



First Farmers Financial Corporation

Banking Traditions

Annual Report for 2013



MISSION STATEMENT

Over 125 years ago, our Bank was founded in the heart of one of Indiana's most productive agricultural areas. Since that time, it has built its strengths by providing financial services to the agricultural community. It is the intent and desire of First Farmers Financial Corporation (FFFC) to serve the communities in their market area while specializing in the development and delivery of financial services to the agricultural sector.

First Farmers Financial Corporation believes that we can best serve this market by remaining independent. It recognizes its responsibility to provide economic value to its shareholders. It will do so by maintaining optimum levels of profitability while remaining open to other sound consideration that will benefit the shareholders.

The Corporation will expand its asset size consistent with its goals for profits recognizing that asset growth provides opportunities for customers, employees, and stockholders alike.

The Corporation believes the key to the success of its mission lies in the delivery of competitive products and service in a personalized, caring, and responsive manner. To do so, it is committed to providing the marketing and training necessary to enable Bank employees to deliver the products and service that meet expectations.

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To Our Shareholders

Gene Miles

President and Chief Executive Officer

A Tradition of Community Banking

Traditions. They are beliefs, customs, and behaviors handed down from generation to generation. Since 1885, our organization has had a very proud tradition of its own – of valuing and supporting our local communities and the families, farms, and businesses that call them home.

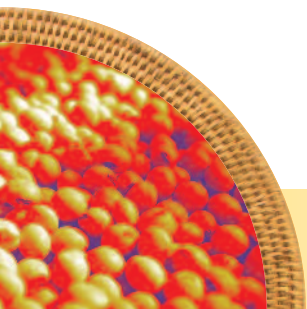
While our size and strength has grown markedly over the years, I am most proud to have the opportunity to work with a variety of clients to preserve and grow the family businesses that have been so vital to our local communities – that is why “Banking Traditions” is the theme of this 2013 Annual Report.



The tradition of record growth continues

The year 2013 marked another period of record growth for First Farmers Bank & Trust (FFBT), a subsidiary of First Farmers Financial Corporation (FFFC), as we continued to build on our presence and offerings at home and in new markets.

As of March 1, 2014, we stand proud as a \$1.3 billion financial institution with more than 300 employees, and the reach to meet the needs of businesses through the Midwest. One of the key accomplishments of the year included the acquisition and



TO OUR SHAREHOLDERS

conversion of the Bank of Indiana. As many of our competitors have packed up and left rural markets, we have capitalized on opportunities to reinvest in niche towns with rural populations to serve the individuals, families, and businesses who reside there.

Though our locations, size, and staff have grown with this acquisition, our dedication to our tradition of preserving community banking has not changed.

Today, both new and existing customers can still count on us to deliver the same model of old-fashioned service, of listening to and caring for each and every one of them. We are growing strong, not for the sake of growth, but to allow us to continue to support their changing needs today – and well into the future.

Symbolic of First Farmers Bank & Trust's foundation of strength and roots in our community is the announcement of our "Kokomo Square" location in the historic Armstrong Landon Building in downtown Kokomo. The building itself has a deep rich history in our industry and has represented the ideals of community banking for generations. We are proud to continue those traditions as the location will serve as an operational hub for our entire branch network.



The tradition of preserving family-business values

Our expansion into new markets in 2013 also allowed us to focus on reaching even more family-owned farms and companies that help fuel our local economies. Our extensive experience with the complexities of agricultural businesses had us well-positioned to serve the needs of other family-owned businesses across a wide range of industries – from manufacturing to auto dealerships to private service practices. Our flexibility in underwriting and business expertise allows us to structure loans and deposit relationships to truly meet the unique needs and complexities of each and every business. Our business strategy is quite simple: if we help businesses grow and prosper, we're helping make our communities stronger for generations to come.

TO OUR SHAREHOLDERS

The tradition of bringing banking right to our customers

Just as we're committed to growing in strength and geographic location, we also remain dedicated to growing our service offerings and technologies to meet the changing needs of our customers. In 2013, we were pleased to offer a new mobile banking app that allows our customers to access and manage their money from any smart phone or tablet. Services like mobile and online banking give our customers the freedom to bank when they want, where they want.

The tradition of planning for the future

Looking ahead, First Farmers Bank & Trust will continue to follow the same community-banking focus that has defined us for the past 128 years. We will continue to seek opportunities to achieve measured and focused growth, to understand and respond to the needs of all our customers, and to make sound and prudent financial decisions that ensure we will continue to be here for all the people, families, and businesses that depend on us to prosper.

In the pages that follow, you'll learn more about our growth in 2013 and hear from family-owned businesses that not only have given us the privilege of their business, but also reminded us of the importance of family, tradition, and community.

As always, we thank you for your valued support, and look forward to continuing our tradition of growing stronger for you, your neighbors, and our great communities.

Sincerely,



Gene Miles
President and Chief Executive Officer



A Tradition of Innovation

Empowered People Dedicated to Innovative Technology and Quality Products

When Verne Wiley channeled his entrepreneurial spirit in 1982 to create Wiley Metal, a custom fabricating company, he did so with a value for serving customers and his hometown of Marion, Indiana. These values were also shared by Verne's sons, Ed and Rob, who joined the company after graduating from Miami of Ohio, and Purdue University.

