First Quarter 2023

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 losses, 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		
	March 31,		December 31,
	2023	2022	2022
Total non-interest income	$ 2,754	$ 3,466	$ 3,495
Loss on sale of securities	183	-	5
Loss on equity securities	351	-	-
Gain on sale of premises and equipment	(4)	-	-
Adjusted non-interest income	$ 3,284	$ 3,466	$ 3,500
Total non-interest expense	$ 10,059	$ 10,425	$ 9,912
One-time digital conversion fees	-	(207)	-
Adjusted non-interest expense	$ 10,059	$ 10,218	$ 9,912
Net income as reported	$ 4,013	$ 3,682	$ 5,027
Total adjustments, net of tax[1]	392	153	4
Adjusted net income	$ 4,405	$ 3,835	$ 5,031
Basic earnings per share	$ 0.94	$ 0.85	$ 1.17
Total adjustments, net of tax[1]	0.09	0.04	-
Adjusted basic earnings per share	$ 1.03	$ 0.89	$ 1.17

(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)

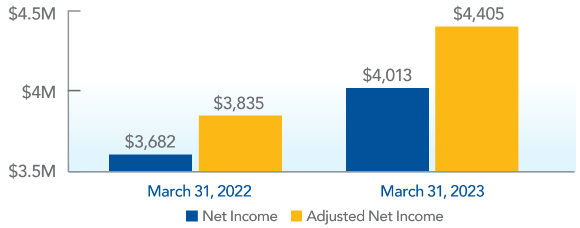
	For the Three Months Ended				
(dollars in thousands, except per share data)	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
Results of Operations:					
Interest income	$ 14,401	$ 14,256	$ 13,279	$ 12,198	$ 11,490
Interest expense	2,189	1,552	810	505	372
Net interest income	12,212	12,704	12,469	11,693	11,118
Provision credit for loan losses	-	-	-	-	(320)
Non-interest income	2,754	3,495	3,526	3,660	3,466
Non-interest expense and non-controlling interest – preferred stock of subsidiary	10,059	9,920	10,076	9,763	10,425
Income before income taxes	4,907	6,279	5,919	5,590	4,479
Income taxes	894	1,252	1,116	1,052	797
Net income for common shareholders	$ 4,013	$ 5,027	$ 4,803	$ 4,538	$ 3,682
Per Share Data:					
Basic earnings per share	$ 0.94	$ 1.17	$ 1.12	$ 1.05	$ 0.85
Book value per share	$ 25.72	$ 22.59	$ 19.70	$ 25.30	$ 28.77
Weighted average shares outstanding per quarter	4,273,571	4,290,886	4,301,056	4,313,455	4,317,169
Financial Condition Data and Ratios:					
Total securities	$ 803,652	$ 828,183	$ 842,896	$ 902,742	$ 944,543
Available-for-sale securities, fair market value	$ 786,430	$ 810,591	$ 825,293	$ 885,129	$ 926,944
Available-for-sale securities, amortized cost	$ 880,890	$ 918,936	$ 944,987	$ 967,235	$ 983,958
Loans, net of deferred fees	$ 972,093	$ 966,167	$ 951,279	$ 941,357	$ 891,108
Allowance for credit losses [1]	$ (8,497)	$ (9,382)	$ (9,383)	$ (9,386)	$ (9,388)
Total assets	$ 1,913,481	$ 1,942,289	$ 1,941,415	$ 2,012,409	$ 2,144,206
Total deposits	$ 1,776,987	$ 1,798,628	$ 1,833,041	$ 1,880,612	$ 1,998,175
Net interest income, on a fully taxable-equivalent basis	$ 12,456	$ 12,943	$ 12,726	$ 11,956	$ 11,379
Net interest margin	2.67%	2.69%	2.61%	2.46%	2.43%
Efficiency	64.05%	60.40%	62.15%	62.94%	68.83%
Asset Quality Data and Ratios:					
Total nonperforming assets	$ 873	$ 705	$ 711	$ 1,635	$ 1,002
Nonperforming assets to total assets	0.05%	0.04%	0.04%	0.08%	0.05%
Allowance for credit losses to total loans [1]	0.87%	0.97%	0.99%	1.00%	1.05%
Net recoveries to average loans (annualized)	0.00%	(0.01)%	(0.01)%	(0.02)%	(0.05)%

(1) Prior-quarter data presents allowance for loan and lease losses prior to the adoption of the CECL accounting standard on January 1, 2023.

