

FIRST FINANCIAL CORP /IN/
Form 10-Q
August 09, 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 June 30, 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)

(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

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 August 5, 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)

| | June 30, 2012 | December 31, 2011 |
|---|---------------------|----------------------|
| | (Unaudited) | |
| ASSETS | | |
| Cash and due from banks | \$ 84,669 | \$ 134,280 |
| Federal funds sold and short-term investments | 27,472 | 11,725 |
| Securities available-for-sale | 658,751 | 666,287 |
| Loans: | | |
| Commercial | 1,101,791 | 1,099,324 |
| Residential | 500,110 | 505,600 |
| Consumer | 276,758 | 289,717 |
| | 1,878,659 | 1,894,641 |
| Less: | | |
| Unearned Income | (936) | (962) |
| Allowance for loan losses | (20,092) | (19,241) |
| | 1,857,631 | 1,874,438 |
| Restricted Stock | 21,296 | 22,282 |
| Accrued interest receivable | 11,829 | 12,947 |
| Premises and equipment, net | 44,945 | 40,105 |
| Bank-owned life insurance | 74,187 | 82,646 |
| Goodwill | 37,612 | 37,612 |
| Other intangible assets | 4,539 | 5,142 |
| Other real estate owned | 7,163 | 4,964 |
| FDIC Indemnification asset | 1,608 | 2,384 |
| Other assets | 60,036 | 59,964 |
| TOTAL ASSETS | \$ 2,891,738 | \$ 2,954,776 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Deposits: | | |
| Noninterest-bearing | \$ 496,303 | \$ 435,236 |
| Interest-bearing: | | |
| Certificates of deposit of \$100 or more | 217,523 | 242,001 |
| Other interest-bearing deposits | 1,539,395 | 1,597,262 |
| | 2,253,221 | 2,274,499 |
| Short-term borrowings | 47,091 | 100,022 |
| Other borrowings | 146,111 | 146,427 |
| Other liabilities | 87,028 | 86,867 |
| TOTAL LIABILITIES | 2,533,451 | 2,607,815 |
| Shareholders' equity | | |

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| | | | |
|--|--------------|----|-----------|
| Common stock, \$.125 stated value per share; | | | |
| 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 | 69,571 | | 69,328 |
| Retained earnings | 328,056 | | 318,130 |
| Accumulated other comprehensive income (loss) | (9,338) | | (10,494) |
| Treasury shares at cost-1,253,086 in 2012 and 2011 | (31,809) | | (31,809) |
| TOTAL SHAREHOLDERS EQUITY | 358,287 | | 346,961 |
| TOTAL LIABILITIES AND SHAREHOLDERS EQUITY | \$ 2,891,738 | \$ | 2,954,776 |

