

FIRST FINANCIAL CORP /IN/  
Form 10-Q  
May 10, 2013

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, 2013

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 47807

(Address of principal executive office) (Zip Code)

(812)238-6000

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(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  (Do not check if a smaller reporting company) 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, 2013, the registrant had outstanding 13,307,498 shares of common stock, without par value.

FIRST FINANCIAL CORPORATION

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Part I – Financial Information

## Item 1. Financial Statements

## FIRST FINANCIAL CORPORATION

## CONSOLIDATED BALANCE SHEETS

(Dollar amounts in thousands, except per share data)

	March 31, 2013 (unaudited)	December 31, 2012
<b>ASSETS</b>		
Cash and due from banks	\$78,399	\$ 87,230
Federal funds sold	54,384	20,800
Securities available-for-sale	769,949	691,000
Loans:		
Commercial	1,061,798	1,088,144
Residential	494,001	496,237
Consumer	266,744	268,507
	1,822,543	1,852,888
Less:		
Unearned Income	(1,012 )	(952 )
Allowance for loan losses	(25,272 )	(21,958 )
	1,796,259	1,829,978
Restricted Stock	21,292	21,292
Accrued interest receivable	11,622	12,024
Premises and equipment, net	46,940	47,308
Bank-owned life insurance	77,787	77,295
Goodwill	37,612	37,612
Other intangible assets	3,601	3,893
Other real estate owned	7,752	7,722
FDIC Indemnification Asset	1,770	2,632
Other assets	57,585	56,622
<b>TOTAL ASSETS</b>	<b>\$2,964,952</b>	<b>\$ 2,895,408</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Deposits:		
Non-interest-bearing	\$454,935	\$ 465,954
Interest-bearing:		
Certificates of deposit of \$100 or more	211,529	213,610
Other interest-bearing deposits	1,683,312	1,596,570
	2,349,776	2,276,134

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Short-term borrowings	39,952	40,551
Other borrowings	114,608	119,705
Other liabilities	82,233	86,896
<b>TOTAL LIABILITIES</b>	<b>2,586,569</b>	<b>2,523,286</b>
Shareholders' equity		
Common stock, \$.125 stated value per share;		
Authorized shares-40,000,000		
Issued shares-14,516,113 in 2013 and 14,490,609 in 2012		
Outstanding shares-13,307,498 in 2013 and 13,287,348 in 2012	1,809	1,808
Additional paid-in capital	70,171	69,989
Retained earnings	346,035	338,342
Accumulated other comprehensive income (loss)	(8,925 )	(7,472 )
Less: Treasury shares at cost-1,208,615 in 2013 and 1,203,261 in 2012	(30,707 )	(30,545 )
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>378,383</b>	<b>372,122</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$2,964,952</b>	<b>\$ 2,895,408</b>
See accompanying notes.		

## FIRST FINANCIAL CORPORATION

## CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(Dollar amounts in thousands, except per share data)

	Three Months Ended March 31,	
	2013	2012
	(unaudited)	(unaudited)
<b>INTEREST INCOME:</b>		
Loans, including related fees	\$ 23,454	\$ 25,198
Securities:		
Taxable	3,214	3,523
Tax-exempt	1,770	1,805
Other	504	623
<b>TOTAL INTEREST INCOME</b>	<b>28,942</b>	<b>31,149</b>
<b>INTEREST EXPENSE:</b>		
Deposits	1,742	2,664
Short-term borrowings	20	46
Other borrowings	1,007	1,274
<b>TOTAL INTEREST EXPENSE</b>	<b>2,769</b>	<b>3,984</b>
<b>NET INTEREST INCOME</b>	<b>26,173</b>	<b>27,165</b>
Provision for loan losses	3,021	2,956
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>23,152</b>	<b>24,209</b>
<b>NON-INTEREST INCOME:</b>		
Trust and financial services	1,526	1,480
Service charges and fees on deposit accounts	2,254	2,204
Other service charges and fees	2,500	2,455
Securities gains/(losses), net	4	(4)
Insurance commissions	1,963	1,891
Gain on sales of mortgage loans	963	925
Other	667	560
<b>TOTAL NON-INTEREST INCOME</b>	<b>9,877</b>	<b>9,511</b>
<b>NON-INTEREST EXPENSE:</b>		
Salaries and employee benefits	13,596	14,419
Occupancy expense	1,522	1,417
Equipment expense	1,501	1,282
FDIC Insurance	557	428