"Dad was a visionary in a lot of respects and he was inspired to apply his industry experience into creating a niche business that would focus on providing quality product consistency for a wide variety of client uses," said Ed Wiley, President and co-owner. "His core philosophy allowed each of us to develop the business over time and be reflective of the industry environment. Marion was no different than a lot of smaller rust belt cities in the Midwest at that time. It had seen its share of manufacturing decline and there was certainly a sense of purpose towards creating

and helping to build a business that contributed economically to our hometown."

Today, the company supplies a variety of manufacturing clients with structural encasements, brackets, and other custom hardware ranging from display kiosks to trailer aero skirting. Central to the company's success is its focus on listening to the unique needs of each client.



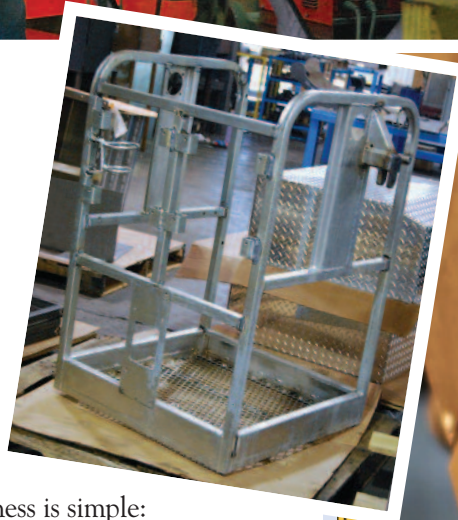
A TRADITION OF INNOVATION

“I don’t think any of us would have been particularly interested in a business that didn’t have some dynamic nature to it. We are certainly very confident that we can spec build what companies want. However, it is so much more interesting to listen to a client’s specific needs and help them develop and design something that will work best for them. It clearly strengthens the business relationship and it highlights our specific skill set,” said Wiley.

With over 200 employees in three core locations, one could assume some degree of separation between family management and employee production, but the Wiley family assumes a proactive approach in labor communications and overall business input. “A number of our employees have been with us 20, 25, even all 37 years, and our business depends on their perspective and collaborative input. As owners, we’re proud of the sense of camaraderie; we respect what each member of the team brings to the table.”

A third generation of family participation is now in place as Ed’s sons, Ben and Mike, have recently joined in the family effort, continuing to build on the diversification and growth that the company represents.

“When you get down to it, the basis for our business is simple: we empower people who are dedicated to innovation and to providing quality products. To be able to do that with your family and people whom you enjoy being around makes for a very rewarding and proud experience.”



A Tradition of Values

Connecting with the Past, Adapting for the Future

It's hard not to look at the Winger Family Farm of Central Indiana without being impressed. The operation that began with Don Winger in 1946 has grown significantly in size and scale as his sons, Steve and Brad, and their families have joined in the effort. What's most impressive, however, is the simplistic formula used to spurn that modern growth – old fashioned family values. “Our decision to grow the operation isn't necessarily a goal as much as it is a means to our quality of life and our desire of continuing to spend time with family. We don't consider ourselves a big business because we don't operate that way. The change in size and in the manner in which we operate is simply a necessity that we've accepted over time. We still adhere to a family style of work ethic and a traditional model of shared responsibilities,” said Steve Winger.

For a business to be successful, particularly in today's challenging environment, it must be willing to constantly



Photo credit: Shelby Rooze Photography.

A TRADITION OF VALUES

reevaluate itself and the environment in which it operates. “It’s always hard to do things differently. We’ve grown in size and we’ve adapted to new methods because we feel it’s necessary. To continue doing what we love to do together, we must be willing to make investments of funds and in resources. The end result allows us to continue and build on what we have.”

A key part of Winger’s success is knowing the rewards that come with having a family-owned business. “We are all able to see our families and enjoy being a part of each other’s lives. I get to see my grandkids and their activities. We participate in school events and vacations. It’s reciprocal with our kids; they appreciate the dynamic. We get to be close to them and watch everyone grow and support each other.”

Despite the Winger family’s impressive expansion, the family has never lost sight of the values which made them successful. “Our technology and operations may have changed over time, but our commitment to good business ethics and maintaining a personal approach with who we deal with has never wavered. Change is inevitable but your approach to your work is pretty consistent.”



A Tradition of Relationships

Dedicated to Customers and Employees

When it comes to speaking about the growth of his family equipment dealership, Plevna Implement, owner Bill Shrock is thoughtful – and humble.

Originally founded by Bill's father and uncle in 1945, the company has grown to serve a wide range of customers in Indiana and surrounding states, and has earned 5-Star AGCO dealership awards for the past five consecutive years.

Bill attributes the company's success to a very unique competitive advantage – the skills and camaraderie of his 38 employees. He also cites his personal faith as a source of inner strength and sense of calm while guiding his operation.

“Our employees have done an unbelievable job of building relationships with our customers over time. Though each employee has a different style and approach, collectively, they know how to take care of our customers.”

