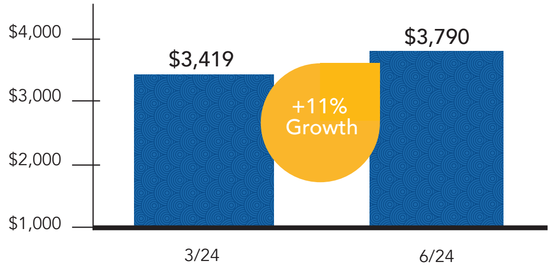
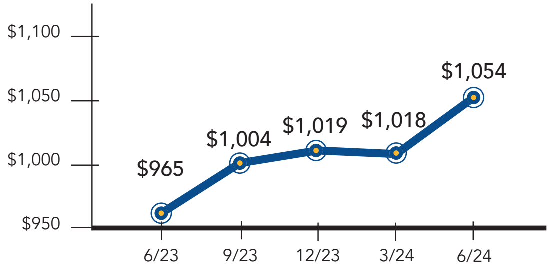
Second Quarter Highlights

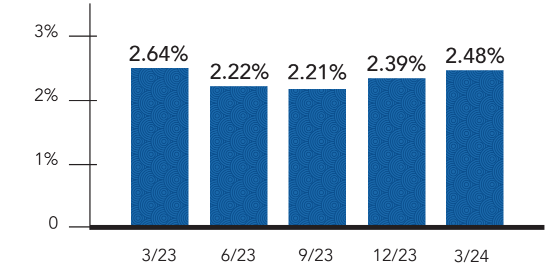
QTD Net Income *(dollars in thousands)*



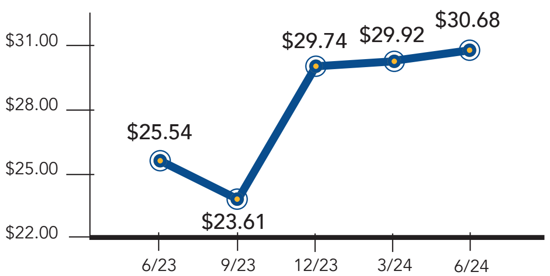
Loan Growth *(dollars in millions)*



Net Interest Margin



Book value per share



FIRST FARMERS
BANKING | WEALTH MANAGEMENT | TRUST

SECOND QUARTER REPORT 2024

DEAR FELLOW SHAREHOLDERS

First Farmers reported growth in net income and net interest margin compared with the first quarter of 2024. Our improved results for the second quarter benefited from $36 million in loan growth that hit a record $1.054 billion and our proactive management of funding costs. We maintain a positive outlook for the second half of 2024 based on our loan pipeline, strong asset quality, and the strategic changes we made to our balance sheet to benefit earnings as interest rates remain at an elevated level.

Second Quarter Highlights

First Farmers reported solid growth in earnings during the second quarter of 2024 to $3.8 million which represents a 10.9% increase when compared to the first quarter of 2024. The quarter-over-quarter results reflect our ability to improve earnings even as interest rates remain higher for longer. In fact, interest expense declined during the second quarter for the first time in more than two years. Our net income for the latest quarter was below last year's second quarter, as anticipated, due to the higher interest rate environment and a doubling of interest expense over the past year. Net income was down 24.8% to $3.8 million compared with $5.0 million in the second quarter of last year while our interest expense was up 106.1%, or $3.1 million.

Even in the face of the current environment of higher interest rates, we have continued a strategic repositioning of First Farmers' balance sheet while maintaining a disciplined approach to loan and deposit pricing. These changes are evident as we reported the highest net interest margin in the last four quarters, aligning us well for improved earnings in the second half of this year. First Farmers' asset quality remains very strong as highlighted by the lowest level of nonperforming assets in the last four quarters. We had no charge-offs this quarter and added $60,000 to the provision for credit losses to account for the continued growth in our loan portfolio. Our lending and credit teams are focused on maintaining our high credit standards and remain selective in funding new loan opportunities.

First Farmers' book value per share rose 20.1% to $30.68 from the second quarter of 2023. This marks the third consecutive quarter of growth in book value per share, reaching the highest level since the fourth quarter of 2021. Our capital levels remain strong, and the impact from the fair value adjustment of our investment portfolio continues to diminish.

Outlook for Second Half of 2024

First Farmers made key hires during the second quarter to propel our strategic growth initiatives. We added a high performing treasury management team that will strengthen our core deposit base and enhance services to our business customers. We also added a secondary mortgage operations manager to accelerate our mortgage lending capabilities. These additions, along with other key hires made over the past year, fortify the First Farmers' team.

