FIRST FARMERS

For additional information contact
Robert E. Krimmel
Chief Financial Officer
(931) 380-8257

FIRST FARMERS AND MERCHANTS CORPORATION REPORTS THIRD QUARTER RESULTS

Net Income Rises 18% to $4 Million
Book Value Increases 51% to $35.56 per Share

COLUMBIA, Tenn. (October 28, 2024) – First Farmers and Merchants Corporation (OTC Pink: FFMH), the holding company for First Farmers and Merchants Bank, today announced growth in net income, net interest income, net interest margin and book value per share for the third quarter of 2024.

"We had a strong third quarter with our best earnings performance this year," stated Brian K. Williams, Chairman and Chief Executive Officer of First Farmers. "Net income rose 18.4% to $4.0 million and earnings per share increased 22.8% to $0.97. Our book value also jumped 50.6% to $35.56 per share. These solid results benefited from the continued net interest margin expansion we have been experiencing over the past three quarters.

"The Board of Directors recently increased our quarterly cash dividend by 12.5% to $0.27 per share highlighting our favorable earnings results, our strong capital position and positive outlook for First Farmers' future performance. We have positioned our balance sheet to enhance earnings as interest rates decline, and we are optimistic about continued earnings growth in the coming quarters.

"Additionally, robust risk management practices and well-managed concentration levels continue to deliver strong asset quality, as this quarter marked the lowest level of nonperforming assets in over a year."

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

- Net income rose 18.4% to $4.0 million from $3.3 million for the third quarter of 2023. Net income per common share increased 22.8% to $0.97 from $0.79 in the third quarter of 2023. Net income increased 4.2% from $3.8 million, or $0.92, per common share, reported in the second quarter of 2024;
- Adjusted net income, which excludes special items, increased 17.9% to $3.9 million, or $0.97 per common share, compared with $3.3 million, or $0.79 per common share, for the third quarter of 2023. Third quarter adjusted net income improved 5.8% from $3.7 million, or $0.90 per common share, reported in the second quarter of 2024 (see "Non-GAAP Financial Measures" section);
- Net interest income increased 13.5% to $11.4 million from $10.0 million for the third quarter of 2023 and was up 3.7% from $11.0 million from the second quarter of 2024;
- Net interest margin improved for the third consecutive quarter to 2.55%;
- Efficiency improved to 66.36% compared to 69.17% from the third quarter of 2023 and 67.36% from the second quarter of 2024; and
- Book value per share increased 50.6% to $35.56 from $23.61 from the third quarter of 2023 and increased 15.9% from $30.68 for the second quarter of 2024.

Robert E. Krimmel, Chief Financial Officer, added, “Our third quarter marked the third consecutive quarterly improvement in our net interest margin. We benefited from an increase in loan yields outpacing the increase in the total cost of interest-bearing liabilities. We are pleased with the stability of our core deposit base and took advantage of the lower interest rate environment to pay down Federal Reserve Bank Term Funding Program borrowings with lower cost brokered deposits. Our success in repositioning First Farmers’ balance sheet over the past year was a strong contributor to our third quarter’s earnings growth and will benefit the trajectory of earnings in the fourth quarter and beyond as rates decline.

“We remain focused on improving our operating efficiency while enhancing customer service and support. We posted our third consecutive improvement in our operating efficiency this year and believe we have further opportunities to enhance operations. We continue to upgrade our digital banking and lending technology platforms. We have also added new team members in mortgage operations and treasury management to expand our growth opportunities.

“First Farmers’ capital position remains strong and continues to benefit from lower market interest rates that are reducing the impact from the fair value adjustment of our investment portfolio. Our book value per share rose for the fourth consecutive quarter and was up 50.6% from the third quarter of last year, the highest level in book value per share since the fourth quarter of 2021.”

