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**FIRST FARMERS AND MERCHANTS CORPORATION REPORTS**  
**IMPROVED FIRST QUARTER RESULTS**

*Net Income Rises 9% to \$4 Million*  
*Adjusted Net Income Increases 15%*

COLUMBIA, Tenn. (April 24, 2023) – First Farmers and Merchants Corporation (OTC Pink: FFMH), the holding company for First Farmers and Merchants Bank, today announced high-single-digit growth in net income and double-digit growth in adjusted net income for the first quarter of 2023 compared with 2022.

Key highlights of First Farmers’ results for the first quarter of 2023 include:

- Net income rose 9.0% to \$4.0 million from \$3.7 million for the year-earlier quarter. Net income per common share increased 10.6% to \$0.94 from \$0.85 in the first quarter of 2022. Net income decreased 20.2% from \$5.0 million, or \$1.17, per common share, reported in the fourth quarter of 2022;
- Adjusted net income, which excludes special items, rose 14.9% to \$4.4 million, or \$1.03 per common share, compared with \$3.9 million, or \$0.89 per common share, for the year earlier quarter. First quarter adjusted income declined 12.4% from \$5 million, or \$1.17 per common share, reported in the fourth quarter of 2022 (see “Non-GAAP Financial Measures” section);
- Net interest income increased 9.8% to \$12.2 million from \$11.1 million from the year-earlier quarter but was down 3.9% from \$12.7 million for the fourth quarter of 2022;
- Net loans grew by \$7 million, or 2.8% annualized, for the quarter to \$964 million;
- Uninsured deposits not covered by FDIC insurance were \$229 million, or 12.9% of total deposits;
- Book value per share increased 13.9% to \$25.72 from \$22.59 for the fourth quarter of 2022; and
- The Company adopted the current expected credit losses (“CECL”) methodology during the first quarter of 2023 and did not record any allowance for credit losses during the quarter compared to provision credit for loan and lease losses of \$320,000 for the year earlier quarter.

Commenting on the results, Brian K. Williams, Chairman and Chief Executive Officer of First Farmers, said, “Our first quarter 2023 performance represents a solid start with year-over-year growth in earnings, loan growth in line with expectations, stability in deposit levels, and continued strength in our capital position. We reported positive momentum in our book value per share for the second consecutive quarter with the growth rate reaching 30.6% since the third quarter of 2022. The key driver in the improved book value per share is the reduction in our investment portfolio, which is paying down as expected, about \$10 million per month for the next two years.

“Despite recent challenges to our industry, our outlook for First Farmers remains positive. We are positioned well for the current economic and banking environment. We are protecting our core deposit base, managing loan risks, maintaining excess liquidity and supporting our strong capital structure. Our deposit base is primarily from consumers and businesses in the markets we serve with about 87% of our total deposits fully insured by the FDIC.”

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Robert E. Krimmel, Chief Financial Officer, added, “Our net interest income rose 9.8%, or \$1.1 million, from the first quarter of last year on the strength of higher interest and fees on loans and income from investment securities that outpaced higher interest expense. Our asset quality also remained solid with no additional provision for credit losses. Non-interest income benefited from growth in trust services fee income that was offset by lower mortgage banking activities as higher interest weighed on mortgage banking activities. Service fees on deposits were down slightly due to our elimination of non-sufficient funds fees and lower consumer overdraft fees per item.

“Our expense controls were instrumental in reducing non-interest expenses for the fifth consecutive quarter-over-quarter comparison. The combination of higher revenues and lower expenses contributed to an almost 500-basis-point improvement in our efficiency ratio to 64.05%, compared with the first quarter of last year. We expect to gain further operating efficiencies as we continue to invest in our digital platforms and the roll-out of a new loan platform that will come online in the second half of this year.”

### **First Quarter 2023 Results of Operations**

Net income increased to \$4.0 million, up \$331,000, or 9.0% from the year-earlier quarter. The improvement in earnings was due to growth in net-interest income of \$1.1 million for the first quarter of 2023 coupled with a decline in noninterest expense of \$366,000, offset in part by a reduction in non-interest income of \$712,000 from the year-earlier quarter. During the first quarter of 2023, the Company recorded a loss on the sale of securities of \$183,000 driven by a business decision to sell lower-yielding investments and improve net interest income. Equity securities, recorded at fair value, experienced a decline in value of \$351,000 related to the significant increase in interest rates impacting the insurance and banking industry.

