FIRST FINANCIAL CORP /IN/
Form 10-Q
May 09, 2014
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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 March 31, 2014

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
(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 ¨.

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 x 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 x
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 x.

As of May 5, 2014, the registrant had outstanding 13,355,272 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)

	March 31, 2014 (unaudited)	December 31, 2013
ASSETS		
Cash and due from banks	$83,988	$71,033
Federal funds sold	9,791	4,276
Securities available-for-sale	921,165	914,560
Loans:		
Commercial	1,037,518	1,042,138
Residential	481,663	482,377
Consumer	265,428	268,033
	1,784,609	1,792,548
Less:		
Unearned Income	(635)	(1,120)
Allowance for loan losses	(20,408)	(20,068)
	1,763,566	1,771,360
Restricted Stock	21,057	21,057
Accrued interest receivable	11,451	11,554
Premises and equipment, net	50,655	51,449
Bank-owned life insurance	79,444	79,035
Goodwill	39,489	39,489
Other intangible assets	4,656	4,935
Other real estate owned	4,806	5,291
FDIC Indemnification Asset	754	1,055
Other assets	41,720	43,624
TOTAL ASSETS	$3,032,542	$3,018,718
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Non-interest-bearing	$535,333	$506,815
Interest-bearing:		
Certificates of deposit of $100 or more	171,165	179,177
Other interest-bearing deposits	1,800,516	1,772,799
	2,507,014	2,458,791
Short-term borrowings	35,710	59,592
Other borrowings	38,214	58,288
Other liabilities	52,275	55,852
TOTAL LIABILITIES	2,633,213	2,632,523
Shareholders' equity		
Common stock, $.125 stated value per share;		
Authorized shares-40,000,000		
Issued shares-14,538,132 in 2014 and 14,516,113 in 2013		
Outstanding shares-13,355,272 in 2014 and 13,343,029 in 2013	1,812	1,811

Additional paid-in capital	71,315	71,074
Retained earnings	364,914	357,083
Accumulated other comprehensive loss	(8,551)	(13,969)
Less: Treasury shares at cost-1,182,860 in 2014 and 1,173,084 in 2013	(30,161)	(29,804)
TOTAL SHAREHOLDERS' EQUITY	399,329	386,195
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$3,032,542	$3,018,718

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 March 31,	
	2014 (unaudited)	2013 (unaudited)
INTEREST INCOME:		
Loans, including related fees	$22,218	$23,454
Securities:		
Taxable	4,444	3,214
Tax-exempt	1,746	1,770
Other	416	504
TOTAL INTEREST INCOME	28,824	28,942
INTEREST EXPENSE:		
Deposits	1,290	1,742
Short-term borrowings	14	20
Other borrowings	378	1,007
TOTAL INTEREST EXPENSE	1,682	2,769
NET INTEREST INCOME	27,142	26,173
Provision for loan losses	1,960	3,021
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	25,182	23,152
NON-INTEREST INCOME:		
Trust and financial services	1,489	1,526
Service charges and fees on deposit accounts	2,484	2,254
Other service charges and fees	2,839	2,500
Securities gains/(losses), net	—	4
Insurance commissions	1,913	1,963
Gain on sales of mortgage loans	376	963
Other	1,010	667
TOTAL NON-INTEREST INCOME	10,111	9,877
NON-INTEREST EXPENSE:		
Salaries and employee benefits	14,096	13,596
Occupancy expense	1,925	1,522
Equipment expense	1,658	1,501
FDIC Expense	487	557
Other	5,539	5,023
TOTAL NON-INTEREST EXPENSE	23,705	22,199
INCOME BEFORE INCOME TAXES	11,588	10,830
Provision for income taxes	3,757	3,137
NET INCOME	7,831	7,693
OTHER COMPREHENSIVE INCOME		
Change in unrealized gains/losses on securities, net of reclassifications and taxes	5,303	(1,667)
Change in funded status of post retirement benefits, net of taxes	115	214
COMPREHENSIVE INCOME	$13,249	$6,240
PER SHARE DATA		
Basic and Diluted Earnings per Share	$0.59	$0.58
Weighted average number of shares outstanding (in thousands)	13,349	13,300

See accompanying notes.

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FIRST FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Three Months Ended
March 31, 2014, and 2013
(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, 2013	$1,808	$69,989	$338,342	$(7,472)	$(30,545)	$372,122
Net income	—	—	7,693	—	—	7,693
Other comprehensive income (loss)	—	—	—	(1,453)	—	(1,453)
Omnibus Equity Incentive Plan	1	182	—	—	—	183
Treasury shares purchased (5,354 shares)	—	—	—	—	(162)	(162)
Balance, March 31, 2013	$1,809	$70,171	$346,035	$(8,925)	$(30,707)	$378,383
Balance, January 1, 2014	$1,811	$71,074	$357,083	$(13,969)	$(29,804)	$386,195
Net income	—	—	7,831	—	—	7,831
Other comprehensive income	—	—	—	5,418	—	5,418
Omnibus Equity Incentive Plan	1	241	—	—	—	242
Treasury shares purchased (9,776 shares)	—	—	—	—	(357)	(357)
Balance, March 31, 2014	$1,812	$71,315	$364,914	$(8,551)	$(30,161)	$399,329

See accompanying notes.

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

	Three Months Ended March 31,	
	2014	2013
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$7,831	$7,693
Adjustments to reconcile net income to net cash provided by operating activities:		
Net amortization (accretion) of premiums and discounts on investments	646	652
Provision for loan losses	1,960	3,021
Securities (gains) losses	—	(4)
(Gain) loss on sale of other real estate	47	51
Restricted stock compensation	242	183
Depreciation and amortization	1,346	1,352
Other, net	1,627	3,014
NET CASH FROM OPERATING ACTIVITIES	13,699	15,962
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of securities available-for-sale	—	4,369
Calls, maturities and principal reductions on securities available-for-sale	34,724	44,334
Purchases of securities available-for-sale	(33,387)	(131,176)
Loans made to customers, net of repayment	5,765	30,338
Proceeds from sales of other real estate owned	516	362
Net change in federal funds sold	(5,515)	(33,584)
Additions to premises and equipment	(273)	(692)
NET CASH FROM INVESTING ACTIVITIES	1,830	(86,049)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net change in deposits	48,070	73,395
Net change in short-term borrowings	(23,882)	(599)
Maturities of other borrowings	(20,000)	(5,000)
Purchase of treasury stock	(357)	(162)
Dividends paid	(6,405)	(6,378)
NET CASH FROM FINANCING ACTIVITIES	(2,574)	61,256
NET CHANGE IN CASH AND CASH EQUIVALENTS	12,955	(8,831)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	71,033	87,230
CASH AND CASH EQUIVALENTS, END OF PERIOD	$83,988	$78,399

See accompanying notes.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The accompanying March 31, 2014 and 2013 consolidated financial statements are unaudited. The December 31, 2013 consolidated financial statements are as reported in the First Financial Corporation (the "Corporation") 2013 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, 2013.

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 2014 and 2013, 22,019 and 30,219 shares were awarded, respectively. These shares had a grant date value of $708 thousand and $923 thousand for 2014 and 2013, 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 March 31.

Allowance for Loan Losses:	March 31, 2014				
(Dollar amounts in thousands)	Commercial	Residential	Consumer	Unallocated	Total
Beginning balance	$12,450	$1,585	$3,650	$2,383	$20,068
Provision for loan losses*	732	66	800	127	1,725
Loans charged -off	(936)	(172)	(1,053)	—	(2,161)
Recoveries	207	102	467	—	776
Ending Balance	$12,453	$1,581	$3,864	$2,510	$20,408

* Provision before increase of $235 thousand in 2014 for decrease in FDIC indemnification asset

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

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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, 2014 and December 31, 2013.

