

FIRST FINANCIAL CORPORATION

100502

Celebrating



175 Years of Continuous Service

Filings Services

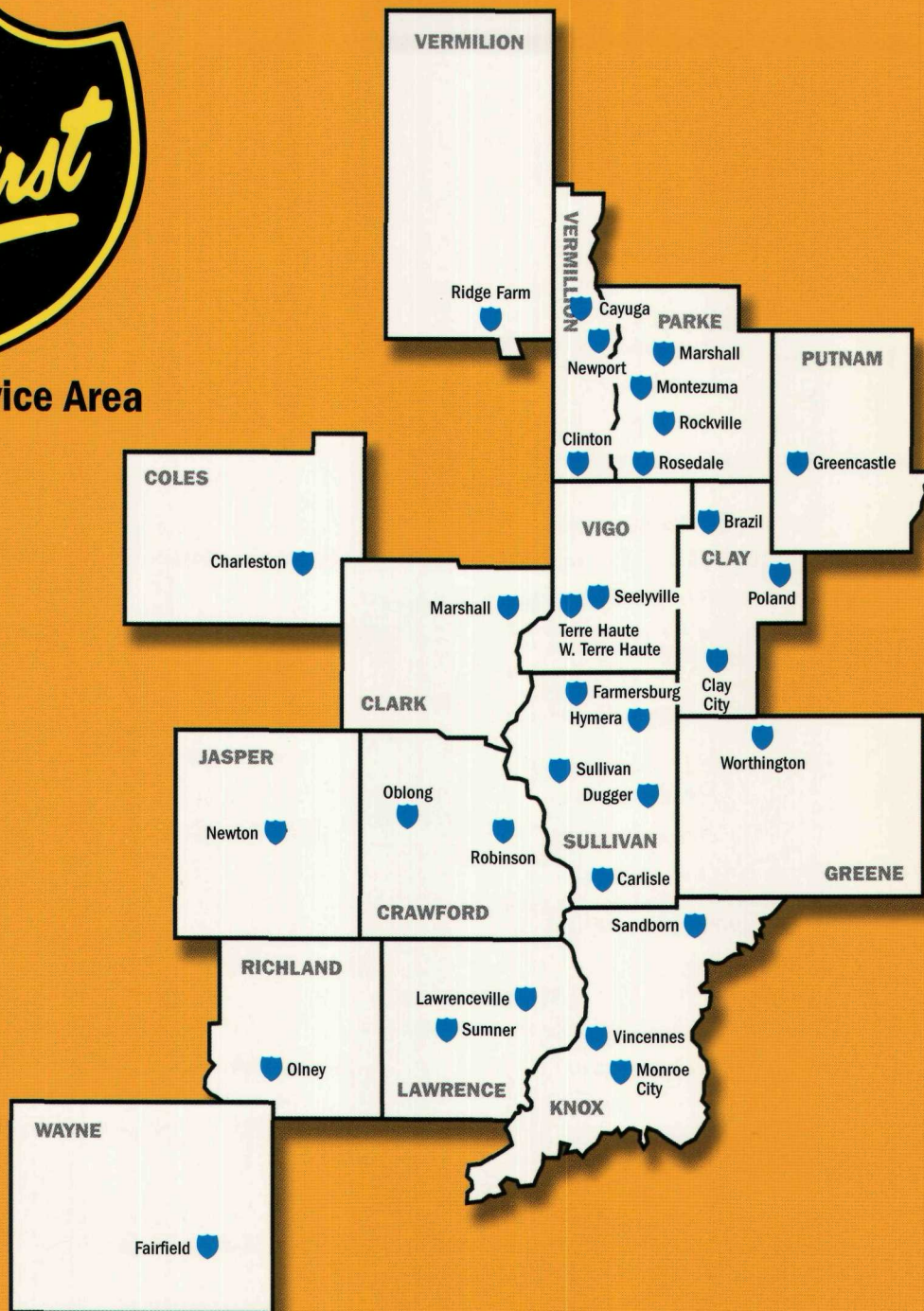
APR 01 2009

SNL Financial, LC
1-800-969-4121

2008 ANNUAL REPORT



Our Service Area



Our Mission

The mission of First Financial Corporation is to be the FIRST choice for all your financial needs.

Shareholder Information



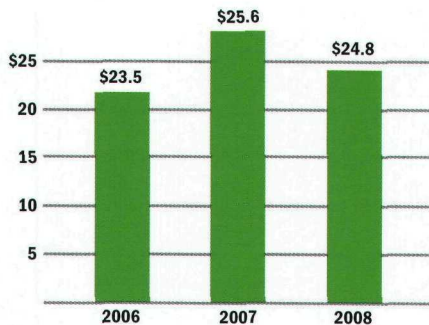
The common stock of First Financial Corporation is traded on the NASDAQ Global under the symbol THFF. A copy of form 10-K, as filed with the Securities and Exchange Commission, is available upon written request to: Michael A. Carty, First Financial Corporation, P.O. Box 540, Terre Haute, IN 47808.

Financial Highlights

| Dollar amounts in thousands, except per share amounts | December 31, | | |
|---|--------------|-------------|-------------|
| | 2008 | 2007 | 2006 |
| FOR THE YEAR | | | |
| Net income | \$ 24,769 | \$ 25,580 | \$ 23,539 |
| Net income per share | 1.89 | 1.94 | 1.77 |
| Book value per share | 21.87 | 21.49 | 20.44 |
| Cash dividends per share | .89 | .87 | .85 |
| AT YEAR END | | | |
| Assets | \$2,302,675 | \$2,231,562 | \$2,175,998 |
| Deposits | 1,563,498 | 1,529,721 | 1,502,682 |
| Loans, net | 1,471,327 | 1,443,067 | 1,392,755 |
| Securities | 596,915 | 558,020 | 530,400 |
| Shareholders' equity | 286,844 | 281,692 | 271,260 |

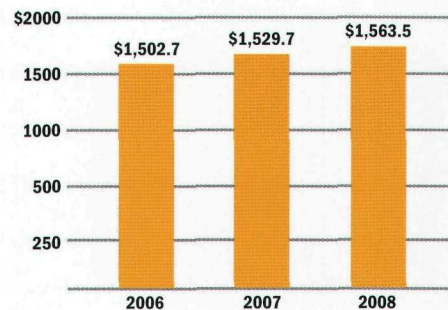
NET INCOME

in millions



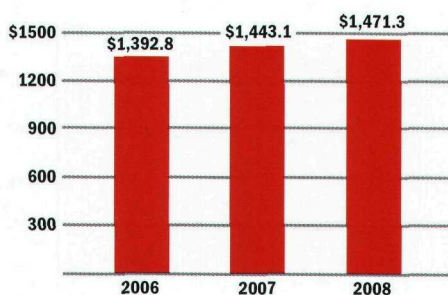
DEPOSITS

in millions



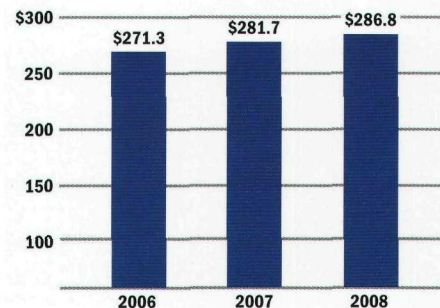
NET LOANS

in millions



SHAREHOLDERS' EQUITY

in millions



Letter to Shareholders

To our Shareholders and Friends:

It will be decades before our memories fade of 2008 and of the collapse, or near collapse, of many of the giants of the financial world. The news media are dominated by stories of bailouts and economic stimulus packages. Locally, businesses are failing and we all know someone who has lost his or her job. Our industry has been hard hit during the past year as financial institutions, one after another, have informed their constituents of less than satisfactory performance, which in some instances threatens their very essence and brings their long-term viability into question. For many companies, the only answer has been to participate in the federal bailout program. We have no intention of criticizing the companies that elected to participate because we have no particular knowledge of their practices or circumstances. We are happy, however, to report to our shareholders that because of our strong capital position and consistent performance, First Financial Corporation did not apply for, nor did it accept, any federal bailout funds.



Donald E. Smith
President and Chairman

National and International Recognition

During the past year, First Financial Bank received several recognitions of which we are extremely proud. *The Banker*, a London-based banking industry publication, again named First Financial Bank one the top 1,000 banks in the world and top 200 banks in the United States based on capital levels, return on assets, real profits growth and other performance factors. Bauer Financial Inc., a leading independent bank rating firm, honored First Financial Bank with its prestigious 5-Star Rating and TheStreet.com awarded us its highest "A" rating, placing First Financial in the top four percent of banks in America based on financial strength and stability. We appreciate these recognitions as they are tributes to our employees and their dedication to providing value to you, our shareholders.

Financial Accomplishments

The news of reckless and greedy behavior on Wall Street may lead some to believe poor performance was the norm for financial institutions in 2008. We are pleased to report otherwise. Our talented employees, commitment to customer relationships, dedication to outstanding service, quality products and unparalleled delivery system paved the way for a successful 2008. Our financial highlights for the year include:

- Net income of \$24.8 million;
- Record net interest income of \$81.5 million, up 8.96% over 2007;
- Record net interest margin of 4.06%, up from 3.57% in 2007;
- A continued strong capital position;
- A 3.2% increase in total assets to \$2.3 billion;
- A 2.2% increase in total deposits to \$1.6 billion;
- Increased annual dividends for the 20th consecutive year.

First Class Customer Service

We remain committed to our customers and to adding value to their experience. During 2008, we expanded "First Class Service," a corporate-wide commitment to provide superior service that cannot be easily duplicated by our competition. We also instituted a monthly branch shopping program utilizing actual customers. We know great service is determined individually by customers, one at a time, so there is no better way to evaluate our service than by using our own customers. We are happy to report, based on these evaluations, each of our branches exceeded customer satisfaction goals for 2008.



Norman L. Lowery
CEO and Vice Chairman

Convenience is important to our customers. To further our commitment to being “Always Close to Home,” we broke ground in February 2009 for our 49th banking center at Sycamore Terrace on Terre Haute’s east side. This branch, together with our new drive-through ATM in Riley, Ind., allows us to better serve this developing retail center and south-eastern Vigo County. In 2008, we also introduced mobile banking, an extension of our internet banking product. This service, valued by many of our younger customers, allows them to manage accounts, transfer funds and pay bills conveniently using their cell phones.

Enhancing the Communities We Serve

During the year, hundreds of our employees contributed thousands of hours to civic and charitable causes. As an engaged community partner, to assist civic and charitable organizations in their fundraising efforts, the Corporation financially supported a variety of programs and events that make a substantial difference in the regions we serve. Following are several we would like to highlight:

- For the past 32 years, First Financial Bank has invited local not-for-profit organizations to decorate our 12 Vigo County banking centers to celebrate “Christmas Around the World.” Each organization receives a cash award for its creative efforts. First originated and continues to sponsor “Christmas in the Park,” in which area organizations earn cash prizes for decorating the picnic shelters in Terre Haute’s Deming Park. Now in its 23rd year, the event has become a popular holiday tradition; more than 100,000 people drive through the park each December to see the lighted displays.
- First Financial Bank has sponsored the Vigo County School Corporation’s Teacher of the Year Award for 25 years. This award recognizes a local educator for exceptional teaching ability. The recipient is presented with a plaque, a Waterford mantle clock and a cash award from First Financial Bank during a program at his or her school. First Financial Corporation also underwrites the Vigo County School Corporation’s annual Academic Excellence Awards, which honor middle and high school students who have the highest grade-point average in their grade level.
- First Financial Bank is a key sponsor for the *Dancing with the Stars* competition, a major fundraiser for CHANCES for Indiana Youth. Each year thousands of young people in our communities learn about substance abuse prevention through CHANCES programs and services such as summer day camps and after school care. The organization has been recognized locally and nationally for its efforts in tobacco, alcohol and drug abuse prevention for children and teens.

175 Years of Continuous Service

In 2009, First Financial Bank observes its 175th anniversary. It is a significant milestone not only for our bank and our employees, but also for the communities we serve, where we have forged enduring partnerships that make them better places to live and work. As we celebrate our history, we renew our commitment to the values that sustained us and that still provide the foundation for future achievements—a strong focus on customer service and a clear vision to help people and businesses reach their financial goals.

Our longevity and success cannot and should not be taken for granted. There are many we must thank for our outstanding performance. First, we would like to thank our customers for their loyalty and trust. Without them, we have no purpose. We would also like to thank our Directors for their vision and support. A special thanks goes to our dedicated employees, whose commitment and hard work are the bedrock of our success. Finally, our thanks goes to you, our shareholders, for your continued support and confidence.

Donald E. Smith
President and Chairman

Norman L. Lowery
CEO and Vice Chairman



In Service to Our Customers

FIRST AT

175

IN 2009 First Financial Bank celebrates 175 years of continuous service to our customers and communities. Our earliest ancestor, the Terre Haute Branch of the State Bank of Indiana, came into being in November 1834. From a small bank in a growing town on the banks of the Wabash River, we have expanded to 48 banking centers in 33 communities in 16 counties in west-central Indiana and east-central Illinois.

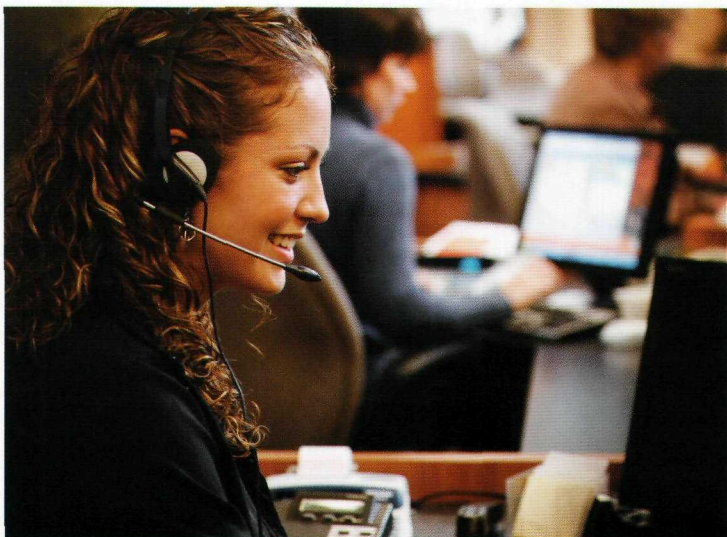
From the very beginning, we have been an integral part of life and commerce in our communities. Researching the ancestors of First Financial Bank, A.R. Markle wrote in 1839 that they “furnished the money that built the National Road, the railroads and the canal; that financed the freight of the steamboats from here to New Orleans and the Eastern markets.

“The building of the streets, the gravel roads of the county, the building and the operating of the old pork-packing houses, the purchase of the salt and barrels, the cooper shops that made the latter for both pork and whiskey and the distilleries and breweries that used the grain, the very buildings all were financed by these old institutions that were the backbone of commercial activities that helped to make Terre Haute.”

We remember and honor our past, but we live and work in the present, always mindful that what we do today will impact our future growth and development. We are justifiably proud of our accomplishments. But we are also proud that we have always embraced our responsibility to our customers and our communities. By being good corporate citizens, we will continue to have a positive impact of the quality of life for all who live and work in the greater Wabash Valley and beyond.



First Financial has long been a leader in mortgage lending and we pride ourselves on helping buyers get financing they can afford. Among the mortgage options we offer are rural development loans guaranteed through the US Department of Agriculture and lending programs for first-time home buyers that make it possible for qualified families to own a home.



In an age where calls are made and answered by machine, First Financial Corporation is proud to say that all calls to our Customer Contact Center are answered by a well-trained, knowledgeable person. On an average day, the center may handle over 1,800 calls, striving to answer each one on the first ring—and to get the customer to the right person or department on the first attempt.

(top of page 4) Fathers and sons can be a winning combination in farming and in lending. Joe Irwin Jr. and Joe Irwin Sr., two generations of farmers and long-time First Financial customers, find that Charley “Gene” Hendricks and Troy Hendricks, two generations of First Financial ag lenders who also farm, understand the ins and outs of agri-business. First agricultural and commercial lenders are actively involved in the business of farming, working to ensure that area farmers have the tools they need to help feed a hungry world.



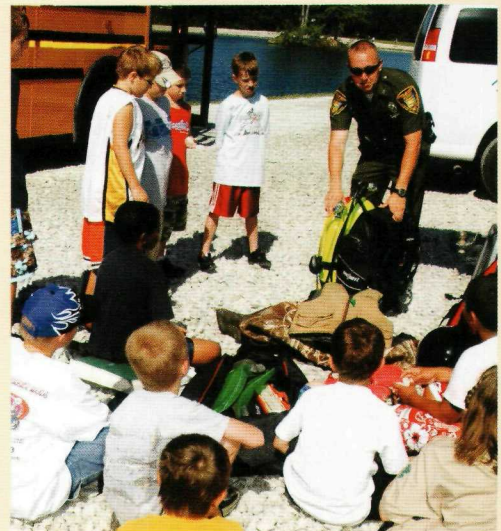
Advances in technology continue to change the way we do business. Always on the cutting edge, in 2008 First Financial Bank was first in the area to offer mobile banking. FIRST-On-The-Go allows safe, secure and free account access from a cell phone or other wireless device to customers enrolled in First Online internet banking. With this convenient service, customers can view account activity, pay bills and transfer funds among First bank accounts wherever and whenever they choose.



