

FIRST FINANCIAL CORP /IN/  
Form 10-Q  
August 05, 2015  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For The Quarterly Period Ended June 30, 2015

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  No .

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company)

Accelerated filer   
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 .

As of August 3, 2015, the registrant had outstanding 12,834,116 shares of common stock, without par value.

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## Part I – Financial Information

## Item 1. Financial Statements

## FIRST FINANCIAL CORPORATION

## CONSOLIDATED BALANCE SHEETS

(Dollar amounts in thousands, except per share data)

	June 30, 2015 (unaudited)	December 31, 2014
<b>ASSETS</b>		
Cash and due from banks	\$60,613	\$78,102
Federal funds sold	2,000	8,000
Securities available-for-sale	901,550	897,053
Loans:		
Commercial	1,068,832	1,044,522
Residential	445,107	469,172
Consumer	267,884	266,656
	1,781,823	1,780,350
(Less) plus:		
Net deferred loan costs	1,965	1,078
Allowance for loan losses	(19,861)	(18,839)
	1,763,927	1,762,589
Restricted stock	10,828	16,404
Accrued interest receivable	11,116	11,593
Premises and equipment, net	50,348	51,802
Bank-owned life insurance	81,568	80,730
Goodwill	39,489	39,489
Other intangible assets	3,572	3,901
Other real estate owned	3,625	3,965
Other assets	45,185	48,857
<b>TOTAL ASSETS</b>	<b>\$2,973,821</b>	<b>\$3,002,485</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Deposits:		
Non-interest-bearing	\$525,851	\$556,389
Interest-bearing:		
Certificates of deposit exceeding the FDIC insurance limits	48,893	53,733
Other interest-bearing deposits	1,823,830	1,847,075
	2,398,574	2,457,197
Short-term borrowings	84,819	48,015
FHLB advances	10,738	12,886
Other liabilities	80,632	90,173
<b>TOTAL LIABILITIES</b>	<b>2,574,763</b>	<b>2,608,271</b>
Shareholders' equity		
Common stock, \$.125 stated value per share;		
Authorized shares-40,000,000		
Issued shares-14,557,815 in 2015 and 14,538,132 in 2014		
Outstanding shares-12,834,116 in 2015 and 12,942,175 in 2014	1,816	1,815
Additional paid-in capital	72,746	72,405

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Retained earnings	386,363	377,970	
Accumulated other comprehensive loss	(14,048	) (14,529	)
Less: Treasury shares at cost-1,723,699 in 2015 and 1,595,957 in 2014	(47,819	) (43,447	)
TOTAL SHAREHOLDERS' EQUITY	399,058	394,214	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$2,973,821	\$3,002,485	

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 June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>INTEREST INCOME:</b>				
Loans, including related fees	\$20,763	\$21,625	\$41,570	\$43,843
Securities:				
Taxable	3,991	4,298	8,052	8,742
Tax-exempt	1,790	1,766	3,569	3,512
Other	433	426	864	842
<b>TOTAL INTEREST INCOME</b>	<b>26,977</b>	<b>28,115</b>	<b>54,055</b>	<b>56,939</b>
<b>INTEREST EXPENSE:</b>				
Deposits	997	1,233	2,017	2,523
Short-term borrowings	19	22	32	36
Other borrowings	37	254	87	632
<b>TOTAL INTEREST EXPENSE</b>	<b>1,053</b>	<b>1,509</b>	<b>2,136</b>	<b>3,191</b>
<b>NET INTEREST INCOME</b>	<b>25,924</b>	<b>26,606</b>	<b>51,919</b>	<b>53,748</b>
Provision for loan losses	1,150	(356)	2,600	1,604
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>24,774</b>	<b>26,962</b>	<b>49,319</b>	<b>52,144</b>
<b>NON-INTEREST INCOME:</b>				
Trust and financial services	1,253	1,414	2,745	2,903
Service charges and fees on deposit accounts	2,543	2,761	4,869	5,245
Other service charges and fees	3,000	2,989	5,838	5,828
Securities gains/(losses), net	10	(1)	14	(1)
Insurance commissions	1,956	1,852	3,509	3,765
Gain on sales of mortgage loans	542	457	901	833
Other	474	93	1,963	1,103
<b>TOTAL NON-INTEREST INCOME</b>	<b>9,778</b>	<b>9,565</b>	<b>19,839</b>	<b>19,676</b>
<b>NON-INTEREST EXPENSE:</b>				
Salaries and employee benefits	15,084	13,887	30,142	27,983
Occupancy expense	1,702	1,789	3,566	3,714
Equipment expense	1,702	1,904	3,474	3,562
FDIC Expense	450	473	880	960
Other	6,372	5,996	11,241	11,535
<b>TOTAL NON-INTEREST EXPENSE</b>	<b>25,310</b>	<b>24,049</b>	<b>49,303</b>	<b>47,754</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>9,242</b>	<b>12,478</b>	<b>19,855</b>	<b>24,066</b>
Provision for income taxes	2,319	3,990	5,171	7,747
<b>NET INCOME</b>	<b>6,923</b>	<b>8,488</b>	<b>14,684</b>	<b>16,319</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
Change in unrealized gains/losses on securities, net of reclassifications and taxes	(7,564)	4,116	(2,802)	9,419
Change in funded status of post retirement benefits, net of taxes	819	115	3,283	230
<b>COMPREHENSIVE INCOME</b>	<b>\$178</b>	<b>\$12,719</b>	<b>\$15,165</b>	<b>\$25,968</b>
<b>PER SHARE DATA</b>				

