Building for the FUTURE

ANNUAL REPORT 2018

FIRST FARMERS FINANCIAL CORP

CONTENTS

PLEDGE

The Mission of First Farmers Bank & Trust is to foster a commitment to the Relationships that serve and grow our Community while focusing on agriculture financial services.

Our Vision for Relationships & 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.

FROM OUR PRESIDENT AND CEO

Unprecedented growth. Unwavering values.

In 2018, First Farmers Bank & Trust (FFBT) reached an unprecedented level of growth and recognition. The story of our success can be told in a variety of ways – in our record earnings and return on assets, increased dividends to our shareholders, compensation paid to our employees, and heightened financial support to the communities we so proudly serve. It was conveyed in our new and enhanced branches, in stories from national media outlets, and in our esteemed invitation to the State of the Union address.

Achieving record financial results.
Fueled by federal corporate tax reductions, our financial performance reached historic levels – with our highest return on assets of 1.64%, record earnings of $27.7 million, and record dividends declared of $1.02 per share for 2018 which resulted in total dividends declared of $7.3 million for 2018, a $2.4 million, or 48.1%, increase over 2017 for our shareholders. Our three-year financial performance for return on equity allowed us to once again be recognized as one of the top publicly traded community banks in the nation by American Banker Magazine (#14 nationally), marking our 4th consecutive year in the Top 20.

Mastering new challenges – with time-tested values.
Amidst ever-changing times of market demands, technological advancement, and regulatory uncertainty, First Farmers flourished and continued to build on the same core values on which we were founded almost 135 years ago – prudent planning, sound fiscal management, and superior service to our customers and communities.

We also extended our commitment to serving rural communities, the cornerstone of our business, by providing a full suite of financial services and expert guidance to help individuals, families, agricultural and other businesses grow and prosper.

Planning for the way our customers bank today – and tomorrow.
As other financial institutions closed their doors in rural communities, First Farmers opened more, leveraging our capital resources and strategic planning to expand and improve our branch facilities in both new and existing territories. To that end, we extended our footprint in metropolitan markets, opening branches in Lafayette and Terre Haute, Indiana, areas anchored by world-class universities and large populations of potential businesses and personal banking customers.

We understand, though, that as our customers' banking preferences evolve, so too must the services we provide to them. For this reason, we continued to monitor changing delivery channels to ensure we provided a balance of in-branch personal service with cutting edge technology that gives our customers the freedom to bank as they choose – today and in the future. Our commitment to monitoring digital trends and offering robust digital solutions allows customers in rural communities to access the same products and services available at larger financial institutions in major cities.

Spreading our expertise in agriculture.
Throughout our history, we have stayed grounded in our commitment to supporting agricultural businesses, which help feed rural economies. In 2018, we expanded our focus to include new emerging businesses connected to the agricultural industry, such as businesses in organics, horticulture, and aquaculture. Our experienced lending team, which offers 400 combined years of Ag-related lending experience, and our strategic partnerships with other financial institutions, universities, and the public sector, has First Farmers poised to help these businesses grow and prosper for the future.

Growing support for our communities.
As we have grown, so too has our commitment to the many communities we proudly support. One of the ways we continued to support our customers and communities is through our commitment to delivering mortgages, which help make homeownership possible and stabilize our communities. Our commitment to our communities, however, extended well beyond the services we offer and the people we employ. We continued to take responsibility to support the organizations and causes that ensure the betterment of all the communities we serve. In 2018, we were proud to donate over $500,000 and thousands of volunteer hours at almost 700 organizations.

Preparing for a strong future. Together.
I am proud of the record results we achieved in 2018 and the ways in which we shared our success through higher compensation for our employees, increased dividends for our shareholders, and greater support for our communities.

We believe our long-proven strategy and prudent planning for achieving measured growth by building and expanding relationships in rural and new markets, investing in technology, and exercising prudent financial management will leave us well positioned for the future.

In following with our tradition of long-term planning, the Board of Directors and executive management team continues to prepare for the future of the Company, including a plan for succession when I step down to pursue retirement in the coming years. I intend to remain fully involved on the Board and to do all that I can to ensure that First Farmers' compelling story of success continues for years to come.

Thank you for your support.

Gene Miles
President and Chief Executive Officer

Gene Miles
President and Chief Executive Officer

FROM OUR CFO

Record performance

Income Statement

For the 11th consecutive year and 27th of the past 28, First Farmers Financial Corp, reported record earnings in 2018. Net income of $27.7 million, or $3.87 per share, exceeded 2017's results by $6.0 million, or $0.84 per share.

Net interest income, which accounts for over 80% of the Company's operating revenue, increased $6.8 million, or 11.6%, in 2018. Average earning assets increased $68.5 million, or 4.4%, during 2018 while the tax-equivalent net interest margin increased 0.21% to 4.09%. The Federal Reserve's gradual removal of accommodative monetary policy created favorable conditions for bank margins which had been abnormally low following the 2008 financial crisis while the impact of tax and regulatory reform supported economic growth and loan demand.

Total interest income increased $11.2 million, or 16.5%, between 2017 and 2018. Average loan balances grew $57.0 million, or 4.7% while tax-equivalent yields increased 0.49% from 2017 to 5.60%. Average investment balances increased $11.6 million, or 3.4%, in 2018 while tax-equivalent yields increased 0.32% from 2017 to 2.58%. Total interest expense increased $4.4 million, or 47.0%, between 2017 and 2018 as the Company raised rates in response to improving asset yields and balance sheet growth. For 2018 average interest-bearing deposit balances increased $42.3 million, or 4.2%, and the cost of funds increased 0.36% from 2017 to 0.92%. Borrowings increased $5.3 million, or 3.4%, for the year while the cost of funds rose just 0.12% from 2017 to 2.40%.

