Third Quarter 2022

Non-GAAP Financial Measures

Statements included in this quarterly report 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 Shareholder Quarterly Report

(Dollars in thousands, except per share data)

	Three Months Ended			Nine Months Ended	
	September 30,		June 30,	September 30,	
	2022	2021	2022	2022	2021
Total non-interest income	$ 3,526	$ 3,712	$ 3,660	$ 10,652	$ 12,920
Gain on sale of securities	-	(181)	-	-	(367)
Gain on equity securities	-	-	(25)	(25)	(239)
Gain on sale of premises and equipment	-	-	(91)	(91)	-
Gain on sale of Visa Stock	-	-	-	-	(1,811)
Adjusted non-interest income	$ 3,526	$ 3,531	$ 3,544	$ 10,536	$ 10,503
Total non-interest expense	$ 10,076	$ 10,398	$ 9,755	$ 30,256	$ 31,013
One-time digital conversion fees	-	-	-	(207)	-
Adjusted non-interest expense	$ 10,076	$ 10,398	$ 9,755	$ 30,049	$ 31,013
Net income as reported	$ 4,803	$ 4,069	$ 4,538	$ 13,023	$ 12,548
Total adjustments, net of tax[1]	-	(134)	(86)	67	(1,786)
Adjusted net income	$ 4,803	$ 3,935	$ 4,452	$ 13,090	$ 10,762
Basic earnings per share	$ 1.12	$ 0.94	$ 1.05	$ 3.02	$ 2.88
Total adjustments, net of tax[1]	-	(0.03)	(0.02)	0.02	(0.41)
Adjusted basic earnings per share	$ 1.12	$ 0.91	$ 1.03	$ 3.04	$ 2.47

(1) The effective tax rate of 26.1% is used to determine net of tax amounts.

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First Farmers and Merchants Corporation and Subsidiaries
Consolidated Financial Highlights

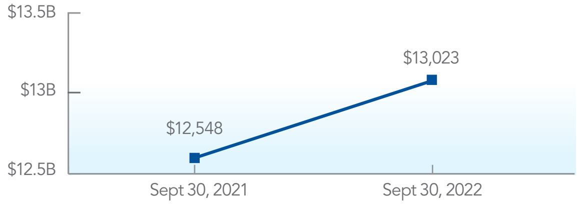
(unaudited)

	For the Three Months Ended				
(dollars in thousands, except per share data)	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Results of Operations:					
Interest income	$ 13,279	$ 12,198	$ 11,490	$ 12,151	$ 12,143
Interest expense	810	505	372	400	517
Net interest income	12,469	11,693	11,118	11,751	11,626
Provision credit for loan and lease losses	-	-	(320)	-	-
Non-interest income	3,526	3,660	3,466	3,863	3,712
Non-interest expense and non-controlling interest – preferred stock of subsidiary	10,076	9,763	10,425	11,961	10,398
Income before income taxes	5,919	5,590	4,479	3,653	4,940
Income taxes	1,116	1,052	797	582	871
Net income for common shareholders	$ 4,803	$ 4,538	$ 3,682	$ 3,071	$ 4,069
Per Share Data:					
Basic earnings per share	$ 1.12	$ 1.05	$ 0.85	$ 0.71	$ 0.94
Weighted average shares outstanding per quarter	4,301,056	4,313,455	4,317,169	4,326,090	4,340,048
Financial Condition Data and Ratios:					
Total securities	$ 842,896	$ 902,742	$ 944,543	$ 894,596	$ 848,223
Available-for-sale securities, fair market value	$ 825,293	$ 885,129	$ 926,944	$ 876,987	$ 829,180
Available-for-sale securities, amortized cost	$ 944,987	$ 967,235	$ 983,958	$ 883,853	$ 828,465
Loans, net of deferred fees	$ 951,279	$ 941,357	$ 891,108	$ 886,891	$ 902,234
Allowance for loan and lease losses	$ (9,383)	$ (9,386)	$ (9,388)	$ (9,605)	$ (9,590)
Total assets	$ 1,941,415	$ 2,012,409	$ 2,144,206	$ 1,972,738	$ 1,920,554
Total deposits	$ 1,833,041	$ 1,880,612	$ 1,998,175	$ 1,791,206	$ 1,736,614
Net interest income, on a fully taxable-equivalent basis	$ 12,726	$ 11,956	$ 11,379	$ 12,013	$ 11,899
Net interest margin	2.61%	2.46%	2.43%	2.62%	2.63%
Efficiency	62.15%	62.94%	68.83%	66.57%	67.39%
Asset Quality Data and Ratios:					
Total nonperforming assets	$ 711	$ 1,635	$ 1,002	$ 1,217	$ 1,579
Nonperforming assets to total assets	0.04%	0.08%	0.05%	0.06%	0.08%
Allowance for loan and lease losses to total loans	0.99%	1.00%	1.05%	1.08%	1.06%
Net (recoveries) charge-offs to average loans (annualized)	(0.01%)	(0.02%)	(0.05)%	0.00%	0.00%