That relationship-focused philosophy is one of the key reasons why Plevna has been able to undergo significant growth. In the last two years alone, the company completed construction of a nearly 13,000 sq. ft. equipment showroom outside of



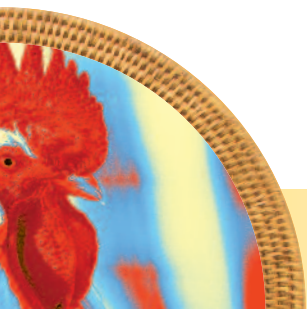
A TRADITION OF RELATIONSHIPS

Kokomo, Indiana, and acquired another dealership in Nappanee. Despite significant achievements in sales Bill is quick to point out the company's success at selling AGCO (including Massey Ferguson, Gleaner, Sunflower, White Planters) is not simply about growth.

"We've had several opportunities to expand at the suggestion of AGCO, however, we recognized that for expansion to be successful, it must be well managed and comprehensive with the right people in place.

With the addition of key personnel, including Bill's sons and nephews, the company was able to accomplish that. While still clearly passionate about his participation in the business, he exudes a sense of pride as he talks about the future of the business.

"Obviously, I want this business to continue long after me. I can see a time soon when I am less and less directly involved, but I'm confident that we now have a team of people in place that gives us the ability to continue to grow in a way that makes us proud. I gain significant satisfaction in knowing that both our employees and our customers will be well served."



A Tradition of Sharing

“God has provided all I need. Agriculture allows us to share.”

You may say that the Sturgell family took a non-traditional route into agriculture. After graduating from Wittenberg University, Terry was interested in a pursuit apart from his father’s funeral home business and summer employment on his uncle’s farm allowed him the opportunity to explore different aspects of agriculture. The camaraderie and cooperative nature of the business solidified his interest in the industry. “I had a sincere love for the independence that farming provided and I enjoyed working with people that shared that passion.” Unexpectedly, his uncle initiated the possibility of Terry assuming the primary role in running his operation and an effective management transition took place over time.

A short while later, a need for insurance initiated an association with the local Farm Bureau. A political science major in school, Terry became immediately interested in the organization regarding grass roots industry advocacy and its involvement in Ag policy development. “Farming is about a lot of things but one of its most rewarding aspects involves helping our industry peers provide for others. Farm Bureau is a natural progression of those efforts.”

Terry’s son Travis grew up on his parents’ farm and immediately felt a connection to the industry and toward continuing his families’ efforts. He became actively involved in FFA and a local young leaders program that focuses on attracting and retaining young people in the Ag industry. He remains actively involved in the family operation that now farms over 1,200 acres of corn and soybeans. He hauls grain on contract as needed and intends to continue the farm operation as his father makes plans for succession and transition. Terry summarizes his families’ views on agriculture very simply. “This way of life allows us the ability to step back and think about others. Agriculture is about giving knowledge and resources while helping to feed the world. God has provided all I need. Agriculture allows us to share.”



Financials

First Farmers Financial Corporation realized its sixth consecutive year of record earnings in 2013 with net income of \$15.8 million, an increase of 18.0% from 2012. Adjusted for the two-for-one stock split in 2013, earnings per share rose to \$4.44 for the year from \$3.78 in 2012. At 16.78%, return on average equity rose to its highest level since 2004. Total shareholder's equity increased 12.0%, or \$10.5 million during 2013 and dividends increased 13.7% to \$0.79 per share on a split-adjusted basis. 2013 marked our 23rd consecutive year of raising dividends.

The Company ended 2013 with record total assets of \$1.23 billion, an increase of \$62.1 million from December 31, 2012. Assets rose primarily due to continued growth in the loan portfolio. Portfolio loans and leases, before the allowance for loan and lease losses increased 7.4% during 2013 to \$923.6 million. The year's increase included the purchase of \$22.1 million from the Bank of Indiana, N.A. (BOI) portfolio. In addition to balance sheet growth, serviced loans and leases which are not reflected in our statement of financial condition increased 25.4%, or \$123.4 million, during 2013 to \$609.5 million. Total deposits ended the year at \$1.01 billion, an increase of \$65.3 million, or 6.9%, including \$77.2 million in deposits were assumed in the BOI transaction.

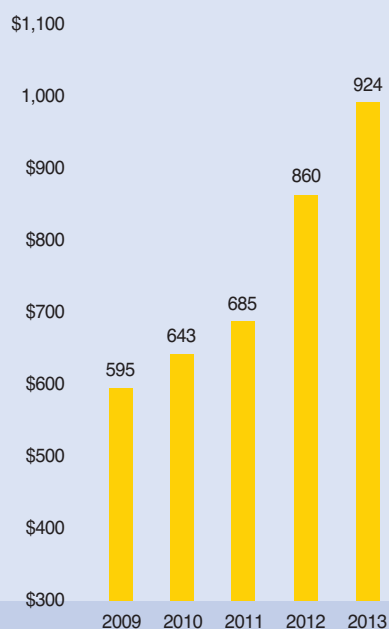
Total operating revenues, excluding securities gains, rose 9.3%, to \$54.4

million during 2013. The increase was attributable to net interest income as earning assets rose 10.2% and the tax-

