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# FIRST FARMERS AND MERCHANTS CORPORATION REPORTS FIRST QUARTER RESULTS

***Book Value Per Share Increases 16% to $29.92, Growth in Net Interest Income for Sequential Quarter***

COLUMBIA, Tenn. (April 22, 2024) – First Farmers and Merchants Corporation (OTC Pink: FFMH), the holding company for First Farmers and Merchants Bank, today announced its results for the first quarter of 2024.

"First Farmers' results for the first quarter were on track with our expectations," stated Brian K. Williams, Chairman and Chief Executive Officer of First Farmers. "We are pleased to report that our growth in interest income accelerated and outpaced the growth in interest expense during the first quarter, contributing to our net interest margin improvement during the quarter. We also reported that non-interest income grew, and non-interest expenses were down for the ninth consecutive quarter-over-quarter reduction. We expect to report continued sequential quarterly improvement based upon growth in net interest margin and growth in earnings as we progress through the remainder of 2024. We maintain a positive outlook for 2024 given the strategic changes we have made to our balance sheet, continued loan demand and strong credit quality."

Key highlights of First Farmers' results for the first quarter of 2024 include:

- Net income decreased 14.8% to $3.4 million from $4.0 million for the year-earlier quarter. Net income per common share decreased 12.6% to $0.82 from $0.94 in the first quarter of 2023. Net income decreased 6.5% from $3.7 million, or $0.88, per common share, reported in the fourth quarter of 2023;
- Adjusted net income, which excludes special items, declined 23.9% to $3.4 million, or $0.80 per common share, compared with $4.4 million, or $1.03 per common share, for the year earlier quarter. First quarter adjusted net income improved 0.1% from $3.4 million, or $0.80 per common share, reported in the fourth quarter of 2023 (see "Non-GAAP Financial Measures" section);
- Total loans decreased $1 million from the fourth quarter of 2023, but increased $46 million, or 4.7%, compared to the first quarter of 2023;
- Net-interest income decreased 13.1% to $10.6 million from $12.2 million for the first quarter of 2023 but was up 5.7% from $10.0 million for the fourth quarter of 2023;
- Provision for credit losses expense increased to $65,000 from $0 for the first quarter of 2023 and was up from a provision credit for credit losses of $230,000 for the fourth quarter of 2023;
- Total non-performing assets declined 32.84% to $945,000 from the fourth quarter of 2023; and
- Book value per share increased 16.3% to $29.92 from $25.72 in the first quarter of 2023 and increased 0.7% from $29.74 for the fourth quarter of 2023.

"Last year was very challenging for the banking industry, and we took steps to protect our deposit base, improve long-term earnings through changes in our balance sheet structure and maintain our strong capital levels," continued Williams. "The repositioning of our balance sheet contributed to the expansion of our net interest margin during the first quarter. The increase in our net interest margin, which was the first in over four quarters, resulted from a more stable interest rate environment, the shift in the mix of assets, and strong discipline in managing loan pricing and funding costs. We see these positive trends accelerating through the remainder of 2024 and contributing to growth in earnings.

"The impact of higher interest rates remained evident in the first quarter with weaker loan demand as borrowers became more cautious. We see our loan pipelines building as we move into the second quarter supported by the healthy regional economy. Our earning assets composition is consistently improving as maturing investments are used to fund loans at higher market interest rates, and we have established substantial flexibility in our deposit and funding mix. These moves are foundational and will benefit the company's financial performance beyond 2024," concluded Williams.

Robert E. Krimmel, Chief Financial Officer, added, "Our programs to manage First Farmers' balance sheet continued in the first quarter to improve our future profitability. Our investment portfolio is generating approximately $30 million per quarter in liquidity to fund new loan growth. We also elected to reduce municipal deposits and brokered certificates of deposit to further reduce interest expenses and focus on core deposits.

