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# Grow With Us.

*Building on a century of experience  
with a vision for the future*



# Helping Middle Tennesseans **since 1909.**

## **The First Farmers Legacy**

First Farmers & Merchants Bank has proudly served Middle Tennessee families and businesses for more than a century. The bank was founded on the belief that in order to build a strong local bank, one must first build strong local relationships.

Today, First Farmers is one of Tennessee's leading community banks with more than \$1.9 billion in assets and nearly \$6 billion in administered trust assets. Our bank has steadily grown across the region, with 22 financial service centers in Davidson, Giles, Hickman, Lawrence, Marshall, Maury and Williamson counties. Through our continued growth, we have remained focused on what matters the most – the people and communities we serve. We are deeply rooted in Middle Tennessee and honored to contribute time, talent and resources within the communities we serve. Because, at the end of the day, a bank is a collection of people. From our CEO to our newest employee, our team is dedicated to success and growth – both yours and ours.



2022: A Record Year

Net Income Rose 15.6% | 9.5% Annunalized Increase in the cash dividend

\$4.19 EPS | 5.85% Improvement in Efficiency Achieved  
Earnings per share increased 16.7%

393 Hours donated by team members to community service | \$260,000+ Dollars donated in the seven county area for community support

T. Randy Stevens exemplifies the art of leadership. His combination of strategic thinking and integrity provided the framework to grow First Farmers and Merchants Bank to the community bank it is today. Under his 20 years of leadership as Chairman and CEO, the total assets of First Farmers grew from \$888 million to more than \$2.1 billion, total trust assets reached \$6.2 billion, and nine new offices were added, expanding the bank's footprint into Williamson and Davidson counties. Mr. Stevens championed the bank's focus on safety and soundness while building shareholder value through a strong stock buyback program and uninterrupted cash dividends during his tenure.

The tremendous potential of First Farmers in the years to come is grounded on the foundation that T. Randy Stevens built.



From everyone in the First Farmers family, we say thank you for your leadership and your 50-year commitment to this great community bank.

# Dear Fellow Shareholders,

I am pleased to report record results for First Farmers in 2022. We achieved double digit growth in net income – a record \$18.1 million. It was our strongest earnings performance in 113 years of operations. I am incredibly proud of our entire team who contributed to these record results in 2022. Their continued focus on providing a high level of service to our customers and their operational excellence were key drivers of our success.

To highlight the record results for 2022, our Board of Directors rewarded shareholders with a 9.5% increase in our cash dividend to \$0.23 per share, demonstrating the Board's commitment to deliver long-term shareholder value.

I am incredibly proud of our entire team who helped us achieve the best earnings in First Farmers' 113-year history. The fundamentals which powered our record results in 2022 remain in place as we enter 2023, and we are confident in First Farmers' consistent, sustainable long-term performance for our shareholders.

## Record Results for 2022

First Farmers' net income rose 15.6% to a record \$18.1 million in 2022 compared with \$15.6 million in 2021. Earnings per share increased 16.7% to a record \$4.19. We are pleased with the quality of the company's earnings in 2022 which were generated by our bank's core operations. We experienced solid growth in loans, an increase in trust services fee income, growth in our net interest margin and lower non-interest expense compared with 2021. Strong asset quality also contributed to our improved results.

## Focus on the Future

First Farmers' excellent results for 2022 benefited from our laser focus on our core business lines, as well as technology enhancements which improved our customers' digital access and improved operational

efficiencies. Our focus on innovation will continue in 2023 with key initiatives including the introduction of a new loan origination system, new features for our digital banking platform, and enhancements to services provided to depositors and treasury management clients.

The fundamentals which powered our results in 2022 remain in place as we enter 2023, yet higher interest rates and softening economic conditions will keep us vigilant in protecting the strength of our balance sheet. Given the current environment, we will emphasize continued growth in our exceptional core deposit base and continued discipline in loan underwriting standards and ongoing loan portfolio monitoring.



We are proud of the record results achieved in our 113th year of striving to be the community bank of choice in Middle Tennessee. We remain confident in the personalized service of our outstanding team, the strong markets we serve, and our ability to navigate economic uncertainty.

