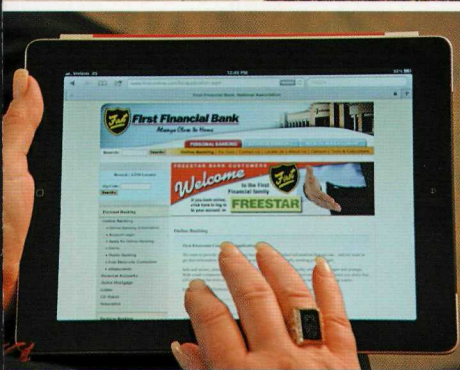
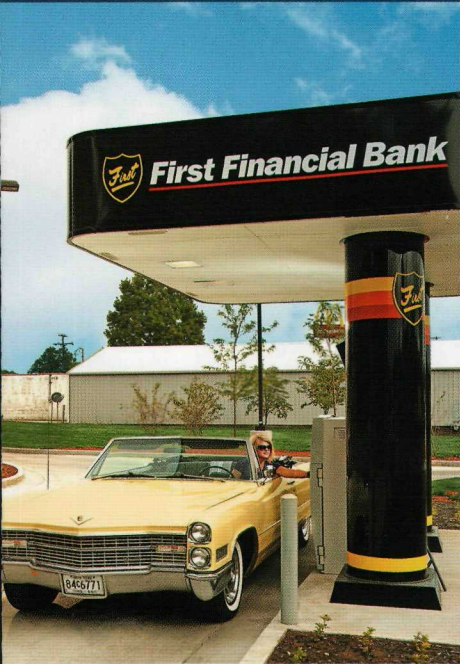


# 2011 Annual Report



**First Financial Corporation**



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

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## Financial Highlights

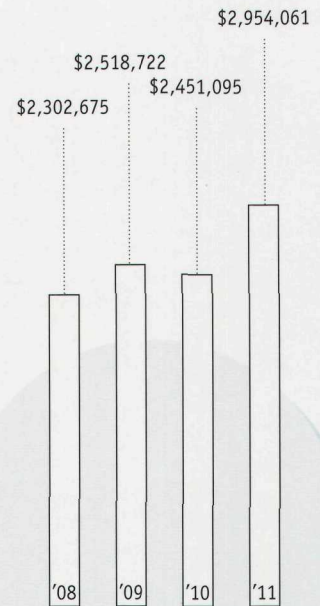
(Dollar amounts in thousands, except per share data)

|                          | 2011         | December 31<br>2010 | 2009         |
|--------------------------|--------------|---------------------|--------------|
| <b>For the Year</b>      |              |                     |              |
| Net income               | \$ 37,195    | \$ 28,044           | \$ 27,720    |
| Net income per share     | 2.83         | 2.14                | 1.73         |
| Book value per share     | 26.38        | 24.46               | 23.34        |
| Cash dividends per share | 0.94         | 0.92                | 0.90         |
| <b>At Year End</b>       |              |                     |              |
| Assets                   | \$ 2,954,061 | \$ 2,451,095        | \$ 2,518,722 |
| Deposits                 | 2,274,499    | 1,903,043           | 1,789,701    |
| Loans, net               | 1,893,679    | 1,640,146           | 1,631,764    |
| Securities               | 666,287      | 560,846             | 587,246      |
| Shareholders' equity     | 346,961      | 321,717             | 306,717      |

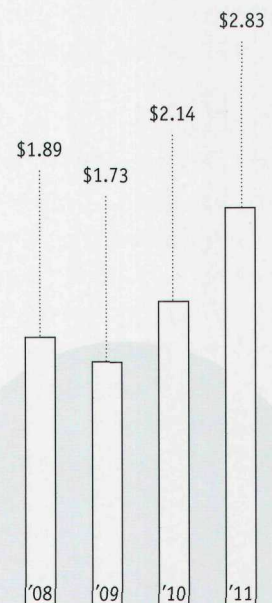
## Shareholder Information

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: Rodger A. McHargue, First Financial Corporation, P.O. Box 540, Terre Haute, IN 47808.