"We reinforced our balance sheet by utilizing the Federal Reserve's Bank Term Funding Program (BTFP) to take advantage of the lower marginal borrowing costs. This accounted for a $168 million shift over the past two quarters and is expected to save First Farmers approximately $1 million in future interest expense in 2024. We expect this shift to improve our balance sheet flexibility because the BTFP borrowings are fixed for a one-year term that can be prepaid at any time without penalty.

"Our focus remains on maintaining our strong capital position as part of our prudent management of the bank and to provide funding to build shareholder value through stock repurchases and our cash dividend program. Our investments in new technology have contributed to more efficient operations as evidenced by the continued decline in non-interest expense. We expect to report improvements in our efficiency ratio due to our lower cost structure and growing revenue streams from loans and non-interest income. We believe these changes will support our trajectory to report improvement in earnings for 2024."

**First Quarter 2024 Results of Operations**

Net income decreased to $3.4 million, down $594,000, or 14.8% from the first quarter of 2023. Net income per share declined 12.6% to $0.82 for the first quarter of 2024 compared with $0.94 for the first quarter of 2023. The decline in earnings for the first quarter of 2024 was due to a decrease in net-interest income of $1.6 million driven by growth in total interest expense of $4.0 million, an increase of 181.8% that was offset in part by an increase in interest and fees on loans of $2.4 million. Non-interest income grew by $729,000, or 26.5%, for the first quarter of 2024 due to improvement in gain on securities of $625,000 and an increase in wealth management and trust fee income of $73,000 compared to the first quarter of 2023. Non-interest expense decreased $206,000 for the first quarter of 2024 driven most notably by a decline in net occupancy expense of $90,000 compared to the first quarter of 2023.

Net income for the first quarter of 2024 was down from the sequential fourth quarter by $240,000, or 6.6%. The decrease in earnings was due to an increase in provision for credit losses expense of $295,000, a decline in non-interest income of $202,000, and an increase in non-interest expense of $184,000 offset by an increase in net interest income of $569,000. Net interest income increased compared to the sequential quarter as the net interest margin grew by 18 basis points. Non-interest income decreased because of the redemption of bank owned life insurance of $331,000 recorded in the sequential quarter. Non-interest expense increased because salaries and employee benefits grew by $287,000 related to annual salary adjustments, offset in part by a reduction in other non-interest expense of $73,000 compared to the sequential quarter.

For the first quarter of 2024, available-for-sale securities decreased by $23 million from the sequential fourth quarter to $670 million, or 35.5% of total assets, and decreased $117 million from $786 million, or 41.1% of total assets, in the first quarter of 2023. Outstanding loan balances decreased $1 million, or 0.1% from the sequential fourth quarter to $1.018 billion but increased $46 million, or 4.7%, from the first quarter of 2023. Total deposits decreased $51 million, or 3.2%, from the sequential fourth quarter to $1.567 billion, and decreased $210 million, or 11.8%, from the first quarter of 2023. The decline in total deposits compared to the sequential quarter was related to a reduction in brokered deposits of $109 million offset in part by municipal deposit growth of $23 million, other commercial deposit growth of $19 million and core deposit growth of $16 million. The reduction in total deposits compared to the first quarter of 2023 was driven by decreases of $175 million in municipal deposits and of $63 million in brokered deposits. The Federal Reserve's BTFP borrowings increased $64 million, or 61.5%, from the sequential fourth quarter to $168 million.

For the first quarter of 2024, total shareholders' equity decreased by $16,000 from the sequential fourth quarter to $124 million but increased $14 million from the first quarter of 2023. The decrease in total shareholders' equity from the sequential fourth quarter resulted from an increase in the unrealized loss adjustment to the available-for-sale securities portfolio that totaled $2 million, net of tax. The reduction in the value of the available-for-sale securities portfolio was driven by an increase in market interest rates compared to the sequential fourth quarter. The book value per share improved 0.6% from the sequential fourth quarter to $29.92 and increased 16.3% compared to the first quarter of 2023.

