

FIRST FINANCIAL CORP /IN/  
Form 10-Q  
August 03, 2016  
Table of Contents

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, 2016

Commission File Number 0-16759

FIRST FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

INDIANA	35-1546989
(State or other jurisdiction incorporation or organization)	(I.R.S. Employer Identification No.)

One First Financial Plaza, Terre Haute, IN	47807
(Address of principal executive office)	(Zip Code)

(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 <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

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 1, 2016, the registrant had outstanding 12,185,737 shares of common stock, without par value.

---

Table of Contents

FIRST FINANCIAL CORPORATION

FORM 10-Q

INDEX

	Page No.
<u>PART I. Financial Information</u>	
<u>Item 1. Financial Statements:</u>	
<u>Consolidated Balance Sheets</u>	3
<u>Consolidated Statements of Income and Comprehensive Income</u>	4
<u>Consolidated Statements of Shareholders' Equity</u>	5
<u>Consolidated Statements of Cash Flows</u>	7
<u>Notes to Consolidated Financial Statements</u>	8
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	33
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	35
<u>Item 4. Controls and Procedures</u>	38
<u>PART II. Other Information:</u>	
<u>Item 1. Legal Proceedings</u>	39
<u>Item 1A. Risk Factors</u>	39
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	39
<u>Item 3. Defaults upon Senior Securities</u>	39
<u>Item 4. Mine Safety Disclosures</u>	39
<u>Item 5. Other Information</u>	39
<u>Item 6. Exhibits</u>	40
<u>Signatures</u>	41

Table of Contents

## Part I – Financial Information

## Item 1. Financial Statements

FIRST FINANCIAL CORPORATION  
CONSOLIDATED BALANCE SHEETS

(Dollar amounts in thousands, except per share data)

	June 30, 2016	December 31, 2015
	(unaudited)	
<b>ASSETS</b>		
Cash and due from banks	\$55,438	\$ 88,695
Federal funds sold	5,500	9,815
Securities available-for-sale	876,538	891,082
Loans:		
Commercial	1,082,461	1,043,980
Residential	430,082	444,447
Consumer	287,308	272,896
	1,799,851	1,761,323
(Less) plus:		
Net deferred loan costs	2,959	2,485
Allowance for loan losses	(19,504)	(19,946)
	1,783,306	1,743,862
Restricted stock	10,848	10,838
Accrued interest receivable	10,869	11,733
Premises and equipment, net	49,353	50,531
Bank-owned life insurance	83,023	82,323
Goodwill	34,355	39,489
Other intangible assets	2,397	3,178
Other real estate owned	2,837	3,466
Other assets	43,552	44,573
<b>TOTAL ASSETS</b>	<b>\$2,958,016</b>	<b>\$ 2,979,585</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Deposits:		
Non-interest-bearing	\$527,461	\$ 563,302
Interest-bearing:		
Certificates of deposit exceeding the FDIC insurance limits	44,664	46,753
Other interest-bearing deposits	1,822,209	1,832,314
	2,394,334	2,442,369
Short-term borrowings	62,247	33,831
FHLB advances	10,828	12,677
Other liabilities	77,383	80,392
<b>TOTAL LIABILITIES</b>	<b>2,544,792</b>	<b>2,569,269</b>
Shareholders' equity		
Common stock, \$.125 stated value per share;		
Authorized shares-40,000,000		
Issued shares-14,578,758 in 2016 and 14,557,815 in 2015		
Outstanding shares-12,193,181 in 2016 and 12,740,018 in 2015	1,818	1,817
Additional paid-in capital	73,737	73,396

Edgar Filing: FIRST FINANCIAL CORP /IN/ - Form 10-Q

Retained earnings	411,423	395,633
Accumulated other comprehensive loss	(3,493 )	(9,401 )
Less: Treasury shares at cost-2,385,577 in 2016 and 1,817,797 in 2015	(70,261 )	(51,129 )
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>413,224</b>	<b>410,316</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$2,958,016</b>	<b>\$ 2,979,585</b>

See accompanying notes.