Third Quarter 2024 Results of Operations

Net income increased to $4.0 million, up $613,000, or 18.4% from the third quarter of 2023. Net income per share increased 21.8% to $0.97 for the third quarter of 2024 compared with $0.79 for the third quarter of 2023. The increase in earnings for the third quarter of 2024 resulted from an increase in net interest income of $1.4 million driven by growth in interest and fees on loans of $2.3 million, up 15.2%, that was offset in part by an increase in total interest expense of $958,000. Net interest income after provision increased for the fourth consecutive quarter to $11.4 million, up 13.5%, compared to the third quarter of 2023. Non-interest income declined, offsetting the increase in net interest income by $69,000 due to a decrease in service fees on deposit accounts of $102,000 and lower FHLB cash dividends of $100,000 for the third quarter of 2024, offset in part by an increase in wealth management and trust services fee income of $77,000. Non-interest expense grew $487,000 for the third quarter of 2024 driven by increases in employee health insurance expense of $179,000, recruitment and placement services expense of $111,000, software support and other computer expense of $87,000, and FDIC insurance premium expense of $67,000 compared to the third quarter of 2023.

Net income for the third quarter of 2024 was up from the sequential second quarter by $161,000, or 4.2%. The increase in earnings was due to growth in net interest income of $404,000 driven by interest and fees on loans offset in part by higher interest on deposits. During the quarter, the net interest margin increased for the third consecutive quarter by seven basis points supported by growth in loan yields of six basis points and investment yields of four basis points offset in part by higher total cost of interest-bearing liabilities of three basis points. Provision for credit losses declined $60,000 for the third quarter of 2024 compared to the sequential second quarter driven by lower loan balances. Non-interest income decreased $95,000 driven by lower service fees on deposit accounts of $56,000 and a decline in gain on disposal of premises and equipment of $47,000 compared to the sequential second quarter. Non-interest expense increased $194,000 because of recruitment and placement services expense of $111,000, higher software support and other computer expense of $62,000, and growth in FDIC insurance premium expense of $33,000.

For the third quarter of 2024, total cash and cash equivalents increased $42 million from the sequential second quarter and increased $41 million from the third quarter of 2023. Available-for-sale securities decreased by $11 million from the sequential second quarter to $634 million, or 34.2% of total assets, and decreased $63 million from $697 million, or 37.3% of total assets, from the third quarter of 2023. Outstanding loan balances decreased $23 million, or 2.2%, from the sequential second quarter to $1.031 billion but increased $27 million, or 2.7%, from the third quarter of 2023. During the third quarter of 2024, loan balances declined because the bank remains focused on a disciplined lending strategy to manage credit risks by limiting total loans in certain market segments while maintaining overall loan quality criteria. Total deposits increased $80 million, or 5.2%, from the sequential second quarter to $1.604 billion, but decreased $71 million, or 4.2%, from the third quarter of 2023. The increase in total deposits compared to the sequential second quarter was related to growth in brokered deposits of $82 million and core deposits of $38 million offset in part by a reduction in municipal deposits of $25 million and other non-core deposits of $15 million. The growth in brokered deposits and core deposits during the third quarter of 2024 was used to reduce Federal Reserve Bank Term Funding Program borrowings by $88 million compared to the sequential second quarter. The reduction in total deposits compared to the third quarter of 2023 was primarily driven by decreases in municipal deposits of $61 million, brokered deposits of $41 million, and other non-core deposits of $7 million offset in part by an increase in core deposits of $38 million.

For the third quarter of 2024, total shareholders' equity increased by $19.3 million from the sequential second quarter to $145.0 million and increased $46.3 million from the third quarter of 2023. The increase in total shareholders' equity from the sequential second quarter was primarily the result of a decrease in the unrealized loss adjustment to the available-for-sale securities portfolio that totaled $17.1 million, net of tax, and growth in retained earnings of $2.2 million, net of stock repurchases and cash dividends. The increase in total shareholders' equity from the third quarter of 2023 primarily resulted from a decrease in the unrealized loss adjustment to the available-for-sale securities portfolio that totaled $38.8 million, net of tax, and growth in retained earnings of $7.7 million, net of stock repurchases and cash dividends. The reduction in the fair value loss adjustment of the available-for-sale securities portfolio's impact to shareholders' equity was driven by a smaller securities portfolio and a decrease in market interest rates. The book value per share improved 15.9% from the sequential second quarter to $35.56 and increased 50.6% compared to the third quarter of 2023.

Nine Months Results

Net income available to common shareholders was $11.2 million for the first nine months of 2024, down 9.9% compared with $12.4 million in the first nine months of 2023. Net income per share declined 7.3% to $2.70 for the first nine months of 2024 compared with $2.92 for the same period in 2023. The decline in earnings was driven by a decrease in net interest income of $1.4 million, an increase in provision for credit losses of $385,000, and higher non-interest expense of $699,000, offset in part by an increase in non-interest income of $920,000 compared to the same period in 2023. Adjusted net income was $11.0 million for the first nine months of 2024, down 14.6% compared with $12.9 million in the first nine months of 2023. Adjusted net income per share declined 12.1% to $2.66 for the first nine months of 2024 compared with $3.03 for the same period in 2023.

