

2009 Third 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

Coming Soon

Kokomo Central

501 West Lincoln Road
Kokomo, IN 46902

Russiaville

160 West Main Street
Russiaville, IN 46979



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Letter to our shareholders

GENE MILES



The past year has been the most dynamic period I can recall for the banking industry and the upheaval has certainly impacted banking organizations unequally. Fortunately, First Farmers has been a beneficiary of this upheaval with great opportunities emerging in many of our markets. In addition, we have been able to maintain our historical profitability and capital levels giving us the capacity to realize those opportunities.

In late summer, we announced a definitive merger agreement with CB Bank Shares, Inc, under which its subsidiary Central Bank, Russiaville, Indiana, will combine with First Farmers Bank & Trust Co, uniting two of the oldest banking institutions in Central Indiana. The acquisition will give the organization over 20 facilities in Indiana, over \$730 million in assets, and gross capital of over \$75 million. It also makes the organization the largest privately held depository institution in Howard County with \$165 million at 5 branch locations. We expect that the personnel that we have in this area will continue to exemplify community banking with a premium placed on customer communication and personalized service. Our strong capital position gives us an excellent opportunity to give this staff the tools to grow our business. We're excited about the future of our combined operations.

Earnings for the nine months ended September 30, 2009 of \$6.0 million, or \$3.40 per share, were 6.3% ahead of 2008. The most notable revenue growth this year has come from mortgage lending activity. A historic drop in rates ignited a surge in refinancing while tax incentives have encouraged more home purchases. For the year income from the sale of mortgages increased \$1.7 million. Also increasing \$1.7 million from the nine months ended September 30, 2008 was net interest income. The Company continues to see favorable lending opportunities which have translated into portfolio growth. Net interest income

increased in spite of a slightly lower net interest margin, primarily on growth in average portfolio loans of 11.8%. We are confident that our staff maintains an exceptional level of financial experience in our community markets and remains committed to furthering economic development in those areas. Comparatively, Federal Reserve data illustrates that banks overall continued to cut back on lending over the same period.

Our efficiency continues to be a source of praise as our operating expenses increased only 1.5% over the 2008 period excluding FDIC premiums that added \$638 thousand in extra costs. These premiums, brought about by bank failures primarily in the West and Southeast, largely prevented the corporation from achieving record overall earnings for the quarter. An understandable result of current economic conditions was a higher loan loss rate than we historically experience. However, that number remains low relative to industry standards and peer comparisons. In addition, these loss rates are manageable and have not impaired our capital base, have not weakened our ability to provide credit within the communities we serve, and have not required actions that would dilute our shareholders or negatively impact their dividends.

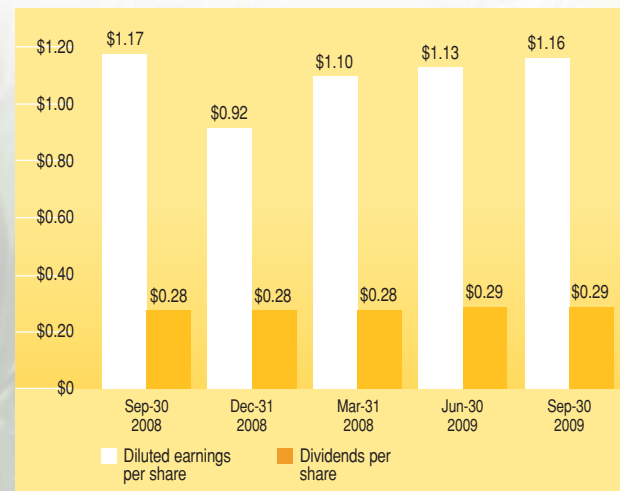
With the Bank's regulatory capital growing at 10.4% over the past year we have the resources to comfortably support our lending initiatives and keep credit flowing to the communities we serve. In addition we are pleased to report that our core deposit balances have grown over 8% during this year as competitors have instituted fee increases, lowered rates significantly and cut back on service while we have continued to offer competitive rates and products, introduce new products such as "Making Cent\$" and "Go Green" checking, and expand our service with the opening of our new office in Marion and the pending addition of branches in Howard County.

In conclusion, I would like to once again thank each employee for his or her part in making First Farmers Financial Corp one of Indiana's premier financial services companies and we remain committed to our customers, our communities, and our investors.

Sincerely,

Gene Miles, President and Chief Executive Officer

Earnings & Dividends



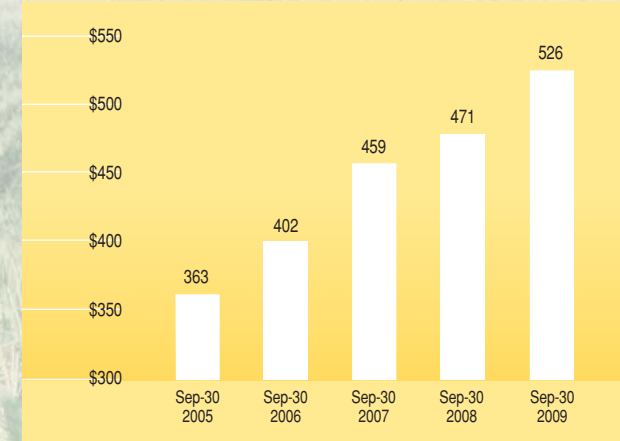
First Farmers Financial Corporation: Consolidated Quarterly Results

(Dollars in thousands except per share data.)

