

FIRST FINANCIAL CORP /IN/
Form 10-Q
August 08, 2018
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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, 2018

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"/>
Emerging growth company <input type="checkbox"/>	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B)

of the Securities Act.

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 6, 2018, the registrant had outstanding 12,255,045 shares of common stock, without par value.

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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)

	June 30, 2018	December 31, 2017
	(unaudited)	
ASSETS		
Cash and due from banks	\$ 50,081	\$ 74,107
Securities available-for-sale	782,609	814,931
Loans:		
Commercial	1,138,255	1,139,490
Residential	442,163	436,143
Consumer	345,404	327,976
	1,925,822	1,903,609
(Less) plus:		
Net deferred loan costs	2,750	3,152
Allowance for loan losses	(20,071)	(19,909)
	1,908,501	1,886,852
Restricted stock	10,390	10,379
Accrued interest receivable	12,345	12,913
Premises and equipment, net	47,372	48,272
Bank-owned life insurance	85,606	85,016
Goodwill	34,355	34,355
Other intangible assets	1,424	1,630
Other real estate owned	497	1,880
Other assets	34,868	30,333
TOTAL ASSETS	\$ 2,968,048	\$ 3,000,668
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Non-interest-bearing	\$ 430,382	\$ 425,001
Interest-bearing:		
Certificates of deposit exceeding the FDIC insurance limits	40,279	43,178
Other interest-bearing deposits	1,983,674	1,990,474
	2,454,335	2,458,653
Short-term borrowings	32,589	57,686
FHLB advances	1,400	—
Other liabilities	60,029	70,760
TOTAL LIABILITIES	2,548,353	2,587,099
Shareholders' equity		
Common stock, \$.125 stated value per share;		
Authorized shares-40,000,000		
Issued shares-14,612,540 in 2018 and 14,595,320 in 2017		
Outstanding shares-12,255,045 in 2018 and 12,246,464 in 2017	1,823	1,822
Additional paid-in capital	75,995	75,624
Retained earnings	440,605	420,275

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Accumulated other comprehensive loss	(28,889)	(14,704)
Less: Treasury shares at cost-2,357,495 in 2018 and 2,348,856 in 2017	(69,839)	(69,448)
TOTAL SHAREHOLDERS' EQUITY	419,695		413,569	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$2,968,048		\$ 3,000,668	

See accompanying notes.

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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,	
	2018	2017	2018	2017
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
INTEREST INCOME:				
Loans, including related fees	\$24,778	\$ 22,325	\$48,401	\$ 44,266
Securities:				
Taxable	5,947	3,630	9,540	7,387
Tax-exempt	1,860	1,843	3,700	3,670
Other	318	330	639	651
TOTAL INTEREST INCOME	32,903	28,128	62,280	55,974
INTEREST EXPENSE:				
Deposits	2,125	1,471	3,889	2,746
Short-term borrowings	88	73	187	117
Other borrowings	6	24	47	44
TOTAL INTEREST EXPENSE	2,219	1,568	4,123	2,907
NET INTEREST INCOME	30,684	26,560	58,157	53,067
Provision for loan losses	1,355	1,040	2,828	2,636
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	29,329	25,520	55,329	50,431
NON-INTEREST INCOME:				
Trust and financial services	1,340	1,149	2,755	2,466
Service charges and fees on deposit accounts	2,846	3,004	5,731	5,781
Other service charges and fees	3,347	3,114	6,491	6,299
Securities gains, net	2	15	2	17
Recovery of security previously written down for OTTI	4,158	—	4,158	3,061
Gain on sales of mortgage loans	500	393	840	720
Other	768	438	1,087	818
TOTAL NON-INTEREST INCOME	12,961	8,113	21,064	19,162
NON-INTEREST EXPENSE:				
Salaries and employee benefits	12,578	12,218	25,543	25,293
Occupancy expense	1,633	1,761	3,414	3,529
Equipment expense	1,650	1,835	3,343	3,632
FDIC Expense	223	228	450	461
Other	6,599	6,046	13,144	11,750
TOTAL NON-INTEREST EXPENSE	22,683	22,088	45,894	44,665
INCOME BEFORE INCOME TAXES	19,607	11,545	30,499	24,928
Provision for income taxes	4,346	3,193	6,285	7,207
NET INCOME	15,261	8,352	24,214	17,721
OTHER COMPREHENSIVE INCOME (LOSS)				
Change in unrealized gains/(losses) on securities, net of reclassifications and taxes	(4,682)) 5,045	(11,883)) 8,233
Change in funded status of post retirement benefits, net of taxes	281	184	(2,302)) 367
COMPREHENSIVE INCOME	\$10,860	\$ 13,581	\$10,029	\$ 26,321
PER SHARE DATA				
Basic and Diluted Earnings per Share	\$1.25	\$ 0.68	\$1.98	\$ 1.45

