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FIRST FARMERS AND MERCHANTS CORPORATION REPORTS SECOND QUARTER RESULTS

Growth in Net Income of 11% from Sequential Quarter
Record Loans of $1.054 Billion

COLUMBIA, Tenn. (July 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 second quarter of 2024.

"We reported growth in net income and net interest margin compared to the first quarter of 2024 that benefited from loan growth to a record $1.054 billion and our proactive management of funding costs," stated Brian K. Williams, Chairman and Chief Executive Officer of First Farmers. "As expected, our earnings were down compared with last year due to the higher interest rate environment and doubling of interest expense over the past year. We remain very positive about the remainder of the year 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 or begin to decline."

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

- Net income decreased 24.8% to $3.8 million from $5.0 million for the year-earlier quarter. Net income per common share decreased 22.8% to $0.92 from $1.19 in the second quarter of 2023. Net income increased 10.9% from $3.4 million, or $0.82, per common share, reported in the first quarter of 2024;
- Adjusted net income, which excludes special items, declined 27.7% to $3.7 million, or $0.90 per common share, compared with $5.1 million, or $1.21 per common share, for the year earlier quarter. Second quarter adjusted net income improved 10.9% from $3.4 million, or $0.80 per common share, reported in the first quarter of 2024 (see "Non-GAAP Financial Measures" section);
- Total loans increased $36 million, or 14% annualized, to a record $1.054 billion from the first quarter of 2024, and increased $89 million, or 9.2%, compared to the second quarter of 2023;
- Net interest margin improved for the second consecutive quarter to 2.48%;
- Efficiency improved to 67.37% compared to 69.72% from the first quarter of 2024;
- Total non-performing assets declined 8.7% to $863,000 from the first quarter of 2024;
- Book value per share increased 20.1% to $30.68 from $25.54 in the second quarter of 2023 and increased 2.5% from $29.92 for the first quarter of 2024; and
- Total stock repurchased increased to 55,000 shares, up 119.6%, from the first quarter of 2024, and increased 29.3% from the second quarter of 2023.

"We accelerated stock repurchases during the second quarter based on our confidence in First Farmers' outlook," continued Williams. "This was our largest quarterly stock repurchase since 2016. We continued to invest in our future by hiring a high performing three-person 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. First Farmers' investments in digital banking and lending technology are also improving our operational efficiencies and customer service. We believe these strategic moves will continue to build earnings performance and shareholder value in the future."

Robert E. Krimmel, Chief Financial Officer, added, "Our second quarter marked the second consecutive quarterly improvement in our net interest margin, highlighting our success in repositioning First Farmers' balance sheet over the past year and our trajectory of earnings for the second half of 2024. We also benefited from a disciplined approach to loan and deposit pricing during the quarter and a shift in the mix of interest-earning assets.

"Our investment portfolio is generating approximately $34 million per quarter in liquidity for the remainder of the year to fund new loan growth. We are also focused on maintaining our high credit standards and remain selective in funding new loan opportunities. This quarter marked a decline in nonperforming assets, and the minimal increase in the second quarter's provision for credit losses was due primarily to growth in our loan portfolio. Our capital levels remain solid and the impact from the fair value adjustment of our investment portfolio continues to diminish at a measured pace. Book value per share marked the third consecutive quarter of growth and reached the highest level since the fourth quarter of 2021."

Second Quarter 2024 Results of Operations

Net income decreased to $3.8 million, down $1.2 million, or 24.8% from the second quarter of 2023. Net income per share declined 22.8% to $0.92 for the second quarter of 2024 compared with $1.19 for the second quarter of 2023. The decline in earnings for the second quarter of 2024 resulted from a decrease in net interest income of $1.1 million driven by growth in total interest expense of $3.1 million, an increase of 106.1% that was offset in part by an increase in interest and fees on loans of $2.2 million. Provision for credit losses expense increased by $320,000 primarily driven by a provision credit of $260,000 recorded in the second quarter of 2023. Non-interest expense grew $419,000 for the second quarter of 2024 driven by increases in health insurance expense of $137,000, employee incentive expense of $126,000, software support and other computer expense of $79,000, and data processing expense of $72,000 compared to the second quarter of 2023. Non-interest income improved, offsetting the decline in net interest income by $261,000 due to a loss on sale of securities of $134,000 recorded in the second quarter of 2023, an increase in the gain on disposal of premises and equipment of $98,000, and an increase in wealth management and trust fee income of $87,000, offset in part by a reduction in service fees on deposit accounts of $70,000 compared to the second quarter of 2023. The reduction in service fees on deposit accounts was due in part to lower fees from debit card transactions resulting from decreased levels of consumer spending.

Net income for the second quarter of 2024 was up from the sequential first quarter by $371,000, or 10.9%. The increase in earnings was due to growth in net interest income of $339,000 driven by higher interest and fees on loans and lower interest expense on deposits. During the quarter, the net interest margin increased by nine basis points supported by growth in loan yields of five basis points along with a decline in the total cost of interest-bearing liabilities of three basis points. Non-interest income increased $40,000 driven by growth in service fees on deposit accounts of $87,000 offset in part by a decrease in mortgage banking activities of $41,000. Non-interest expense decreased $73,000 because of lower net occupancy expense of $38,000 and legal and professional fees of $32,000.