TOTAL ASSETS  
\$ in thousands



EARNINGS  
PER SHARE





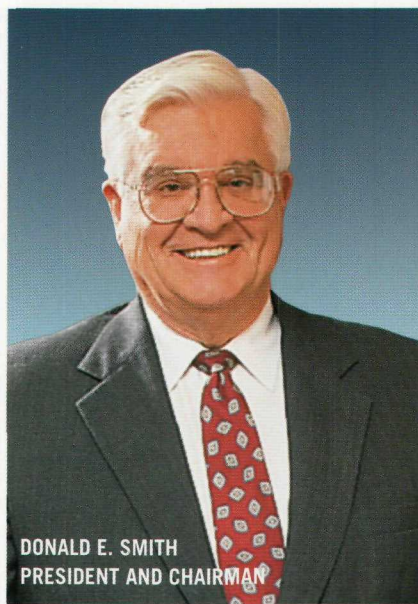
# Letter to Shareholders

## “Record Earnings Largest Acquisition Ever”

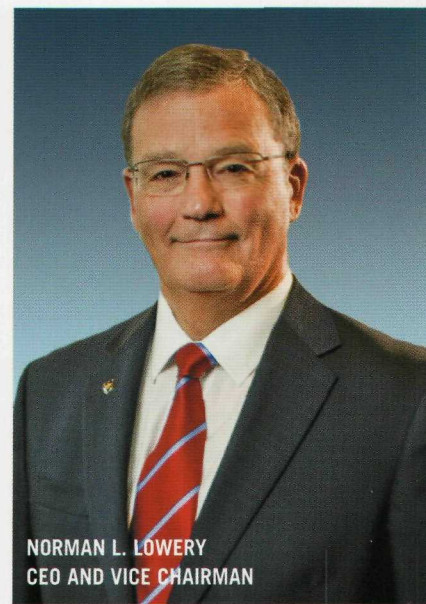
In years past, we have had the pleasure of reporting many outstanding accomplishments and financial results to our shareholders. We have always done so with pride and enthusiasm. This year is no exception, except saying we are proud of what we accomplished in 2011 simply will not do. This year we start by saying WOW. We think you will agree!

While there were many noteworthy accomplishments in 2011, two are particularly significant. First, we enjoyed our most profitable year since the Corporation was founded and secondly, we closed the largest acquisition in our company's history. By themselves, either make for an outstanding year. Together, they are worthy of celebration.

Despite slow economic growth, a weak housing market, continued high unemployment and new federal regulations that placed a greater financial burden on the banking industry, the Corporation delivered record earnings in 2011 as net income rose 32.6% to \$37.2 million compared to the \$28 million reported in 2010. This performance was driven in part by a 3.4% increase in our net interest margin to 4.50% and an 11.89% increase in non-interest income. During the year, we



**DONALD E. SMITH**  
PRESIDENT AND CHAIRMAN



**NORMAN L. LOWERY**  
CEO AND VICE CHAIRMAN

continued our spending discipline as non-interest expense decreased \$2.4 million, which allows us to report an earnings per share increase of 32.2% or \$2.83 per share compared to \$2.14 per share in 2010.

These outstanding results were not produced by taking undue risks or pursuing short-term gain at the expense of long-term stability. Our success came from maintaining our focus on sound business fundamentals. Our focus, coupled with strong leadership

and dedicated, hard-working employees, are the source of our strength and consistent performance, which has allowed us to increase dividends to shareholders in each of the past 23 years.

We are constantly looking for opportunities that will provide a solid return and enhance the value of your investment in First Financial. In the third quarter of 2011, we agreed to acquire the assets and assume the liabilities of Freestar Bank, N.A. as well as certain liabilities of PNB Holding



Company. Freestar, with approximately \$400 million in assets, provided a strategic entry into the Champaign-Urbana, Bloomington-Normal and Pontiac, Illinois markets, all areas we previously targeted for expansion. Because of our capital reserves, we were able to acquire Freestar in an all-cash transaction.

