

FIRST FARMERS FINANCIAL CORPORATION
CONSOLIDATED BALANCE SHEETS
June 30, 2024 (Unaudited) and December 31, 2023 (Audited)
(Dollar amounts in thousands except per share data)

	June 30, 2024	December 31, 2023
ASSETS		
Cash and due from financial institutions	\$ 97,981	\$ 51,727
Money market funds	5,354	6,582
Cash and cash equivalents	103,335	58,309
Interest-bearing deposits in other financial institutions	1,080	1,325
Securities available for sale, at fair value net of allowance for credit losses of \$0 in 2024 and 2023	621,475	569,412
Securities held to maturity, net of allowance for credit losses of \$0 in 2024 and 2023 (fair value \$118 in 2024 and \$140 in 2023)	110	130
Equity securities	5,073	4,898
Restricted stock, at cost	12,148	11,732
Loans held-for-sale	4,176	3,606
Loans, net of allowance of \$31,224 in 2024 and \$34,893 in 2023	2,314,489	2,219,380
Premises and equipment, net	24,061	23,836
Goodwill	8,729	8,729
Bank-owned life insurance	27,048	26,614
Investments in affordable housing partnerships	10,242	11,015
Accrued interest receivable and other assets	74,847	67,156
	<u>\$ 3,206,813</u>	<u>\$ 3,006,142</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits		
Noninterest-bearing deposits	\$ 460,619	\$ 483,923
Interest-bearing deposits	2,166,476	2,116,930
Total deposits	2,627,095	2,600,853
Federal Reserve borrowings	55,000	25,000
Other borrowings	8,977	8,373
Federal Home Loan Bank (FHLB) advances	197,000	55,000
Notes payable	6,492	6,989
Subordinated debentures	18,558	18,558
Accrued interest payable and other liabilities	30,552	31,766
Total liabilities	2,943,674	2,746,539
Stockholders' equity		
Common stock, \$1 stated value, 30,000,000 shares authorized, 7,197,469 issued and 7,034,809 outstanding in 2024; 30,000,000 authorized, 7,197,469 issued and 7,024,977 outstanding in 2023	7,197	7,197
Additional paid-in capital	4,678	4,813
Retained earnings	289,106	281,366
Treasury Stock (162,660 shares in 2024 and 172,492 shares in 2023)	(8,050)	(8,219)
Accumulated other comprehensive loss	(29,792)	(25,554)
Total stockholders' equity	263,139	259,603
	<u>\$ 3,206,813</u>	<u>\$ 3,006,142</u>

FIRST FARMERS FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
For the 3 Months and 6 Months June 30, 2024 (Unaudited) and June 30, 2023 (Unaudited)
(Dollar amounts in thousands except per share data)

	3 Months Ended June 30,		6 Months Ended June 30,	
	2024	2023	2024	2023
Interest and dividend income				
Loans, including fees	\$ 40,240	\$ 34,546	\$ 79,064	\$ 66,015
Securities				
Taxable	4,330	2,846	8,174	4,991
Non-taxable	1,366	1,557	2,806	3,104
Other	1,105	432	1,792	1,060
	<u>47,041</u>	<u>39,381</u>	<u>91,836</u>	<u>75,170</u>
Interest expense				
Deposits	18,550	12,115	35,825	21,972
Short-term borrowings	453	209	866	225
Notes payable and FHLB advances	1,189	1,200	1,826	1,709
Subordinated debentures	215	211	435	420
	<u>20,407</u>	<u>13,735</u>	<u>38,952</u>	<u>24,326</u>
Net interest income	<u>26,634</u>	<u>25,646</u>	<u>52,884</u>	<u>50,844</u>
Provision for credit losses	11,158	1,350	14,339	2,700
Net interest income after provision for credit losses	<u>15,476</u>	<u>24,296</u>	<u>38,545</u>	<u>48,144</u>
Other income				
Investment product fees	243	218	487	418
Service charges on deposit accounts	1,115	1,140	2,159	2,249
Interchange Income	1,278	1,351	2,500	2,624
Net loss on sale and redemption of securities	(226)	-	(227)	(224)
Unrealized gains/(losses) recognized on equity securities	(118)	(142)	(331)	(79)
Loan sales and servicing income	941	771	1,853	1,588
Back to back swap fee income	-	-	379	-
Other income	672	681	1,388	1,324
	<u>3,905</u>	<u>4,019</u>	<u>8,208</u>	<u>7,900</u>
Other expenses				
Salaries and employee benefits	8,573	8,378	17,143	16,306
Occupancy and equipment expense	2,650	2,197	5,039	4,330
Data processing	628	644	1,240	1,247
Marketing and business development	611	503	1,173	1,003
Consulting and professional services	537	430	1,040	936
Amortization of intangible assets	-	42	-	70
Other operating expenses	1,979	1,915	3,902	3,602
	<u>14,978</u>	<u>14,109</u>	<u>29,537</u>	<u>27,494</u>
Income before income taxes	<u>4,403</u>	<u>14,206</u>	<u>17,216</u>	<u>28,550</u>
Provision for income taxes	323	2,622	2,727	5,350
Net income	<u>\$ 4,080</u>	<u>\$ 11,584</u>	<u>\$ 14,489</u>	<u>\$ 23,200</u>
Basic and diluted earnings per common share	<u>\$ 0.58</u>	<u>\$ 1.65</u>	<u>\$ 2.06</u>	<u>\$ 3.30</u>
Average basic and diluted common shares outstanding	<u>7,036,444</u>	<u>7,037,609</u>	<u>7,030,427</u>	<u>7,027,735</u>
Diluted earnings per share	<u>\$ 0.58</u>	<u>\$ 1.65</u>	<u>\$ 2.06</u>	<u>\$ 3.30</u>
Average diluted shares outstanding	<u>7,036,444</u>	<u>7,037,609</u>	<u>7,030,427</u>	<u>7,027,735</u>

