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

*Net Income Rises 11% to \$5 Million*  
*Adjusted Net Income Increases 15%*

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

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

- Net income rose 11.0% to \$5.0 million from \$4.5 million for the second quarter of 2022. Net income per common share increased 12.8% to \$1.19 from \$1.05 for the year-earlier quarter. Net income increased 25.6% from \$4.0 million, or \$0.94, per common share, reported in the first quarter of 2023;
- Adjusted net income, which excludes special items, rose 15.4% to \$5.1 million, or \$1.21 per common share, compared with \$4.5 million, or \$1.03 per common share, for the second quarter of 2022. Second quarter adjusted net income increased 16.6% from \$4.4 million, or \$1.03 per common share, reported in the first quarter of 2023 (see “Non-GAAP Financial Measures” section);
- Net interest income increased 3.5% to \$12.1 million from \$11.7 million for the second quarter of 2022 but was down 0.9% from \$12.2 million for the first quarter of 2023;
- Total deposits were \$1.658 billion at the end of the second quarter 2023 and were down \$119 million from the first quarter of 2023 primarily due to the withdrawal of \$113 million from a single municipal customer;
- Insured deposits rose \$30 million to \$1.161 billion. Uninsured deposits not covered by FDIC insurance were \$220 million, or 13.3% of total deposits for the second quarter of 2023;
- Efficiency improved to 58.04% from 62.94% for the second quarter of 2022 and 64.05% for the first quarter of 2023;
- Provision credit for credit losses was \$260,000 compared with provision credit for loan and lease losses of \$320,000 for the second quarter of 2022 and \$0 for the first quarter of 2023; and
- Total nonperforming assets dropped to \$803,000, or 0.04% of total assets, from \$1.6 million for the second quarter of 2022 and \$873,000 for the first quarter of 2023.

Commenting on the results, Brian K. Williams, Chairman and Chief Executive Officer of First Farmers, said, “First Farmers’ net income accelerated in the second quarter and benefited from higher net interest income, the continuation of disciplined expense controls and improved asset quality. This quarter marked the highest quarterly net income in two years. In addition, our efficiency ratio improved to 58% in the second quarter and reached levels we haven’t achieved in 10 years.

“We remain positive about our outlook for the second half of 2023 but expect earnings growth to moderate in the third and fourth quarters of this year due to the expected impact higher interest rates and

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competition for deposits will have on our net interest income. Our loan pipeline remains active from organic volume. We expect new loans to contribute to our net interest margin while maintaining our high credit standards.

“We increased our cash dividend to shareholders and increased the level of stock repurchases last quarter. Although these actions led to a slight reduction in our book value per share, our capital base remains very strong and our regulatory capital positions continue to improve. We believe we are positioned well for the current economic and banking environment by managing our loan risk, maintaining excess liquidity and protecting our core deposit base,” continued Williams.

Robert E. Krimmel, Chief Financial Officer, added, “Our operating results continue to benefit from the trend in lower expenses and improved efficiency in our operations. This was our sixth consecutive quarterly decrease in noninterest expenses. We also reported a 3.5% increase in net interest income even though interest costs have increased substantially since last year. We expect a slower pace in net interest income growth for the second half of 2023 due to the higher interest rate environment, increased competition for deposits, and our strategy to defend our core deposit base.

“Our deposit base remained stable during the second quarter except for the exit of one municipal account. We continue to reduce our municipal deposit balances to improve our core operating metrics of return on assets, non-interest income generated per asset, and our net interest margin. Our total insured deposits were up \$30 million during the quarter, reflecting our success in maintaining our core customer accounts. Our investment strategy is focused on reducing our investment portfolio to increase liquidity and fund new loan opportunities. We made progress during the quarter with a 5.2% decrease in securities representing 41% of total assets, the lowest level since the fourth quarter of 2020.

“With the planned roll out of our new loan operating system during the third quarter, we expect cost savings and efficiency gains from the new digital platform and improved delivery of loan services to our customers. We plan for continued investments in our operating software and online presence to enhance our delivery of services and to leverage future operating efficiencies.”