**Asset Quality**

Nonperforming assets declined to $945,000, or 0.05% of total assets, down from $1.4 million, or 0.08% of total assets, from the sequential fourth quarter and were up from $873,000, or 0.05% of total assets, from the first quarter of 2023. Net charge-offs to average loans were 0.00% for the first quarter of 2024 compared with net charge-offs of 0.00% for the sequential quarter and net charge-offs of 0.00% for the first quarter of 2023. A provision expense of $65,000 was recorded to the allowance for credit losses during the first quarter of 2024. The increase in provision expense reflected a more cautious stance to protect asset quality as interest rates remained at elevated levels. The allowance for credit losses represented 0.77% of total loans outstanding for the first quarter of 2024 compared with 0.75% for the sequential fourth quarter and 0.87% for the first quarter of 2023. The allowance for credit losses for unfunded commitments declined to $810,000, or 0.26% of total unfunded commitments, for the first quarter of 2024 compared with 0.28% for the sequential fourth quarter and 0.19% for the first quarter of 2023. The allowance for credit losses for held-to-maturity ("HTM") securities represented 0.06% of total HTM securities for the first quarter of 2024 compared with 0.06% for the sequential fourth quarter and 0.06% for the first quarter of 2023.

**Capital Management Initiatives**

During the first quarter of 2024, First Farmers repurchased 25,040 shares of the Company's common stock in the open market and using privately negotiated transactions at an average price of $28.46 with prices ranging from $24.00 to $30.03 per share in accordance with the Company's stock repurchase program. First quarter 2024 stock repurchases represented a 7,034% increase compared to the sequential fourth quarter and an 87.4% increase compared to the year earlier quarter. Authorization to repurchase approximately 174,960 shares remains under the current program, which is set to expire in December 2024, 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 March 31, 2024, First Farmers reported total assets of approximately $1.9 billion, total shareholders' equity of approximately $124 million, and administered trust assets of $6.0 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 and losses, gain on redemption of bank-owned life insurance, gain on sale of premises and equipment, 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 | | |
|---|---|---|---|
| | March 31, | | December 31, |
| | 2024 | 2023 | 2023 |
| Total non-interest income | $ 3,483 | $ 2,754 | $ 3,685 |
| Loss on sale of securities | - | 183 | - |
| (Gain) loss on equity securities | (91) | 351 | 31 |
| Gain on redemption of bank-owned life insurance | - | - | (331) |
| Gain on sale of premises and equipment | - | (4) | (1) |
| Adjusted non-interest income | $ 3,392 | $ 3,284 | $ 3,384 |
| Total non-interest expense | $ 9,853 | $ 10,059 | $ 9,669 |
| Net income as reported | $ 3,419 | $ 4,013 | $ 3,659 |
| Total adjustments, net of tax[1] | (67) | 392 | (309) |
| Adjusted net income | $ 3,352 | $ 4,405 | $ 3,350 |
| Basic earnings per share | $ 0.82 | $ 0.94 | $ 0.88 |
| Total adjustments, net of tax[1] | (0.02) | 0.09 | (0.08) |
| Adjusted basic earnings per share | $ 0.80 | $ 1.03 | $ 0.80 |