The accomplishments of our associates in 2011 did not go unnoticed. We would like to share a few of them with you. BauerFinancial Inc., the nation's largest independent bank rating and research firm, presented both First Financial Bank and The Morris Plan Company of Terre Haute with its prestigious 5-Star Award, a recognition of overall financial strength, safety and soundness. For the fifth consecutive year, *The Banker*, a London-based investment and commercial banking journal, named First Financial Bank as one of its top 1,000 banks in the world and 200 in the U.S. based on assets, real profits growth and other performance factors. During the year First Financial Bank was ranked as one of the nation's top 100 mid-tier banks based on return on equity by *American Banker* magazine. The U.S. Department of Agriculture, Rural Development, recognized First Financial Bank as one of the top guaranteed housing lenders in Illinois based on our efforts to help residents of rural areas purchase a first home or upgrade to a better one. We were also recognized on the FDIC's list of the top 100 U.S. farm lenders by dollar volume in 2010.

In addition to industry recognition, First Financial Bank received accolades

from our customers. In the second annual Readers' Choice awards sponsored by the Terre Haute *Tribune-Star*, First Financial Bank was voted Best Bank, Best Mortgage Company and Best Financial Advisor. It also earned the title of Best Bank in the Peoples' Choice Awards sponsored by the Danville *Commercial-News*.

With assets approaching \$3 billion, it is necessary to insure we can continue to deliver the great service our customers have come to expect and know us for. To that end, we have made the decision to invest in our FirstPlus ATM network in 2012 by replacing or upgrading all of the ATMs in our markets. These new ATMs will provide our customers with features they desire and the conveniences they expect. They will also provide our special needs customers with additional functionality, including wheelchair access and ease-of-use options for the visually impaired.

In 2012, we will also take our in-branch service up a notch as we invest in a new branch teller system. The cutting-edge solution we have selected will allow us to individually address each customer's needs, creating a "tailored experience" every time they visit one of our branches.

Achievements of this magnitude do not happen by accident. They are the result of exceptional planning, dedication and hard work. Our thanks goes to our Board of Directors for their exemplary oversight, guidance and direction; our talented associates for their sacrifices and commitment to delivering outstanding performance; our customers and the communities



we serve for their loyal support of our brand; and finally, to you, our shareholders, for believing in us and for your investment in First Financial.

Sincerely,

*Donald E. Smith*

Donald E. Smith  
President and Chairman

*Norman L. Lowery*

Norman L. Lowery  
CEO and Vice Chairman

March 9, 2012



# the year in review

## FACT

**\$2.95  
billion**

Assets grew \$501 million to \$2.95 billion in 2011, a 20.45% increase.

2011 was a year like no other for First Financial Corporation in terms of growth, earnings and recognition in the financial services industry.

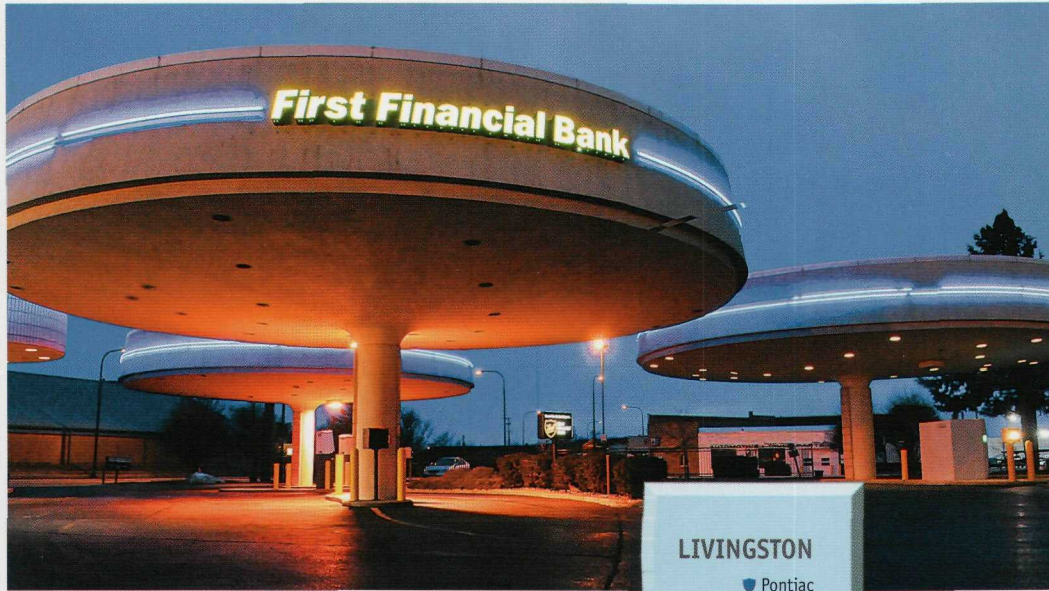
As discussed in the Letter to Shareholders, our financial performance in 2011 was outstanding. From the prior year, net income increased 32.6% to \$37.2 million and earnings per share increased 32.2% to \$2.83. The ratios on how efficiently we operate were equally strong. Return on assets improved 34.2% to 1.49% in 2011 compared to 1.11% in 2010. Return on equity increased to 10.9%, a 24.9% improvement over the previous year.

