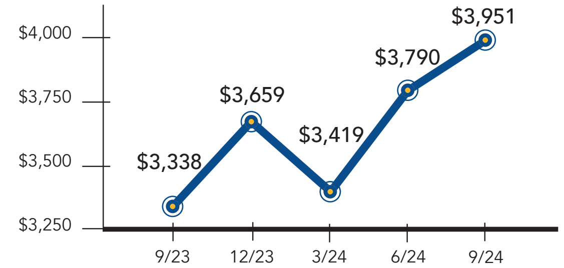
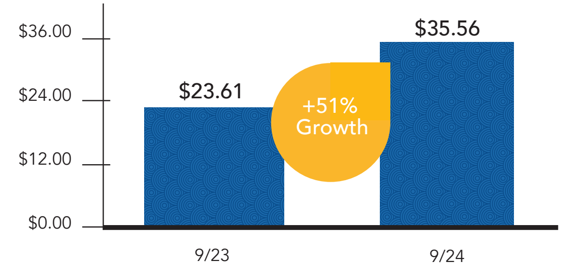
Third Quarter Highlights

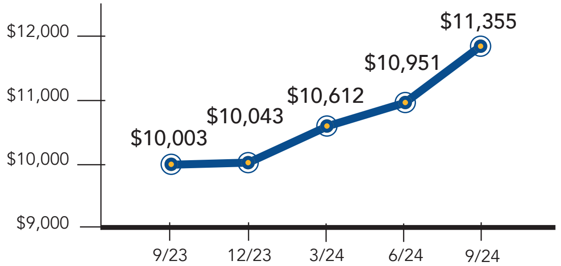
Net Income *(dollars in thousands)*



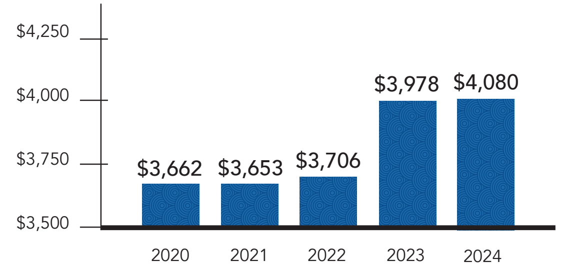
Book Value Per Share



Net Interest Income *(dollars in thousands)*



Cash Dividends Paid *(dollars in thousands)*



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THIRD QUARTER REPORT 2024

DEAR FELLOW SHAREHOLDERS

I am pleased to report that First Farmers posted its best earnings performance of the year in the third quarter. Net income rose 18.4% to $4.0 million and our earnings per share increased 22.8% to $0.97. These solid results were driven by the continued expansion of our net interest margin which rose to the highest level in over a year.

Strong Third Quarter Results

Driving this quarter's earnings growth was the 13.5% increase in net interest income to $11.4 million. We benefited from increasing loan yields outpacing the increases in the total cost of interest-bearing liabilities. Supported by the interest rate cut by the Federal Reserve during the quarter, we were able to lower the rates paid on deposit accounts and borrowings.

Our net interest margin rose to 2.55% in the third quarter representing the third consecutive quarterly improvement. The strategic repositioning of our balance sheet over the past year to enhance our earnings performance in response to declining interest rates was a major contributor to this positive trend. We expect these efforts to continue supporting our earnings growth in the coming quarters.

Book value per share jumped 50.6% to $35.56 at the end of the third quarter, which is the highest level since the fourth quarter of 2021. The strong growth in our book value was favorably impacted as the lower interest rate environment continued to reduce the fair value adjustment of our investment portfolio.

Total deposits rose by $80 million to $1.604 billion for the third quarter when compared to the sequential second quarter. The increase in deposits resulted from growth in both core and brokered deposits which was used to pay down $88 million of Federal Reserve Bank Term Funding Program borrowings.

Outstanding loan balances declined by $23 million from the sequential second quarter due to loan paydowns and the bank's disciplined approach to manage credit risks by limiting lending activity in certain market segments. This quarter marked the lowest level of nonperforming assets in over a year, reflecting our robust risk management practices and well-managed loan concentration levels. Nonperforming assets have remained under $1 million over the past three quarters.

Increased Cash Dividend

The Board of Directors increased our quarterly cash dividend by 12.5% to $0.27 per share during the third quarter in recognition of our favorable earnings results, our strong capital position and our positive outlook for First Farmers' future performance.

Outlook for Fourth Quarter

First Farmers enters the fourth quarter with solid earnings momentum. We remain focused on managing our funding costs to capitalize on anticipated lower interest rates and expect further growth in earnings and our net interest margin as rates continue to decline. Our balance sheet remains strong and liquid to fund future loan growth.

We continue to roll out enhancements to our digital banking and lending technology platforms that are expected to improve our operating efficiency, as well as customer service and support. This is evidenced, in part, by our third quarter efficiency ratio declining to 66.36% which was the best level since the second quarter of 2023.

Importantly, I want to recognize the dedicated First Farmers team that is focused on delivering at the highest level to the customers and the communities we serve while also ensuring that our company is poised for success as we look to the future.

We remain very positive about the future of First Farmers and look forward to reporting on our progress at year-end 2024.

Brian K. Williams
Chairman and Chief Executive Officer

Third 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			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.

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First Farmers and Merchants Corporation and Subsidiaries
Consolidated Financial Highlights

(unaudited)

(dollars in thousands, except per share data)	For the Three Months Ended 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:					
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%