FIRST FARMERS BANK & TRUST

Relationships & Community

2016 Annual Report

Reinforcing **Our Vision and Mission**

Generally speaking, a mission statement is defined as the overall purpose of an organization. Corporate strategists would refer to them as a company's reason for existing. This past year, the Bank felt it was time to revise and update the written declaration of our organization's core purpose. What was needed was a specific position piece that reflected the overarching focus of a $1.6 billion corporation that served people throughout the Midwest.

The project was incredibly broad in scope, open to a significant amount of interpretation, and certainly depended a great deal on the collective opinion of our Bank personnel and leadership. By revisiting the input gathered from various employee surveys, we were able to isolate the themes that were reflective of our entire team. With open minds and a good deal of discussion, we slowly came to realize that our main goal was to showcase our shared roles in supporting our clients, our communities, and our coworkers. To do this we crafted both a mission statement that reflected our traditional ties to agriculture and a statement of vision that stated our commitment to our community as defined by our clients, coworkers, and our shareholders.

THE MISSION OF FIRST FARMERS BANK & TRUST IS TO FOSTER A COMMITMENT TO THE RELATIONSHIPS THAT SERVE AND GROW OUR COMMUNITY WHILE FOCUSING ON AGRICULTURAL FINANCIAL SERVICES.

Our Vision for Relationships and Community

Clients: To provide superior service through cultivating and nurturing relationships while maintaining our focus on progressive technology to better serve our clients.

Employees: To enrich the lives of our employees by providing a productive learning and working environment that encourages professional development, personal growth, and community engagement.

Shareholders: To financially strengthen First Farmers Bank & Trust through sound fiscal management, sustained asset growth, and respected return on investment.

2016 ANNUAL REPORT

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Nurturing and **Cultivating Relationships**

Gene Miles
President and
Chief Executive Officer

Growth comes in many varieties. In recent years, First Farmers Bank & Trust has grown stronger through acquisition and expansion into contiguous areas. In 2016, we achieved a record performance by solidifying our position in new regions while strengthening and growing relationships in traditional markets.

Always looking to identify new opportunities to achieve measured growth and ensure our continued independence, the past year marked a period that afforded us an invaluable opportunity to focus inward to refine our strategies, build the First Farmers' brand in our new regions, and focus on how we can better serve the individuals, families, business owners, farmers, employees, and shareholders who have come to depend on us.

STAYING TRUE TO AGRICULTURAL BUSINESSES AND RURAL MARKETS

In 2016, we stayed true to the core goal on which we were founded – to serve agricultural businesses and our respective communities with innovative lending and deposit products. Our deep commitment to, and extensive expertise in, the industry means we understand the cyclical nature of agricultural banking and can be patient lenders who stand behind our customers through all business cycles. This is in direct contrast to banks that enter the Ag market during peak cycles, only to pack up and leave during downward turns. Staying true to our roots, we added an operation in Fairmount, IN by acquiring a well-respected community bank that shared our core values and commitment to rural banking. Our robust financial performance is especially noteworthy given costs associated with integrating a well-managed successful competitor.

BUILDING RETAIL BUSINESS

In addition to strengthening our commitment to agricultural businesses, in 2016, we focused on building our retail banking business by developing more innovative products and enhancing our self-service channels, such as further enhancing mobile and online banking. Usage of our Mobile Check Deposit Service, released in late 2015, soared in popularity as customers recognized the convenience of making deposits right from their mobile devices. Fueled by the success of Mobile Deposit, we introduced a comprehensive online account opening process, which allows

our customers to open accounts without ever having to enter a branch. To increase account security measures to our retail deposit customers, we issued new ATM & Debit transaction cards utilizing EMV compliant chip-based verification technology to all of our card holders.

Of course, as a bank dedicated to serving the needs of all customers, we are mindful of customers who prefer to do their banking in more traditional ways. Throughout all our 35 branches, we have ensured we have a strong retail team in place to ensure customers feel welcome and provide them with the personal guidance they need.

FOCUSING ON BUSINESS

In 2016, we also renewed our commitment to helping support small businesses, which are essential to creating jobs and strengthening local economies. To deepen relationships with our customers and help them get more out of their business finances, we emphasized the development of progressive business checking accounts.

INCREASING EFFICIENCIES AND COMMUNICATION STRATEGY

Our focus inward in 2016, and not solely on growth through acquisition, allowed us to identify areas to reduce costs and increase efficiency. We continued to assess key operational areas, including branch facilities, training, hiring, and servicing, and took steps to improve and streamline the customer experience. We continue to develop initiatives designed to enhance shareholder relations and corporate communications.

THE DIFFERENCE OF PEOPLE

While the financials reflect our record success in 2016, they do not show the day-to-day contributions of our dedicated team of employees. Their commitment to service and to their own professional development has earned them the trust and respect of their customers. Understanding the value of our employees in helping carry out our mission, we continued to recognize and reward their success and to recruit the best and brightest to carry on our long-standing tradition of service excellence.

Of course, First Farmers' success in 2016 would not have been possible without the direction and commitment of our Board of Directors. We would like to thank and recognize Jan Fern who retired from the Board after serving for 20 years. Jan was active in the audit, budget and ALCO committees. We appreciate her dedication and support of the organization.

With another year of solid growth and performance behind us, we can look ahead to the future with promise. More importantly, in these uncertain times, we can give the customers, business owners, families, employees, and shareholders who have put their trust in us, the confidence that First Farmers is not only there to help them, but also grounded in their success.

