NEWS RELEASE

# First Financial Corporation Reports 2013 Results

2/5/2014

TERRE HAUTE, IN -- (Marketwired) -- 02/05/14 -- First Financial Corporation (NASDAQ: THFF) today announced results for the fourth quarter and the year ended December 31, 2013. Net income of $31.5 and $8.9 million for the twelve and three months, respectively, compares to $32.8 and $8.6 million for the same periods of 2012. Return on assets for the twelve and three months ended December 31, 2013 was 1.06% and 1.16%, respectively, compared to 1.13% and 1.14% for the twelve and three months ended December 31, 2012.

Net interest income for the fourth quarter of 2013 was $27.6 million, an increase of 3.27% over the $26.7 million reported for the same period of 2012. Net interest income for the year ended December 31, 2013 was $107.3 million compared to the $108.9 million reported 2012. The net interest margin at December 31, 2013 was 4.13%, compared to 4.30% reported at December 31, 2012.

The provision for loan losses for the three months ended December 31, 2013 was $1.4 million compared to the $1.5 million provision for the fourth quarter of 2012. For the year ended December 31, 2013 and 2012, the provision expense was $7.9 and $8.8 million, respectively.

Non-interest income for the three months ended December 31, 2013 was $11.3 million, a 6.5% increase over the $10.6 million reported for the fourth quarter of 2012. For the year ended December 31, 2013, non-interest income increased 2.3% to $40.5 million from the $39.5 million reported for the same period of 2012.

Non-interest expense for the three months ended December 31, 2013 was $24.2 million compared to $23.6 million in 2012. For the year ended December 31, 2013, non-interest expense increased 1.6% to $94.6 million compared to

$93.1 for the year ended December 31, 2012.

Total loans at December 31, 2013 of $1.79 billion compare to the $1.85 billion reported during the same period a year ago. Deposits increased by $182.7 million to $2.46 billion. Book value per share was $28.94 at year end 2013, a 3.35% increase from the $28.01 at December 31, 2012. Shareholders' equity increased 3.8% to $386.2 million from $372.1 million on December 31, 2012.

First Financial Corporation is the holding company for First Financial Bank N.A. in Indiana and Illinois, The Morris Plan Company of Terre Haute and Forrest Sherer Inc. in Indiana.

CONSOLIDATED BALANCE SHEETS
(Dollar amounts in thousands, except per share data)

| (Dollar amounts in thousands, except per share data) | December 31, 2013 | 2012 |
|---|---|---|
| ASSETS | | |
| Cash and due from banks | $ 71,033 | $ 87,230 |
| Federal funds sold | 4,276 | 20,800 |
| Securities available-for-sale | 914,560 | 691,000 |
| Loans, net of allowance of $20,068 in 2013 and $21,958 in 2012 | 1,771,360 | 1,829,978 |
| Restricted Stock | 21,057 | 21,292 |
| Accrued interest receivable | 11,554 | 12,024 |
| Premises and equipment, net | 51,449 | 47,308 |
| Bank-owned life insurance | 79,035 | 77,295 |
| Goodwill | 39,489 | 37,612 |
| Other intangible assets | 4,935 | 3,893 |
| Other real estate owned | 5,291 | 7,722 |
| FDIC Indemnification Asset | 1,055 | 2,632 |
| Other assets | 43,624 | 56,622 |
| TOTAL ASSETS | $ 3,018,718 | $ 2,895,408 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Deposits: | | |
| Non-interest-bearing | $ 506,815 | $ 465,954 |
| Interest-bearing: | | |
| Certificates of deposit of $100 or more | 179,177 | 213,610 |
| Other interest-bearing deposits | 1,772,799 | 1,596,570 |

| | | |
|---|---|---|
| | 2,458,791 | 2,276,134 |
| Short-term borrowings | 59,592 | 40,551 |
| Other borrowings | 58,288 | 119,705 |
| Other liabilities | 55,852 | 86,896 |
| TOTAL LIABILITIES | 2,632,523 | 2,523,286 |
| Shareholders' equity | | |
| Common stock, $.125 stated value per share; Authorized shares-40,000,000 Issued shares-14,516,113 in 2013 and 14,490,609 in 2012 Outstanding shares-13,343,029 in 2013 and 13,287,348 in 2012 | 1,811 | 1,808 |
| Additional paid-in capital | 71,074 | 69,989 |
| Retained earnings | 357,083 | 338,342 |
| Accumulated other comprehensive income (loss) | (13,969) | (7,472) |
| Less: Treasury shares at cost-1,173,084 in 2013 and 1,203,261 in 2012 | (29,804) | (30,545) |
| TOTAL SHAREHOLDERS' EQUITY | 386,195 | 372,122 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | $ 3,018,718 | $ 2,895,408 |