In Service to Our Communities

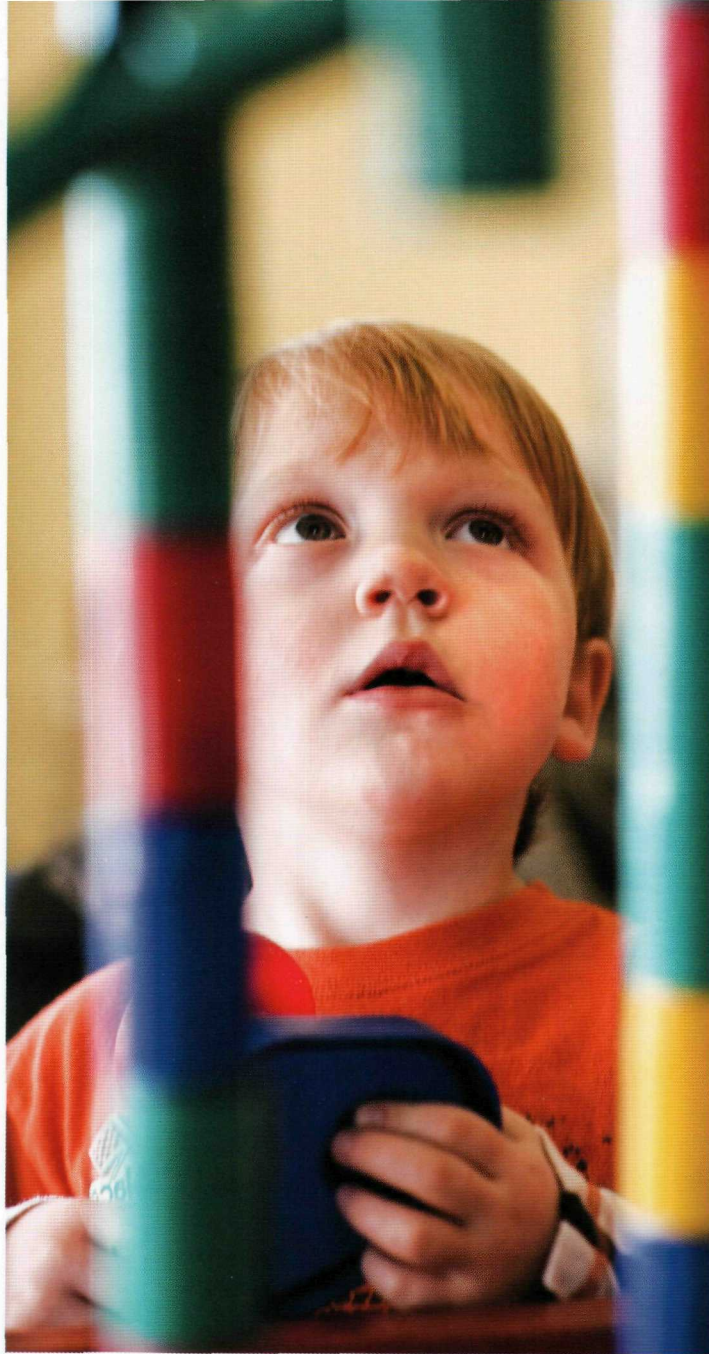
(above) 2008 marked the 16th year First Financial Corporation has provided meals during Easter Week at area soup kitchens. Esther Simbol, a 34-year employee, has been a volunteer server since the program began. Each year more than 80 volunteers from First Financial Bank, Forrest Sherer Insurance and Morris Plan donate their lunch hours to serve meals during Easter Week.

(right) Every summer First Financial Bank sponsors the First Fishing Club for the Terre Haute Boys and Girls Club's Earlybird Program. Children receive fishing gear, casting lessons, caps and t-shirts before they test their newly acquired skills at local ponds and lakes. The club was created in 1998 by First director Patrick O'Leary to teach respect for the environment and provide the kids with a positive recreational activity.



(left) The First Financial Corporation service area is home to a number of outstanding colleges and universities that provide economic, educational, athletic and cultural opportunities for residents and students alike. First is proud to support their activities and to have many employees who serve in advisory capacities on university and college boards and committees.





(left) Currently housed in a building donated by First Financial Corporation, the Terre Haute Children's Museum will soon move into a brand new building downtown. First Financial provided major funding for the Streetscape area on the museum's main level that will welcome generations of kids who come to learn and explore.



(lower left) First is proud to honor the public servants who are responsible for the safety of area citizens. Each year the Corporation sponsors service awards dinners to recognize the men and women of local fire and police departments for their selfless dedication to protecting our communities.

(lower right) Recognizing the importance of financial education, First Financial Bank developed the "First Road Show," a financial literacy program for first-graders. Here, children from Farrington Grove Elementary School focus on Britt Lowery from First Financial as she covers the identification of different coins, the importance of saving money and basic counting skills.

(below) The summer games of the Indiana Special Olympics have been held at Indiana State University since 1970. A large group of volunteers from First Financial Bank, Forrest Sherer Insurance and Morris Plan escort the athletes into the opening ceremonies, which have been sponsored by First Financial for over 20 years.



Corporate Leadership



First Financial Corporation and First Financial Bank

Seated: Ronald K. Rich, Patrick O'Leary, Donald E. Smith and Virginia Smith. *Standing:* Gregory L. Gibson, Norman L. Lowery, B. Guille Cox Jr., Tony George, Thomas T. Dinkel and W. Curtis Brighton. *Inset:* William J. Voges

DIRECTORS

First Financial Corporation and First Financial Bank

W. Curtis Brighton
B. Guille Cox, Jr.
Thomas T. Dinkel
Anton Hulman George
Gregory L. Gibson
Norman L. Lowery
Ronald K. Rich
Donald E. Smith
Virginia L. Smith
William J. Voges

DIRECTORS

The Morris Plan Company of Terre Haute

David L. Bailey
Jeffrey G. Belskus
Thomas S. Clary
Mark J. Fuson
Norman D. Lowery
James F. Nasser
Jeffrey B. Smith

DIRECTORS

Forrest Sherer Inc.

John W. Dinkel
J. Barton Douglas
Norman L. Lowery
John S. Lukens
Dennis S. Michael
Jerry R. Mueller
Robert F. Prox III

COMMUNITY DIRECTORS

First Financial Bank, Marshall Region

Fred S. Barth
Byron R. Calvert
William F. Meehling
Norman P. Yeley

COMMUNITY DIRECTORS

First Financial Bank, Citizens Region

Henry J. Antonini
Michael A. Carty
Robert DeVerter
Danny F. Wesch
Terri Williamson

COMMUNITY DIRECTORS

First Financial Bank, Sullivan Region

Thomas S. Clary
Robert F. Dukes
Henry T. Smith
Robert E. Springer
V. Bruce Walkup

COMMUNITY DIRECTORS

First Financial Bank, Parke Region

James R. Bosley
Michael A. Carty
Thomas S. Clary
Charles A. Cooper

COMMUNITY DIRECTORS

First Financial Bank, Clay Region

David L. Barr
Sam J. Emmert
Max Gibson
Rodger McHargue
James E. Pell
John P. Stelle

COMMUNITY DIRECTORS

First Financial Bank, Crawford Region

Jerry L. Bailey
W. J. Chamblin
Norman D. Lowery
Steven A. McGahey
V. Bruce Walkup

COMMUNITY DIRECTORS

First Financial Bank, Community Region

Norman D. Lowery
Avery J. McKinney
V. Bruce Walkup
Jeffrey L. Wilson

IN MEMORIAM



Patrick O'Leary passed away on May 9, 2008. Mr. O'Leary served on the board of directors of Terre Haute First National Bank, First Financial Bank and First Financial Corporation for over 35 years. His good counsel and friendship are deeply missed.

Five Year Comparison of Selected Financial Data

(Dollar amounts in thousands,
except per share amounts)

| | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|-------------|-------------|-------------|-------------|-------------|
| BALANCE SHEET DATA: | | | | | |
| Total assets | \$2,302,675 | \$2,231,562 | \$2,175,998 | \$2,136,918 | \$2,183,992 |
| Securities | 596,915 | 558,020 | 530,400 | 503,079 | 472,884 |
| Loans, net of unearned fees* | 1,471,327 | 1,443,067 | 1,392,755 | 1,395,741 | 1,463,871 |
| Deposits | 1,563,498 | 1,529,721 | 1,502,682 | 1,464,918 | 1,443,121 |
| Borrowings | 406,653 | 368,616 | 358,008 | 370,090 | 438,013 |
| Shareholders' equity | 286,844 | 281,692 | 271,260 | 269,323 | 268,335 |
| INCOME STATEMENT DATA: | | | | | |
| Interest income | 133,954 | 137,734 | 130,832 | 121,647 | 116,888 |
| Interest expense | 52,490 | 62,961 | 57,129 | 47,469 | 44,686 |
| Net interest income | 81,464 | 74,773 | 73,703 | 74,178 | 72,202 |
| Provision for loan losses | 7,855 | 6,580 | 6,983 | 11,698 | 8,292 |
| Other income | 25,410 | 31,497 | 28,826 | 32,025 | 35,754 |
| Other expenses | 66,447 | 64,726 | 64,656 | 63,538 | 63,656 |
| Net income | 24,769 | 25,580 | 23,539 | 23,054 | 28,009 |
| PER SHARE DATA: | | | | | |
| Net income | 1.89 | 1.94 | 1.77 | 1.72 | 2.07 |
| Cash dividends | 0.89 | 0.87 | 0.85 | .82 | .79 |
| PERFORMANCE RATIOS: | | | | | |
| Net income to average assets | 1.09% | 1.16% | 1.10% | 1.07% | 1.28% |
| Net income to average shareholders' equity | 8.61 | 9.20 | 8.57 | 8.52 | 10.45 |
| Average total capital to average assets | 13.28 | 13.35 | 13.56 | 13.35 | 13.24 |
| Average shareholders' equity to average assets | 12.60 | 12.64 | 12.79 | 12.51 | 12.23 |
| Dividend payout | 47.10 | 44.76 | 44.18 | 47.57 | 38.13 |

*2008 and 2007 include \$12,800 and \$14,068, respectively, of credit card loans that are held-for-sale.

Consolidated Balance Sheets

| | December 31, | |
|---|--------------------|--------------------|
| | 2008 | 2007 |
| (Dollar amounts in thousands, except per share data) | | |
| ASSETS | | |
| Cash and due from banks | \$ 67,298 | \$ 70,082 |
| Federal funds sold | 9,530 | 4,201 |
| Securities available-for-sale | 596,915 | 558,020 |
| Loans, net of allowance of \$16,280 in 2008 and \$15,351 in 2007 | 1,442,247 | 1,413,648 |
| Credit card loans held-for-sale | 12,800 | 14,068 |
| Restricted stock | 26,227 | 28,613 |
| Accrued interest receivable | 13,081 | 13,698 |
| Premises and equipment, net | 32,145 | 32,632 |
| Bank-owned life insurance | 62,107 | 59,950 |
| Goodwill | 7,102 | 7,102 |
| Other intangible assets | 1,512 | 1,937 |
| Other real estate owned | 3,200 | 1,472 |
| Other assets | 28,511 | 26,139 |
| TOTAL ASSETS | <u>\$2,302,675</u> | <u>\$2,231,562</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Deposits: | | |
| Non-interest-bearing | \$ 236,249 | \$ 225,549 |
| Interest-bearing: | | |
| Certificates of deposit of \$100 or more | 211,107 | 193,901 |
| Other interest-bearing deposits | 1,116,142 | 1,110,271 |
| | <u>1,563,498</u> | <u>1,529,721</u> |
| Short-term borrowings | 21,500 | 27,331 |
| Other borrowings | 385,153 | 341,285 |
| Other liabilities | 45,680 | 51,533 |
| TOTAL LIABILITIES | <u>2,015,831</u> | <u>1,949,870</u> |
| Shareholders' equity | | |
| Common stock, \$.125 stated value per share, | | |
| Authorized shares — 40,000,000 | | |
| Issued shares — 14,450,966 | | |
| Outstanding shares — 13,116,630 in 2008 and 13,136,359 in 2007 | 1,806 | 1,806 |
| Additional paid-in capital | 68,654 | 68,212 |
| Retained earnings | 263,115 | 250,011 |
| Accumulated other comprehensive income (loss) | (12,946) | (5,181) |
| Less: Treasury shares at cost — 1,334,336 in 2008 and 1,314,607 in 2007 | <u>(33,785)</u> | <u>(33,156)</u> |
| TOTAL SHAREHOLDERS' EQUITY | <u>286,844</u> | <u>281,692</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | <u>\$2,302,675</u> | <u>\$2,231,562</u> |

See accompanying notes.

Consolidated Statements of Income

| | Years Ended December 31, | | |
|--|--------------------------|------------------|------------------|
| | 2008 | 2007 | 2006 |
| (Dollar amounts in thousands, except per share data) | | | |
| INTEREST AND DIVIDEND INCOME: | | | |
| Loans, including related fees | \$ 99,572 | \$ 104,950 | \$ 99,850 |
| Securities: | | | |
| Taxable | 25,303 | 23,336 | 21,877 |
| Tax-exempt | 6,415 | 6,635 | 6,243 |
| Other | 2,664 | 2,813 | 2,862 |
| TOTAL INTEREST AND DIVIDEND INCOME | 133,954 | 137,734 | 130,832 |
| INTEREST EXPENSE: | | | |
| Deposits | 32,696 | 41,956 | 37,285 |
| Short-term borrowings | 1,068 | 1,611 | 746 |
| Other borrowings | 18,726 | 19,394 | 19,098 |
| TOTAL INTEREST EXPENSE | 52,490 | 62,961 | 57,129 |
| NET INTEREST INCOME | 81,464 | 74,773 | 73,703 |
| Provision for loan losses | 7,855 | 6,580 | 6,983 |
| NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES | 73,609 | 68,193 | 66,720 |
| NON-INTEREST INCOME: | | | |
| Trust and financial services | 3,993 | 3,697 | 3,766 |
| Service charges and fees on deposit accounts | 11,889 | 11,877 | 11,639 |
| Other service charges and fees | 6,050 | 5,783 | 5,279 |
| Securities gains (losses) | (5,787) | 211 | 6 |
| Insurance commissions | 6,688 | 6,541 | 6,323 |
| Gain on sale of mortgage loans | 817 | 816 | 191 |
| Other | 1,760 | 2,572 | 1,622 |
| TOTAL NON-INTEREST INCOME | 25,410 | 31,497 | 28,826 |
| NON-INTEREST EXPENSES: | | | |
| Salaries and employee benefits | 41,287 | 39,432 | 39,739 |
| Occupancy expense | 4,182 | 4,034 | 3,994 |
| Equipment expense | 4,560 | 4,322 | 4,305 |
| Other | 16,418 | 16,938 | 16,618 |
| TOTAL NON-INTEREST EXPENSE | 66,447 | 64,726 | 64,656 |
| INCOME BEFORE INCOME TAXES | 32,572 | 34,964 | 30,890 |
| Provision for income taxes | 7,803 | 9,384 | 7,351 |
| NET INCOME | \$ 24,769 | \$ 25,580 | \$ 23,539 |
| EARNINGS PER SHARE: | | | |
| BASIC AND DILUTED | \$ 1.89 | \$ 1.94 | \$ 1.77 |
| Weighted average number of shares outstanding (in thousands) | 13,110 | 13,178 | 13,295 |

See accompanying notes.

FIRST FINANCIAL CORPORATION

Consolidated Statements of Changes in Shareholders' Equity

| (Dollar amounts in thousands, except per share data) | Common Stock | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Treasury Stock | Total |
|--|-------------------------|---------------------------------------|------------------------------|--|---------------------------|-------------------|
| Balance, January 1, 2006 | \$ 1,806 | \$ 67,670 | \$ 223,710 | \$ 1,903 | \$ (25,766) | \$ 269,323 |
| Comprehensive income: | | | | | | |
| Net income | — | — | 23,539 | — | — | 23,539 |
| Other comprehensive loss, net of tax: | | | | | | |
| Change in net unrealized gains/losses on securities available-for-sale, net | — | — | — | 1,161 | — | 1,161 |
| Total comprehensive income | | | | | | 24,700 |
| Adjustment to initially apply SFAS No. 158, net of tax (Note 1) | — | — | — | (8,558) | — | (8,558) |
| Contribution of 34,000 shares to ESOP | — | 333 | — | — | 831 | 1,164 |
| Treasury stock purchases (137,249 shares) | — | — | — | — | (4,087) | (4,087) |
| Cash dividends, \$.85 per share | — | — | (11,282) | — | — | (11,282) |
| Balance, December 31, 2006 | 1,806 | 68,003 | 235,967 | (5,494) | (29,022) | 271,260 |
| Comprehensive income: | | | | | | |
| Net income | — | — | 25,580 | — | — | 25,580 |
| Other comprehensive loss, net of tax: | | | | | | |
| Change in net unrealized gains/losses on securities available-for-sale, net | — | — | — | 1,110 | — | 1,110 |
| Change in unrealized gains/losses on post-retirement benefits | — | — | — | (797) | — | (797) |
| Total comprehensive income | | | | | | 25,893 |
| Adjustment to initially apply FIN No. 48, net of tax (Note 1) | — | — | (86) | — | — | (86) |
| Contribution of 41,000 shares to ESOP | — | 209 | — | — | 1,033 | 1,242 |
| Treasury stock purchases (174,962 shares) | — | — | — | — | (5,167) | (5,167) |
| Cash dividends, \$.87 per share | — | — | (11,450) | — | — | (11,450) |
| Balance, December 31, 2007 | 1,806 | 68,212 | 250,011 | (5,181) | (33,156) | 281,692 |
| Comprehensive income: | | | | | | |
| Net income | — | — | 24,769 | — | — | 24,769 |
| Other comprehensive loss, net of tax: | | | | | | |
| Change in net unrealized gains/losses on securities available-for-sale, net | — | — | — | (8,276) | — | (8,276) |
| Change in unrealized gains/losses on post-retirement benefits | — | — | — | 511 | — | 511 |
| Total comprehensive income | | | | | | 17,004 |
| Contribution of 33,015 shares to ESOP | — | 442 | — | — | 835 | 1,277 |
| Treasury stock purchases (52,744 shares) | — | — | — | — | (1,464) | (1,464) |
| Cash dividends, \$.89 per share | — | — | (11,665) | — | — | (11,665) |
| Balance, December 31, 2008 | <u>\$ 1,806</u> | <u>\$ 68,654</u> | <u>\$ 263,115</u> | <u>\$ (12,946)</u> | <u>\$ (33,785)</u> | <u>\$ 286,844</u> |

See accompanying notes.

Consolidated Statements of Cash Flows

| | Years Ended December 31, | | |
|---|--------------------------|------------------|------------------|
| | 2008 | 2007 | 2006 |
| (Dollar amounts in thousands, except per share data) | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net income | \$ 24,769 | \$ 25,580 | \$ 23,539 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Net (accretion) amortization on securities | (2,874) | (2,619) | (2,540) |
| Provision for loan losses | 7,855 | 6,580 | 6,983 |
| Securities (gains) losses | 5,787 | (211) | (6) |
| Depreciation and amortization | 3,535 | 3,443 | 3,515 |
| Provision for deferred income taxes | (5,147) | 27 | (3,579) |
| Net change in accrued interest receivable | 617 | 274 | (1,435) |
| Contribution of shares to ESOP | 1,277 | 1,242 | 1,164 |
| Gains on sales of other real estate | 35 | (116) | — |
| Other, net | 677 | 1,302 | 9,688 |
| NET CASH FROM OPERATING ACTIVITIES | <u>36,531</u> | <u>35,502</u> | <u>37,329</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Sales of securities available-for-sale | 1,063 | 3,140 | — |
| Calls, maturities and principal reductions on securities available-for-sale | 95,198 | 94,587 | 157,031 |
| Purchases of securities available-for-sale | (151,863) | (120,657) | (180,393) |
| Loans made to customers, net of repayments | (39,306) | (60,485) | (6,510) |
| Net change in federal funds sold | (5,329) | 17,236 | (18,455) |
| Redemption of restricted stock | 2,386 | 30 | 5,080 |
| Sale of other real estate | 2,357 | 4,322 | — |
| Additions to premises and equipment | (2,623) | (2,382) | (5,015) |
| NET CASH FROM INVESTING ACTIVITIES | <u>(98,117)</u> | <u>(64,209)</u> | <u>(48,262)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Net change in deposits | 33,777 | 27,039 | 37,764 |
| Net change in other short-term borrowings | (5,831) | 11,128 | (10,021) |
| Dividends paid | (11,548) | (11,373) | (11,181) |
| Purchases of treasury stock | (1,464) | (5,167) | (4,087) |
| Proceeds from other borrowings | 408,500 | 81,750 | — |
| Repayments on other borrowings | (364,632) | (82,270) | (2,061) |
| NET CASH FROM FINANCING ACTIVITIES | <u>58,802</u> | <u>21,107</u> | <u>10,414</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (2,784) | (7,600) | (519) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>70,082</u> | <u>77,682</u> | <u>78,201</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 67,298</u> | <u>\$ 70,082</u> | <u>\$ 77,682</u> |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW AND NONCASH INFORMATION: | | | |
| Cash paid during the year for: | | | |
| Interest | <u>\$ 54,168</u> | <u>\$ 62,080</u> | <u>\$ 56,150</u> |
| Income taxes | <u>\$ 11,657</u> | <u>\$ 8,494</u> | <u>\$ 11,202</u> |
| Transfers from loans to loans held-for-sale | <u>\$ —</u> | <u>\$ 14,608</u> | <u>\$ —</u> |

See accompanying notes.