Portfolio Loans and Leases

AS OF DECEMBER 31

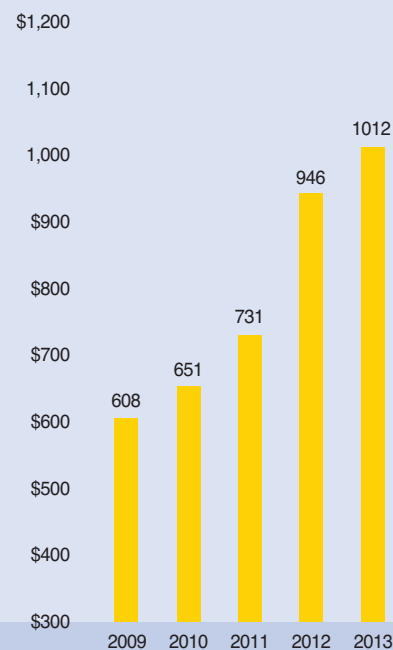
Dollars (in Millions)



Deposits

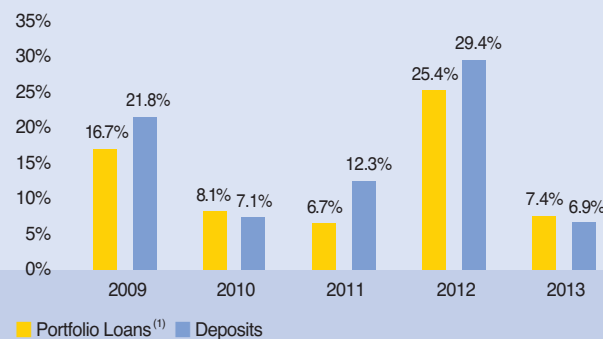
AS OF DECEMBER 31

Dollars (in Millions)



Growth in Portfolio Loans and Deposits⁽¹⁾

YEAR ENDED DECEMBER 31



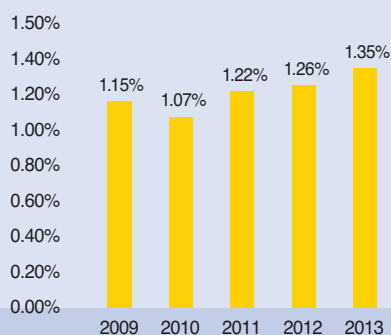
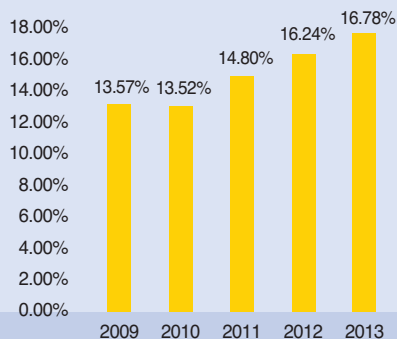
(1) Excluding allowance for loan and lease losses.

FINANCIALS

equivalent net interest margin expanded by 0.04%. Excluding tax equivalency, the net interest margin on average earning assets increased 0.07% in 2013 to 3.94%. Comparatively, the FDIC-insured banking industry experienced a third straight year of margin compression during 2013, declining 0.16%, to 3.26%. The Company's growth in average earning assets between years was aided by the May 1, 2012 acquisition of Citizen's National Bank of Paris and the October 26, 2013 purchase and assumption of certain assets and liabilities of BOI. Non-interest operating income excluding net gain on sale and redemption of securities actually declined 0.4% to \$11.0 million in 2013. Rising interest rates led to a \$0.9 million decline in gain on loan sale activity while growth in the serviced loan and lease portfolios generated a \$0.8 million increase in servicing fees.

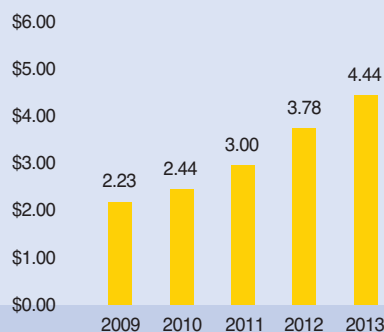
For the year ended December 31, 2013, non-interest expenses increased \$1.6 million, or 5.7%. \$0.3 million in early debt extinguishment expense and \$0.1 million in acquisition-related expenditures were included in 2013 while 2012 included \$0.7 million in acquisition-related costs. Compensation and benefits increased \$1.5 million, or 9.4%, in 2013 with added branch facility staffing and increased administrative support staffing. The improving credit environment led to a \$0.4 million decline in collection- and non-performing-asset-related costs. The same credit trends also allowed the provision for loan and lease losses to decline

\$0.3 million. Net charge-offs fell to 0.16% of average portfolio loans and leases, their lowest level since 2002. The provision for income taxes increased \$0.6 million to \$5.8 million in 2013 as income before taxes increased \$3.0 million while tax credits on community development investments reduced the income tax provision by \$0.4 million.

Return on Average Assets**Return on Average Equity****Earnings Per Share**

YEAR ENDED DECEMBER 31

Basic and Diluted





Summary Financial Highlights

(Dollar amounts in thousands except per share data)