FIRST FARMERS FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the 3 Months and 6 Months June 30, 2024 (Unaudited) and June 30, 2023 (Unaudited)
(Dollar amounts in thousands except per share data)

	3 Months Ended June 30,		6 Months Ended June 30,	
	2024	2023	2024	2023
Net Income	\$ 4,080	\$ 11,584	\$ 14,489	\$ 23,200
Other Comprehensive Income (Loss):				
Changes in securities available for sale:				
Unrealized holding gains/(losses) on securities available for sale	(82)	(8,103)	(6,425)	1,668
Reclassification adjustment for losses later recognized in income	226	-	227	224
Net unrealized gains/(losses)	144	(8,103)	(6,198)	1,892
Tax effect	(29)	1,722	1,309	(397)
Net of tax amount	115	(6,381)	(4,889)	1,495
Cash flow hedges				
Change in fair value of derivatives used for cash flow hedges	(323)	1,762	950	(41)
Reclassification adjustment for (gains)/losses/amortization realized in	46	46	(83)	(270)
Net unrealized gains/(losses)	(277)	1,808	867	(311)
Tax effect	3	(328)	(216)	396
Net of tax amount	(274)	1,480	651	85
Other comprehensive income (loss), net of tax	(159)	(4,901)	(4,238)	1,580
Comprehensive income (loss)	<u>\$ 3,921</u>	<u>\$ 6,683</u>	<u>\$ 10,251</u>	<u>\$ 24,780</u>

FIRST FARMERS FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the 6 Months June 30, 2024 (Unaudited) and June 30, 2023 (Unaudited)
(Dollar amounts in thousands except per share data)

	6 Months Ended June 30,	
	2024	2023
Cash flows from operating activities		
Net income	\$ 14,489	\$ 23,200
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	1,372	1,197
Amortization of intangible assets	-	70
Amortization of debt issuance costs	3	3
Net securities amortization	203	401
Unrealized loss of fair value equity securities	331	79
Deferred income tax benefit	601	374
Servicing rights amortization and impairment	614	600
Stock-based compensation	342	208
Provision for credit losses	14,339	2,700
Net gain on sale of loans	(723)	(615)
Loans originated for resale	(21,762)	(18,365)
Proceeds from sale of loans	21,915	19,355
Net loss on sale and redemption of securities available for sale	227	224
Net loss on sale and write-down of premises and equipment	39	8
Earnings on bank-owned life insurance	(434)	(266)
Changes in assets and liabilities		
Interest receivable and other assets	(4,683)	(2,208)
Interest payable and other liabilities	(300)	(1,641)
Net cash from operating activities	<u>26,573</u>	<u>25,324</u>
Cash flows from investing activities		
Net change in interest bearing deposits in other financial institutions	245	-
Securities available for sale		
Proceeds from sales	14,133	19,488
Purchases	(91,530)	(111,612)
Proceeds from principal payments, calls and maturities	18,982	25,623
Securities held-to-maturity		
Proceeds from principal payments, calls and maturities	20	15
Equity securities		
Purchases	(506)	(1,517)
Loans made to customers, net of payments received	(109,394)	(81,366)
Premises and equipment expenditures	(1,635)	(3,017)
Investments in affordable housing partnerships	(2,481)	(191)
Proceeds from the sale of repossessed assets	20	5
Purchase of restricted stock	(417)	(2,420)
Net cash used in investing activities	<u>(172,563)</u>	<u>(154,992)</u>
Cash flows from financing activities		
Net change in deposit accounts	26,242	(34,938)
Net change in short term borrowings	30,604	39,128
Payments on notes payable	(500)	(500)
Payments on short term FHLB advances	(292,000)	(626,500)
Proceeds from short term FHLB advances	334,000	724,000
Payments on long term FHLB advances	(20,000)	(30,000)
Proceeds from long term FHLB advances	120,000	30,000
Sale of treasury stock	313	165
Purchase of treasury stock	(898)	(302)
Dividends paid	(6,745)	(6,458)
Net cash from financing activities	<u>191,016</u>	<u>94,595</u>
Net change in cash and cash equivalents	45,026	(35,073)
Cash and cash equivalents at beginning of year	58,309	99,102
Cash and cash equivalents at end of year	<u>\$ 103,335</u>	<u>\$ 64,029</u>
Supplemental disclosures of cash flow information		
Cash paid during the year for:		
Interest	38,855	24,333
Income taxes	4,475	4,000
Supplemental non-cash disclosures		
Real estate and repossessed assets acquired in satisfaction of debts	5	6
Dividends declared but unpaid	3,376	3,306
Commitments to fund securities settlements	-	820