We value your investment in First Farmers, and we look forward to reporting on our continued progress in 2023.

Sincerely,

A handwritten signature in blue ink that reads "B.K. Williams".

Brian K. Williams  
Chairman of the Board and  
Chief Executive Officer



# Our Bank's Bottom Line Starts with Relationships

To us, the most reliable measure of our success is not in the volume of transactions we handle but in the strength of relationships that we create. Following this vision, First Farmers has steadily grown into the 7th largest community bank headquartered in Tennessee, with nearly \$2 billion in assets.

Our relationships with our customers are developed organically, and those relationships deepen as they are cultivated over time. That is First Farmers' vision for future success and part of our company's approach that has proven itself over the course of more than a century.

Many of the relationships with our customers begin at a young age or on a small scale and grow into multi-generational opportunities: with parents helping their children open their first savings account, or young families looking for a mortgage loan, or small businesses that turn to us for cash management opportunities, or older customers seeking to share their wealth with the next generation. First Farmers seeks to grow with them, wherever they are in their life's cycle – because we understand that banking is about taking care of people.

Across the markets we serve in Middle Tennessee, it's common to find organizations from manufacturers to medical clinics that have been part of the First Farmers family since their inception and have grown to rank among the area's largest job creators. As they grow with us, customers frequently come to entrust us with their personal banking, home financing, business banking, investment planning and wealth management.

We follow that same approach with our team. The average tenure of First Farmers team members is 12 years. Almost a third of them have been with us longer than two decades. Like our customers and communities, they grow with us, both in terms of capabilities and responsibilities. As they do, their steady presence deepens the bonds of trust between First Farmers and the communities we serve.

We look to grow from within. We invest in our people because we want to keep them long-term. Longevity creates trust, and trust strengthens our relationships with the customers we serve.



**Rory A. Mallard**  
Chief Commercial Banking Officer

We believe small businesses are the foundation of a growing and thriving community. Many small businesses that began with us have grown to become large employers that have major impacts on their communities. We are proud to have been part of that.



**C. Stacey Shedd**  
Chief Retail Banking Officer

Top to bottom clockwise:

**Glynis D. Smith,**  
Physical Security and  
Fraud Officer

**Jessica D. Sandoval,**  
Secondary Mortgage  
Loan Originator

**Race W. Wilson,**  
Branch Manager

Left to right: **Elizabeth G. Miller,** Senior Commercial Banking Officer; **Suzanne A. Estes,** Commercial Relationship Manager and **James Gardner III,** Nashville President

**Jonathan Carrera,**  
Assistant Branch  
Manager

**Marcus D. Williams,**  
Director of Nashville  
Community Banking

# Growing in New Ways to Meet Customers' Needs

**Our vision is to meet the full range of financial needs and preferences of our customers. Executing on that vision, we continue to grow technology enhancements that offer access with convenience.**

Executing on this vision, we took significant steps in 2022 toward achieving premier digital banking capabilities as we both anticipate and adapt to the evolving needs of those we serve. Through our Money Manager system, available on our new digital platform, First Farmers customers can use their mobile devices to securely manage their banking services. They can now aggregate all of their information, including data from accounts outside First Farmers, into one comprehensive financial picture allowing customers to review information on their spending patterns, create budgets and plan for the future. Through our new digital platform, they also have access to new, self-directed services, such as changing passwords, that once required a call to our bank.

We have also invested in technologies designed to streamline the experience of customers in communicating with us. Using this technology, customers can now talk directly to the banker whom they know personally. This new level of connectivity balances efficiency with a personal connection to their bank.

As we envision it, we expect our new digital capabilities to evolve over time to serve the needs of our customers. Among our key technology initiatives for 2023 are a new loan origination system that will simplify and accelerate the process of applying for consumer, small business and commercial loans. This addition builds on the new mortgage lending platform we implemented in 2022. We are adding tools that enable customers to have greater access and insight into their credit scores. We are also pursuing enhanced ATM functionality to support mobile wallet capabilities, a new person-to-person payment tool for cash and electronic payment transactions that provide more flexibility and convenience for the customer.