Allowance for Loan Losses	March 31, 2014				
(Dollar amounts in thousands)	Commercial	Residential	Consumer	Unallocated	Total
Individually evaluated for impairment	$3,223	$—	$—	$—	$3,223
Collectively evaluated for impairment	8,376	1,419	3,864	2,510	16,169
Acquired with deteriorated credit quality	854	162	—	—	1,016
Ending Balance	$12,453	$1,581	$3,864	$2,510	$20,408

Loans:	March 31, 2014			
(Dollar amounts in thousands)	Commercial	Residential	Consumer	Total
Individually evaluated for impairment	$16,768	$36	$—	$16,804
Collectively evaluated for impairment	1,018,111	480,682	266,615	1,765,408
Acquired with deteriorated credit quality	7,839	2,393	—	10,232
Ending Balance	$1,042,718	$483,111	$266,615	$1,792,444

Allowance for Loan Losses:	December 31, 2013				
(Dollar amounts in thousands)	Commercial	Residential	Consumer	Unallocated	Total
Individually evaluated for impairment	3,158	—	—	—	3,158
Collectively evaluated for impairment	8,421	1,408	3,650	2,383	15,862
Acquired with deteriorated credit quality	871	177	—	—	1,048
Ending Balance	$12,450	$1,585	$3,650	$2,383	$20,068

Loans	December 31, 2013			
(Dollar amounts in thousands)	Commercial	Residential	Consumer	Total
Individually evaluated for impairment	18,825	37	—	18,862
Collectively evaluated for impairment	1,020,771	481,439	269,352	1,771,562
Acquired with deteriorated credit quality	8,001	2,397	—	10,398
Ending Balance	$1,047,597	$483,873	$269,352	$1,800,822

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

	March 31, 2014					
(Dollar amounts in thousands)	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	$2,096	$1,894	$—	$1,906	$—	$—
Farmland	—	—	—	—	—	—
Non Farm, Non Residential	268	102	—	104	—	—
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	9,064	7,550	2,032	8,085	—	—
Farmland	—	—	—	—	—	—
Non Farm, Non Residential	6,276	6,276	1,075	6,740	—	—
Agriculture	—	—	—	—	—	—
All Other Commercial	1,030	1,030	116	1,046	—	—
Residential						
First Liens	36	36	—	37	—	—
Home Equity	—	—	—	—	—	—
Junior Liens	—	—	—	—	—	—
Multifamily	—	—	—	—	—	—
All Other Residential	—	—	—	—	—	—
Consumer						
Motor Vehicle	—	—	—	—	—	—
All Other Consumer	—	—	—	—	—	—
TOTAL	$18,770	$16,888	$3,223	$17,918	$—	$—

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	December 31, 2013					
(Dollar amounts in thousands)	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Income Recognized
With no related allowance recorded:						
Commercial						
Commercial & Industrial	$2,120	$1,918	$—	$1,555	$—	$—
Farmland	—	—	—	—	—	—
Non Farm, Non Residential	271	105	—	26	—	—
Agriculture	—	—	—	—	—	—
All Other Commercial	—	—	—	—	—	—
Residential						
First Liens	—	—	—	7	—	—
Home Equity	—	—	—	—	—	—
Junior Liens	—	—	—	—	—	—
Multifamily	—	—	—	—	—	—
All Other Residential	—	—	—	—	—	—
Consumer						
Motor Vehicle	—	—	—	—	—	—
All Other Consumer	—	—	—	—	—	—
With an allowance recorded:						
Commercial						
Commercial & Industrial	10,134	8,620	1,612	13,029	217	217
Farmland	—	—	—	356	113	113
Non Farm, Non Residential	7,664	7,204	1,500	7,921	—	—
Agriculture	—	—	—	—	—	—
All Other Commercial	1,062	1,062	46	2,979	—	—
Residential						
First Liens	37	37	—	524	—	—
Home Equity	—	—	—	113	—	—
Junior Liens	—	—	—	—	—	—
Multifamily	—	—	—	2,216	—	—
All Other Residential	—	—	—	—	—	—
Consumer						
Motor Vehicle	—	—	—	—	—	—
All Other Consumer	—	—	—	—	—	—
TOTAL	$21,288	$18,946	$3,158	$28,726	$330	$330

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

	March 31, 2014			December 31, 2013		
	Loans Past Due Over 90 Day Still	Troubled Debt		Loans Past Due Over 90 Day Still	Troubled Debt	
(Dollar amounts in thousands)	Accruing	Restructurings	Nonaccrual	Accruing	Restructurings	Nonaccrual
Commercial						
Commercial & Industrial	$—	$4,774	$7,343	$240	$6,578	$6,861
Farmland	—	—	92	—	—	99
Non Farm, Non Residential	14	4,569	4,417	489	5,687	4,918
Agriculture	—	—	121	—	—	134
All Other Commercial	—	—	1,375	—	—	1,412
Residential						
First Liens	781	4,318	4,254	1,100	4,283	4,047
Home Equity	142	—	194	40	—	195
Junior Liens	195	—	344	147	—	390
Multifamily	—	58	404	—	61	433
All Other Residential	2	—	124	1	—	130
Consumer						
Motor Vehicle	142	16	191	187	626	186
All Other Consumer	1	604	939	3	17	974
TOTAL	$1,277	$14,339	$19,798	$2,207	$17,252	$19,779

Loans covered by loss share agreements with the FDIC included in loans past due over 90 days still on accrual are $25 thousand at March 31, 2014 and $580 thousand at December 31, 2013. Covered loans included in non-accrual loans are $1.0 million at March 31, 2014 and $1.1 million at December 31, 2013. Covered loans of $84 thousand at March 31, 2014 and December 31, 2013 are deemed impaired and have no allowance for loan loss allocated to them, respectively for March 31, 2014 and December 31, 2013. Non-performing loans include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

The commercial and industrial loans and non farm, non residential loans included in restructured loans above are also on non-accrual.

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

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

	March 31, 2014					
	30-59 Days	60-89 Days	Greater than 90 days	Total		
(Dollar amounts in thousands)	Past Due	Past Due	Past Due	Past Due	Current	Total
Commercial						
Commercial & Industrial	$634	$428	$3,929	$4,991	$480,103	$485,094
Farmland	225	—	—	225	91,629	91,854
Non Farm, Non Residential	91	731	780	1,602	237,360	238,962
Agriculture	192	33	—	225	107,137	107,362
All Other Commercial	163	168	293	624	118,822	119,446
Residential						
First Liens	4,751	543	1,829	7,123	319,636	326,759
Home Equity	134	8	142	284	40,396	40,680
Junior Liens	210	159	312	681	32,013	32,694
Multifamily	—	—	419	419	73,532	73,951
All Other Residential	138	—	2	140	8,887	9,027
Consumer						
Motor Vehicle	1,541	409	142	2,092	243,903	245,995
All Other Consumer	117	30	1	148	20,472	20,620
TOTAL	$8,196	$2,509	$7,849	$18,554	$1,773,890	$1,792,444

	December 31, 2013					
	30-59 Days	60-89 Days	Greater than 90 days	Total		
(Dollar amounts in thousands)	Past Due	Past Due	Past Due	Past Due	Current	Total
Commercial						
Commercial & Industrial	$1,076	$266	$7,900	$9,242	$459,076	$468,318
Farmland	—	—	—	—	92,602	92,602
Non Farm, Non Residential	362	—	2,042	2,404	239,183	241,587
Agriculture	31	32	—	63	136,388	136,451
All Other Commercial	50	217	188	455	108,184	108,639
Residential						
First Liens	5,594	1,513	1,701	8,808	324,141	332,949
Home Equity	307	7	40	354	41,350	41,704
Junior Liens	392	170	471	1,033	32,269	33,302
Multifamily	103	19	400	522	66,138	66,660
All Other Residential	88	—	1	89	9,169	9,258
Consumer						
Motor Vehicle	3,579	612	227	4,418	243,146	247,564
All Other Consumer	123	22	7	152	21,636	21,788
TOTAL	$11,705	$2,858	$12,977	$27,540	$1,773,282	$1,800,822

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During the three months ended March 31, 2014 and 2013, the terms of certain loans were modified as troubled debt restructurings (TDRs). The following tables present the activity for TDR's.

	2014			
(Dollar amounts in thousands)	Commercial	Residential	Consumer	Total
January 1,	12,327	4,330	644	17,301
Added	—	133	68	201
Charged Off	(1,069)	—	(20)	(1,089)
Payments	(1,915)	(101)	(72)	(2,088)
March 31,	9,343	4,362	620	14,325

	2013			
(Dollar amounts in thousands)	Commercial	Residential	Consumer	Total
January 1,	16,474	4,107	704	21,285
Added	—	780	73	853
Charged Off	—	—	(9)	(9)
Payments	(404)	(140)	(68)	(612)
March 31,	16,070	4,747	700	21,517

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 2014 or 2013 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.

