

2009 Second Quarter Report

Converse

123 North Jefferson
Converse, IN 46919

Amboy

115 South Main Street
Amboy, IN 46911

Culver

101 Main Street
Culver, IN 46511

Elwood

10077 N. State Road 37
Elwood, IN 46036

Galveston

112 S. California
Galveston, IN 46932

Greentown

603 W. Main
Greentown, IN 46936

Huntington

211 Hauenstein Road
Huntington, IN 46750

Knox

1402 S. Heaton Street
Knox, IN 46534

Kokomo North

2041 N. Reed Road
Kokomo, IN 46901

Kokomo South

410 Flint Way
Kokomo, IN 46902

Logansport

3910 East Market Street
Logansport, IN 46947

Marion

830 North Baldwin
Marion, IN 46952

North Judson

310 Lane Street
North Judson, IN 46366

Peru River

120 S. Broadway
Peru, IN 46970

Peru Square

2 N. Broadway
Peru, IN 46970

Sheridan

2400 W. State Road 38
Sheridan, IN 46069

Tipton

825 E. Jefferson
Tipton, IN 46072

Wabash

1004 North Cass Street
Wabash, IN 46992



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Letter to our shareholders

GENE MILES



I am proud to report that the first half of 2009 was, by many measures, one of our best. At \$4.0 million, earnings improved by 10.3% over the same period last year, to record levels. In addition, our financial strength allowed us to expand our relationship with existing customers and become the bank of choice for many new ones.

The dominant element of our performance during this period was secondary market mortgage lending. As mortgage rates reached historic lows, we helped a record number of borrowers refinance, and also met the refinancing needs of many who had obtained their mortgages through brokers or out-of-state lenders and, consequently, were drawn back to the comfort and security of dealing with a local bank. Revenues from the sale of mortgages surpassed \$2.0 million for the six-month period, while the heavy refinancing activity and associated servicing asset write-downs reduced servicing income by \$0.5 million.

The combination of record mortgage revenues, moderate growth in net interest income, and securities sales gains accounted for the majority of the \$2.4 million revenue improvement over the prior year. The remaining revenue components such as deposit service charges, wealth management, leasing and other types of fees were sufficiently diversified to generate a modest improvement of 3%.

Overall lending did moderate from prior years as we remain cautious regarding the economic environment. We do, however, find ourselves well-positioned to address the void cre-

ated by the reduced lending of competing banks. As reported by the Federal Reserve, commercial banks scaled back overall lending at a 1.7% annualized rate through June 30, 2009 as many sought to de-leverage in an effort to address shrinking capital and rising problem loans. In contrast, First Farmers continues to experience double-digit capital growth rates providing the capacity to continue lending. In the first half of 2009, our loan portfolio experienced a 6.8% annualized growth rate. At the same time, we continue to apply our traditional prudent approach to underwriting that has served us so well in the past. Nevertheless, heeding the experience of other commercial lenders in the current economic headwinds – and with non-performing loans rising \$3.5 million from December 2008 – we doubled our provision for loan losses during the first six months of 2009.

Deposit growth of \$46.7 million was well ahead of our traditional pace. Increased deposits were diversified in geography, product, and customer type as our organizational strength, comprehensive products and services, responsive customer service, and expanding branch network attracted more depositors.

During the second quarter, we opened our newest branch, in Marion, Indiana. With its proximity to our nearby locations in Miami, Wabash and Huntington counties, we feel the Marion branch will benefit existing customers as well as provide for new opportunities in the second largest city we serve.