Notes to Consolidated Financial Statements

1. BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES:

BUSINESS

Organization: The consolidated financial statements of First Financial Corporation and its subsidiaries (the Corporation) include the parent company and its wholly-owned subsidiaries, First Financial Bank, N.A. of Vigo County, Indiana, The Morris Plan Company of Terre Haute (Morris Plan), and Forrest Sherer Inc., a full-line insurance agency headquartered in Terre Haute, Indiana. Inter-company transactions and balances have been eliminated. First Financial Reinsurance Company was dissolved during 2007 with no material impact to the financial statements of the Corporation.

First Financial Bank also has two investment subsidiaries, Portfolio Management Specialists A (Specialists A) and Portfolio Management Specialists B (Specialists B), which were established to hold and manage certain assets as part of a strategy to better manage various income streams and provide opportunities for capital creation as needed. Specialists A and Specialists B subsequently entered into a limited partnership agreement, Global Portfolio Limited Partners. Portfolio Management Specialists B also owns First Financial Real Estate, LLC. At December 31, 2008, \$531.0 million of securities and loans were owned by these subsidiaries. Specialists A, Specialists B, Global Portfolio Limited Partners and First Financial Real Estate LLC are included in the consolidated financial statements.

The Corporation, which is headquartered in Terre Haute, Indiana, offers a wide variety of financial services including commercial, mortgage and consumer lending, lease financing, trust account services and depositor services through its four subsidiaries. The Corporation's primary source of revenue is derived from loans to customers, primarily middle-income individuals, and investment activities.

The Corporation operates 48 branches in west-central Indiana and east-central Illinois. First Financial Bank is the largest bank in Vigo County. It operates 12 full-service banking branches within the county; five in Clay County, Indiana; one in Greene County, Indiana; three in Knox County, Indiana; five in Parke County, Indiana; one in Putnam County, Indiana; five in Sullivan County, Indiana; four in Vermillion County, Indiana; one in Clark County, Illinois; one in Coles County, Illinois; three in Crawford County, Illinois; one in Jasper County, Illinois; two in Lawrence County, Illinois; two in Richland County, Illinois; one in Vermilion County, Illinois; and one in Wayne County, Illinois. It also has a main office in downtown Terre Haute and an operations center/office building in southern Terre Haute.

Regulatory Agencies: First Financial Corporation is a multi-bank holding company and as such is regulated by various banking agencies. The holding company is regulated by the Seventh District of the Federal Reserve System. The national bank subsidiary is regulated by the Office of the Comptroller of the Currency. The state bank subsidiary is jointly regulated by the state banking organization and the Federal Deposit Insurance Corporation.

SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates: To prepare financial statements in conformity with U.S. generally accepted accounting principles, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and disclosures provided, and actual results could differ. The allowance for loan losses, carrying value of intangible assets, loan servicing rights, other-than-temporary securities impairment and the fair values of financial instruments are particularly subject to change.

Cash Flows: Cash and cash equivalents include cash and demand deposits with other financial institutions. Net cash flows are reported for customer loan and deposit transactions and short-term borrowings.

Securities: The Corporation classifies all securities as "available for sale." Securities are classified as available for sale when they might be sold before maturity. Securities available for sale are carried at fair value with unrealized holdings gains and losses, net of taxes, reported in other comprehensive income within shareholders' equity.

Interest income includes amortization of purchase premium or discount. Premiums and discounts are amortized on the level yield method without anticipating prepayments. Mortgage-backed securities are amortized over the expected life. Realized gains and losses on sales are based on the amortized cost of the security sold. Declines in the fair value of securities below their cost that are other than temporary are reflected as realized losses. In estimating other-than-temporary losses, management considers: 1) the length of time and extent that fair value has been less than cost; 2) the financial condition and near term prospects of the issuer; and 3) the Corporation's ability and intent to hold the security for a period sufficient to allow for any anticipated recovery in fair value.

Loans: Loans that management has the intent and ability to hold for the foreseeable future until maturity or pay-off are reported at the principal balance outstanding, net of unearned interest, deferred loan fees and costs, and allowance for loan losses. Loans held for sale are reported at the lower of cost or market, on an aggregate basis.

Interest income is accrued on the unpaid principal balance and includes amortization of net deferred loan fees and costs over the loan term without anticipating prepayments. Interest income is not reported when full loan repayment is in doubt, typically when the loan is impaired or payments are significantly past due.

All interest accrued but not received for loans placed on nonaccrual is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. In all cases, loans are placed on non-accrual or charged-off if collection of principal or interest is considered doubtful.

Notes to Consolidated Financial Statements

Allowance for Loan Losses: The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged off. The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired or loans otherwise classified as substandard or doubtful. The general component covers non-classified loans and is based on historical loss experience adjusted for current factors.

A loan is impaired when full payment under the loan terms is not expected. Impairment is evaluated in total for smaller-balance loans of similar nature such as residential mortgages, consumer and credit card loans, and on an individual basis for other loans. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows, using the loan's existing rate, or at the fair value of collateral if repayment is expected solely from the collateral. Large groups of smaller balance homogeneous loans, such as consumer and residential real estate loans, are collectively evaluated for impairment and, accordingly, they are not separately identified for impairment disclosures.

Foreclosed Assets: Assets acquired through or instead of loan foreclosures are initially recorded at fair value less estimated selling costs when acquired, establishing a new cost basis. If fair value declines, a valuation allowance is recorded through expense. Costs after acquisition are expensed.

Premises and Equipment: Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed over the useful lives of the assets, which range from 3 to 33 years for furniture and equipment and 5 to 39 years for buildings and leasehold improvements.

Restricted Stock: Restricted stock includes Federal Home Loan Bank (FHLB) of Indianapolis and Federal Reserve stock. This restricted stock is carried at cost and periodically evaluated for impairment. Because this stock is viewed as a long-term investment, impairment is based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Servicing Rights: Servicing rights are recognized separately when they are acquired through sales of loans. When mortgage loans are sold, servicing rights are initially recorded at fair value with the income statement effect recorded in gains on sales of loans. Fair value is based on market prices for comparable mortgage servicing contracts, when available, or alternatively, is based on third-party valuations that incorporate assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, ancillary income, prepayment speeds and default rates and losses. All classes of servicing assets are subsequently measured using the amortization method, which requires servicing rights to be amortized into non-interest income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans.

Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to carrying amount. Impairment is determined by stratifying rights into groupings based on predominant risk characteristics, such as interest rate, loan type and investor type. Impairment is recognized through a valuation allowance for an individual grouping, to the extent that fair value is less than the carrying amount. If the Corporation later determines that all or a portion of the impairment no longer exists for a particular grouping, a reduction of the allowance may be recorded as an increase to income. Changes in valuation allowances are reported with Other Service Fees on the income statement. The fair values of servicing rights are subject to significant fluctuations as a result of changes in estimated and actual prepayment speeds and default rates and losses.

Servicing fee income, which is included in Other Service Fees on the income statement, is for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal or a fixed amount per loan and are recorded as income when earned. The amortization of mortgage servicing rights is netted against loan servicing fee income. Servicing fees totaled \$901 thousand, \$947 thousand and \$1.01 million for the years ended December 31, 2008, 2007 and 2006. Late fees and ancillary fees related to loan servicing are not material.

Bank-Owned Life Insurance: The Corporation has purchased life insurance policies on certain key executives. In accordance with EITF 06-5, bank-owned life insurance is recorded at its cash surrender value, or the amount that can be realized. Income on the investments in life insurance is included in other interest income.

Goodwill and Other Intangible Assets: Goodwill results from business acquisitions and represents the excess of the purchase price over the fair value of acquired tangible assets and liabilities and identifiable intangible assets. Goodwill is assessed at least annually for impairment and any such impairment will be recognized in the period identified.

Other intangible assets consist of core deposit and acquired customer relationship intangible assets arising from the whole bank, insurance agency and branch acquisitions. They are initially measured at fair value and then are amortized over their estimated useful lives, which are 12 and 10 years, respectively.

Long-Term Assets: Premises and equipment and other long-term assets are reviewed for impairment when events indicate their carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at fair value.

Benefit Plans: Pension expense is the net of service and interest cost, return on plan assets and amortization of gains and losses not immediately recognized. The amount contributed is determined by a formula as decided by the Board of Directors. Deferred compensation and supplemental retirement plan expense allocates the benefits over years of service.

Employee Stock Ownership Plan: Shares of treasury stock are issued to the ESOP and compensation expense is recognized based upon the total market price of shares when contributed.

Notes to Consolidated Financial Statements

Deferred Compensation Plan: A deferred compensation plan covers all directors. Under the plan, the Corporation pays each director, or their beneficiary, the amount of fees deferred plus interest over 10 years, beginning when the director achieves age 65. A liability is accrued for the obligation under these plans. The expense incurred for the deferred compensation for each of the last three years was \$169 thousand, \$177 thousand and \$201 thousand, resulting in a deferred compensation liability of \$2.4 million and \$2.3 million as of year-end 2008 and 2007.

Long-Term Incentive Plan: A long-term incentive plan provides for the payment of incentive rewards as a 15-year annuity to all directors and certain key officers. The plan expires December 31, 2009, and compensation expense is recognized over the service period. Payments under the plan generally do not begin until the earlier of January 1, 2015, or the January 1 immediately following the year in which the participant reaches age 65. Compensation expense for each of the last three years was \$2.0 million, \$2.0 million and \$1.7 million, resulting in a liability of \$13.2 million and \$11.3 million as of year-end 2008 and 2007.

Income Taxes: Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

The Corporation adopted FASB Interpretation 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), as of January 1, 2007. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The adoption of FIN 48 on January 1, 2007 reduced retained earnings and increased liabilities by \$86 thousand.

The Corporation recognizes interest and/or penalties related to income tax matters in income tax expense.

Loan Commitments and Related Financial Instruments: Financial instruments include credit instruments, such as commitments to make loans and standby letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Earnings Per Share: Earnings per common share is net income divided by the weighted average number of common shares outstanding during the period. The Corporation does not have any potentially dilutive securities. Earnings and dividends per share are restated for stock splits and dividends through the date of issue of the financial statements.

Comprehensive Income: Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available for sale and changes in the funded status of the retirement plans, which are also recognized as separate components of equity.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there are currently such matters that will have a material effect on the financial statements.

Dividend Restriction: Banking regulations require maintaining certain capital levels and may limit the dividends paid by the bank to the holding company or by the holding company to shareholders.

Fair Value of Financial Instruments: Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or market conditions could significantly affect the estimates.

Operating Segment: While the Corporation's chief decision-makers monitor the revenue streams of the various products and services, the operating results of significant segments are similar and operations are managed and financial performance is evaluated on a corporate-wide basis. Accordingly, all of the Corporation's financial service operations are considered by management to be aggregated in one reportable operating segment, which is banking.

Adoption of New Accounting Standards: In September 2006, the Financial Accounting Standards Board (FASB) issued Statement No. 157, *Fair Value Measurements* (FAS 157). This Statement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This Statement establishes a fair value hierarchy about the assumptions used to measure fair value and clarifies assumptions about risk and the effect of a restriction on the sale or use of an asset. The standard was effective for fiscal years beginning after November 15, 2007. In February 2008, the FASB issued Staff Position (FSP) 157-2, *Effective Date of FASB Statement No. 157*. This FSP delays the effective date of FAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value on a recurring basis (at least annually) to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. We have included the disclosures required by FAS 157 in this document. In October 2008, the FASB issued Staff Position (FSP) 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*. This FSP clarifies the application of FAS 157 in a market that is not active. We have evaluated FSP 157-3 and concluded that our methods of valuing our securities portfolio are consistent with its provisions.

Notes to Consolidated Financial Statements

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. The standard provides companies with an option to report selected financial assets and liabilities at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. The new standard was effective for the Corporation on January 1, 2008. The Corporation did not elect the fair value option for any financial assets or financial liabilities as of January 1, 2008.

In September 2006, the FASB Emerging Issues Task Force finalized Issue No. 06-4, *Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements*. This issue requires that a liability be recorded during the service period when a split-dollar life insurance agreement continues after participants' employment or retirement. The required accrued liability will be based on either the post-employment benefit cost for the continuing life insurance or based on the future death benefit depending on the contractual terms of the underlying agreement. This issue was effective for fiscal years beginning after December 15, 2007. The impact of adoption was not material.

On November 5, 2007, the SEC issued Staff Accounting Bulletin No. 109, *Written Loan Commitments Recorded at Fair Value through Earnings* (SAB 109). Previously, SAB 105, *Application of Accounting Principles to Loan Commitments*, stated that in measuring the fair value of a derivative loan commitment, a company should not incorporate the expected net future cash flows related to the associated servicing of the loan. SAB 109 supersedes SAB 105 and indicates that the expected net future cash flows related to the associated servicing of the loan should be included in measuring fair value for all written loan commitments that are accounted for at fair value through earnings. SAB 105 also indicated that internally-developed intangible assets should not be recorded as part of the fair value of a derivative loan commitment, and SAB 109 retains that view. SAB 109 was effective for the derivative loan commitments issued or modified in fiscal quarters beginning after December 15, 2007. The impact of adoption was not material.

Effect of Newly Issued But Not Yet Effective Accounting Standards: In December 2007, the FASB issued FAS No. 141 (revised 2007), *Business Combinations* (FAS 141(R)), which establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in an acquiree, including the recognition and measurement of goodwill acquired in a business combination. FAS No. 141(R) is effective for fiscal years beginning on or after December 15, 2008. Earlier adoption is prohibited. The adoption of this standard is not expected to have a material effect on the Corporation's results of operations or financial position.

In March 2007, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities*, an amendment of SFAS No. 133. FAS No. 161 amends and expands the disclosure requirements of SFAS No. 133 for derivative instruments and hedging activities. FAS No. 161 requires qualitative disclosure about objectives and strategies for using derivative and hedging instruments, quantitative disclosures about fair value amounts of the instruments and gains and losses on such instruments, as well as disclosures about credit-risk features in derivative agreements. FAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The adoption of this standard is not expected to have a material effect on the Corporation's results of operations or financial position.

2. FAIR VALUES OF FINANCIAL INSTRUMENTS:

Statement of Financial Accounting Standard (SFAS) No. 157 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 level 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 1 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 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. The fair value of these securities is computed based upon discounted cash flows estimated using payment, default and recovery assumptions. Cash flows are discounted at appropriate market rates, including consideration of credit spreads and illiquidity discounts. Due to current market conditions, as well as the limited trading activity of these securities, the market value of the securities is highly sensitive to assumption changes and market volatility.

Notes to Consolidated Financial Statements

December 31, 2008
Fair Value Measurements Using

| (Dollar amounts in thousands) | Level 1 | Level 2 | Level 3 | Carrying Value |
|--|---------|-----------|---------|----------------|
| Securities available-for-sale ⁽¹⁾ | \$2,827 | \$586,094 | \$7,994 | \$596,915 |

⁽¹⁾ Carried at fair value prior to the adoption of SFAS 157. The fair value of securities reported using Level 3 inputs include certain investments in bank equities and collateralized debt obligations for which Level 1 and Level 2 inputs are not available. 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 twelve months ended December 31, 2008.

Fair Value Measurements Using Significant
Unobservable Inputs (Level 3)

| | |
|---|-----------------|
| Beginning balance, January 1, 2008 | \$ 33,745 |
| Total realized/unrealized gains or losses | |
| Included in earnings | (6,145) |
| Included in other comprehensive income | (19,318) |
| Settlements | (288) |
| Ending balance, December 31, 2008 | <u>\$ 7,994</u> |

Change in unrealized gains and losses recorded in earnings for the year ended December 31, 2008 for Level 3 assets that are still held at December 31, 2008 was related to fair value declines recorded as other-than-temporary impairment.

All impaired loans disclosed in footnote 6 are valued at Level 3 and are carried at a fair value of \$12.2 million, net of a valuation allowance of \$4.7 million at December 31, 2008. The impact to the provision for loan losses for the twelve months ended December 31, 2008 was \$3.7 million. 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. 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 on non-real estate loans is determined using similar methods. In addition, business equipment may be valued by using the net book value from the business' financial statements.

FASB Statement No. 107, *Disclosures about Fair Value of Financial Instruments* (FASB. No 107), requires disclosures of fair value information about financial instruments, whether or not recognized on the balance sheet, for which it is practicable to estimate that value.

Carrying amount is the estimated fair value for cash and due from banks, federal funds sold, Federal Home Loan Bank stock, accrued interest receivable and payable, demand deposits, short-term and certain other borrowings, and variable-rate loans or deposits that reprice frequently and fully. Security fair values are determined as previously described. For fixed-rate 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 credit risk. Fair values for impaired loans are estimated using discounted cash flow analysis or underlying collateral values. Fair value of debt is based on current rates for similar financing. The fair value of off-balance sheet items is not considered material.

The carrying amount and estimated fair value of financial instruments are presented in the table below and were determined based on the above assumptions:

| (Dollar amounts in thousands) | December 31, | | | |
|---------------------------------|----------------|-------------|----------------|-------------|
| | 2008 | | 2007 | |
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Cash and due from banks | \$ 67,298 | \$ 67,298 | \$ 70,082 | \$ 70,082 |
| Federal funds sold | 9,530 | 9,530 | 4,201 | 4,201 |
| Securities available-for-sale | 596,915 | 596,915 | 558,020 | 558,020 |
| Loans, net* | 1,455,047 | 1,457,842 | 1,427,716 | 1,427,272 |
| Accrued interest receivable | 13,081 | 13,081 | 13,698 | 13,698 |
| Deposits | (1,563,498) | (1,554,912) | (1,529,721) | (1,536,205) |
| Short-term borrowings | (21,500) | (21,500) | (27,331) | (27,331) |
| Federal Home Loan Bank advances | (378,553) | (390,296) | (334,685) | (339,300) |
| Other borrowings | (6,600) | (6,600) | (6,600) | (6,600) |
| Accrued interest payable | (3,871) | (3,871) | (5,549) | (5,549) |

*Includes credit card loans held for sale.