	2013	2012	2011	2010	2009
Results of Operations					
Net Interest Income	\$ 43,352	\$ 38,685	\$ 33,246	\$ 30,291	\$ 26,375
Provision for Loan Losses	3,435	3,750	4,875	4,500	4,810
Non-Interest Income	11,062	11,458	8,343	8,203	9,470
Non-Interest Expense	29,404	27,808	22,178	22,343	19,517
Income Taxes	5,758	5,179	3,890	2,977	3,643
Net Income	15,817	13,406	10,646	8,674	7,876
Financial Ratios					
Return on Average Assets	1.35%	1.26%	1.22%	1.07%	1.15%
Return on Average Equity	16.78	16.24	14.80	13.52	13.57
Net Interest Margin ⁽¹⁾	4.03	3.99	4.16	4.13	4.25
Efficiency Ratio ⁽²⁾	51.25	53.05	50.08	54.31	50.95
Balance Sheet Data					
Average Total Assets	\$1,168,760	\$1,062,182	\$ 875,777	\$ 810,350	\$ 686,231
Average Loans ⁽³⁾	860,382	761,881	645,194	604,790	528,103
Average Deposits	953,479	864,741	704,657	646,652	536,153
Per Share Data					
Basic Earnings Per Share ⁽⁵⁾	\$ 4.44	\$ 3.78	\$ 3.00	\$ 2.44	\$ 2.23
Diluted Earnings Per Share ⁽⁵⁾	4.44	3.78	3.00	2.44	2.23
Cash Dividends Declared ⁽⁵⁾	0.79	0.70	0.65	0.60	0.58
Book Value ⁽⁵⁾	27.58	24.70	21.52	18.83	17.00
Capital (First Farmers Bank & Trust Co.)					
Leverage Ratio	9.2%	8.4%	9.2%	9.1%	9.6%
Tier I capital to risk-weighted assets	11.4	10.1	11.3	10.8	10.8
Total capital to risk-weighted assets	12.6	11.2	12.5	12.0	12.0
Asset Quality					
Allowance to Total Portfolio Loans ⁽⁴⁾	1.33%	1.19%	1.24%	1.29%	1.27%
Non-performing Loans / Total Portfolio Loans ⁽⁴⁾	0.85	0.59	0.65	1.42	1.53
Net Charge Offs / Average Portfolio Loans ⁽⁴⁾	0.16	0.25	0.73	0.63	0.71

(1) Fully tax equivalent.

(2) Fully tax equivalent, excludes gain on sales of bonds, amortization of intangibles, and charges on early retirement of debt for 2013 and 2009.

(3) Including loans held for sale, net of allowance for loan and lease losses.

(4) Excludes loans held for sale.

(5) Reflects two-for-one stock split that occurred in 2013.

Condensed Consolidated Balance Sheets

Years ended December 31, 2013 and 2012

(Dollar amounts in thousands except share and per share data)

	2013	2012
ASSETS		
Cash and due from financial institutions	\$ 38,884	\$ 36,645
Money market funds	12,849	3,882
Cash and cash equivalents	51,733	40,527
Securities available for sale	179,072	164,623
Securities held to maturity (fair value \$20,632 in 2013 and \$23,777 in 2012)	19,873	22,630
Restricted stock, at cost	7,790	6,193
Loans held-for-sale	3,173	25,921
Loans, net of allowance of \$12,284 and \$10,263	911,357	849,696
Premises and equipment, net	15,277	14,881
Goodwill	8,482	8,393
Core deposit and other intangibles	2,470	2,583
Bank-owned life insurance	4,622	4,492
Investments in affordable housing partnerships	10,237	10,523
Accrued interest receivable and other assets	14,501	16,064
	<u>\$ 1,228,587</u>	<u>\$ 1,166,526</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits		
Noninterest-bearing deposits	\$ 228,587	\$ 211,759
Interest-bearing deposits	783,181	734,679
Total deposits	1,011,768	946,438
Federal funds purchased	-	10,850
Federal Home Loan Bank (FHLB) advances	79,625	83,350
Notes payable	9,751	4,500
Subordinated debentures	18,000	18,000
Accrued interest payable and other liabilities	11,199	15,642
Total liabilities	1,130,343	1,078,780
Stockholders' equity		
Common stock, \$1 stated value, 5,000,000 shares authorized, 3,571,812 issued and 3,562,172 outstanding in 2013; 3,572,276 issued and 3,552,120 outstanding in 2012	3,572	1,786
Additional paid-in capital	3,434	3,440
Retained earnings	92,381	81,174
Treasury Stock (9,640 shares in 2013 and 20,156 shares in 2012)	(254)	(510)
Accumulated other comprehensive income (loss)	(889)	1,856
Total stockholders' equity	98,244	87,746
	<u>\$ 1,228,587</u>	<u>\$ 1,166,526</u>

All share and per share information restated for 2-for-1 stock split in 2013.
Complete audited financial statements are available upon request from the Company's corporate offices.

Condensed Consolidated Statements of Income

Years ended December 31, 2013 and 2012

(Dollar amounts in thousands except share and per share data)

	2013	2012
Interest and dividend income		
Loans, including fees	\$ 44,414	\$ 42,404
Securities		
Taxable	2,213	1,869
Non-taxable	1,829	1,879
Other	68	68
	<u>48,524</u>	<u>46,220</u>
Interest expense		
Deposits	3,235	5,119
Short-term borrowings	33	3
Note payable and FHLB advances	1,426	1,606
Subordinated debentures	478	807
	<u>5,172</u>	<u>7,535</u>
Net interest income	<u>43,352</u>	<u>38,685</u>
Provision for loan losses	3,435	3,750
Net interest income after provision for loan losses	<u>39,917</u>	<u>34,935</u>
Other income		
Trust and investment product fees	1,001	701
Service charges on deposit accounts	2,007	2,046
Interchange income	1,672	1,403
Net gain on sale and redemption of securities	13	363
Net gain on sale of loans	3,856	4,763
Other income	2,513	2,182
	<u>11,062</u>	<u>11,458</u>
Other expenses		
Salaries and employee benefits	17,510	16,012
Occupancy and equipment expense	3,829	3,733
Amortization of intangible assets	705	779
FDIC insurance	675	650
Other operating expenses	6,685	6,634
	<u>29,404</u>	<u>27,808</u>
Income before income taxes	<u>21,575</u>	<u>18,585</u>
Provision for income taxes	5,758	5,179
Net income	<u>\$ 15,817</u>	<u>\$ 13,406</u>
Basic and diluted earnings per common share	<u>\$ 4.44</u>	<u>\$ 3.78</u>
Basic and diluted weighted average common shares outstanding	<u>3,559,410</u>	<u>3,549,164</u>