Gene Miles

Gene Miles
President and Chief Executive Officer

Connecting to **Tradition and Our History**

Founded in 1885, as Mark Tully's Exchange Bank, our institution has steadfastly committed itself to serving its communities with state-of-the-art banking products with old-fashioned service. In the dynamic world of financial services, we at First Farmers Bank & Trust pride ourselves on retaining our hometown flavor and quality customer care, while providing innovative lending and deposit products at competitive rates.

Mark Tully, our original founder, was born in Ireland in 1837 and came to Converse, Indiana in the late 1850s. By 1885, he established a banking business that quickly became known as one of the most solid and dependable in the area. With investments from other area businessmen, the operation became known as Farmers State Bank in 1907. The institution successfully navigated its way through the tumultuous times of the Great Depression and several agricultural hardships to eventually merge with local competitor First National Bank in 1946 to form First Farmers National Bank.

Over the course of the next 5 decades, the new Bank would face some of the greatest challenges to community-style banking. Over that time period, banking deregulation, increased competitive pressures, and dynamic economic conditions facilitated the need to become a larger and more diverse operation. Mergers with the State Bank of Amboy in 1975 and Union State Bank of Windfall in 1990 helped the bank achieve the asset base needed to become a multi-county institution. Product diversification allowed the Bank to serve a broader type of customer as the loan portfolio grew significantly in mortgage, consumer and commercial credit.

By 1995, the Bank served five counties with eight different offices and was renamed First Farmers Bank & Trust. The institution continued to grow through the construction of four branches and the acquisition of two bank offices in new markets. An increased number of ATMs and an online banking platform improved customer access to bank services. In early 1998, First Farmers Wealth Management Division was established in cooperation with Raymond James Financial Services, adding the ability to provide a full array of stock, mutual, and other investment products.

Through expansion efforts over the last two decades, First Farmers Bank & Trust purchased branch locations and expanded operations into nearby areas of Culver, Huntington, Knox, Logansport, Marion, North Judson, Russiaville, and Wabash, while adding additional branches and operational facilities in Kokomo. More recently, the Bank expanded its footprint to include four branches in Southwestern Indiana and 7 locations in Illinois. In late 2015 and early 2016, the Bank further added locations in Flora and Fairmount, IN.

First Farmers Bank & Trust now serves over 60,000 clients throughout Indiana and Illinois from 35 conveniently located branch offices and has become one of the premier community banks in the Midwest. With over 400 employees and over $1.6 billion in assets, the Bank has come a long way from its origins. Central to the Bank focus is the commitment to remain an independent institution, free to change dynamically to meet the needs of its customers and communities by providing state-of-the-art banking with old-fashioned service.

Growing our **Community**

What does it mean to be a community bank? At First Farmers, we believe it means far more than providing financial services to individuals and businesses. As a true community bank, we understand that local people want to bank with trusted neighbors who share the same values and commitment to the community.

That is why as a strategically focused, community bank, First Farmers Bank & Trust is not only dedicated to hiring local people, but also empowering them to have a strong voice and make decisions that directly impact the customers and communities they serve. Rather than trying to apply a standard model of decision-making and policies for all branch locations as most banks do, we encourage and support local decision making to address the specific needs and goals in each community.

This empowerment gives branch leadership staff the authority to make contributions to local organizations and causes that affect the communities they serve. It gives them the confidence to make local decisions to provide businesses with faster, easier access to financial solutions they need. It also fosters personal responsibility and leadership in our employees, and ensures accountability to the customers who rely on them.

Our unique approach to staff involvement and decision making is what has made First Farmers Bank & Trust a true community bank and a trusted choice for the individuals, families, farmers, and business owners we proudly serve.

BUILDING ON OUR STRENGTHS

The banking industry is always changing. Looking ahead, we expect to see continued consolidations and acquisitions. As we have done throughout our history, First Farmers Bank & Trust will pursue growth opportunities to better serve the changing needs of our clients, customers, and shareholders. While expansion through acquisition does present challenges and require significant communication, our leadership and staff are experienced and dedicated to bringing new branches and institutions together in a way that benefits all our customers. In 2016, for example, we completed the acquisition of a well-respected community bank based in Fairmount, IN and announced our commitment to expand our presence in Flora, IN. Strategically and culturally, the acquisition and expansion made perfect sense: we expanded our presence in areas near our core market while reemphasizing the viability of community banking in rural markets.

Focusing on **Agriculture**

UNDERSTANDING THE BUSINESS CYCLE OF AGRICULTURE

Our strong record of performance and financial strength in the Ag sector is a direct result of the Midwest farmer's role as the world's most reliable, productive and critical component of the global food supply.

Admittedly, the agricultural segment of the domestic economy has experienced a period of dynamic uncertainty over the last few years. While some areas have seen less than ideal growing seasons, commodity prices have experienced significant shifts from the historic highs of five years ago. In spite of this trend, land values have remained stable and at healthy levels representative of the production value of the soil. Such periods of prolonged commodity uncertainty further demonstrate that the most sound and successful operations are structured to perform well when the industry economy is less than ideal.

With 132 years of experience and understanding of the nuances and dynamics of the industry, First Farmers' expertise in the industry is unmatched by other banking institutions. Our underwriting and operational personnel possess diverse agricultural backgrounds in a variety of capacities and are able to employ underwriting modeling tools specifically attuned to the variables and economic cycles of the Ag industry.