Weighted average number of shares outstanding (in thousands)	12,255	12,224	12,252	12,221
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See accompanying notes.

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CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Three Months Ended

June 30, 2018, and 2017

(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, 2017	\$ 1,820	\$ 74,701	\$ 431,195	\$ (10,793)	\$(70,115)	\$ 426,808
Net income	—	—	8,352	—	—	8,352
Other comprehensive income	—	—	—	5,229	—	5,229
Omnibus Equity Incentive Plan 1	—	176	—	—	—	177
Cash dividends, \$.50 per share	—	—	(6,112)	—	—	(6,112)
Balance, June 30, 2017	\$ 1,821	\$ 74,877	\$ 433,435	\$ (5,564)	\$(70,115)	\$ 434,454
Balance, April 1, 2018	\$ 1,823	\$ 75,810	\$ 431,594	\$ (24,488)	\$(69,839)	\$ 414,900
Net income	—	—	15,261	—	—	15,261
Other comprehensive loss	—	—	—	(4,401)	—	(4,401)
Omnibus Equity Incentive Plan	—	185	—	—	—	185
Cash dividends, \$.51 per share	—	—	(6,250)	—	—	(6,250)
Balance, June 30, 2018	\$ 1,823	\$ 75,995	\$ 440,605	\$ (28,889)	\$(69,839)	\$ 419,695
See accompanying notes.						

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CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Six Months Ended

June 30, 2018, and 2017

(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, 2017	\$ 1,820	\$ 74,525	\$ 421,826	\$ (14,164)	\$(69,612)	\$ 414,395
Net income	—	—	17,721	—	—	17,721
Other comprehensive income	—	—	—	8,600	—	8,600
Omnibus Equity Incentive Plan	1	352	—	—	—	353
Treasury shares purchased (9,524 shares)	—	—	—	—	(503)	(503)
Cash dividends, \$.50 per share	—	—	(6,112)	—	—	(6,112)
Balance, June 30, 2017	\$ 1,821	\$ 74,877	\$ 433,435	\$ (5,564)	\$(70,115)	\$ 434,454
Balance, January 1, 2018	\$ 1,822	\$ 75,624	\$ 420,275	\$ (14,704)	\$(69,448)	\$ 413,569
Net income	—	—	24,214	—	—	24,214
Other comprehensive loss	—	—	—	(11,819)	—	(11,819)
Omnibus Equity Incentive Plan	1	371	—	—	—	372
Treasury shares purchased (8,639 shares)	—	—	—	—	(391)	(391)
ASU 2018-02 adjustment	—	—	2,366	(2,366)	—	—
Cash dividends, \$.51 per share	—	—	(6,250)	—	—	(6,250)
Balance, June 30, 2018	\$ 1,823	\$ 75,995	\$ 440,605	\$ (28,889)	\$(69,839)	\$ 419,695

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,	
	2018	2017
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$24,214	\$17,721
Adjustments to reconcile net income to net cash provided by operating activities:		
Net amortization (accretion) of premiums and discounts on investments	1,765	1,812
Provision for loan losses	2,828	2,636
Securities (gains)	(2)	(17)
(Gain) / Loss on sale of other real estate	(16)	36
Recovery of security previously written down for OTTI	(4,158)	(3,061)
Restricted stock compensation	372	353
Depreciation and amortization	2,082	2,274
Other, net	(4,605)	(7,796)
NET CASH FROM OPERATING ACTIVITIES	22,480	