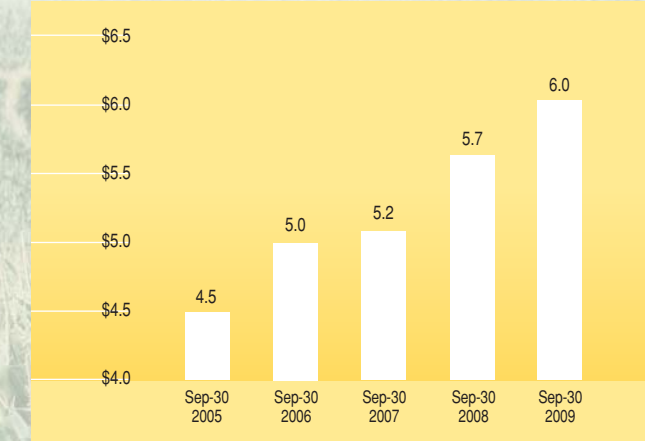
	For the 3 months ended		For the 9 months ended	
	Sep-30 2009	Sep-30 2008	Sep-30 2009	Sep-30 2008
Average Balance Sheet				
Assets.....	\$ 691,921	\$ 623,211	\$ 673,173	\$ 607,813
Earning Assets.....	653,737	583,216	635,462	568,080
Portfolio Loans.....	531,889	475,633	517,361	460,962
Deposits.....	543,866	480,050	526,484	471,445
Equity.....	58,824	52,829	57,318	51,562
Ending Balance Sheet				
Assets.....	\$ 698,803	\$ 630,616	\$ 698,803	\$ 630,616
Portfolio Loans.....	547,044	483,367	547,044	483,367
Deposits.....	528,126	483,656	528,126	483,656
Equity.....	59,261	53,324	59,261	53,324
Tangible Equity.....	51,244	44,584	51,244	44,089
Income Statement				
Interest & Dividend Income.....	\$ 9,377	\$ 9,319	\$ 27,265	\$ 27,825
Interest Expense.....	2,651	3,211	8,031	10,290
Net Interest Margin.....	6,726	6,108	19,234	17,535
Loan Loss Provision.....	1,325	625	3,525	1,855
Non Interest Income.....	2,034	1,943	6,874	5,673
Net Gains / (Losses).....	213	10	439	15
Non Interest Expense.....	4,648	4,388	14,262	13,161
Pretax Income.....	3,000	3,048	8,760	8,207
Income Tax Expense.....	945	980	2,750	2,553
Net Income.....	\$ 2,055	\$ 2,068	\$ 6,010	\$ 5,654
Earnings Ratios				
Return on Average Assets.....	1.18%	1.32%	1.19%	1.24%
Return on Average Equity.....	13.86%	15.54%	14.02%	14.61%
Net Interest Margin (1).....	4.25%	4.35%	4.20%	4.31%
Efficiency Ratio.....	53.10%	54.50%	54.10%	56.70%
First Farmers Bank & Trust Capital				
Total Capital to Risk-Based Assets.....	12.8%	13.1%	12.8%	13.1%
Tier 1 Capital to Risk-Based Assets.....	11.6%	12.0%	11.6%	12.0%
Tier 1 Leverage.....	9.9%	10.1%	9.9%	10.1%
Per Share Information				
Diluted Earnings Per Share.....	\$ 1.16	\$ 1.17	\$ 3.40	\$ 3.19
Dividends Per Share.....	0.29	0.28	0.86	0.83
Book Value Per Share.....	33.47	30.18	33.47	30.18
Tangible Book Value Per Share.....	28.94	25.19	28.94	25.19

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

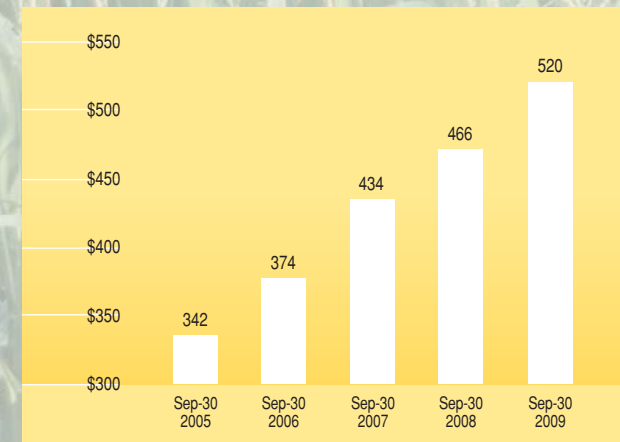
Deposits – Year-to-Date Average (in millions)



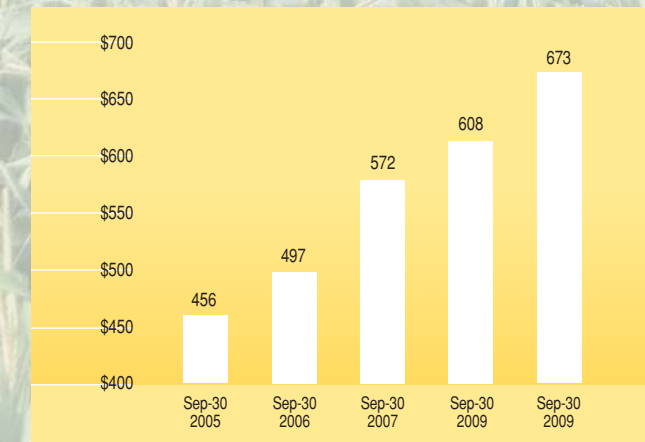
Net Income – Year-to-Date (in millions)



Loans – Year-to-Date Average (in millions)



Assets – Year-to-Date Average (in millions)



Gross portfolio loans, excludes loans held for sale and allowance for loan and lease losses



First Farmers Bank & Trust receives 5-Star Superior rating for financial strength and stability from Bauer Financial.