The provision for loan and lease losses increased $0.8 million in 2018 to $4.5 million as a $0.7 million decline in the provision for commercial loans and leases was offset by a $1.5 million increase in the provision for ag loans and leases as trade tensions and retaliatory tariffs negatively impacted the agricultural economy. Total credit-related costs declined in 2018 as collection and collateral-related costs, included in non-interest expenses, fell by $1.0 million in 2018 as previously expensed costs were recovered through the favorable resolution of several credits.

Non-interest income increased $0.2 million, or 1.3%, in 2018 as gains on the sale of loans increased $0.7 million to $3.8 million and debit card interchange income increased $0.3 million to $3.8 million. A $0.8 million increase in gains on the sale of agricultural loans was partially offset by a $0.1 million decrease in gains on the sale of 1-4 family residential mortgages. Comparatively, 2018 had no gains from the sale of branches or repossessed assets while 2017 had $0.5 million and $0.3 million in such gains, respectively.

Non-interest expense increased $0.5 million, or 1.1% to $44.0 million for 2018. Personnel-related expenses increased $1.2 million, or 5.2%, due in part to changes adopted in our entry level wage scales and bonus formulas to pass along benefits from the 2017 Tax Cuts and Jobs Act. Occupancy and equipment costs increased $0.4 million as we added facilities and made investments in cyber security and other productivity enhancing systems. Reflecting our investments productivity and customer convenience, total capital expenditures increased to $4.7 million in 2018 from $1.9 million in 2017. This total included the purchase of our second branch location in both the Terre Haute and Lafayette markets.

The provision for income taxes declined $0.3 million in 2018 as statutory federal income tax rates declined to 21% from 35% in the prior year. Absent the change in tax rates, the Company estimates the provision for income taxes would have been higher by $3.9 million.

Balance Sheet

Total assets increased $72.4 million, or 4.3%, during 2018 and the Company concluded the year with record assets of $1.749 billion. Portfolio loan balances increased $85.6 million, or 7.0%, during 2018 to $1.315 billion at December 31, 2018. Nearly 70% of 2018's portfolio growth came from the commercial real estate and construction and development segments where increased economic activity provided more lending opportunities. Agricultural loan balances grew at a below-trend 1.6% rate during 2018 as retaliatory tariffs and good crop yields weighed on prices and tempered operating and equipment loan demand in the sector. Total investment securities available for sale and held to maturity increased $25.9 million, or 8.9% during 2018 funded from on-hand liquidity as such balances decreased $35.7 million.

Balance sheet growth was funded primarily through a mix of retail deposit growth and retained earnings which were offset by a net reduction in borrowings. Deposits increased $72.1 million during 2018 with growth split between time and non-maturity deposits of $34.3 million and $37.8 million, respectively. The rising rate environment for CDs and limited competitive responses produced a $53.3 million increase in consumer retail time deposits which more than replaced the $22.1 million in decline brokered CDs. Federal Home Loan Bank borrowings declined $9.0 million as deposit-based funding became more cost effective and acquisition-related borrowings declined $5.7 million as scheduled. The common dividend payout ratio rose to 26.3% in 2018 with $20.4 million in earnings retained to support growth.

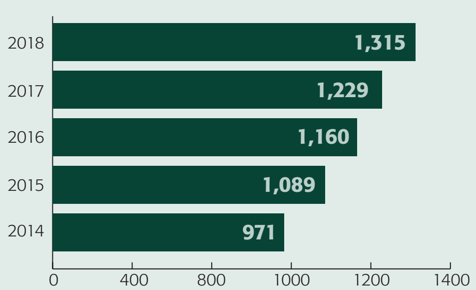
Capital Management

Strong earnings and a moderate balance sheet during 2018 pushed capital levels to multi-year highs allowing the Company to raise cash dividends by 48.1% to an annualized rate of $1.12 by the fourth quarter and to increase its stock repurchase activity by $0.6 million. Following May's shareholder approval to increase authorized shares, the Company conducted its first stock split since 2013 during June to improve further shareholder liquidity. The Company has now split its common shares by a cumulative ratio of 144-to-1 since its formation in 1988.

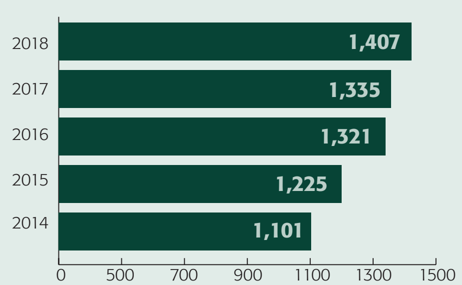
Keith Hill
Chief Financial Officer

Keith Hill
Chief Financial Officer

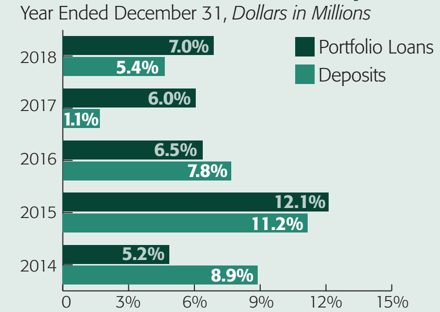
Portfolio Loans & Leases
As of December 31, *Dollars in Millions*



Deposits
As of December 31, *Dollars in Millions*

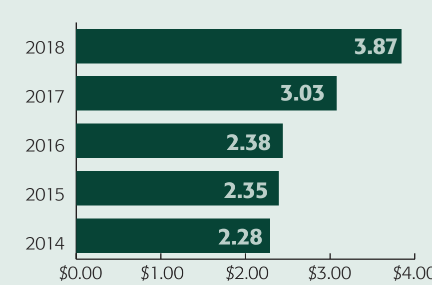


Growth in Portfolio Loans and Deposits (1)
Year Ended December 31, *Dollars in Millions*

