

FIRST FINANCIAL CORP /IN/
Form DEF 14A
March 19, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant ☒ x
Filed by a Party other than the Registrant ☐ o
Check the appropriate box:
☐ o Preliminary Proxy Statement
☐ o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
☒ x Definitive Proxy Statement
☐ o Definitive Additional Materials
☐ o Soliciting Material Pursuant to §240.14a-12

FIRST FINANCIAL CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

☒ x No fee required.
☐ o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

FIRST FINANCIAL CORPORATION

One First Financial Plaza

P.O. Box 540

Terre Haute, Indiana 47808

March 17, 2014

Dear Shareholders:

Our 2014 Annual Meeting of Shareholders will be held on Wednesday, April 16, 2014 at 11:00 a.m., local time, at One First Financial Plaza, Terre Haute, Indiana. The formal notice of this annual meeting and the proxy statement appear on the following pages. We have also enclosed a copy of our 2013 Annual Report on Form 10-K for your review. After reading the proxy statement and other materials, ***please submit your proxy promptly by telephone, or by marking, signing and returning a physical proxy card by mail, to ensure that your votes on the business matters of the meeting will be recorded.***

We hope you can attend the meeting. Whether or not you attend, we urge you to submit your proxy promptly. Even after submitting the proxy, you may, of course, vote in person on all matters brought before the meeting.

This Notice of Annual Meeting of Shareholders and the Proxy Statement are first being mailed to shareholders on or about March 17, 2014.

Sincerely,

/s/ B. Guille Cox Jr.
Chairman of the Board

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FIRST FINANCIAL CORPORATION

ONE FIRST FINANCIAL PLAZA

P.O. BOX 540

TERRE HAUTE, INDIANA 47808

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD APRIL 16, 2014

To our Shareholders:

Notice is hereby given that, pursuant to the call of its Board of Directors, an Annual Meeting of Shareholders of First Financial Corporation ("Corporation") will be held on Wednesday, April 16, 2014 at 11:00 a.m., local time, at One First Financial Plaza, Terre Haute, Indiana.

The purposes of the meeting are:

- To elect B. Guille Cox, Jr., Anton H. George, Gregory L. Gibson, and Virginia L. Smith to the Board of Directors (1) of the Corporation for a three (3) year term expiring at the 2017 annual meeting of shareholders and until their successors are duly elected and qualified;
- (2) To ratify the appointment of Crowe Horwath LLP as the independent registered public accounting firm of the Corporation for the fiscal year ending December 31, 2014;
- (3) To conduct a non-binding advisory vote to approve the compensation of our named executive officers as described in the Proxy Statement; and,
- (4) To transact such other business as may properly be presented at the meeting.

Only shareholders of record at the close of business on March 3, 2014 will be entitled to notice of and to vote at the meeting.

By Order of the Board of Directors

/s/ B. Guille Cox, Jr.
Chairman of the Board

March 17, 2014

**Important Notice Regarding the Availability of Proxy Materials for the
Shareholder Meeting to be Held on April 16, 2014:**

The proxy statement and annual report are available at *<https://www.First-Online.com/proxy>*.

TABLE OF CONTENTS

	Page
QUESTIONS AND ANSWERS ABOUT THE MEETING	1
PROPOSAL 1: ELECTION OF DIRECTORS	
· Directors' Biographies and Qualifications	5
· Recommendation of the Board of Directors	7
ADDITIONAL INFORMATION ABOUT THE BOARD OF DIRECTORS	
· Meetings and Attendance	8
· Committees	8
· Compensation of Directors	10
· 2013 Director Compensation Table	10
· Director Stock Ownership Guidelines	11
· Anti-Hedging Policy	11
· Compensation Committee Interlocks and Insider Participation	11
· Certain Relationships and Related Transactions	11
CORPORATE GOVERNANCE	
· General	12
· Consideration of Director Candidates	13
· Board Leadership Structure and Lead Independent Director	13
· Risk Oversight	14
· Director Independence	14
· Corporate Governance Guidelines	14
· Code of Ethics	14
· Communications with Independent Directors	14
· Governance Documents	15
REPORT OF THE AUDIT COMMITTEE	15
EXECUTIVE COMPENSATION DISCUSSION AND ANALYSIS	
· Introduction	16
· Compensation Philosophy	16
· Total Direct Compensation and its Components	17
· 2013 Performance and Compensation	19
· 2013 Compensation for Executives	20
· The Process for Setting Executive Compensation	25
· Shareholders 2013 Advisory Approval of the Corporation's Executive Compensation	26
· Assessment of Incentives for Excessive Risk-Taking	27
· Share Ownership, Retention Guidelines and Prohibition on Hedging	27
· Tax Deductibility Cap on Executive Compensation	28
· Executive Compensation Recovery Policy	28
· Compensation Committee Report	28

