

FIRST FINANCIAL CORP /IN/  
Form 10-Q  
May 10, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE**  
**SECURITIES EXCHANGE ACT OF 1934**

**For The Quarterly Period Ended March 31, 2012**

**Commission File Number 0-16759**

**FIRST FINANCIAL CORPORATION**

(Exact name of registrant as specified in its charter)

**INDIANA**  
(State or other jurisdiction  
incorporation or organization)

**35-1546989**  
(I.R.S. Employer  
Identification No.)

**One First Financial Plaza, Terre Haute, IN**  
(Address of principal executive office)

**47807**  
(Zip Code)

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(812)238-6000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No .

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No .

As of May 7, 2012, the registrant had outstanding 13,237,523 shares of common stock, without par value.

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## Item 1. Financial Statements

## FIRST FINANCIAL CORPORATION

## CONSOLIDATED BALANCE SHEETS

(Dollar amounts in thousands, except per share data)

	March 31, 2012	December 31, 2011
	(unaudited)	
<b>ASSETS</b>		
Cash and due from banks	\$ 62,977	\$ 134,280
Federal funds sold	108,128	11,725
Securities available-for-sale	664,660	666,287
Loans:		
Commercial	1,065,735	1,099,324
Residential	500,927	505,600
Consumer	283,529	289,717
	1,850,191	1,894,641
Less:		
Unearned Income	(995)	(962)
Allowance for loan losses	(18,312)	(19,241)
	1,830,884	1,874,438
Restricted Stock	21,110	22,282
Accrued interest receivable	11,693	12,947
Premises and equipment, net	40,624	40,105
Bank-owned life insurance	75,018	82,646
Goodwill	36,897	36,897
Other intangible assets	4,784	5,142
Other real estate owned	7,161	4,964
FDIC Indemnification Asset	1,802	2,384
Other assets	56,482	59,964
<b>TOTAL ASSETS</b>	<b>\$ 2,922,220</b>	<b>\$ 2,954,061</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
Deposits:		
Non-interest-bearing	\$ 452,903	\$ 435,236
Interest-bearing:		
Certificates of deposit of \$100 or more	228,527	242,001
Other interest-bearing deposits	1,598,181	1,597,262
	2,279,611	2,274,499
Short-term borrowings	64,969	100,022
Other borrowings	146,269	146,427
Other liabilities	76,434	86,152
<b>TOTAL LIABILITIES</b>	<b>2,567,283</b>	<b>2,607,100</b>
Shareholders equity		
Common stock, \$.125 stated value per share;		

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Authorized shares-40,000,000				
Issued shares-14,490,609 in 2012 and 14,450,966 in 2011				
Outstanding shares-13,237,523 in 2012 and 13,197,880 in 2011		1,807		1,806
Additional paid-in capital		69,448		69,328
Retained earnings		325,573		318,130
Accumulated other comprehensive income (loss)		(10,082)		(10,494)
Less: Treasury shares at cost-1,253,086 in 2012 and 2011		(31,809)		(31,809)
<b>TOTAL SHAREHOLDERS EQUITY</b>		<b>354,937</b>		<b>346,961</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>\$</b>	<b>2,922,220</b>	<b>\$</b>	<b>2,954,061</b>

See accompanying notes.

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## FIRST FINANCIAL CORPORATION

## CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(Dollar amounts in thousands, except per share data)

	Three Months Ended March 31,	
	2012 (unaudited)	2011 (unaudited)
<b>INTEREST INCOME:</b>		
Loans, including related fees	\$ 25,198	\$ 22,956
<b>Securities:</b>		
Taxable	3,523	4,195
Tax-exempt	1,805	1,664
Other	623	476
<b>TOTAL INTEREST INCOME</b>	<b>31,149</b>	<b>29,291</b>
<b>INTEREST EXPENSE:</b>		
Deposits	2,664	3,283
Short-term borrowings	46	54
Other borrowings	1,274	1,199
<b>TOTAL INTEREST EXPENSE</b>	<b>3,984</b>	<b>4,536</b>
<b>NET INTEREST INCOME</b>	<b>27,165</b>	<b>24,755</b>
Provision for loan losses	2,956	1,182
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>24,209</b>	<b>23,573</b>
<b>NON-INTEREST INCOME:</b>		
Trust and financial services	1,480	1,337
Service charges and fees on deposit accounts	2,204	2,149
Other service charges and fees	2,455	1,989
Securities gains/(losses), net	(4)	3
Insurance commissions	1,891	1,720
Gain on sales of mortgage loans	925	337
Other	560	767
<b>TOTAL NON-INTEREST INCOME</b>	<b>9,511</b>	<b>8,302</b>
<b>NON-INTEREST EXPENSE:</b>		
Salaries and employee benefits	14,419	11,438
Occupancy expense	1,417	1,250
Equipment expense	1,282	1,134
FDIC Insurance	428	743
Other	5,874	4,385
<b>TOTAL NON-INTEREST EXPENSE</b>	<b>23,420</b>	<b>18,950</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>10,300</b>	<b>12,925</b>
Provision for income taxes	2,857	4,122
<b>NET INCOME</b>	<b>7,443</b>	<b>8,803</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Change in unrealized gains/losses on securities, net of reclassifications	70	6,348
Tax effect	(28)	(2,539)
	42	3,809