Even as our customer-empowering innovation continues to grow, in a real sense our investments in technology are simply an extension of what First Farmers has done since 1909 — meeting our customers where they are.



**Shannon L. Tidwell**  
Chief Information Officer

Everything we do considers the impact on our customers. As new technology evolves and customer preferences change, we'll continue to adjust our technology to meet their new expectations.

Top to bottom clockwise:

**Amber C. Cook**, Treasury Management Officer with **Dr. Carl Jackson**, Middle Tennessee Oral Surgery

**Shannon L. Tidwell**, Chief Information Officer; **Linda L. Hicks**, Director of Deposit Operations and **Javier Gutierrez**, Project Manager

**Haley B. Parker**, Contact Center Agent

**Judy and James Benson**, Commercial Banking Customers



With financial planning, investments and trust services, we don't just manage wealth. We grow it.

Win and Wilks Halliday, along with Bella and Beau, their bird dogs-in-training, enjoy a walk on the Hallidays' nearly 200-year-old farm. Four generations of Hallidays have worked this Century Farm producing cattle, dairy, chickens, sheep, guineas, goats, hogs, tobacco, corn and soybeans. Today, the farm produces corn, soybeans, beef cattle and great family memories. "As far back as I can remember First Farmers has been at my family's side – every step of the way," said Win Halliday.



**First Farmers' Wealth Management delivered a 3.0% increase in fee income despite the volatile financial markets of 2022.**

First Farmers' Trust and Financial Management business is focused on building wealth for clients over time through financial planning, investments and trust services. We recognize that all of our clients have one thing in common: They are different. With that in mind, we cultivate and nurture each relationship based on the unique needs of each individual or family. That approach has enabled our wealth management business to grow since its inception in 1969 to administer nearly \$6 billion in assets for the clients we serve in communities across Middle Tennessee.

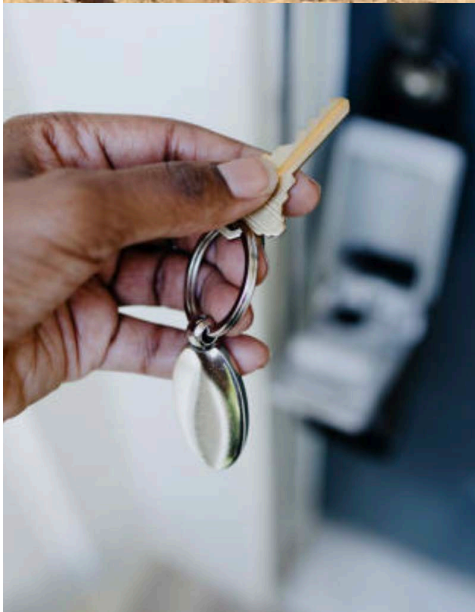
It is common to find relationships that extend to clients' children and grandchildren who come to rely on First Farmers for guidance as they plan for their financial futures and seek to grow and guard wealth. In this way, our wealth management team not only serves our clients across all stages of their lives but also serves their families as a trusted advisor across decades and generations.

Now, as part of our vision, First Farmers is expanding the ways that our financial planning, trust and wealth management continue to meet our clients' needs and preferences — including mobile and online digital access, a wealth access platform that enables clients to see a complete picture of all their assets from all sources, and new financial planning tools to aid young families in identifying and reaching their goals and providing a roadmap for retirement.

Every day, we are working hard to enrich the lives of our clients and our community. We strive to meet the needs of our clients with improved technology and resources that add value to our clients.



**Dawn D. Moore**  
Chief Wealth Management Officer



# We share an uncommonly strong commitment to our communities.

Part of the stated mission of First Farmers is to enrich the lives of those who call our communities home. In addition to the financial services we provide that fuel the success of local businesses and their employees, and of individuals and their families, our team members fulfill the mission in a myriad of ways that extend far beyond their workday routines. Based on a local need and their personal interests and expertise, First Farmers team members contribute their knowledge, energies and thousands of hours each year to strengthen the fabric of the places we call home.