First Quarter Highlights

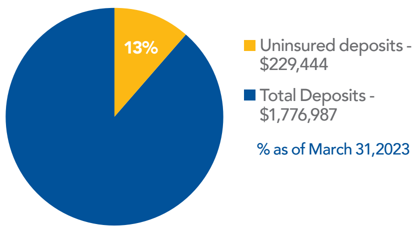
Dollars in thousands, except per share data

Net Income and Adjusted Net Income

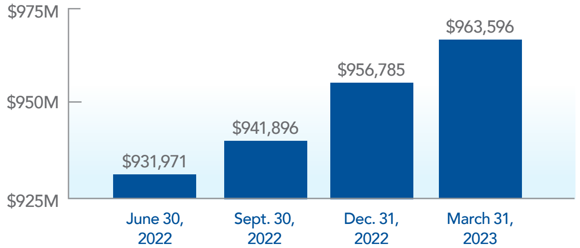


Book Value Per Share

Total Deposits



Net Loans



Net Interest Margin**

Q1 Shareholder Report

SPRING 2023

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Dear Fellow Shareholders,

We are pleased to report that First Farmers achieved growth in net income, loans and book value per share in the first quarter ended March 31, 2023. The positive contributions from our entire team at First Farmers combined with the relative strength in our regions' economy contributed to our solid start for 2023.

The banking industry has faced significant turmoil in recent months with high-profile bank closures and pressure on banks' liquidity and capital. Despite these challenges, First Farmers is positioned well in the current economic and banking environment. We saw stability in our deposits during the first quarter as a result of our customers' confidence in our Bank, as well as our very high percentage of insured deposits. Our deposit base is primarily from consumers and businesses in our markets with about 87% of our deposits fully insured by the FDIC, or collateralized, and this compares very favorably to an industry average of approximately 60% in insured deposits.

Our Bank's liquidity measures two to four times higher than our target rate. With excess liquidity and a strong capital position, we are confident in our ability to navigate potential industry and economic challenges.

Record First Quarter

We reported a 9.0% increase in net income of $4.0 million in the first quarter of 2023 compared with $3.7 million in the same quarter last year. Our earnings per share rose 10.6% to $0.85 in the first quarter, and adjusted net income, which excludes special items, rose 14.9% to $4.4 million, or $1.03 per share, compared with the first quarter of 2022. Our earnings performance benefited from growth in net interest income, lower expenses and improved operating efficiency since last year.

Non-interest income saw growth in trust services fee income that was offset by lower mortgage banking activities as higher interest rates reduced the demand for new and refinanced mortgages. Service fees on deposits were down slightly due to our elimination of non-sufficient funds fees and lower consumer overdraft fees per item.

First Farmers continues to benefit from strong asset quality. No adjustments were made to the provision for credit losses in the first quarter following our January 1, 2023 adoption of the CECL accounting standard for measuring credit losses. As the economy continues to face uncertainty and higher interest rates, our lending and credit teams remain diligent in preserving First Farmers' strong asset quality to protect future earnings.

The Bank also posted annualized loan growth of 2.8% during the first quarter of 2023. Although higher interest rates have dampened loan growth since last year, we continue to benefit from an overall healthy economy in our markets characterized by low unemployment rates and net inflows of new residents and businesses to Middle Tennessee.

Shareholders Elect New Directors

Shareholders reelected eight incumbent Directors to serve a one-year term and elected two new Directors. Dr. Christa S. Martin and W. Eric Mayberry were newly elected Directors and attended their first board meeting following our annual meeting of shareholders. They join our board with a wealth of experience, and we look forward to their counsel and expertise in shaping the strategic direction of our company's future.

In March, your Directors approved a cash dividend of $0.23 per share which was paid on April 17, 2023. The dividend represents a 9.5% increase compared with the cash dividend paid during the same period last year.

Focus on the Future

We continue to make significant investments in our infrastructure to support continued growth, improve digital platforms for our customers and enhance operating efficiencies. Our expense controls were effective in reducing non-interest expenses for the fifth consecutive quarter-over-quarter comparison, and the Bank's efficiency ratio has improved by almost five percentage points since last year. We expect to gain further operating efficiencies through investments in our digital banking platforms and the introduction of a new loan platform in the second half of this year.

We value your investment in First Farmers and look forward to reporting on our progress over the remainder of the year.

Sincerely,

Brian K. Williams
Chairman and Chief Executive Officer