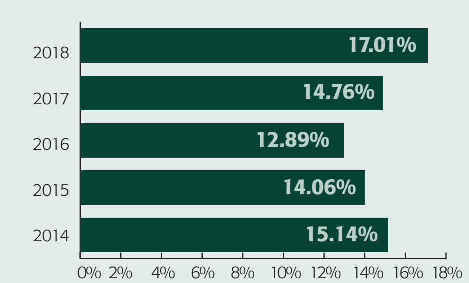


(1) excluding allowance for loan loss

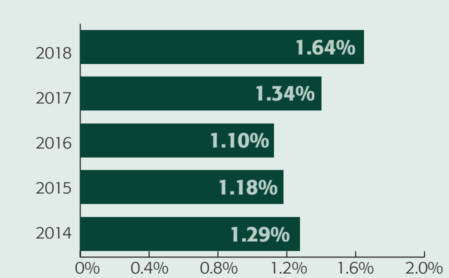
Earnings Per Share
Year Ended December 31, *Basic and Diluted*



Return on Average Equity



Return on Average Assets



MAJESTIC MANOR GOLDENS

Building relationships with loyalty and service

Connie Deason is a warm and caring person, quick to smile, and puts you at ease. Conversation flows naturally when she's in the room. Together with her husband, Kevin, and their family and friends, the Deasons breed and train English Golden Retriever puppies at their home near Sheridan, Indiana.

There is so much to their story: family, friendships, coming home, and of course, the dogs. Connie and Kevin Deason have always loved dogs. It was a fateful day in 1985 when the small family of Connie, Kevin, and their 4-year-old daughter Carissa visited the local pet store. Kevin spotted a beautiful Akita and fell in love with the breed.

Four years later, the family brought home their first Akita, Tigger. She was an AKC show quality Akita. The Deasons dedicated themselves to learning, breeding and showing Akitas all over the USA and England.

In 1997, Kevin accepted an offer to be Director of ER, and the family left their Akita business in the capable hands of friends. They packed up Tigger and the rest of their family, which had grown to include a second daughter, Cayla, and a son, Cole, and moved to a new town.

Connie missed her Akitas, but had plenty of blessings to focus on. In 1999, tragedy struck. On the way home from spring break, a drunk driver crashed into the Suburban carrying Kevin, Cayla, Carissa and three of her high school friends. Carissa died in the accident. While this is Connie and Kevin's story, it is truly Carissa's as well. Her memory and those people she touched during her life continue to impact the Deasons to this day.

The family grieved, and through love for each other and faith, became even stronger. When asked to share Carissa's story to educate people against drunk driving, they agreed. These amazing people have turned a tragedy into a legacy of hope. But even the strongest people need comfort.

> One doesn't know the impact of a loving dog during trying times like these. They are there to catch your tears, listen to you, and love you…no matter what.
>
> - Connie Deason

Connie leaned on her family, her friends, and her faith, but it was the unconditional love of the family dog that brought solace when words felt empty.

Two-and-a-half years after losing Carissa to a drunk driver, the family received a phone call that would change their world again. They were adopting a new little girl into the Deason home. Cassidie Marie is their youngest daughter, and keeps them on their toes. Fun loving and warm hearted, Cassidie continues to bring joy into their lives every day.

During the next nine years, Connie felt a void in her life. In 2010, she was finally able to put words to it—she missed the dogs. Breeding and raising dogs gave her joy, hope, and appreciation for the everyday miracles of life. She missed the families they'd meet, and the stories, photos, and friendships that often came along with it. She missed it all. After a long conversation with Kevin, they agreed—it was time to start again.

Connie started researching. Her kids grew up with the Akitas, but also had a beautiful and loving Golden Retriever named Izzy. The trademark golden smile stole everyone's heart. After some more searching, Connie came across the English Cream Golden Retriever. She was in love.

This is the story of how Majestic Manor Goldens came to be, but it wasn't until 2017 that the Deasons ended up in their current home, and when Dirk Webster, mortgage lender with First Farmers, found himself blessed with the opportunity to work with this fantastic couple.

The Deasons moved to Carmel in 2012, celebrating the imminent arrival of their first grandchild. The dogs needed their own space, and Connie and Kevin couldn't find that perfect spot right away, so they leased a house. It took five years, but when they finally found their home, it was nearly perfect.

When the Deasons were ready to make an offer on the property, their real estate agent placed the call. Connie and Kevin soon found themselves speaking with the realtor in charge of selling the home, a young man who had known Carissa from a spring break trip in 1999. It was his video of Carissa goofing off with her friends that was featured in the Mothers Against Drunk Driving commercial. They were floored. The home seemed now, more than ever, meant to be. With a little help from Dirk, it was purchased.

Having been in this business for a long time now, Connie and Kevin have been blessed with many new friendships. Majestic Manor Goldens are now spread across the United States, with loving families. Some are therapy dogs, others work with individuals on the autism spectrum. One golden accompanies her owner, a dentist, as he provides free dental services to nervous children in high poverty areas. Another is trained to sniff out petroleum, to identify pipeline leaks. The families love and cherish their Goldens, and Connie and Kevin and the entire crew at Majestic Manor Goldens cherish these families.

Sharing and being a small part of the Deason's story has been a wonderful experience for us at First Farmers.

Kevin and Connie Deason

GP DESIGNS

A tradition of small business success

After working for General Plastics, the oldest and largest outdoor commercial Christmas display company in the United States, Dave and Sandy Loer were already veterans of the holiday display industry. Sixteen years ago, however, they decided to take on a bigger role, purchasing General Plastics and forming their own company, GP Designs.

Under their leadership, the business has continued its long-standing tradition of success.

> "We've been in this business for a long time now, and there's been a lot of change," says Dave Loer, President and CEO. "But people still appreciate a quality product that they know is going to last for years. That's the biggest reason for our success."
> - Dave Loer, President and CEO

Dave and Sandy are among the nearly 30,000 small business owners in America who help power the U.S. economy. They put in long hours all year long, but especially during the holiday rush, when they are the first to arrive and the last to leave. You're as likely to find them on the production floor as in their offices.