Our deposits also grew significantly in 2011, increasing 19.5% over 2010 to \$2.27 billion. Much of this increase can be attributed to the acquisition of Freestar Bank.

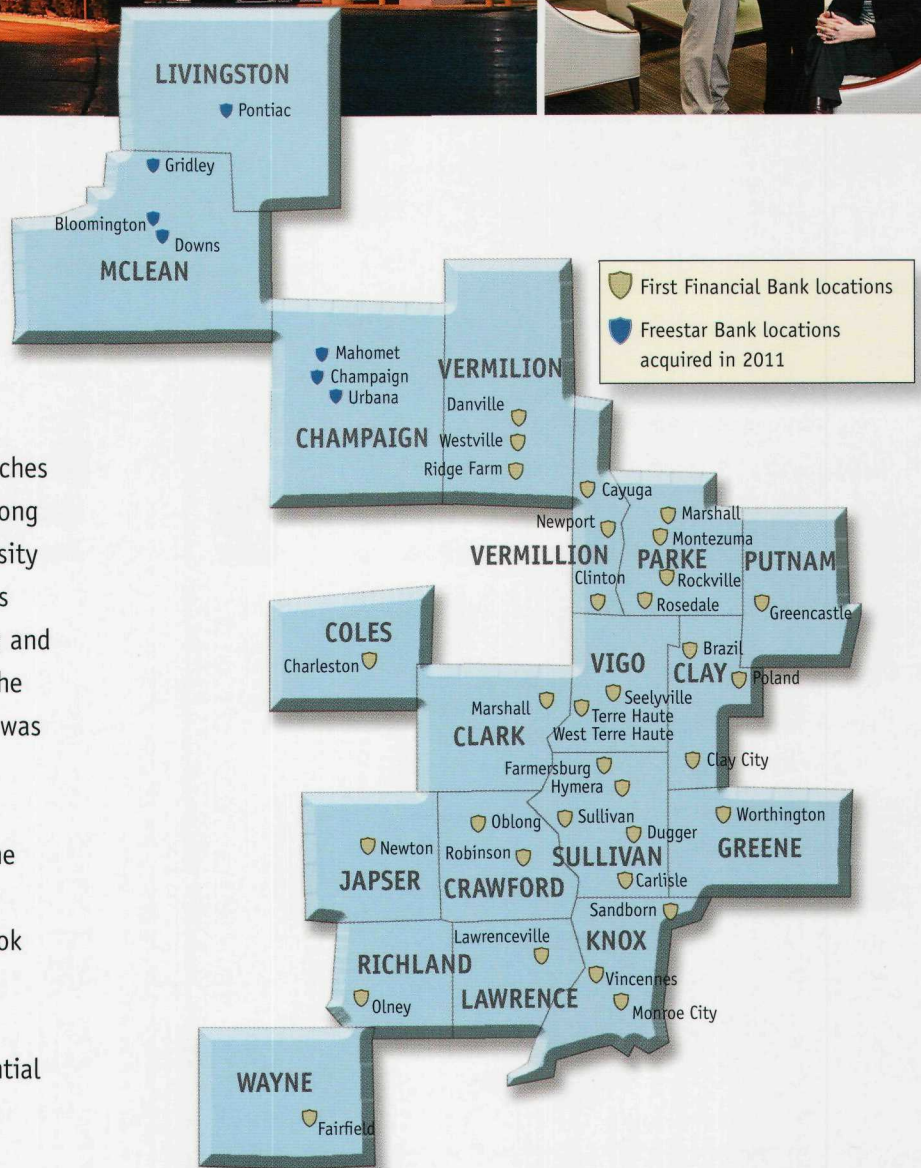
### Westward expansion

We've always believed our best plan for growth is to expand into neighboring counties, allowing us to invest in communities we are familiar with. In the third quarter of 2011, PNB Holding Company presented us with the opportunity to acquire their primary asset, Freestar Bank, N.A., a profitable, well-run bank with a philosophy of community-focused





**ABOVE:** Following a renovation project that maintained its unique architecture, our drive-up banking facility in downtown Danville re-opened. **RIGHT:** In late 2011, First Financial welcomed the employees of Freestar Bank to the First family.



banking similar to ours. The 12 acquired branches are located in economically vibrant areas, among them Champaign-Urbana, home to the University of Illinois; Bloomington-Normal, known for its diverse economy and low unemployment rate; and Pontiac, which *Time* magazine called one of the best small towns in America. The transaction was finalized on December 30, 2011.

This acquisition is part of our plan to grow the Corporation prudently, without a dramatically increased level of risk. We will continue to look at acquisition opportunities as they present themselves while still focusing on our core operations—primarily commercial and residential loan growth—as well as maintaining our net interest margin.