Notes to Consolidated Financial Statements

3. RESTRICTIONS ON CASH AND DUE FROM BANKS:

Certain affiliate banks are required to maintain average reserve balances with the Federal Reserve Bank that do not earn interest. The amount of those reserve balances was approximately \$8.6 million and \$9.3 million at December 31, 2008 and 2007, respectively.

4. SECURITIES:

The fair value of securities available-for-sale and related gross unrealized gains and losses recognized in accumulated other comprehensive income were as follows:

| (Dollar amounts in thousands) | December 31, 2008 | | |
|--|-------------------|------------------|-------------------|
| | Fair Value | Unrealized | |
| | | Gains | Losses |
| U.S. Government sponsored entities and entity mortgage-backed securities | \$365,631 | \$ 11,185 | \$ (10) |
| Collateralized mortgage obligations | 70,227 | 1,389 | — |
| State and municipal | 143,841 | 2,439 | (1,822) |
| Corporate obligations | 10,633 | — | (20,953) |
| Equities | 6,583 | 2,097 | (1,163) |
| TOTAL | <u>\$596,915</u> | <u>\$ 17,110</u> | <u>\$(23,948)</u> |

| (Dollar amounts in thousands) | December 31, 2007 | | |
|--|-------------------|-----------------|------------------|
| | Fair Value | Unrealized | |
| | | Gains | Losses |
| U.S. Government sponsored entities and entity mortgage-backed securities | \$289,704 | \$ 2,181 | \$ (1,219) |
| Collateralized mortgage obligations | 77,174 | 587 | (143) |
| State and municipal | 146,515 | 3,824 | (171) |
| Corporate obligations | 36,843 | 52 | (1,219) |
| Equities | 7,784 | 3,063 | — |
| TOTAL | <u>\$558,020</u> | <u>\$ 9,707</u> | <u>\$(2,752)</u> |

As of December 31, 2008, the Corporation does not have any securities from any issuer, other than the U.S. Government, with an aggregate book or fair value that exceeds ten percent of shareholders' equity.

Securities with a carrying value of approximately \$118.8 million and \$71.6 million at December 31, 2008 and 2007, respectively, were pledged as collateral for short-term borrowings and for other purposes.

Below is a summary of the gross gains and losses realized by the Corporation on investment sales during the years ended December 31, 2008, 2007 and 2006, respectively.

| (Dollar amounts in thousands) | 2008 | 2007 | 2006 |
|-------------------------------|------|---------|------|
| Proceeds | — | \$3,170 | — |
| Gross gains | — | 192 | — |
| Gross losses | — | 10 | — |

Additional gains of \$5 thousand in 2008 and \$29 thousand in 2007 resulted from redemption premiums on called securities.

Notes to Consolidated Financial Statements

Contractual maturities of debt securities at year-end 2008 were as follows. Securities not due at a single maturity or with no maturity date, primarily mortgage-backed and equity securities, are shown separately.

| | Available- for-Sale Fair Value |
|---|--------------------------------------|
| (Dollar amounts in thousands) | |
| Due in one year or less | \$ 13,309 |
| Due after one but within five years | 43,528 |
| Due after five but within ten years | 40,523 |
| Due after ten years | 127,495 |
| | 224,855 |
| Mortgage-backed securities and equities | 372,060 |
| TOTAL | \$596,915 |

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 December 31, 2008 and 2007.

| | December 31, 2008 | | | | | |
|---------------------------------------|---------------------|-------------------|---------------------|--------------------|------------------|--------------------|
| | 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 |
| U.S. Government entity | | | | | | |
| mortgage-backed securities | \$ 1,735 | \$ (7) | \$ 84 | \$ (3) | \$ 1,819 | \$ (10) |
| State and municipal obligations | 51,011 | (1,797) | 321 | (25) | 51,332 | (1,822) |
| Corporate obligations | 6,394 | (612) | 4,239 | (20,341) | 10,633 | (20,953) |
| Equities | 1,668 | (1,163) | — | — | 1,668 | (1,163) |
| Total temporarily impaired securities | <u>\$ 60,808</u> | <u>\$ (3,579)</u> | <u>\$ 4,644</u> | <u>\$ (20,369)</u> | <u>\$ 65,452</u> | <u>\$ (23,948)</u> |

| | December 31, 2007 | | | | | |
|---------------------------------------|---------------------|-------------------|---------------------|-------------------|------------------|-------------------|
| | 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 |
| U.S. Government entity | | | | | | |
| mortgage-backed securities | \$ 226 | \$ (1) | \$110,861 | \$(1,218) | \$111,087 | \$(1,219) |
| Collateralized mortgage obligations | 21,680 | (104) | 5,377 | (39) | 27,057 | (143) |
| State and municipal obligations | 10,411 | (61) | 9,307 | (110) | 19,718 | (171) |
| Corporate obligations | 29,795 | (1,219) | — | — | 29,795 | (1,219) |
| Total temporarily impaired securities | <u>\$ 62,112</u> | <u>\$ (1,385)</u> | <u>\$125,545</u> | <u>\$ (1,367)</u> | <u>\$187,657</u> | <u>\$ (2,752)</u> |

The Corporation evaluates securities for other-than-temporary impairment on a quarterly basis. Factors considered include length of time impaired, reason for impairment, outlook and the Corporation's ability to hold the investment to allow for recovery of fair value. There were no securities considered to be other-than-temporarily impaired at December 31, 2007.

The Corporation held 166 investment securities with an amortized cost greater than fair value as of December 31, 2008. The unrealized losses on mortgage-backed and state and municipal obligations represent negative adjustments to market value relative to the rate of interest paid on the securities and not losses related to the creditworthiness of the issuer. Management has the intent and ability to hold for the foreseeable future and believes the value will recover as the securities approach maturity or market rates change.

Notes to Consolidated Financial Statements

The majority of the unrealized losses relate to corporate obligations and equity securities, including investment in bank equity securities and collateralized debt obligations (CDOs). There were four bank equities with an amortized cost of \$2.8 million with unrealized losses totaling \$1.2 million, and we believe these losses relate to the current market pessimism in the banking sector where depressed bank stock values are prevalent across the industry. We have evaluated the financial condition of each one of these banks and do not believe the securities to be other-than-temporarily impaired.

There were also five collateralized debt obligations with an amortized cost of \$24.6 million with unrealized losses totaling \$20.3 million as of December 31, 2008. Based upon a downgrade in credit rating during 2008 and an analysis of expected cash flows, we determined that one CDO included in corporate obligations was other-than-temporarily impaired and wrote our investments in that CDO totaling \$9 million down to its fair value of \$2.9 million (or 31.7% of book value) at September 30, 2008. The impact of this impairment charge to 2008 income was \$3.7 million, net of tax.

For securities falling under EITF 99-20, *Recognition of Interest Income and Impairment on Purchased Beneficial Interests and Beneficial Interests That Continue to be Held by a Transferor in Securitized Financial Assets*, such as certain CDOs, an other-than-temporary impairment is deemed to have occurred when there is an adverse change in the expected cash flows (principal or interest) to be received and the fair value of the beneficial interest is less than its carrying amount.

Corporate obligations include four additional investments in CDOs consisting of pooled trust preferred securities in which the issuers are primarily banks. One of the CDOs with a par value of \$2.4 million is rated Aa2, is not in the scope of EITF 99-20 and is not considered to be other-than-temporarily impaired based on its credit quality. Three of these CDOs, totaling \$19.3 million in par value, are rated B2 or B3 and are included in the scope of EITF 99-20. The Corporation evaluates the CDOs for possible other-than-temporary impairment by comparing original cash flow expectations to a current projection of cash flows, which are developed by considering past and current issuer defaults and deferrals, expected future defaults and the allocation of projected payments to the various note classes.

In developing default and deferral expectations, we reviewed the financial information of the underlying bank issuers including location, return on average assets, return on average equity, Leverage ratio, Texas ratio, non-performing loan, charge-off and reserve trends, capital levels and participation in the Treasury Capital Purchase Program. A stress analysis was also performed to determine the maximum future default experience that can occur before impacting the cash flows of the Corporation's note class. At December 31, 2008, the EITF 99-20 cash flow projections indicated no adverse change in these CDOs and the stress analyses continued to indicate that the collateral position is more than sufficient to cover projected future defaults. Therefore, we believe the unrealized losses on these CDOs relate to market conditions and these investments are not considered other-than-temporarily impaired as of December 31, 2008.

5. LOANS:

Loans are summarized as follows:

| (Dollar amounts in thousands) | December 31, | |
|--|--------------------|--------------------|
| | 2008 | 2007 |
| Commercial, financial and agricultural | \$ 499,636 | \$ 461,086 |
| Real estate - construction | 26,137 | 29,637 |
| Real estate - residential | 424,529 | 437,051 |
| Real estate - commercial | 203,498 | 236,304 |
| Consumer | 302,977 | 262,858 |
| Lease financing | 1,878 | 2,275 |
| Total gross loans | 1,458,655 | 1,429,211 |
| Less: unearned income | (128) | (212) |
| Allowance for loan losses | (16,280) | (15,351) |
| TOTAL | <u>\$1,442,247</u> | <u>\$1,413,648</u> |

Notes to Consolidated Financial Statements

The Corporation's credit card portfolio was reclassified to held-for-sale at December 31, 2007, which reduced the allowance for loan losses allocation for this type of loan by \$242 thousand.

In the normal course of business, the Corporation's subsidiary banks make loans to directors and executive officers and to their associates. In 2008 the aggregate dollar amount of these loans to directors and executive officers who held office amounted to \$36.7 million at the beginning of the year. During 2008, advances of \$30.9 million and repayments of \$23.9 million were made with respect to related party loans for an aggregate dollar amount outstanding of \$43.7 million at December 31, 2008.

Loans serviced for others, which are not reported as assets, total \$353.7 million and \$364.0 million at year-end 2008 and 2007. Custodial escrow balances maintained in connection with serviced loans were \$1.65 million and \$933 thousand at year-end 2008 and 2007.

Activity for capitalized mortgage servicing rights (included in other assets) was as follows:

| (Dollar amounts in thousands) | December 31, | | |
|-------------------------------|-----------------|-----------------|-----------------|
| | 2008 | 2007 | 2006 |
| Servicing rights: | | | |
| Beginning of year | \$ 1,909 | \$ 2,319 | \$ 2,931 |
| Additions | 332 | 218 | 114 |
| Amortized to expense | (637) | (628) | (726) |
| End of year | <u>\$ 1,604</u> | <u>\$ 1,909</u> | <u>\$ 2,319</u> |

Third party valuations are conducted periodically for mortgage servicing rights. Based on these valuations, fair values were approximately \$2.6 million and \$3.3 million at year end 2008 and 2007. There was no valuation allowance in 2008 or 2007.

Fair value for 2008 was determined using a discount rate of 13%, prepayment speeds ranging from 136% to 960%, depending on the stratification of the specific right. Fair value at year end 2007 was determined using a discount rate of 10%, prepayment speeds ranging from 100% to 960%, depending on the stratification of the specific right.

6. ALLOWANCE FOR LOAN LOSSES:

Changes in the allowance for loan losses are summarized as follows:

| (Dollar amounts in thousands) | December 31, | | |
|--|------------------|------------------|-----------------|
| | 2008 | 2007 | 2006 |
| Balance at beginning of year | \$ 15,351 | \$16,169 | \$16,042 |
| Provision for loan losses | 7,855 | 6,580 | 6,983 |
| Recoveries of loans previously charged off | 2,668 | 2,778 | 3,653 |
| Loans charged off | (9,594) | (10,176) | (10,509) |
| BALANCE AT END OF YEAR | <u>\$ 16,280</u> | <u>\$ 15,351</u> | <u>\$16,169</u> |

Impaired loans were as follows:

| (Dollar amounts in thousands) | December 31, | |
|--|-----------------|-----------------|
| | 2008 | 2007 |
| Year-end loans with no allocated allowance for loan losses | \$ — | \$ — |
| Year-end loans with allocated allowance for loan losses | 16,959 | 2,203 |
| TOTAL | <u>\$16,959</u> | <u>\$ 2,203</u> |
| Amount of the allowance for loan losses allocated | \$ 4,735 | \$ 729 |
| Nonperforming loans: | | |
| Loans past due over 90 days still on accrual | 3,624 | 4,462 |
| Non-accrual loans | 12,486 | 7,971 |

Notes to Consolidated Financial Statements

Nonperforming loans include both smaller balance homogeneous loans that are collectively evaluated for impairment and some individually classified impaired loans.

(Dollar amounts in thousands)

| | 2008 | 2007 | 2006 |
|--|----------|----------|----------|
| Average of impaired loans during the year | \$ 6,531 | \$ 3,505 | \$ 3,336 |
| Interest income recognized during impairment | 3 | 11 | 13 |
| Cash-basis interest income recognized | — | 1 | — |

7. PREMISES AND EQUIPMENT:

Premises and equipment are summarized as follows:

| | December 31, | |
|-------------------------------------|------------------|------------------|
| (Dollar amounts in thousands) | 2008 | 2007 |
| Land | \$ 5,629 | \$ 5,653 |
| Building and leasehold improvements | 38,985 | 38,948 |
| Furniture and equipment | 32,239 | 30,916 |
| | <u>76,853</u> | <u>75,517</u> |
| Less accumulated depreciation | (44,708) | (42,885) |
| TOTAL | <u>\$ 32,145</u> | <u>\$ 32,632</u> |

Aggregate depreciation expense was \$3.11 million, \$3.02 million and \$3.02 million for 2008, 2007 and 2006, respectively.

8. GOODWILL AND INTANGIBLE ASSETS:

The Corporation completed its annual impairment testing of goodwill during the second quarter of 2008 and 2007. Management does not believe any amount of goodwill is impaired.

Intangible assets subject to amortization at December 31, 2008 and 2007 are as follows:

| | 2008 | | 2007 | |
|-------------------------------|----------------|--------------------------|----------------|--------------------------|
| (Dollar amounts in thousands) | Gross Amount | Accumulated Amortization | Gross Amount | Accumulated Amortization |
| Customer list intangible | \$3,446 | \$2,607 | \$3,446 | \$2,303 |
| Core deposit intangible | 2,193 | 1,520 | 2,193 | 1,399 |
| | <u>\$5,639</u> | <u>\$4,127</u> | <u>\$5,639</u> | <u>\$3,702</u> |

Aggregate amortization expense was \$425 thousand, \$426 thousand and \$497 thousand for 2008, 2007 and 2006, respectively.

Estimated amortization expense for the next five years is as follows:

| | In thousands |
|------|--------------|
| 2009 | \$425 |
| 2010 | 425 |
| 2011 | 245 |
| 2012 | 154 |
| 2013 | 154 |

9. DEPOSITS:

Scheduled maturities of time deposits for the next five years are as follows:

| | |
|------|-----------|
| 2009 | \$446,158 |
| 2010 | 90,273 |
| 2011 | 48,478 |
| 2012 | 38,953 |
| 2013 | 12,377 |

Notes to Consolidated Financial Statements

10. SHORT-TERM BORROWINGS:

A summary of the carrying value of the Corporation's short-term borrowings at December 31, 2008 and 2007 is presented below:

| (Dollar amounts in thousands) | 2008 | 2007 |
|-------------------------------|-----------------|-----------------|
| Federal funds purchased | \$ 1,111 | \$ 3,032 |
| Repurchase agreements | 19,405 | 22,656 |
| Other short-term borrowings | 984 | 1,643 |
| | <u>\$21,500</u> | <u>\$27,331</u> |

| (Dollar amounts in thousands) | 2008 | 2007 |
|---|----------|-----------|
| Average amount outstanding | \$37,068 | \$ 32,042 |
| Maximum amount outstanding at a month end | 76,049 | 59,364 |
| Average interest rate during year | 2.89% | 5.03% |
| Interest rate at year-end | 3.23% | 4.57% |

Federal funds purchased are generally due in one day and bear interest at market rates. Other borrowings, primarily note payable—U.S. government, are due on demand, secured by a pledge of securities and bear interest at market rates.

Substantially all repurchase agreement liabilities represent amounts advanced by various customers. Securities are pledged to cover these liabilities, which are not covered by federal deposit insurance. The Corporation maintains possession of and control over these securities.

11. OTHER BORROWINGS:

Other borrowings at December 31, 2008 and 2007 are summarized as follows:

| (Dollar amounts in thousands) | 2008 | 2007 |
|---|------------------|------------------|
| FHLB advances | \$378,553 | \$334,685 |
| City of Terre Haute, Indiana economic development revenue bonds | 6,600 | 6,600 |
| TOTAL | <u>\$385,153</u> | <u>\$341,285</u> |

The aggregate minimum annual retirements of other borrowings are as follows:

| | |
|------------|------------------|
| 2009 | \$ 97,416 |
| 2010 | 202,344 |
| 2011 | 2,134 |
| 2012 | 20,090 |
| 2013 | 56,097 |
| Thereafter | 7,072 |
| | <u>\$385,153</u> |

The Corporation's subsidiary banks are members of the Federal Home Loan Bank (FHLB) of Indianapolis and accordingly are permitted to obtain advances. The advances from the FHLB, aggregating \$378.6 million at December 31, 2008, and \$334.7 million at December 31, 2007, accrue interest, payable monthly, at annual rates, primarily fixed, varying from 0.7% to 6.6% in 2008 and 3.6% to 6.6% in 2007. The advances are due at various dates through August 2017. FHLB advances are, generally, due in full at maturity. They are secured by eligible securities totaling \$284.1 million at December 31, 2008, and \$203.6 million at December 31, 2007, and a blanket pledge on real estate loan collateral. Based on this collateral and the Corporation's holdings of FHLB stock, the Corporation is eligible to borrow up to \$483.8 million at year end 2008. Certain advances may be prepaid, without penalty, prior to maturity. The FHLB can adjust the interest rate from fixed to variable on certain advances, but those advances may then be prepaid, without penalty.

Notes to Consolidated Financial Statements

The economic development revenue bonds (bonds) require periodic interest payments each year until maturity or redemption. The interest rate, which was 0.80% at December 31, 2008, and 3.46% at December 31, 2007, is determined by a formula which considers rates for comparable bonds and is adjusted periodically. The bonds are collateralized by a first mortgage on the Corporation's headquarters building. The bonds mature December 1, 2015, but bondholders may periodically require earlier redemption.