The combination of exceptionally experienced personnel using the lending package most suited to the specific needs of each client makes us the most qualified organization to optimize a bank relationship for Ag-related operations.

Contributing **Support and Wellbeing**

The same passion that drives our staff to effectively serve their customers is shared in their focus towards the betterment of our local communities. Employees are encouraged to engage in local philanthropic events and participate in social support organizations. Local branch teams donate funds and time to efforts that reflect what is important to them individually and collectively.

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
Angel Tree Christmas Ministry
Community Food Pantry

Brazil
Clay County YMCA
Clay Youth Baseball League
Brazil Main Street

Converse
Boy Scouts of America
Converse Business Alliance
Converse Fair
Oak Hill High School

Clay City
Help Keep Our Kids Warm
Clay City Youth League
Clay City 4-H

Culver
Marshall County Development
Culver Kiwanis
Boys and Girls Club

Dana
Fireman's Festival
Valley Preschool

Elwood
Elwood Concerts in the Park
Morrisett Center
Run for Freedom

Fairmount
Fairmount Historical Museum
James Dean Festival
Grant County 4-H
Fairmount Lions Club

Flora
Carroll County 4-H & FFA
Carroll & Delphi Schools Athletic Departments
Carroll County Sheriff's Department K-9 Fund
Carroll County Junior Achievement

Galveston
Cass County 4-H Queen Contest
Lewis Cass Babe Ruth
Walton & Galveston Youth League
Southeastern Buddy Bags

Greentown
Howard County 4-H
Relay for Life
WWKI-We Care
Kokomo Rescue Mission

Huntington
Junior Achievements
Boys & Girls Club
Huntington 4-H

Knox
Community Services of Starke County
Yellowstone Trail Fest
Starke County Youth Club & 4-H

Kokomo
Indiana University-Kokomo
Kokomo Downtown Association
Kokomo Literacy Coalition
Kokomo Urban Outreach
Kokomo YMCA
Howard County Historical Society

Logansport
Big Brothers Big Sisters Program
Cass County Historical Society
Cass County United Way

Marion
CASA
Community School of the Arts
Family Service Society
Marion-Grant County Chamber of Commerce

Peru
Miami County Relay for Life
Miami County United Way
Biddy Basketball
Peru Circus

Russiaville
Library Reading Club
Russiaville Merchants
Samaritan Caregivers

Sheridan
Youth Assistance Program
Community Food Pantry
Sheridan Historical Society
Sheridan Recreational

Sullivan
Shop with a Cop
Salvation Army Backpack Blessings
Tbirds Youth League

Tipton
Boys & Girls Club of Tipton
Encore Lifestyle & Enrichment Center
Tipton County 4-H

Terre Haute
Altrusa Chili Cook Off
Youth Sports Programs

Wabash
Wabash County Red Cross
YMCA
National Wild Turkey Federation

ILLINOIS

Chrisman
Chrisman Days Celebration
Edgar & Georgetown Co. 4-H & FFA
C.U.S.D. #6 Backpack Program

Danville
Festival of Trees
United Way

Hoopeston
Hoopeston School District activities
Hoopeston's National Sweetcorn Festival
Hoopeston Multi Agency

Oakland
Oakland High School
United Way

Oakwood
Oakwood Education Foundation
Vermilion County Museum
D.A.R.E. Program

Paris
Human Resource Center
All Abilities Playground
Lion's Club

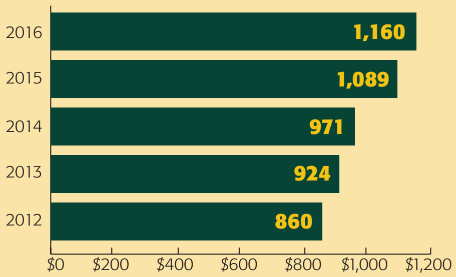
Harvesting
Successful Results

With earnings of $17.0 million, or $4.76 per share, First Farmers Financial Corp. extended its string of record results to a 9th straight year during 2016. In addition to net income, total revenues, assets, loans, deposits and capital reached new highs during 2016. Strong earnings, along with an 8.2% increase in average earning assets, a 5.5% increase in operating revenue, and a restrained 1.1% growth in expenses from ongoing operations put the Corporation in a position to raise dividends $0.11, or 9.3%, to $1.29 for the year. In doing so, it also marked the 26th consecutive year that dividends have been raised, a period over which the annual increase has averaged 14.0%.

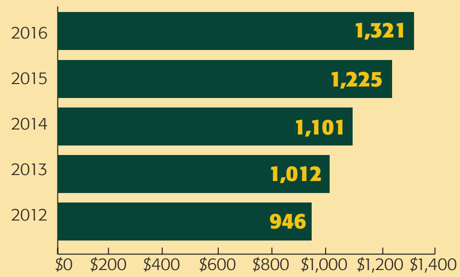
2016 was another active year as we completed the purchase of Citizens Exchange Bank of Fairmount in the spring, expanded our website accessibility to allow customers to open deposit accounts over the Internet during the summer and announced the sale of our Bargersville branch and plans to construct a new facility in Flora during the fall. The Citizens Exchange Bank transaction had the most impact on 2016's financial results with integration costs of $1.5 million from that transaction included within the year's $1.7 million business combination-related costs. Partially offsetting those costs was a $0.2 million bargain purchase gain which was included in the year's total revenue. After tax, net business combination costs diluted the year's return on average assets of 1.10% by 6 basis points and the return on average equity of 12.89% by 67 basis points.