Much of First Farmers' volunteer work connects to financial literacy, affordable housing, elder education and community outreach. In Maury County, First Farmers helps families escape the vicious cycle of payday loan debt and provides financial education through coaching on how to recognize and avoid scammers who frequently prey on older adults. In Lawrence and Hickman Counties, you will find First Farmers team members teaching financial literacy to high school students, helping them build a foundation for success.

In Marshall County, our people raise funds for community college scholarships. In Giles County, we work with the local Boys and Girls Club and serve on county boards focused on job creation and providing broadband to all residents. In Davidson County, where affordable homes are an acute community challenge, we partner with Safe Haven Family Shelter, which provides transitional residences for families experiencing homelessness, and with organizations that help individuals and families overcome financial barriers to buying a home.

Perhaps nothing exemplified the "grow with us" spirit of First Farmers last year more than the home we volunteered to build in Columbia. Aligning with Habitat for Humanity Williamson-Maury, First Farmers had 31 team members, joined by members of their families, who contributed 750 hours to construct a home for a low-income family in our community.

These diverse efforts, whose effects ripple out to the larger community, reflect a mutual commitment at First Farmers to a common vision: When our neighbors thrive, so do we.

Opposite page:

**31 First Farmers Team Members**, volunteered more than 750 hours to building this home – providing safe, stable, and affordable housing for a Columbia resident.



**Marcus F. Houston**  
Community Development  
and CRA Officer

When you're part of the community, you get to know people and their needs. And when you understand their needs, that's when you can really help. The core of what we do is reach out to people who need us. We try to work together as a family, and that spills over into our communities.

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In 2022, **First Farmers** partnered alongside

**95**

local organizations  
in seven counties  
donating \$260,000  
to community causes.

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# Financial Highlights

## First Farmers reported record net income in 2022 – the highest level in the company’s 113 year history.

Our record financial performance in 2022 was highlighted by continued progress in key metrics. We reported growth in net interest margin, lower non-interest expenses, net loan growth and an improved efficiency ratio.

Our excellent asset quality benefited our record earnings in 2022 led by another year of loan recoveries, a higher provision credit for loan and lease losses, and a reduction in nonperforming loans compared with the prior year.

Non-interest income declined because of a Visa stock gain reported in 2021 and mortgage banking activities fell in conjunction with higher interest rates. This was partially offset by higher trust service fee income driven by growth in new client accounts despite weak financial markets. Net loans rose 9.1% to \$956.8 million driven by organic loan growth from our successful new business development efforts, our deep and trusted customer relationships, and the continued strength of the Middle Tennessee economy.

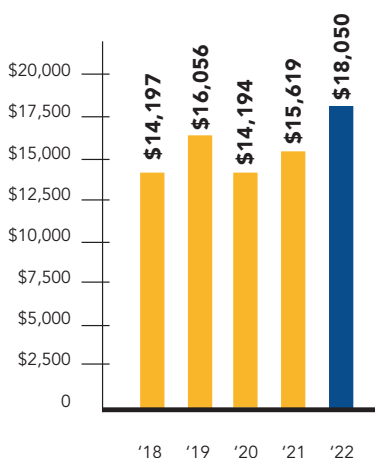
First Farmers’ growth in revenues combined with lower non-interest expenses contributed to our improved operating efficiency throughout the year ending at 60.40% for the fourth quarter of 2022 and 63.04% for the year.



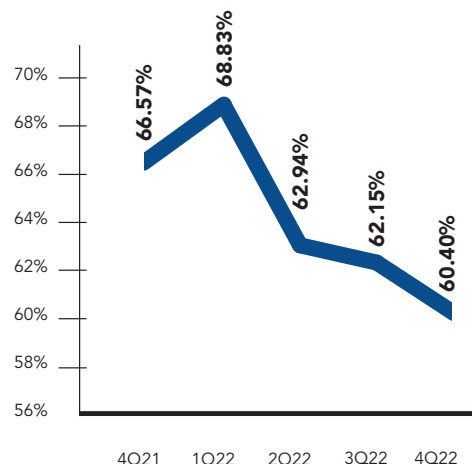
**Robert E. Kimmel**  
Chief Financial Officer and  
Corporate Secretary

First Farmers has a strong balance sheet and a solid capital position to support our continued growth in 2023. We remain focused on improving our future earnings potential by growing revenue faster than expenses and rewarding our shareholders with adjustments in our cash dividend.