Adjusted net income, which excludes special items, rose 14.9% to \$4.4 million, up \$570,000 from the year-earlier quarter. The increase in adjusted net income was driven by an increase in interest and fees on loans of \$2.9 million supported by growth in net loan balances of \$81 million compared with the year-earlier quarter. Adjusted non-interest income dropped \$182,000 driven by weakness in mortgage banking activities as a result of an increase in mortgage interest rates as the Federal Reserve increased market rates. Adjusted non-interest expense benefited from a decrease in data processing expense of \$361,000 and salaries and employee benefits expense of \$197,000, offset in part by an increase in software support and other computer expense of \$191,000 due to investments in our new loan origination system with a planned rollout during the third quarter of 2023.

Net income for the first quarter of 2023 was down from the sequential fourth quarter by \$1.0 million, or 20.2%. The decrease in earnings was driven by growth in deposit interest expense of \$680,000 outpacing the growth in interest and fees and loans for the quarter. Service fees on deposits accounts decreased by \$256,000 due to the Company’s decision to eliminate non-sufficient funds fees and reduce the consumer overdraft fee per item. Recorded losses on the sale of securities and the fair market value adjustment for equity securities reduced non-interest income by \$529,000 for the quarter.

For the first quarter of 2023, the balance of securities available-for-sale declined \$24 million from the sequential fourth quarter. Securities available-for-sale amortized cost decreased \$38 million and was used to fund banking operations for the quarter. The unrealized loss adjustment for securities available-for-sale decreased by \$14 million for the quarter as securities values improved due to lower market interest rates compared with the sequential quarter.

For the first quarter of 2023, outstanding loan balances increased \$7 million, or 0.7%, from the previous quarter to \$964 million and increased \$81 million, or 9.1%, from the year-earlier quarter. Total deposits decreased \$22 million, or 1.2%, from the sequential fourth quarter to \$1.777 billion, and decreased \$221 million, or 11%, from the year-earlier quarter. The decline in total deposits during the first quarter of

2023 was due to increased competition for deposit balances. The Company raised deposit interest rates during the first quarter of 2023 to protect deposit balances priced below the marginal funding cost.

Total shareholders' equity increased \$13 million due to improvement in the unrealized loss adjustment to the available-for-sale securities portfolio that totaled \$10 million, net of tax, for the first quarter of 2023. The improvement in the value of the available-for-sale securities portfolio was driven by a reduction in market interest rates and the overall size of the securities portfolio. Total unrealized losses related to the available-for-sale investment portfolio increased to \$94 million compared with unrealized losses of \$57 million from the year-earlier quarter but decreased from \$108 million from the fourth quarter of 2022. The fair market value of the Company's available-for-sale securities portfolio is adjusted each quarter based on changes in interest rates. Book value per share increased by 13.9% to \$25.72 for the first quarter of 2023, which marked the second quarter in a row the Company recorded double-digit growth in the book value per share.

### **Asset Quality**

Asset quality remained stable with a slight increase in nonperforming assets to \$873,000 that totaled 0.05% of total assets, up from \$705,000 or 0.04% from the previous quarter, but down \$129,000, or 0.05% of total assets, from the year-earlier quarter. Net recoveries to average loans were 0.00% for the first quarter of 2023 compared with net recoveries of 0.01% for the previous quarter and net recoveries of 0.05% for the year-earlier quarter. No adjustments were made to provision for credit losses during the first quarter of 2023 as a result of stable asset quality. The allowance for credit losses represented 0.87% of total loans outstanding for the first quarter of 2023 compared with allowance for loan and lease losses of 0.97% of total loans for the previous quarter and 1.05% for the year-earlier quarter.

On January 1, 2023, the Company adopted Accounting Standards Update 2016-13, Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments (Topic 326), which introduced the CECL methodology. As part of the adoption of CECL, the Company recorded an opening adjustment to decrease allowance for credit losses for loans in the amount of \$710,000 and establish a liability for allowance for credit losses for unfunded commitments in the amount of \$410,000. The net of tax transitional adjustment increased 2023 opening retained earnings by \$215,000.

### **Capital Management Initiatives**

During the first quarter of 2023, First Farmers repurchased 13,365 shares of the Company's common stock in the open market and using privately negotiated transactions at an average price of \$28.76 per share with prices ranging from \$21.04 to \$31.00 per share in accordance with the Company's stock repurchase program. Authorization to repurchase approximately 187,000 shares remains under the current program, which is set to expire in December 2023, 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 March 31, 2023, First Farmers reported total assets of approximately \$1.9 billion, total shareholders' equity of approximately \$110 million, and administered trust assets of \$5.8 billion. For more information about First Farmers, visit us on the Web at [www.myfirstfarmers.com](http://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 to not 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 losses, gain on sale of premises and equipment, one-time digital conversion fees, 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)*