First Financial Bank has 64 banking centers serving 41 communities in western Indiana and eastern Illinois.



# community service

## Community service as a key value

The Corporation has long viewed its standing in the communities it serves as essential to its success. Education is at the heart of that. More specifically, providing an atmosphere where children thrive in a learning environment is what we set out to do by partnering with the Vigo County School Corporation to launch the H.E.R.O. (Helping Everyone Respect Others) campaign. First Financial sponsored a series of billboards and radio announcements highlighting the dangers of bullying.

We also completed our involvement in the Food for Friends program, which was an ongoing effort in partnership with Catholic Charities in Terre Haute to benefit food banks and soup kitchens throughout the First Financial service area. At the close of 2011, Food for Friends had collected a total of 119,201 pounds of food.

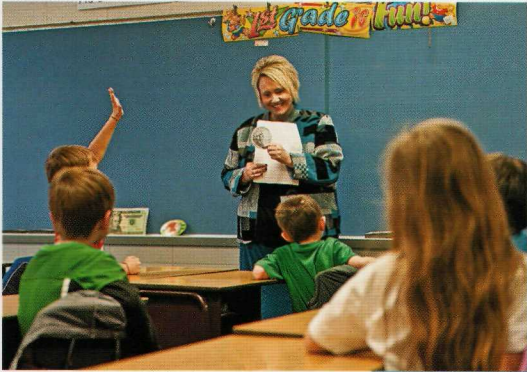
Even though we acquired Freestar Bank at the close of 2011, we have already been able to provide support to the Pontiac High School FFA Chapter, the Boys Track and Field Team and the Sports Boosters Club, as well as the Pontiac Chamber of Commerce, the Pontiac Junior Baseball Association and the



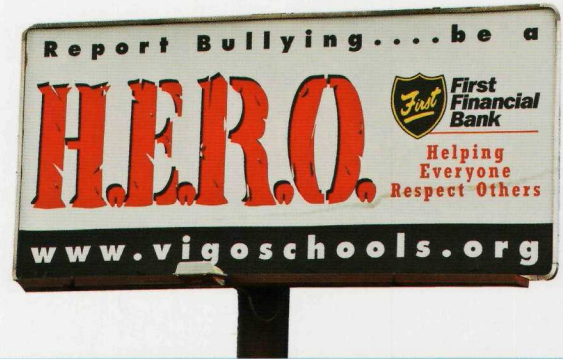
**ABOVE:** With a deposit of as little as one dollar, children, their parents or grandparents can open a savings account that allows youngsters to learn the importance of saving for their future.