EXECUTIVE COMPENSATION

·Summary Compensation Table	29
·Grants of Plan-Based Awards in 2013	30
·Outstanding Equity Awards at Fiscal Year-End	31
·Option Exercises and Stock Vested in 2013	31
·Pension Benefits	32
·Nonqualified Deferred Compensation For 2013	33

·Employment Agreement with Norman L. Lowery	34
·Potential Payments Upon Termination or Change in Control of the Corporation	35
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	37
SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE	39
PROPOSAL 2: RATIFICATION OF APPOINTMENT OF CROWE HORWATH LLP AS THE CORPORATION'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	39
MATTERS RELATING TO INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	
·Fees Paid to Crowe Horwath LLP	39
·Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors	40
PROPOSAL 3: NON-BINDING ADVISORY VOTE TO APPROVE THE COMPENSATION PAID TO NAMED EXECUTIVE OFFICERS	40
SHAREHOLDER PROPOSALS AND DIRECTOR NOMINATIONS	42
IMPORTANT NOTICE REGARDING THE INTERNET AVAILABILITY OF PROXY MATERIALS	43
HOUSEHOLDING	43
ADDITIONAL INFORMATION	44
OTHER MATTERS	44

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P.O. BOX 540

TERRE HAUTE, INDIANA 47808

(812) 238-6000

PROXY STATEMENT

In this proxy statement, First Financial Corporation is referred to as “we,” “us,” “our,” “the Corporation” or “First Financial.”

QUESTIONS AND ANSWERS ABOUT THE MEETING

Q: Why did I receive this Proxy Statement?

You received this proxy statement because our board of directors is soliciting your proxy to vote at the annual meeting of shareholders. The annual meeting will be held on Wednesday, April 16, 2014, at 11:00 a.m., local time, at One First Financial Plaza, Terre Haute, Indiana.

This Proxy Statement describes the matters on which we would like you to vote and provides information so that you can make an informed decision; however, you do not need to attend the annual meeting to vote your shares. See “How do I vote my shares before the Annual Meeting?” We expect to begin sending this proxy statement, the attached notice of annual meeting and the proxy card(s) on March 17, 2014, to all shareholders entitled to vote.

Q: What am I voting on?

You are being asked to consider and vote on the following:

The election of B. Guille Cox, Jr., Anton H. George, Gregory L. Gibson, and Virginia L. Smith to the Board of Directors for a three year term;

The ratification of the appointment of Crowe Horwath LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2014; and

- The approval of the compensation of our named executive officers in a non-binding, advisory resolution.

Q: Who is entitled to vote?

Holders of outstanding common stock as of the close of business on March 4, 2014, the record date, are entitled to vote at the annual meeting. As of March 3, 2014, 13,355,272 shares of common stock were issued and outstanding.

Q: What are the Board's recommendations?

The Board of Directors recommends that you vote your shares as follows:

FOR the election of B. Guille Cox, Jr., Anton H. George, Gregory L. Gibson, and Virginia L. Smith to the Board of Directors for a three year term;

FOR the ratification of the appointment of Crowe Horwath LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2014; and,

FOR the approval on an advisory basis of the compensation of our named executive officers.

The shares represented by a properly executed and returned proxy card will be voted according to the instructions that you provide. If no instructions are provided on a signed proxy card, the persons named as proxies on your proxy card will vote in accordance with the above recommendations of the Board of Directors.

Q: What if other matters come up during the meeting?

If any matters other than those referred to in the Notice of Annual Meeting of Shareholders properly come before the meeting, the individuals named in the accompanying proxy card will vote the proxies held by them as recommended by the Board of Directors or, if no recommendation is given, in accordance with their best judgment. We are not aware of any business other than the items referred to in the Notice of Annual Meeting of Shareholders that may be considered at the meeting.