Revenue growth of 5.5% was primarily a function of earning asset growth. Average loans and leases grew $95.7 million, or 9.2% during 2016 to $1.135 billion while the tax-equivalent net interest margin compressed 7 basis points to 3.73%. In spite of early optimism in 2016 over interest rates and the opportunity for margins to improve, ongoing uncertainty over economic strength throughout the year left the Federal Reserve sidelined with respect to managed rates until December. Term rates spent much of the year below 2015's level, three to ten year treasury rates were as much as 30 basis points lower. As a result overall loan yields declined 7 basis points. With the front end of the yield curve about 25 basis points higher between 2015 and 2016, interest bearing deposit costs increased 6 basis points. Investment yields improved 13 basis points between years to cushion some of the rate environment's impact on margin. Following the election in November, the incoming administration's policies were generally viewed as pro-growth and not susceptible to deflationary pressures.

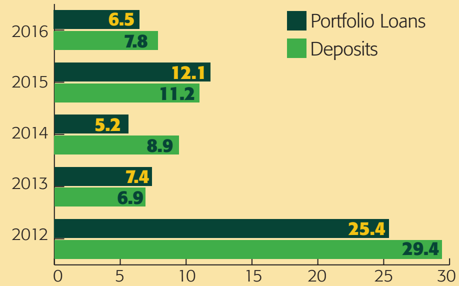
Portfolio Loans & Leases
As of December 31, *(Dollars in Millions)*



Deposits
As of December 31, *(Dollars in Millions)*



Growth in Portfolio Loans and Deposits (1)
Year Ended December 31



(1) excluding allowance for loan loss

With strength continuing in employment and expected conditions supportive to the Fed's 2% inflation target, rates moved up substantially during November and December.

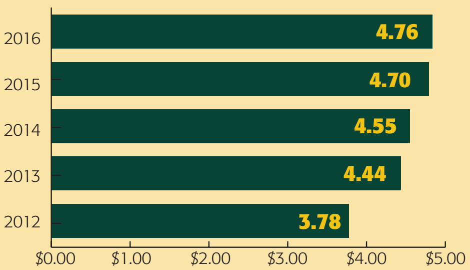
Exclusive of non-recurring items such as the previously noted business combination costs, non-interest expense increased $0.4 million, or 1.1% during 2016. Accounting for the overall increase were problem loan resolution costs and occupancy and equipment expenses, which were $0.4 million and $0.3 million higher in 2016, respectively. Compensation and benefits, which make up 59% of total ongoing operating expenses were materially unchanged between 2015 and 2016. A $0.4 million drop in group health insurance costs following 2015's $1.2 million increase nearly offset a $0.5 million or 2.9%, increase in compensation. A new risk-based deposit insurance system adopted during the third quarter of 2016 also reduced our costs for the second half of the year and will produce additional savings in 2017. Income tax expense declined during 2016 to an effective rate of 24.5% as pre-tax income declined and tax-exempt income and tax credits increased slightly during 2016.

While the Ag economy has experienced more challenging conditions in recent years, a $1.8 million increase in the Corporation's provision for credit losses during 2016 was largely attributable to costs within the commercial lending portfolio. Farm sector stresses were evident in several loan quality indicators however other loan categories reflected improving conditions since December 31, 2015.

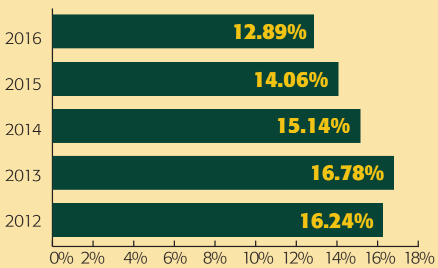
Portfolio loan balances increased $71.5 million during the year to a record $1.160 billion at December 31, 2016, including $25.9 million in loans acquired during the Citizens Exchange Bank transaction. Deposits increased $95.4 million, to a record $1.321 billion at December 31, 2016, including $49.0 million from Citizens Exchange Bank. Shareholder's equity increased $11.1 million to $135.6 million at December 31, 2016 from $12.4 million in retained earnings partially offset by a $2.1 million in net unrealized losses on available for sale securities due to rising interest rates.

Keith Hill
Chief Financial Officer

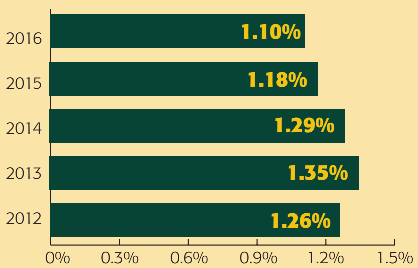
Earnings Per Share
Year Ended December 31
Basic and Diluted