We believe in supporting organizations, events and activities in our service area that **build** communities, **foster** education, **cultivate** the arts and **care** for the environment.





**LEFT:** Our "First Road Show" takes bank employees into elementary school classrooms in the area to teach financial literacy. **RIGHT:** To forestall bullying in our schools, First Financial produced billboards and radio announcements to alert students and their parents to the dangers of bullying.



**RIGHT:** First Financial Bank's Food for Friends program was created in partnership with Catholic Charities to help feed the less fortunate in our service area. The formal program ended last year after collecting and distributing more than 119,000 pounds of food through community food banks. **BELOW:** First Financial supports area schools and colleges by underwriting the cost of equipment and programs that help students excel in both the classroom and in extracurricular activities.

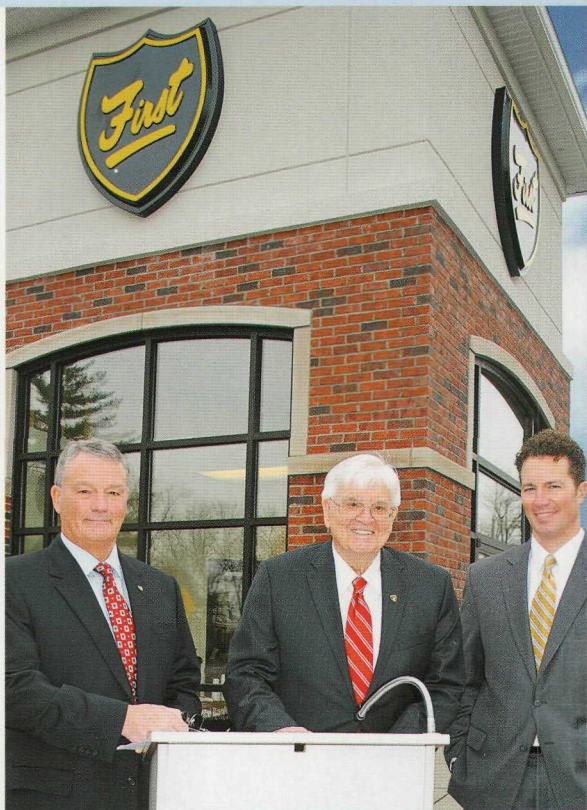


**LEFT, TOP:** Recognizing that the arts add both cultural and economic vitality to the life of a community, First Financial is proud to support the symphony orchestras in Champaign, Danville and Terre Haute.

**LEFT, BELOW:** In June thousands of athletes from all over Indiana gather on the campus of Indiana State University for the Special Olympic Summer Games. First Financial has sponsored the opening ceremonies of the games for 25 years.



**RIGHT:** Upgrading our ATM network will not only accommodate new regulations, but will add new dimensions to the remote banking experience. **BELOW, RIGHT:** New teller systems will enhance the interaction between customers and tellers, making the experience more productive and efficient. **FAR RIGHT:** In 2011, we replaced our Dugger banking center with a state-of-the-art facility. Pictured at the ribbon-cutting are Norman L. Lowery, vice chairman and CEO; Donald E. Smith, president and chairman of the board; and Norman D. Lowery, COO.



Greater Livingston County Economic Development Group. All this was in addition to the thousands of hours of volunteer service our employees contributed to countless different programs, events and organizations throughout our service area.

### Investing in our future

In January 2011, following a major remodeling project, we re-opened the drive-up facility at our downtown banking center in Danville, Illinois. This architecturally significant structure known for its unusual circular-shaped canopies was completely renovated. It provides convenience and ease of service to drive-up customers while preserving a local landmark.