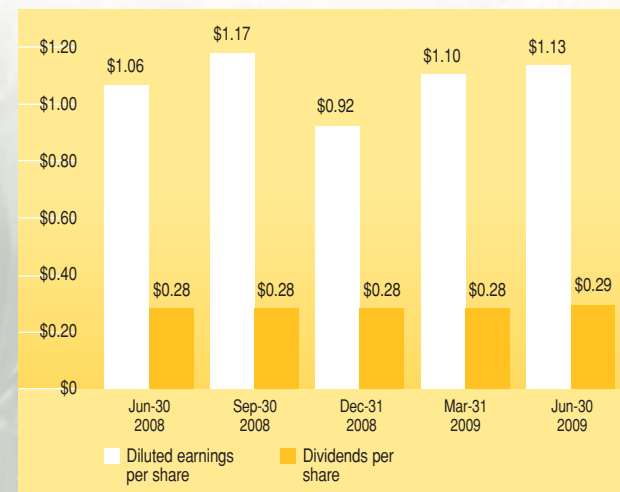
Through our history, keeping operating costs to manageable levels has been key to achieving our results. The first half of 2009 has been no exception. Aside from the impact of FDIC insurance costs and early debt extinguishment costs, non-interest expenses though six months were nearly flat compared to 2008. FDIC premiums increased as the FDIC imposed a higher base rate in 2009 and levied a special asset-based assessment across all banks in the second quarter to recapitalize the insurance fund. The debt extinguishment cost was incurred to pre-pay a high-rate FHLB advance.

As always, we remain committed to our customers, our community, and our investors.

Sincerely,

Gene Miles, President and Chief Executive Officer

Earnings & Dividends



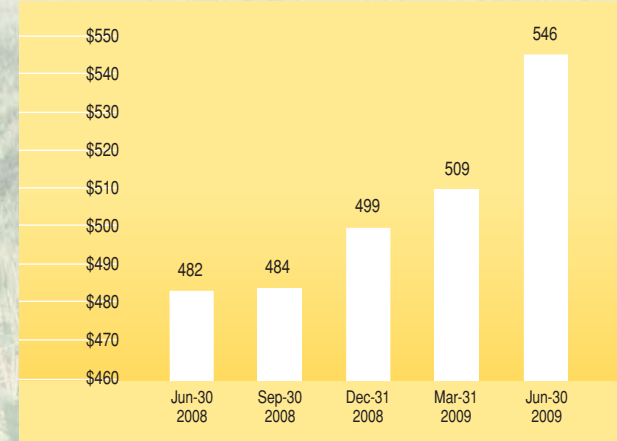
First Farmers Financial Corporation: Consolidated Quarterly Results

(Dollars in thousands except per share data.)