3

---

Table of Contents

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,	
	2016	2015	2016	2015
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>INTEREST INCOME:</b>				
Loans, including related fees	\$21,271	\$ 20,763	\$42,455	\$ 41,570
Securities:				
Taxable	3,694	3,991	7,525	8,052
Tax-exempt	1,818	1,790	3,640	3,569
Other	367	433	731	864
<b>TOTAL INTEREST INCOME</b>	<b>27,150</b>	<b>26,977</b>	<b>54,351</b>	<b>54,055</b>
<b>INTEREST EXPENSE:</b>				
Deposits	1,030	997	2,017	2,017
Short-term borrowings	26	19	49	32
Other borrowings	35	37	69	87
<b>TOTAL INTEREST EXPENSE</b>	<b>1,091</b>	<b>1,053</b>	<b>2,135</b>	<b>2,136</b>
<b>NET INTEREST INCOME</b>	<b>26,059</b>	<b>25,924</b>	<b>52,216</b>	<b>51,919</b>
Provision for loan losses	435	1,150	1,270	2,600
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>25,624</b>	<b>24,774</b>	<b>50,946</b>	<b>49,319</b>
<b>NON-INTEREST INCOME:</b>				
Trust and financial services	1,292	1,253	2,626	2,745
Service charges and fees on deposit accounts	2,601	2,543	5,105	4,869
Other service charges and fees	3,149	3,000	6,149	5,838
Securities gains/(losses), net	10	10	13	14
Insurance commissions	33	1,956	2,305	3,509
Gain on sale of certain assets and liabilities of insurance brokerage operation	—	—	13,021	—
Gain on sales of mortgage loans	481	542	885	901
Other	648	474	476	1,963
<b>TOTAL NON-INTEREST INCOME</b>	<b>8,214</b>	<b>9,778</b>	<b>30,580</b>	<b>19,839</b>
<b>NON-INTEREST EXPENSE:</b>				
Salaries and employee benefits	13,142	15,084	26,737	30,142
Occupancy expense	1,722	1,702	3,453	3,566
Equipment expense	1,808	1,702	3,645	3,474
FDIC Expense	403	450	854	880
Other	5,685	6,372	11,418	11,241
<b>TOTAL NON-INTEREST EXPENSE</b>	<b>22,760</b>	<b>25,310</b>	<b>46,107</b>	<b>49,303</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>11,078</b>	<b>9,242</b>	<b>35,419</b>	<b>19,855</b>
Provision for income taxes	2,846	2,319	13,512	5,171
<b>NET INCOME</b>	<b>8,232</b>	<b>6,923</b>	<b>21,907</b>	<b>14,684</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
Change in unrealized gains/losses on securities, net of reclassifications and taxes	1,262	(7,564)	5,300	(2,802)
Change in funded status of post retirement benefits, net of taxes	304	819	608	3,283

Edgar Filing: FIRST FINANCIAL CORP /IN/ - Form 10-Q

COMPREHENSIVE INCOME	\$9,798	\$ 178	\$27,815	\$ 15,165
PER SHARE DATA				
Basic and Diluted Earnings per Share	\$0.68	\$ 0.54	\$1.76	\$ 1.14
Weighted average number of shares outstanding (in thousands)	12,236	12,903	12,441	12,925
See accompanying notes.				

4

---

Table of ContentsFIRST FINANCIAL CORPORATION  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Three Months Ended

June 30, 2016, and 2015

(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, 2015	\$ 1,815	\$ 72,576	\$385,731	\$ (7,303 )	\$(43,792)	\$409,027
Net income	—	—	6,923	—	—	6,923
Other comprehensive loss	—	—	—	(6,745 )	—	(6,745 )
Omnibus Equity Incentive Plan	1	170	—	—	—	171
Treasury shares purchased (118,053 shares)	—	—	\$—	\$ —	(4,027 )	(4,027 )
Cash dividends, \$.49 per share	—	—	(6,291 )	\$ —	—	(6,291 )
Balance, June 30, 2015	\$ 1,816	\$ 72,746	\$386,363	\$ (14,048 )	\$(47,819)	\$399,058
Balance, April 1, 2016	\$ 1,818	\$ 73,566	\$409,308	\$ (5,059 )	\$(67,721)	\$411,912
Net income	—	—	8,232	—	—	8,232
Other comprehensive income	—	—	—	1,566	—	1,566
Omnibus Equity Incentive Plan	—	171	—	—	—	171
Treasury shares purchased (72,174 shares)	—	—	—	—	(2,540 )	(2,540 )
Cash dividends, \$.50 per share	—	—	(6,117 )	—	—	(6,117 )
Balance, June 30, 2016	\$ 1,818	\$ 73,737	\$411,423	\$ (3,493 )	\$(70,261)	\$413,224
See accompanying notes.						





Table of ContentsFIRST FINANCIAL CORPORATION  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Six Months Ended

June 30, 2016, and 2015

(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, 2015	\$ 1,815	\$ 72,405	\$377,970	\$ (14,529 )	\$(43,447)	\$394,214
Net income	—	—	14,684	—	—	14,684
Other comprehensive income	—	—	—	481	—	481
Omnibus Equity Incentive Plan	1	341	—	—	—	342
Treasury shares purchased (127,742 shares)	—	—	—	—	(4,372 )	(4,372 )
Cash dividends, \$.49 per share	—	—	(6,291 )	—	—	(6,291 )
Balance, June 30, 2015	\$ 1,816	\$ 72,746	\$386,363	\$ (14,048 )	\$(47,819)	\$399,058
Balance, January 1, 2016	\$ 1,817	\$ 73,396	\$395,633	\$ (9,401 )	\$(51,129)	\$410,316
Net income	—	—	21,907	—	—	21,907
Other comprehensive income	—	—	—	5,908	—	5,908
Omnibus Equity Incentive Plan	1	341	—	—	—	342
Treasury shares purchased (567,780 shares)	—	—	—	—	(19,132 )	(19,132 )
Cash dividends, \$.50 per share	—	—	(6,117 )	—	—	(6,117 )
Balance, June 30, 2016	\$ 1,818	\$ 73,737	\$411,423	\$ (3,493 )	\$(70,261)	\$413,224
See accompanying notes.						