Last year we built a new banking center in Dugger, Indiana, to replace an existing building that was no longer repairable. Construction on the facility was completed in December. It was greeted with enthusiasm by members of this small community, who appreciate First Financial's commitment to serving rural areas.

At First Financial, we've always been proud of our efforts to personalize the customer service experience. In 2012, we will replace our current bank teller system with one designed to make that experience even better. Aided by the latest tools and technology, our tellers will not only be able to serve customers more efficiently, but also anticipate each customer's needs in order to recommend products and services that are timely and relevant.

Our plans for 2012 additionally include enhancing the online banking experience of every customer and upgrading our ATMs to accommodate new banking requirements. Further, First Financial will add electronic deposit image capture for consumers and streamlined image capture for our commercial clients. We plan to offer e-returns to all business customers in the near future.



# First Financial Corporation Locations

## FIRST FINANCIAL BANKING CENTERS

### Indiana

#### *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

##### **Industrial Park\***

1749 East Industrial Dr.  
812-238-6000

##### **Maple Avenue\***

4065 Maple Ave.  
812-238-6000

##### **Meadows\***

350 South 25th St.  
812-238-6000

##### **Plaza North\***

Ft. Harrison & Lafayette  
812-238-6000

##### **Seelyville\***

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

##### **Southland\***

3005 South Seventh St.  
812-238-6000

##### **Springhill\***

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

##### **Sycamore Terrace\***

2425 South State Road 46  
812-238-6000

##### **West Terre Haute\***

309 National Ave.  
812-238-6000

#### *Clay County*

##### **Brazil\***

7995 North State Road 59  
812-443-4481

##### **Brazil Downtown\***

18 North Walnut  
812-448-3357

##### **Brazil Eastside\***

2180 East National Ave.  
812-448-8110

##### **Clay City\***

502-504 Main St.  
812-939-2145

##### **Poland\***

8490 East State Road 42  
812-986-2115

#### *Greene County*

##### **Worthington\***

9 North Commercial St.  
812-875-3021

#### *Knox County*

##### **Monroe City\***

201 West First St.  
812-743-5151

##### **Sandborn**

102 North Anderson St.  
812-694-8462

##### **Vincennes\***

2707 North Sixth St.  
812-882-4800

#### *Parke County*

##### **Rockville\***

1311 North Lincoln Road  
765-569-3171

##### **Rockville Downtown\***

120 East Ohio St.  
765-569-3442

##### **Marshall**

10 South Main St.  
765-597-2261

##### **Montezuma\***

232 East Crawford St.  
765-245-2706

##### **Rosedale**

62 East Central St.  
765-548-2266

#### *Putnam County*

##### **Greencastle\***

101 South Warren Dr.  
765-653-4444

#### *Sullivan County*

##### **Sullivan\***

15 South Main St.  
812-268-3331

##### **Carlisle\***

8571 Old U.S. 41 South  
812-398-4100

##### **Dugger\***

879 South 3rd St.  
812-648-2251

##### **Farmersburg\***

819 West Main St.  
812-696-2106

##### **Hymera**

102 South Main St.  
812-383-4933

#### *Vermillion County*

##### **Newport\***

100 West Market St.  
765-492-3321

##### **Cayuga**

211 Curtis St.  
765-492-3391

##### **Clinton\***

221 South Main St.  
765-832-3504

##### **Clinton Crown Hill\***

1775 East State Road 163  
765-832-5546

### Illinois

#### *Champaign County*

##### **Champaign\***

1205 South Neil St.  
217-352-6700

##### **Champaign\***

1611 South Prospect Ave.  
217-351-6620

##### **Mahomet\***

Eastwood Center IGA  
217-586-5322

##### **Urbana\***

410 North Broadway  
217-351-2701

##### **Urbana\***

2510 South Philo Road  
217-344-1300