The debt agreement for the bonds requires the Corporation to meet certain financial covenants. These covenants require the Corporation to maintain a Tier I capital ratio of at least 6.2% and net income to average assets of 0.6%. At December 31, 2008 and 2007, the Corporation was in compliance with all of its debt covenants.

The Corporation maintains a letter of credit with another financial institution, which could be used to repay the bonds, should they be called. The letter of credit expired November 1, 2008, and was automatically extended for one year. Assuming redemption will be funded by the letter of credit, or by other similar borrowings, there are no anticipated principal maturities of the bonds within the next five years.

12. INCOME TAXES:

Income tax expense is summarized as follows:

| (Dollar amounts in thousands) | 2008 | 2007 | 2006 |
|-------------------------------|------------------------|------------------------|------------------------|
| Federal: | | | |
| Currently payable | \$12,238 | \$ 8,250 | \$10,409 |
| Deferred | (4,727) | 242 | (3,335) |
| | <u>7,511</u> | <u>8,762</u> | <u>7,074</u> |
| State: | | | |
| Currently payable | \$ 712 | 837 | 521 |
| Deferred | (420) | (215) | (244) |
| | <u>292</u> | <u>622</u> | <u>277</u> |
| TOTAL | <u>\$ 7,803</u> | <u>\$ 9,384</u> | <u>\$ 7,351</u> |

The reconciliation of income tax expense with the amount computed by applying the statutory federal income tax rate of 35% to income before income taxes is summarized as follows:

| (Dollar amounts in thousands) | 2008 | 2007 | 2006 |
|---|------------------------|------------------------|------------------------|
| Federal income taxes computed at the statutory rate | \$11,400 | \$12,238 | \$10,812 |
| Add (deduct) tax effect of: | | | |
| Tax exempt income | (3,505) | (3,263) | (3,056) |
| State tax, net of federal benefit | 189 | 404 | 180 |
| Affordable housing credits | (30) | (113) | (329) |
| Other, net | (251) | 118 | (256) |
| TOTAL | <u>\$ 7,803</u> | <u>\$ 9,384</u> | <u>\$ 7,351</u> |

Notes to Consolidated Financial Statements

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 2008 and 2007, are as follows:

(Dollar amounts in thousands)

| | 2008 | 2007 |
|--|------------------|------------------|
| Deferred tax assets: | | |
| Other than temporary impairment | \$ 2,440 | — |
| Net unrealized losses on securities available-for-sale | 2,735 | — |
| Net unrealized losses on retirement plans | 5,573 | 5,913 |
| Loan losses provision | 6,473 | 6,146 |
| Deferred compensation | 6,243 | 5,476 |
| Compensated absences | 625 | 520 |
| Post-retirement benefits | 1,715 | 1,172 |
| Other | 1,241 | 1,036 |
| GROSS DEFERRED ASSETS | 27,045 | 20,263 |
| Deferred tax liabilities: | | |
| Net unrealized gains on securities available-for-sale | — | (2,782) |
| Depreciation | (1,533) | (1,379) |
| Federal Home Loan Bank stock dividends | (456) | (751) |
| Mortgage servicing rights | (637) | (763) |
| Pensions | (2,782) | (2,369) |
| Other | (1,232) | (2,138) |
| GROSS DEFERRED LIABILITIES | (6,640) | (10,182) |
| NET DEFERRED TAX ASSETS (LIABILITIES) | \$ 20,405 | \$ 10,081 |

Unrecognized Tax Benefits — A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

(Dollar amounts in thousands)

| | 2008 | 2007 |
|--|---------------|---------------|
| Balance at January 1 | \$ 803 | \$ 601 |
| Additions based on tax positions related to the current year | 47 | 290 |
| Reductions for tax positions of prior years | (291) | — |
| Reductions due to the statute of limitations | — | (88) |
| Settlements | (10) | — |
| Balance at December 31 | \$ 549 | \$ 803 |

Of this total, \$549 represents the amount of unrecognized tax benefits that, if recognized, would favorably affect the effective income tax rate in future periods. The Corporation does not expect the total amount of unrecognized tax benefits to significantly increase or decrease in the next 12 months.

The total amount of interest and penalties recorded in the income statement for the years ended December 31, 2008 and 2007 was a reduction to expense of \$48 and \$30, and the amount accrued for interest and penalties at December 31, 2008 and 2007 was \$64 and \$112.

The Corporation and its subsidiaries are subject to U.S. federal income tax as well as income tax of the states of Indiana and Illinois. The Corporation is no longer subject to examination by taxing authorities for years before 2005. We are currently under audit by the Indiana Department of Revenue for the 2005 through 2007 tax years. The anticipated effect on unrecognized tax benefits resulting from this audit cannot be determined at this time.

Notes to Consolidated Financial Statements

13. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK:

The Corporation is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include conditional commitments and commercial letters of credit. The financial instruments involve to varying degrees, elements of credit and interest rate risk in excess of amounts recognized in the financial statements. The Corporation's maximum exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to make loans is limited generally by the contractual amount of those instruments. The Corporation follows the same credit policy to make such commitments as is followed for those loans recorded in the consolidated financial statements.

Commitment and contingent liabilities are summarized as follows at December 31:

(Dollar amounts in thousands)

| | 2008 | 2007 |
|------------------------------|------------------|------------------|
| Home equity | \$ 44,346 | \$ 38,612 |
| Credit card lines | 47,635 | 48,523 |
| Commercial operating lines | 142,781 | 134,068 |
| Other commitments | 67,379 | 54,453 |
| | <u>\$302,141</u> | <u>\$275,656</u> |
| Commercial letters of credit | \$ 16,230 | \$ 17,336 |

The majority of commercial operating lines and home equity lines are variable rate, while the majority of other commitments to fund loans are fixed rate. Since many commitments to make loans expire without being used, these amounts do not necessarily represent future cash commitments. Collateral obtained upon exercise of the commitment is determined using management's credit evaluation of the borrower, and may include accounts receivable, inventory, property, land and other items. The approximate duration of these commitments is generally one year or less.

14. RETIREMENT PLANS:

Substantially all employees of the Corporation are covered by a retirement program that consists of a defined benefit plan and an employee stock ownership plan (ESOP). Plan assets consist primarily of the Corporation's stock and obligations of U.S. Government agencies. Benefits under the defined benefit plan are actuarially determined based on an employee's service and compensation, as defined, and funded as necessary.

Assets in the ESOP are considered in calculating the funding to the defined benefit plan required to provide such benefits. Any shortfall of benefits under the ESOP are to be provided by the defined benefit plan. The ESOP may provide benefits beyond those determined under the defined benefit plan. Contributions to the ESOP are determined by the Corporation's Board of Directors. The Corporation made contributions to the defined benefit plan of \$1.73 million, \$1.02 million and \$1.96 million in 2008, 2007 and 2006. The Corporation contributed \$1.28 million, \$1.24 million and \$1.16 million to the ESOP in 2008, 2007 and 2006.

The Corporation uses a measurement date of December 31, 2008.

Net periodic benefit cost and other amounts recognized in other comprehensive income included the following components:

(Dollar amounts in thousands)

| | 2008 | 2007 | 2006 |
|---|-----------------|-----------------|-----------------|
| Service cost – benefits earned | \$ 3,031 | \$ 3,073 | \$ 2,919 |
| Interest cost on projected benefit obligation | 2,908 | 2,773 | 2,328 |
| Expected return on plan assets | (3,292) | (3,644) | (2,793) |
| Net amortization and deferral | 711 | 444 | 744 |
| Net periodic pension cost | <u>\$ 3,358</u> | <u>\$ 2,646</u> | <u>\$ 3,198</u> |
| Net loss (gain) during the period | \$ – | \$ 3,422 | \$ – |
| Amortization of prior service cost | 18 | 18 | – |
| Amortization of unrecognized gain (loss) | (729) | (462) | – |
| Total recognized in other comprehensive income (loss) | <u>\$ (711)</u> | <u>\$ 2,978</u> | <u>\$ –</u> |
| Total recognized net periodic pension cost and other comprehensive income | <u>\$ 2,647</u> | <u>\$ 5,624</u> | <u>\$ –</u> |

Notes to Consolidated Financial Statements

The estimated net loss and prior service costs for the defined benefit pension plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are \$353 thousand and \$(29) thousand.

The information on the following page sets forth the change in projected benefit obligation, reconciliation of plan assets, and the funded status of the Corporation's retirement program. Actuarial present value of benefits is based on service to date and present pay levels.

| (Dollar amounts in thousands) | 2008 | 2007 |
|---|-------------------|-------------------|
| Change in benefit obligation: | | |
| Benefit obligation at January 1 | \$49,444 | \$49,920 |
| Service cost | 3,031 | 3,073 |
| Interest cost | 2,908 | 2,773 |
| Actuarial (gain) loss | 6,217 | (4,938) |
| Benefits paid | (5,124) | (1,384) |
| Benefit obligation at December 31 | <u>56,476</u> | <u>49,444</u> |
| Reconciliation of fair value of plan assets: | | |
| Fair value of plan assets at January 1 | 40,803 | 45,056 |
| Actual return on plan assets | 9,208 | (5,136) |
| Employer contributions | 3,005 | 2,267 |
| Benefits paid | (5,124) | (1,384) |
| Fair value of plan assets at December 31 | <u>47,892</u> | <u>40,803</u> |
| Funded status at December 31 (plan assets less benefit obligations) | <u>\$ (8,584)</u> | <u>\$ (8,641)</u> |

Amounts recognized in accumulated other comprehensive income at December 31, 2008 and 2007 consist of:

| (Dollar amounts in thousands) | 2008 | 2007 |
|-------------------------------|-----------------|-----------------|
| Net loss (gain) | \$13,585 | \$14,314 |
| Prior service cost (credit) | (103) | (121) |
| | <u>\$13,482</u> | <u>\$14,193</u> |

The accumulated benefit obligation for the defined benefit pension plan was \$47,537 and \$40,298 at year-end 2008 and 2007.

| Principal assumptions used: | 2008 | 2007 |
|--|-------|-------|
| Discount rate | 5.87% | 5.91% |
| Rate of increase in compensation levels | 3.75 | 3.75 |
| Expected long-term rate of return on plan assets | 8.00 | 8.00 |

The expected long-term rate of return was estimated using market benchmarks for equities and bonds applied to the plan's target asset allocation. Management estimated the rate by which plan assets would perform based on historical experience as adjusted for changes in asset allocations and expectations for future return on equities as compared to past periods.

Plan Assets — The Corporation's pension plan weighted-average asset allocation for the years 2008 and 2007 by asset category are as follows:

| Asset Category | Pension Plan Target Allocation 2009 | ESOP Target Allocation 2009 | Pension Plan Percentage of Plan Assets at December 31, | | ESOP Percentage of Plan Assets at December 31, | |
|-------------------|---|-----------------------------------|--|------|--|------|
| | | | 2008 | 2007 | 2008 | 2007 |
| Equity securities | 50-60% | 100-100% | 54% | 60% | 100% | 100% |
| Debt securities | 30-40 | 0-0 | 40 | 39 | 0 | 0 |
| Other | 1-5 | 0-0 | 6 | 1 | 0 | 0 |
| TOTAL | | | 100% | 100% | 100% | 100% |

Notes to Consolidated Financial Statements

The investment objective for the retirement program is to maximize total return without exposure to undue risk. Asset allocation favors equities, with a target allocation of approximately 88%. This target includes the Corporation's ESOP, which is 100% invested in corporate stock. Other investment allocations include fixed income securities and cash.

Equity securities include First Financial Corporation common stock in the amount of \$33.7 million (70 percent of total plan assets) and \$24.9 million (60 percent of total plan assets) at December 31, 2008 and 2007, respectively.

Contributions — The Corporation expects to contribute \$1.7 million to its pension plan and \$1.3 million to its ESOP in 2009.

Estimated Future Payments — The following benefit payments, which reflect expected future service, are expected:

| Pension Benefits | |
|-------------------------------|--------|
| (Dollar amounts in thousands) | |
| 2009 | \$ 736 |
| 2010 | 827 |
| 2011 | 923 |
| 2012 | 1,103 |
| 2013 | 1,145 |
| 2014–2018 | 9,265 |

Supplemental Executive Retirement Plan — The Corporation has established a Supplemental Executive Retirement Plan (SERP) for certain executive officers. The provisions of the SERP allow the Plan's participants who are also participants in the Corporation's defined benefit pension plan to receive supplemental retirement benefits to help recompense for benefits lost due to imposition of IRS limitations on benefits under the Corporation's tax qualified defined benefit pension plan. Expenses related to the plan were \$208 thousand in 2008 and \$183 thousand in 2007. The plan is unfunded and has a measurement date of December 31. The amounts recognized in other comprehensive income in the current year are as follows:

| (Dollar amounts in thousands) | 2008 | 2007 | 2006 |
|---|----------------|-----------------|-------------|
| Net loss (gain) during the period | \$ — | \$ (179) | \$ — |
| Amortization of prior service cost | (74) | (74) | — |
| Amortization of unrecognized gain (loss) | 5 | 17 | — |
| Total recognized in other comprehensive income (loss) | <u>\$ (69)</u> | <u>\$ (236)</u> | <u>\$ —</u> |

The Corporation has \$1.1 million and \$945 thousand recognized in the balance sheet as a liability at December 31, 2008 and 2007. Amounts in accumulated other comprehensive income consist of \$109 thousand net gain and \$222 thousand in prior service cost at December 31, 2008 and \$114 thousand net gain and \$296 thousand in prior service cost at December 31, 2007. The estimated loss and prior service costs for the SERP that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are \$(80) thousand and \$74 thousand.

Estimated Future Payments — The following benefit payments, which reflect expected future service, are expected:

| SERP Benefits | |
|-------------------------------|------|
| (Dollar amounts in thousands) | |
| 2009 | \$ — |
| 2010 | — |
| 2011 | — |
| 2012 | 134 |
| 2013 | 132 |
| 2014–2018 | 633 |

Notes to Consolidated Financial Statements

The Corporation also provides medical benefits to its employees subsequent to their retirement. The Corporation uses a measurement date of December 31, 2007. During 2007 the Corporation changed the post-retirement medical plan from being self-insured to fully insured. Accrued post-retirement benefits as of December 31, 2008 and 2007 are as follows:

| (Dollar amounts in thousands) | December 31, | |
|-----------------------------------|-----------------|-----------------|
| | 2008 | 2007 |
| Change in benefit obligation: | | |
| Benefit obligation at January 1 | \$ 4,058 | \$ 5,592 |
| Service cost | 125 | 118 |
| Interest cost | 238 | 310 |
| Plan participants' contributions | 19 | 15 |
| Actuarial (gain) loss | — | (1,786) |
| Benefits paid | (192) | (191) |
| Benefit obligation at December 31 | <u>\$ 4,248</u> | <u>\$ 4,058</u> |
| Funded status at December 31 | <u>\$ 4,248</u> | <u>\$ 4,058</u> |

Amounts in accumulated other comprehensive income consist of a net loss of \$520 thousand and \$301 thousand in transition obligation at December 31, 2008 and \$531 thousand net loss and \$361 thousand in transition obligation at December 31, 2007. The post-retirement benefits paid in 2008 and 2007 of \$192 thousand and \$191 thousand, respectively, were fully funded by company and participant contributions.

The estimated net loss and transition obligation for the post-retirement benefit plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year is \$10 thousand and \$181 thousand.

Weighted-average assumptions as of December 31:

| | December 31, | |
|---|--------------|-------|
| | 2008 | 2007 |
| Discount rate | 6.00% | 6.00% |
| Initial weighted health care cost trend rate | 8.50 | 9.00 |
| Ultimate health care cost trend rate | 5.00 | 5.00 |
| Year in which the rate is assumed to stabilize and remain unchanged | 2016 | 2016 |

Post-retirement health benefit expense included the following components:

| (Dollar amounts in thousands) | Years Ended December 31, | | |
|---|--------------------------|-------------------|---------------|
| | 2008 | 2007 | 2006 |
| Service cost | \$ 125 | \$ 118 | \$ 116 |
| Interest cost | 238 | 310 | 302 |
| Amortization of transition obligation | 60 | 60 | 60 |
| Recognized actuarial loss | 11 | 172 | 240 |
| Net periodic benefit cost | <u>\$ 434</u> | <u>\$ 660</u> | <u>\$ 718</u> |
| Net loss (gain) during the period | \$ 0 | \$ (1,506) | \$ — |
| Amortization of prior service cost | (60) | (60) | — |
| Amortization of unrecognized gain (loss) | (11) | (172) | — |
| Total recognized in other comprehensive income (loss) | <u>\$ (71)</u> | <u>\$ (1,738)</u> | <u>\$ —</u> |
| Total recognized net periodic benefit cost and other comprehensive income | <u>\$ 363</u> | <u>\$ (1,078)</u> | <u>\$ —</u> |

Notes to Consolidated Financial Statements

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in the assumed health care cost trend rates would have the following effects:

| (Dollar amounts in thousands) | 1% Point Increase | 1% Point Decrease |
|--|----------------------|----------------------|
| Effect on total of service and interest cost components | \$ 9 | \$ (7) |
| Effect on post-retirement benefit obligation | 159 | (135) |
| Contributions — The Corporation expects to contribute \$175 thousand to its other post-retirement benefit plan in 2009. | | |

Estimated Future Payments — The following benefit payments, which reflect expected future service, are expected:

Post-Retirement Medical Benefits

(Dollar amounts in thousands)

| | |
|-----------|--------|
| 2009 | \$ 175 |
| 2010 | 180 |
| 2011 | 185 |
| 2012 | 190 |
| 2013 | 195 |
| 2014–2018 | 1,005 |

15. OTHER COMPREHENSIVE INCOME (LOSS):

Other comprehensive income (loss) components and related taxes were as follows:

| (Dollar amounts in thousands) | December 31, | | |
|---|-------------------|-----------------|-----------------|
| | 2008 | 2007 | 2006 |
| Unrealized holding gains and (losses) on securities available-for-sale | \$(19,580) | \$ 2,063 | \$(1,938) |
| Reclassification adjustments for (gains) and losses later recognized in income | 5,787 | (211) | (6) |
| Net unrealized gains and losses | (13,793) | 1,852 | (1,932) |
| Tax effect | 5,517 | (742) | (771) |
| Other comprehensive income (loss) | <u>\$ (8,276)</u> | <u>\$ 1,110</u> | <u>\$ 1,161</u> |
| Unrecognized gains and (losses) on benefit plans | \$ — | \$ (1,737) | \$ — |
| Amortization of prior service cost included in net periodic pension cost | 116 | 116 | — |
| Amortization of unrecognized gains (losses) included in net periodic pension cost | 735 | 617 | — |
| Benefit plans, net | 851 | (1,004) | — |
| Tax effect | (340) | 207 | — |
| Other comprehensive income (loss) | <u>\$ 511</u> | <u>\$ (797)</u> | <u>\$ —</u> |

The following is a summary of the accumulated other comprehensive income balances, net of tax:

| (Dollar amounts in thousands) | Balance at 12/31/07 | Current Period Change | Balance at 12/31/08 |
|--|---------------------------|-----------------------------|---------------------------|
| Unrealized gains (losses) on securities available-for-sale | \$ 4,174 | \$ (8,276) | \$ (4,102) |
| Unrealized loss on benefit plans | (9,355) | 511 | (8,844) |
| TOTAL | <u>\$ (5,181)</u> | <u>\$ (7,765)</u> | <u>\$ (12,946)</u> |

Notes to Consolidated Financial Statements

16. REGULATORY MATTERS:

The Corporation and its bank affiliates are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory—and possibly additional discretionary—actions by regulators that, if undertaken, could have a direct material effect on the Corporation's financial statements.