During the three months ended March 31, 2014 and 2013 the Corporation modified 12 and 8 loans respectively. In both of these periods all of the loans modified were smaller balance consumer and residential loans.

The Corporation has allocated $1.1 million and $3.1 million of specific reserves to customers whose loan terms have been modified in troubled debt restructurings at both March 31, 2014 and 2013, respectively. The Corporation has not committed to lend additional amounts as of March 31, 2014 and 2013 to customers with outstanding loans that are classified as troubled debt restructurings

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.

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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 March 31, 2014 and December 31, 2013, and based on the most recent analysis performed, the risk category of loans by class of loans are as follows:

	March 31, 2014					
(Dollar amounts in thousands)	Pass	Special Mention	Substandard	Doubtful	Not Rated	Total
Commercial						
Commercial & Industrial	$431,610	$18,977	$26,280	$3,780	$3,290	$483,937
Farmland	86,493	3,699	325	—	20	90,537
Non Farm, Non Residential	200,698	15,687	21,641	426	—	238,452
Agriculture	100,036	5,598	103	—	33	105,770
All Other Commercial	99,580	8,064	10,165	41	972	118,822
Residential						
First Liens	111,840	3,987	9,563	974	199,320	325,684
Home Equity	12,470	331	1,326	111	26,373	40,611
Junior Liens	8,649	57	517	66	23,296	32,585
Multifamily	70,235	2,075	1,469	—	—	73,779
All Other Residential	3,269	—	31	—	5,704	9,004
Consumer						
Motor Vehicle	11,043	283	428	—	233,196	244,950
All Other Consumer	3,347	48	66	22	16,995	20,478
TOTAL	$1,139,270	$58,806	$71,914	$5,420	$509,199	$1,784,609

	December 31, 2013					
(Dollar amounts in thousands)	Pass	Special Mention	Substandard	Doubtful	Not Rated	Total
Commercial						
Commercial & Industrial	$406,650	$18,968	$30,986	$4,069	$6,426	$467,099
Farmland	86,633	3,631	347	—	445	91,056
Non Farm, Non Residential	207,115	13,408	19,719	809	—	241,051
Agriculture	128,137	6,482	105	—	71	134,795
All Other Commercial	93,515	2,297	10,038	44	2,243	108,137
Residential						
First Liens	114,074	3,834	8,498	995	204,416	331,817
Home Equity	12,883	274	1,071	113	27,295	41,636
Junior Liens	8,858	60	550	67	23,654	33,189
Multifamily	63,073	1,908	1,482	48	—	66,511
All Other Residential	3,643	—	31	—	5,550	9,224
Consumer						
Motor Vehicle	11,447	219	510	9	234,210	246,395
All Other Consumer	3,507	46	79	22	17,984	21,638
TOTAL	$1,139,535	$51,127	$73,416	$6,176	$522,294	$1,792,548

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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)	March 31, 2014 Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Government agencies	$1,531	$28	$—	$1,559
Mortgage Backed Securities - Residential	188,755	7,580	(1,613)	194,722
Mortgage Backed Securities - Commercial	26	1	—	27
Collateralized Mortgage Obligations	528,654	1,648	(13,364)	516,938
State and Municipal Obligations	189,302	7,189	(1,080)	195,411
Collateralized Debt Obligations	10,645	5,309	(3,446)	12,508
TOTAL	$918,913	$21,755	$(19,503)	$921,165

(Dollar amounts in thousands)	December 31, 2013 Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Government agencies	$1,623	$10	$—	$1,633
Mortgage Backed Securities-residential	191,995	7,761	(1,992)	197,764
Mortgage Backed Securities-commercial	4,642	1	(252)	4,391
Collateralized mortgage obligations	521,148	1,492	(15,899)	506,741
State and municipal	190,521	6,388	(1,922)	194,987
Collateralized debt obligations	10,968	4,695	(6,619)	9,044
TOTAL	$920,897	$20,347	$(26,684)	$914,560

Contractual maturities of debt securities at March 31, 2014 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	$8,625	$8,795
Due after one but within five years	34,530	36,064
Due after five but within ten years	88,184	91,103
Due after ten years	598,793	590,454
	730,132	726,416
Mortgage-backed securities	188,781	194,749
TOTAL	$918,913	$921,165

There were no gains or losses from investment sales realized by the Corporation for the three months ended March 31, 2014. For the three months ended March 31, 2013 there were $4 thousand in gains and no losses on sales of investment securities.

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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 March 31, 2014 and December 31, 2013.

	March 31, 2014					
	Less Than 12 Months		More Than 12 Months		Total	
(Dollar amounts in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mortgage Backed Securities - Residential	$53,648	$(1,136)	$10,239	$(477)	$63,887	$(1,613)
Collateralized mortgage obligations	373,753	(10,336)	56,666	(3,028)	430,419	(13,364)
State and municipal obligations	34,312	(877)	3,458	(203)	37,770	(1,080)
Collateralized Debt Obligations	—	—	6,573	(3,446)	6,573	(3,446)
Total temporarily impaired securities	$461,713	$(12,349)	$76,936	$(7,154)	$538,649	$(19,503)

	December 31, 2013					
	Less Than 12 Months		More Than 12 Months		Total	
(Dollar amounts in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mortgage Backed Securities - Residential	$52,524	$(1,645)	$6,022	$(347)	$58,546	$(1,992)
Mortgage Backed Securities - Commercial	—	—	4,357	(252)	4,357	(252)
Collateralized mortgage obligations	406,291	(13,979)	29,588	(1,920)	435,879	(15,899)
State and municipal obligations	43,899	(1,746)	2,305	(176)	46,204	(1,922)
Collateralized Debt Obligations	—	—	3,686	(6,619)	3,686	(6,619)
Total temporarily impaired securities	$502,714	$(17,370)	$45,958	$(9,314)	$548,672	$(26,684)

Management evaluates securities for other-than-temporary impairment ("OTTI") at least on a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. The investment securities portfolio is evaluated for OTTI by segregating the portfolio into two general segments and applying the appropriate OTTI model. Investment securities are generally evaluated for OTTI under FASB ASC 320, Investments - Debt and Equity Securities. However, certain purchased beneficial interests, including non-agency mortgage-backed securities, asset-backed securities, and collateralized debt obligations, that had credit ratings at the time of purchase of below AA are evaluated using the model outlined in FASB ASC 325-40, Beneficial Interests in Securitized Financial Assets.

In determining OTTI under the FASB ASC 320 model, management considers many factors, including: (1)the length of time and the extent to which the fair value has been less than cost, (2)the financial condition and near-term prospects of the issuer, (3) whether the market decline was affected by macroeconomic conditions, and (4) whether the entity has the intent to sell the security or more likely than not will be required to sell the security before its anticipated recovery. The assessment of whether an other-than-temporary decline exists involves a high degree of subjectivity and judgment and is based on the information available to management at a point in time.

The second segment of the portfolio uses the OTTI guidance provided by FASB ASC 325 that is specific to purchased beneficial interests that, on the purchase date, were rated below AA. Under the FASB ASC 325 model, the Company compares the present value of the remaining cash flows as estimated at the preceding evaluation date to the current expected remaining cash flows. An OTTI is deemed to have occurred if there has been an adverse change in the remaining expected future cash flows.

When OTTI occurs under either model, the amount of the OTTI recognized in earnings depends on whether an entity intends to sell the security or it is more likely than not it will be required to sell the security before recovery of its amortized cost basis, less any current-period credit loss. If an entity intends to sell or it is more likely than not it will be required to sell the security before recovery of its amortized cost basis, less any current-period credit loss, the OTTI shall be recognized in earnings equal to the entire difference between the investment's amortized cost basis and its fair value at the balance sheet date. If an entity does not intend to sell the security and it is not more likely than not that the entity will be required to sell the security before recovery of its amortized cost basis less any current-period loss, the OTTI shall be separated into the amount representing the credit loss and the amount related to all other factors. The amount of the total OTTI related to the credit loss is determined based on the present value of cash flows expected to be collected and is recognized in earnings. The amount of the total OTTI related to other

factors is recognized in other comprehensive income, net of applicable taxes. The previous amortized cost basis less the OTTI recognized in earnings becomes the new amortized cost basis of the investment.
Gross unrealized losses on investment securities were $19.5 million as of March 31, 2014 and $26.7 million as of December 31, 2013. A majority of these losses represent negative adjustments to market value relative to the interest rate environment reflecting the increase in market rates and not losses related to the creditworthiness of the issuer. Based upon our review of the issuers, we do not believe these investments to be other than temporarily impaired. Management does not intend to sell these securities and it is not more likely than not that we will be required to sell them before their anticipated recovery.