All share and per share information restated for 2-for-1 stock split in 2013.
Complete audited financial statements are available upon request from the Company's corporate offices.

Condensed Consolidated Statements of Comprehensive Income

Years ended December 31, 2013 and 2012

(Dollar amounts in thousands except share and per share data)

	2013	2012
Net income	\$ 15,817	\$ 13,406
Other comprehensive income (loss):		
Change in securities available for sale:		
Unrealized holding gains/(losses) on securities available-for-sale	(4,603)	885
Reclassification adjustments for gains later recognized in income	(13)	(363)
Net unrealized gains/(losses)	(4,616)	522
Tax effect	1,618	(177)
Net of tax amount	(2,998)	345
Cash flow hedges:		
Change in fair value of derivatives used for cash flow hedges	419	50
Reclassification adjustments for gains/(losses) realized in income	-	-
Net unrealized gains	419	50
Tax effect	(166)	(20)
Net of tax amount	253	30
Other comprehensive income (loss), net of tax	(2,745)	375
Comprehensive income	\$ 13,072	\$ 13,781

Condensed Consolidated Statements of Changes in Stockholders' Equity

Years ended December 31, 2013 and 2012

(Dollar amounts in thousands except share and per share data)

	Common Stock	Additional Common Stock	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at January 1, 2012	\$ 1,786	\$ 3,447	\$ 70,235	\$ (720)	\$ 1,481	\$ 76,229
Net income			13,406			13,406
Other comprehensive income					375	375
Purchase of treasury stock, 184 shares				(5)		(5)
Sale of treasury stock, 3,300 shares		10		78		88
Restricted stock awards from treasury, 5,750 shares		(137)		137		-
Stock-based compensation		120				120
Dividends declared (\$0.70 per share)			(2,467)			(2,467)
Balance at December 31, 2012	1,786	3,440	81,174	(510)	1,856	87,746
Net income			15,817			15,817
Other comprehensive loss					(2,745)	(2,745)
Purchase of treasury stock, 594 shares				(18)		(18)
Sale of treasury stock, 3,596 shares		18		93		111
Retirement of treasury stock, 464 shares			(12)	12		-
Restricted stock awards from treasury, 7,400 shares		(178)		178		-
Stock-based compensation, net of 350 shares forfeited		154		(9)		145
Stock split	1,786		(1,786)			-
Dividends declared (\$0.79 per share)			(2,812)			(2,812)
Balance at December 31, 2013	\$ 3,572	\$ 3,434	\$ 92,381	\$ (254)	\$ (889)	\$ 98,244

All share and per share information restated for 2-for-1 stock split in 2013.

Complete audited financial statements are available upon request from the Company's corporate offices.

Condensed Consolidated Statements of Cash Flows

Years ended December 31, 2013 and 2012

(Dollar amounts in thousands except share and per share data)

	2013	2012
Cash flows from operating activities		
Net income	\$ 15,817	\$ 13,406
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	1,231	1,221
Amortization of intangible assets	705	779
Net securities amortization (accretion)	683	1,807
Servicing rights amortization and impairment	548	975
Stock-based compensation	145	120
Provision for loan losses	3,435	3,750
Net gain on sale of loans	(3,856)	(4,763)
Net gain on sale and redemption of securities	(13)	(363)
Net loss on sale and write-down of premises and equipment	102	15
Net loss on sale and write-down of other real estate	22	277
Impairment of branch facility	218	-
Earnings on bank-owned life insurance	(130)	(103)
Pass thru losses in community development investments	533	220
Loans originated for resale	(70,689)	(108,932)
Proceeds from sale of loans	95,829	99,497
Changes in assets and liabilities		
Interest receivable and other assets	2,343	502
Interest payable and other liabilities	(3,327)	1,619
Net cash from operating activities	43,596	10,027
Cash flows from investing activities		
Securities available-for-sale		
Proceeds from sales	795	51,044
Purchases	(68,599)	(58,607)
Proceeds from principal payments, calls and maturities	49,603	52,843
Securities held-to-maturity		
Proceeds from principal payments, calls and maturities	2,750	5,071
Loans made to customers net of payments received	(43,342)	(81,522)
Net cash received (disbursed) in acquisition	50,367	(3,339)
Premises and equipment expenditures	(1,201)	(804)
Proceeds from the sale of fixed assets	184	109
Investments in affordable housing partnerships	(2,213)	(4,146)
Proceeds from the sale of other real estate owned	2,336	2,457
Proceeds from redemption of restricted stock	-	622
Purchase of restricted stock	(222)	(305)
Net cash from investing activities	(9,542)	(36,577)
Cash flows from financing activities		
Net change in deposit accounts	(11,588)	36,974
Net change in short-term borrowings	(10,850)	1,905
Advances from notes payable	10,000	5,000
Payments on notes payable	(4,749)	(1,403)
Payments on FHLB advances	(32,725)	(14,975)
Proceeds from FHLB advances	29,000	20,000
Retirement of subordinated debentures	-	(2,500)
Purchase of treasury stock	(18)	(5)
Sale of treasury stock	111	88
Dividends paid	(2,029)	(3,051)
Net cash from financing activities	(22,848)	42,033
Net change in cash and cash equivalents	11,206	15,483
Cash and cash equivalents at beginning of year	40,527	25,044
Cash and cash equivalents at end of year	<u>\$ 51,733</u>	<u>\$ 40,527</u>
Supplemental disclosures of cash flow information		
Cash paid during the year for:		
Interest	\$ 5,257	\$ 7,755
Income taxes	5,387	3,100
Supplemental non-cash disclosures		
Real estate acquired in satisfaction of debts previously contracted	455	822
Assets acquired	76,687	212,165
Liabilities assumed	(77,311)	(197,928)