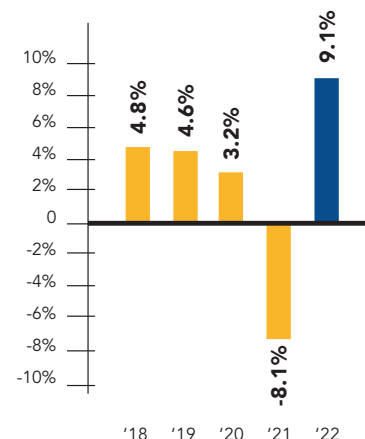
**Net Income**  
(dollars in thousands)



**Efficiency**



**Annual Net Loan Growth**



# Five-Year Comparison of Selected Financial Data

First Farmers & Merchants Corporation

Dollars in thousands, except per share data

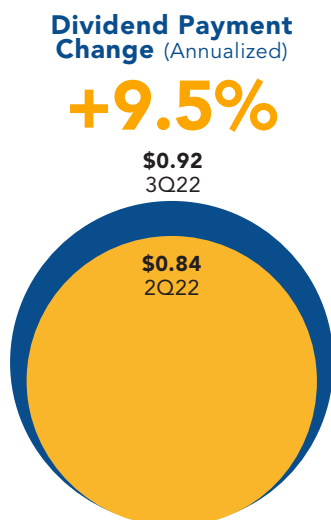
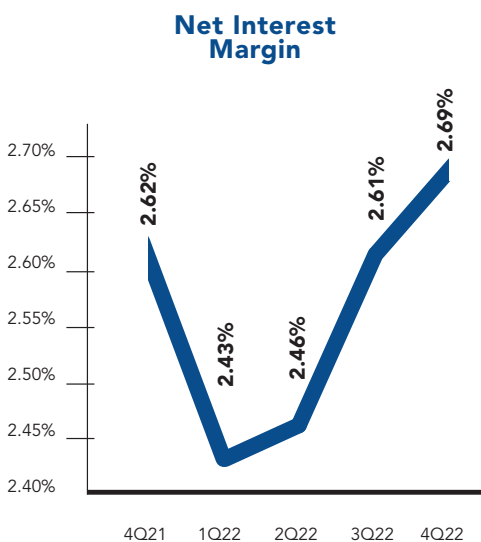
	2022	2021	2020	2019	2018
<b>Financial position at December 31,</b>					
Total assets	\$1,942,289	\$1,972,738	\$1,802,145	\$1,403,670	\$1,365,117
Loans (net of deferred fees)	966,167	886,891	964,695	934,770	894,685
Allowance for loan losses	9,382	9,605	9,715	8,960	9,282
Deposits	1,798,628	1,791,206	1,608,174	1,220,241	1,174,670
Shareholders' equity	96,665	158,631	159,994	144,388	129,983
Common book value per share	22.59	36.72	36.68	32.94	29.20
Tangible common book value per share	20.48	34.63	34.61	30.89	27.15
<b>Operations for the year ended December 31,</b>					
Net interest income	\$ 47,984	\$ 45,156	\$ 43,529	\$ 42,450	\$ 41,721
(Provision credit) provision for loan losses	(320)	(150)	700	(360)	50
Net interest income after provision for loan losses	48,304	45,306	42,829	42,810	41,671
Non-interest income <sup>1</sup>	14,147	16,783	14,447	16,207	13,819
Non-interest expense <sup>2</sup>	40,168	42,966	40,281	39,598	38,684
Income before income taxes	22,283	19,123	16,995	19,419	16,806
Income taxes	4,217	3,488	2,785	3,347	2,593
Net income	\$ 18,066	\$ 15,635	\$ 14,210	\$ 16,072	\$ 14,213
Net income available to common shareholders	\$ 18,050	\$ 15,619	\$ 14,194	\$ 16,056	\$ 14,197
Basic earnings per share	\$ 4.19	\$ 3.59	\$ 3.25	\$ 3.62	\$ 3.17
Cash dividends declared per share	\$ 0.88	\$ 0.84	\$ 0.84	\$ 0.84	\$ 0.81