Table of Contents

FIRST FINANCIAL CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Dollar amounts in thousands, except per share data)

	Six Months Ended June 30,	
	2016	2015
	(Unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income	\$21,907	\$14,684
Adjustments to reconcile net income to net cash provided by operating activities:		
Net amortization (accretion) of premiums and discounts on investments	1,746	1,472
Provision for loan losses	1,270	2,600
Securities (gains) losses	(13 )	(14 )
(Gain) loss on sale of other real estate	91	(117 )
Gain on sale of certain assets and liabilities of insurance brokerage operation	(13,021 )	—
Restricted stock compensation	342	342
Depreciation and amortization	2,514	2,810
Other, net	(2,926 )	(1,515 )
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>11,910</b>	<b>20,262</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales of securities available-for-sale	—	1,900
Calls, maturities and principal reductions on securities available-for-sale	71,998	70,694
Purchases of securities available-for-sale	(50,743 )	(82,893 )
Loans made to customers, net of repayment	(40,671 )	(4,398 )
Redemption of restricted stock	—	5,576
Purchase of restricted stock	(10 )	—
Purchase of customer list	—	(103 )
Proceeds from sale of certain assets and liabilities of insurance brokerage operation	17,094	—
Proceeds from sales of other real estate owned	571	969
Net change in federal funds sold	4,315	6,000
Additions to premises and equipment	(996 )	(924 )
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>1,558</b>	<b>(3,179 )</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net change in deposits	(48,067 )	(58,662 )
Net change in short-term borrowings	28,416	36,804
Maturities of other borrowings	(6,050 )	(2,000 )
Proceeds from other borrowings	4,350	—
Purchase of treasury stock	(19,132 )	(4,372 )
Dividends paid	(6,242 )	(6,342 )
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>(46,725 )</b>	<b>(34,572 )</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(33,257 )</b>	<b>(17,489 )</b>
<b>CASH AND DUE FROM BANKS, BEGINNING OF PERIOD</b>	<b>88,695</b>	<b>78,102</b>
<b>CASH AND DUE FROM BANKS, END OF PERIOD</b>	<b>\$55,438</b>	<b>\$60,613</b>
See accompanying notes.		

Table of ContentsFIRST FINANCIAL CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The accompanying June 30, 2016 and 2015 consolidated financial statements are unaudited. The December 31, 2015 consolidated financial statements are as reported in the First Financial Corporation (the "Corporation") 2015 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, 2015.

## 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 2016 and 2015, 20,943 and 19,683 shares were awarded, respectively. These shares had a grant date value of \$677 thousand and \$667 thousand for 2016 and 2015, 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:	June 30, 2016				
(Dollar amounts in thousands)	Commercial	Residential	Consumer	Unallocated	Total
Beginning balance	\$11,168	\$ 1,769	\$ 5,106	\$ 1,883	\$19,926
Provision for loan losses	(816 )	(22 )	749	524	435
Loans charged -off	(555 )	(232 )	(1,055 )	—	(1,842 )
Recoveries	447	80	458	—	985
Ending Balance	\$10,244	\$ 1,595	\$ 5,258	\$ 2,407	\$19,504

Allowance for Loan Losses:	June 30, 2015				
(Dollar amounts in thousands)	Commercial	Residential	Consumer	Unallocated	Total
Beginning balance	\$10,818	\$ 1,622	\$ 4,494	\$ 2,417	\$19,351
Provision for loan losses	160	277	638	75	1,150
Loans charged -off	(272 )	(181 )	(1,026 )	—	(1,479 )
Recoveries	225	42	572	—	839
Ending Balance	\$10,931	\$ 1,760	\$ 4,678	\$ 2,492	\$19,861



Table of Contents

The following table presents the activity of the allowance for loan losses by portfolio segment for the six months ended June 30.

Allowance for Loan Losses:	June 30, 2016				
(Dollar amounts in thousands)	Commercial	Residential	Consumer	Unallocated	Total
Beginning balance	\$11,482	\$ 1,834	\$ 4,945	\$ 1,685	\$19,946
Provision for loan losses	(1,091 )	103	1,536	722	1,270
Loans charged -off	(822 )	(471 )	(2,189 )	—	(3,482 )
Recoveries	675	129	966	—	1,770
Ending Balance	\$10,244	\$ 1,595	\$ 5,258	\$ 2,407	\$19,504
Allowance for Loan Losses:	June 30, 2015				
(Dollar amounts in thousands)	Commercial	Residential	Consumer	Unallocated	Total
Beginning balance	\$10,915	\$ 1,374	\$ 4,370	\$ 2,180	\$18,839
Provision for loan losses	167	653	1,468	312	2,600
Loans charged -off	(608 )	(406 )	(2,288 )	—	(3,302 )
Recoveries	457	139	1,128	—	1,724
Ending Balance	\$10,931	\$ 1,760	\$ 4,678	\$ 2,492	\$19,861

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 June 30, 2016 and December 31, 2015.