Dave and Sandy, however, are quick to share credit for their success.

"Our team spends a lot of time together during the busy months," says Sandy. "It's a real blessing to be able to work with such great people. Over the years, we've become more like a family than a workplace."

Family and friends are as much a part of the Loer's business as paperwork and inventory. Spending long hours together with the purpose of seeing a project come together has created some strong bonds. And when you're in the Christmas business, there's an emotional connection that can't be denied.

Michael Belcher, commercial lender at First Farmers, has been working with Dave and Sandy for 15 years. "It's always great to stop by and see them," says Michael. "They're dedicated to their business and their employees, and you can tell they still love what they do. It's been a privilege and a joy to work with them and witness their success."

Working with small business owners like Dave and Sandy is truly a blessing. We're honored to call them both customers and friends.

Sandy and Dave Loer

CERES MIDLAND

Elevating success

Ceres Midland is a grain elevator business built on family values, hard work, and progress. You can see its evolution as you drive along its home on Swayzee Road in Sims, Indiana, with silos towering over the landscape. Established by Dave Bettegnies in 1973, Ceres Midland has a long history, which is proudly displayed in photos hung along the office walls and in the many stories recounted by Dave's family.

Family is, and has always been, at the heart of the business, which spans three generations: Dave and his wife, Kim; Dave's son Kenny; and Kenny's son, Sam. Each member of the family knows the ins and outs of the operation, and after years of collaboration and hard work, the mechanics of the business have become almost instinctual.

Today, the operation has grown to include two additional locations, new bins, updated technology for weighing and moving corn and grain, and even a locomotive purchased a few years back to move cars onto the track for pick up. The work for the business, which purchases grain from local farms, is plentiful. During the busy harvest season, the family labors more than 80 hours per week. Dave's son Kenny is up every few hours, testing the moisture in the corn and beans being stored.

> "First Farmers Bank & Trust is unique in that they are committed to understanding the nature of my business in detail. That degree of communication allows us to work together to help us grow and succeed."
> - Dave Bettegnies

First Farmers has had the privilege of working with the Bettegnies family since 2008 and watching the company continue to grow and thrive. Advances in technology have played a part in their success, but the most important piece of this operation remains the dedication of the people who work here. Working so closely with the land and being so tied to the seasons leaves an imprint on a person's character. It's a mix of the pride that comes from working with your hands, building and nourishing your community and the humility that comes from recognizing what a blessing it is to be able to do so. This is evident at Ceres Midland, and one of the many reasons First Farmers is fortunate to have Dave Bettegnies and his hard-working and dedicated family as part of ours.

Kenny and Dave Bettegnies

OUR COMMUNITY

Invested in building stronger communities

As an independent community bank, First Farmers Bank & Trust has long been rooted in a higher purpose – to improve the lives of our local people. We know that our world is a better place when neighbors help neighbors and when we can all work together to impact positive change and create opportunities – and hope – for all.

That's true prosperity.

In 2018, once again, we were proud to contribute to that prosperity and to provide individual and enhanced access to education and literacy, personal growth, and basic human needs, such as food and shelter. Quietly and enthusiastically, in our local communities and surrounding areas, First Farmers was there to sponsor philanthropic and cultural events, encourage employee volunteerism, and make monetary donations to help local charities carry out their missions.

Our strong financial performance allowed us to propel our giving to a record level in 2018 – a combined $500,000 in donations made. Additionally, our corporate culture of giving resulted in thousands of employee volunteer hours to more than 700 non-profit organizations.

Our work, however, is not done. We will continue to expand our support and to foster autonomy to fund local causes and issues important to each of the communities we serve and lead the way in ensuring better, more prosperous lives for all.

1 "The Fairmount team pulled out all the stops and took first place in Most Creative entry at the 2018 James Dean Festival/Parade. The entire branch participated in the parade. They created their own 50's inspired attire complete with rock and roll Walking Milkshakes and our very own James Dean impersonator." – Debbie Shrout

2 "The Miss Cass County Queen Pageant is an incredibly well-organized event that encourages young women to build self-confidence through communications presentations, community service, and citizenship. All of the contestants are well rounded young people and the contest empowers them to focus on accomplishing goals and being their best." – Deb Ploss

3 "One of my favorite events each year is the annual Purdue Ag Alumni Fish Fry. It is a great opportunity to spend the day with friends, colleagues, and fellow Boilermakers celebrating the impact of past, present, and future alumni. I am thankful FFBT continues to support higher education and appreciate the welcoming nature from the Purdue College of Agriculture staff." – Amie Osborn

4 "Habitat for Humanity does outstanding work in our community assisting those in need directly in the Wabash community. We're able to physically see the structures that the donations and the volunteers have made possible. We are proud to support organizations that are making a difference in our community." – Erika Bailey

5 "Our organization is proud to honor and show our appreciation to the folks at Heritage Health retirement community in Hoopeston, Il. We partnered with CRA Partners to provide the Wish Comes True grant to the Heritage Health residents to provide recreational support activities and entertainment. Our friends at the community have spent their lives contributing to their community. We sincerely hope that the entertainment provides fellowship opportunities and brings smiles to a lot of faces." – Brandi Totheroh

6 "Our Marion team got creative and built our own popcorn outfits to dance in the annual Van Buren Popcorn Festival parade. The kids had a great time cheering us on and I think we did a serious bit of entertaining with our awesome moves. It was a blast and we received an award for the second year in a row." – Katy Trusty

7 "The Marion branch has participated in the Color Run the past 3 years. I think all of us can say that we have been touched by cancer in one way or another, so this is our way of showing support. This year our team dedicated our efforts to one of our wonderful customers who had recently completed her journey through the chemotherapy process. Her courage is an inspiration to us all and her strength deserves recognition." – Sandy Beouy