If for any reason any of the director nominees becomes unable or is unwilling to serve at the time of the meeting (an event which the Board of Directors does not anticipate), the persons named as proxies in the accompanying proxy card will have discretionary authority to vote for a substitute nominee named by the Governance and Nominating Committee if the Board of Directors decides to fill that nominee's position.

Q: Who can attend the meeting?

All shareholders as of the record date, or their duly appointed proxies, may attend the meeting. Admission to the meeting will be on a first-come, first-admitted basis.

Q: What constitutes a quorum?

A majority of the outstanding shares of common stock, represented in person or by proxy, constitutes a quorum for the annual meeting. As of the record date, 13,355,272 shares of common stock were outstanding. Proxies received but marked as abstentions and "broker non-votes" (as described below) will be included in the calculation of the number of

shares considered to be present at the meeting for purposes of establishing a quorum.

Q: How do I vote?

If you hold your shares in your own name, you may submit a proxy by telephone or by mail.

Submitting a Proxy by Telephone: You can submit a proxy for your shares by telephone until 11:59 p.m. Eastern Daylight Time on April 15, 2014 by calling the toll-free telephone number on the enclosed proxy card, (800) 690-6903. Telephone proxy submission is available 24 hours a day. Easy-to-follow voice prompts allow you to submit a proxy for your shares and confirm that your instructions have been properly recorded. Our telephone proxy submission procedures are designed to authenticate shareholders by using individual control numbers.

Submitting a Proxy by Mail: If you choose to submit a proxy by mail, simply mark the appropriate proxy card, date and sign it, and return it in the postage paid envelope provided or to the address shown on the proxy card.

By casting your vote in any of the ways listed above, you are authorizing the individuals listed on the proxy to vote your shares in accordance with your instructions.

You may also attend the Annual Meeting and vote in person.

If your shares are held in the name of a bank, broker or other nominee, you will receive instructions from the holder of record that you must follow for your shares to be voted. The availability of telephonic or Internet voting will depend on the bank's or broker's voting process. Please check with your bank or broker and follow the voting procedures your bank or broker provides to vote your shares. Also, please note that if the holder of record of your shares is a broker, bank or other nominee and you wish to vote in person at the Annual Meeting, you must request a legal proxy from your bank, broker or other nominee that holds your shares and present that proxy and proof of identification at the Annual Meeting.

If you are a participant in the First Financial Corporation Employee Stock Ownership Plan (the "ESOP"), you will receive a voting instruction card to use to provide voting instructions to First Financial Bank, N.A. (the trustee of the ESOP) for the shares allocated to your account under the ESOP. Your voting instruction to the trustee should be completed, dated, signed and returned in the envelope provided by **April 7, 2014**. In order to maintain confidentiality, your voting instruction will be received by Broadridge Financial Solutions, Inc., who will tabulate the voting instruction results and provide them to the ESOP trustee on an aggregate basis. ***Please do not return your voting instructions to the Corporation. Your voting instructions will be kept confidential by the ESOP trustee and will not be disclosed to any of our directors, officers or employees.*** Unless the terms of the ESOP or the fiduciary duties of the ESOP trustee require otherwise, the ESOP trustee will vote your ESOP shares in accordance with your instructions. If you do not return your voting instruction card in a timely manner or if you return the voting instruction card unsigned or without indicating how you desire to vote the shares allocated to your ESOP account, the Compensation and Employee Benefits Committee will direct the ESOP trustee to vote the shares allocated to your account in the same proportion and in the same manner as the shares with respect to which timely and proper instructions by participants were received. The Compensation and Employee Benefits Committee consists of Anton H. George, Ronald K. Rich, and William J. Voges. The Compensation and Employee Benefits Committee is appointed by the Board of Directors and may be changed by the Board at any time.

Q: If I am the beneficial owner of shares held in "street name" by my broker, will my broker automatically vote my shares for me?

Stock exchange rules applicable to brokers grant your broker discretionary authority to vote your shares without receiving your instructions on certain matters. Your broker has discretionary voting authority under these rules to vote your shares on the ratification of Crowe Horwath LLP as our independent registered public accounting firm. However, unless you provide voting instructions to your broker, your broker does not have discretionary authority to vote on the election of directors or approval of the compensation of our executive officers. Therefore, it is particularly important that beneficial owners instruct their brokers how they wish to vote their shares.