Allowance for Loan Losses	June 30, 2016				
(Dollar amounts in thousands)	Commercial	Residential	Consumer	Unallocated	Total
Individually evaluated for impairment	\$786	\$ 132	\$ —	\$ —	\$918
Collectively evaluated for impairment	9,307	1,463	5,258	2,407	18,435
Acquired with deteriorated credit quality	151	—	—	—	151
Ending Balance	\$10,244	\$ 1,595	\$ 5,258	\$ 2,407	\$19,504

Loans:	June 30, 2016			
(Dollar amounts in thousands)	Commercial	Residential	Consumer	Total
Individually evaluated for impairment	\$8,967	\$ 635	\$—	\$9,602
Collectively evaluated for impairment	1,074,936	429,103	288,553	1,792,592
Acquired with deteriorated credit quality	3,878	1,502	—	5,380
Ending Balance	\$1,087,781	\$ 431,240	\$ 288,553	\$1,807,574

Allowance for Loan Losses:	December 31, 2015				
(Dollar amounts in thousands)	Commercial	Residential	Consumer	Unallocated	Total
Individually evaluated for impairment	953	206	—	—	1,159
Collectively evaluated for impairment	10,342	1,628	4,945	1,685	18,600
Acquired with deteriorated credit quality	187	—	—	—	187
Ending Balance	\$11,482	\$ 1,834	\$ 4,945	\$ 1,685	\$19,946

Loans	December 31, 2015			
(Dollar amounts in thousands)	Commercial	Residential	Consumer	Total
Individually evaluated for impairment	8,823	902	—	9,725
Collectively evaluated for impairment	1,037,086	443,224	274,134	1,754,444
Acquired with deteriorated credit quality	4,092	1,529	—	5,621
Ending Balance	\$1,050,001	\$ 445,655	\$ 274,134	\$1,769,790



Table of Contents

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

	Unpaid Principal Balance	Recorded Investment	June 30, 2016		Interest Income Recognized	Cash Basis Interest Recognized	
			Allowance for Loan Losses Allocated	Average Recorded Investment			
(Dollar amounts in thousands)							
With no related allowance recorded:							
Commercial							
Commercial & Industrial	\$ 529	\$ 236	\$—	\$ 841	\$	—\$	—
Farmland	1,465	1,465	—	488	—	—	—
Non Farm, Non Residential	3,084	3,084	—	3,147	—	—	—
Agriculture	635	635	—	212	—	—	—
All Other Commercial	1,424	1,424	—	1,540	—	—	—
Residential							
First Liens	27	27	—	28	—	—	—
Home Equity	—	—	—	—	—	—	—
Junior Liens	—	—	—	—	—	—	—
Multifamily	—	—	—	—	—	—	—
All Other Residential	—	—	—	—	—	—	—
Consumer							
Motor Vehicle	—	—	—	—	—	—	—
All Other Consumer	—	—	—	—	—	—	—
With an allowance recorded:							
Commercial							
Commercial & Industrial	994	994	88	864	—	—	—
Farmland	—	—	—	—	—	—	—
Non Farm, Non Residential	1,129	1,129	698	1,240	—	—	—
Agriculture	—	—	—	—	—	—	—
All Other Commercial	—	—	—	75	—	—	—
Residential							
First Liens	608	608	132	722	—	—	—
Home Equity	—	—	—	—	—	—	—
Junior Liens	—	—	—	—	—	—	—
Multifamily	—	—	—	—	—	—	—
All Other Residential	—	—	—	—	—	—	—
Consumer							
Motor Vehicle	—	—	—	—	—	—	—
All Other Consumer	—	—	—	—	—	—	—
TOTAL	\$ 9,895	\$ 9,602	\$918	\$ 9,157	\$	—\$	—