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Basic and Diluted Earnings per Share	\$0.54	\$0.63	\$1.14	\$1.22
Weighted average number of shares outstanding (in thousands)	12,903	13,355	12,925	13,352

See accompanying notes.

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CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Three Months Ended

June 30, 2015, and 2014

(Dollar amounts in thousands, except per share data)

(Unaudited)

	Common Stock	Additional Capital	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Treasury Stock	Total
Balance, April 1, 2014	\$1,812	\$71,315	\$364,914	\$(8,551 )	\$(30,161 )	\$399,329
Net income	—	—	8,488	—	—	8,488
Other comprehensive income	—	—	—	4,231	—	4,231
Omnibus Equity Incentive Plan	—	242	—	—	—	242
Cash dividends, \$.49 per share	—	—	\$(6,544 )	—	—	\$(6,544 )
Balance, June 30, 2014	\$1,812	\$71,557	\$366,858	\$(4,320 )	\$(30,161 )	\$405,746
Balance, April 1, 2015	\$1,815	\$72,576	\$385,731	\$(7,303 )	\$(43,792 )	\$409,027
Net income	—	—	6,923	—	—	6,923
Other comprehensive income (loss)	—	—	—	(6,745 )	—	(6,745 )
Omnibus Equity Incentive Plan	1	170	—	—	—	171
Treasury shares purchased (118,053 shares)	—	—	—	—	(4,027 )	(4,027 )
Cash dividends, \$.49 per share	—	—	\$(6,291 )	—	—	\$(6,291 )
Balance, June 30, 2015	\$1,816	\$72,746	\$386,363	\$(14,048 )	\$(47,819 )	\$399,058
See accompanying notes.						





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CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Six Months Ended

June 30, 2015, and 2014

(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, 2014	\$1,811	\$71,074	\$357,083	\$(13,969 )	\$(29,804 )	\$386,195
Net income	—	—	16,319	—	—	16,319
Other comprehensive income	—	—	—	9,649	—	9,649
Omnibus Equity Incentive Plan	1	483	—	—	—	484
Treasury shares purchased (9,776 shares)	—	—	—	—	(357 )	(357 )
Cash dividends, \$.49 per share	—	—	(6,544 )	—	—	(6,544 )
Balance, June 30, 2014	\$1,812	\$71,557	\$366,858	\$(4,320 )	\$(30,161 )	\$405,746
Balance, January 1, 2015	\$1,815	\$72,405	\$377,970	\$(14,529 )	\$(43,447 )	\$394,214
Net income	—	—	14,684	—	—	14,684
Other comprehensive income	—	—	—	481	—	481
Omnibus Equity Incentive Plan	1	341	—	—	—	342
Treasury shares purchased (127,742 shares)	—	—	—	—	(4,372 )	(4,372 )
Cash dividends, \$.49 per share	—	—	(6,291 )	—	—	(6,291 )
Balance, June 30, 2015	\$1,816	\$72,746	\$386,363	\$(14,048 )	\$(47,819 )	\$399,058

See accompanying notes.