## Operating ratios

Net interest margin	2.55%	2.60%	2.99%	3.48%	3.41%
Return on average assets	0.91%	0.83%	0.89%	1.18%	1.04%
Return on average total equity	15.91%	9.73%	9.15%	11.42%	11.41%
Efficiency	63.04%	68.90%	69.75%	68.73%	68.02%

(1) December 31, 2021 results include a one-time gain of \$1.3 million, net of tax, for the May 2021 sale of Visa Class B stock and December 31, 2019 results include a one-time gain of \$2.0 million, net of tax, for the January 2019 sale of the White Bluff office.

(2) December 31, 2021 results include one-time executive retirement benefit expenses in the amount of \$1.1 million, net of tax.



# Consolidated Balance Sheets

First Farmers & Merchants Corporation

	December 31, 2022	December 31, 2021
Dollars in thousands, except per share data		
<b>ASSETS</b>		
Cash and due from banks	\$ 27,193	\$ 19,791
Interest-bearing deposits	1,754	75,065
Federal funds sold	57	8,374
Total cash and cash equivalents	<u>29,004</u>	<u>103,230</u>
Securities available-for-sale	810,591	876,987
Securities held-to-maturity (fair market value \$14,162 and \$15,932 as of the periods presented)	15,087	5,128
Equity securities	2,505	2,481
Loans held-for-sale	-	2,197
Loans, net of deferred fees	966,167	886,891
Allowance for loan and lease losses	<u>(9,382)</u>	<u>(9,605)</u>
Net loans	956,785	877,286
Bank premises and equipment, net	32,140	32,627
Bank-owned life insurance	35,829	35,354
Goodwill	9,018	9,018
Net deferred tax asset	30,956	4,461
Other assets	20,374	13,969
<b>TOTAL ASSETS</b>	<b><u>\$ 1,942,289</u></b>	<b><u>\$ 1,972,738</u></b>
<b>LIABILITIES</b>		
Deposits:		
Non-interest-bearing	\$ 534,474	\$ 522,725
Interest-bearing	1,264,154	1,268,481
Total deposits	<u>1,798,628</u>	<u>1,791,206</u>
Accounts payable and other liabilities	21,996	22,901
FHLB borrowings	25,000	-
<b>TOTAL LIABILITIES</b>	<b><u>1,845,624</u></b>	<b><u>1,814,107</u></b>
<b>SHAREHOLDERS' EQUITY</b>		
Common stock - \$10 par value per share, 8,000,000 shares authorized; 4,275,328 and 4,317,306 shares issued and outstanding as of the periods presented	42,753	43,173
Retained earnings	132,905	119,507
Accumulated other comprehensive loss	<u>(79,088)</u>	<u>(4,144)</u>
Total shareholders' equity attributable to First Farmers and Merchants Corporation	96,570	158,536
Non-controlling interest – preferred stock of subsidiary	95	95
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b><u>96,665</u></b>	<b><u>158,631</u></b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b><u>\$ 1,942,289</u></b>	<b><u>\$ 1,972,738</u></b>