## **Second Quarter 2023 Results of Operations**

Net income increased to \$5.0 million, up \$501,000, or 11.0% from the second quarter of 2022, and net income per share improved 12.8% to \$1.19 for the second quarter of 2023 compared to the same period in 2022. The improvement in earnings was due to growth in net-interest income of \$404,000, a decrease in non-interest expense of \$394,000, and provision credit for credit losses of \$260,000, offset in part by a reduction in non-interest income of \$398,000 compared to the second quarter of 2022.

Adjusted net income, which excludes special items, rose 15.4% to \$5.1 million, up \$686,000 from the second quarter of 2022. The growth in net-interest income was driven by an increase in interest and fees on loans of \$3.0 million supported by growth in net loan balances of \$23 million, offset in part by elevated deposit costs that were up \$2.4 million compared to the second quarter of 2022. The reduction in non-interest expense was related to lower salaries and employee benefits expense of \$340,000 while adjusted non-interest income declined because of reduced demand for mortgage banking activities of \$138,000 compared to the second quarter of 2022.

Net income for the second quarter of 2023 was up from the sequential first quarter by \$1 million, or 25.6%. The increase in earnings was due primarily to a decrease in noninterest expense of \$690,000, increase in non-interest income of \$508,000 and a provision credit for credit losses of \$260,000, offset in part by a decrease in net interest income of \$115,000 compared to the first quarter of 2023. The decrease in non-interest expenses was driven by salaries and employee benefits expense of \$385,000 and net occupancy expense of \$276,000 compared to the sequential quarter. The growth in non-interest income was due to a

reduction in loss on equity securities of \$351,000 and improvement in service fees on deposit accounts of \$110,000 compared with the first quarter of 2023. Net-interest income came under pressure with deposit costs outpacing interest income growth from loans, offset in part by a reduction in interest on other borrowings compared to the sequential quarter.

For the second quarter of 2023, the balance of securities available-for-sale declined \$41 million from the sequential first quarter. Securities available-for-sale amortized cost decreased \$35 million and was used to reduce securities pledged against municipal balances while the unrealized loss adjustment for securities available-for-sale increased by \$6 million for the quarter as bond prices declined driven by higher long-term market interest rates compared to the sequential quarter. The balance of securities available-for-sale amortized cost decreased \$141 million from the second quarter of 2022 with the decrease used to fund the liquidity needs of the Company.

For the second quarter of 2023, outstanding loan balances decreased \$7 million, or 0.8%, from the sequential quarter to \$965 million but increased \$23 million, or 2.5%, from the second quarter of 2022. Total deposits decreased \$119 million, or 6.7%, from the sequential first quarter to \$1.658 billion, and decreased \$223 million, or 11.9%, from the second quarter of 2022. The decline in total deposits during the second quarter of 2023 was due primarily to one municipal customer that decided to move its banking relationship to a regional bank. The municipal customer withdrew \$113 million during the quarter which accounted for 95.0% of the decline in deposit balances from the sequential quarter. Excluding the balance withdrawal from the municipal customer, total deposit balances declined only \$6 million, or less than one tenth of one percent. Total shareholders' equity decreased \$2 million due to stock repurchases and cash dividends paid to shareholders. The reduction in the unrealized loss adjustment to the available-for-sale securities portfolio was offset by net income for the second quarter of 2023.

## **Six Months Results**

Net income available to common shareholders was \$9.1 million for the first six months of 2023, up 10.1% compared with \$8.2 million in the first six months of 2022. Net income per share improved 11.6% to \$2.13 for the first six months of 2023 compared with \$1.91 for the same period in 2022. The increase in earnings was driven by growth in net interest income of \$1.5 million and a reduction in non-interest expenses of \$1.1 million, offset in part by a decrease in non-interest income of \$1.1 million compared to the same period in 2022.

Adjusted net income was \$9.5 million for the first six months of 2023, up 15.1% compared with \$8.3 million in the first six months of 2022. The increase in adjusted net income benefited from a 6.6% increase in net interest income to \$24.6 million supported by growth in the net interest margin of 21 basis points and loan balances of \$23 million compared to the first six months of 2022.