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

	Six Months Ended June 30,	
	2015	2014
	(Unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income	\$14,684	\$16,319
Adjustments to reconcile net income to net cash provided by operating activities:		
Net amortization (accretion) of premiums and discounts on investments	1,472	1,318
Provision for loan losses	2,600	1,604
Securities (gains) losses	(14	) 1
(Gain) loss on sale of other real estate	(117	) 62
Restricted stock compensation	342	484
Depreciation and amortization	2,810	2,943
Other, net	(1,515	) 1,394
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>20,262</b>	<b>24,125</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales of securities available-for-sale	1,900	355
Calls, maturities and principal reductions on securities available-for-sale	70,694	65,595
Purchases of securities available-for-sale	(82,893	) (50,051
Loans made to customers, net of repayment	(4,398	) (5,384
Redemption of restricted stock	5,576	—
Purchase of restricted stock	—	(7
Purchase of customer list	(103	) —
Proceeds from sales of other real estate owned	969	841
Net change in federal funds sold	6,000	(5,094
Additions to premises and equipment	(924	) (2,701
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(3,179</b>	<b>) 3,554</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net change in deposits	(58,662	) (26,004
Net change in short-term borrowings	36,804	13,828
Maturities of other borrowings	(2,000	) (95,000
Proceeds from other borrowings	—	100,000
Purchase of treasury stock	(4,372	) (357
Dividends paid	(6,342	) (6,405
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>(34,572</b>	<b>) (13,938</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(17,489</b>	<b>) 13,741</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>78,102</b>	<b>71,033</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$60,613</b>	<b>\$84,774</b>
See accompanying notes.		

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The accompanying June 30, 2015 and 2014 consolidated financial statements are unaudited. The December 31, 2014 consolidated financial statements are as reported in the First Financial Corporation (the "Corporation") 2014 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, 2014.

## 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 2015 and 2014, 19,683 and 22,019 shares were awarded, respectively. These shares had a grant date value of \$667 thousand and \$708 thousand for 2015 and 2014, vest over three years and their grant is not subject to future performance measures. Outstanding shares are increased at the award date for the total shares awarded.

## 2. Allowance for Loan Losses

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

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

Allowance for Loan Losses: (Dollar amounts in thousands)	June 30, 2014				
	Commercial	Residential	Consumer	Unallocated	Total
Beginning balance	\$12,453	\$1,581	\$3,864	\$2,510	\$20,408
Provision for loan losses*	(1,051)	(54)	533	(248)	(820)
Loans charged -off	(710)	(633)	(982)	—	(2,325)
Recoveries	158	480	354	—	992
Ending Balance	\$10,850	\$1,374	\$3,769	\$2,262	\$18,255

\* Provision before increase of \$464 thousand in 2014 for decrease in FDIC indemnification asset

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

Allowance for Loan Losses: (Dollar amounts in thousands)	June 30, 2015					
	Commercial	Residential	Consumer	Unallocated	Total	
Beginning balance	\$10,915	\$1,374	\$4,370	\$2,180	\$18,839	
Provision for loan losses	167	653	1,468	312	2,600	
Loans charged -off	(608	) (406	) (2,288	) —	(3,302	)
Recoveries	457	139	1,128	—	1,724	
Ending Balance	\$10,931	\$1,760	\$4,678	\$2,492	\$19,861	

Allowance for Loan Losses: (Dollar amounts in thousands)	June 30, 2014					
	Commercial	Residential	Consumer	Unallocated	Total	
Beginning balance	\$12,450	\$1,585	\$3,650	\$2,383	\$20,068	
Provision for loan losses*	(319	) 12	1,333	(121	) 905	
Loans charged -off	(1,646	) (805	) (2,035	) —	(4,486	)
Recoveries	365	582	821	—	1,768	
Ending Balance	\$10,850	\$1,374	\$3,769	\$2,262	\$18,255	

\* Provision before increase of \$699 thousand in 2014 for decrease in FDIC indemnification asset

The following table presents the allocation of the allowance for loan losses and the recorded investment in loans by portfolio segment and based on the impairment method at June 30, 2015 and December 31, 2014.