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Other	5,023	5,874
TOTAL NON-INTEREST EXPENSE	22,199	23,420
INCOME BEFORE INCOME TAXES	10,830	10,300
Provision for income taxes	3,137	2,857
NET INCOME	7,693	7,443
OTHER COMPREHENSIVE INCOME		
Change in unrealized gains/losses on securities, net of reclassifications	(2,778 )	70
Tax effect	1,111	(28 )
	(1,667 )	42
Change in funded status of post retirement benefits	357	617
Tax effect	(143 )	(247 )
	214	370
TOTAL OTHER COMPREHENSIVE INCOME	(1,453 )	412
COMPREHENSIVE INCOME	\$ 6,240	\$ 7,855
EARNINGS PER SHARE:		
BASIC AND DILUTED	\$ 0.58	\$ 0.56
Weighted average number of shares outstanding (in thousands)	13,300	13,223
See accompanying notes.		



## FIRST FINANCIAL CORPORATION

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Three Months Ended

March 31, 2013, and 2012

(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, 2012	\$ 1,806	\$ 69,328	\$ 318,130	(\$ 10,494 )	(\$ 31,809)	\$ 346,961
Net income	-	-	7,443	-	-	7,443
Change in other comprehensive income	-	-	-	412	-	412
Omnibus Equity Incentive Plan	1	120	-	-	-	121
Balance, March 31, 2012	\$ 1,807	\$ 69,448	\$ 325,573	(\$ 10,082 )	(\$ 31,809)	\$ 354,937
Balance, January 1, 2013	\$ 1,808	\$ 69,989	\$ 338,342	(\$ 7,472 )	(\$ 30,545)	\$ 372,122
Net income	-	-	7,693	-	-	7,693
Change in other comprehensive income	-	-	-	(1,453 )	-	(1,453 )
Omnibus Equity Incentive Plan	1	182	-	-	-	183
Treasury stock purchase (5,354 shares)	-	-	-	-	(162 )	(162 )
Balance, March 31, 2013	\$ 1,809	\$ 70,171	\$ 346,035	(\$ 8,925 )	(\$ 30,707)	\$ 378,383

See accompanying notes.

## FIRST FINANCIAL CORPORATION

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollar amounts in thousands, except per share data)

	Three Months Ended March 31,	
	2013	2012
	(Unaudited) (Unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income	\$7,693	\$ 7,443
Adjustments to reconcile net income to net cash provided by operating activities:		
Net amortization (accretion) of premiums and discounts on investments	652	827
Provision for loan losses	3,021	2,956
Securities (gains) losses	(4 )	4
Restricted stock compensation	183	121
(Gain) loss on sale of other real estate	51	5
Depreciation and amortization	1,352	1,193
Other, net	3,014	10,183
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>15,962</b>	<b>22,732</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales of securities available-for-sale	4,369	4,553
Calls, maturities and principal reductions on securities available-for-sale	44,334	26,665
Purchases of securities available-for-sale	(131,176)	(30,510 )
Loans made to customers, net of repayment	30,338	37,836
Proceeds from sales of other real estate owned	362	525
Redemption of restricted stock	-	1,172
Net change in federal funds sold	(33,584 )	(96,403 )
Additions to premises and equipment	(692 )	(1,354 )
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(86,049 )</b>	<b>(57,516 )</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net change in deposits	73,395	4,737
Net change in short-term borrowings	(599 )	(35,053 )
Maturities of other borrowings	(5,000 )	-
Purchase of treasury stock	(162 )	-
Dividends paid	(6,378 )	(6,203 )
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>61,256</b>	<b>(36,519 )</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(8,831 )</b>	<b>(71,303 )</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>87,230</b>	<b>134,280</b>

CASH AND CASH EQUIVALENTS, END OF PERIOD	\$78,399	\$ 62,977
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See accompanying notes.