Non-interest expenses declined 3.8% in the first six months of 2023 to \$19.4 million compared with the same period in 2022. The decrease in non-interest expenses was due mostly to lower salaries and employee benefits and data processing expenses, offset by higher software support experienced during the period. Adjusted non-interest income declined because of lower revenue from mortgage banking activities of \$365,000 and service fees on deposit accounts of \$122,000 compared to the first six months of 2022.

## **Asset Quality**

Asset quality improved in the second quarter of 2023 with only \$803,000 in nonperforming assets that totaled 0.04% of total assets, down from \$873,000 or 0.05% of total assets from the sequential quarter of 2023 and down from \$1.6 million, or 0.08% of total assets, from the second quarter of 2022. Net recoveries to average loans were 0.00% for the second quarter of 2023 compared with net recoveries of 0.00% for the

sequential quarter and net recoveries of 0.02% for the second quarter of 2022. A provision credit of \$260,000 was recorded to provision for credit losses during the second quarter of 2023. The allowance for credit losses for loans represented 0.85% of total loans outstanding for the second quarter of 2023 compared with 0.87% for the sequential quarter and 1.00% for the second quarter of 2022. The allowance for credit losses for unfunded commitments represented 0.19% of total unfunded commitments for the second quarter of 2023 compared with 0.19% for the sequential quarter. The allowance for credit losses for held-to-maturity (“HTM”) securities represented 0.06% of total HTM securities for the second quarter of 2023 compared with 0.06% for the sequential quarter.

### **Capital Management Initiatives**

During the second quarter of 2023, First Farmers repurchased 42,540 shares of the Company’s common stock in the open market or using privately negotiated transactions at an average price of \$27.11 per share with prices ranging from \$19.03 to \$32.00 per share in accordance with the Company’s stock repurchase program. Authorization to repurchase approximately 144,460 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 June 30, 2023, First Farmers reported total assets of approximately \$1.9 billion, total shareholders’ equity of approximately \$108 million, and administered trust assets of \$5.7 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)*

	Three Months Ended			Six Months Ended	
	June 30,		March 31,	June 30,	
	2023	2022	2023	2023	2022
Total non-interest income	\$ 3,262	\$ 3,660	\$ 2,754	\$ 6,017	\$ 7,126
Loss on sale of securities	134	-	183	317	-
(Gain) loss on equity securities	-	(25)	351	351	(25)
Gain on sale of premises and equipment	-	(91)	(4)	(4)	(91)
Adjusted non-interest income	\$ 3,396	\$ 3,544	\$ 3,284	\$ 6,681	\$ 7,010
Total non-interest expense	\$ 9,361	\$ 9,755	\$ 10,059	\$ 19,421	\$ 20,180
One-time digital conversion fees	-	-	-	-	(207)
Adjusted non-interest expense	\$ 9,361	\$ 9,755	\$ 10,059	\$ 19,421	\$ 19,973
Net income as reported	\$ 5,039	\$ 4,538	\$ 4,013	\$ 9,051	\$ 8,220
Total adjustments, net of tax <sup>1</sup>	99	(86)	392	491	67
Adjusted net income	\$ 5,138	\$ 4,452	\$ 4,405	\$ 9,542	\$ 8,287
Basic earnings per share	\$ 1.19	\$ 1.05	\$ 0.94	\$ 2.13	\$ 1.90
Total adjustments, net of tax <sup>1</sup>	0.02	(0.02)	0.09	0.12	0.02
Adjusted basic earnings per share	\$ 1.21	\$ 1.03	\$ 1.03	\$ 2.25	\$ 1.92