Return on Average Equity



Return on Average Assets



SUMMARY FINANCIAL HIGHLIGHTS

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

	2016	2015	2014	2013	2012
Results of Operations					
Net Interest Income	$ 53,506	$ 50,528	$ 45,894	$ 43,352	$ 38,685
Provision for Loan Losses	3,475	1,650	1,500	3,435	3,750
Non-Interest Income	13,493	12,800	10,402	11,062	11,458
Non-Interest Expense	40,971	38,562	32,242	29,404	27,808
Income Taxes	5,520	6,309	6,328	5,758	5,179
Net Income	17,033	16,807	16,226	15,817	13,406
Financial Ratios					
Return on Average Assets	1.10%	1.18%	1.29%	1.35%	1.26%
Return on Average Equity	12.89	14.06	15.14	16.78	16.24
Net Interest Margin (1)	3.73	3.80	3.94	4.03	3.99
Efficiency Ratio (2)	56.36	58.13	54.43	51.25	53.05
Balance Sheet Data					
Average Total Assets	$1,546,170	$1,430,354	$1,259,880	$1,168,760	$1,062,182
Average Loans (3)	1,121,470	1,026,085	924,913	860,382	761,881
Average Deposits	1,271,257	1,182,112	1,023,206	953,479	864,741
Per Share Data					
Basic Earnings Per Share (5)	$ 4.76	$ 4.70	$ 4.55	$ 4.44	$ 3.78
Diluted Earnings Per Share (5)	4.76	4.70	4.55	4.44	3.78
Cash Dividends Declared (5)	1.29	1.18	1.05	0.79	0.70
Book Value (5)	37.89	34.83	31.42	27.58	24.70
Capital (First Farmers Bank & Trust Co.)					
Leverage Ratio	9.7%	9.8%	9.5%	9.2%	8.4%
Tier I capital to risk-weighted assets	12.3	12.5	12.0	11.4	10.1
Total capital to risk-weighted assets	13.3	13.6	13.2	12.6	11.2
Asset Quality					
Allowance to Total Portfolio Loans (4)	1.17%	1.22%	1.27%	1.33%	1.19%
Non-performing Loans / Total Portfolio Loans (4)	2.30	2.46	1.50	0.85	0.59
Net Charge Offs / Average Portfolio Loans (4)	0.28	0.07	0.16	0.16	0.25

(1) Fully tax equivalent

(2) Fully tax equivalent, excludes gain (loss) on sales of bonds, amortization of intangibles, charges on early retirement of debt for 2013, removal of facility/operating lease impairments and bargain purchase gains for 2016, 2015 and 2014, and predecessor contract termination costs in 2016.

(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

December 31, 2016 and 2015
(Dollar amounts in thousands except share and per share data)

	2016	2015
ASSETS		
Cash and due from financial institutions	$ 96,108	$ 38,758
Money market funds	10,979	6,097
Cash and cash equivalents	107,087	44,855
Interest-bearing deposits in other financial institutions	3,496	8,034
Securities available for sale	267,797	267,722
Securities held to maturity (fair value $6,867 in 2016 and $10,439 in 2015)	6,714	10,100
Restricted stock, at cost	8,001	6,962
Loans held-for-sale	7,523	2,655
Loans, net of allowance of $13,575 and $13,289	1,146,516	1,075,295
Premises and equipment, net	18,113	18,475
Goodwill	8,729	8,729
Core deposit and other intangibles	3,361	4,000
Bank-owned life insurance	4,977	4,865
Investments in affordable housing partnerships	13,120	8,935
Accrued interest receivable and other assets	19,010	19,574
	$1,614,444	$1,480,201
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits		
Noninterest-bearing deposits	$ 317,884	$ 290,672
Interest-bearing deposits	1,002,766	934,608
Total deposits	1,320,650	1,225,280
Federal Home Loan Bank (FHLB) advances	108,300	85,300
Notes payable	13,317	16,012
Subordinated debentures	18,558	18,558
Accrued interest payable and other liabilities	17,985	10,540
Total liabilities	1,478,810	1,355,690
Stockholders' equity		
Common stock, $1 stated value, 5,000,000 shares authorized, 3,580,923 issued and 3,580,031 outstanding in 2016; 3,575,033 issued and 3,574,648 outstanding in 2015	3,581	3,575
Additional paid-in capital	4,278	3,893
Retained earnings	129,822	117,447
Treasury Stock (892 shares in 2016 and 385 shares in 2015)	(45)	(18)
Accumulated other comprehensive loss	(2,002)	(386)
Total stockholders' equity	135,634	124,511
	$1,614,444	$1,480,201

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

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

December 31, 2016 and 2015

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

	2016	2015
Interest and dividend income		
Loans, including fees	$ 55,271	$ 51,325
Securities		
Taxable	2,901	2,859
Non-taxable	2,234	1,897
Other	223	171
	60,629	56,252
Interest expense		
Deposits	4,251	3,303
Short-term borrowings	5	3
Note payable and FHLB advances	2,289	1,897
Subordinated debentures	578	521
	7,123	5,724
Net interest income	53,506	50,528
Provision for loan losses	3,475	1,650
Net interest income after provision for loan losses	50,031	48,878
Other income		
Trust and investment product fees	798	739
Service charges on deposit accounts	2,917	2,705
Interchange income	2,635	2,527
Net gain on sale and redemption of securities	192	16
Net gain on sale of loans	4,108	3,617
Other income	2,843	3,196
	13,493	12,800
Other expenses		
Salaries and employee benefits	22,850	22,868
Occupancy and equipment expense	5,361	4,982
Amortization of intangible assets	1,138	1,129
FDIC insurance	817	898
Expenses incidental to business combinations	1,723	394
Other operating expenses	9,082	8,291
	40,971	38,562
Income before income taxes	22,553	23,116
Provision for income taxes	5,520	6,309
Net income	$ 17,033	$ 16,807
Basic and diluted earnings per common share	$ 4.76	$ 4.70
Basic and diluted weighted average common shares outstanding	3,578,915	3,572,654