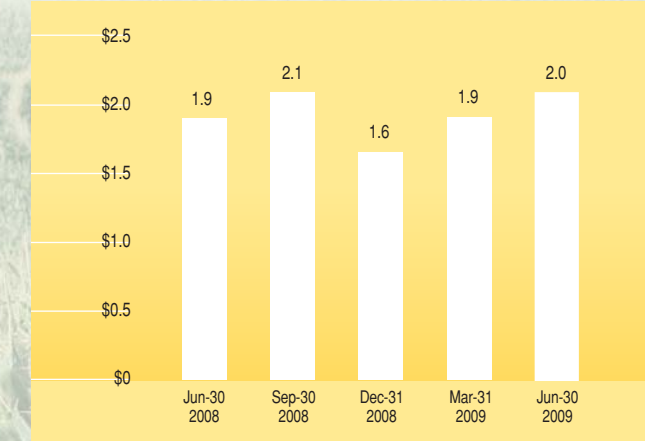
	For the 3 months ended		For the 6 months ended	
	Jun-30 2009	Jun-30 2008	Jun-30 2009	Jun-30 2008
Average Balance Sheet				
Assets.....	\$ 670,290	\$ 603,305	\$ 658,297	\$ 598,020
Earning Assets.....	633,786	563,897	620,826	558,420
Loans.....	511,319	457,172	504,630	451,537
Deposits.....	534,104	459,082	517,648	467,095
Equity.....	57,202	51,593	56,553	50,922
Ending Balance Sheet				
Assets.....	\$ 685,025	\$ 623,046	\$ 685,025	\$ 623,046
Loans.....	522,723	470,532	522,723	470,532
Deposits.....	546,020	482,414	546,020	482,414
Equity.....	57,421	51,540	57,421	51,540
Income Statement				
Interest & Dividend Income.....	\$ 9,100	\$ 9,055	\$ 17,889	\$ 18,506
Interest Expense.....	2,668	3,212	5,381	7,080
Net Interest Margin.....	6,432	5,843	12,509	11,426
Loan Loss Provision.....	1,100	675	2,200	1,230
Non Interest Income.....	2,448	1,905	4,840	3,731
Net Gains / (Losses).....	230	6	226	5
Non Interest Expense.....	5,090	4,380	9,615	8,772
Pretax Income.....	2,920	2,699	5,760	5,160
Income Tax Expense.....	913	831	1,805	1,574
Net Income.....	2,007	1,868	3,955	3,585
Earnings Ratios				
Return on average assets.....	1.20%	1.24%	1.21%	1.20%
Return on average equity.....	14.07%	14.52%	14.10%	14.12%
Net interest margin ⁽¹⁾	4.25%	4.35%	4.21%	4.29%
Efficiency Ratio.....	57.3%	56.5%	55.4%	57.9%
First Farmers Bank & Trust Capital				
Total Capital to Risk-Based Assets.....	13.1%	13.1%	13.1%	13.1%
Tier 1 Capital to Risk-Based Assets.....	11.8%	11.9%	11.8%	11.9%
Tier 1 Leverage Ratio.....	9.9%	10.1%	9.9%	10.1%
Per Share Information				
Diluted Earnings Per Share.....	\$ 1.13	\$ 1.06	\$ 2.24	\$ 2.03
Dividends Per Share.....	0.29	0.28	0.57	0.55
Book Per Share.....	32.43	29.05	32.43	29.05
Tangible Book Per Share.....	27.80	24.06	27.80	24.06

Interim financial information is unaudited.
 (1) Net interest margin presented on a tax-equivalent basis.

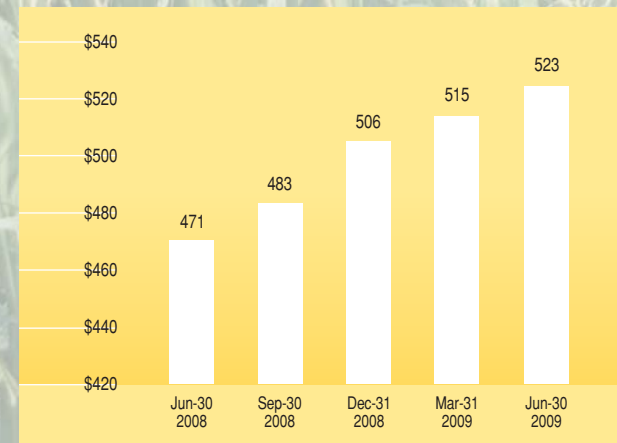
Deposits (in millions)



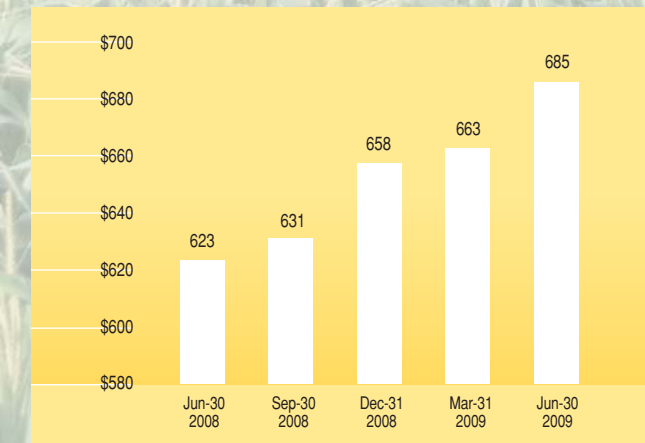
Net Income (in millions)



Loans (in millions)



Assets (in millions)



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 Cultivating agricultural growth in Central Indiana since 1885.