Allowance for Loan Losses (Dollar amounts in thousands)	June 30, 2015				
	Commercial	Residential	Consumer	Unallocated	Total
Individually evaluated for impairment	\$1,305	\$27	\$—	\$—	\$1,332
Collectively evaluated for impairment	9,411	1,733	4,678	2,492	18,314
Acquired with deteriorated credit quality	215	—	—	—	215
Ending Balance	\$10,931	\$1,760	\$4,678	\$2,492	\$19,861

Loans: (Dollar amounts in thousands)	June 30, 2015			
	Commercial	Residential	Consumer	Total
Individually evaluated for impairment	\$15,767	\$257	\$—	\$16,024
Collectively evaluated for impairment	1,054,233	444,548	269,039	1,767,820
Acquired with deteriorated credit quality	4,291	1,604	—	5,895
Ending Balance	\$1,074,291	\$446,409	\$269,039	\$1,789,739

Allowance for Loan Losses: (Dollar amounts in thousands)	December 31, 2014				
	Commercial	Residential	Consumer	Unallocated	Total
Individually evaluated for impairment	1,911	—	—	—	1,911
Collectively evaluated for impairment	8,733	1,365	4,370	2,180	16,648
Acquired with deteriorated credit quality	271	9	—	—	280
Ending Balance	\$10,915	\$1,374	\$4,370	\$2,180	\$18,839

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Loans (Dollar amounts in thousands)	December 31, 2014			Total
	Commercial	Residential	Consumer	
Individually evaluated for impairment	14,573	33	—	14,606
Collectively evaluated for impairment	1,030,949	468,872	267,880	1,767,701
Acquired with deteriorated credit quality	4,887	1,631	—	6,518
Ending Balance	\$1,050,409	\$470,536	\$267,880	\$1,788,825

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

(Dollar amounts in thousands)	June 30, 2015					
	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	\$6,821	\$5,307	\$—	\$2,161	\$—	\$—
Farmland	—	—	—	—	—	—
Non Farm, Non Residential	3,955	3,955	—	1,318	—	—
Agriculture	—	—	—	—	—	—
All Other Commercial	1,793	1,793	—	780	—	—
Residential						
First Liens	31	31	—	10	—	—
Home Equity	—	—	—	—	—	—
Junior Liens	—	—	—	—	—	—
Multifamily	—	—	—	—	—	—
All Other Residential	—	—	—	—	—	—
Consumer						
Motor Vehicle	—	—	—	—	—	—
All Other Consumer	—	—	—	—	—	—
With an allowance recorded:						
Commercial						
Commercial & Industrial	2,102	1,809	294	4,900	—	—
Farmland	—	—	—	—	—	—
Non Farm, Non Residential	2,350	2,351	919	5,162	—	—
Agriculture	—	—	—	—	—	—
All Other Commercial	552	552	92	653	—	—
Residential						
First Liens	226	226	27	175	—	—
Home Equity	—	—	—	—	—	—
Junior Liens	—	—	—	—	—	—
Multifamily	—	—	—	—	—	—
All Other Residential	—	—	—	—	—	—
Consumer						
Motor Vehicle	—	—	—	—	—	—
All Other Consumer	—	—	—	—	—	—
TOTAL	\$17,830	\$16,024	\$1,332	\$15,159	\$—	\$—