Table of Contents

	December 31, 2015						
	Unpaid Principal	Recorded	Allowance for Loan Losses	Average Recorded Investment	Interest Income	Cash Basis Interest Income	
(Dollar amounts in thousands)	Balance	Investment	Allocated	Investment	Recognized	Recognized	
With no related allowance recorded:							
Commercial							
Commercial & Industrial	\$ 1,516	\$ 1,223	\$—	\$ 1,796	\$	—\$	—
Farmland	—	—	—	—	—	—	—
Non Farm, Non Residential	3,202	3,202	—	2,080	—	—	—
Agriculture	—	—	—	—	—	—	—
All Other Commercial	1,760	1,760	—	1,175	—	—	—
Residential							
First Liens	29	29	—	18	—	—	—
Home Equity	—	—	—	—	—	—	—
Junior Liens	—	—	—	—	—	—	—
Multifamily	—	—	—	—	—	—	—
All Other Residential	—	—	—	—	—	—	—
Consumer							
Motor Vehicle	—	—	—	—	—	—	—
All Other Consumer	—	—	—	—	—	—	—
With an allowance recorded:							
Commercial							
Commercial & Industrial	998	998	212	3,463	—	—	—
Farmland	—	—	—	—	—	—	—
Non Farm, Non Residential	1,415	1,415	741	3,682	—	—	—
Agriculture	—	—	—	—	—	—	—
All Other Commercial	225	225	—	483	—	—	—
Residential							
First Liens	873	873	206	460	—	—	—
Home Equity	—	—	—	—	—	—	—
Junior Liens	—	—	—	—	—	—	—
Multifamily	—	—	—	—	—	—	—
All Other Residential	—	—	—	—	—	—	—
Consumer							
Motor Vehicle	—	—	—	—	—	—	—
All Other Consumer	—	—	—	—	—	—	—
TOTAL	\$ 10,018	\$ 9,725	\$ 1,159	\$ 13,157	\$	—\$	—

Table of Contents

	Three Months Ended June 30, 2016			Six Months Ended June 30, 2016		
	Average Recorded	Interest Income	Cash Basis Interest Income	Average Recorded	Interest Income	Cash Basis Interest Income
(Dollar amounts in thousands)	Investment	Recognized	Recognized	Investment	Recognized	Recognized
With no related allowance recorded:						
Commercial & Industrial	\$650	\$	—\$	—\$841	\$	—\$
Farmland	733	—	—	488	—	—
Non Farm, Non Residential	3,119	—	—	3,147	—	—
Agriculture	318	—	—	212	—	—
All Other Commercial	1,431	—	—	1,540	—	—
Residential						
First Liens	28	—	—	28	—	—
Home Equity	—	—	—	—	—	—
Junior Liens	—	—	—	—	—	—
Multifamily	—	—	—	—	—	—
All Other Residential	—	—	—	—	—	—
Consumer						
Motor Vehicle	—	—	—	—	—	—
All Other Consumer	—	—	—	—	—	—
With an allowance recorded:						
Commercial						
Commercial & Industrial	797	—	—	864	—	—
Farmland	—	—	—	—	—	—
Non Farm, Non Residential	1,153	—	—	1,240	—	—
Agriculture	—	—	—	—	—	—
All Other Commercial	—	—	—	75	—	—
Residential						
First Liens	646	—	—	722	—	—
Home Equity	—	—	—	—	—	—
Junior Liens	—	—	—	—	—	—
Multifamily	—	—	—	—	—	—
All Other Residential	—	—	—	—	—	—
Consumer						
Motor Vehicle	—	—	—	—	—	—
All Other Consumer	—	—	—	—	—	—
TOTAL	\$8,875	\$	—\$	—\$9,157	\$	—\$

Table of Contents

	Three Months Ended June 30, 2015			Six Months Ended June 30, 2015		
	Average Interest Recorded	Interest Income	Cash Basis Interest Income	Average Interest Recorded	Interest Income	Cash Basis Interest Income
(Dollar amounts in thousands)						
With no related allowance recorded:						
Commercial						
Commercial & Industrial	\$2,779	\$	—\$	—\$2,161	\$	—\$
Farmland	—	—	—	—	—	—
Non Farm, Non Residential	1,978	—	—	1,318	—	—
Agriculture	—	—	—	—	—	—
All Other Commercial	1,025	—	—	780	—	—
Residential						
First Liens	16	—	—	10	—	—
Home Equity	—	—	—	—	—	—
Junior Liens	—	—	—	—	—	—
Multifamily	—	—	—	—	—	—
All Other Residential	—	—	—	—	—	—
Consumer						
Motor Vehicle	—	—	—	—	—	—
All Other Consumer	—	—	—	—	—	—
With an allowance recorded:						
Commercial						
Commercial & Industrial	4,413	—	—	4,900	—	—
Farmland	—	—	—	—	—	—
Non Farm, Non Residential	4,417	—	—	5,162	—	—
Agriculture	—	—	—	—	—	—
All Other Commercial	566	—	—	653	—	—
Residential						
First Liens	246	—	—	175	—	—
Home Equity	—	—	—	—	—	—
Junior Liens	—	—	—	—	—	—
Multifamily	—	—	—	—	—	—
All Other Residential	—	—	—	—	—	—
Consumer						
Motor Vehicle	—	—	—	—	—	—
All Other Consumer	—	—	—	—	—	—
TOTAL	\$15,440	\$	—\$	—\$15,159	\$	—\$



Table of Contents

The tables below presents the recorded investment in non-performing loans.