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

December 31, 2016 and 2015

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

	2016	2015
Net income	$17,033	$16,807
Other comprehensive loss:		
Change in securities available for sale:		
Unrealized holding losses on securities available for sale	(2,998)	(112)
Reclassification adjustments for gains later recognized in income	(192)	(16)
Net unrealized losses	(3,190)	(128)
Tax effect	1,116	44
Net of tax amount	(2,074)	(84)
Cash flow hedges:		
Change in fair value of derivatives used for cash flow hedges	747	(819)
Reclassification adjustments for losses realized in income	43	13
Net unrealized gains/(losses)	790	(806)
Tax effect	(332)	333
Net of tax amount	458	(473)
Other comprehensive loss, net of tax	(1,616)	(557)
Comprehensive income	$15,417	$16,250

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

December 31, 2016 and 2015

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

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stock-holders' Equity
Balance at January 1, 2015	$3,572	$3,626	$104,861	$ (86)	$ 171	$112,144
Net income			16,807			16,807
Other comprehensive loss					(557)	(557)
Purchase of treasury stock, 385 shares				(18)		(18)
Retirement of treasury stock, 150 shares			(5)	5		-
Restricted stock awards, 3,054 shares from treasury, 421 issued	-	(86)		86		-
Stock-basked compensation, net of 150 shares forfeited		178		(5)		173
Stock activity under incentive compensation plan		41				41
Common stock issued, 2,950 shares	3	134				137
Dividends declared ($1.18 per share)			(4,216)			(4,216)
Balance at December 31, 2015	$3,575	$3,893	$117,447	$ (18)	$ (386)	$124,511
Net income			17,033			17,033
Other comprehensive loss					(1,616)	(1,616)
Purchase of treasury stock, 892 shares				(45)		(45)
Retirement of treasury stock, 1,025 shares	(1)		(40)	41		-
Restricted stock awards, 385 shares from treasury, 4,315 issued	4	(22)		18		-
Stock-basked compensation, 1,025 net of shares forfeited		219		(41)		178
Stock activity under incentive compensation plan		59				59
Common stock issued, 2,600 shares	3	129				132
Dividends declared ($1.29 per share)			(4,618)			(4,618)
Balance at December 31, 2016	$3,581	$4,278	$129,822	$ (45)	$(2,002)	$135,634

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

December 31, 2016 and 2015

(Dollar amounts in thousands except share and per share data)	2016	2015
Cash flows from operating activities		
Net income	$ 17,033	$ 16,807
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	1,620	1,537
Amortization of intangible assets	1,138	1,129
Net securities amortization	667	495
Deferred income tax benefit	(9)	(257)
Servicing rights amortization and impairment	1,022	901
Stock-based compensation	178	173
Provision for loan losses	3,475	1,650
Net gain on sale of loans	(4,108)	(3,617)
Net gain on sale and redemption of securities	(192)	(16)
Net loss on sale and write-down of premises and equipment	20	11
Net (gain)/loss on sale and write-down of other real estate	(27)	38
Impairment of branch facility	15	-
Earnings on bank-owned life insurance	(113)	(117)
Bargain purchase gain	(200)	(133)
Pass thru losses in affordable housing partnerships	815	663
Loans originated for resale	(87,866)	(66,709)
Proceeds from sale of loans	85,842	70,207
Changes in assets and liabilities		
Interest receivable and other assets	(516)	(2,724)
Interest payable and other liabilities	4,640	(1,584)
Net cash from operating activities	23,434	18,454
Cash flows from investing activities		
Net change in interest-bearing deposits in other financial institutions	9,957	20,226
Securities available for sale		
Proceeds from sales	66,628	-
Purchases	(104,501)	(64,641)
Proceeds from principal payments, calls and maturities	50,725	64,523
Securities held to maturity		
Proceeds from principal payments, calls and maturities	3,380	4,150
Loans made to customers, net of payments received	(49,059)	(60,525)
Net cash received in acquisition	1,559	9,224
Premises and equipment expenditures	(1,273)	(2,184)
Investments in affordable housing partnerships	(479)	(479)
Proceeds from the sale of other real estate owned	583	1,636
Proceeds from redemption of restricted stock	-	857
Purchase of restricted stock	(919)	(321)
Net cash from investing activities	(23,399)	(27,534)
Cash flows from financing activities		
Net change in deposit accounts	46,340	(23,798)
Advances from notes payable	-	7,500
Payments on notes payable	(2,694)	(2,372)
Payments on FHLB advances	(181,027)	(88,450)
Proceeds from FHLB advances	204,000	88,500
Purchase of treasury stock	(45)	(18)
Issuance of common stock	132	137
Dividends paid	(4,509)	(4,179)
Net cash from financing activities	62,197	(22,680)
Net change in cash and cash equivalents	62,232	(31,760)
Cash and cash equivalents at beginning of year	44,855	76,615
Cash and cash equivalents at end of year	$ 107,087	$ 44,855
Supplemental disclosures of cash flow information		
Cash paid during the year for:		
Interest	$ 5,679	$ 5,752
Income taxes	2,920	8,320
Supplemental non-cash disclosures		
Transfers from premises and equipment to real estate owned	171	-
Real estate acquired in satisfaction of debts previously contracted	314	420
Assets acquired	57,164	163,891
Liabilities assumed	(49,445)	(147,842)