Further, the Corporation's primary source of funds to pay dividends to shareholders is dividends from its subsidiary banks and compliance with these capital requirements can affect the ability of the Corporation and its banking affiliates to pay dividends. At December 31, 2008, approximately \$24.6 million of undistributed earnings of the subsidiary banks, included in consolidated retained earnings, were available for distribution to the Corporation without regulatory approval.

Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Corporation and Banks must meet specific capital guidelines that involve quantitative measures of the Corporation's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Corporation's and Banks' capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Corporation and Banks to maintain minimum amounts and ratios of Total and Tier I Capital to risk-weighted assets, and of Tier I Capital to average assets. Management believes, as of December 31, 2008 and 2007, that the Corporation meets all capital adequacy requirements to which it is subject.

As of December 31, 2008, 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 banks' category.

The following table presents the actual and required capital amounts and related ratios for the Corporation and First Financial Bank, N.A., at year end 2008 and 2007.

| (Dollar amounts in thousands) | Actual | | For Capital Adequacy Purposes | | To Be Well Capitalized Under Prompt Corrective Action Provisions | |
|----------------------------------|-----------|--------|-------------------------------|-------|--|--------|
| | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| Total risk-based capital | | | | | | |
| Corporation – 2008 | \$307,297 | 17.32% | \$141,978 | 8.00% | N/A | N/A |
| Corporation – 2007 | 292,995 | 18.18% | 128,965 | 8.00% | N/A | N/A |
| First Financial Bank – 2008 | 293,165 | 17.11% | 137,067 | 8.00% | 171,334 | 10.00% |
| First Financial Bank – 2007 | 281,819 | 18.13% | 124,355 | 8.00% | 155,443 | 10.00% |
| Tier I risk-based capital | | | | | | |
| Corporation – 2008 | \$291,017 | 16.40% | \$70,989 | 4.00% | N/A | N/A |
| Corporation – 2007 | 277,644 | 17.22% | 64,483 | 4.00% | N/A | N/A |
| First Financial Bank – 2008 | 280,015 | 16.34% | 68,534 | 4.00% | 102,801 | 6.00% |
| First Financial Bank – 2007 | 269,412 | 17.33% | 62,177 | 4.00% | 93,266 | 6.00% |
| Tier I leverage capital | | | | | | |
| Corporation – 2008 | \$291,017 | 12.72% | \$91,530 | 4.00% | N/A | N/A |
| Corporation – 2007 | 277,644 | 12.44% | 89,273 | 4.00% | N/A | N/A |
| First Financial Bank – 2008 | 280,015 | 12.64% | 88,586 | 4.00% | 110,733 | 5.00% |
| First Financial Bank – 2007 | 269,412 | 12.60% | 85,499 | 4.00% | 106,874 | 5.00% |

Notes to Consolidated Financial Statements

17. PARENT COMPANY CONDENSED FINANCIAL STATEMENTS:

The parent company's condensed balance sheets as of December 31, 2008 and 2007, and the related condensed statements of income and cash flows for each of the three years in the period ended December 31, 2008, are as follows:

CONDENSED BALANCE SHEETS

| (Dollar amounts in thousands) | December 31, | |
|--|------------------|------------------|
| | 2008 | 2007 |
| ASSETS | | |
| Cash deposits in affiliated banks | \$ 7,150 | \$ 7,040 |
| Investments in subsidiaries | 286,525 | 281,510 |
| Land and headquarters building, net | 5,562 | 5,807 |
| Other | 7,180 | 9,035 |
| TOTAL ASSETS | <u>\$306,417</u> | <u>\$303,392</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Liabilities | | |
| Borrowings (including \$1.0 and \$3.4 million from subsidiary) | \$ 7,636 | \$ 10,036 |
| Dividends payable | 5,902 | 5,785 |
| Other liabilities | 6,035 | 5,879 |
| TOTAL LIABILITIES | <u>19,573</u> | <u>21,700</u> |
| Shareholders' equity | <u>286,844</u> | <u>281,692</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | <u>\$306,417</u> | <u>\$303,392</u> |

CONDENSED STATEMENTS OF INCOME

| (Dollar amounts in thousands) | Years Ended December 31, | | |
|---|--------------------------|-----------------|-----------------|
| | 2008 | 2007 | 2006 |
| Dividends from subsidiaries | \$14,836 | \$16,500 | \$14,192 |
| Other income | 1,010 | 1,026 | 984 |
| Interest on borrowings | (362) | (655) | (615) |
| Other operating expenses | <u>(3,342)</u> | <u>(3,343)</u> | <u>(3,074)</u> |
| Income before income taxes and equity in undistributed earnings of subsidiaries | 12,142 | 13,528 | 11,487 |
| Income tax benefit | <u>1,124</u> | <u>1,230</u> | <u>1,121</u> |
| Income before equity in undistributed earnings of subsidiaries | 13,266 | 14,758 | 12,608 |
| Equity in undistributed earnings of subsidiaries | <u>11,503</u> | <u>10,822</u> | <u>10,931</u> |
| Net income | <u>\$24,769</u> | <u>\$25,580</u> | <u>\$23,539</u> |

Notes to Consolidated Financial Statements

CONDENSED STATEMENTS OF CASH FLOWS

| (Dollar amounts in thousands) | Years Ended December 31, | | |
|---|--------------------------|-----------------|-----------------|
| | 2008 | 2007 | 2006 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net income | \$24,769 | \$25,580 | \$23,539 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Provision for depreciation and amortization | 263 | 260 | 260 |
| Equity in undistributed earnings | (11,503) | (10,822) | (10,931) |
| Contribution of shares to ESOP | 1,277 | 1,242 | 1,164 |
| Increase (decrease) in other liabilities | 638 | 239 | 872 |
| (Increase) decrease in other assets | 1,010 | (41) | (227) |
| NET CASH FROM OPERATING ACTIVITIES | 16,454 | 16,458 | 14,677 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Purchase of investment securities | (928) | — | — |
| Purchase of furniture and fixtures | (4) | (8) | (43) |
| NET CASH FROM INVESTING ACTIVITIES | (932) | (8) | (43) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Principal payments on borrowings | (2,400) | (600) | — |
| Purchase of treasury stock | (1,464) | (5,167) | (4,087) |
| Dividends paid | (11,548) | (11,373) | (11,181) |
| NET CASH FROM FINANCING ACTIVITIES | (15,412) | (17,140) | (15,268) |
| NET (DECREASE) INCREASE IN CASH | 110 | (690) | (634) |
| CASH, BEGINNING OF YEAR | 7,040 | 7,730 | 8,364 |
| CASH, END OF YEAR | <u>\$ 7,150</u> | <u>\$ 7,040</u> | <u>\$ 7,730</u> |
| Supplemental disclosures of cash flow information: | | | |
| Cash paid during the year for: | | | |
| Interest | <u>\$ 358</u> | <u>\$ 657</u> | <u>\$ 612</u> |
| Income taxes | <u>\$11,657</u> | <u>\$ 8,494</u> | <u>\$11,202</u> |

18. SELECTED QUARTERLY DATA (UNAUDITED)

| (Dollar amounts in thousands) | 2008 | | | | | |
|-------------------------------|-----------------|------------------|---------------------|---------------------------|------------|----------------------|
| | Interest Income | Interest Expense | Net Interest Income | Provision for Loan Losses | Net Income | Net Income Per Share |
| March 31 | \$34,287 | \$15,331 | \$18,956 | \$1,925 | \$6,950 | \$.53 |
| June 30 | \$33,271 | \$13,311 | \$19,960 | \$1,735 | \$7,143 | \$.55 |
| September 30* | \$33,374 | \$12,270 | \$21,104 | \$2,215 | \$3,502 | \$.27 |
| December 31 | \$33,022 | \$11,578 | \$21,444 | \$1,980 | \$7,174 | \$.55 |
| (Dollar amounts in thousands) | 2007 | | | | | |
| | Interest Income | Interest Expense | Net Interest Income | Provision for Loan Losses | Net Income | Net Income Per Share |
| March 31 | \$33,622 | \$15,165 | \$18,457 | \$1,690 | \$6,423 | \$.48 |
| June 30 | \$34,204 | \$15,639 | \$18,565 | \$1,240 | \$6,413 | \$.49 |
| September 30 | \$34,915 | \$16,166 | \$18,749 | \$1,575 | \$6,362 | \$.48 |
| December 31 | \$34,993 | \$15,991 | \$19,002 | \$2,075 | \$6,382 | \$.49 |

*Net income for the quarter ended September 30, 2008 was impacted by other-than-temporary impairment on securities, as discussed in Note 4.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of First Financial Corporation:

We have audited the accompanying consolidated balance sheets of First Financial Corporation as of December 31, 2008 and 2007 and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2008. We also have audited First Financial Corporation's internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). First Financial Corporation's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of First Financial Corporation as of December 31, 2008 and 2007, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion First Financial Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by the COSO.

Crowe Horwath LLP

Indianapolis, Indiana
March 5, 2009

Management's Report on Internal Control Over Financial Reporting

The management of First Financial Corporation (the "Corporation") has prepared and is responsible for the preparation and accuracy of the consolidated financial statements and related financial information included in the Annual Report.

The management of the Corporation is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Corporation's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Corporation's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Corporation; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Corporation are being made only in accordance with authorizations of management and directors of the Corporation; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Corporation's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the Corporation's system of internal control over financial reporting as of December 31, 2008, in relation to criteria for effective internal control over financial reporting as described in "Internal Control—Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concluded that, as of December 31, 2008, its system of internal control over financial reporting is effective and meets the criteria of the "Internal Control—Integrated Framework."

Crowe Horwath LLP, independent registered public accounting firm, has issued a report dated March 5, 2009 on the Corporation's internal control over financial reporting.

Management's Discussion and Analysis

Management's discussion and analysis reviews the financial condition of First Financial Corporation at December 31, 2008 and 2007, and the results of its operations for the three years ended December 31, 2008. Where appropriate, factors that may affect future financial performance are also discussed. The discussion should be read in conjunction with the accompanying consolidated financial statements, related footnotes and selected financial data.

A cautionary note about forward-looking statements: In its oral and written communication, First Financial Corporation from time to time includes forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements can include statements about estimated cost savings, plans and objectives for future operations and expectations about performance, as well as economic and market conditions and trends. They often can be identified by the use of words such as "expect," "may," "could," "intend," "project," "estimate," "believe" or "anticipate." First Financial Corporation may include forward-looking statements in filings with the Securities and Exchange Commission, in other written materials such as this Annual Report and in oral statements made by senior management to analysts, investors, representatives of the media and others. It is intended that these forward-looking statements speak only as of the date they are made, and First Financial Corporation undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the forward-looking statement is made or to reflect the occurrence of unanticipated events.

By their nature, forward-looking statements are based on assumptions and are subject to risks, uncertainties and other factors. Actual results may differ materially from those contained in the forward-looking statement. The discussion in this "Management's Discussion and Analysis of Results of Operations and Financial Condition" lists some of the factors which could cause actual results to vary materially from those in any forward-looking statements. Other uncertainties which could affect First Financial Corporation's future performance include the effects of competition, technological changes and regulatory developments; changes in fiscal, monetary and tax policies; market, economic, operational, liquidity, credit and interest rate risks associated with First Financial Corporation's business; inflation; competition in the financial services industry; changes in general economic conditions, either nationally or regionally, resulting in, among other things, credit quality deterioration; and changes in securities markets. Investors should consider these risks, uncertainties and other factors in addition to those mentioned by First Financial Corporation in its other filings from time to time when considering any forward-looking statement.

Management's Discussion and Analysis

First Financial Corporation (the Corporation) is a financial services company. The Corporation, which is headquartered in Terre Haute, Ind., offers a wide variety of financial services including commercial, mortgage and consumer lending, lease financing, trust account services and depositor services through its three subsidiaries. At the close of business in 2008 the Corporation and its subsidiaries had 766 full-time equivalent employees.

First Financial Bank is the largest bank in Vigo County, Ind. It operates 12 full-service banking branches within the county; five in Clay County, Ind.; one in Greene County, Ind.; three in Knox County, Ind.; five in Parke County, Ind.; one in Putnam County, Ind.; five in Sullivan County, Ind.; four in Vermillion County, Ind.; one in Clark County, Ill.; one in Coles County, Ill.; three in Crawford County, Ill.; one in Jasper County, Ill.; two in Lawrence County, Ill.; two in Richland County, Ill.; one in Vermilion County, Ill.; and one in Wayne County, Ill. In addition to its branches, it has a main office in downtown Terre Haute and a 50,000-square-foot commercial building on South Third Street in Terre Haute, which serves as the Corporation's operations center and provides additional office space. Morris Plan has one office and is located in Vigo County.

First Financial Bank and Morris Plan face competition from other financial institutions. These competitors consist of commercial banks, a mutual savings bank and other financial institutions, including consumer finance companies, insurance companies, brokerage firms and credit unions.

The Corporation's business activities are centered in west-central Indiana and east-central Illinois. The Corporation has no foreign activities other than periodically investing available funds in time deposits held in foreign branches of domestic banks.

Forrest Sherer Inc. is a premier regional supplier of insurance, surety and other financial products. The Forrest Sherer brand is well recognized in the Midwest, with more than 55 professionals and over 87 years of successful service to both businesses and households in their market area. The agency has representation agreements with more than 40 regional and national insurers to market their products of property and casualty insurance, surety bonds, employee benefit plans, life insurance and annuities.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Management's Discussion and Analysis of Financial Condition and Results of Operations, as well as disclosures found elsewhere in this report are based upon First Financial Corporation's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the Corporation to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, securities valuation and goodwill. Actual results could differ from those estimates.

Allowance for loan losses. The allowance for loan losses represents management's estimate of losses inherent in the existing loan portfolio. The allowance for loan losses is increased by the provision for loan losses charged to expense and reduced by loans charged off, net of recoveries. The allowance for loan losses is determined based on management's assessment of several factors: reviews and evaluations of specific loans, changes in the nature and volume of the loan portfolio, current economic conditions and the related impact on segments of the loan portfolio, historical loan loss experience and the level of classified and nonperforming loans.

Loans are considered impaired if, based on current information and events, it is probable that the Corporation will be unable to collect the scheduled payments of principal or interest according to the contractual terms of the loan agreement. When a loan is deemed impaired, impairment is measured by using the fair value of underlying collateral, the present value of the future cash flows discounted at the effective interest rate stipulated in the loan agreement, or the estimated market value of the loan. In measuring the fair value of the collateral, management uses assumptions (e.g., discount rate) and methodologies (e.g., comparison to the recent selling price of similar assets) consistent with those that would be utilized by unrelated third parties.

Changes in the financial condition of individual borrowers, economic conditions, historical loss experience, or the condition of the various markets in which collateral may be sold may affect the required level of the allowance for loan losses and the associated provision for loan losses. Should cash flow assumptions or market conditions change, a different amount may be recorded for the allowance for loan losses and the associated provision for loan losses.

Securities valuation. Securities available-for-sale are carried at fair value, with unrealized holding gains and losses reported separately in accumulated other comprehensive income (loss), net of tax. The Corporation obtains market values from a third party on a monthly basis in order to adjust the securities to fair value. Equity securities that do not have readily determinable fair values are carried at cost. Additionally, all securities are required to be written down to fair value when a decline in fair value is other than temporary; therefore, future changes in the fair value of securities could have a significant impact on the Corporation's operating results. In determining whether a market value decline is other than temporary, management considers the reason for the decline, the extent of the decline and the duration of the decline.

Changes in credit ratings, financial condition of underlying debtors, default experience and market liquidity affect the conclusions on whether securities are other-than-temporarily impaired. Additional losses may be recorded through earnings for other than temporary impairment, should there be an adverse change in the expected cash flows for these investments.

Results of Operations — Summary for 2008

Goodwill. The carrying value of goodwill requires management to use estimates and assumptions about the fair value of the reporting unit compared to its book value. An impairment analysis is prepared on an annual basis. Fair values of the reporting units are determined by an analysis which considers cash flows streams, profitability and estimated market values of the reporting unit. The majority of the Corporation's goodwill is recorded at Forest Sherer, Inc.

Management believes the accounting estimates related to the allowance for loan losses, valuation of investment securities and the valuation of goodwill are "critical accounting estimates" because: (1) the estimates are highly susceptible to change from period to period because they require management to make assumptions concerning, among other factors, the changes in the types and volumes of the portfolios, valuation assumptions, and economic conditions, and (2) the impact of recognizing an impairment or loan loss could have a material effect on the Corporation's assets reported on the balance sheet as well as net income.

Net income for 2008 was \$24.8 million, or \$1.89 per share. This represents a 3.2% decrease in net income and a 2.6% decrease in earnings per share, compared to 2007. Return on assets at December 31, 2008 decreased 6.0% to 1.09% compared to 1.16% at December 31, 2007.

NET INTEREST INCOME

The principal source of the Corporation's earnings is net interest income, which represents the difference between interest earned on loans and investments and the interest cost associated with deposits and other sources of funding.

Net interest income was increased in 2008 to \$81.5 million compared to \$74.8 million in 2007. Total average interest-earning assets grew to \$2.14 billion in 2008 from \$2.06 billion in 2007. The tax-equivalent yield on these assets decreased to 6.51% in 2008 from 6.98% in 2007. Total average interest-bearing liabilities increased to \$1.71 billion in 2008 from \$1.65 billion in 2007. The average cost of these interest-bearing liabilities decreased to 3.06% in 2008 from 3.81% in 2007.

The net interest margin increased from 3.92% in 2007 to 4.06% in 2008. This increase is primarily the result of the decreased costs of funding provided by interest-bearing liabilities. Earning asset yields decreased 47 basis points while the rate on interest-bearing liabilities decreased by 75 basis points.