Complete audited financial statements are available upon request from the Company's corporate offices.

A Tradition of Service

Board of Directors



Brian Renbarger
CHAIRMAN
Area Farmer
Greentown



Edward McClure
VICE CHAIRMAN
*President, McClure
Oil Corporation*
Indianapolis



Freddie Barnard
*Professor of Agricultural
Economics, Purdue
University*
West Lafayette



Janice Fern
*Retired Business Teacher,
Peru Community Schools*
Peru



Mark Holt
*Doctor of
Veterinary Medicine*
Sweetser



Brad Howell
*Co-owner,
Brad Howell Ford*
Greentown



Gene Miles
*President & Chief
Executive Officer, FFBT*
Greentown



Chris Norris
*President, Norris
Insurance Agency, Inc.*
Amboy



John O'Donnell
*CEO, Kokomo
Opalescent Glass
Company*
Kokomo



Jeff Stout
*Owner, Stout & Son
Funeral Home*
Russiaville

A TRADITION OF SERVICE

Senior Management Team



Gene Miles
*President & Chief
Executive Officer*



David Eikenberry
*Senior Vice President,
Chief Operating Officer*



Keith Hill
Chief Financial Officer



Mark Jones
Senior Vice President



Craig Langley
Senior Vice President



Norman Lavengood
*Senior Vice President,
Director of Commercial and
Agricultural Lending*



Joe Lenon
*Senior Vice President,
Director of Mortgage and
Consumer Lending*



Cherie Planalp
*Senior Vice President,
Chief Retail Officer*



Mark Wolf
Senior Vice President



A Tradition of Community Involvement

Our dedication to the betterment of our respective local communities is demonstrated by our philanthropic commitment and employee participation in social support organizations. Community banks are traditionally looked upon to provide monetary support and directional leadership in a wide variety of charitable organizations and civic advancement groups and First Farmers Bank & Trust does not take that leadership responsibility lightly.

The following is a partial list of the specific events and organizations that our respective locations wished to highlight for their support and participation.

Indiana

AMBOY

Amboy Festival Car Show
Little Mr. & Mrs. Contest
(Amboy Festival)
Angel Tree/Food Pantry
Community Christmas Tree
Lighting
Amboy Volunteer Fire Dept.
Miami Co Chamber of Commerce
Miami Co Tourism Committee

BARGERSVILLE

Bargersville Fall Festival
3 on 3 for Riley

CONVERSE

Oak Hill High School
Converse Fair
Cook & Belle-Grant and
Miami Co Fairs
Boy Scouts of America
Relay for Life
Christmas in Converse
Teach Children to Save at
Converse Elementary
Woodcarvers

CULVER

Boys & Girls Club
4-H
Relay for Life
Kiwanis Club
Chamber of Commerce

DANA

Dana Boosters
Friends of Ernie Pyle
Served hotdogs to local
trick-or-treaters
Dana Mobile Food Pantry

ELWOOD

Run for Freedom
Morrisett Center (Walk and
Christmas donation)
Shop with a Cop in Elwood
Elwood Concerts in the Park
St. Vincent Mercy Hospital
Foundation
4-H Fair Livestock Auctions
Alternatives Women Shelter
Red Gold Crush Hunger Walk
Elwood Elks Cancer Dance
Elwood Glass Festival

GALVESTON

Cass Co 4-H Queen Contest
Walton & Galveston Youth
League
Lewis Cass Babe Ruth
Walton & Galveston Library
Summer Reading

GREENTOWN

Relay for Life
WWKI We Care
Eastern Buddy Bag program
Kokomo Rescue Mission

HUNTINGTON

4-H
Rotary
Boys & Girls Club
Council on Aging (Senior Expo)
Love INC Food Drive
Optimist Club
United Way Prize Basket Bingo
United Way Special Olympics

KNOX

Starke County 4-H Fair
Community Services of Starke
County
Bass Lake Property Owners Assn.
Starke Co Youth Club
Starke Co Junior Achievement
Starke Co Chamber of Commerce