# Consolidated Statements of Income

First Farmers & Merchants Corporation

	Years ended December 31,		
	2022	2021	2020
Dollars in thousands, except per share data			
<b>INTEREST AND DIVIDEND INCOME</b>			
Interest and fees on loans	\$ 38,962	\$ 38,491	\$ 40,316
Income on investment securities			
Taxable interest	10,004	6,789	4,852
Exempt from federal income tax	2,025	2,169	1,985
Interest from federal funds sold and other	232	88	170
Total interest income	51,223	47,537	47,323
<b>INTEREST EXPENSE</b>			
Interest on deposits	2,829	2,380	3,750
Interest on other borrowings	410	1	44
Total interest expense	3,239	2,381	3,794
Net interest income	47,984	45,156	43,529
(Provision credit) provision for loan and lease losses	(320)	(150)	700
Net interest income after provision	48,304	45,306	42,829
<b>NON-INTEREST INCOME</b>			
Mortgage banking activities	614	1,442	1,362
Trust service fees	4,160	4,045	3,643
Service fees on deposit accounts	7,655	7,093	6,617
Investment services fee income	406	341	371
Earnings on bank-owned life insurance	475	554	551
(Loss) gain on sales of securities	(5)	621	129
Gain on redemption of bank-owned life insurance	-	-	820
Net change in fair value of equity securities	25	239	242
Gain on sale of Visa class B stock	-	1,811	-
Other non-interest income	817	637	712
Total non-interest income	14,147	16,783	14,447
<b>NON-INTEREST EXPENSE</b>			
Salaries and employee benefits	23,115	26,499	24,229
Net occupancy expense	2,663	2,699	2,478
Depreciation expense	1,786	2,033	2,074
Core provider expense	2,528	3,034	3,132
Software support and other computer expense	3,821	2,875	2,554
Legal and professional fees	1,007	794	927
Audits and exams expense	730	637	726
Advertising and promotions	1,074	1,004	894
FDIC insurance premium expense	677	636	365
Other non-interest expense	2,767	2,755	2,902
Total non-interest expenses	40,168	42,966	40,281
Income before provision for income taxes	22,283	19,123	16,995
Provision for income taxes	4,217	3,488	2,785
Net income	18,066	15,635	14,210
Non-controlling interest – dividends on preferred stock of subsidiary	16	16	16
Net income available to common shareholders	\$ 18,050	\$ 15,619	\$ 14,194
Weighted average shares outstanding	4,305,557	4,345,665	4,363,539
Earnings per share	\$ 4.19	\$ 3.59	\$ 3.25

\* December 31, 2021 results include a one-time gain of \$1.3 million, net of tax, for the May 2021 sale of Visa Class B stock and one-time executive retirement benefit expenses in the amount of \$1.1 million, net of tax.

# Board of Directors

First Farmers & Merchants Corporation



**Seated left to right:** **Gina B. Wolfe**, Co-Owner, Wolfe Enterprises; **Jonathan M. Edwards**, President and CEO, Edwards Oil Company; **Brian K. Williams**, Chairman and CEO, First Farmers and Merchants Corporation  
**Standing left to right:** **Jeffrey L. Aiken**, Deputy Commissioner, Tennessee Department of Agriculture; **Jeffrey L. Pannell**, CEO, Tennessee Farmers Insurance Companies; **Richard C. Perko**, President and CEO, Lee Company; **E. Marlee Mitchell**, Partner, Waller Lansden Dortch & Davis, LLP; **H. Alan Watson**, Retired CEO, Maury Regional Health

# Senior Management Team

First Farmers & Merchants



**Seated left to right:** Felicia Y. Brown, Chief Marketing and Communications Officer; C. Stacey Shedd, Chief Retail Banking Officer; Brian K. Williams, Chairman and Chief Executive Officer **Standing left to right:** Robert E. Kimmel, Chief Financial Officer and Corporate Secretary; Andrew W. Davis, Chief Credit Officer; Dawn D. Moore, Chief Wealth Management Officer; Rory A. Mallard, Chief Commercial Banking Officer; Stephen K. Hughes, Chief Operations Officer

## Our Vision

To be the financial partner Middle Tennesseans value and trust.

## Our Mission

To enrich the lives of our team members, customers, and communities.

## Our Six Core Values

### Relationships

Banking is at its heart about people and opportunity. Our team members work together to be trusted advisors for our customers.

### Responsibility

We take our responsibility seriously to do what is right for our customers and the communities we serve.

### Reliability

Middle Tennesseans have been counting on us since 1909, and we are here for our communities through every chapter of their lives.

### Relevance

We embrace change and anticipate our customers' changing needs.

### Results

We hold ourselves to high standards of service and delivery of shareholder value.

### Respect

We treat team members, customers, and shareholders with appreciation and dignity.