Continued next page

OUR COMMUNITY

Invested in building stronger communities
(continued)

8 "Urban Outreach in Kokomo is an innovative program that helps young people grow successfully into self-sustainable adulthood through education programs, mentoring and occupational training. We're proud to support such a worthwhile effort in Howard County and are very encouraged to see the progress that has been made." – Gene Miles

9 "We played games and ate lots of tasty treats at the Grant County 4-H Fair as we coordinated our second annual watermelon seed contest. People young and old brought their best efforts and added lots of laughs to this old tradition. Times like this with co-workers, customers, friends, and family just screams summer! Fun in the sun and having a good time." – Emilee Henning

10 It was our pleasure to attend the Indiana Pork Farmers Annual Ham Breakfast, where we announced our annual donation of $10,000 to Feeding Indiana's Hungry.

"We're very proud of the exceptional work being done at Feeding Indiana's Hungry. We're happy to make the annual commitment to The Million Meals Project and continue to support the efforts with the Indiana Pork Producers Association. The annual Ham Breakfast kicks off the Indiana State Fair and gives us a wonderful opportunity to touch base with other key stakeholders in the Agricultural community." – Tade Powell

11 "The Salvation Army's Backpack Blitz helps 175 kids each year in the Sullivan community and our team was pleased to present a donation of $2,500 to the Blitz. The highlight for me was to watch the kids' little faces light up when they put on those brand-new pairs of shoes. Opportunities like that make my job at the Bank one of the best job's in the world." – Amber Carroll

12 "The Converse library hosts an annual summer reading program and our teller staff always comes up with a unique way to engage the kids and encourage participation and achievement. The kids love it and we love coming up with fun ideas to fit the theme. This year's theme was Libraries Rock so the kids received a mini guitar thank you card for trying their best!" – Eliseth Aguilera

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13 We were thrilled to attend and sponsor the Indiana State Fair Celebration of Champions. "The 2018 Celebration of 4-H Champions at the Indiana State Fair highlighted the passionate commitment that it takes to excel in Agriculture and the life lessons learned in 4-H. The organization has played an important role in the development of many of our staff and customers." – Jeff Rodibaugh

14 "I enjoyed working with the Hamilton County Humane Society and Officer Sanford to help microchip local pets at no or reduced cost, ensuring that family pets are able to find their way back home, even if they get lost." – Jeff Sisson

15 "Summertime gives us a few great opportunities to spend some quality time at the Miami County 4-H Fair. I enjoy being involved in our local 4-H fairs because it allows me to see our customers outside of the branch and in a laid back environment." – Courtney Ozminkowski

16 "We are committed to the betterment of our local community and there is no better example of that involvement than assisting people in need. Our team at the Fairmount branch was honored to donate $3,600 to the Second Harvest Food Bank for the Park Elementary School Pantry Program." – Debbie Shrout

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OUR PLAN

Expanding Our Footprint

Strategic management and improvement of our location network allows our team to serve a dynamic client base while supporting the technologically advanced service channels that are expected in our industry. Customers and clients are supported by 30 offices in Carroll, Cass, Clay, Grant, Hamilton, Howard, Huntington, Madison, Marshall, Miami, Starke, Sullivan, Tipton, Vermillion, Vigo and Wabash counties in Indiana and 6 offices in Coles, Edgar and Vermilion counties in Illinois.

Our location network provides deposit, lending and investment services and serves as the central support system for FFBT staff assisting clients throughout the Midwest and beyond. While recognizing the ever-expanding importance of online services and e-commerce initiatives in the marketplace, First Farmers Bank & Trust has stayed consistent in its approach of expanding our physical footprint to serve new areas with personalized service in a friendly atmosphere.

In 2018, we established our first location in Lafayette, IN at 2049 Veterans Memorial Parkway and a second office in Terre Haute, IN at 2359 S State Rd 46. The offices provide easier access to our growing client base in Tippecanoe and Vigo Counties.

Later in the year we completed our new state of the art facility in Hoopeston, IL and announced plans for a second facility in Lafayette, IN to be operational by the second quarter of 2019. All facility locations were selected to provide convenient service availability from highly visible and well-traveled access points.

Keeping You Connected

Keeping our shareholders informed and aware of our continued progress is one of our highest priorities. Furthermore, our communication with you and other potential investors present opportunities to cultivate goodwill toward the FFMR brand while keeping all stakeholders informed. As our organization has grown in both asset size and geographical footprint, our efforts to keep all connected to our corporate information have evolved as well. FFMR corporate communication strategy and interaction is highlighted on our web based investor relations platform located on the ffbt.com website. The informational site allows our leadership team the ability to engage shareholders and effectively convey corporate vision and strategy.

Branded information pages on the site allow for easy access to a wide variety of updates and reports about the corporation itself, share pricing, trade volume, and peer analysis. Shareholders and potential investors alike can access news, releases, and market information updated daily. Advanced email alert notifications are designed to better connect all to our corporate messaging, events calendar, and financial reporting. Located at investor.ffbt.com, the site resource provides a comprehensive method of staying up to date on your investment as well as provide you with a valuable resource to share to others interested in our financial performance.