The following table sets forth the components of net interest income due to changes in volume and rate. The table information compares 2008 to 2007 and 2007 to 2006.

| (Dollar amounts in thousands) | 2008 Compared to 2007 Increase (Decrease) Due to | | | | 2007 Compared to 2006 Increase (Decrease) Due to | | | |
|---|---|-----------------|-----------------|-----------------|---|-----------------|-----------------|-----------------|
| | Volume | Rate | Volume/ Rate | Total | Volume | Rate | Volume/ Rate | Total |
| Interest earned on | | | | | | | | |
| interest-earning assets: | | | | | | | | |
| Loans ⁽¹⁾ ⁽²⁾ | \$ 3,218 | \$ (8,261) | \$ (251) | \$ (5,294) | \$ 1,808 | \$ 3,459 | \$ 62 | \$ 5,329 |
| Taxable investment securities | 2,172 | (379) | (35) | 1,758 | 698 | 940 | 30 | 1,668 |
| Tax-exempt investment securities ⁽²⁾ | (244) | 79 | (1) | (166) | 870 | (290) | (20) | 560 |
| Federal funds sold | 259 | (389) | (131) | (261) | (70) | 54 | (5) | (21) |
| Total interest income | <u>5,405</u> | <u>(8,950)</u> | <u>(418)</u> | <u>(3,963)</u> | <u>3,306</u> | <u>4,163</u> | <u>67</u> | <u>7,536</u> |
| Interest paid on | | | | | | | | |
| interest-bearing liabilities: | | | | | | | | |
| Transaction accounts | 1,470 | (3,981) | (463) | (2,974) | (55) | 1,853 | (9) | 1,789 |
| Time deposits | (1,013) | (5,468) | 189 | (6,292) | (82) | 2,980 | (9) | 2,889 |
| Short-term borrowings | 261 | (692) | (112) | (543) | 775 | 44 | 46 | 865 |
| Other borrowings | 555 | (1,189) | (34) | (668) | 42 | 254 | 1 | 297 |
| Total interest expense | <u>1,273</u> | <u>(11,330)</u> | <u>(420)</u> | <u>(10,477)</u> | <u>680</u> | <u>5,131</u> | <u>29</u> | <u>5,840</u> |
| Net interest income | <u>\$ 4,132</u> | <u>\$ 2,380</u> | <u>\$ 2</u> | <u>\$ 6,514</u> | <u>\$ 2,626</u> | <u>\$ (968)</u> | <u>\$ 38</u> | <u>\$ 1,696</u> |

(1) For purposes of these computations, nonaccruing loans are included in the daily average loan amounts outstanding.

(2) Interest income includes the effect of tax equivalent adjustments using a federal tax rate of 35%.

Results of Operations — Summary for 2008

PROVISION FOR LOAN LOSSES

The provision for loan losses charged to expense is based upon credit loss experience and the results of a detailed analysis estimating an appropriate and adequate allowance for loan losses. The analysis includes the evaluation of impaired loans as prescribed under Statement of Financial Accounting Standards (SFAS) Nos. 114 and 118, pooled loans as prescribed under SFAS No. 5, and economic and other risk factors as outlined in various Joint Interagency Statements issued by the bank regulatory agencies. For the year ended December 31, 2008, the provision for loan losses was \$7.9 million, an increase of \$1.3 million, or 19.4%, compared to 2007. The increase was the result of several components related to the analysis of the Corporation's Allowance for Loan and Lease Losses, including nonperforming and impaired loan trends.

Net charge-offs for 2008 were \$6.9 million as compared to \$7.4 million for 2007 and \$6.8 million for 2006. Delinquent loans as a percentage of total outstanding loans increased to 2.4% at December 31, 2008 compared to 2.1% at December 31, 2007. Non-accrual loans increased 56.6% to \$12.5 million at December 31, 2008 from \$8.0 million at December 31, 2007. At December 31, 2008, the resulting allowance for loan losses was \$16.3 million or 1.12% of total loans, net of unearned income. A year earlier the allowance was \$15.4 million or 1.07% of total loans.

NON-INTEREST INCOME

Non-interest income of \$25.4 million decreased \$6.1 million from the \$31.5 million earned in 2007. This decrease was directly related to the other-than-temporary impairment charge of \$6.1 million recognized in the third quarter.

Note 4 to the financial statements included in this report provides information about our processes for determining other-than-temporary impairment for 2008. There was no other-than-temporary impairment recognized during 2007.

NON-INTEREST EXPENSES

Non-interest expenses increased 2.6% to \$66.4 million for 2008 compared to \$64.7 million for 2007. Salaries and employee benefits increased \$1.9 million due primarily to increased benefit costs. Occupancy and equipment expenses were relatively unchanged.

INCOME TAXES

The Corporation's federal income tax provision was \$7.8 million in 2008 compared to a provision of \$9.4 million in 2007. The overall effective tax rate in 2008 of 24.0% compares to a 2007 effective rate of 26.8%. The Corporation had increased amounts of tax-exempt income relative to the total income in 2008 compared to 2007.

COMPARISON OF 2007 TO 2006

Net income for 2007 was \$25.6 million or \$1.94 per share compared to \$23.5 million in 2006 or \$1.77 per share. This increased income was the result of improved net interest income combined with a reduction in the provision for loan losses.

Net interest income was increased in 2007 to \$74.8 million compared to \$73.7 million in 2006. Total average interest-earning assets grew to \$2.06 billion in 2007 from \$2.01 billion in 2006. The tax-equivalent yield on these assets increased to 6.98% in 2007 from 6.77% in 2006. Total average interest-bearing liabilities increased to \$1.65 billion in 2007 from \$1.64 billion in 2006. The average cost of these interest-bearing liabilities increased to 3.81% in 2007 from 3.48% in 2006.

The net interest margin decreased slightly from 3.93% in 2006 to 3.92% in 2007. This decrease is primarily the result of the increased costs of funding provided by interest-bearing liabilities. Earning asset yields increased 21 basis points while the rate on interest-bearing liabilities increased by 33 basis points. Non-interest income was improved by 9% while non-interest expense was held at the same level as 2006. Total average interest-earning assets increased in 2007 compared to 2006. The tax equivalent net interest margin was stable at 3.92% in 2007 from 3.93% in 2006.

The provision for loan losses decreased \$403 thousand from \$7.0 million in 2006 to \$6.6 million in 2007, and net charge-offs increased \$542 thousand from \$6.9 million in 2006 to \$7.4 million in 2007. Delinquent loans as a percentage of total outstanding loans declined to 2.1% at December 31, 2007 compared to 2.3% at December 31, 2006. Non-accrual loans decreased 19.2% to \$8.0 million at December 31, 2007 from \$9.9 million at December 31, 2006.

Net non-interest income and expense declined \$2.6 million from 2006 to 2007. Non-interest expenses increased just \$70 thousand while non-interest income increased \$2.7 million. The increase in non-interest income resulted from increased gains on sales of investment securities and loans in 2007.

The provision for income taxes increased \$2.0 million from 2006 to 2007, increasing the effective tax rate from 23.8% in 2006 to 26.8% in 2007.

Financial Condition — Summary

The Corporation's total assets increased 3.2% or \$71.1 million at December 31, 2008, from a year earlier. Available-for-sale securities increased \$38.9 million at December 31, 2008, from the previous year. Loans, net of unearned income, increased by \$29.5 million, to \$1.46 billion. Deposits increased \$33.8 million while borrowings increased by \$38.0 million.

Total shareholders' equity increased \$5.2 million to \$286.8 million at December 31, 2008. Net income was partially offset by higher dividends and the continued repurchase of corporate stock. The Corporation decreased purchases of treasury stock in 2008, acquiring 52,744 shares at a cost of \$1.5 million compared to 174,962 shares during 2007 at a cost of \$5.2 million. There were also 33,015 shares from the treasury with a value of \$1.28 million that were contributed to the ESOP plan. Declines in the fair values of certain investment securities decreased other comprehensive income as the Corporation recorded a net unrealized loss on available-for-sale securities of \$8.3 million. Other comprehensive income also included an increase of \$511 thousand related to the change in the unrealized gain on post-retirement benefits in accordance with SFAS No. 158.

Following is an analysis of the components of the Corporation's balance sheet.

SECURITIES

The Corporation's investment strategy seeks to maximize income from the investment portfolio while using it as a risk management tool and ensuring safety of principal and capital. During 2008 the portfolio's balance increased by 6.97%. During 2008 the Federal Reserve decreased the fed funds rate by 4.00% to 0.25%. The average life of the portfolio declined from 4.08 years in 2007 to 3.84 years in 2008. The portfolio structure will continue to provide cash flows to be reinvested during 2009.

Year-end securities maturity schedules were comprised of the following:

| (Dollar amounts in thousands) | 1 Year and Less | | 1 to 5 Years | | 5 to 10 Years | | Over 10 Years | | 2008 Total |
|---|-----------------|-------|--------------|-------|---------------|-------|---------------|-------|---------------|
| | Balance | Rate | Balance | Rate | Balance | Rate | Balance | Rate | |
| U.S. government sponsored entity mortgage-backed securities and agencies ⁽¹⁾ | \$ 937 | 4.34% | \$28,467 | 4.32% | \$ 88,761 | 4.69% | \$247,466 | 5.54% | \$365,631 |
| Collateralized mortgage obligations ⁽¹⁾ | — | — | — | — | 8 | 11.37 | 70,219 | 6.15 | 70,227 |
| States and political subdivisions | 13,154 | 6.85 | 37,134 | 7.51 | 40,515 | 6.83 | 53,038 | 6.27 | 143,841 |
| Corporate obligations | — | — | 6,394 | 5.60 | — | — | 4,239 | 7.74 | 10,633 |
| Total | 14,091 | 6.68 | 71,995 | 7.29 | 129,284 | 5.77 | 374,962 | 5.40 | 590,332 |
| Equities | — | — | — | — | — | — | 6,583 | — | 6,583 |
| TOTAL | \$14,091 | | \$71,995 | | \$129,284 | | \$381,545 | | \$596,915 |

(1) Distribution of maturities is based on the estimated average life of the asset.

| (Dollar amounts in thousands) | 1 Year and Less | | 1 to 5 Years | | 5 to 10 Years | | Over 10 Years | | 2007 Total |
|---|-----------------|-------|--------------|-------|---------------|-------|---------------|-------|---------------|
| | Balance | Rate | Balance | Rate | Balance | Rate | Balance | Rate | |
| U.S. government sponsored entity mortgage-backed securities and agencies ⁽¹⁾ | \$ 212 | 5.08% | \$ 1,366 | 4.60% | \$ 65,393 | 4.44% | \$222,732 | 5.26% | \$289,703 |
| Collateralized mortgage obligations ⁽¹⁾ | — | — | 4 | 11.50 | 27 | 6.94 | 77,144 | 5.27 | 77,175 |
| States and political subdivisions | 6,933 | 5.49 | 43,192 | 7.37 | 49,290 | 7.54 | 47,100 | 6.19 | 146,515 |
| Corporate obligations | 7,048 | 6.40 | — | — | — | — | 29,795 | 5.54 | 36,843 |
| Total | 14,193 | 5.93 | 44,562 | 7.29 | 114,710 | 5.77 | 376,771 | 5.40 | 550,236 |
| Equities | — | — | — | — | — | — | 7,784 | — | 7,784 |
| TOTAL | \$14,193 | | \$44,562 | | \$114,710 | | \$384,555 | | \$558,020 |

(1) Distribution of maturities is based on the estimated average life of the asset.

Financial Condition — Summary

LOAN PORTFOLIO

Loans outstanding by major category as of December 31 for each of the last five years and the maturities at year-end 2008 are set forth in the following analyses.

| (Dollar amounts in thousands) | 2008 | 2007 | 2006 | 2005 | 2004 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Loan Category | | | | | |
| Commercial, financial and agricultural | \$ 499,636 | \$ 461,086 | \$ 407,995 | \$ 382,214 | \$ 401,724 |
| Real estate - construction | 26,137 | 29,637 | 33,336 | 31,918 | 32,810 |
| Real estate - mortgage | 628,027 | 673,355 | 691,989 | 707,008 | 753,826 |
| Consumer | 302,977 | 262,858 | 257,065 | 272,062 | 272,261 |
| Lease financing | 1,878 | 2,275 | 2,604 | 2,845 | 3,658 |
| TOTAL | <u>\$1,458,655</u> | <u>\$1,429,211</u> | <u>\$1,392,989</u> | <u>\$1,396,047</u> | <u>\$1,464,279</u> |
| Credit card loans held-for-sale | <u>\$ 12,800</u> | <u>\$ 14,068</u> | — | — | — |

| (Dollar amounts in thousands) | Within One Year | After One But Within Five Years | After Five Years | Total |
|--|--------------------|---------------------------------------|---------------------|--------------------|
| Maturity Distribution | | | | |
| Commercial, financial and agricultural | \$ 234,037 | \$ 219,900 | \$ 45,699 | \$ 499,636 |
| Real estate - construction | 8,925 | 9,471 | 7,741 | 26,137 |
| TOTAL | <u>\$ 242,962</u> | <u>\$ 229,371</u> | <u>\$ 53,440</u> | 525,773 |
| Real estate - mortgage | | | | 628,027 |
| Consumer | | | | 302,977 |
| Lease financing | | | | 1,878 |
| TOTAL | | | | <u>\$1,458,655</u> |
| Credit card loans held-for-sale | | | | <u>\$ 12,800</u> |
| Loans maturing after one year with: | | | | |
| Fixed interest rates | | \$ 80,757 | \$ 38,737 | |
| Variable interest rates | | <u>148,614</u> | <u>14,703</u> | |
| TOTAL | | <u>\$ 229,371</u> | <u>\$ 53,440</u> | |

Financial Condition — Summary

ALLOWANCE FOR LOAN LOSSES

The activity in the Corporation's allowance for loan losses is shown in the following analysis:

| (Dollar amounts in thousands) | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Amount of loans outstanding at December 31, | <u>\$1,458,655</u> | <u>\$1,429,211</u> | <u>\$1,392,989</u> | <u>\$1,396,047</u> | <u>\$1,464,279</u> |
| Average amount of loans by year | <u>\$1,451,911</u> | <u>\$1,409,051</u> | <u>\$1,384,138</u> | <u>\$1,441,247</u> | <u>\$1,452,572</u> |
| Allowance for loan losses at beginning of year | \$ 15,351 | \$ 16,169 | \$ 16,042 | \$ 19,918 | \$ 21,239 |
| Loans charged off: | | | | | |
| Commercial, financial and agricultural | 2,406 | 3,433 | 2,066 | 6,093 | 4,080 |
| Real estate - mortgage | 1,274 | 1,026 | 1,617 | 2,590 | 623 |
| Consumer | 5,914 | 5,712 | 6,826 | 8,809 | 6,680 |
| Leasing | — | 5 | — | — | 1 |
| Total loans charged off | <u>9,594</u> | <u>10,176</u> | <u>10,509</u> | <u>17,492</u> | <u>11,384</u> |
| Recoveries of loans previously charged off: | | | | | |
| Commercial, financial and agricultural | 704 | 389 | 1,262 | 284 | 452 |
| Real estate - mortgage | 101 | 139 | 187 | 343 | 37 |
| Consumer | 1,863 | 2,250 | 2,204 | 1,291 | 1,281 |
| Leasing | — | — | — | — | 1 |
| Total recoveries | <u>2,668</u> | <u>2,778</u> | <u>3,653</u> | <u>1,918</u> | <u>1,771</u> |
| Net loans charged off | 6,926 | 7,398 | 6,856 | 15,574 | 9,613 |
| Provision charged to expense | <u>7,855</u> | <u>6,580</u> | <u>6,983</u> | <u>11,698</u> | <u>8,292</u> |
| Balance at end of year | <u>\$ 16,280</u> | <u>\$ 15,351</u> | <u>\$ 16,169</u> | <u>\$ 16,042</u> | <u>\$ 19,918</u> |
| Ratio of net charge-offs during period to average loans outstanding | <u>.48%</u> | <u>.53%</u> | <u>.50%</u> | <u>1.08%</u> | <u>.66%</u> |

The allowance is maintained at an amount management believes sufficient to absorb probable incurred losses in the loan portfolio. Monitoring loan quality and maintaining an adequate allowance is an ongoing process overseen by senior management and the loan review function. On at least a quarterly basis, a formal analysis of the adequacy of the allowance is prepared and reviewed by management and the Board of Directors. This analysis serves as a point in time assessment of the level of the allowance and serves as a basis for provisions for loan losses. The loan quality monitoring process includes assigning loan grades and the use of a watch list to identify loans of concern.

The analysis of the allowance for loan losses includes the allocation of specific amounts of the allowance to individual problem loans, generally based on an analysis of the collateral securing those loans. Portions of the allowance are also allocated to loan portfolios, based upon a variety of factors including historical loss experience, trends in the type and volume of the loan portfolios, trends in delinquent and non-performing loans, and economic trends affecting our market. These components are added together and compared to the balance of our allowance at the evaluation date. The following table presents the allocation of the allowance to the loan portfolios at year-end.