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(Dollar amounts in thousands)	Unpaid Principal Balance	Recorded Investment	December 31, 2014		Interest Income Recognized	Cash Basis Interest Income Recognized
			Allowance for Loan Losses Allocated	Average Recorded Investment		
With no related allowance recorded:						
Commercial						
Commercial & Industrial	\$1,200	\$926	\$—	\$2,589	\$—	\$—
Farmland	—	—	—	—	—	—
Non Farm, Non Residential	—	—	—	58	—	—
Agriculture	—	—	—	—	—	—
All Other Commercial	292	292	—	58	—	—
Residential						
First Liens	—	—	—	5	—	—
Home Equity	—	—	—	—	—	—
Junior Liens	—	—	—	—	—	—
Multifamily	—	—	—	—	—	—
All Other Residential	—	—	—	—	—	—
Consumer						
Motor Vehicle	—	—	—	—	—	—
All Other Consumer	—	—	—	—	—	—
With an allowance recorded:						
Commercial						
Commercial & Industrial	7,388	5,874	1,056	6,177	—	—
Farmland	—	—	—	—	—	—
Non Farm, Non Residential	6,654	6,654	753	6,698	—	—
Agriculture	—	—	—	—	—	—
All Other Commercial	827	827	102	1,112	—	—
Residential						
First Liens	33	33	—	35	—	—
Home Equity	—	—	—	—	—	—
Junior Liens	—	—	—	—	—	—
Multifamily	—	—	—	—	—	—
All Other Residential	—	—	—	—	—	—
Consumer						
Motor Vehicle	—	—	—	—	—	—
All Other Consumer	—	—	—	—	—	—
TOTAL	\$16,394	\$14,606	\$1,911	\$16,732	\$—	\$—

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

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	Three Months Ended June 30, 2014			Six Months Ended June 30, 2014		
	Average Recorded	Interest Income Recognized	Cash Basis Interest Income Recognized	Average Recorded	Interest Income Recognized	Cash Basis Interest Income Recognized
(Dollar amounts in thousands)	Investment			Investment		
With no related allowance recorded:						
Commercial						
Commercial & Industrial	\$1,080	\$—	\$—	\$1,359	\$—	\$—
Farmland	—	—	—	—	—	—
Non Farm, Non Residential	93	—	—	97	—	—
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	7,466	—	—	7,850	—	—
Farmland	—	—	—	—	—	—
Non Farm, Non Residential	6,397	—	—	6,666	—	—
Agriculture	—	—	—	—	—	—
All Other Commercial	1,207	—	—	1,159	—	—
Residential						
First Liens	36	—	—	36	—	—
Home Equity	—	—	—	—	—	—
Junior Liens	—	—	—	—	—	—
Multifamily	—	—	—	—	—	—
All Other Residential	—	—	—	—	—	—
Consumer						
Motor Vehicle	—	—	—	—	—	—
All Other Consumer	—	—	—	—	—	—
TOTAL	\$16,279	\$—	\$—	\$17,167	\$—	\$—



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

(Dollar amounts in thousands)	June 30, 2015			
	Loans Past Due Over 90 Day Still Accruing	Troubled Debt Accruing	Nonaccrual	Nonaccrual
Commercial				
Commercial & Industrial	\$—	\$5	\$4,793	\$4,002
Farmland	—	—	—	228
Non Farm, Non Residential	—	9	3,898	3,419
Agriculture	—	—	—	537
All Other Commercial	—	—	—	2,334
Residential				
First Liens	626	4,597	1,007	4,275
Home Equity	24	—	—	306
Junior Liens	63	—	—	157
Multifamily	—	—	—	—
All Other Residential	—	—	—	99
Consumer				
Motor Vehicle	38	208	15	137
All Other Consumer	5	21	414	1,059
TOTAL	\$756	\$4,840	\$10,127	\$16,553

(Dollar amounts in thousands)	December 31, 2014			
	Loans Past Due Over 90 Day Still Accruing	Troubled Debt Accruing	Nonaccrual	Nonaccrual
Commercial				
Commercial & Industrial	\$—	\$7	\$4,961	\$3,720
Farmland	—	—	—	79
Non Farm, Non Residential	—	10	3,987	3,388
Agriculture	—	—	—	767
All Other Commercial	—	—	—	1,258
Residential				
First Liens	603	4,357	842	3,861
Home Equity	88	—	—	404
Junior Liens	12	—	—	275
Multifamily	—	—	—	—
All Other Residential	5	—	—	111
Consumer				
Motor Vehicle	162	257	83	210
All Other Consumer	3	1	269	961
TOTAL	\$873	\$4,632	\$10,142	\$15,034

There are no loans covered by loss share agreements with the FDIC included in loans past due over 90 days still on accrual at June 30, 2015 and there were \$37 thousand at December 31, 2014. There were \$271 thousand of covered loans included in non-accrual loans at June 30, 2015 and there were \$274 thousand at December 31, 2014. There were no covered loans at June 30, 2015 or December 31, 2014 that were deemed impaired.