A significant portion of the securities in an unrealized loss position for more than 12 months relate to collateralized debt obligations that were separately evaluated under FASB ASC 325-40, Beneficial Interests in Securitized Financial Assets. Based upon qualitative considerations, such as a down grade in credit rating or further defaults of underlying issuers during the quarter, and an analysis of expected cash flows, we have determined that three of the CDO's included in collateralized debt obligations were other-than-temporarily impaired, though no impairment was identified during 2014 or 2013. Those three CDO's have a contractual balance of $26.2 million at March 31, 2014 which has been reduced to a fair value of $12.5 million by $1.5 million of interest payments received, $14.1 million of cumulative OTTI charges recorded through earnings to date, and $1.9 million recorded in other comprehensive income ($1.2 million after tax effect). The severity of the OTTI recorded varies by security, based on the analysis described below, and ranges at March 31, 2014 from 28% to 93%. The losses recorded in other comprehensive income represents temporary impairment due to factors other than credit loss, mainly current market illiquidity. The issuers in these securities are primarily banks, but some of the pools do include a limited number of insurance companies. The market for these securities has become very illiquid, there are very few new issuances of trust preferred securities and the credit spreads implied by current prices have increased dramatically and remain very high, resulting in significant non-credit related impairment. The Company uses the OTTI evaluation model to compare the present value of expected cash flows to the previous estimate to ensure there are no adverse changes in cash flows during the quarter. The OTTI model considers the structure and term of the CDO and the financial condition of the underlying issuers. Specifically, the model details interest rates, principal balances of note classes and underlying issuers, the timing and amount of interest and principal payments of the underlying issuers, and the allocation of the payments to the note classes. Cash flows are projected using a forward rate LIBOR curve, as these CDOs are variable rate instruments. An average rate is then computed using this same forward rate curve to determine an appropriate discount rate (3 month LIBOR plus margin ranging from 160 to 180 basis points). The current estimate of expected cash flows is based on the most recent trustee reports and any other relevant market information including announcements of interest payment deferrals or defaults of underlying trust preferred securities. Assumptions used in the model include expected future default rates and prepayments. In addition we use the model to "stress" each CDO, or make assumptions more severe than expected activity, to determine the degree to which assumptions could deteriorate before the CDO could no longer fully support repayment of the Company's note class.

Collateralized debt obligations include an investment in a CDO consisting of pooled trust preferred securities in which the issuers are primarily banks. This CDO with an amortized cost of $389 thousand and a fair value of $351 thousand is rated BAA3 and is the senior tranche, is not in the scope of FASB ASC 325, as it was rated high investment grade at purchase, and is not considered to be other-than-temporarily impaired based on its credit quality. Its fair value is negatively impacted by the factors described above.

Management has consistently used Standard & Poors pricing to value these investments. There are a number of other pricing sources available to determine fair value for these investments. These sources utilize a variety of methods to determine fair value. The result is a wide range of estimates of fair value for these securities. The Standard & Poors pricing ranges from 4.4 to 90.3 while Moody Investor Service pricing ranges from .32 to 90.5, with others falling somewhere in between. We recognize that the Standard & Poors pricing utilized is an estimate, but have been consistent in using this source and its estimate of fair value.

The table below presents a rollforward of the credit losses recognized in earnings for the three month periods ended March 31, 2014 and 2013:

	Three Months Ended March 31,	
(Dollar amounts in thousands)	2014	2013
Beginning balance	$ 14,079	$ 14,983
Increases to the amount related to the credit		
Loss for which other-than-temporary was previously recognized	—	—
Reductions for increases in cash flows collected	—	—
Amounts realized for securities sold during the period	—	—
Ending balance	$ 14,079	$ 14,983

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4. Fair Value

FASB ASC No. 820-10 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) of identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
Level 2: Significant other observable inputs other than Level I prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair value of most securities available for sale is determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs).

For those securities that cannot be priced using quoted market prices or observable inputs a Level 3 valuation is determined. These securities are primarily trust preferred securities, which are priced using Level 3 due to current market illiquidity and certain investments in state and municipal securities. The fair value of the trust preferred securities is obtained from a third party provider without adjustment. As described previously, management obtains values from other pricing sources to validate the Standard & Poors pricing that they currently utilize. The fair value of state and municipal obligations are derived by comparing the securities to current market rates plus an appropriate credit spread to determine an estimated value. Illiquidity spreads are then considered. Credit reviews are performed on each of the issuers. The significant unobservable inputs used in the fair value measurement of the Corporation's state and municipal obligations are credit spreads related to specific issuers. Significantly higher credit spread assumptions would result in significantly lower fair value measurement. Conversely, significantly lower credit spreads would result in a significantly higher fair value measurements.

The fair value of derivatives is based on valuation models using observable market data as of the measurement date (Level 2 inputs).

	March 31, 2014 Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			
(Dollar amounts in thousands)	Level 1	Level 2	Level 3	Total
U.S. Government agencies	$—	$1,559	$—	$1,559
Mortgage Backed Securities-residential	—	194,722	—	194,722
Mortgage Backed Securities-commercial	—	27	—	27
Collateralized mortgage obligations	—	516,938	—	516,938
State and municipal	—	191,376	4,035	195,411
Collateralized debt obligations	—	—	12,508	12,508
TOTAL	$—	$904,622	$16,543	$921,165
Derivative Assets		1,181		
Derivative Liabilities		(1,181)		

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(Dollar amounts in thousands)	December 31, 2013 Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Level 1	Level 2	Level 3	Total
U.S. Government agencies	$—	$1,633	$—	$1,633
Mortgage Backed Securities-residential	—	197,764	—	197,764
Mortgage Backed Securities-commercial	—	4,391	—	4,391
Collateralized mortgage obligations	—	506,741	—	506,741
State and municipal	—	190,462	4,525	194,987
Collateralized debt obligations	—	—	9,044	9,044
TOTAL	$—	$900,991	$13,569	$914,560
Derivative Assets		1,195		
Derivative Liabilities		(1,195)		

There were no transfers between Level 1 and Level 2 during 2014 and 2013.

The table below presents a reconciliation and income statement classification of gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three months ended March 31, 2014 and the year ended December 31, 2013.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Three Months Ended March 31, 2014		
	State and municipal obligations	Collateralized debt obligations	Total
Beginning balance, January 1	$4,525	$9,044	$13,569
Total realized/unrealized gains or losses			
Included in earnings	—	—	—
Included in other comprehensive income	—	3,857	3,857
Transfers	—	—	—
Settlements	(490)	(393)	(883)
Ending balance, March 31	$4,035	$12,508	$16,543

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Year Ended December 31, 2013		
	State and municipal obligations	Collateralized debt obligations	Total
Beginning balance, January 1	$9,911	$6,122	$16,033
Total realized/unrealized gains or losses			
Included in earnings	—	904	904
Included in other comprehensive income	—	3,155	3,155
Transfers	(1,186)	—	(1,186)
Settlements	(4,200)	(1,137)	(5,337)
Ending balance, December 31	$4,525	$9,044	$13,569

The transfers out of level 3 is due to securities that previously were not priced independently are now priced as other level 2 securities.

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The following table presents quantitative information about recurring and non-recurring Level 3 fair value measurements at March 31, 2014.

	Fair Value	Valuation Technique(s)	Unobservable Input(s)	Range
State and municipal obligations	$4,035	Discounted cash flow	Discount rate Probability of default	3.05%-5.50% 0%
Other real estate	$4,806	Sales comparison/income approach	Discount rate for age of appraisal and market conditions	5.00%-20.00%
Impaired Loans	11,669	Sales comparison/income approach	Discount rate for age of appraisal and market conditions	0.00%-50.00%

The following table presents quantitative information about recurring and non-recurring Level 3 fair value measurements at December 31, 2013.