The decline in adjusted net income for the first nine months of 2024 was due to a decrease in net interest income of $1.4 million driven by growth in total interest expense of $8 million, an increase of 77.7%, that was offset in part by an increase in interest and fees on loans of $6.7 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 2023 and provision expense of $125,000 recorded in 2024 for loan growth. The increase in non-interest income of $920,000 was attributable to gain on equity securities of $442,000, lower losses on the sale of available-for-sale securities of $291,000, revenue growth from wealth management and trust services fees of $237,000, and gain on disposal of premises and equipment of $142,000, offset in part by a decrease in service fees on deposit accounts of $219,000 compared to the first nine months of 2023. The increase in non-interest expense of $699,000 was due to higher health insurance expense of

$337,000, software support and other computer expense of $223,000, data processing expense of $192,000, and recruitment and placement services expense of $111,000, offset in part by a decline in net occupancy expense of $184,000 compared to the first nine months of 2023.

Asset Quality

Nonperforming assets declined to $852,000, or 0.05% of total assets, down from $863,000, or 0.05% of total assets, from the sequential second quarter and down from $3.1 million, or 0.17% of total assets, from the third quarter of 2023. Net charge-offs to average loans were 0.01% for the third quarter of 2024 compared with net charge-offs of 0.00% for the sequential quarter and net charge-offs of 0.00% for the third quarter of 2023. Provision expense of less than $1,000 was recorded to the allowance for credit losses during the third quarter of 2024 compared to provision for credit losses expense of $60,000 for the sequential second quarter and no provision for credit losses expense for the third quarter of 2023. The allowance for credit losses represented 0.78% of total loans outstanding for the third quarter of 2024 compared with 0.77% for the sequential second quarter and 0.78% for the third quarter of 2023. The allowance for credit losses for unfunded commitments declined to $605,000, or 0.20% of total unfunded commitments, for the third quarter of 2024 compared with 0.21% for the sequential second quarter and 0.29% for the third quarter of 2023. The allowance for credit losses for held-to-maturity ("HTM") securities represented 0.06% of total HTM securities for the third quarter of 2024 compared with 0.06% for the sequential second quarter and 0.06% for the third quarter of 2023.

Capital Management Initiatives

During the third quarter of 2024, First Farmers repurchased 22,500 shares of the Company's common stock in the open market and through privately negotiated transactions at an average price of $31.00 per share, with prices ranging from $28.00 to $34.03 per share in accordance with the Company's stock repurchase program. The third quarter of 2024 stock repurchases represented a 59.1% decrease compared to the sequential second quarter and a 49.9% decrease compared to the third quarter of 2023. Authorization to repurchase approximately 97,500 shares remains in 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 September 30, 2024, First Farmers reported total assets of approximately $1.9 billion, total shareholders' equity of approximately $145 million, and administered trust assets of $6.2 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			Nine Months Ended	
	September 30,		June 30,	September 30,	
	2024	2023	2024	2024	2023
Total non-interest income	$ 3,428	$ 3,497	$ 3,523	$ 10,434	$ 9,514
Loss on sale of securities	26	-	-	26	317
(Gain) loss on equity securities	-	-	-	(91)	351
Gain on redemption of bank-owned life insurance	-	-	(2)	(2)	-
Gain on disposal of premises and equipment	(51)	(3)	(98)	(149)	(7)
Adjusted non-interest income	$ 3,403	$ 3,494	$ 3,423	$ 10,218	$ 10,175
Total non-interest expense	$ 9,974	$ 9,487	$ 9,780	$ 29,607	$ 28,908
Net income as reported	$ 3,951	$ 3,338	$ 3,790	$ 11,160	$ 12,390
Total adjustments, net of tax[1]	(18)	(2)	(74)	(160)	490
Adjusted net income	$ 3,933	$ 3,336	$ 3,716	$ 11,000	$ 12,880
Basic earnings per share	$ 0.97	$ 0.79	$ 0.92	$ 2.70	$ 2.92
Total adjustments, net of tax[1]	-	-	(0.02)	(0.04)	0.11
Adjusted basic earnings per share	$ 0.97	$ 0.79	$ 0.90	$ 2.66	$ 3.03
Diluted earnings per share	$ 0.96	$ 0.79	$ 0.92	$ 2.70	$ 2.92
Total adjustments, net of tax[1]	-	-	(0.02)	(0.04)	0.11
Adjusted diluted earnings per share	$ 0.96	$ 0.79	$ 0.90	$ 2.66	$ 3.03