First Farmers Financial Corp is traded on the OTC Markets Group, Inc. "OTCQX US Premier Market" and is on both the OTCQX Composite Index and the OTCQX Bank Index under the ticker symbol:

FFMR

SUMMARY FINANCIAL HIGHLIGHTS

(Dollars in Thousands, Except Per Share Data)

	2018	2017	2016	2015	2014
Results of Operations					
Net Interest Income	$ 65,432	$ 58,642	$ 53,493	$ 50,528	$ 45,894
Provision for Loan Losses	4,500	3,675	3,475	1,650	1,500
Non-Interest Income (1)	15,433	15,228	14,931	13,941	11,427
Non-Interest Expense (1)	43,995	43,514	42,396	39,703	33,267
Income Taxes	4,663	4,932	5,520	6,309	6,328
Net Income	27,707	21,749	17,033	16,807	16,226
Financial Ratios					
Return on Average Assets	1.64 %	1.34 %	1.10 %	1.18 %	1.29 %
Return on Average Equity	17.01	14.76	12.89	14.06	15.14
Net Interest Margin (2)	4.09	3.88	3.73	3.80	3.94
Efficiency Ratio (3)	52.58	55.69	57.24	58.86	55.23
Balance Sheet Data					
Average Total Assets	$ 1,694,061	$ 1,625,613	$ 1,546,170	$ 1,430,354	$ 1,259,880
Average Loans (4)	1,246,710	1,190,986	1,121,470	1,026,085	924,913
Average Deposits	1,361,522	1,309,533	1,271,257	1,182,112	1,023,206
Per Share Data					
Basic Earnings Per Share (5)	$ 3.87	$ 3.03	$ 2.38	$ 2.35	$ 2.28
Diluted Earnings Per Share (5)	3.87	3.03	2.38	2.35	2.28
Cash Dividends Declared (5)	1.02	0.69	0.65	0.59	0.53
Book Value (5)	24.04	21.45	18.95	17.42	15.71
Capital (First Farmers Bank & Trust Co.)					
Leverage Ratio	10.3 %	10.1 %	9.7 %	9.8 %	9.5 %
Tier I capital to risk-weighted assets	12.4	12.6	12.3	12.5	12.0
Total capital to risk-weighted assets	13.6	13.8	13.3	13.6	13.2
Asset Quality					
Allowance to Total Portfolio Loans (6)	1.21 %	1.21 %	1.17 %	1.22 %	1.27 %
Non-performing Loans/Total Portfolio Loans (6)	2.02	2.47	2.30	2.46	1.50
Net Charge Offs/Average Portfolio Loans (6)	0.28	0.19	0.28	0.07	0.16

(1) Reflects reclassification for adoption of ASU 2014-09, revenue recognition in 2018.
(2) Fully tax equivalent
(3) Fully tax equivalent, excludes gain (loss) on sales of bonds, amortization of intangibles, removal of facility/operating lease impairments and bargain purchase gains/gain on sale of a branch for 2018, 2017, 2016, 2015 and 2014, and predecessor contract termination costs in 2016
(4) Including loans held for sale, net of allowance for loan and lease losses
(5) Reflects two-for-one stock split that occurred in 2018.
(6) Excludes loans held for sale

CONSOLIDATED BALANCE SHEETS

December 31, 2018 and 2017
(Dollar amounts in thousands except share and per share data)

	2018	2017
ASSETS		
Cash and due from financial institutions	$ 41,891	$ 78,452
Money market funds	7,419	5,108
Cash and cash equivalents	49,310	83,560
Interest-bearing deposits in other financial institutions	2,800	4,261
Securities available for sale	316,632	287,335
Securities held to maturity (fair value $1,667 in 2018 and $5,102 in 2017)	1,654	5,036
Equity securities	50	68
Restricted stock, at cost	8,664	8,664
Loans held-for-sale	3,075	4,515
Loans, net of allowance of $15,880 in 2018 and $14,937 in 2017	1,299,171	1,214,544
Premises and equipment, net	20,505	17,962
Goodwill	8,729	8,729
Core deposit and other intangibles	1,578	2,373
Bank-owned life insurance	5,188	5,086
Investments in affordable housing partnerships	8,026	10,539
Accrued interest receivable and other assets	23,715	23,985
	$ 1,749,097	$ 1,676,657
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits		
Noninterest-bearing deposits	$ 320,092	$ 318,768
Interest-bearing deposits	1,086,703	1,015,914
Total deposits	1,406,795	1,334,682
Federal Home Loan Bank (FHLB) advances	135,000	144,000
Notes payable	4,807	10,514
Subordinated debentures	18,558	18,558
Accrued interest payable and other liabilities	11,808	15,174
Total liabilities	1,576,968	1,522,928
Stockholders' equity		
Common stock, $1 stated value, 10,000,000 shares authorized, 7,186,506 issued and 7,161,840 outstanding in 2018; 7,173,962 issued and 7,169,156 outstanding in 2017	7,187	3,587
Additional paid-in capital	4,844	4,541
Retained earnings	163,724	146,659
Treasury Stock (24,666 shares in 2018 and 4,806 shares in 2017)	(914)	(164)
Accumulated other comprehensive loss	(2,712)	(894)
Total stockholders' equity	172,129	153,729
	$ 1,749,097	$ 1,676,657

Share data has been adjusted to reflect a 2-for-1 stock split declared May 8, 2018.
Complete audited financial statements are available upon request from the Company's corporate offices.

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2018 and 2017
(Dollar amounts in thousands except share and per share data)

	2018	2017
Interest and dividend income		
Loans, including fees	$ 70,635	$ 61,391
Securities		
Taxable	5,321	3,675
Non-taxable	2,351	2,336
Other	795	541
	79,102	67,943
Interest expense		
Deposits	9,794	5,737
Short-term borrowings	17	5
Notes payable and FHLB advances	3,038	2,859
Subordinated debentures	821	700
	13,670	9,301
Net interest income	65,432	58,642
Provision for loan losses	4,500	3,675
Net interest income after provision for loan losses	60,932	54,967
Other income		
Investment product fees	903	848
Service charges on deposit accounts	3,201	3,151
Loan servicing fees	1,479	1,415
Interchange income	3,816	3,493
Net loss on sale and redemption of securities	(170)	(237)
Unrealized losses recognized on equity securities	(18)	-
Net gain on sale of loans	3,846	3,166
Other income	2,376	3,392
	15,433	15,228
Other expenses		
Salaries and employee benefits	25,300	24,055
Occupancy and equipment expense	5,624	5,204
Data processing	1,770	1,765
Marketing and business development	1,504	1,396
Consulting and professional services	1,510	1,366
Pass thru losses in and impairment of affordable housing partnerships	2,509	2,571
Amortization of intangible assets	795	955
Other real estate and foreclosure expenses	436	1,407
FDIC insurance	512	517
Other operating expenses	4,035	4,278
	43,995	43,514
Income before income taxes	32,370	26,681
Provision for income taxes	4,663	4,932
Net income	$ 27,707	$ 21,749
Basic and diluted earnings per common share	$ 3.87	$ 3.03
Basic and diluted weighted average common shares outstanding	7,165,567	7,169,532