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

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

June 30, 2015						
	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	\$386	\$125	\$3,568	\$4,079	\$495,992	\$500,071
Farmland	—	—	—	—	97,763	97,763
Non Farm, Non Residential	551	223	206	980	217,839	218,819
Agriculture	24	271	27	322	132,839	133,161
All Other Commercial	67	—	—	67	124,410	124,477
Residential						
First Liens	594	703	1,360	2,657	303,745	306,402
Home Equity	182	25	125	332	37,747	38,079
Junior Liens	191	17	158	366	30,533	30,899
Multifamily	—	—	—	—	64,051	64,051
All Other Residential	—	—	—	—	6,978	6,978
Consumer						
Motor Vehicle	2,686	379	38	3,103	244,584	247,687
All Other Consumer	83	16	4	103	21,249	21,352
TOTAL	\$4,764	\$1,759	\$5,486	\$12,009	\$1,777,730	\$1,789,739

December 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	\$574	\$416	\$3,046	\$4,036	\$451,549	\$455,585
Farmland	—	—	—	—	95,452	95,452
Non Farm, Non Residential	1,528	68	202	1,798	232,440	234,238
Agriculture	246	18	502	766	149,099	149,865
All Other Commercial	255	—	—	255	115,014	115,269
Residential						
First Liens	6,011	963	1,522	8,496	308,068	316,564
Home Equity	141	33	310	484	40,043	40,527
Junior Liens	270	83	217	570	31,487	32,057
Multifamily	—	—	—	—	72,310	72,310
All Other Residential	112	—	5	117	8,961	9,078
Consumer						
Motor Vehicle	3,026	557	180	3,763	242,406	246,169
All Other Consumer	114	7	3	124	21,587	21,711
TOTAL	\$12,277	\$2,145	\$5,987	\$20,409	\$1,768,416	\$1,788,825





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During the three and six months ended June 30, 2015 and 2014, the terms of certain loans were modified as troubled debt restructurings (TDRs). The following tables present the activity for TDR's.

(Dollar amounts in thousands)	Commercial	2015 Residential	Consumer	Total
April 1,	8,835	5,618	575	15,028
Added	—	73	140	213
Charged Off	—	—	—	—
Payments	(130	) (102	) (58	) (290
June 30,	8,705	5,589	657	14,951

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

(Dollar amounts in thousands)	Commercial	2014 Residential	Consumer	Total
April 1,	9,343	4,362	620	21,285
Added	441	668	30	1,139
Charged Off	—	—	(19	) (19
Payments	(578	) (74	) (72	) (724
June 30,	9,206	4,956	559	14,721

(Dollar amounts in thousands)	Commercial	2014 Residential	Consumer	Total
January 1,	12,327	4,330	644	21,285
Added	441	801	98	1,340
Charged Off	(1,069	) —	(39	) (1,108
Payments	(2,493	) (175	) (144	) (2,812
June 30,	9,206	4,956	559	14,721

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 2015 or 2014 resulted in the permanent reduction of the recorded investment in the loan.

Modifications involving a reduction of the stated interest rate of the loan were for periods ranging from twelve months to five years. Modifications involving an extension of the maturity date were for periods ranging from twelve months to ten years. Troubled debt restructurings during the three and six months ended June 30, 2015 and 2014 did not result in any material charge-offs or additional provision expense.

The Corporation has allocated \$47 thousand and \$1.2 million of specific reserves to customers whose loan terms have been modified in troubled debt restructurings at both June 30, 2015 and 2014, respectively. The Corporation has not committed to lend additional amounts as of June 30, 2015 and 2014 to customers with outstanding loans that are classified as troubled debt restructurings. The charge-offs during the three and six months ended June 30, 2015 and 2014 were not of any restructurings that had taken place in the previous 12 months.



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Credit Quality Indicators:

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

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

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

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

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

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass rated loans. Loans listed as not rated are either less than \$100 thousand or are included in groups of homogeneous loans. As of June 30, 2015 and December 31, 2014, and based on the most recent analysis performed, the risk category of loans by class of loans are as follows:

	June 30, 2015					
(Dollar amounts in thousands)	Pass	Special Mention	Substandard	Doubtful	Not Rated	Total
Commercial						