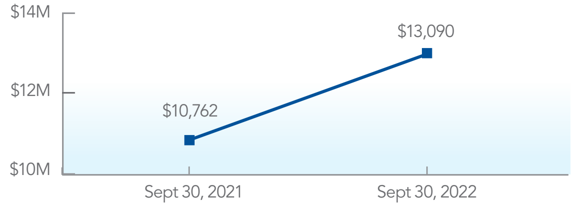
Third Quarter Highlights

Dollars in thousands, except per share data

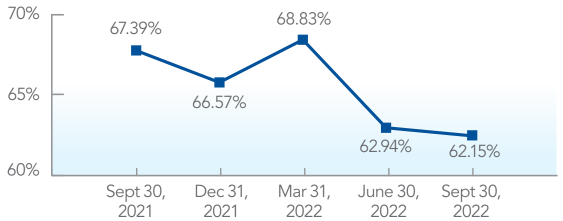
Net Income *3.8% increase**



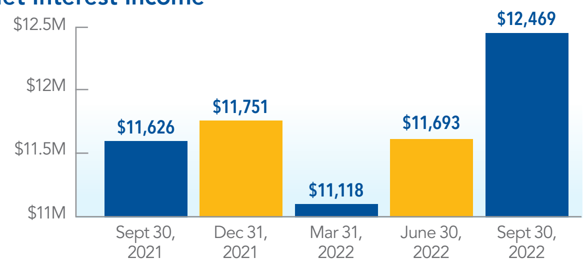
Adjusted Net Income *21.6% Increase*



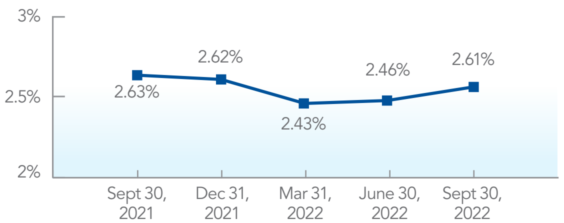
Efficiency Ratio



Net Interest Income**



Net Interest Margin**



* June 31, 2021 results include a $1.8 million gain, or $1.3 million on an after-tax basis, on the sale of Visa stock.

** SBA PPP Fees recorded by each quarter include: 3Q21 - $1,311,000 and 4Q21 - $521,000

Q3 Shareholder Report

FALL 2022

FIRST FARMERS
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Dear Fellow Shareholders,

We are pleased to report that First Farmers announced double digit growth in net income for the third quarter of 2022, compared with the same period in 2021. The majority of our year-to-date 2022 earnings were generated by our bank's core operations and reflect solid growth in our loan portfolio, higher net interest margin and lower non-interest expenses compared with last year. Along with expectations for continued growth in the fourth quarter, we are on pace to report record net income for 2022.

Record Third Quarter 2022 Results

Net income rose 18.0% to $4.8 million in the third quarter of 2022 compared with $4.1 million in the third quarter of 2021. Net income per common share rose to $1.12 in the third quarter of 2022 compared with $0.94 in the third quarter of 2021. Compared with second quarter 2022, net income rose 5.8% from $4.5 million, or $1.05 per common share.

Adjusted net income, which excludes special items, rose 22.1% to a record $4.8 million, or $1.12 per common share, compared with $3.9 million, or $0.91 per common share, for the year-earlier quarter. Third quarter adjusted net income rose 7.9% from $4.5 million, or $1.03 per common share, reported in the second quarter of 2022.

Our net interest income before provision increased 7.3% to $12.5 million from $11.6 million for the year-earlier quarter. Net loans grew 1.1% from the second quarter of 2022 and were up 5.4% from the third quarter of 2021, after excluding SBA Paycheck Protection loans. Our net interest margin improved to 2.61% in the third quarter and benefited from new loans added with higher interest rates. The bank's balance sheet remains asset sensitive, and we expect to benefit from future interest rate increases as the Federal Reserve strives to dampen inflation.

Our asset quality is very strong and improved since last year based on the continued reduction in non-performing loans, low loan losses and the high quality of new loans added this year. Total nonperforming assets dropped to $711,000, or 0.04% of total assets. We have benefited from a strong economy in the markets we serve and remain focused on protecting our asset quality through careful underwriting of new loans, reducing lending activity in higher risk segments, and remaining close to our customer base as part of our early warning system to protect future earnings.

New Technology Drives Improved Efficiency

The bank's efficiency ratio continued to improve and declined to a four year low of 62.15% in the third quarter, reflecting growth in revenue and a disciplined cost structure. We continue to adopt new technology to contain costs and elevate our suite of services. In the first quarter of 2022, we announced the implementation of a new digital banking platform. During the third quarter we increased our investment in these systems, including a new lending platform, which we expect to roll out in 2023. The new systems are designed to support our employees, improve our customer experience, and generate more opportunities for loan and deposit production.

Rewarding Shareholders

Our Board of Directors recently approved a 9.5% increase in our quarterly cash dividend to $0.23 per share reflecting strong financial results in 2022. During the third quarter of 2022, First Farmers also repurchased 13,529 shares of the Company's common stock in the open market at an average price of $31.44 per share, which represents a 95% increase compared to the second quarter of 2022. Authorization to repurchase approximately 179,000 shares remains under the current program, which is set to expire in December 2022, unless extended or otherwise completed. We believe the increased dividend and stock repurchases demonstrate our Board's commitment to deliver long-term shareholder value.

Well Positioned for Future Growth

Looking ahead, we are well positioned with a strong balance sheet, measured origination of new loans, and integration of new technology solutions to enhance our operating efficiency. First Farmers understands that each investor places their trust in our team to be prudent managers of their capital investment. We value your investment in First Farmers and look forward to reporting our continued progress at year end.

Sincerely,

Brian K. Williams

Chairman & Chief Executive Officer