	Fair Value	Valuation Technique(s)	Unobservable Input(s)	Range
State and municipal obligations	$4,525	Discounted cash flow	Discount rate Probability of default	3.05%-5.50% 0%
Other real estate	$5,291	Sales comparison/income approach	Discount rate for age of appraisal and market conditions	5.00%-20.00%
Impaired Loans	13,765	Sales comparison/income approach	Discount rate for age of appraisal and market conditions	0.00%-50.00%

Impaired loans disclosed in footnote 2, which are measured for impairment using the fair value of collateral, are valued at Level 3. They are carried at a fair value of $11.7 million, after a valuation allowance of $3.2 million at March 31, 2014 and at a fair value of $13.8 million, net of a valuation allowance of $3.1 million at December 31, 2013. The impact to the provision for loan losses for the three months ended March 31, 2014 and for the 12 months ended December 31, 2013 was a $362 thousand increase and a $939 thousand decrease, respectively. Other real estate owned is valued at Level 3. Other real estate owned at March 31, 2014 with a value of $4.8 million was reduced $1.1 million for fair value adjustment. At March 31, 2014 other real estate owned was comprised of $3.6 million from commercial loans and $1.2 million from residential loans. Other real estate owned at December 31, 2013 with a value of $5.3 million was reduced $1.1 million for fair value adjustment. At December 31, 2013 other real estate owned was comprised of $3.9 million from commercial loans and $1.4 million from residential loans.

Fair value is measured based on the value of the collateral securing those loans, and is determined using several methods. Generally the fair value of real estate is determined based on appraisals by qualified licensed appraisers. Appraisals for real estate generally use three methods to derive value: cost, sales or market comparison and income approach. The cost method bases value on the cost to replace current property. The market comparison evaluates the sales price of similar properties in the same market area. The income approach considers net operating income generated by the property and the investor’s required return. The final fair value is based on a reconciliation of these three approaches. If an appraisal is not available, the fair value may be determined by using a cash flow analysis, a broker’s opinion of value, the net present value of future cash flows, or an observable market price from an active market. Fair value of other real estate is based upon the current appraised values of the properties as determined by qualified licensed appraisers and the Company’s judgment of other relevant market conditions. Appraisals are obtained annually and reductions in value are recorded as a valuation through a charge to expense. The primary unobservable input used by management in estimating fair value are additional discounts to the appraised value to consider market conditions and the age of the appraisal, which are based on management’s past experience in resolving these types of properties. These discounts range from 0% to 50%. Values for non-real estate collateral, such as business equipment, are based on appraisals performed by qualified licensed appraisers or the customers financial statements. Values for non real estate collateral use much higher discounts that real estate collateral. Other real estate and impaired loans carried at fair value are primarily comprised of smaller balance properties.

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The following tables presents loans identified as impaired by class of loans as of March 31, 2014 and December 31, 2013, which are all considered Level 3.

	March 31, 2014		
(Dollar amounts in thousands)	Carrying Value	Allowance for Loan Losses Allocated	Fair Value
Commercial			
Commercial & Industrial	$7,550	$2,032	$5,518
Farmland	—	—	—
Non Farm, Non Residential	6,276	1,075	5,201
Agriculture	—	—	—
All Other Commercial	1,030	116	914
Residential			
First Liens	36	—	36
Home Equity	—	—	—
Junior Liens	—	—	—
Multifamily	—	—	—
All Other Residential	—	—	—
Consumer			
Motor Vehicle	—	—	—
All Other Consumer	—	—	—
TOTAL	$14,892	$3,223	$11,669

	December 31, 2013		
(Dollar amounts in thousands)	Carrying Value	Allowance for Loan Losses Allocated	Fair Value
Commercial			
Commercial & Industrial	$8,620	$1,612	$7,008
Farmland	—	—	—
Non Farm, Non Residential	7,204	1,500	5,704
Agriculture	—	—	
All Other Commercial	1,062	46	1,016
Residential			
First Liens	37	—	37
Home Equity	—	—	—
Junior Liens	—	—	—
Multifamily	—	—	—
All Other Residential	—		—
Consumer			
Motor Vehicle	—		—
All Other Consumer	—		—
TOTAL	$16,923	$3,158	$13,765

The carrying amounts and estimated fair value of financial instruments at March 31, 2014 and December 31, 2013, are shown below. Carrying amount is the estimated fair value for cash and due from banks, federal funds sold, short-term borrowings, accrued interest receivable and payable, demand deposits, short-term debt and variable-rate loans or deposits that reprice frequently and fully. Security fair values were described previously. For fixed-rate, non-impaired loans or deposits, variable rate loans or deposits with infrequent repricing or repricing limits, and for longer-term borrowings, fair value is based on discounted cash flows using current market rates applied to the estimated life and considering credit risk. The valuation of impaired loans was described previously. Loan fair value estimates do not necessarily represent an exit price. Fair values of loans held for sale are based on

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market bids on the loans or similar loans. It was not practicable to determine the fair value of Federal Home Loan Bank stock due to restrictions placed on its transferability. For the FDIC indemnification asset the carrying value is the estimated fair value as it represents amounts to be received from the FDIC in the near term. Fair value of debt is based on current rates for similar financing. The fair value of off-balance sheet items is not considered material.

	March 31, 2014				
	Carrying	Fair Value			
(Dollar amounts in thousands)	Value	Level 1	Level 2	Level 3	Total
Cash and due from banks	$83,988	$19,545	$64,443	$—	$83,988
Federal funds sold	9,791	—	9,791	—	9,791
Securities available—for—sale	921,165	—	904,622	16,543	921,165
Restricted stock	21,057	n/a	n/a	n/a	n/a
Loans, net	1,763,566	—		1,813,799	1,813,799
FDIC Indemnification Asset	754	—	754	—	754
Accrued interest receivable	11,451	—	3,617	7,834	11,451
Deposits	(2,507,014)	—	(2,507,882)	—	(2,507,882)
Short—term borrowings	(35,710)	—	(35,710)	—	(35,710)
Federal Home Loan Bank advances	(38,214)	—	(39,720)	—	(39,720)
Accrued interest payable	(646)	—	(646)	—	(646)

	December 31, 2013				
	Carrying	Fair Value			
(Dollar amounts in thousands)	Value	Level 1	Level 2	Level 3	Total
Cash and due from banks	$71,033	$22,455	$48,578	$—	$71,033
Federal funds sold	4,276	—	4,276	—	4,276
Securities available—for—sale	914,560	—	900,991	13,569	914,560
Restricted stock	21,057	n/a	n/a	n/a	n/a
Loans, net	1,771,360	—	—	1,816,726	1,816,726
FDIC Indemnification Asset	1,055	—	1,055	—	1,055
Accrued interest receivable	11,554	—	3,279	8,275	11,554
Deposits	(2,458,791)	—	(2,460,197)	—	(2,460,197)
Short—term borrowings	(59,592)	—	(59,592)	—	(59,592)
Federal Home Loan Bank advances	(58,288)	—	(60,258)	—	(60,258)
Accrued interest payable	(750)	—	(750)	—	(750)

5. Short-Term Borrowings

Period–end short-term borrowings were comprised of the following:

	(000 's)	
	March 31, 2014	December 31, 2013
Federal Funds Purchased	$6,770	$30,679
Repurchase Agreements	28,940	28,913
	$35,710	$59,592

6. Other Borrowings

Other borrowings at period-end are summarized as follows:

	(000 's)	
	March 31, 2014	December 31, 2013
FHLB Advances	$38,214	$58,288

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7. Components of Net Periodic Benefit Cost

	Three Months Ended March 31, (000's)			
	Pension Benefits		Post-Retirement Health Benefits	
	2014	2013	2014	2013
Service cost	$510	$559	$13	$17
Interest cost	939	846	44	43
Expected return on plan assets	(948)	(827)	—	—
Amortization of transition obligation	—	—	—	15
Net amortization of prior service cost	(2)	(4)	—	—
Net amortization of net (gain) loss	190	523	—	—
Net Periodic Benefit Cost	$689	$1,097	$57	$75

Employer Contributions

First Financial Corporation previously disclosed in its financial statements for the year ended December 31, 2013 that it expected to contribute $3.2 million and $1.2 million respectively to its Pension Plan and ESOP and $248 thousand to the Post Retirement Health Benefits Plan in 2014. Contributions of $616 thousand have been made to the Pension Plan. Contributions of $52 thousand have been made through the first three months of 2014 for the Post Retirement Health Benefits plan. No contributions have been made in 2014 for the ESOP. The Pension plan was frozen for most employees at the end of 2012 and for those employees there will be discretionary contributions to the ESOP plan and a 401K plan in place of the former Pension benefit. In the first three months of 2014 and 2013 there has been $359 thousand and $350 thousand of expense accrued for potential contributions to these alternative retirement benefit options.