Share and per share data has been adjusted to reflect a 2-for-1 stock split declared May 8, 2018.
Complete audited financial statements are available upon request from the Company's corporate offices.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31, 2018 and 2017
(Dollar amounts in thousands except share and per share data)

	2018	2017
Net income	$ 27,707	$ 21,749
Other comprehensive income (loss):		
Change in securities available for sale:		
Unrealized holding gains/(losses) on securities available for sale	(3,044)	714
Reclassification adjustments for losses later recognized in income	170	237
Net unrealized gains/(losses)	(2,874)	951
Tax effect	613	(333)
Net of tax amount	(2,261)	618
Cash flow hedges:		
Change in fair value of derivatives used for cash flow hedges	760	738
Reclassification adjustments for losses/amortization realized in income	144	105
Net unrealized gains	904	843
Tax effect	(225)	(353)
Net of tax amount	679	490
Other comprehensive income (loss), net of tax	(1,582)	1,108
Comprehensive income	$ 26,125	$ 22,857

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years ended December 31, 2018 and 2017
(Dollar amounts in thousands except share and per share data)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance at January 1, 2017	$3,581	$4,278	$129,822	$ (45)	$(2,002)	$135,634
Net income			21,749			21,749
Other comprehensive income					1,108	1,108
Purchase of treasury stock, 4,806 shares				(164)		(164)
Restricted stock awards, 1,784 shares from treasury, 7,916 issued	4	(49)		45		-
Stock-based compensation		184				184
Common stock issued, 4,200 shares	2	128				130
Dividends declared ($0.69 per share)			(4,912)			(4,912)
Balance at December 31, 2017	3,587	4,541	146,659	(164)	(894)	153,729
Cumulative-effect adjustment, Adoption of ASU 2016-01			47		(47)	-
Balance at January 1, 2018	3,587	4,541	146,706	(164)	(941)	153,729
Adoption of ASU 2018-02, reporting comprehensive income			189		(189)	-
Net income			27,707			27,707
Other comprehensive loss					(1,582)	(1,582)
Purchase of treasury stock, 20,666 shares				(775)		(775)
Retirement of treasury stock, 300 shares	-		(11)	11		-
Restricted stock awards, 806 shares from treasury, 9,444 issued	5	(30)		25		-
Stock-based compensation, net of 300 shares forfeited		211		(11)		200
Common stock issued, 3,400 shares	2	122				124
Stock split	3,593		(3,593)			-
Dividends declared ($1.02 per share)			(7,274)			(7,274)
Balance at December 31, 2018	$7,187	$4,844	$163,724	$(914)	$ (2,712)	$172,129

Share data has been adjusted to reflect a 2-for-1 stock split declared May 8, 2018.
Complete audited financial statements are available upon request from the Company's corporate offices.

CONSOLIDATED STATEMENTS OF CASH FLOWS

December 31, 2018 and 2017
(Dollar amounts in thousands except share and per share data)

	2018	2017
Cash flows from operating activities		
Net income	$ 27,707	$ 21,749
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	1,622	1,607
Amortization of intangible assets	795	955
Net securities amortization	1,029	835
Unrealized loss of fair value equity securities	18	-
Deferred income tax expense/(benefit)	(895)	611
Servicing rights amortization and impairment	520	424
Stock-based compensation	200	184
Provision for loan losses	4,500	3,675
Net gain on sale of loans	(3,846)	(3,166)
Net loss on sale and redemption of securities available for sale	170	237
Net loss on sale and write-down of premises and equipment	17	13
Net loss on sale and write-down of other real estate	2	38
Net gain on sale of reposessed assets	-	(249)
Impairment and loss on sale of branch facilities	221	406
Earnings on bank-owned life insurance	(102)	(108)
Gain on sale of branch	-	(460)
Pass thru losses in affordable housing partnerships	2,509	2,571
Loans originated for resale	(78,336)	(70,526)
Proceeds from sale of loans	82,350	75,678
Changes in assets and liabilities		
Interest receivable and other assets	2,005	(3,672)
Interest payable and other liabilities	146	(1,956)
Net cash from operating activities	40,632	28,846
Cash flows from investing activities		
Net change in interest-bearing deposits in other financial institutions	1,461	(765)
Securities available for sale		
Proceeds from sales	26,073	57,775
Purchases	(91,681)	(109,218)
Proceeds from principal payments, calls and maturities	32,252	30,546
Securities held to maturity		
Proceeds from principal payments, calls and maturities	3,380	1,675
Loans made to customers, net of payments received	(89,451)	(75,119)
Net cash paid in branch sale	-	(10,640)
Premises and equipment expenditures	(4,670)	(1,938)
Proceeds from sales of equipment	18	-
Investments in affordable housing partnerships	(2,760)	(1,016)
Proceeds from the sale of other real estate owned	299	423
Proceeds from redemption of restricted stock	-	503
Purchase of restricted stock	-	(1,166)
Net cash from investing activities	(125,079)	(108,940)
Cash flows from financing activities		
Net change in deposit accounts	72,113	28,507
Payments on notes payable	(5,707)	(2,803)
Payments on short term FHLB advances	(10,000)	(20,000)
Proceeds from short term FHLB advances	-	20,000
Payments on long term FHLB advances	(139,000)	(28,300)
Proceeds from long term FHLB advances	140,000	64,000
Purchase of treasury stock	(775)	(164)
Issuance of common stock	124	130
Dividends paid	(6,558)	(4,803)
Net cash from financing activities	50,197	56,567
Net change in cash and cash equivalents	(34,250)	(23,527)
Cash and cash equivalents at beginning of year	83,560	107,087
Cash and cash equivalents at end of year	$ 49,310	$ 83,560
Supplemental disclosures of cash flow information		
Cash paid during the year for:		
Interest	$ 13,478	$ 8,392
Income taxes	2,226	8,041
Supplemental non-cash disclosures		
Transfers from premises and equipment to real estate owned	250	469
Real estate acquired in satisfaction of debts previously contracted	324	592
Sale and financing of repossessed assets	-	500
Assets sold	-	(3,422)
Liabilities assigned	-	14,475