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Dollar amounts in thousands, except per share data)

| | Years Ended December 31, | | |
|---|---|---|---|
| (Dollar amounts in thousands, except per share data) | 2013 | 2012 | 2011 |
| INTEREST AND DIVIDEND INCOME: | | | |
| Loans, including related fees | $ 91,242 | $ 99,196 | $ 91,392 |
| Securities: | | | |
| Taxable | 16,157 | 13,542 | 16,161 |
| Tax-exempt | 7,046 | 7,246 | 6,779 |
| Other | 1,776 | 2,321 | 2,009 |
| TOTAL INTEREST AND DIVIDEND INCOME | 116,221 | 122,305 | 116,341 |
| INTEREST EXPENSE: | | | |
| Deposits | 5,886 | 8,520 | 12,127 |
| Short-term borrowings | 78 | 140 | 187 |
| Other borrowings | 2,997 | 4,733 | 4,833 |
| TOTAL INTEREST EXPENSE | 8,961 | 13,393 | 17,147 |

| | | | |
|---|---|---|---|
| NET INTEREST INCOME | 107,260 | 108,912 | 99,194 |
| Net Provision for loan losses | 7,860 | 8,773 | 5,755 |
| NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES | 99,400 | 100,139 | 93,439 |
| NON-INTEREST INCOME: | | | |
| Trust and financial services | 6,035 | 5,804 | 4,544 |
| Service charges and fees on deposit accounts | 10,162 | 9,742 | 8,995 |
| Other service charges and fees | 11,081 | 9,710 | 8,289 |
| Securities gain, net | 423 | 886 | 6 |
| Other-than-temporary loss | | | |
| Total impairment loss | -- | (11) | (110) |
| Loss recognized in other comprehensive income | | | |
| Net impairment loss recognized in earnings | -- | (11) | (110) |
| Insurance commissions | 7,750 | 7,422 | 7,347 |
| Gain on sale of mortgage loans | 3,052 | 4,590 | 1,957 |
| Other | 1,952 | 1,404 | 2,312 |
| TOTAL NON-INTEREST INCOME | 40,455 | 39,547 | 33,340 |
| NON-INTEREST EXPENSES: | | | |
| Salaries and employee benefits | 55,097 | 56,211 | 45,362 |
| Occupancy expense | 6,102 | 5,746 | 4,777 |
| Equipment expense | 6,348 | 5,489 | 4,352 |
| Federal Deposit Insurance | 2,052 | 1,949 | 1,804 |
| Other | 24,955 | 23,661 | 18,892 |
| TOTAL NON-INTEREST EXPENSE | 94,554 | 93,056 | 75,187 |
| INCOME BEFORE INCOME TAXES | 45,301 | 46,630 | 51,592 |
| Provision for income taxes | 13,767 | 13,818 | 14,397 |
| NET INCOME | $ 31,534 | $ 32,812 | $ 37,195 |
| OTHER COMPREHENSIVE INCOME | | | |
| Change in unrealized gains/losses on securities, net of reclassifications and taxes | $ (17,066) | $ 691 | $ 8,857 |
| Change in funded status of post retirement benefits, net of taxes | $ 10,569 | $ 2,331 | $ (9,982) |
| COMPREHENSIVE INCOME | $ 25,037 | $ 35,834 | $ 36,070 |
| EARNINGS PER SHARE: | | | |
| BASIC AND DILUTED | $ 2.37 | $ 2.48 | $ 2.83 |

| | | | |
|---|---|---|---|
| Weighted average number of shares outstanding (in thousands) | 13,310 | 13,240 | 13,163 |

| Key Ratios | For the Year Ended December 31, 2013 | For the Year Ended December 31, 2012 |
|---|---|---|
| Return on average assets | 1.06% | 1.13% |
| Return on average common shareholder's equity | 8.35% | 9.02% |
| Average common shareholder's equity to average assets | 12.69% | 12.55% |
| End of period tangible common equity to tangible assets | 11.49% | 11.58% |
| Book value per share | $ 28.94 | $ 28.01 |
| Tangible book value per share | $ 25.61 | $ 24.88 |
| Risk-based capital - Tier 1 | 16.22% | 15.38% |
| Risk-based capital - Total | 17.13% | 16.37% |
| Net interest margin | 4.13% | 4.30% |
| Efficiency Ratio | 62.02% | 60.24% |
| Net charge-offs to average loans and leases | 0.47% | 0.45% |
| Loan and lease loss reserve to loans and leases | 1.12% | 1.19% |
| Nonperforming assets to loans and leases | 1.19% | 2.59% |

| Asset Quality | For the Year Ended December 31, 2013 | For the Year Ended December 31, 2012 |
|---|---|---|
| Accruing loans and leases past due 90 days or more | $ 2,073 | $ 3,362 |
| Nonaccrual loans and leases | 19,779 | 36,794 |
| Other real estate owned | 5,291 | 7,722 |
| Total nonperforming assets | $ 27,143 | $ 47,878 |

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Source: First Financial Corporation