8. New accounting standards

There were no recent accounting pronouncements that had a significant impact on the financial statement of the Corporation.

9. Acquisitions and FDIC Indemnification Asset

On August 16, 2013, the Bank completed a Purchase and Assumption Agreement with Bank of America, National Association. Under the terms of the Agreement, First Financial Bank purchased certain assets and assumed certain liabilities of 7 branch offices and 2 drive-up facilities of Bank of America in central and southern Illinois. The acquisition was beneficial in increasing the presence of the bank in the Illinois market. First Financial received cash in the amount of $177.7 million. The acquisition consisted of loans with a fair value of $1.9 million, fixed assets with a value of $5.9 million, a customer related core deposit intangible asset of $2.2 million, deposits with a value of $189.3 million and other liabilities of $0.3 million. Based upon the acquisition date fair values of the net assets acquired, goodwill of $1.9 million was recorded, all of which is expected to be tax deductible.

On December 30, 2011, the Bank completed a purchase and assumption agreement with PNB Holding Co (PNB), an Illinois corporation, to purchase all of the issued and outstanding stock of Freestar Bank, National Association, and assume certain liabilities of PNB (the “Transaction”). Immediately following the acquisition of the stock of Freestar Bank, First Financial merged Freestar Bank with and into its wholly-owned subsidiary, First Financial Bank, National Association.

The acquisition provided a strategic entry into the Champaign-Urbana, Bloomington-Normal and Pontiac, Illinois markets. Each of these markets are characterized by higher growth rates.

On July 2, 2009, the Bank entered into a purchase and assumption agreement with the Federal Deposit Insurance Corporation ("FDIC") to assume all of the deposits (excluding brokered deposits) and certain assets of The First National Bank of Danville, a full-service commercial bank headquartered in Danville, Illinois, that had failed and been placed in receivership with the FDIC. Under the loss-sharing agreement ("LSA"), the Bank will share in the losses on assets covered under the agreement (referred to as covered assets). On losses up to $29 million, the FDIC has agreed to reimburse the Bank for 80 percent of the losses. On losses exceeding $29 million, the FDIC has agreed to reimburse the Bank for 95 percent of the losses. The loss-

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sharing agreement is subject to following servicing procedures as specified in the agreement with the FDIC. Loans acquired that are subject to the loss-sharing agreement with the FDIC are referred to as covered loans for disclosure purposes. Since the acquisition date the Bank has been reimbursed $18.5 million for losses and carrying expenses and currently carries a balance of $754 thousand in the indemnification asset. Included in the current balance is the estimate of $235 thousand for 80% of the loans subject to the loss-sharing agreement identified in the allowance for loan loss evaluation as future potential losses at December 31, 2013. The balance of loans covered by the loss share agreement excluding AS 310-30 loans at March 31, 2014 and December 31, 2013 totaled $14.7 million and $18.5 million, respectively.

FASB ASC 310-30, Loans and Debt Securities Acquired with Deteriorated Credit Quality, applies to a loan with evidence of deterioration of credit quality since origination, acquired by completion of a transfer for which it is probable, at acquisition, that the investor will be unable to collect all contractually required payments receivable. FASB ASC 310-30 prohibits carrying over or creating an allowance for loan losses upon initial recognition. The carrying amount of covered assets at March 31, 2014 and 2013, consisted of loans accounted for in accordance with FASB ASC 310-30 are shown in the following table:

			2014
(Dollar amounts in thousands)	Commercial	Consumer	Total
Beginning balance	$7,676	$2,409	$10,085
Discount accretion	—	—	—
Disposals	(166)	(8)	(174)
ASC 310-30 Loans	$7,510	$2,401	$9,911

			2013
(Dollar amounts in thousands)	Commercial	Consumer	Total
Beginning balance	$13,654	$3,464	$17,118
Discount accretion	(13)	(5)	(18)
Disposals	(1,312)	(23)	(1,335)
ASC 310-30 Loans	$12,329	$3,436	$15,765

The rollforward of the FDIC Indemnification asset is as follows:

(Dollar amounts in thousands)	Three Months Ended March 31, 2014	Year Ended December 31, 2013
Beginning balance	$1,055	$2,632
Accretion	—	—
Net changes in losses and expenses	(169)	(1,225)
Reimbursements from the FDIC	(132)	(352)
TOTAL	$754	$1,055

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10. Accumulated Other Comprehensive Income

The following table summarizes the changes, net of tax within each classification of accumulated other comprehensive income for the three months ended March 31, 2014 and 2013.

	2014		
(Dollar amounts in thousands)	Unrealized gains and Losses on available-for-sale Securities	Retirement plans	Total
Beginning balance, January 1	$(3,635)	$(10,334)	$(13,969)
Change in other comprehensive income before reclassification	5,303	—	5,303
Amounts reclassified from accumulated other comprehensive income	—	115	115
Net Current period other comprehensive other income	5,303	115	5,418
Ending balance, March 31	$1,668	$(10,219)	$(8,551)

	2013		
(Dollar amounts in thousands)	Unrealized gains and Losses on available-for-sale Securities	Retirement plans	Total
Beginning balance, January 1	$13,431	$(20,903)	$(7,472)
Change in other comprehensive income before reclassification	(1,665)	—	(1,665)
Amounts reclassified from accumulated other comprehensive income	(2)	214	212
Net Current period other comprehensive other income	(1,667)	214	(1,453)
Ending balance, March 31	$11,764	$(20,689)	$(8,925)

(Dollar amounts in thousands)	Balance at 12/31/2013	Current Period Change	Balance at 3/31/2014
Unrealized gains (losses) on securities available-for-sale without other than temporary impairment	$(2,499)	$3,010	$511
Unrealized gains (losses) on securities available-for-sale with other than temporary impairment	(1,136)	2,293	1,157
Total unrealized loss on securities available-for-sale	$(3,635)	$5,303	$1,668
Unrealized loss on retirement plans	(10,334)	115	(10,219)
TOTAL	$(13,969)	$5,418	$(8,551)

(Dollar amounts in thousands)	Balance at 12/31/2012	Current Period Change	Balance at 3/31/2013
Unrealized gains (losses) on securities available-for-sale without other than temporary impairment	$17,044	$(1,883)	$15,161
Unrealized gains (losses) on securities available-for-sale with other than temporary impairment	(3,613)	216	(3,397)
Total unrealized loss on securities available-for-sale	$13,431	$(1,667)	$11,764
Unrealized loss on retirement plans	(20,903)	214	(20,689)
TOTAL	$(7,472)	$(1,453)	$(8,925)

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Details about accumulated other comprehensive income components	Three Months Ended March 31, 2014 Amount reclassified from accumulated other comprehensive income (in thousands)		Affected line item in the statement where net income is presented
Unrealized gains and losses	$—		Net securities gains (losses)
on available-for-sale	—		Income tax expense
securities	$—		Net of tax
Amortization of	$(237	)	(a)
retirement plan items	122		Income tax expense
	$(115	)	Net of tax
Total reclassifications for the period	$(115	)	Net of tax

(a) Included in the computation of net periodic benefit cost. (see Footnote 7 for additional details).

Details about accumulated other comprehensive income components	Three Months Ended March 31, 2013 Amount reclassified from accumulated other comprehensive income (in thousands)		Affected line item in the statement where net income is presented
Unrealized gains and losses	$4		Net securities gains (losses)
on available-for-sale	(2	)	Income tax expense
securities	$2		Net of tax
Amortization of	$(357	)	(a)
retirement plan items	143		Income tax expense
	$(214	)	Net of tax
Total reclassifications for the period	$(212	)	Net of tax

(a) Included in the computation of net periodic benefit cost. (see Footnote 7 for additional details).

ITEMS 2. and 3. Management's Discussion and Analysis of Financial Condition and Results of Operations and Quantitative and Qualitative Disclosures About Market Risk

The purpose of this discussion is to point out key factors in the Corporation's recent performance compared with earlier periods. The discussion should be read in conjunction with the financial statements beginning on page three of this report. All figures are for the consolidated entities. It is presumed the readers of these financial statements and of the following narrative have previously read the Corporation's financial statements for 2013 in the 10-K filed for the fiscal year ended December 31, 2013.