	<b>Three Months Ended</b>		
	<b>March 31,</b>		<b>December 31,</b>
	<b>2023</b>	<b>2022</b>	<b>2022</b>
Total non-interest income	\$ 2,754	\$ 3,466	\$ 3,495
Loss on sale of securities	183	-	5
Loss on equity securities	351	-	-
Gain on sale of premises and equipment	(4)	-	-
Adjusted non-interest income	<u>\$ 3,284</u>	<u>\$ 3,466</u>	<u>\$ 3,500</u>
Total non-interest expense	\$ 10,059	\$ 10,425	\$ 9,912
One-time digital conversion fees	-	(207)	-
Adjusted non-interest expense	<u>\$ 10,059</u>	<u>\$ 10,218</u>	<u>\$ 9,912</u>
Net income as reported	\$ 4,013	\$ 3,682	\$ 5,027
Total adjustments, net of tax <sup>1</sup>	392	153	4
Adjusted net income	<u>\$ 4,405</u>	<u>\$ 3,835</u>	<u>\$ 5,031</u>
Basic earnings per share	\$ 0.94	\$ 0.85	\$ 1.17
Total adjustments, net of tax <sup>1</sup>	0.09	0.04	-
Adjusted basic earnings per share	<u>\$ 1.03</u>	<u>\$ 0.89</u>	<u>\$ 1.17</u>

(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**

		(unaudited)	
		March 31,	December 31,
		2023	2022 <sup>(1)</sup>
<i>(dollars in thousands, except per share data)</i>			
<b>ASSETS</b>			
	Cash and due from banks	\$ 25,563	\$ 27,193
	Interest-bearing deposits	2,789	1,754
	Federal funds sold	123	57
	Total cash and cash equivalents	<u>28,475</u>	<u>29,004</u>
	Securities:		
	Available-for-sale	786,430	810,591
	Held-to-maturity (fair market value \$14,554 and \$14,162, net of allowance for credit losses of \$9 and \$0 for the periods presented)	15,068	15,087
	Equity securities	2,154	2,505
	Loans held-for-sale	-	-
	Loans, net of deferred fees	972,093	966,167
	Allowance for credit losses	<u>(8,497)</u>	<u>(9,382)</u>
	Net loans	963,596	956,785
	Bank premises and equipment, net	31,896	32,140
	Bank-owned life insurance	35,945	35,829
	Goodwill	9,018	9,018
	Deferred tax asset	25,865	30,511
	Other assets	15,034	20,819
	<b>TOTAL ASSETS</b>	<u>\$ 1,913,481</u>	<u>\$ 1,942,289</u>
<b>LIABILITIES</b>			
	Deposits:		
	Noninterest-bearing	\$ 494,472	\$ 534,474
	Interest-bearing	1,282,515	1,264,154
	Total deposits	1,776,987	1,798,628
	Accounts payable and other liabilities	21,799	21,996
	FHLB borrowings	5,000	25,000
	<b>TOTAL LIABILITIES</b>	<u>1,803,786</u>	<u>1,845,624</u>
<b>SHAREHOLDERS' EQUITY</b>			
	Common stock - \$10 par value per share, 8,000,000 shares authorized; 4,261,963 and 4,275,328 shares issued and outstanding as of the periods presented	42,620	42,753
	Retained earnings	135,902	132,905
	Accumulated other comprehensive loss	<u>(68,922)</u>	<u>(79,088)</u>
	Total shareholders' equity attributable to First Farmers and Merchants Corporation	<u>109,600</u>	<u>96,570</u>
	Noncontrolling interest - preferred stock of subsidiary	95	95
	<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u>109,695</u>	<u>96,665</u>
	<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>\$ 1,913,481</u>	<u>\$ 1,942,289</u>

<sup>(1)</sup> Derived from audited financial statements as of December 31, 2022.