	June 30, 2016			
	Loans			
	Past			
	Due	Over	90 Day	Still
	Over	90 Day	Still	
	90 Day	Still		
(Dollar amounts in thousands)	Accruing	Accruing	Nonaccrual	Nonaccrual
	90 Day	Still		
Commercial				
Commercial & Industrial	\$—	\$4	\$ 403	\$ 1,961
Farmland	48	—	—	1,520
Non Farm, Non Residential	—	5	3,041	1,828
Agriculture	—	—	—	1,107
All Other Commercial	—	—	—	1,329
Residential				
First Liens	744	3,894	1,157	5,339
Home Equity	99	—	—	207
Junior Liens	86	—	—	206
Multifamily	—	—	—	—
All Other Residential	—	—	—	102
Consumer				
Motor Vehicle	133	84	1	171
All Other Consumer	—	109	470	756
TOTAL	\$1,110	\$4,096	\$ 5,072	\$ 14,526

	December 31, 2015			
	Loans			
	Past			
	Due	Over	90 Day	Still
	Over	90 Day	Still	
	90 Day	Still		
(Dollar amounts in thousands)	Accruing	Accruing	Nonaccrual	Nonaccrual
	90 Day	Still		
Commercial				
Commercial & Industrial	\$—	\$5	\$ 422	\$ 3,187
Farmland	—	—	—	219
Non Farm, Non Residential	—	6	3,152	2,545
Agriculture	—	—	—	378
All Other Commercial	—	—	—	1,817
Residential				
First Liens	809	4,577	1,034	4,839
Home Equity	10	—	—	320
Junior Liens	45	—	—	211
Multifamily	—	—	—	—
All Other Residential	—	—	—	111
Consumer				
Motor Vehicle	148	—	2	213
All Other Consumer	4	—	400	794

TOTAL                      \$1,016 \$4,588 \$ 5,010      \$ 14,634

There were \$178 thousand of loans covered by loss share agreements with the FDIC included in loans past due over 90 days still on accrual at June 30, 2016 and there were \$37 thousand at December 31, 2015. There were \$237 thousand of covered loans

14

---

Table of Contents

included in non-accrual loans at June 30, 2016 and there were \$242 thousand at December 31, 2015. There were no covered loans at June 30, 2016 or December 31, 2015 that were deemed impaired.

Non-performing loans include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

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

(Dollar amounts in thousands)	June 30, 2016					
	30-59 Days	60-89 Days	Greater than 90 days	Total	Current	Total
	Past Due	Past Due	Past Due	Past Due		
<b>Commercial</b>						
Commercial & Industrial	\$615	\$112	\$1,027	\$1,754	\$484,840	\$486,594
Farmland	141	1,005	48	1,194	114,079	115,273
Non Farm, Non Residential	12	450	130	592	203,394	203,986
Agriculture	582	—	381	963	139,490	140,453
All Other Commercial	9	—	—	9	141,466	141,475
<b>Residential</b>						
First Liens	981	520	1,990	3,491	277,145	280,636
Home Equity	64	32	115	211	35,745	35,956
Junior Liens	261	23	230	514	34,479	34,993
Multifamily	—	—	—	—	71,883	71,883
All Other Residential	—	—	—	—	7,772	7,772
<b>Consumer</b>						
Motor Vehicle	2,822	452	229	3,503	261,607	265,110
All Other Consumer	102	98	1	201	23,242	23,443
<b>TOTAL</b>	<b>\$5,589</b>	<b>\$2,692</b>	<b>\$4,151</b>	<b>\$12,432</b>	<b>\$1,795,142</b>	<b>\$1,807,574</b>

(Dollar amounts in thousands)	December 31, 2015					
	30-59 Days	60-89 Days	Greater than 90 days	Total	Current	Total
	Past Due	Past Due	Past Due	Past Due		
<b>Commercial</b>						
Commercial & Industrial	\$326	\$274	\$1,405	\$2,005	\$476,984	\$478,989
Farmland	135	—	—	135	106,725	106,860
Non Farm, Non Residential	1,824	90	310	2,224	206,844	209,068
Agriculture	65	38	324	427	143,116	143,543
All Other Commercial	25	32	—	57	111,484	111,541
<b>Residential</b>						
First Liens	4,960	1,181	1,671	7,812	285,913	293,725
Home Equity	85	23	114	222	37,502	37,724
Junior Liens	179	29	177	385	32,876	33,261
Multifamily	—	—	—	—	70,735	70,735
All Other Residential	15	—	—	15	10,195	10,210
<b>Consumer</b>						

Edgar Filing: FIRST FINANCIAL CORP /IN/ - Form 10-Q

Motor Vehicle	3,212	568	181	3,961	247,882	251,843
All Other Consumer	38	10	5	53	22,238	22,291
TOTAL	\$10,864	\$2,245	\$4,187	\$17,296	\$1,752,494	\$1,769,790

15

---



Table of Contents

During the three and six months ended June 30, 2016 and 2015, the terms of certain loans were modified as troubled debt restructurings (TDRs). The following tables present the activity for TDR's.