For the second quarter of 2024, available-for-sale securities decreased by $25 million from the sequential first quarter to $644 million, or 34.8% of total assets, and decreased $101 million from $745 million, or 39.7% of total assets, from the second quarter of 2023. Outstanding loan balances increased $36 million, or 3.6%, from the sequential first quarter to a record $1.054 billion and increased $89 million, or 9.2%, from the second quarter of 2023. The loan growth compared to the sequential quarter was broad-based and covered five different loan segments. Total deposits decreased $43 million, or 2.7%, from the sequential first quarter to $1.524 billion, and decreased $134 million, or 8.1%, from the second quarter of 2023. The decline in total deposits compared to the sequential quarter was related to a reduction in core deposits of $21 million, municipal deposits of $17 million, and other commercial deposits of $8 million offset in part by growth in brokered deposits of $3 million. The core deposit reduction compared to the sequential quarter was related to commercial accounts making their estimated Federal income tax payments. The reduction in total deposits compared to the second quarter of 2023 was primarily driven by decreases in brokered deposits of $106 million, municipal deposits of $38 million, and core deposits of $7 million offset in part by an increase in other commercial deposits of $17 million.

For the second quarter of 2024, total shareholders' equity increased by $1.5 million from the sequential first quarter to $125.7 million and increased $17.8 million from the second quarter of 2023. The increase in total shareholders' equity from the year-earlier quarter primarily resulted from a decrease in the unrealized loss adjustment to the available-for-sale securities portfolio that totaled $11.6 million, net of tax, and growth in retained earnings of $6.4 million, net of stock repurchases and cash dividends. The reduction in the fair value loss adjustment of the available-for-sale securities portfolio was driven by a decrease in the portfolio compared to the year-earlier quarter. The book value per share improved 2.5% from the sequential first quarter to $30.68 and increased 20.1% compared to the second quarter of 2023.

Six Months Results

Net income available to common shareholders was $7.2 million for the first six months of 2024, down 20.4% compared with $9.1 million in the first six months of 2023. Net income per share declined 18.4% to $1.74 for the first six months of 2024 compared with $2.13 for the same period in 2023. The decline in earnings was driven by a decrease in net interest income of $2.7 million, an increase in provision for credit losses of $385,000, and higher non-interest expense of $212,000, offset in part by an increase in non-interest income of $989,000 compared to the same period in 2023. Adjusted net income was $7.1 million for the first six months of 2024, down 25.9% compared with $9.5 million in the first six months of 2023. Adjusted net income per share declined 24.5% to $1.70 for the first six months of 2024 compared with $2.25 for the same period in 2023.

The decline in adjusted net income for the first six months of 2024 was due to a decrease in net interest income of $2.7 million driven by growth in total interest expense of $7.1 million, an increase of 138.5%, that was offset in part by an increase in interest and fees on loans of $4.6 million compared to the same period in 2023. Provision for credit losses increased by $385,000 driven by a provision credit of $260,000 recorded in the second quarter of 2023 and provision expense of $125,000 recorded in 2024 for loan growth. The increase in adjusted non-interest income of $134,000 was attributable to revenue from wealth management and trust services fees of $160,000 and earnings on bank-owned life insurance of $68,000, offset in part by a decrease in service fees on deposit accounts of $117,000 compared to the first six months of 2023. The increase in non-interest expense of $212,000 was due to higher health insurance expense of $158,000, data processing expense of $145,000, and software support and other computer expense of $136,000, offset in part by a decline in net occupancy expense of $151,000 compared to the first six months of 2023.

Asset Quality

Nonperforming assets declined to $863,000, or 0.05% of total assets, down from $945,000, or 0.05% of total assets, from the sequential first quarter but up from $803,000, or 0.04% of total assets, from the second quarter of 2023. Net charge-offs to average loans were 0.00% for the second quarter of 2024 compared with net charge-offs of 0.00% for the sequential quarter and net charge-offs of 0.00% for the second quarter of 2023. A provision expense of $60,000 was recorded to the allowance for credit losses during the second quarter of 2024. The increase in provision expense was due to higher loan balances during the quarter. The allowance for credit losses represented 0.77% of total loans outstanding for the second quarter of 2024 compared with 0.77% for the sequential first quarter and 0.85% for the second quarter of 2023. The allowance for credit losses for unfunded commitments declined to $610,000, or 0.21% of total unfunded commitments, for the second quarter of 2024 compared with 0.26% for the sequential first quarter and 0.19% for the second quarter of 2023. The allowance for credit losses for held-to-maturity ("HTM") securities represented 0.06% of total HTM securities for the second quarter of 2024 compared with 0.06% for the sequential first quarter and 0.06% for the second quarter of 2023.