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Change in funded status of post retirement benefits	617	505
Tax effect	(247)	(202)
	370	303
TOTAL OTHER COMPREHENSIVE INCOME	412	4,112
COMPREHENSIVE INCOME	\$ 7,855	\$ 12,915
EARNINGS PER SHARE:		
BASIC AND DILUTED	\$ 0.56	\$ 0.67
Weighted average number of shares outstanding (in thousands)	13,223	13,152

See accompanying notes.



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FIRST FINANCIAL CORPORATION  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

Three Months Ended

March 31, 2012, and 2011

(Dollar amounts in thousands, except per share data)

(Unaudited)

	Common Stock	Additional Capital	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Treasury Stock	Total
Balance, January 1, 2011	\$ 1,806	\$ 68,944	\$ 293,319	\$ (9,369)	\$ (32,983)	\$ 321,717
Net income			8,803			8,803
Change in net unrealized gains/(losses) on securities available for-sale				3,809		3,809
Change in funded status of retirement plans				303		303
Balance, March 31, 2011	\$ 1,806	\$ 68,944	\$ 302,122	\$ (5,257)	\$ (32,983)	\$ 334,632
Balance, January 1, 2012	\$ 1,806	\$ 69,328	\$ 318,130	\$ (10,494)	\$ (31,809)	\$ 346,961
Net income			7,443			7,443
Change in net unrealized gains/(losses) on securities available for-sale				42		42
Change in funded status of retirement plans				370		370
Omnibus Equity Incentive Plan	1	120				121
Balance, March 31, 2012	\$ 1,807	\$ 69,448	\$ 325,573	\$ (10,082)	\$ (31,809)	\$ 354,937

See accompanying notes.

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## FIRST FINANCIAL CORPORATION

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollar amounts in thousands, except per share data)

	Three Months Ended March 31,	
	2012 (Unaudited)	2011 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income	\$ 7,443	\$ 8,803
Adjustments to reconcile net income to net cash provided by operating activities:		
Net amortization (accretion) of premiums and discounts on investments	827	(68)
Provision for loan losses	2,956	1,182
Securities (gains) losses	4	(3)
Restricted stock compensation	121	
(Gain) loss on sale of other real estate	5	7
Depreciation and amortization	1,193	1,091
Other, net	10,183	2,820
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>22,732</b>	<b>13,832</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales of securities available-for-sale	4,553	25
Calls, maturities and principal reductions on securities available-for-sale	26,665	41,092
Purchases of securities available-for-sale	(30,510)	(75,065)
Loans made to customers, net of repayment	37,836	26,995
Proceeds from sales of other real estate owned	525	1,125
Redemption of restricted stock	1,172	
Net change in federal funds sold	(96,403)	(51,712)
Additions to premises and equipment	(1,354)	(316)
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(57,516)</b>	<b>(57,856)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net change in deposits	4,737	40,459
Net change in short-term borrowings	(35,053)	(3,317)
Dividends paid	(6,203)	(6,050)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>(36,519)</b>	<b>31,092</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(71,303)</b>	<b>(12,932)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>134,280</b>	<b>58,511</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 62,977</b>	<b>\$ 45,579</b>

See accompanying notes.



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## FIRST FINANCIAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The accompanying March 31, 2012 and 2011 consolidated financial statements are unaudited. The December 31, 2011 consolidated financial statements are as reported in the First Financial Corporation (the Corporation) 10-K. The information presented does not include all information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. The following notes should be read together with notes to the consolidated financial statements included in the 10-K filed with the Securities and Exchange Commission for the fiscal year ended December 31, 2011.

1. Significant Accounting Policies

The significant accounting policies followed by the Corporation and its subsidiaries for interim financial reporting are consistent with the accounting policies followed for annual financial reporting. All adjustments which are, in the opinion of management, necessary for a fair statement of the results for the periods reported have been included in the accompanying consolidated financial statements and are of a normal recurring nature. The Corporation reports financial information for only one segment, banking. Some items in the prior year financials were reclassified to conform to the current presentation.