We are excited about our expanded capabilities to deliver best-in-class services and support to our customers. Our wealth management team sets us apart from many of our banking peers who do not possess these capabilities and our long history of providing financial planning and investment services to our customers. We have also made significant investments in our digital banking platform and added new lending technology to support our future growth while improving operational efficiencies. We believe our expanded capabilities and continued investments in new technologies will play an important part in growing First Farmers and building long-term shareholder value. We appreciate your investment in First Farmers and look forward to reporting on our progress during the second half of 2024.

Sincerely,

Brian K. Williams
Chairman and Chief Executive Officer

Second Quarter 2024

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 disposal 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 Shareholder Quarterly Report

(Dollars in thousands, except per share data)

	Three Months Ended			Six Months Ended	
	June 30,		March 31,	June 30,	
	2024	2023	2024	2024	2023
Total non-interest income	$ 3,523	$ 3,262	$ 3,483	$ 7,006	$ 6,017
Loss on sale of securities	–	134	–	–	317
(Gain) loss on equity securities	–	–	(91)	(91)	351
Gain on redemption of bank-owned life insurance	(2)	–	–	(2)	–
Gain on disposal of premises and equipment	(98)	–	–	(98)	(4)
Adjusted non-interest income	$ 3,423	$ 3,396	$ 3,392	$ 6,815	$ 6,681
Total non-interest expense	$ 9,780	$ 9,361	$ 9,853	$ 19,633	$ 19,421
Net income as reported	$ 3,790	$ 5,039	$ 3,419	$ 7,209	$ 9,051
Total adjustments, net of tax[1]	(74)	99	(67)	(142)	491
Adjusted net income	$ 3,716	$ 5,138	$ 3,352	$ 7,067	$ 9,542
Basic earnings per share	$ 0.92	$ 1.19	$ 0.82	$ 1.74	$ 2.13
Total adjustments, net of tax[1]	(0.02)	0.02	(0.02)	(0.04)	0.12
Adjusted basic earnings per share	$ 0.90	$ 1.21	$ 0.80	$ 1.70	$ 2.25

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

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, 2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023
Results of Operations:					
Interest income	$ 16,975	$ 16,781	$ 16,091	$ 15,240	$ 15,020
Interest expense	6,024	6,169	6,048	5,237	2,923
Net interest income	10,951	10,612	10,043	10,003	12,097
Provision (credit) for credit losses	60	65	(230)	–	(260)
Non-interest income	3,523	3,483	3,685	3,497	3,262
Non-interest expense and non-controlling interest – preferred stock of subsidiary	9,788	9,853	9,677	9,487	9,369
Income before income taxes	4,626	4,177	4,281	4,013	6,250
Income taxes	836	758	622	675	1,211
Net income for common shareholders	$ 3,790	$ 3,419	$ 3,659	$ 3,338	$ 5,039
Per Share Data:					
Basic earnings per share	$ 0.92	$ 0.82	$ 0.88	$ 0.79	$ 1.19
Book value per share	$ 30.68	$ 29.92	$ 29.74	$ 23.61	$ 25.54
Weighted average shares outstanding per quarter	4,127,442	4,166,834	4,174,283	4,206,805	4,244,359
Financial Condition Data:					
Total securities	$ 662,834	$ 686,795	$ 709,924	$ 713,707	$ 762,175
Available-for-sale securities, fair market value	$ 644,451	$ 669,552	$ 692,763	$ 696,505	$ 744,963
Available-for-sale securities, amortized cost	$ 729,602	$ 755,162	$ 776,078	$ 810,959	$ 845,712
Loans, net of deferred fees	$ 1,053,814	$ 1,017,677	$ 1,018,866	$1,004,066	$ 964,822
Allowance for credit losses	$ (8,064)	$ (7,803)	$ (7,666)	$ (7,871)	$ (8,200)
Total assets	$ 1,854,337	$ 1,884,126	$ 1,871,603	$1,868,540	$1,878,675
Total deposits	$ 1,524,077	$ 1,567,083	$ 1,618,564	$ 1,674,673	$1,657,587
Net interest income, on a fully taxable-equivalent basis	$ 11,188	$ 10,834	$ 10,268	$ 10,223	$ 12,298
Net interest margin	2.48%	2.39%	2.21%	2.22%	2.64%
Efficiency	67.37%	69.72%	62.84%	69.17%	58.04%
Asset Quality Data and Ratios:					
Total nonperforming assets	$ 863	$ 945	$ 1,407	$ 3,109	$ 803
Nonperforming assets to total assets	0.05%	0.05%	0.08%	0.17%	0.04%
Allowance for credit losses to total loans	0.77%	0.77%	0.75%	0.78%	0.85%
Net charge-offs to average loans (annualized)	0.00%	0.00%	0.00%	0.00%	0.00%