Capital Management Initiatives

During the second quarter of 2024, First Farmers repurchased 55,000 shares of the Company's common stock in the open market and through privately negotiated transactions at an average price of $29.44, with prices ranging from $26.00 to $30.03 per share in accordance with the Company's stock repurchase program. The second quarter 2024 stock repurchases represented the highest level of stock repurchases since the second quarter of 2016, a 120% increase compared to the sequential first quarter and a 29% increase compared to the year earlier quarter. Authorization to repurchase approximately 119,960 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 June 30, 2024, First Farmers reported total assets of approximately $1.9 billion, total shareholders' equity of approximately $126 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 not to 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 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 EARNINGS RELEASE
(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 BALANCE SHEETS

	(dollars in thousands, except per share data)	(unaudited) June 30, 2024	December 31, 2023[1]
ASSETS	Cash and due from banks	$ 26,667	$ 22,654
	Interest-bearing deposits	2,336	2,689
	Federal funds sold	28	117
	Total cash and cash equivalents	29,031	25,460
	Securities:		
	Available-for-sale	644,451	692,763
	Held-to-maturity (fair market value $15,053 and $14,394)	16,169	15,038
	Equity securities	2,214	2,123
	Loans held-for-sale	-	470
	Loans, net of deferred fees	1,053,814	1,018,866
	Allowance for credit losses	(8,064)	(7,666)
	Net loans	1,045,750	1,011,200
	Bank premises and equipment, net	29,592	30,208
	Bank-owned life insurance	36,314	34,602
	Goodwill	9,018	9,018
	Deferred tax asset	25,366	24,862
	Other assets	16,432	25,859
	TOTAL ASSETS	$ 1,854,337	$ 1,871,603
LIABILITIES	Deposits:		
	Noninterest-bearing	$ 465,712	$ 463,858
	Interest-bearing	1,058,365	1,154,706
	Total deposits	1,524,077	1,618,564
	Accounts payable and accrued liabilities	26,559	24,798
	FRB Bank Term Funding Program borrowings	168,000	104,000
	FHLB Borrowings	10,000	-
	TOTAL LIABILITIES	1,728,636	1,747,362
SHAREHOLDERS' EQUITY	Common stock - $10 par value per share, 8,000,000 shares authorized; 4,094,102 and 4,174,142 shares issued and outstanding as of the periods presented	40,941	41,741
	Retained earnings	146,926	143,249
	Accumulated other comprehensive loss	(62,261)	(60,844)
	Total shareholders' equity attributable to First Farmers and Merchants Corporation	125,606	124,146
	Noncontrolling interest - preferred stock of subsidiary	95	95
	TOTAL SHAREHOLDERS' EQUITY	125,701	124,241
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,854,337	$ 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 June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
INTEREST AND DIVIDEND INCOME	Interest and fees on loans	$ 14,160	$ 11,959	$ 28,050	$ 23,409
	Income on investment securities				
	Taxable interest	2,134	2,376	4,301	4,816
	Exempt from federal income tax	436	448	869	911
	Interest from federal funds sold and other	245	237	536	285
	Total interest income	16,975	15,020	33,756	29,421
INTEREST EXPENSE	Interest on deposits	3,976	2,918	8,300	4,740
	Interest on other borrowings	2,048	5	3,893	372
	Total interest expense	6,024	2,923	12,193	5,112
	Net interest income	10,951	12,097	21,563	24,309
	Provision (credit) for credit losses	60	(260)	125	(260)
	Net interest income after provision	10,891	12,357	21,438	24,569
NON-INTEREST INCOME	Mortgage banking activities	18	35	77	75
	Wealth management and trust services fees	1,167	1,080	2,324	2,164
	Service fees on deposit accounts	1,771	1,841	3,455	3,572
	Investment services fee income	114	84	215	189
	Earnings on bank-owned life insurance	154	129	312	244
	Loss on sale of available-for-sale securities	-	(134)	-	(317)
	Gain on disposal of premises and equipment	98	-	98	4
	Gain (loss) on equity securities	-	-	91	(351)
	Gain on redemption of bank-owned life insurance	2	-	2	-
	Other non-interest income	199	227	432	437
	Total non-interest income	3,523	3,262	7,006	6,017
NON-INTEREST EXPENSE	Salaries and employee benefits	5,599	5,286	11,222	10,957
	Net occupancy expense	561	622	1,160	1,311
	Depreciation expense	405	410	811	822
	Data processing expense	581	509	1,144	999
	Software support and other computer expense	1,111	1,032	2,206	2,070
	Legal and professional fees	188	170	408	441
	Audits and exams expense	172	181	359	367
	Advertising and promotions	210	249	410	494
	FDIC insurance premium expense	222	226	440	493
	Other non-interest expense	731	676	1,473	1,467
	Total non-interest expense	9,780	9,361	19,633	19,421
	Income before provision for income taxes	4,634	6,258	8,811	11,165
	Provision for income taxes	836	1,211	1,594	2,106
	Net income	3,798	5,047	7,217	9,059
	Noncontrolling interest - dividends on preferred stock subsidiary	8	8	8	8
	Net income available to common shareholders	$ 3,790	$ 5,039	$ 7,209	$ 9,051
	Weighted average shares outstanding	4,127,442	4,244,359	4,146,840	4,258,884
	Earnings per share	$ 0.92	$ 1.19	$ 1.74	$ 2.13

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 and Ratios:					
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%

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