(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)	
		June 30,	December 31,
		2023	2022 <sup>(1)</sup>
<i>(dollars in thousands, except per share data)</i>		<u>2023</u>	<u>2022<sup>(1)</sup></u>
<b>ASSETS</b>	Cash and due from banks	\$ 25,787	\$ 27,193
	Interest-bearing deposits	7,740	1,754
	Federal funds sold	120	57
	Total cash and cash equivalents	<u>33,647</u>	<u>29,004</u>
	Securities:		
	Available-for-sale	744,963	810,591
	Held-to-maturity (fair market value \$14,170 and \$14,162, net of allowance for credit losses of \$9 and \$0 for the periods presented)	15,058	15,087
	Equity securities	2,154	2,505
	Loans, net of deferred fees	964,822	966,167
	Allowance for credit losses	<u>(8,200)</u>	<u>(9,382)</u>
	Net loans	956,622	956,785
	Bank premises and equipment, net	31,702	32,140
	Bank-owned life insurance	37,713	35,829
	Goodwill	9,018	9,018
	Deferred tax asset	29,412	30,511
	Other assets	<u>18,386</u>	<u>20,819</u>
	<b>TOTAL ASSETS</b>	<u>\$ 1,878,675</u>	<u>\$ 1,942,289</u>
<b>LIABILITIES</b>	Deposits:		
	Noninterest-bearing	\$ 493,229	\$ 534,474
	Interest-bearing	<u>1,164,358</u>	<u>1,264,154</u>
	Total deposits	1,657,587	1,798,628
	Accounts payable and accrued liabilities	23,213	21,996
	FHLB borrowings	<u>90,000</u>	<u>25,000</u>
	<b>TOTAL LIABILITIES</b>	<u>1,770,800</u>	<u>1,845,624</u>
<b>SHAREHOLDERS' EQUITY</b>	Common stock - \$10 par value per share, 8,000,000 shares authorized; 4,219,423 and 4,275,328 shares issued and outstanding as of the periods presented	42,194	42,753
	Retained earnings	139,195	132,905
	Accumulated other comprehensive loss	<u>(73,609)</u>	<u>(79,088)</u>
	Total shareholders' equity attributable to First Farmers and Merchants Corporation	<u>107,780</u>	<u>96,570</u>
	Noncontrolling interest - preferred stock of subsidiary	95	95
	<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u>107,875</u>	<u>96,665</u>
	<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>\$ 1,878,675</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)**

		Three Months Ended June 30,		Six Months Ended June 30,	
		2023	2022	2023	2022
<i>(dollars in thousands, except per share data)</i>					
<b>INTEREST AND DIVIDEND INCOME</b>	Interest and fees on loans	\$ 11,959	\$ 8,985	\$ 23,409	\$ 17,572
	Income on investment securities				
	Taxable interest	2,376	2,615	4,816	4,979
	Exempt from federal income tax	448	512	911	1,021
	Interest from federal funds sold and other	237	86	285	116
	Total interest income	15,020	12,198	29,421	23,688
<b>INTEREST EXPENSE</b>	Interest on deposits	2,918	505	4,740	877
	Interest on other borrowings	5	-	372	-
	Total interest expense	2,923	505	5,112	877
	Net interest income	12,097	11,693	24,309	22,811
	Provision credit for credit losses	(260)	-	(260)	(320)
	Net interest income after provision	12,357	11,693	24,569	23,131
<b>NON-INTEREST INCOME</b>	Mortgage banking activities	35	173	75	440
	Trust services fee income	1,080	1,027	2,164	2,093
	Service fees on deposit accounts	1,841	1,944	3,572	3,694
	Investment services fee income	84	110	189	220
	Earnings on bank-owned life insurance	129	121	244	237
	Loss on sale of available-for-sale securities	(134)	-	(317)	-
	Gain on sale of premises and equipment	-	91	4	91
	Gain (loss) on equity securities	-	25	(351)	25
	Other non-interest income	227	169	437	326
	Total non-interest income	3,262	3,660	6,017	7,126
<b>NON-INTEREST EXPENSE</b>	Salaries and employee benefits	5,286	5,626	10,957	11,495
	Net occupancy expense	413	603	1,102	1,141
	Depreciation expense	410	478	822	932
	Data processing expense	509	486	999	1,544
	Software support and other computer expense	1,032	965	2,070	1,812
	Legal and professional fees	170	218	441	519
	Audits and exams expense	181	186	367	362
	Advertising and promotions	249	239	494	442
	FDIC insurance premium expense	226	161	493	330
	Other non-interest expense	885	793	1,676	1,603
	Total non-interest expense	9,361	9,755	19,421	20,180
	Income before provision for income taxes	6,258	5,598	11,165	10,077
	Provision for income taxes	1,211	1,052	2,106	1,849
	Net income	5,047	4,546	9,059	8,228
	Noncontrolling interest - dividends on preferred stock subsidiary	8	8	8	8
	Net income available to common shareholders	\$ 5,039	\$ 4,538	\$ 9,051	\$ 8,220
	Weighted average shares outstanding	4,244,359	4,313,455	4,258,884	4,315,302
	Earnings per share	\$ 1.19	\$ 1.05	\$ 2.13	\$ 1.90