#### *Clark County*

##### **Marshall\***

215 North Michigan  
217-826-6311

#### *Coles County*

##### **Charleston\***

820 West Lincoln Ave.  
217-345-4824

#### *Crawford County*

##### **Robinson\***

108 West Main St.  
618-544-8666

##### **Robinson Motor Bank\***

(Drive-Through Only)  
602 West Walnut St.  
618-544-3355

##### **Oblong\***

301 East Main St.  
618-592-4252

#### *Jasper County*

##### **Newton\***

601 West Jourdan St.  
618-783-2022

#### *Lawrence County*

##### **Lawrenceville\***

1601 State St.  
618-943-3323

#### *Livingston County*

##### **Pontiac\***

521 West Madison St.  
815-844-3171

##### **Pontiac Main\***

223 North Mill St.  
815-844-3171

##### **Pontiac West\***

Route 116 & Route 66  
815-844-3171

#### *McLean County*

##### **Brickyard Drive –**

##### **Bloomington\***

#1 Brickyard Dr. Suite 301  
309-661-9993

##### **Downs\***

Downs Crossing #1  
Mike's Way  
309-662-1800

##### **Gridley**

325 Center St.  
309-747-2100

##### **Towanda Plaza –**

##### **Bloomington\***

1218 Towanda Ave.  
888-876-2638

#### *Richland County*

##### **Olney\***

240 East Chestnut St.  
618-395-8676

##### **Olney\***

1110 South West St.  
618-395-2112

#### *Vermilion County*

##### **Danville\***

One Towne Center  
217-442-0362

##### **Danville Motor Bank\***

(Drive-Through Only)  
101 West Main St.  
217-443-3519

##### **Danville\***

2750 North Vermilion St.  
217-431-8750

##### **Danville\***

901 North Gilbert St.  
217-431-3486

##### **Danville\***

421 South Gilbert St.  
217-477-4512

##### **Ridge Farm\***

11 South State St.  
217-247-2126

##### **Westville\***

101 East Main St.  
217-267-2147

#### *Wayne County*

##### **Fairfield\***

303 West Delaware  
618-842-2145

\* FirstPlus 24-hour ATM available at these locations.

### INSURANCE

#### **Forrest Sherer Insurance**

**of Terre Haute**  
24 North Ohio St.  
812-232-0441

1219 Ohio St.  
812-232-0441

#### **Forrest Sherer Insurance**

**of Evansville**  
123 N.W. 4th St., Suite 303  
812-232-0441

### MORRIS PLAN BANKING CENTER

**The Morris Plan Company**  
**of Terre Haute, Inc.**  
817 Wabash Ave.  
812-238-6063



## Corporate Leadership



**Board of Directors of First Financial Corporation and First Financial Bank:** seated, (left to right): William R. Kriebel, Norman L. Lowery, Donald E. Smith, Thomas T. Dinkel and Anton H. George. Standing, (left to right): B. Guille Cox, Jr., Virginia L. Smith, William J. Voges, Gregory L. Gibson, W. Curtis Brighton and Ronald K. Rich.

### DIRECTORS

#### **First Financial Corporation and First Financial Bank**

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

#### **The Morris Plan Company of Terre Haute Inc.**

David L. Bailey  
Jeffrey G. Belskus  
Thomas S. Clary  
Mark J. Fuson  
Norman D. Lowery

James F. Nasser  
Jeffrey B. Smith

#### **Forrest Sherer Inc.**

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

### COMMUNITY DIRECTORS

#### **First Financial Bank, Clay Region**

David L. Barr  
Sam J. Emmert  
Max Gibson  
Rodger A. McHargue  
John P. Stelle

#### **First Financial Bank, Citizens Region**

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

#### **First Financial Bank, Community Region**

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

#### **First Financial Bank, Crawford Region**

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

#### **First Financial Bank, Marshall Region**

Fred S. Barth  
William F. Meehling  
Norman P. Yeley

#### **First Financial Bank, Parke Region**

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

#### **First Financial Bank, Sullivan Region**

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





**First Financial  
Corporation**

One First Financial Plaza

Terre Haute, IN 47807 • 812/238/6000 • 800/511/0045

[www.first-online.com](http://www.first-online.com)