(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) March 31, 2024** | **December 31, 2023[1]** |
|---|---|---|---|
| **ASSETS** | Cash and due from banks | $ 17,525 | $ 22,654 |
| | Interest-bearing deposits | 53,550 | 2,689 |
| | Federal funds sold | 42 | 117 |
| | Total cash and cash equivalents | 71,117 | 25,460 |
| | Securities: | | |
| | Available-for-sale | 669,552 | 692,763 |
| | Held-to-maturity (fair market value $14,229 and $14,394) | 15,029 | 15,038 |
| | Equity securities | 2,214 | 2,123 |
| | Loans held-for-sale | - | 470 |
| | Loans, net of deferred fees | 1,017,677 | 1,018,866 |
| | Allowance for credit losses | (7,803) | (7,666) |
| | Net loans | 1,009,874 | 1,011,200 |
| | Bank premises and equipment, net | 29,840 | 30,208 |
| | Bank-owned life insurance | 34,761 | 34,602 |
| | Goodwill | 9,018 | 9,018 |
| | Deferred tax asset | 25,472 | 24,862 |
| | Other assets | 17,249 | 25,859 |
| | **TOTAL ASSETS** | $ 1,884,126 | $ 1,871,603 |
| **LIABILITIES** | Deposits: | | |
| | Noninterest-bearing | $ 499,975 | $ 463,858 |
| | Interest-bearing | 1,067,108 | 1,154,706 |
| | Total deposits | 1,567,083 | 1,618,564 |
| | Accounts payable and accrued liabilities | 24,818 | 24,798 |
| | FRB Bank Term Funding Program borrowings | 168,000 | 104,000 |
| | **TOTAL LIABILITIES** | 1,759,901 | 1,747,362 |
| **SHAREHOLDERS' EQUITY** | Common stock - $10 par value per share, 8,000,000 shares authorized; 4,149,102 and 4,174,142 shares issued and outstanding as of the periods presented | 41,491 | 41,741 |
| | Retained earnings | 145,210 | 143,249 |
| | Accumulated other comprehensive loss | (62,571) | (60,844) |
| | Total shareholders' equity attributable to First Farmers and Merchants Corporation | 124,130 | 124,146 |
| | Noncontrolling interest - preferred stock of subsidiary | 95 | 95 |
| | **TOTAL SHAREHOLDERS' EQUITY** | 124,225 | 124,241 |
| | **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | $ 1,884,126 | $ 1,871,603 |

(1) Derived from audited financial statements as of December 31, 2023.

## FIRST FARMERS AND MERCHANTS CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF INCOME
## (unaudited)

| | *(dollars in thousands, except per share data)* | Three Months Ended March 31, 2024 | Three Months Ended March 31, 2023 |
|---|---|---|---|
| **INTEREST AND DIVIDEND INCOME** | Interest and fees on loans | $ 13,890 | $ 11,450 |
| | Income on investment securities | | |
| | Taxable interest | 2,167 | 2,440 |
| | Exempt from federal income tax | 433 | 463 |
| | Interest from federal funds sold and other | 291 | 48 |
| | Total interest income | 16,781 | 14,401 |
| **INTEREST EXPENSE** | Interest on deposits | 4,324 | 1,822 |
| | Interest on other borrowings | 1,845 | 367 |
| | Total interest expense | 6,169 | 2,189 |
| | Net interest income | 10,612 | 12,212 |
| | Provision for credit losses | 65 | - |
| | Net interest income after provision | 10,547 | 12,212 |
| **NON-INTEREST INCOME** | Mortgage banking activities | 59 | 40 |
| | Wealth management and trust fee income | 1,157 | 1,084 |
| | Service fees on deposit accounts | 1,684 | 1,731 |
| | Investment services fee income | 101 | 105 |
| | Earnings on bank owned life insurance | 158 | 116 |
| | Loss on sale of AFS securities | - | (183) |
| | Gain (loss) on equity securities | 91 | (351) |
| | Other non-interest income | 233 | 212 |
| | Total non-interest income | 3,483 | 2,754 |
| **NON-INTEREST EXPENSE** | Salaries and employee benefits | 5,623 | 5,672 |
| | Net occupancy expense | 599 | 689 |
| | Depreciation expense | 406 | 412 |
| | Data processing expense | 563 | 490 |
| | Software support and other computer expense | 1,095 | 1,038 |
| | Legal and professional fees | 220 | 271 |
| | Audit and exam expenses | 187 | 186 |
| | Advertising and promotions | 200 | 245 |
| | FDIC insurance premium expense | 218 | 267 |
| | Other non-interest expense | 742 | 789 |
| | Total non-interest expense | 9,853 | 10,059 |
| | Income before provision for income taxes | 4,177 | 4,907 |
| | Provision for income taxes | 758 | 894 |
| | Net income before non-controlling interest - dividends on preferred stock of subsidiary | 3,419 | 4,013 |
| | Non-controlling interest - dividends on preferred stock subsidiary | - | - |
| | Net income for common shareholders | $ 3,419 | $ 4,013 |
| | | | |
| | Weighted average shares outstanding | 4,166,834 | 4,273,571 |
| | Earnings per share | $ 0.82 | $ 0.94 |