This Quarterly Report on Form 10-Q contains forward-looking statements. Forward-looking statements provide current expectations or forecasts of future events and are not guarantees of future performance, nor should they be relied upon as representing management's views as of any subsequent date. The forward-looking statements are based on management's expectations and are subject to a number of risks and uncertainties. Although management believes that the expectations reflected in such forward-looking statements are reasonable, actual results may differ materially from those expressed or implied in such statements. Risks and uncertainties that could cause actual results to differ materially include, without limitation, the Corporation's ability to effectively execute its business plans; changes in general economic and financial market conditions; changes in interest rates; changes in the competitive environment; continuing consolidation in the financial services industry; new litigation or changes in existing litigation; losses, customer bankruptcy, claims and assessments; changes in banking regulations or other regulatory or legislative requirements affecting the Corporation's business; and changes in accounting policies or procedures as may be required by the Financial Accounting Standards Board or other regulatory agencies. Additional information concerning factors that could cause actual results to differ materially from those expressed or implied in the forward-looking statements is available in the

Corporation’s Form 10-K for the year ended December 31, 2013, and subsequent filings with the United States Securities and Exchange Commission (SEC). Copies of these filings are available at no cost on the SEC’s Web site at www.sec.gov or on the Corporation’s Web site at www.first-online.com. Management may elect to update forward-looking statements at some future point; however, it specifically disclaims any obligation to do so.

Critical Accounting Policies

Certain of the Corporation’s accounting policies are important to the portrayal of the Corporation’s financial condition and results of operations, since they require management to make difficult, complex or subjective judgments, some of which may relate to matters that are inherently uncertain. Estimates associated with these policies are susceptible to material changes as a result of changes in facts and circumstances. Facts and circumstances which could affect these judgments include, without limitation, changes in interest rates, in the performance of the economy or in the financial condition of borrowers. Management believes that its critical accounting policies include determining the allowance for loan losses and the valuation of goodwill and valuing investment securities. See further discussion of these critical accounting policies in the 2013 Form 10-K.

Summary of Operating Results

Net income for the three months ended March 31, 2014 was $7.8 million compared to $7.7 million for the same period of 2013. Basic earnings per share increased to $0.59 for the first quarter of 2014 compared to $0.58 for same period of 2013. Return on Assets and Return on Equity were 1.03% and 7.9% respectively, for the three months ended March 31, 2014 compared to 1.05% and 8.21% for the three months ended March 31, 2013.

The primary components of income and expense affecting net income are discussed in the following analysis.

Net Interest Income

The 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 paid for deposits and other sources of funds. Net interest income increased $0.9 million in the three months ended March 31, 2014 to $27.1 million from $26.2 million in the same period in 2013. The net interest margin for the three months ended March 31, 2014 is 4.10% compared to 4.09% for the same period of 2013, a .01% increase, driven by a greater decline in costs of funding than the decline in the income realized on earning assets.

Non-Interest Income

Non-interest income for the three months ended March 31, 2014 was $10.1 million, an increase of $234 thousand from the $9.9 million for the same period of 2013. A decrease of $587 thousand in gains from sales of mortgage loans in 2014 compared to 2013 was offset by increases in service charges and fees.

Non-Interest Expenses

The Corporation’s non-interest expense for the quarter ended March 31, 2014 increased by $1.5 million to $23.7 million compared to the same period in 2013. Much of this increase is attributable to the branch expansion project in the 3rd quarter of 2013 that had increased full time equivalent employees and occupancy and equipment costs compared to the same period of 2013.

Allowance for Loan Losses

The Corporation's provision for loan losses decreased $1.1 million to $1.96 million for the three months of of 2014 compared to $3.0 million for the same period of 2013. Net charge offs for the first three months of 2014 were $1.7 million compared to a net recovery of $1.0 million for the same period of 2013. Provision expense is also impacted by changes in the FDIC indemnification asset. For the quarter ended March 31, 2014, these changes increased the provision by $235 thousand compared to an increase of $746 thousand in 2013. During 2014, the volume of impaired loans has decreased as well as the specific allocations for these loans as compared to the same period of 2013. The allowance for loan losses has remained virtually the same at $20.4 million at March 31, 2014 compared to $20.1 million at December 31, 2013. Based on management's analysis of the current portfolio, an evaluation that includes consideration of historical loss experience, non-performing loans trends, and probable incurred losses on identified problem loans, management believes the allowance is adequate.

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Non-performing Loans

Non-performing loans consist of (1) non-accrual loans on which the ultimate collectability of the full amount of interest is uncertain, (2) loans which have been renegotiated to provide for a reduction or deferral of interest or principal because of a deterioration in the financial position of the borrower, and (3) loans past due ninety days or more as to principal or interest. Non-performing loans decreased to $35.3 million at March 31, 2014 compared to $39.2 million at December 31, 2013. A summary of non-performing loans at March 31, 2014 and December 31, 2013 follows:

	(000's)	
	March 31, 2014	December 31, 2013
Non-accrual loans	$19,798	$19,779
Restructured loans	14,325	17,301
Accruing loans past due over 90 days	1,153	2,073
	$35,276	$39,153
Ratio of the allowance for loan losses as a percentage of non-performing loans	57.9 %	51.3 %

The following loan categories comprise significant components of the nonperforming loans:

	(000's)	
	March 31, 2014	December 31, 2013
Non-accrual loans		
Commercial loans	$13,348	$13,424
Residential loans	5,320	5,195
Consumer loans	1,130	1,160
	$19,798	$19,779
Past due 90 days or more		
Commercial loans	$14	$712
Residential loans	1,002	1,181
Consumer loans	137	180
	$1,153	$2,073

The following table is information on the non-accrual loans at March 31, 2014 and December 31, 2013 that were from the acquisition of assets from The First National Bank of Danville and are included in non-accrual loans above.

	(000's)	
	March 31, 2014	December 31, 2013
Non-accrual loans		
Commercial loans	$686	$799
1-4 family residential	327	275
Installment loans	—	—
	$1,013	$1,074
Past due 90 days or more:		
Commercial loans	$—	$459
Residential loans	25	121
Consumer loans	—	—

$25	$580

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Interest Rate Sensitivity and Liquidity

First Financial Corporation has established risk measures, limits and policy guidelines for managing interest rate risk and liquidity. Responsibility for management of these functions resides with the Asset Liability Committee. The primary goal of the Asset Liability Committee is to maximize net interest income within the interest rate risk limits approved by the Board of Directors.

Interest Rate Risk

Management considers interest rate risk to be the Corporation's most significant market risk. Interest rate risk is the exposure to changes in net interest income as a result of changes in interest rates. Consistency in the Corporation's net interest income is largely dependent on the effective management of this risk.

The Asset Liability position is measured using sophisticated risk management tools, including earning simulation and market value of equity sensitivity analysis. These tools allow management to quantify and monitor both short-term and long-term exposure to interest rate risk. Simulation modeling measures the effects of changes in interest rates, changes in the shape of the yield curve and the effects of embedded options on net interest income. This measure projects earnings in the various environments over the next three years. It is important to note that measures of interest rate risk have limitations and are dependent on various assumptions. These assumptions are inherently uncertain and, as a result, the model cannot precisely predict the impact of interest rate fluctuations on net interest income. Actual results will differ from simulated results due to timing, frequency and amount of interest rate changes as well as overall market conditions. The Committee has performed a thorough analysis of these assumptions and believes them to be valid and theoretically sound. These assumptions are continuously monitored for behavioral changes.

The Corporation from time to time utilizes derivatives to manage interest rate risk. Management continuously evaluates the merits of such interest rate risk products but does not anticipate the use of such products to become a major part of the Corporation's risk management strategy.

The table below shows the Corporation's estimated sensitivity profile as of March 31, 2014. The change in interest rates assumes a parallel shift in interest rates of 100 and 200 basis points. Given a 100 basis point increase in rates, net interest income would increase 2.21% over the next 12 months and increase 5.13% over the following 12 months. Given a 100 basis point decrease in rates, net interest income would decrease 7.20% over the next 12 months and decrease 2.22% over the following 12 months. These estimates assume all rate changes occur overnight and management takes no action as a result of this change.

Basis Point	Percentage Change in Net Interest Income					
Interest Rate Change	12 months		24 months		36 months	
Down 200	-1.23	%	-3.85	%	-5.70	%
Down 100	-7.20		-2.22		-3.36	
Up 100	2.21		5.13		8.49	
Up 200	1.63		7.06		13.68	

Typical rate shock analysis does not reflect management's ability to react and thereby reduce the effect of rate changes, and represents a worst-case scenario.