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BOARD OF DIRECTORS

Brian Renbarger
Chairman
Area Farmer
Greentown

Freddie Barnard
Professor of Agricultural Economics, Purdue University
West Lafayette

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Vice President and Chief Risk Officer, Central Indiana Ethanol
Converse

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Chief Financial Officer, FFBT
Kokomo

Brad Howell
Co-owner, Brad Howell Ford
Greentown

Kelly McClure
President, McClure Oil Corporation
Indianapolis

Gene Miles
President & Chief Executive Officer, FFBT
Greentown

Chris Norris
Vice Chairman
President, Norris Insurance Agency, Inc.
Amboy

John O'Donnell
CEO, Kokomo Opalescent Glass Company
Kokomo

Jeff Stout
Owner, Stout & Son Funeral Home
Russiaville

Kevin Trimble
Owner, Trimble Farms
Amboy

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President & Chief Executive Officer

David Eikenberry
Senior Vice President, Chief Operating Officer

Mark Holt
Senior Consumer Officer

Keith Hill
Chief Financial Officer

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

Cherie Planalp
Senior Vice President, Chief Retail Officer

Recognizing **Effort**

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Hoyt Alexander
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JC Barnett III
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Tammy Bennett
Sandy Beouy
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Victoria Cange
Amber Carroll
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Tammy Cash
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Jodi Cecil
Corey Christner
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Dawna Clark
Jodi Clark
Linda Clark
Sarah Clark
Lindsey Clemons
Pam Coble
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Angel Colwell
Jamie Cornwell
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Sarah Correll
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Holly Cox
Michelle Cox
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Abigail Crawford
Jennifer Crews
Cheryl Crouch
Lida Crow
Alyssa Crownover
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Baylee Crum
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Ginny Etherington
Maddie Eurit
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Kylie Fiscus
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Evelyn Fouts
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Amanda Frey
Brenda Fross
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Michelle Glassburn
Ruth Glassburn
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Larry Howell
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Wendy Jarvis
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Mark Jones

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Matthew Kirk
Laura Kuhn
Michael Kuhn
Kensey Kunkel
Craig Langley
Lydia Laughlin
Norman Lavengood
Stephanie Law
Myrna Lee
Myra Leeman
Danielle Leemon
Tammy Leigh
Joe Lenon
Jonathan Leslie
Sandy Lewis
Wes Lewis
Paula Lhamon
Dustin Liggett
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Becky Milburn
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Mark Miles
Angi Miller
Brandi Miller
Jennifer Miller
Keyaira Miller
Lori Miller
Meghan Miller
Sue Miller
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Vance Monical
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Anita Moulton
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Lisa Murphy
Michael Murphy
Paige Musselman
Clayton Nagel
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Larry Nelson
Angel Nickle

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Joe Pfister
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Cindy Pickering
Taylor Pickering
Vicky Pickering
Pam Pickett
Virginia Pinkston
Brandi Pitts
Cherie Planalp
Deb Ploss
Roxanne Poe
Darlene Posey
Sabrina Powell
Susan Powell
Tade Powell
Seanna Priest
Doug Princell
Diana Pritchett
Tera Raber
Natalie Radtke
Bailey Ramsey
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Rob Render
Brittany Rennick
Alice Rexing

Ross Rexing
Julie Rhew
Mike Ricci
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Kathy Risner
Sonja Rode
Jeff Rodibaugh
Irene Rolland
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Barb Rowley
Nora Roy
Julie Rupert
Judith Rush
Stacy Rybolt
Hayley Rygiec
Carol Savage
Crystal Scales
Luanne Scales
Melody Scalf
Kimberly Scheerer
Maggie Scholl
Jason Schroer
Cassy Schultz
Roxann Scott
Suzie Sedano
Bruce Shanks
Debbie Shannon
Kirstie Sharp
Laura Shell
Elisheba Shields
Debbie Shrout
Amanda Shumate
Caleb Simmons
Brenda Sims
Jeff Sisson