The Omnibus Equity Incentive Plan is a long-term incentive plan that was designed to align the interests of participants with the interests of shareholders. Under the plan, awards may be made based on certain performance measures. The grants are made in restricted stock units that are subject to a vesting schedule. These shares vest over 3 years in increments of 33%, 33%, and 34% respectively. In 2012, 39,643 shares were awarded. These shares had a grant date value of \$1.4 million, vest over three years and their grant is not subject to future performance measures. Outstanding shares are increased at the award date for the total shares awarded.

2. Allowance for Loan Losses

The following tables presents the activity of the allowance for loan losses by portfolio segment at March 31.

Allowance for Loan Losses: (Dollar amounts in thousands)	March 31, 2012				Unallocated	Total
	Commercial	Residential	Consumer			
Beginning balance	\$ 12,119	\$ 2,728	\$ 3,889	\$ 505	\$ 19,241	
Provision for loan losses*	997	683	319	461	2,460	
Loans charged -off	(1,858)	(1,336)	(783)		(3,977)	
Recoveries	190	17	381		588	
Ending Balance	\$ 11,448	\$ 2,092	\$ 3,806	\$ 966	\$ 18,312	

\* Provision before increase of \$496 thousand in 2012 for decrease in FDIC indemnification asset

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Allowance for Loan Losses: (Dollar amounts in thousands)	March 31, 2011				
	Commercial	Residential	Consumer	Unallocated	Total
Beginning balance	\$ 12,809	\$ 2,873	\$ 4,551	\$ 2,103	\$ 22,336
Provision for loan losses*	689	687	(210)	198	1,364
Loans charged -off	(1,061)	(363)	(768)		(2,192)
Recoveries	99	54	481		634
Ending Balance	\$ 12,536	\$ 3,251	\$ 4,054	\$ 2,301	\$ 22,142

\* Provision before decrease of \$182 thousand in 2011 for increase in FDIC indemnification asset

The following table presents the allocation of the allowance for loan losses and the recorded investment in loans by portfolio segment and based on the impairment method at March 31, 2012 and December 31, 2011.

Ending Balance Attributable to Loans: (Dollar amounts in thousands)	March 31, 2012				
	Commercial	Residential	Consumer	Unallocated	Total
Individually evaluated for impairment	2,706	190			2,896
Collectively evaluated for impairment	8,348	1,894	3,806	966	15,014
Acquired with deteriorated credit quality	394	8			402
Ending Balance	\$ 11,448	\$ 2,092	\$ 3,806	\$ 966	\$ 18,312

Loans: (Dollar amounts in thousands)	March 31, 2012			
	Commercial	Residential	Consumer	Total
Individually evaluated for impairment	21,681	1,213		22,894
Collectively evaluated for impairment	1,010,660	489,681	284,366	1,784,707
Acquired with deteriorated credit quality	39,253	11,638	10	50,901
Ending Balance	\$ 1,071,594	\$ 502,532	\$ 284,376	\$ 1,858,502

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Allowance for Loan Losses: (Dollar amounts in thousands)	December 31, 2011				
	Commercial	Residential	Consumer	Unallocated	Total
Individually evaluated for impairment	3,071	190			3,261
Collectively evaluated for impairment	8,264	2,183	3,889	505	14,841
Acquired with deteriorated credit quality	784	355			1,139
Ending Balance	\$ 12,119	\$ 2,728	\$ 3,889	\$ 505	\$ 19,241

Loans (Dollar amounts in thousands)	December 31, 2011				Total
	Commercial	Residential	Consumer		
Individually evaluated for impairment	25,393	2,213			27,606
Collectively evaluated for impairment	1,036,963	492,139	291,190		1,820,292
Acquired with deteriorated credit quality	43,389	12,986	11		56,386
Ending Balance	\$ 1,105,745	\$ 507,338	\$ 291,201		\$ 1,904,284

The following tables present loans individually evaluated for impairment by class of loans.

(Dollar amounts in thousands)	March 31, 2012					
	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Recognized
With no related allowance recorded:						
Commercial						
Commercial & Industrial	\$	\$	\$	\$	\$	\$
Farmland						
Non Farm, Non Residential	1,975	1,975		3,210		
Agriculture						
All Other Commercial						
Residential						
First Liens				375		
Home Equity						
Junior Liens						
Multifamily				125		
All Other Residential						
Consumer						
Motor Vehicle						
All Other Consumer						
With an allowance recorded:						
Commercial	17,920	17,874	2,687	17,870		
Commercial & Industrial	891	891	49	891		
Farmland	2,709	2,709	182	3,763		
Non Farm, Non Residential						
Agriculture	1,457	1,456	74	1,487		
All Other Commercial						
Residential	1,213	1,213	190	1,213		
First Liens						
Home Equity				440		
Junior Liens						
Multifamily						