**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, 2024** | **December 31, 2023** | **September 30, 2023** | **June 30, 2023** | **March 31, 2023** |
| **Results of Operations:** | | | | | |
| Interest income | $ 16,781 | $ 16,091 | $ 15,240 | $ 15,020 | $ 14,401 |
| Interest expense | 6,169 | 6,048 | 5,237 | 2,923 | 2,189 |
| Net interest income | 10,612 | 10,043 | 10,003 | 12,097 | 12,212 |
| Provision (credit) for credit losses | 65 | (230) | - | (260) | - |
| Non-interest income | 3,483 | 3,685 | 3,497 | 3,262 | 2,754 |
| Non-interest expense and non-controlling interest – preferred stock of subsidiary | 9,861 | 9,677 | 9,487 | 9,369 | 10,059 |
| Income before income taxes | 4,169 | 4,281 | 4,013 | 6,250 | 4,907 |
| Income taxes | 758 | 622 | 675 | 1,211 | 894 |
| Net income for common shareholders | $ 3,411 | $ 3,659 | $ 3,338 | $ 5,039 | $ 4,013 |
| **Per Share Data:** | | | | | |
| Basic earnings per share | $ 0.82 | $ 0.88 | $ 0.79 | $ 1.19 | $ 0.94 |
| Book value per share | $ 29.92 | $ 29.74 | $ 23.61 | $ 25.54 | $ 25.72 |
| Weighted average shares outstanding per quarter | 4,166,834 | 4,174,283 | 4,206,805 | 4,244,359 | 4,273,571 |
| **Financial Condition Data and Ratios:** | | | | | |
| Total securities | $ 686,795 | $ 709,924 | $ 713,707 | $ 762,175 | $ 803,652 |
| Available-for-sale securities, fair market value | $ 669,552 | $ 692,763 | $ 696,505 | $ 744,963 | $ 786,430 |
| Available-for-sale securities, amortized cost | $ 755,162 | $ 776,078 | $ 810,959 | $ 845,712 | $ 880,890 |
| Loans, net of deferred fees | $ 1,017,677 | $ 1,018,866 | $ 1,004,066 | $ 964,822 | $ 972,093 |
| Allowance for credit losses | $ (7,803) | $ (7,666) | $ (7,871) | $ (8,200) | $ (8,497) |
| Total assets | $ 1,884,126 | $ 1,871,603 | $ 1,868,540 | $ 1,878,675 | $ 1,913,481 |
| Total deposits | $ 1,567,083 | $ 1,618,564 | $ 1,674,673 | $ 1,657,587 | $ 1,776,987 |
| Net interest income, on a fully taxable-equivalent basis | $ 10,834 | $ 10,268 | $ 10,223 | $ 12,298 | $ 12,456 |
| Net interest margin | 2.39% | 2.21% | 2.22% | 2.64% | 2.67% |
| Efficiency | 69.72% | 62.84% | 69.17% | 58.04% | 64.05% |
| **Asset Quality Data and Ratios:** | | | | | |
| Total nonperforming assets | $ 945 | $ 1,407 | $ 3,109 | $ 803 | $ 873 |
| Nonperforming assets to total assets | 0.05% | 0.08% | 0.17% | 0.04% | 0.05% |
| Allowance for credit losses to total loans[(1)] | 0.77% | 0.75% | 0.78% | 0.85% | 0.87% |
| Net charge-offs (recoveries) to average loans (annualized) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

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