FIRST FINANCIAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The accompanying March 31, 2013 and 2012 consolidated financial statements are unaudited. The December 31, 2012 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, 2012.

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 2013 and 2012, 30,219 and 39,643 shares were awarded, respectively. These shares had a grant date value of \$0.9 million and \$1.4 million for 2013 and 2012, 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 present the activity of the allowance for loan losses by portfolio segment at March 31.

Allowance for Loan Losses: March 31, 2013  
 (Dollar amounts in thousands) Commercial Residential Consumer Unallocated Total

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Beginning balance	\$ 10,987	\$ 5,426	\$ 3,879	\$ 1,666	\$ 21,958
Provision for loan losses*	1,264	197	233	581	2,275
Loans charged -off	(450 )	(272 )	(1,026 )	-	(1,748 )
Recoveries	2,343	49	395	-	2,787
Ending Balance	\$ 14,144	\$ 5,400	\$ 3,481	\$ 2,247	\$ 25,272

\* Provision before increase of \$746 thousand in 2012 for decrease in FDIC indemnification asset

Allowance for Loan Losses:	March 31, 2012				
(Dollar amounts in thousands)	Commercial	Residential	Consumer	Unallocated	Total
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

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, 2013 and December 31, 2012.

Ending Balance Attributable to Loans:	March 31, 2013				
(Dollar amounts in thousands)	Commercial	Residential	Consumer	Unallocated	Total
Individually evaluated for impairment	6,610	3,920	-	-	10,530
Collectively evaluated for impairment	6,320	1,361	3,481	2,247	13,409
Acquired with deteriorated credit quality	1,214	119	-	-	1,333
Ending Balance	\$ 14,144	\$ 5,400	\$ 3,481	\$ 2,247	\$ 25,272

Loans:	March 31, 2013			
(Dollar amounts in thousands)	Commercial	Residential	Consumer	Total
Individually evaluated for impairment	27,839	6,989	-	34,828
Collectively evaluated for impairment	1,026,231	485,157	268,056	1,779,444
Acquired with deteriorated credit quality	13,104	3,489	4	16,597
Ending Balance	\$ 1,067,174	\$ 495,635	\$ 268,060	\$ 1,830,869

Allowance for Loan Losses: (Dollar amounts in thousands)	December 31, 2012				
	Commercial	Residential	Consumer	Unallocated	Total
Individually evaluated for impairment	3,453	3,920	-	-	7,373
Collectively evaluated for impairment	7,286	1,506	3,879	1,666	14,337
Acquired with deteriorated credit quality	248	-	-	-	248
Ending Balance	\$10,987	\$ 5,426	\$ 3,879	\$ 1,666	\$21,958

Loans (Dollar amounts in thousands)	December 31, 2012			
	Commercial	Residential	Consumer	Total
Individually evaluated for impairment	23,721	6,973	-	30,694
Collectively evaluated for impairment	1,056,861	487,486	269,882	1,814,229
Acquired with deteriorated credit quality	13,582	3,421	6	17,009
Ending Balance	\$1,094,164	\$ 497,880	\$ 269,888	\$1,861,932

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

(Dollar amounts in thousands)	March 31, 2013					
	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	\$563	\$ 399	\$ -	\$ 200	\$ -	\$ -
Farmland	-	-	-	-	-	-
Non Farm, Non Residential	-	-	-	-	-	-
Agriculture	-	-	-	-	-	-
All Other Commercial	-	-	-	-	-	-
Residential						
First Liens	-	-	-	-	-	-
Home Equity	-	-	-	-	-	-
Junior Liens	-	-	-	-	-	-
Multifamily	-	-	-	-	-	-
All Other Residential	-	-	-	-	-	-
Consumer						
Motor Vehicle	-	-	-	-	-	-
All Other Consumer	-	-	-	-	-	-
With an allowance recorded:						
Commercial						
Commercial & Industrial	16,171	16,171	3,721	16,635	-	-
Farmland	891	891	191	891	-	-
Non Farm, Non Residential	8,710	8,644	1,500	8,015	-	-
Agriculture	-	-	-	-	-	-
All Other Commercial	4,326	4,326	1,297	2,768	-	-