(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) September 30, 2024**	**December 31, 2023[1]**
ASSETS	Cash and due from banks	$ 26,299	$ 22,654
	Interest-bearing deposits	44,770	2,689
	Federal funds sold	31	117
	Total cash and cash equivalents	71,100	25,460
	Securities:		
	Available-for-sale	633,734	692,763
	Held-to-maturity (fair market value $15,246 and $14,394)	15,860	15,038
	Equity securities	2,214	2,123
	Loans held-for-sale	165	470
	Loans, net of deferred fees	1,031,098	1,018,866
	Allowance for credit losses	(8,049)	(7,666)
	Net loans	1,023,049	1,011,200
	Bank premises and equipment, net	29,362	30,208
	Bank-owned life insurance	36,491	34,602
	Goodwill	9,018	9,018
	Deferred tax asset	19,214	24,862
	Other assets	14,584	25,859
	TOTAL ASSETS	$ 1,854,791	$ 1,871,603
LIABILITIES	Deposits:		
	Noninterest-bearing	$ 463,688	$ 463,858
	Interest-bearing	1,139,984	1,154,706
	Total deposits	1,603,672	1,618,564
	Accounts payable and accrued liabilities	26,167	24,798
	FRB Bank Term Funding Program borrowings	80,000	104,000
	TOTAL LIABILITIES	1,709,839	1,747,362
SHAREHOLDERS' EQUITY	Common stock - $10 par value per share, 8,000,000 shares authorized; 4,071,602 and 4,174,142 shares issued and outstanding as of the periods presented	40,716	41,741
	Additional paid-in capital	61	-
	Retained earnings	149,297	143,249
	Accumulated other comprehensive loss	(45,217)	(60,844)
	Total shareholders' equity attributable to First Farmers and Merchants Corporation	144,857	124,146
	Noncontrolling interest - preferred stock of subsidiary	95	95
	TOTAL SHAREHOLDERS' EQUITY	144,952	124,241
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,854,791	$ 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)

		Three Months Ended September 30,		Nine Months Ended September 30,	
	(dollars in thousands, except per share data)	**2024**	**2023**	**2024**	**2023**
INTEREST AND DIVIDEND INCOME	Interest and fees on loans	$ 14,467	$ 12,417	$ 42,517	$ 35,826
	Income on investment securities				
	Taxable interest	2,073	2,291	6,374	7,107
	Exempt from federal income tax	462	442	1,331	1,353
	Interest from federal funds sold and other	548	90	1,084	375
	Total interest income	17,550	15,240	51,306	44,661
INTEREST EXPENSE	Interest on deposits	4,325	4,568	12,625	9,308
	Interest on borrowings	1,870	669	5,763	1,041
	Total interest expense	6,195	5,237	18,388	10,349
	Net interest income	11,355	10,003	32,918	34,312
	Provision (credit) for credit losses	-	-	125	(260)
	Net interest income after provision	11,355	10,003	32,793	34,572
NON-INTEREST INCOME	Mortgage banking activities	45	26	122	101
	Wealth management and trust services fees	1,180	1,103	3,504	3,267
	Service fees on deposit accounts	1,715	1,817	5,170	5,389
	Investment services fee income	77	90	292	279
	Earnings on bank-owned life insurance	177	158	489	402
	Loss on sale of available-for-sale securities	(26)	-	(26)	(317)
	Gain on disposal of premises and equipment	51	3	149	7
	Gain (loss) on equity securities	-	-	91	(351)
	Other non-interest income	209	300	643	737
	Total non-interest income	3,428	3,497	10,434	9,514
NON-INTEREST EXPENSE	Salaries and employee benefits	5,689	5,288	16,911	16,245
	Net occupancy expense	599	632	1,759	1,943
	Depreciation expense	410	407	1,221	1,229
	Data processing expense	583	536	1,727	1,535
	Software support and other computer expense	1,173	1,086	3,379	3,156
	Legal and professional fees	180	202	588	643
	Audits and exams expense	173	158	532	525
	Advertising and promotions	212	255	622	749
	FDIC insurance premium expense	255	188	695	681
	Other non-interest expense	700	735	2,173	2,202
	Total non-interest expense	9,974	9,487	29,607	28,908
	Income before provision for income taxes	4,809	4,013	13,620	15,178
	Provision for income taxes	858	675	2,452	2,780
	Net income	3,951	3,338	11,168	12,398
	Noncontrolling interest - dividends on preferred stock subsidiary	-	-	8	8
	Net income available to common shareholders	$ 3,951	$ 3,338	$ 11,160	$ 12,390
	Weighted average shares outstanding - basic	4,087,043	4,206,805	4,126,960	4,246,412
	Weighted average shares outstanding - diluted	4,099,707	4,206,805	4,139,624	4,246,412
	Earnings per share	$ 0.97	$ 0.79	$ 2.70	$ 2.92
	Diluted earnings per share	$ 0.96	$ 0.79	$ 2.70	$ 2.92