	2016			
(Dollar amounts in thousands)	Commercial	Residential	Consumer	Total
April 1,	\$ 3,529	\$5,285	\$ 695	\$9,509
Added	—	43	62	105
Charged Off	—	(125 )	(6 )	(131 )
Payments	(76 )	(170 )	(82 )	(328 )
June 30,	\$ 3,453	\$5,033	\$ 669	\$9,155

	2016			
(Dollar amounts in thousands)	Commercial	Residential	Consumer	Total
January 1,	3,584	5,593	683	9,860
Added	—	123	150	273
Charged Off	—	(181 )	(26 )	(207 )
Payments	(131 )	(502 )	(138 )	(771 )
June 30,	3,453	5,033	669	9,155

	2015			
(Dollar amounts in thousands)	Commercial	Residential	Consumer	Total
April 1,	8,835	5,618	614	15,067
Added	—	73	189	262
Charged Off	—	—	(40 )	(40 )
Payments	(130 )	(102 )	(106 )	(338 )
June 30,	8,705	5,589	657	14,951

	2015			
(Dollar amounts in thousands)	Commercial	Residential	Consumer	Total
January 1,	8,955	5,189	614	14,758
Added	—	652	189	841
Charged Off	—	(62 )	(40 )	(102 )
Payments	(250 )	(190 )	(106 )	(546 )
June 30,	8,705	5,589	657	14,951

Modification of the terms of such loans typically include one or a combination of the following: a reduction of the stated interest rate of the loan; an extension of the maturity date at a stated rate of interest lower than the current market rate for new debt with similar risk; or a permanent reduction of the recorded investment in the loan. No modification in 2016 or 2015 resulted in the permanent reduction of the recorded investment in the loan.

Modifications involving a reduction of the stated interest rate of the loan were for periods ranging from twelve months to five years. Modifications involving an extension of the maturity date were for periods ranging from twelve months to ten years. Troubled debt restructurings during the three and six months ended June 30, 2016 and 2015 did not result in any material charge-offs or additional provision expense.

The Corporation has allocated \$7 thousand and \$47 thousand of specific reserves to customers whose loan terms have been modified in troubled debt restructurings at both June 30, 2016 and 2015, respectively. The Corporation has not committed to lend additional amounts as of June 30, 2016 and 2015 to customers with outstanding loans that are classified as troubled debt restructurings. The charge-offs during the three months ended June 30, 2016 and 2015 were not of any restructurings that had taken place in the previous 12 months. The impact on the provision for new troubled debt restructurings was immaterial.



Table of Contents

## Credit Quality Indicators:

The Corporation categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Corporation analyzes loans individually by classifying the loans as to credit risk. This analysis includes non-homogeneous loans, such as commercial loans, with an outstanding balance greater than \$100 thousand. Any consumer loans outstanding to a borrower who had commercial loans analyzed will be similarly risk rated. This analysis is performed on a quarterly basis. The Corporation uses the following definitions for risk ratings:

**Special Mention:** Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

**Substandard:** Loans classified as substandard are inadequately protected by the current net worth and debt service capacity of the borrower or of any pledged collateral. These loans have a well-defined weakness or weaknesses which have clearly jeopardized repayment of principal and interest as originally intended. They are characterized by the distinct possibility that the institution will sustain some future loss if the deficiencies are not corrected.

**Doubtful:** Loans classified as doubtful have all the weaknesses inherent in those graded substandard, with the added characteristic that the severity of the weaknesses makes collection or liquidation in full highly questionable or improbable based upon currently existing facts, conditions, and values.

Furthermore, non-homogeneous loans which were not individually analyzed, but are 90+ days past due or on non-accrual are classified as substandard. Loans included in homogeneous pools, such as residential or consumer may be classified as substandard due to 90+ days delinquency, non-accrual status, bankruptcy, or loan restructuring.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass rated loans. Loans listed as not rated are either less than \$100 thousand or are included in groups of homogeneous loans. As of June 30, 2016 and December 31, 2015, and based on the most recent analysis performed, the risk category of loans by class of loans are as follows:

	June 30, 2016					
(Dollar amounts in thousands)	Pass	Special Mention	Substandard	Doubtful	Not Rated	Total
<b>Commercial</b>						
Commercial & Industrial	\$433,878	\$19,378	\$ 27,153	\$ 470	\$4,471	\$485,350
Farmland	93,903	13,172	6,602	—	14	113,691
Non Farm, Non Residential	176,105	9,401	18,006	—	—	203,512
Agriculture	111,776	16,887	10,242	24	180	139,109
All Other Commercial	128,842	121	10,995	76	765	140,799
<b>Residential</b>						
First Liens	93,910	3,669	7,607	603	173,986	279,775
Home Equity	10,125	213	912	9	24,646	35,905
Junior Liens	7,690	241	542	27	26,407	34,907
Multifamily	70,130	1,574	15	—	24	71,743
All Other Residential	522	—	23	—	7,207	7,752
<b>Consumer</b>						
Motor Vehicle	10,563	274	517	10	252,612	263,976