**FIRST FARMERS AND MERCHANTS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**(unaudited)**

		<b>Three Months Ended March 31,</b>	
<i>(dollars in thousands, except per share data)</i>		<b>2023</b>	<b>2022</b>
<b>INTEREST AND DIVIDEND INCOME</b>	Interest and fees on loans	\$ 11,450	\$ 8,587
	Income on investment securities		
	Taxable interest	2,440	2,364
	Exempt from federal income tax	463	509
	Interest from federal funds sold and other	48	30
	Total interest income	<u>14,401</u>	<u>11,490</u>
<b>INTEREST EXPENSE</b>	Interest on deposits	1,822	372
	Interest on other borrowings	367	-
	Total interest expense	<u>2,189</u>	<u>372</u>
	Net interest income	12,212	11,118
	Provision credit for loan losses	-	(320)
	Net interest income after provision	<u>12,212</u>	<u>11,438</u>
<b>NON-INTEREST INCOME</b>	Mortgage banking activities	40	267
	Trust services fee income	1,084	1,066
	Service fees on deposit accounts	1,731	1,750
	Investment services fee income	105	110
	Earnings on bank-owned life insurance	116	116
	Loss on sale of available-for-sale securities	(183)	-
	Loss on equity securities	(351)	-
	Other non-interest income	212	157
	Total non-interest income	<u>2,754</u>	<u>3,466</u>
<b>NON-INTEREST EXPENSE</b>	Salaries and employee benefits	5,672	5,869
	Net occupancy expense	689	662
	Depreciation expense	412	454
	Data processing expense	490	1,058
	Software support and other computer expense	1,038	847
	Legal and professional fees	271	301
	Audit and exam expenses	186	176
	Advertising and promotions	245	203
	FDIC insurance premium expense	267	169
	Other non-interest expense	789	686
	Total non-interest expense	<u>10,059</u>	<u>10,425</u>
	Income before provision for income taxes	4,907	4,479
	Provision for income taxes	894	797
	Net income before non-controlling interest - dividends on preferred stock of subsidiary	<u>4,013</u>	<u>3,682</u>
	Non-controlling interest - dividends on preferred stock subsidiary	-	-
	Net income for common shareholders	<u>\$ 4,013</u>	<u>\$ 3,682</u>
	Weighted average shares outstanding	4,273,571	4,317,169
	Earnings per share	\$ 0.94	\$ 0.85

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**FIRST FARMERS AND MERCHANTS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL HIGHLIGHTS**  
(unaudited)

**For the Three Months Ended**

<i>(dollars in thousands, except per share data)</i>	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>	<b>June 30, 2022</b>	<b>March 31, 2022</b>
<b>Results of Operations:</b>					
Interest income	\$ 14,401	\$ 14,256	\$ 13,279	\$ 12,198	\$ 11,490
Interest expense	2,189	1,552	810	505	372
Net interest income	12,212	12,704	12,469	11,693	11,118
Provision credit for loan losses	-	-	-	-	(320)
Non-interest income	2,754	3,495	3,526	3,660	3,466
Non-interest expense and non-controlling interest – preferred stock of subsidiary	10,059	9,920	10,076	9,763	10,425
Income before income taxes	4,907	6,279	5,919	5,590	4,479
Income taxes	894	1,252	1,116	1,052	797
Net income for common shareholders	<u>\$ 4,013</u>	<u>\$ 5,027</u>	<u>\$ 4,803</u>	<u>\$ 4,538</u>	<u>\$ 3,682</u>
<b>Per Share Data:</b>					
Basic earnings per share	\$ 0.94	\$ 1.17	\$ 1.12	\$ 1.05	\$ 0.85
Book value per share	\$ 25.72	\$ 22.59	\$ 19.70	\$ 25.30	\$ 28.77
Weighted average shares outstanding per quarter	4,273,571	4,290,886	4,301,056	4,313,455	4,317,169
<b>Financial Condition Data and Ratios:</b>					
Total securities	\$ 803,652	\$ 828,183	\$ 842,896	\$ 902,742	\$ 944,543
Available-for-sale securities, fair market value	\$ 786,430	\$ 810,591	\$ 825,293	\$ 885,129	\$ 926,944
Available-for-sale securities, amortized cost	\$ 880,890	\$ 918,936	\$ 944,987	\$ 967,235	\$ 983,958
Loans, net of deferred fees	\$ 972,093	\$ 966,167	\$ 951,279	\$ 941,357	\$ 891,108
Allowance for credit losses <sup>(1)</sup>	\$ (8,497)	\$ (9,382)	\$ (9,383)	\$ (9,386)	\$ (9,388)
Total assets	\$ 1,913,481	\$ 1,942,289	\$ 1,941,415	\$ 2,012,409	\$ 2,144,206
Total deposits	\$ 1,776,987	\$ 1,798,628	\$ 1,833,041	\$ 1,880,612	\$ 1,998,175
Net interest income, on a fully taxable-equivalent basis	\$ 12,456	\$ 12,943	\$ 12,726	\$ 11,956	\$ 11,379
Net interest margin	2.67%	2.69%	2.61%	2.46%	2.43%
Efficiency	64.05%	60.40%	62.15%	62.94%	68.83%
<b>Asset Quality Data and Ratios:</b>					
Total nonperforming assets	\$ 873	\$ 705	\$ 711	\$ 1,635	\$ 1,002
Nonperforming assets to total assets	0.05%	0.04%	0.04%	0.08%	0.05%
Allowance for credit losses to total loans <sup>(1)</sup>	0.87%	0.97%	0.99%	1.00%	1.05%
Net recoveries to average loans (annualized)	0.00%	(0.01)%	(0.01)%	(0.02)%	(0.05)%

<sup>(1)</sup>Prior-quarter data presents allowance for loan and lease losses prior to the adoption of the CECL accounting standard on January 1, 2023.