KOKOMO CENTRAL

Samaritan Caregivers
Kokomo-Howard Co Library
Acacia Academy

KOKOMO NORTH

Howard Co Fishing Clinic
Relay for Life
Northwestern Schools
Kokomo Schools

KOKOMO SOUTH

Relay for Life
Bona Vista Programs
Local High Schools



A TRADITION OF COMMUNITY INVOLVEMENT

LOGANSPOUT

United Way
Big Brothers Big Sisters
Cass Co Historical Society

MARION

CASA Sand Sculpture
CSA Go Karts
Kids Count Lunch -
Prevent Child Abuse

NORTH JUDSON

Starke Co 4-H Fair
Community Services of Starke Co
National Honor Society Senior
Banquet
Starke United Inc.
Junior Achievement
Young Artist Conference
NJ School Athletic Dept.
Kiwanis Club
4-H County Fair
Starke Co Chamber of Commerce
Love INC Annual Banquet
Starke Co Youth Club
NJ Little League

PERU RIVER

Harvesting Capabilities
Relay for Life - Miami Co
FOP - Christmas for Kids
Junior Achievement
Cole Porter Festival
Peru & Bunker Hill Little League
Peru Circus
Ivy Tech Scholarship
City of Peru 4th of July
Celebration
YMCA Kids Fair
Denver Lions Club
Denver Volunteer Fire Dept.
National Junior Honor Society

PERU SQUARE

Relay for Life
Junior Achievement
Peru Circus

RUSSIACVILLE

Food Pantry donation
Russiaville Merchants -
Purchase 4-H animals
Library Reading Club
Duck Derby

SHERIDAN

Momma's Cupboard - Food
Pantry
Hamilton Co Humane Society
Harvest Moon Festival
Sheridan Historical Society

TERRE HAUTE

Altrusa Chili Cookoff
Youth Sports Programs
Little League Baseball
Big Brothers Big Sisters
Kids Summer Program -
FOP Lodge
Lemonade Days of Terre Haute
Strawberry Festival
Shop with a Cop
United Way Dueling Pianos

TIPTON

4-H Fair Livestock Auction
Serving watermelon at the
4-H Hog Show
Boys & Girls Club of Tipton
Tipton Co Foundation
CW Mount Center
Rotary
Economic Development
Organization
Chamber of Commerce
Tipton Baseball and Pee-Wee
& Youth Soccer
Kiwanis
Tipton Co Mustard Seed
Tipton Co Pork Festival
Toys for Tots
Relay for Life
Tipton Co Schools

WABASH

YMCA
Red Cross
Wabash Co Christmas Spirit
Rotary Club
85 Hope
Wabash Valley Dance Theater
Wabash Co Chamber of Commerce
Tri Kappa Sorority
Wabash Co Hospital Foundation

Illinois

OAKLAND

Oakland Memorial Library
FCCLA - Oakland High School
Tarble Arts Center (EIU Travel
Exhibit)
Coles Co 4-H Livestock Auction
Harvest Time Meals for Area
Farmers participant

PARIS MAIN

Paris Area Chamber of Commerce
Edgar Co 4-H Food & Livestock
Auction
Halloween Contest
Edgar Co Schools
Decatur Park Singers

PARIS EAST

In conjunction with Paris Main





Illinois

PARIS - MAIN

110 W. Court Street
Paris, IL 61944

PARIS EAST

8964 N. Terre Haute Road
Paris, IL 61944

OAKLAND

12 W. Main Street
P.O. Box 950
Oakland, IL 61943

Indiana

CONVERSE

123 N. Jefferson
Converse, IN 46919

AMBOY

115 S. Main Street
Amboy, IN 46911

BARGERSVILLE

42 S. State Road 135
Bargersville, IN 46106

CULVER

101 Main Street
Culver, IN 46511

DANA

129 Maple Street
Dana, IN 47847

ELWOOD

10077 N. State Road 37
Elwood, IN 46036

GALVESTON

112 S. California
Galveston, IN 46932

GREENTOWN

603 W. Main
Greentown, IN 46936

HUNTINGTON

244 Hauenstein Road
Huntington, IN 46750

KNOX

1402 S. Heaton Street
Knox, IN 46534

KOKOMO CENTRAL

501 W. Lincoln Road
Kokomo, IN 46902

KOKOMO NORTH

2041 N. Reed Road
Kokomo, IN 46901

KOKOMO SOUTH

410 Flint Way
Kokomo, IN 46902

KOKOMO SQUARE

101 W. Sycamore Street
Kokomo, IN 46901

LOGANSPOUT

3910 E. Market Street
Logansport, IN 46947

MARION

830 N. Baldwin Avenue
Marion, IN 46952

NORTH JUDSON

302 Keller Avenue
North Judson, IN 46366

PERU RIVER

120 S. Broadway
Peru, IN 46970

PERU SQUARE

2 N. Broadway
Peru, IN 46970

RUSSIAVILLE

160 W. Main Street
Russiaville, IN 46979

SHERIDAN

2400 W. State Road 38
Sheridan, IN 46069

TERRE HAUTE

315 E. Davis Drive
Terre Haute, IN 47802

TIPTON

825 E. Jefferson
Tipton, IN 46072

WABASH

1004 N. Cass Street
Wabash, IN 46992



**FIRST
FARMERS
BANK & TRUST**

ESTABLISHED 1885

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