Financial Condition — Summary

Years Ended December 31,

| (Dollar amounts in thousands) | 2008 | 2007 | 2006 | 2005 | 2004 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Commercial, financial and agricultural | \$10,181 | \$10,090 | \$ 9,043 | \$ 8,148 | \$11,840 |
| Real estate – mortgage | 1,517 | 1,245 | 1,364 | 867 | 850 |
| Consumer | 4,582 | 4,016 | 5,762 | 7,027 | 7,228 |
| TOTAL ALLOWANCE FOR LOAN LOSSES | <u>\$16,280</u> | <u>\$15,351</u> | <u>\$16,169</u> | <u>\$16,042</u> | <u>\$19,918</u> |

NONPERFORMING LOANS

Management monitors the components and status of nonperforming loans as a part of the evaluation procedures used in determining the adequacy of the allowance for loan losses. It is the Corporation's policy to discontinue the accrual of interest on loans where, in management's opinion, serious doubt exists as to collectibility. The amounts shown below represent non-accrual loans, loans which have been restructured to provide for a reduction or deferral of interest or principal because of deterioration in the financial condition of the borrower and those loans which are past due more than 90 days where the Corporation continues to accrue interest.

| (Dollar amounts in thousands) | 2008 | 2007 | 2006 | 2005 | 2004 |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Non-accrual loans | \$12,486 | \$ 7,971 | \$ 9,893 | \$ 8,464 | \$19,862 |
| Restructured loans | 98 | 50 | 52 | 57 | 430 |
| Accruing loans past due over 90 days | 3,624 | 4,462 | 4,691 | 6,354 | 7,813 |
| | <u>\$16,208</u> | <u>\$12,483</u> | <u>\$14,636</u> | <u>\$14,875</u> | <u>\$28,105</u> |

The ratio of the allowance for loan losses as a percentage of nonperforming loans was 100% at December 31, 2008, compared to 123% in 2007. The following loan categories comprise significant components of the nonperforming loans at December 31, 2008 and 2007:

| (Dollar amounts in thousands) | 2008 | | 2007 | |
|-------------------------------|-----------------|-------------|-----------------|-------------|
| Non-accrual loans: | | | | |
| 1-4 family residential | \$ 1,835 | 14% | \$ 2,574 | 32% |
| Commercial loans | 9,210 | 74 | 3,938 | 50 |
| Consumer loans | 1,441 | 12 | 1,459 | 18 |
| | <u>\$12,486</u> | <u>100%</u> | <u>\$ 7,971</u> | <u>100%</u> |
| Past due 90 days or more: | | | | |
| 1-4 family residential | \$ 1,495 | 41% | \$ 1,230 | 28% |
| Commercial loans | 1,582 | 44 | 2,795 | 62 |
| Consumer loans | 547 | 15 | 437 | 10 |
| | <u>\$ 3,624</u> | <u>100%</u> | <u>\$ 4,462</u> | <u>100%</u> |

Financial Condition — Summary

DEPOSITS

The information below presents the average amount of deposits and rates paid on those deposits for 2008, 2007 and 2006.

| (Dollar amounts in thousands) | 2008 | | 2007 | | 2006 | |
|--------------------------------------|--------------------|-------|--------------------|-------|--------------------|-------|
| | Amount | Rate | Amount | Rate | Amount | Rate |
| Non-interest-bearing demand deposits | \$ 236,628 | | \$ 226,822 | | \$ 206,839 | |
| Interest-bearing demand deposits | 247,017 | 1.11% | 198,368 | 0.94% | 201,928 | 1.14% |
| Savings deposits | 433,179 | 1.60% | 410,919 | 2.62% | 410,458 | 1.87% |
| Time deposits: | | | | | | |
| \$100,000 or more | 183,664 | 3.67% | 189,501 | 4.66% | 188,572 | 4.27% |
| Other time deposits | 459,916 | 3.54% | 477,114 | 4.30% | 480,116 | 4.01% |
| TOTAL | <u>\$1,560,404</u> | | <u>\$1,502,724</u> | | <u>\$1,487,913</u> | |

The maturities of certificates of deposit of \$100 thousand or more outstanding at December 31, 2008, are summarized as follows:

| | |
|--------------------------|------------------|
| 3 months or less | \$ 50,721 |
| Over 3 through 6 months | 56,779 |
| Over 6 through 12 months | 53,173 |
| Over 12 months | 50,434 |
| TOTAL | <u>\$211,107</u> |

Financial Condition — Summary

OTHER BORROWINGS

Advances from the Federal Home Loan Bank increased to \$378.6 million in 2008 compared to \$334.7 million in 2007. The Asset/Liability Committee reviews these investments and funding sources and considers the related strategies on a weekly basis. See Interest Rate Sensitivity and Liquidity below for more information.

CAPITAL RESOURCES

Bank regulatory agencies have established capital adequacy standards which are used extensively in their monitoring and control of the industry. These standards relate capital to level of risk by assigning different weightings to assets and certain off-balance-sheet activity. As shown in the footnote to the consolidated financial statements ("Regulatory Matters"), the Corporation's capital exceeds the requirements to be considered well capitalized at December 31, 2008.

First Financial Corporation's objective continues to be to maintain adequate capital to merit the confidence of its customers and shareholders. To warrant this confidence, the Corporation's management maintains a capital position which they believe is sufficient to absorb unforeseen financial shocks without unnecessarily restricting dividends to its shareholders. The Corporation's dividend payout ratio for 2008 and 2007 was 47.1% and 44.8%, respectively. The Corporation expects to continue its policy of paying regular cash dividends, subject to future earnings and regulatory restrictions and capital requirements.

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 earnings simulation and market value of equity sensitivity analysis. These tools allow management to quantify and monitor both short- 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 on the following page shows the Corporation's estimated sensitivity profile as of December 31, 2008. 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 0.15% over the next 12 months and increase 1.79% over the following 12 months. Given a 100 basis point decrease in rates, net interest income would increase 3.53% over the next 12 months and increase 3.69% over the following 12 months. These estimates assume all rate changes occur overnight and management takes no action as a result of this change.

Financial Condition — Summary

| Basis Point Interest Rate Change | Percentage Change in Net Interest Income | | |
|-------------------------------------|--|-----------|-----------|
| | 12 months | 24 months | 36 months |
| Down 200 | 3.53% | 3.68% | 3.74% |
| Down 100 | 3.53 | 3.69 | 3.75 |
| Up 100 | .15 | 1.79 | 3.66 |
| Up 200 | -1.13 | 1.99 | 5.94 |

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

Liquidity Risk: Liquidity is measured by the bank's ability to raise funds to meet the obligations of its customers, including deposit withdrawals and credit needs. This is accomplished primarily by maintaining sufficient liquid assets in the form of investment securities and core deposits. The Corporation has \$14.1 million of investments that mature throughout the coming 12 months. The Corporation also anticipates \$180.0 million of principal payments from mortgage-backed securities. Given the current rate environment, the Corporation anticipates \$25.6 million in securities to be called within the next 12 months.

CONTRACTUAL OBLIGATIONS, COMMITMENTS, CONTINGENT LIABILITIES AND OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has various financial obligations, including contractual obligations and commitments, that may require future cash payments.

Contractual Obligations: The following table presents, as of December 31, 2008, significant fixed and determinable contractual obligations to third parties by payment date. Further discussion of the nature of each obligation is included in the referenced note to the consolidated financial statements.

| (Dollar amounts in thousands) | Note Reference | Payments Due In | | | | Total |
|------------------------------------|-------------------|---------------------|-----------------------|------------------------|--------------------|-----------|
| | | One Year or Less | One to Three Years | Three to Five Years | Over Five Years | |
| Deposits without a stated maturity | | \$927,151 | \$ — | \$ — | \$ — | \$927,151 |
| Consumer certificates of deposit | | 446,158 | 138,751 | 51,330 | 108 | 636,347 |
| Short-term borrowings | 10 | 21,500 | — | — | — | 21,500 |
| Other borrowings | 11 | 97,416 | 204,478 | 76,187 | 7,072 | 385,153 |

Commitments: The following table details the amount and expected maturities of significant commitments as of December 31, 2008. Further discussion of these commitments is included in Note 13 to the consolidated financial statements.

| (Dollar amounts in thousands) | Total Amount Committed | One Year or Less | Over One Year |
|-------------------------------|---------------------------|---------------------|------------------|
| Commitments to extend credit: | | | |
| Unused loan commitments | \$302,141 | \$194,088 | \$108,053 |
| Commercial letters of credit | 16,230 | 11,262 | 4,968 |

Commitments to extend credit, including loan commitments, standby and commercial letters of credit do not necessarily represent future cash requirements, in that these commitments often expire without being drawn upon.

OUTLOOK

The Corporation's primary market is west-central Indiana and east-central Illinois. The market is primarily driven by the retail, higher education and health care industries. Typically, this market does not expand or contract at rates that are experienced by both the state and national economies. According to the National Bureau of Economic Research, the nation entered an economic recession in December 2007. It is anticipated that the economy will continue to struggle well into 2009 with some improvement in the latter half of the year. Contraction in both labor and retail sales will affect the local market as well. Therefore, the Corporation anticipates limited growth opportunities in 2009.

Consolidated Balance Sheet — Average Balances and Interest Rates

| | December 31, | | | | | | | | |
|---|--------------------|------------------|--------------|--------------------|------------------|--------------|--------------------|------------------|--------------|
| | 2008 | | | 2007 | | | 2006 | | |
| (Dollar amounts in thousands) | Average Balance | Interest | Yield/Rate | Average Balance | Interest | Yield/Rate | Average Balance | Interest | Yield/Rate |
| ASSETS | | | | | | | | | |
| Interest-earning assets: | | | | | | | | | |
| Loans ⁽¹⁾ ⁽²⁾ | \$1,451,911 | 100,510 | 6.92% | \$1,409,051 | 105,804 | 7.51% | \$1,384,138 | 100,475 | 7.26% |
| Taxable investment securities | 485,194 | 25,303 | 5.22 | 444,220 | 23,545 | 5.30 | 430,492 | 21,877 | 5.08 |
| Tax-exempt investments ⁽²⁾ | 184,574 | 13,188 | 7.14 | 188,012 | 13,354 | 7.10 | 176,044 | 12,794 | 7.27 |
| Federal funds sold | 19,729 | 507 | 2.57 | 14,756 | 768 | 5.20 | 16,203 | 788 | 4.87 |
| Total interest-earning assets | <u>2,141,408</u> | <u>139,508</u> | <u>6.51%</u> | <u>2,056,039</u> | <u>143,471</u> | <u>6.98%</u> | <u>2,006,877</u> | <u>135,934</u> | <u>6.77%</u> |
| Non-interest earning assets: | | | | | | | | | |
| Cash and due from banks | 58,676 | | | 61,655 | | | 66,302 | | |
| Premises and equipment, net | 32,524 | | | 32,762 | | | 31,309 | | |
| Other assets | 64,952 | | | 64,801 | | | 59,363 | | |
| Less allowance for loan losses | (15,539) | | | (15,665) | | | (16,533) | | |
| TOTALS | <u>\$2,282,021</u> | | | <u>\$2,199,592</u> | | | <u>\$2,147,318</u> | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | | | | | |
| Interest-bearing liabilities: | | | | | | | | | |
| Transaction accounts | \$ 680,196 | 9,660 | 1.42% | \$ 609,287 | 12,634 | 2.07% | \$ 612,387 | 10,845 | 1.77% |
| Time deposits | 643,580 | 23,036 | 3.58 | 666,615 | 29,322 | 4.40 | 668,687 | 26,440 | 3.95 |
| Short-term borrowings | 37,352 | 1,068 | 2.86 | 32,140 | 1,611 | 5.01 | 15,759 | 746 | 4.73 |
| Other borrowings | 353,598 | 18,726 | 5.30 | 343,767 | 19,394 | 5.64 | 343,014 | 19,098 | 5.57 |
| Total interest-bearing liabilities: | <u>1,714,726</u> | <u>52,490</u> | <u>3.06%</u> | <u>1,651,809</u> | <u>62,961</u> | <u>3.81%</u> | <u>1,639,847</u> | <u>57,129</u> | <u>3.48%</u> |
| Non interest-bearing liabilities: | | | | | | | | | |
| Demand deposits | 236,628 | | | 226,822 | | | 206,839 | | |
| Other | 43,045 | | | 42,974 | | | 25,958 | | |
| | <u>1,994,399</u> | | | <u>1,921,605</u> | | | <u>1,872,644</u> | | |
| Shareholders' equity | <u>287,622</u> | | | <u>277,987</u> | | | <u>274,674</u> | | |
| TOTALS | <u>\$2,282,021</u> | | | <u>\$2,199,592</u> | | | <u>\$2,147,318</u> | | |
| Net interest earnings | | <u>\$ 87,018</u> | | | <u>\$ 80,510</u> | | | <u>\$ 78,805</u> | |
| Net yield on interest-earning assets | | | <u>4.06%</u> | | | <u>3.92%</u> | | | <u>3.93%</u> |

(1) For purposes of these computations, nonaccruing loans are included in the daily average loan amounts outstanding.

(2) Interest income includes the effect of tax equivalent adjustments using a federal tax rate of 35%.

FIRST FINANCIAL CORPORATION

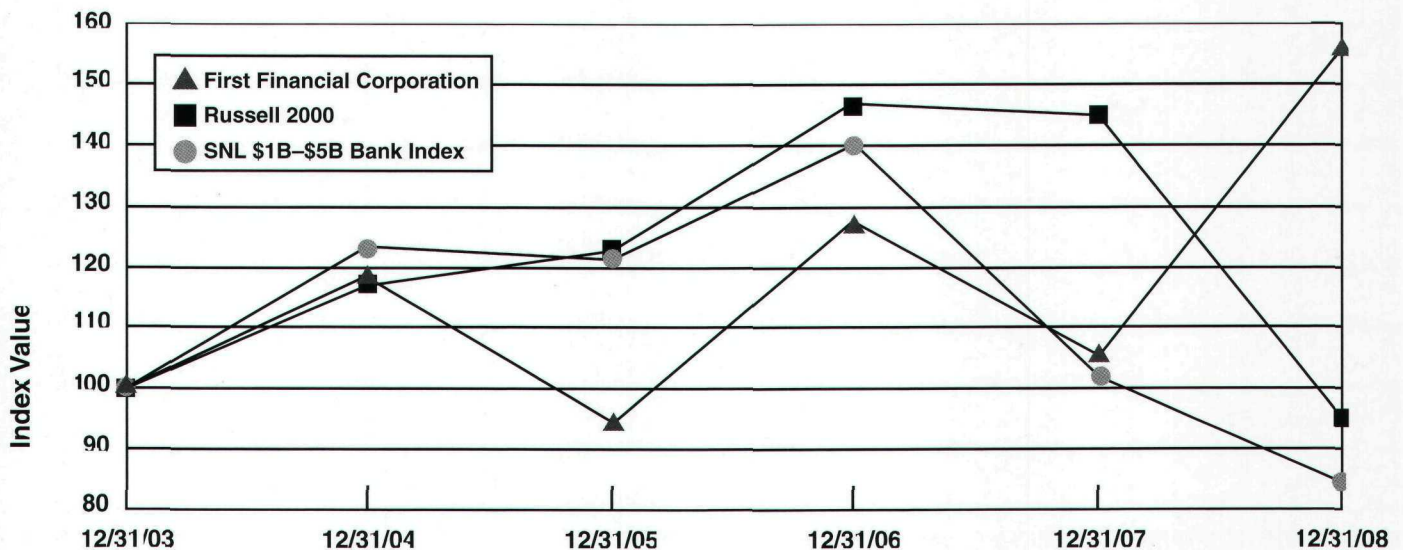
MARKET AND DIVIDEND INFORMATION

At year-end 2008 shareholders owned 13,116,630 shares of the Corporation's common stock. The stock is traded on the NASDAQ Global under the symbol THFF.

Historically, the Corporation has paid cash dividends semi-annually and currently expects that comparable cash dividends will continue to be paid in the future. The following table gives quarterly high and low trade prices and dividends per share during each quarter for 2008 and 2007.

| Quarter ended | 2008 | | | 2007 | | |
|---------------|-------------|---------|-------------------------|-------------|---------|-------------------------|
| | Trade Price | | Cash Dividends Declared | Trade Price | | Cash Dividends Declared |
| | High | Low | | High | Low | |
| March 31 | \$32.06 | \$25.30 | | \$35.74 | \$28.20 | |
| June 30 | \$33.31 | \$28.16 | \$.44 | \$32.45 | \$27.26 | \$.43 |
| September 30 | \$49.30 | \$30.05 | | \$32.78 | \$23.48 | |
| December 31 | \$47.70 | \$31.01 | \$.45 | \$32.29 | \$26.93 | \$.44 |

TOTAL RETURN PERFORMANCE





FIRST BANKING CENTERS

INDIANA

First Financial Bank N.A. Vigo County

Terre Haute Main Office*
One First Financial Plaza
Sixth & Wabash
812-238-6000

Honey Creek Mall*
U.S. 41 South
812-238-6000

Indiana State University*
Hulman Memorial Union
812-238-6000

Industrial Park*
1749 East Industrial Drive
812-238-6000

Maple Avenue*
4065 Maple Avenue
812-238-6000

Meadows*
350 South 25th Street
812-238-6000

Plaza North*
Ft. Harrison & Lafayette
812-238-6000

Seelyville*
9520 East U.S. 40
812-238-6000

Southland*
3005 South Seventh Street
812-238-6000

Springhill*
4500 U.S. 41 South
812-238-6000

West Terre Haute*
309 National Avenue
812-238-6000

Westminster Village
1120 East Davis Drive
812-238-6000

The Morris Plan Company of Terre Haute

817 Wabash Avenue
812-238-6063

First Financial Bank N.A. Clay County

Brazil*
7995 North State Road 59
812-443-4481

Brazil Downtown*
18 North Walnut
812-448-3357

Brazil Eastside*
2180 East National Avenue
812-448-8110

Clay City*
502-504 Main Street
812-939-2145

Poland*
8490 East State Road 42
812-986-2115

First Financial Bank N.A. Greene County

Worthington*
9 North Commercial Street
812-875-3021

First Financial Bank N.A. Knox County

Monroe City*
201 West First Street
812-743-5151

Sandborn
102 North Anderson Street
812-694-8462

Vincennes*
2707 North Sixth Street
812-882-4800

First Financial Bank N.A. Parke County

Rockville*
1311 North Lincoln Road
765-569-3171

Rockville Downtown*
120 East Ohio Street
765-569-3442

Marshall
10 South Main Street
765-597-2261

Montezuma*
232 East Crawford Street
765-245-2706

Rosedale
62 East Central Street
765-548-2266

First Financial Bank N.A. Putnam County

Greencastle*
101 South Warren Drive
765-653-4444

First Financial Bank N.A. Sullivan County

Sullivan*
15 South Main Street
812-268-3331

Carlisle*
8571 Old US 41 South
812-398-4100

Dugger
8100 East Main Street
812-648-2251

Farmersburg*
819 West Main Street
812-696-2106

Hymera
102 South Main Street
812-383-4933

First Financial Bank N.A. Vermillion County

Newport*
100 West Market Street
765-492-3321

Cayuga
211 Curtis Street
765-492-3391

Clinton*
221 South Main Street
765-832-3504

Clinton Crown Hill*
1775 East State Road 163
765-832-5546

ILLINOIS

First Financial Bank N.A. Clark County

Marshall*
215 North Michigan
217-826-6311

First Financial Bank N.A. Coles County

Charleston*
820 West Lincoln Avenue
217-345-4824

First Financial Bank N.A. Crawford County

Robinson*
108 West Main Street
618-544-8666

Robinson Motor Bank*
(Drive-Through Only)
602 West Walnut Street
618-544-3355

Oblong*
301 East Main Street
618-592-4252

First Financial Bank N.A. Jasper County

Newton*
601 West Jourdan Street
618-783-2022

First Financial Bank N.A. Lawrence County

Lawrenceville*
1601 State Street
618-943-3323

Sumner
211 South Christy
618-936-2321

First Financial Bank N.A. Richland County

Olney*
240 East Chestnut Street
618-395-8676

Olney*
1110 South West Street
618-395-2112

First Financial Bank N.A. Vermilion County

Ridge Farm*
11 South State Street
217-247-2126

First Financial Bank N.A. Wayne County

Fairfield*
303 West Delaware
618-842-2145

*FirstPlus 24-hour
ATM available at
these locations



FIRST FINANCIAL CORPORATION

ONE FIRST FINANCIAL PLAZA

TERRE HAUTE, INDIANA 47807

812-238-6000 • 800-511-0045

www.first-online.com