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 June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|---------------------|------------------------------|---------------------|
| | 2012 (unaudited) | 2011 (unaudited) | 2012 (unaudited) | 2011 (unaudited) |
| INTEREST INCOME: | | | | |
| Loans, including related fees | \$ 25,226 | \$ 23,004 | \$ 50,424 | \$ 45,960 |
| Securities: | | | | |
| Taxable | 3,508 | 4,321 | 7,031 | 8,516 |
| Tax-exempt | 1,810 | 1,699 | 3,615 | 3,363 |
| Other | 590 | 471 | 1,213 | 947 |
| TOTAL INTEREST INCOME | 31,134 | 29,495 | 62,283 | 58,786 |
| INTEREST EXPENSE: | | | | |
| Deposits | 2,169 | 3,082 | 4,833 | 6,365 |
| Short-term borrowings | 37 | 41 | 83 | 95 |
| Other borrowings | 1,266 | 1,213 | 2,540 | 2,412 |
| TOTAL INTEREST EXPENSE | 3,472 | 4,336 | 7,456 | 8,872 |
| NET INTEREST INCOME | 27,662 | 25,159 | 54,827 | 49,914 |
| Provision for loan losses | 1,789 | 1,352 | 4,745 | 2,534 |
| NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES | 25,873 | 23,807 | 50,082 | 47,380 |
| NON-INTEREST INCOME: | | | | |
| Trust and financial services | 1,439 | 1,191 | 2,919 | 2,528 |
| Service charges and fees on deposit accounts | 2,402 | 2,354 | 4,606 | 4,503 |
| Other service charges and fees | 2,276 | 2,092 | 4,731 | 4,081 |
| Securities gains/(losses), net | 664 | 4 | 660 | 7 |
| Total impairment losses | (11) | (97) | (11) | (97) |
| Loss recognized in other comprehensive loss | | | | |
| Net impairment loss recognized in earnings | (11) | (97) | (11) | (97) |
| Insurance commissions | 1,799 | 1,673 | 3,690 | 3,393 |
| Gain on sales of mortgage loans | 792 | 401 | 1,717 | 738 |
| Other | 396 | 268 | 956 | 1,035 |
| TOTAL NON-INTEREST INCOME | 9,757 | 7,886 | 19,268 | 16,188 |
| NON-INTEREST EXPENSE: | | | | |
| Salaries and employee benefits | 13,891 | 11,517 | 28,310 | 22,955 |
| Occupancy expense | 1,488 | 1,203 | 2,905 | 2,453 |
| Equipment expense | 1,399 | 1,095 | 2,681 | 2,229 |
| FDIC Expense | 527 | 536 | 955 | 1,279 |
| Other | 5,797 | 5,061 | 11,671 | 9,446 |
| TOTAL NON-INTEREST EXPENSE | 23,102 | 19,412 | 46,522 | 38,362 |
| INCOME BEFORE INCOME TAXES | 12,528 | 12,281 | 22,828 | 25,206 |
| Provision for income taxes | 3,823 | 3,864 | 6,680 | 7,986 |
| NET INCOME | 8,705 | 8,417 | 16,148 | 17,220 |
| OTHER COMPREHENSIVE INCOME | | | | |
| Change in unrealized gains/losses on securities, net of reclassifications | 570 | 9,158 | 640 | 15,507 |
| Tax effect | (228) | (3,663) | (256) | (6,203) |
| | 342 | 5,495 | 384 | 9,304 |
| | 670 | 503 | 1,287 | 1,008 |

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Change in funded status of post retirement

benefits

| | | | | |
|---|-----------------|------------------|------------------|------------------|
| Tax effect | (268) | (201) | (515) | (403) |
| | 402 | 302 | 772 | 605 |
| TOTAL OTHER COMPREHENSIVE INCOME | 744 | 5,797 | 1,156 | 9,909 |
| COMPREHENSIVE INCOME | \$ 9,449 | \$ 14,214 | \$ 17,304 | \$ 27,129 |
| PER SHARE DATA | | | | |
| Basic and Diluted | \$ 0.66 | \$ 0.64 | \$ 1.22 | \$ 1.31 |
| Dividends per Share | \$ 0.47 | \$ 0.47 | \$ 0.47 | \$ 0.47 |
| Weighted average number of shares outstanding (in thousands) | 13,238 | 13,152 | 13,230 | 13,152 |

See accompanying notes.

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FIRST FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

Three Months Ended

June 30, 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, April 1, 2012 | \$ 1,807 | \$ 69,448 | \$ 325,573 | \$ (10,082) | \$ (31,809) | \$ 354,937 |
| Net income | | | 8,705 | | | 8,705 |
| Change in net unrealized gains/(losses) on securities available for-sale | | | | 342 | | 342 |
| Change in funded status of retirement plans | | | | 402 | | 402 |
| Omnibus Equity Incentive Plan | | 123 | | | | 123 |
| Cash Dividends, \$.47 per share | | | (6,222) | | | (6,222) |
| Balance, June 30, 2012 | \$ 1,807 | \$ 69,571 | \$ 328,056 | \$ (9,338) | \$ (31,809) | \$ 358,287 |
| Balance, April 1, 2011 | \$ 1,806 | \$ 68,944 | \$ 302,122 | \$ (5,257) | \$ (32,983) | \$ 334,632 |
| Net income | | | 8,417 | | | 8,417 |
| Change in net unrealized gains/(losses) on securities available for-sale | | | | 5,495 | | 5,495 |
| Change in funded status of retirement plans | | | | 302 | | 302 |
| Cash Dividends, \$.47 per share | | | (6,181) | | | (6,181) |
| Balance, June 30, 2011 | \$ 1,806 | \$ 68,944 | \$ 304,358 | \$ 540 | \$ (32,983) | \$ 342,665 |

See accompanying notes.