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

BOARD OF DIRECTORS

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Greentown

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Retired Professor of Agricultural Economics, Purdue University
Calhoun, KY

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Vice President and Chief Risk Officer, Central Indiana Ethanol
Converse

Keith Hill
Chief Financial Officer, FFBT
Kokomo

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Brad Howell Ford
Greentown

Kelly McClure
President, McClure Oil Corporation
Indianapolis

Gene Miles
President & Chief Executive Officer, FFBT
Greentown

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Vice Chairman
President, Norris Insurance Agency, Inc.
Amboy

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Owner, Stout & Son Funeral Home
Russiaville

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Owner, Trimble Farms
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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

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Flora
Galveston
Greentown
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Lafayette Central
Lafayette South
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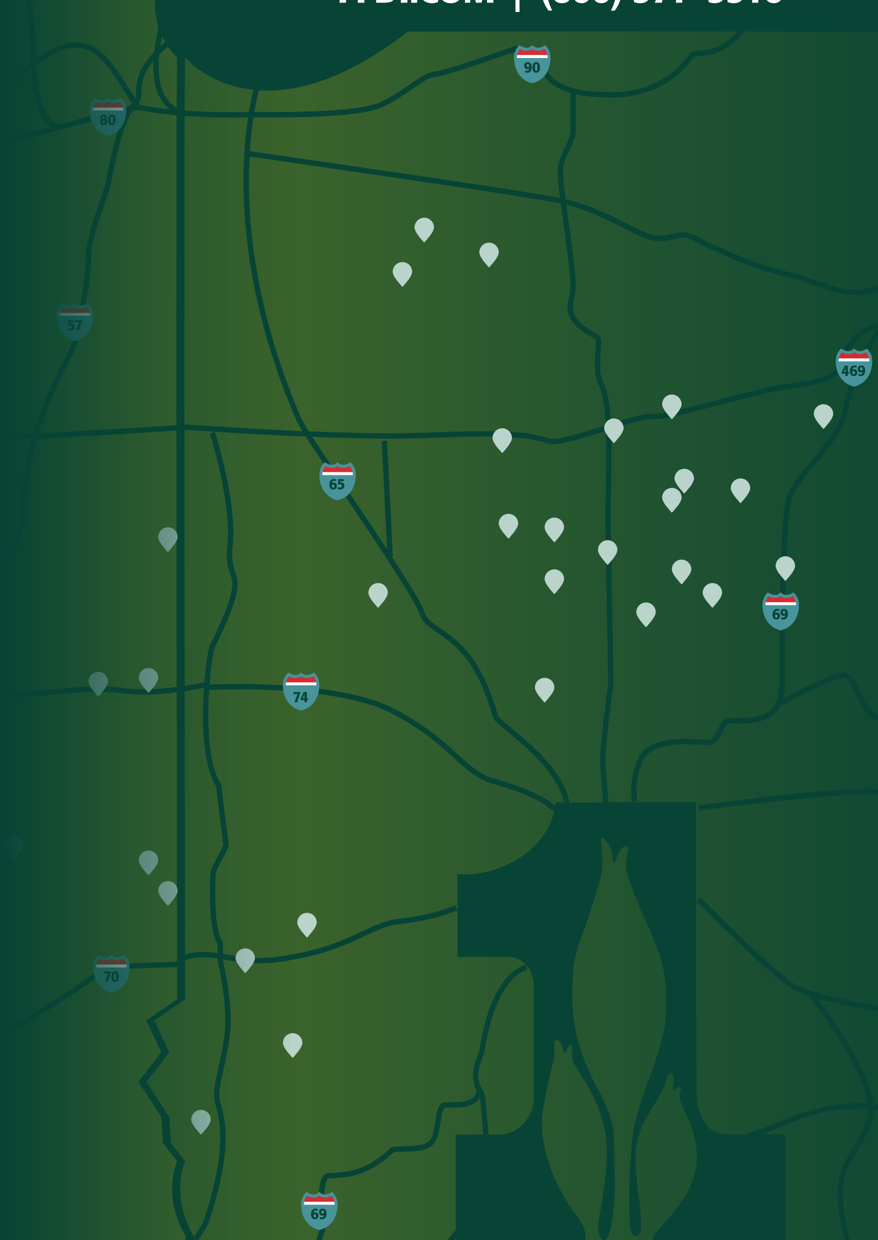

First Farmers Financial Corp is a $1.7 billion financial holding company headquartered in Converse, Indiana. First Farmers Bank & Trust has offices throughout Carroll, Cass, Clay, Grant, Hamilton, Howard, Huntington, Madison, Marshall, Miami, Starke, Sullivan, Tipton, Vermillion, Vigo and Wabash counties in Indiana and offices in Coles, Edgar and Vermilion counties in Illinois.