Debi Sloan
Aimee Smith
Celeste Smith
Dixie Smith
Elmer Smith
Kaitlin Smith
Becka Smith
Anita Snyder
Valerie Snyder
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Jennifer Stamper
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Guy Staska
Jessica Stewart
Angel Stickler
Kindra Stolz
Diane Stout
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Gayla Sutherlin
Kelli Sutton
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Dale Tetrick
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Khora Timm
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Rita Trine
Jared Trogdon
Katy Trusty
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Patricia Vanvolkenburg
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Megan Weaver
Christina Webb
Dirk Webster
Lori Werling
Amber White
Cathy Whybrew
Doug Wilcox
Janet Wilde
Amy Williams
Christy Williams
Mattie Williams
Michelle Williams
George Wilson
Jerry Wilson
Lori Wilson
Mary Wilson
Stephen Wilson
Ryan Winger
Christopher Wisler
Allison Wolf
Mark Wolf
Crystal Woolever
Alex Woolslare
Lisa Working
Brenda Wright
Stephen Wright
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Alison York
Carrie Young
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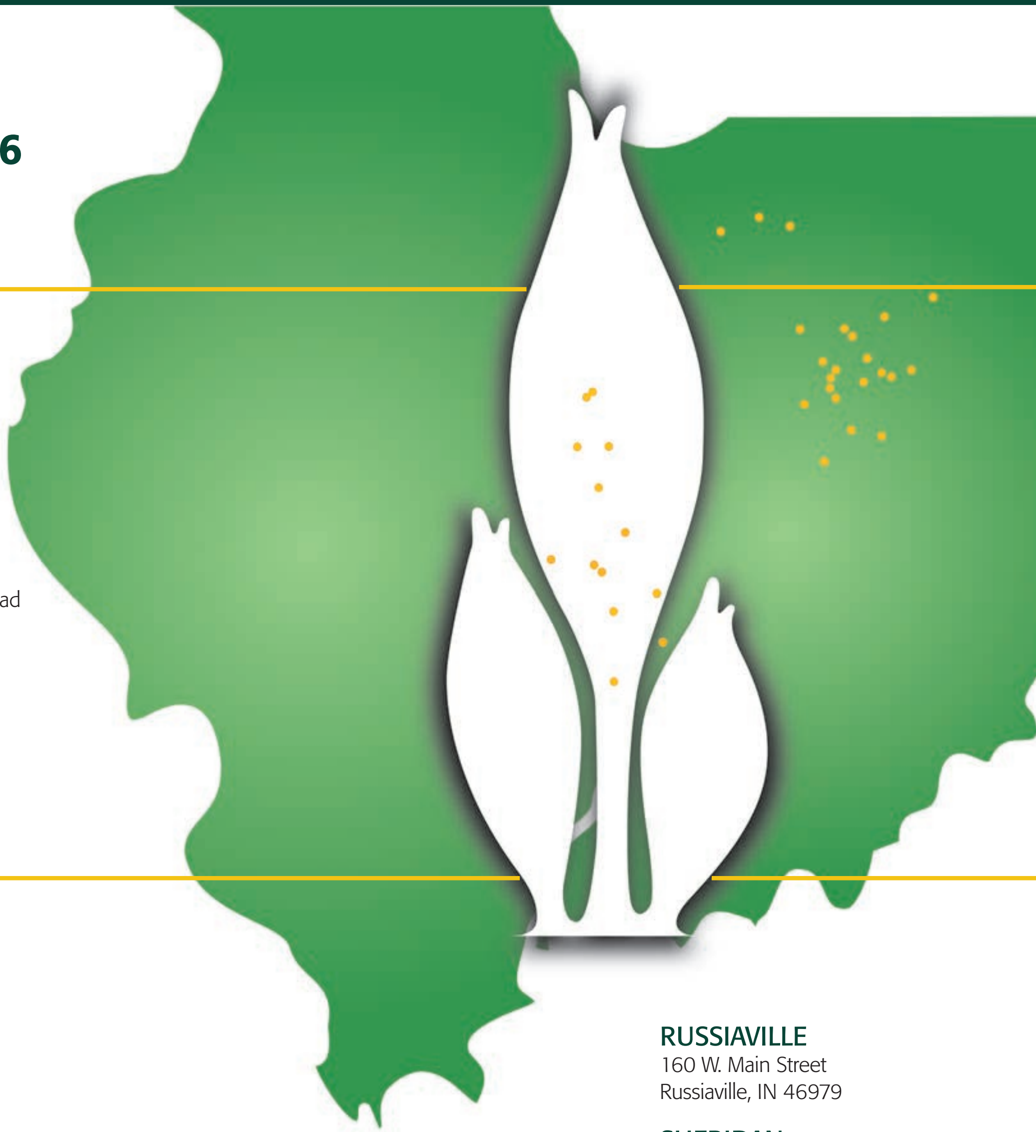

ILLINOIS

CHRISMAN
147 West Monroe Avenue
Chrisman, IL 61924

DANVILLE
821 N Vermilion
Danville, IL 61832

HOOPESTON - MAIN
221 Bank Street
Oakland, IL 61943

HOOPESTON - WEST
Corner of Route 1 & Route 9
Hoopeston, IL 60942

OAKLAND
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P.O. Box 950
Oakland, IL 61943

OAKWOOD
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Oakwood, IL 61858

PARIS
8964 N. Terre Haute Road
Paris, IL 61944

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CONVERSE
123 N. Jefferson
Converse, IN 46919

AMBOY
115 S. Main Street
Amboy, IN 46911

BRAZIL
103 West National Avenue
Brazil, IN 47834

CLAY CITY
801 Main Street
Clay City, IN 47841

CULVER
101 Main Street
Culver, IN 46511

DANA
129 Maple Street
Dana, IN 47847

ELWOOD
10077 N. State Road 37
Elwood, IN 46036

FAIRMOUNT
102 S Main Street
Fairmount, IN 46928

FLORA
27 West Main
Flora, IN 46929

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

LOGANSPORT
3910 E. Market Street
Logansport, IN 46947

MARION
1710 Kem Road
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

SULLIVAN
32 South Court Street
Sullivan, IN 47882

TERRE HAUTE
3497 South US Hwy 41
Terre Haute, IN 47802

TIPTON
825 E. Jefferson
Tipton, IN 46072

WABASH
1004 N. Cass Street
Wabash, IN 46992

First Farmers Financial Corp is a $1.6 billion financial holding company headquartered in Converse, Indiana. First Farmers Bank & Trust has 28 offices throughout Carroll, Cass, Clay, Grant, Hamilton, Howard, Huntington, Madison, Marshall, Miami, Johnson, Starke, Sullivan, Tipton, Vermillion, Vigo and Wabash counties in Indiana and 7 offices in Coles, Edgar and Vermilion counties in Illinois. First Farmers Financial Corp is traded on the OTC Markets Group, Inc. "OTCQX" exchange under the ticker symbol "FFMR".

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