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Residential						
First Liens	1,253	1,253	126	1,254	-	-
Home Equity	196	196	-	188	-	-
Junior Liens	-	-	-	-	-	-
Multifamily	-	-	-	-	-	-
All Other Residential	5,540	5,540	3,794	5,540	-	-
Consumer						
Motor Vehicle	-	-	-	-	-	-
All Other Consumer	-	-	-	-	-	-
TOTAL	\$37,650	\$ 37,420	\$ 10,629	\$ 35,491	\$ -	\$ -

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	December 31, 2012		Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Income Recognized
	Unpaid Principal Balance	Recorded Investment				
(Dollar amounts in thousands)						
With no related allowance recorded:						
Commercial						
Commercial & Industrial	\$-	\$ -	\$ -	\$ 1,013	\$ -	\$ -
Farmland	-	-	-	-	-	-
Non Farm, Non Residential	-	-	-	1,679	-	-
Agriculture	-	-	-	-	-	-
All Other Commercial	-	-	-	-	-	-
Residential						
First Liens	-	-	-	150	-	-
Home Equity	-	-	-	-	-	-
Junior Liens	-	-	-	-	-	-
Multifamily	-	-	-	50	-	-
All Other Residential	-	-	-	-	-	-
Consumer						
Motor Vehicle	-	-	-	-	-	-
All Other Consumer	-	-	-	-	-	-
With an allowance recorded:						
Commercial						
Commercial & Industrial	17,262	17,098	3,153	16,738	-	-
Farmland	891	891	191	891	-	-
Non Farm, Non Residential	7,438	7,386	293	5,000	179	-
Agriculture	-	-	-	-	-	-
All Other Commercial	1,209	1,209	52	1,362	-	-
Residential						
First Liens	1,254	1,254	126	1,230	-	-
Home Equity	179	179	-	75	-	-
Junior Liens	-	-	-	176	-	-
Multifamily	5,540	5,540	3,794	2,216	-	-
All Other Residential	-	-	-	-	-	-
Consumer						
Motor Vehicle	-	-	-	-	-	-
All Other Consumer	-	-	-	-	-	-
TOTAL	\$33,773	\$ 33,557	\$ 7,609	\$ 30,580	\$ 179	\$ -



The table below presents non-performing loans.

	March 31, 2013		
	Loans		
	Past		
	Due		
	Over		
	90 Day		
	Still		
(Dollar amounts in thousands)	Accruing	Restructured	Nonaccrual
Commercial			
Commercial & Industrial	\$26	\$ 11,283	\$ 8,383
Farmland	47	-	920
Non Farm, Non Residential	385	4,787	8,475
Agriculture	-	-	92
All Other Commercial	-	-	4,802
Residential			
First Liens	678	4,202	6,910
Home Equity	36	-	205
Junior Liens	149	-	783
Multifamily	-	-	5,743
All Other Residential	-	-	145
Consumer			
Motor Vehicle	73	700	132
All Other Consumer	5	-	1,542
TOTAL	\$1,399	\$ 20,972	\$ 38,132

	December 31, 2012		
	Loans		
	Past		
	Due		
	Over		
	90 Day		
	Still		
(Dollar amounts in thousands)	Accruing	Restructured	Nonaccrual
Commercial			
Commercial & Industrial	\$724	\$ 11,573	\$ 9,360
Farmland	231	-	907
Non Farm, Non Residential	491	4,836	6,718
Agriculture	69	-	104
All Other Commercial	-	-	4,811
Residential			
First Liens	1,237	4,126	6,852
Home Equity	24	-	196
Junior Liens	538	-	405

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Multifamily	101	-	5,598
All Other Residential Consumer	-	-	150
Motor Vehicle	133	685	174
All Other Consumer	3	16	1,519
TOTAL	\$3,551	\$ 21,236	\$ 36,794