Edgar Filing: FIRST FINANCIAL CORP /IN/ - Form 10-Q

All Other Consumer	2,799	45	103	14	20,371	23,332
TOTAL	\$1,140,243	\$64,975	\$ 82,717	\$ 1,233	\$510,683	\$1,799,851

17

---

Table of Contents

(Dollar amounts in thousands)	December 31, 2015					Total
	Pass	Special Mention	Substandard	Doubtful	Not Rated	
Commercial						
Commercial & Industrial	\$417,880	\$20,422	\$ 32,778	\$ 757	\$5,638	\$477,475
Farmland	93,418	6,387	5,208	—	16	105,029
Non Farm, Non Residential	180,659	8,114	19,857	—	—	208,630
Agriculture	121,244	11,964	8,419	27	170	141,824
All Other Commercial	95,850	2,649	10,887	101	1,535	111,022
Residential						
First Liens	96,146	4,594	8,598	699	182,791	292,828
Home Equity	11,701	387	669	10	24,895	37,662
Junior Liens	7,493	86	505	58	25,033	33,175
Multifamily	68,972	1,602	—	—	23	70,597
All Other Residential	886	—	24	—	9,275	10,185
Consumer						
Motor Vehicle	10,287	356	534	—	239,543	250,720
All Other Consumer	2,930	77	125	14	19,030	22,176
TOTAL	\$1,107,466	\$56,638	\$ 87,604	\$ 1,666	\$507,949	\$1,761,323

## 3. Securities

The amortized cost and fair value of the Corporation's investments are shown below. All securities are classified as available-for-sale.

(Dollar amounts in thousands)	June 30, 2016			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Government agencies	\$10,175	\$ 232	\$ —	\$10,407
Mortgage Backed Securities - residential	218,840	6,583	(42 )	225,381
Mortgage Backed Securities - commercial	6	—	—	6
Collateralized mortgage obligations	404,630	5,030	(1,445 )	408,215
State and municipal obligations	210,745	10,352	(4 )	221,093
Collateralized debt obligations	9,411	4,276	(2,251 )	11,436
TOTAL	\$853,807	\$ 26,473	\$ (3,742 )	\$876,538

(Dollar amounts in thousands)	December 31, 2015			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Government agencies	\$10,670	\$ 46	\$ (23 )	\$10,693
Mortgage Backed Securities-residential	208,705	5,089	(630 )	213,164
Mortgage Backed Securities-commercial	9	—	—	9
Collateralized mortgage obligations	441,500	2,141	(6,007 )	437,634
State and municipal obligations	206,291	8,475	(59 )	214,707
Collateralized debt obligations	9,621	5,254	—	14,875
TOTAL	\$876,796	\$ 21,005	\$ (6,719 )	\$891,082



Table of Contents

Contractual maturities of debt securities at June 30, 2016 were as follows. Securities not due at a single maturity or with no maturity date, primarily mortgage-backed and equity securities are shown separately.

(Dollar amounts in thousands)	Available-for-Sale	
	Amortized Cost	Fair Value
Due in one year or less	\$6,948	\$7,026
Due after one but within five years	54,311	55,913
Due after five but within ten years	89,092	94,509
Due after ten years	79,980	85,488
	230,331	242,936
Mortgage-backed securities and collateralized mortgage obligations	623,476	633,602
TOTAL	\$853,807	\$876,538

There were \$10 thousand and \$13 thousand in gross gains and no losses from investment sales and calls realized by the Corporation for the three and six months ended June 30, 2016. For the three months and six ended June 30, 2015 there were \$10 thousand and \$14 thousand in gross gains and no losses on sales and calls of investment securities.

The following tables show the securities' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in continuous unrealized loss position, at June 30, 2016 and December 31, 2015.

(Dollar amounts in thousands)	June 30, 2016					
	Less Than 12 Months		More Than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mortgage Backed Securities - Residential	\$19,049	\$(41)	\$155	\$(1)	\$19,204	\$(42)
Collateralized mortgage obligations	12,132	(76)	120,995	(1,369)	133,127	(1,445)
State and municipal obligations	1,100	(2)	410	(2)	1,510	(4)
Collateralized Debt Obligations	6,717	(2,251)	—	—	6,717	(2,251)
Total temporarily impaired securities	\$38,998	\$(2,370)	\$121,560	\$(1,372)	\$160,558	\$(3,742)

December 31, 2015

Less Than 12 Months	More Than 12 Months	Total
Unrealized	Unrealized	