

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-05-10** | Period of Report: **1995-03-31**  
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### FILER

#### FIRST FINANCIAL CORP /IN/

CIK: **714562** | IRS No.: **351546989** | State of Incorporation: **IN** | Fiscal Year End: **1231**  
Type: **10-Q** | Act: **34** | File No.: **000-16759** | Film No.: **95536217**  
SIC: **6022** State commercial banks

Mailing Address	Business Address
ONE FIRST FINANCIAL PLAZA TERRE HAUTE IN 47807	ONE FIRST FINANCIAL PLZ TERRE HAUTE IN 47807 8122386242

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15 (D) OF THE

SECURITIES EXCHANGE ACT OF 1934

FIRST FINANCIAL CORPORATION

MARCH 31, 1995

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15 (D) OF THE

SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 31, 1995

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

(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 X No .

As of March 31, 1995 were outstanding 5,496,593 shares without par value, of the registrant.

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FIRST FINANCIAL CORPORATION

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FIRST FINANCIAL CORPORATION  
CONSOLIDATED STATEMENTS OF CONDITION

<CAPTION>

	March 31, 1995	December 31, 1994
	(Dollar amounts in thousands)	
<S>	<C>	<C>
Cash and due from banks	\$48,473	\$51,947
Federal funds sold and securities purchased under agreements to resell	2,000	23,725
Investments:		
Held to Maturity ( market value of \$179,496 and \$168,879, respectively)	180,933	174,646
Available-For-Sale	221,428	178,272

Loans:		
Commercial, financial and agricultural	163,334	163,268
Real estate - construction	20,525	20,446
Real estate - mortgage	430,460	424,427
Installment	189,409	185,533
Lease financing	4,914	5,259
	808,642	798,933
Less:		
Unearned income	1,600	1,882
Allowance for possible loan losses	9,875	9,649
	797,167	787,402
Accrued interest receivable	9,492	9,704
Premises and equipment	20,166	20,011
Other assets	12,755	14,132
TOTAL ASSETS	\$1,292,414	\$1,259,839

LIABILITIES AND SHAREHOLDERS' EQUITY

Deposit:		
Noninterest-bearing	\$122,986	\$125,106
Interest-bearing:		
Certificates of deposit of \$100,000 or more	112,446	109,306
Other interest-bearing deposits	789,267	758,954
	1,024,699	993,366
Short-term borrowings:		
Federal funds purchased and securities sold under agreements to repurchase	62,901	66,685
Treasury tax and loan open-end note	2,739	5,406
Advances from Federal Home Loan Bank	51,127	46,272
	116,767	118,363
Other liabilities	10,342	9,919
Long-term debt	6,662	7,470
Long-term advances from Federal Home Loan Bank	17,075	18,168
TOTAL LIABILITIES	1,175,545	1,147,286
Shareholders' equity:		
Common stock, \$.125 stated value per share; authorized 10,000,000 shares; issued 5,541,354 shares for 1995 and 1994, including treasury shares of 44,766 for 1995 and 19,600 for 1994	693	693
Additional capital	25,498	25,498
Retained earnings	92,119	89,399
Unrealized gains(losses) on AFS securities, net of tax	-36	-2,429
Less treasury shares, at cost	-1,405	-608
TOTAL SHAREHOLDERS' EQUITY	116,869	112,553
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$1,292,414	\$1,259,839