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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>	<u>June 30, 2023</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>	<u>June 30, 2022</u>
<b>Results of Operations:</b>					
Interest income	\$ 15,020	\$ 14,401	\$ 14,256	\$ 13,279	\$ 12,198
Interest expense	2,923	2,189	1,552	810	505
Net interest income	12,097	12,212	12,704	12,469	11,693
Provision credit for credit losses	(260)	-	-	-	-
Non-interest income	3,262	2,754	3,495	3,526	3,660
Non-interest expense and non-controlling interest – preferred stock of subsidiary	9,369	10,059	9,920	10,076	9,763
Income before income taxes	6,250	4,907	6,279	5,919	5,590
Income taxes	1,211	894	1,252	1,116	1,052
Net income for common shareholders	<u>\$ 5,039</u>	<u>\$ 4,013</u>	<u>\$ 5,027</u>	<u>\$ 4,803</u>	<u>\$ 4,538</u>
<b>Per Share Data:</b>					
Basic earnings per share	\$ 1.19	\$ 0.94	\$ 1.17	\$ 1.12	\$ 1.05
Book value per share	\$ 25.54	\$ 25.72	\$ 22.59	\$ 19.70	\$ 25.30
Weighted average shares outstanding per quarter	4,244,359	4,273,571	4,290,886	4,301,056	4,313,455
<b>Financial Condition Data and Ratios:</b>					
Total securities	\$ 762,175	\$ 803,652	\$ 828,183	\$ 842,896	\$ 902,742
Available-for-sale securities, fair market value	\$ 744,963	\$ 786,430	\$ 810,591	\$ 825,293	\$ 885,129
Available-for-sale securities, amortized cost	\$ 845,712	\$ 880,890	\$ 918,936	\$ 944,987	\$ 967,235
Loans, net of deferred fees	\$ 964,822	\$ 972,093	\$ 966,167	\$ 951,279	\$ 941,357
Allowance for credit losses <sup>(1)</sup>	\$ (8,200)	\$ (8,497)	\$ (9,382)	\$ (9,383)	\$ (9,386)
Total assets	\$ 1,878,675	\$ 1,913,481	\$ 1,942,289	\$ 1,941,415	\$ 2,012,409
Total deposits	\$ 1,657,587	\$ 1,776,987	\$ 1,798,628	\$ 1,833,041	\$ 1,880,612
Net interest income, on a fully taxable-equivalent basis	\$ 12,298	\$ 12,456	\$ 12,943	\$ 12,726	\$ 11,956
Net interest margin	2.64%	2.67%	2.69%	2.61%	2.46%
Efficiency	58.04%	64.05%	60.40%	62.15%	62.94%
<b>Asset Quality Data and Ratios:</b>					
Total nonperforming assets	\$ 803	\$ 873	\$ 705	\$ 711	\$ 1,635
Nonperforming assets to total assets	0.04%	0.05%	0.04%	0.04%	0.08%
Allowance for credit losses to total loans <sup>(1)</sup>	0.85%	0.87%	0.97%	0.99%	1.00%
Net charge-offs (recoveries) to average loans (annualized)	0.00%	0.00%	(0.01%)	(0.01%)	(0.02%)

<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.

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