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FIRST FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

Six Months Ended

June 30, 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, 2012 | \$ 1,806 | \$ 69,328 | \$ 318,130 | \$ (10,494) | \$ (31,809) | \$ 346,961 |
| Net income | | | 16,148 | | | 16,148 |
| Change in net unrealized gains/(losses) on securities available for-sale | | | | 384 | | 384 |
| Change in funded status of retirement plans | | | | 772 | | 772 |
| Omnibus Equity Incentive Plan | 1 | 243 | | | | 244 |
| Cash Dividends, \$.47 per share | | | (6,222) | | | (6,222) |
| Balance, June 30, 2012 | \$ 1,807 | \$ 69,571 | \$ 328,056 | \$ (9,338) | \$ (31,809) | \$ 358,287 |
| Balance, January 1, 2011 | \$ 1,806 | \$ 68,944 | \$ 293,319 | \$ (9,369) | \$ (32,983) | \$ 321,717 |
| Net income | | | 17,220 | | | 17,220 |
| Change in net unrealized gains/(losses) on securities available for-sale | | | | 9,304 | | 9,304 |
| Change in funded status of retirement plans | | | | 605 | | 605 |
| Cash Dividends, \$.47 per share | | | (6,181) | | | (6,181) |
| Balance, June 30, 2011 | \$ 1,806 | \$ 68,944 | \$ 304,358 | \$ 540 | \$ (32,983) | \$ 342,665 |

See accompanying notes.

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FIRST FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollar amounts in thousands, except per share data)

| | Six Months Ended June 30, | |
|---|------------------------------|------------------|
| | 2012 | 2011 |
| | (Unaudited) | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net Income | \$ 16,148 | \$ 17,220 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Net amortization (accretion) of premiums and discounts on investments | 1,565 | (111) |
| Provision for loan losses | 4,745 | 2,534 |
| Securities (gains) losses | (660) | (7) |
| Securities impairment loss | 11 | 97 |
| (Gain) loss on sale of other real estate | 1 | 178 |
| Restricted stock compensation | 244 | |
| Depreciation and amortization | 2,395 | 2,109 |
| Other, net | 3,829 | 257 |
| NET CASH FROM OPERATING ACTIVITIES | 28,278 | 22,277 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceeds from sales of securities available-for-sale | 6,513 | 25 |
| Redemption of restricted stock | 1,172 | 3,343 |
| Purchases of restricted stock | (186) | |
| Purchases of customer list | (114) | |
| Redemption of bank owned life insurance | 7,319 | |
| Calls, maturities and principal reductions on securities available-for-sale | 58,483 | 66,853 |
| Purchases of securities available-for-sale | (58,052) | (104,555) |
| Loans made to customers, net of repayment | 8,288 | (8,780) |
| Proceeds from sales of other real estate owned | 2,111 | 2,532 |
| Net change in federal funds sold | (15,747) | 3,154 |
| Additions to premises and equipment | (6,518) | (953) |
| NET CASH FROM INVESTING ACTIVITIES | 3,269 | (38,381) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Net change in deposits | (22,024) | (9,758) |
| Net change in short-term borrowings | (52,931) | 33,359 |
| Dividends paid | (6,203) | (6,050) |
| NET CASH FROM FINANCING ACTIVITIES | (81,158) | 17,551 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (49,611) | 1,447 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 134,280 | 58,511 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 84,669 | \$ 59,958 |

See accompanying notes.

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FIRST FINANCIAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The accompanying June 30, 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) 2011 annual report. 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 table presents the activity of the allowance for loan losses by portfolio segment for the three months ended June 30.

| Allowance for Loan Losses: (Dollar amounts in thousands) | June 30, 2012 | | | Unallocated | Total |
|---|---------------|-------------|----------|-------------|-----------|
| | Commercial | Residential | Consumer | | |
| Beginning balance | \$ 11,448 | \$ 2,092 | \$ 3,806 | \$ 967 | \$ 18,313 |
| Provision for loan losses* | 1,880 | 582 | 670 | 67 | 3,199 |
| Loans charged -off | (344) | (572) | (1,073) | | (1,989) |
| Recoveries | 206 | 22 | 341 | | 569 |
| Ending Balance | \$ 13,190 | \$ 2,124 | \$ 3,744 | \$ 1,034 | \$ 20,092 |

* Provision before decrease of \$1.41 million in 2012 for increase in FDIC indemnification asset

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| Allowance for Loan Losses: (Dollar amounts in thousands) | Commercial | Residential | June 30, 2011 Consumer | Unallocated | Total |
|---|-------------------|--------------------|---|--------------------|--------------|
| Beginning balance | \$ 12,536 | | | | |