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All Other Residential									
Consumer									
Motor Vehicle									
All Other Consumer									
TOTAL	\$	26,165	\$	26,118	\$	3,182	\$	29,374	\$

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(Dollar amounts in thousands)	December 31, 2011					
	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Income Recognized
With no related allowance recorded:						
Commercial						
Commercial & Industrial	\$	\$	\$	\$ 1,929	\$ 165	\$
Farmland						
Non Farm, Non Residential	4,444	4,444		3,262		
Agriculture						
All Other Commercial						
Residential						
First Liens	750	750		150		
Home Equity						
Junior Liens						
Multifamily	250	250		50		
All Other Residential						
Consumer						
Motor Vehicle						
All Other Consumer						
With an allowance recorded:						
Commercial						
Commercial & Industrial	17,890	17,866	2,664	16,746		
Farmland	891	891	49	360		
Non Farm, Non Residential	4,816	4,816	957	8,717		
Agriculture						
All Other Commercial	1,517	1,517	66	1,671		
Residential						
First Liens	1,213	1,213	190	2,014		
Home Equity						
Junior Liens	879	879	347	937		
Multifamily				510		
All Other Residential						
Consumer						
Motor Vehicle						
All Other Consumer						
TOTAL	\$ 32,650	\$ 32,626	\$ 4,273	\$ 36,346	\$ 165	\$



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The table below presents non-performing loans.

(Dollar amounts in thousands)	March 31, 2012		
	Loans Past Due Over 90 Day Still Accruing	Restructured	Nonaccrual
<b>Commercial</b>			
Commercial & Industrial	\$ 639	\$ 12,512	\$ 10,854
Farmland	786		910
Non Farm, Non Residential	340		8,541
Agriculture			139
All Other Commercial	109		3,377
<b>Residential</b>			
First Liens	1,005	3,798	7,780
Home Equity	75		
Junior Liens	337	4	483
Multifamily			3,244
All Other Residential			479
<b>Consumer</b>			
Motor Vehicle	113		265
All Other Consumer			1,615
<b>TOTAL</b>	<b>\$ 3,404</b>	<b>\$ 16,314</b>	<b>\$ 37,687</b>

(Dollar amounts in thousands)	December 31, 2011		
	Loans Past Due Over 90 Day Still Accruing	Restructured	Nonaccrual
<b>Commercial</b>			
Commercial & Industrial	\$ 317	\$ 12,590	\$ 9,673
Farmland	74		979
Non Farm, Non Residential	237		12,542
Agriculture			225
All Other Commercial			3,171
<b>Residential</b>			
First Liens	1,150	3,856	7,398
Home Equity	8		
Junior Liens	154	898	1,240
Multifamily			668
All Other Residential	136		171
<b>Consumer</b>			
Motor Vehicle	77		294
All Other Consumer	4		1,741
<b>TOTAL</b>	<b>\$ 2,157</b>	<b>\$ 17,344</b>	<b>\$ 38,102</b>

Covered loans included in loans past due over 90 days still on accrual are \$559 thousand at March 31, 2012 and \$413 thousand at December 31, 2011. Covered loans included in non-accrual loans are \$4.6 million at March 31, 2012 and \$5.6 million at December 31, 2011. Covered loans of \$3.2 million at March 31, 2012 and \$5.0 million at December 31, 2011 are deemed impaired and have allowance for loan loss allocated to them of \$0.3 million and \$1.0 million, respectively for March 31, 2012 and December 31, 2011. Non-performing loans include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.



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The following table presents the aging of the recorded investment in loans by past due category and class of loans.

(Dollar amounts in thousands)	March 31, 2012					
	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 days Past Due	Total Past Due	Current	Total
<b>Commercial</b>						
Commercial & Industrial	\$ 2,282	\$ 1,179	\$ 4,703	\$ 8,164	\$ 463,222	\$ 471,386
Farmland	152	229	1,677	2,058	91,963	94,021
Non Farm, Non Residential	2,607	3,480	3,157	9,244	306,605	315,849
Agriculture	297	14	16	327	94,269	94,596
All Other Commercial	3,303	18	1,630	4,951	90,791	95,742
<b>Residential</b>						
First Liens	5,723	1,240	4,574	11,537	343,052	354,589
Home Equity	166		75	241	42,954	43,195
Junior Liens	486	258	373	1,117	39,305	40,422
Multifamily			62	62	51,587	51,649
All Other Residential					12,677	12,677
<b>Consumer</b>						
Motor Vehicle	1,542	129	113			