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

<TABLE>

CONSOLIDATED STATEMENTS OF INCOME

<CAPTION>

	Three Months Ended March 31,	
	1995	1994
	(Amounts in thousands, except per share data)	
<S>	<C>	<C>
<b>INTEREST INCOME:</b>		
Loans	\$17,010	\$14,754
Investment securities:		
Taxable	4,466	3,838
Tax-exempt	1,760	1,591
	6,226	5,429
Other interest income	191	84
<b>TOTAL INTEREST INCOME</b>	<b>23,427</b>	<b>20,267</b>
<b>INTEREST EXPENSE</b>		
Deposits	9,932	7,723
Other	1,900	1,192
<b>TOTAL INTEREST EXPENSE</b>	<b>11,832</b>	<b>8,915</b>
<b>NET INTEREST INCOME</b>	<b>11,595</b>	<b>11,352</b>
Provision for possible loan losses	540	963
<b>NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN LOSSES</b>	<b>11,055</b>	<b>10,389</b>
<b>OTHER INCOME</b>		
Trust department income	315	271
Service charges on deposit accounts	289	300
Other service charges and fees	778	636
Investment securities gains (losses)	6	71
Other	291	318
	1,679	1,596
<b>OTHER EXPENSES</b>		
Salaries and employee benefits	4,328	4,319
Occupancy expense	633	469
Equipment expense	496	496
Data processing expense	535	486
FDIC insurance expense	543	546
Other	2,453	2,267
	8,988	8,583
<b>INCOME BEFORE INCOME TAXES</b>	<b>3,746</b>	<b>3,402</b>
Income Tax Expense	1,026	892
<b>NET INCOME</b>	<b>2,720</b>	<b>2,510</b>
<b>EARNINGS PER SHARE</b>	<b>\$0.49</b>	<b>\$0.45</b>
Weighted average number of shares outstanding	5,512	5,541

The accompanying notes are an integral part of the consolidated financial statements.  
</TABLE>

<TABLE>

FIRST FINANCIAL CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS

<CAPTION>

	Three Months Ended	
	March 31,	
	1995	1994
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$2,720	\$2,510
Adjustment to reconcile net income to net cash provided by operating activities:		
Provision for possible loan losses	540	963
Provision for depreciation and amortization	595	949
Net decrease in accrued interest receivable	212	957
Other, net	1,351	1,314
NET CASH PROVIDED BY OPERATING ACTIVITIES	5,418	6,693
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net increase (decrease) from purchases and maturities of interest-bearing deposits with financial institutions	0	577
Sales and maturities of investment securities	0	95,611
Maturities of held-to-maturity securities	13,345	0
Sales and maturities of available-for-sale securities	2,976	0
Purchases of investment securities	0	-80,083
Purchases of investment securities:		
Held-to-maturity security	-10,632	0
Available-for-sale security	-50,766	0
Loans made to customers, net of repayments	-10,414	4,553
Net decrease in federal funds sold	21,725	1,739
Additions to premises and equipment	-619	-529
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	-34,385	21,868
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase from sales and redemptions of certificates of deposit	73,572	16,821
Net decrease in other deposits	-42,239	-20,074
Net decrease in short-term borrowings	-1,597	-12,730
Cash dividends	-1,546	-1,469
Purchase of treasury stock	-797	0
Net decrease from long-term debt	-1,897	-5,315
Repayments of long-term debt	-3	-43
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	25,493	-22,810
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-3,474	5,751
CASH AND CASH EQUIVALENTS, BEGINNING OF QUARTER	51,947	43,460
CASH AND CASH EQUIVALENTS, END OF QUARTER	\$48,473	\$49,211
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the quarter for interest	\$ 9,810	\$8,454
Income taxes paid	\$900	\$70

The accompanying notes are an integral part of the consolidated financial statements.

FIRST FINANCIAL CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. Accounting Policies

The accompanying March 31, 1995 and 1994 consolidated financial statements are unaudited. The December 31, 1994, consolidated statement of condition amounts are as reported in the Corporation's 1994 annual report.

The significant accounting policies followed by First Financial 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.

Effective January 1, 1995, the Corporation adopted Statement of Financial Accounting Standard (SFAS) No. 114, "Accounting by creditors for Impairment of a Loan" which had no material effect on the Corporation's consolidated financial statements.

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FIRST FINANCIAL CORPORATION

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The purpose of the review is to point out key factors in First Financial's recent performance, compared with earlier periods. The review should be read in conjunction with the financial statements beginning on Page 3 of this report. All figures are for the consolidated entities. It is presumed the readers of these financial statements and the following narrative have previously read the Corporation's annual report for 1994.

Earnings Analysis

Summary of Operating Results

Net income for current quarter of \$2,720,000 represents a \$210,000 increase or 8.4% from the \$2,510,000 reported for the same quarter of 1994. Earnings per share increased to \$.49 from \$.45 for the same period of 1994.