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, 2024**	**June 30, 2024**	**March 31, 2024**	**December 31, 2023**	**September 30, 2023**
Results of Operations:					
Interest income	$ 17,550	$ 16,975	$ 16,781	$ 16,091	$ 15,240
Interest expense	6,195	6,024	6,169	6,048	5,237
Net interest income	11,355	10,951	10,612	10,043	10,003
Provision (credit) for credit losses	-	60	65	(230)	-
Non-interest income	3,428	3,523	3,483	3,685	3,497
Non-interest expense and non-controlling interest – preferred stock of subsidiary	9,974	9,788	9,853	9,677	9,487
Income before income taxes	4,809	4,626	4,177	4,281	4,013
Income taxes	858	836	758	622	675
Net income for common shareholders	$ 3,951	$ 3,790	$ 3,419	$ 3,659	$ 3,338
Per Share Data:					
Basic earnings per share	$ 0.97	$ 0.92	$ 0.82	$ 0.88	$ 0.79
Diluted earnings per share	$ 0.96	$ 0.92	$ 0.82	$ 0.88	$ 0.79
Book value per share	$ 35.56	$ 30.68	$ 29.92	$ 29.74	$ 23.61
Weighted average shares outstanding per quarter - basic	4,087,043	4,127,442	4,166,834	4,174,283	4,206,805
Weighted average shares outstanding per quarter - diluted	4,099,707	4,140,106	4,177,909	4,175,998	4,206,805
Financial Condition Data and Ratios:					
Total securities	$ 651,808	$ 662,834	$ 686,795	$ 709,924	$ 713,707
Available-for-sale securities, fair market value	$ 633,734	$ 644,451	$ 669,552	$ 692,763	$ 696,505
Available-for-sale securities, amortized cost	$ 695,808	$ 729,602	$ 755,162	$ 776,078	$ 810,959
Loans, net of deferred fees	$ 1,031,098	$ 1,053,814	$ 1,017,677	$ 1,018,866	$ 1,004,066
Allowance for credit losses	$ (8,049)	$ (8,064)	$ (7,803)	$ (7,666)	$ (7,871)
Total assets	$ 1,854,791	$ 1,854,337	$ 1,884,126	$ 1,871,603	$ 1,868,540
Total deposits	$ 1,603,672	$ 1,524,077	$ 1,567,083	$ 1,618,564	$ 1,674,673
Net interest income, on a fully taxable-equivalent basis	$ 11,612	$ 11,188	$ 10,834	$ 10,268	$ 10,223
Net interest margin	2.55%	2.48%	2.39%	2.21%	2.22%
Efficiency	66.36%	67.37%	69.72%	67.56%	69.17%
Asset Quality Data and Ratios:					
Total nonperforming assets	$ 852	$ 863	$ 945	$ 1,407	$ 3,109
Nonperforming assets to total assets	0.05%	0.05%	0.05%	0.08%	0.17%
Allowance for credit losses to total loans	0.78%	0.77%	0.77%	0.75%	0.78%
Net charge-offs to average loans (annualized)	0.01%	0.00%	0.00%	0.00%	0.00%

-END-