Liquidity Risk

Liquidity represents an institution's ability to provide funds to satisfy demands from depositors, borrowers, and other creditors by either converting assets into cash or accessing new or existing sources of incremental funds. Generally the Corporation relies on deposits, loan repayments and repayments of investment securities as its primary sources of funds. The Corporation has $8.8 million of investments that mature throughout the next 12 months. The Corporation also anticipates $119.8 million of principal payments from mortgage-backed securities. Given the current rate environment, the Corporation anticipates $8.6 million in securities to be called within the next 12 months. The Corporation also has unused borrowing capacity available with the Federal Home Loan Bank of Indianapolis and several correspondent banks. With these many sources of funds, the Corporation currently anticipates adequate liquidity to meet the expected obligations of its customers.

Financial Condition

Comparing the first three months of 2014 to the same period in 2013, loans, net of unearned discount, have decreased to $1.78 billion from $1.82 billion. Deposits remained stable at $2.5 billion at March 31, 2014, substantially the same as at March 31, 2013. Shareholders' equity increased 5.5% or $20.1 million. This financial performance increased book value per share 1.5% to

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$29.90 at March 31, 2014 from $28.43 at March 31, 2013. Book value per share is calculated by dividing the total shareholders' equity by the number of shares outstanding.

Capital Adequacy

As of March 31, 2014, the most recent notification from the respective regulatory agencies categorized the subsidiary banks as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized the banks must maintain minimum total risk-based, Tier I risk-based and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the bank's category. Below are the capital ratios for the Corporation and lead bank.

	March 31, 2014	December 31, 2013	To Be Well Capitalized
Total risk-based capital			
Corporation	17.56 %	17.13 %	N/A
First Financial Bank	16.70 %	16.49 %	10.00 %
Tier I risk-based capital			
Corporation	16.63 %	16.22 %	N/A
First Financial Bank	15.87 %	15.68 %	6.00 %
Tier I leverage capital			
Corporation	12.17 %	11.69 %	N/A
First Financial Bank	11.57 %	11.40 %	5.00 %

ITEM 4. Controls and Procedures

First Financial Corporation’s management is responsible for establishing and maintaining effective disclosure controls and procedures, as defined under Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934. As of March 31, 2014, an evaluation was performed under the supervision and with the participation of management, including the principal executive officer and principal financial officer, of the effectiveness of the design and operation of the Corporation's disclosure controls and procedures. Based on that evaluation, management, including the principal executive officer and principal financial officer, concluded that the Corporation’s disclosure controls and procedures as of March 31, 2014 were effective in ensuring material information required to be disclosed in this Quarterly Report on Form 10-Q was recorded, processed, summarized, and reported on a timely basis. Additionally, there was no change in the Corporation's internal control over financial reporting that occurred during the quarter ended March 31, 2014 that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

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PART II – Other Information

ITEM 1. Legal Proceedings.

There are no material pending legal proceedings, other than routine litigation incidental to the business of the Corporation or its subsidiaries, to which the Corporation or any of the subsidiaries is a party to or of which any of their respective property is subject. Further, there is no material legal proceeding in which any director, officer, principal shareholder, or affiliate of the Corporation or any of its subsidiaries, or any associate of such director, officer, principal shareholder or affiliate is a party, or has a material interest, adverse to the Corporation or any of its subsidiaries.

ITEM 1A. Risk Factors.

There have been no material changes in the risk factors from those disclosed in the Corporation's 2013 financial statements in the Form 10-K filed for December 31, 2013.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds.

(a) None.

(b) Not applicable.

(c) Purchases of Equity Securities

The Corporation periodically acquires shares of its common stock directly from shareholders in individually negotiated transactions. The Corporation has not adopted a formal policy or adopted a formal program for repurchases of shares of its common stock. Following is certain information regarding shares of common stock purchased by the Corporation during the quarter covered by this report.

	(a) Total Number Of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number Of Shares Purchased As Part Of Publicly Announced Plans Or Programs *	(c) Maximum Number of Shares That May Yet Be Purchased *
January 1-31, 2014	9,776	36.56	N/A	N/A
February 1-28, 2014	—	—	N/A	N/A
March 1-31, 2014	—	—	N/A	N/A
Total	9,776	36.56	N/A	N/A

ITEM 3. Defaults upon Senior Securities.

Not applicable.

ITEM 4. Mine Safety Disclosures

Not applicable.

ITEM 5. Other Information.

Not applicable.

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ITEM 6. Exhibits.

Exhibit No.:	Description of Exhibit:
2.1	Purchase and Assumption Agreement dated March 18, 2013 between First Financial Bank, National Association and Bank of America, National Association, incorporated by reference to Exhibit 2.1 of the Corporation’s Form 8-K filed on March 20, 2013.
3.1	Amended and Restated Articles of Incorporation of First Financial Corporation, incorporated by reference to Exhibit 3(i) of the Corporation’s Form 10-Q filed for the quarter ended September 30, 2002.
3.2	Code of By-Laws of First Financial Corporation, incorporated by reference to Exhibit 3(ii) of the Corporation’s Form 8-K filed on August 24, 2012.
10.1*	Employment Agreement for Norman L. Lowery, dated February 4, 2014 and effective January 1, 2014, incorporated by reference to Exhibit 10.01 of the Corporation’s Form 8-K filed on March 12, 2014.
10.2*	2001 Long-Term Incentive Plan of First Financial Corporation, incorporated by reference to Exhibit 10.3 of the Corporation’s Form 10-Q filed for the quarter ended September 30, 2002.
10.3*	2013 Schedule of Director Compensation, incorporated by reference to Exhibit 10.3 of the Corporation’s Form 10-K filed for the fiscal year ended December 31, 2013.
10.4*	2013 Schedule of Named Executive Officer Compensation, incorporated by reference to Exhibit 10.4 of the Corporation’s Form 10-K filed for the fiscal year ended December 31, 2013.
10.5*	2005 Long-Term Incentive Plan of First Financial Corporation, incorporated by reference to Exhibit 10.7 of the Corporation’s Form 8-K filed on September 4, 2007.
10.6*	2005 Executives Deferred Compensation Plan, incorporated by reference to Exhibit 10.5 of the Corporation’s Form 8-K filed on September 4, 2007.
10.7*	2005 Executives Supplemental Retirement Plan, incorporated by reference to Exhibit 10.6 of the Corporation’s Form 8-K filed on September 4, 2007.
10.9*	First Financial Corporation 2010 Long-Term Incentive Compensation Plan incorporated by reference to Exhibit 10. 9 of the Corporation’s Form 10-K filed March 15, 2011.
10.10*	First Financial Corporation 2011 Short-Term Incentive Compensation Plan incorporated by reference to Exhibit 10.10 of the Corporation’s Form 10-K filed March 15, 2011.
10.11*	First Financial Corporation 2011 Omnibus Equity Incentive Plan incorporated by reference to Exhibit 10.11 of the Corporation’s Form 10-Q for the quarter ended March 31, 2011 filed on May 9, 2011.
10.12*	Form of Restricted Stock Award Agreement under the First Financial Corporation 2011 Omnibus Equity Incentive Plan
31.1	Sarbanes-Oxley Act 302 Certification for Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 by Principal Executive Officer, dated May 7, 2014
31.2	Sarbanes-Oxley Act 302 Certification for Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 by Principal Financial Officer, dated May 7, 2014.
32.1	Certification, dated May 7, 2014, of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2005 on Form 10-Q for the quarter ended March 31, 2014.
101.1	Financial statements from the Quarterly Report on Form 10-Q of the Corporation for the quarter ended March 31, 2014, formatted in XBRL pursuant to Rule 405 : (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income and Comprehensive Income, (iii) Consolidated Statements of Cash Flows, (iv) Consolidated Statements of Shareholders’ Equity, and (v) Notes to Consolidated Financial Statements, as blocks of text and in detail**.

*Management contract or compensatory plan or arrangement.

**Furnished, not filed, for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

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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 7, 2014	By /s/ Norman L. Lowery Norman L. Lowery, Vice Chairman, President and CEO (Principal Executive Officer)
Date:	May 7, 2014	By /s/ Rodger A. McHargue Rodger A. McHargue, Treasurer and CFO (Principal Financial Officer)

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