Net Interest Income

First Financial Corporation's primary source of earnings is net interest income, which is the difference between the interest earned on loans and other investments and the interest incurred for deposits and other sources of funds. Although net interest income increased \$243,000 or 2.1% as compared to the same period of 1994, the spread in interest rates decreased from 4.26% in 1994 to 4.17% in 1995. This decrease was caused by a higher cost paid for interest bearing-liabilities as the result of more competition for funds.

Other Income

Other income for the three month period ending March 31, 1995, as compared to the same period of 1994 increased \$83,000 or 5%. Contributing to the increase were the moderate increase of trust department income of \$44,000 or 16.2% and other service charges and fees of \$142,000 or 22.3%. These increases were offset by lower security gains of \$6,000 for the first quarter of 1995 as compared to the gains of \$71,000 for the same period of 1994.

#### Other Expenses

For the first three months of 1995, other expenses increased 4.7% or \$405,000. Most of the components of other expenses increased moderately for the first quarter as compared to the same period of 1994 due primarily to the Corporation's overall growth.

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#### Analysis of Financial Condition

The Corporation's provision for possible loan losses totaled \$540,000 in the first three months of 1995 compared to \$963,000 in the same period a year earlier. The current quarter's provision reflects a general improvement in the quality of the loan portfolio.

At March 31, 1995, the allowance for possible loan losses was 1.22% of total loans, net of unearned income. This compares to an allowance of 1.21% at December 31, 1994. Net chargeoffs for the first three months of 1995 were \$311,000 compared to \$1,023,000 for 1994. The ratio of net chargeoffs to average loans outstanding for the last five years ended December 31, 1994, is .26%. With this experience and based on management's review of the portfolio, management believes the allowance of \$9,875,000 is adequate.

#### Liquidity and Interest Rate Sensitivity

The Corporation's objective in liquidity management is to manage the assets and liabilities to meet the needs of borrowers while allowing for the possibility of deposit withdrawals.

Part of the strategy in maintaining a satisfactory level of liquidity is to structure a maturity schedule for the investment and loan portfolios that will allow for fluctuations in the availability of funds. Within the next twelve months \$107,417,000 of investments will mature, which represents 26.5% of the investment portfolio. Investments with maturities of one to five years comprise an additional 50.2% of the investment portfolio.

The investment maturities along with the normal run-off of loans coupled with a large supply of unpledged securities for repurchase agreements, federal funds purchased, additional negotiable certificates of deposits, and other available borrowings affords the Corporation flexibility in funding loan growth and meeting other market opportunities as they present themselves.

During the next twelve months the Corporation will either reprice or mature a total of \$420,971,000 of assets. In this same period a total of \$513,361,000 of liabilities will either be repriced or mature. Thus, the ratio of rate sensitive assets to rate sensitive liabilities as measured on a static basis, is 0.82% as March 31, 1995. The Corporation will continue to monitor this relationship to determine if it is appropriate in maintaining a satisfactory level of net interest margin, while also considering interest rate sensitivity.

#### Capital Adequacy



As of March 31, 1995, the Corporation's leverage ratio was 9.10% which compared 9.30% at December 31, 1994.

At March 31, 1995, the Corporation's tier II capital ratio was 15.29% compared to 15.30% at December 31, 1994.

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PART II OTHER INFORMATION

ITEM 4. Submission of Matters to a Vote of Security Holders

- (a) The Annual meeting of the shareholders of the Corporation was held on April 19, 1995.
- (b) The following were elected Directors of the Corporation: Walter A. Bledsoe, B. Guille Cox, Jr., Thomas T. Dinkel, Welby M. Frantz, Anton Hulman George, Mari Hulman George, Gregory L. Gibson, Max Gibson, Norman L. Lowery, William Niemeyer, Patrick O'Leary, John W. Ragle, Chapman J. Root II, Donald E. Smith, and Virginia Smith.
- (c) The shareholders unanimously approved the annual report of the Corporation and unanimously approved the actions of the Directors and Officers of the Corporation for the fiscal year ended December 31, 1994.

No other information is required to be filed under Part II of this form.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FIRST FINANCIAL CORPORATION  
(Registrant)

Date: May 10, 1995

By (Signature)

Donald E. Smith, President

Date: May 10, 1995

By (Signature)

John W. Perry, Secretary

Date: May 10, 1995

By (Signature)  
Michael A. Carty, Treasurer

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