data)* | **June 30, 2022** | **March 31, 2022** | **December 31, 2021** | **September 30, 2021** | **June 30, 2021** |
| **Results of Operations:** | | | | | |
| Interest income | $ 12,198 | $ 11,490 | $ 12,151 | $ 12,143 | $ 11,872 |
| Interest expense | 505 | 372 | 400 | 517 | 686 |
| Net interest income | 11,693 | 11,118 | 11,751 | 11,626 | 11,186 |
| Provision credit for loan and lease losses | - | (320) | - | - | - |
| Non-interest income | 3,660 | 3,466 | 3,863 | 3,712 | 5,658 |
| Non-interest expense and non-controlling interes – preferred stock of subsidiary | 9,755 | 10,425 | 11,961 | 10,398 | 9,933 |
| Income before income taxes | 5,598 | 4,479 | 3,653 | 4,940 | 6,911 |
| Income taxes | 1,052 | 797 | 582 | 871 | 1,435 |
| Net income for common shareholders | $ 4,546 | $ 3,682 | $ 3,071 | $ 4,069 | $ 5,476 |
| **Per Share Data:** | | | | | |
| Basic earnings per share | $ 1.05 | $ 0.85 | $ 0.71 | $ 0.94 | $ 1.26 |
| Weighted average shares outstanding per quarter | 4,313,455 | 4,317,169 | 4,326,090 | 4,340,048 | 4,357,546 |
| **Financial Condition Data and Ratios:** | | | | | |
| Total securities | $ 902,742 | $ 944,543 | $ 894,596 | $ 848,223 | $ 785,606 |
| Available-for-sale securities, fair market value | $ 885,129 | $ 926,944 | $ 876,987 | $ 829,180 | $ 766,552 |
| Available-for-sale securities, amortized cost | $ 967,235 | $ 983,958 | $ 883,853 | $ 828,465 | $ 763,750 |
| Loans, net of deferred fees | $ 941,357 | $ 891,108 | $ 886,891 | $ 902,234 | $ 908,510 |
| Allowance for loan and lease losses | $ (9,386) | $ (9,388) | $ (9,605) | $ (9,590) | $ (9,581) |
| Total assets | $ 2,012,409 | $ 2,144,206 | $ 1,972,738 | $ 1,920,554 | $ 1,878,942 |
| Total deposits | $ 1,880,612 | $ 1,998,175 | $ 1,791,206 | $ 1,736,614 | $ 1,695,990 |
| Net interest income, on a fully taxable-equivalent basis | $ 11,956 | $ 11,379 | $ 12,013 | $ 11,899 | $ 11,484 |
| Net interest margin | 2.46% | 2.43% | 2.62% | 2.63% | 2.60% |
| Efficiency | 62.94% | 68.83% | 66.57% | 67.39% | 66.05% |
| **Asset Quality Data and Ratios:** | | | | | |
| Total nonperforming assets | $ 1,635 | $ 1,002 | $ 1,217 | $ 1,579 | $ 1,347 |
| Nonperforming assets to total assets | 0.08% | 0.05% | 0.06% | 0.08% | 0.07% |
| Allowance for loan and lease losses to total loans | 1.00% | 1.05% | 1.08% | 1.06% | 1.05% |
| Net (recoveries) charge-offs to average loans (annualized) | (0.02%) | (0.05%) | 0.00% | 0.00% | 0.00% |

**-END-**