Q: What is an "abstention" or a broker "non-vote" and how do they affect the vote?

An "abstention" occurs when a shareholder sends in a proxy with explicit instructions to decline to vote regarding a particular matter. Abstentions are counted as present for purposes of determining a quorum. An abstention with respect to the election of directors is neither a vote cast "for" a nominee or a vote cast "against" the nominee and,

therefore, will have no effect on the outcome of the vote. Abstentions with respect to the ratification of Crowe Horwath LLP as our independent registered public accounting firm or approval of the compensation of our executive officers will also have no effect on the outcome of the vote.

A broker “non-vote” occurs when a broker or other nominee who holds shares for the beneficial owner is unable to vote those shares for the beneficial owner because the broker or other nominee does not have discretionary voting power for the proposal and has not received voting instructions from the beneficial owner of the shares. Brokers will have discretionary voting power to vote shares for which no voting instructions have been provided by the beneficial owner only with respect to the ratification of Crowe Horwath LLP as our independent registered public accounting firm. Brokers will not have such discretionary voting power to vote shares with respect to the election of directors or approval of the compensation of our executive officers. Shares that are the subject of a broker non-vote are included for quorum purposes, but a broker non-vote with respect to a proposal will not be counted as a vote represented at the meeting and entitled to vote and, consequently, as a general matter, will have no effect on the outcome of the vote.

Q: Can I change my vote after I return my proxy card?

Yes. You may revoke your proxy or change your voting instructions at any time prior to the vote at the annual meeting by:

· providing written notice to the Secretary of the Corporation;

· delivering a valid, later-dated proxy; or

· attending the annual meeting and voting in person.

Please note that your attendance at the annual meeting in person will not cause your previously granted proxy to be revoked unless you specifically so request.

Q: What vote is required to approve each proposal?

Directors will be elected by a plurality of the votes cast at the meeting. Consequently, the director nominees receiving the most votes of the holders of our common stock will be elected as directors. Only votes cast FOR a nominee will be counted. A properly executed proxy marked “WITHHOLD AUTHORITY” with respect to the election of one or more directors will not be voted with respect to the director or directors indicated, although it will be counted for purposes of determining whether a quorum is present.

The proposal for the ratification of the appointment of Crowe Horwath LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2014 will be approved if the votes cast for the proposal exceed those cast against the proposal.

The proposal for approval of the compensation of our named executive officers will be approved on an advisory basis if the votes cast for the proposal exceed those cast against the proposal. Abstentions will not be counted as votes cast either for or against these proposals.

Q: Who pays to prepare, mail, and solicit the proxies?

The Corporation pays all costs of preparing, mailing and soliciting proxies. The Corporation asks brokers, banks, voting trustees and other nominees and fiduciaries to forward proxy materials to the beneficial owners and to obtain authority to execute proxies. The Corporation will reimburse the brokers, banks, voting trustees and other nominees and fiduciaries upon request. In addition, proxies may be solicited by mail, in person or by telephone by certain of the Corporation's officers, directors and employees who will not be separately compensated for such activity.

Q: Whom should I call with other questions?

If you have additional questions about this Proxy Statement or the annual meeting or would like additional copies of this document or our 2013 Annual Report on Form 10-K, please contact: Rodger A. McHargue, Secretary, First Financial Corporation, One First Financial Plaza, P.O. Box 540, Terre Haute, Indiana 47808, (812) 238-6000.

PROPOSAL 1: ELECTION OF DIRECTORS

The board of directors as of the 2014 annual meeting of shareholders will consist of ten members, divided into three classes of approximately equal size that are elected for staggered three-year terms. The board believes this structure helps to maintain continuity and stability and ensures we have directors serving on the board who have substantial knowledge of the Corporation, all of which the board believes facilitates long-term value for our shareholders.

Four directors are to be elected. B. Guille Cox, Jr., Anton H. George, Gregory L. Gibson, and Virginia L. Smith have each been nominated for a term of three years and until their respective successors have been elected and qualified. They are all members of the present board of directors. If, at the time of this annual meeting, any nominee is unable or declines to serve, the discretionary authority provided in the proxy may be exercised to vote for a substitute or substitutes. The board of directors has no reason to believe that any substitute nominee or nominees will be required.

Name, Age, Principal Occupation(s) and Business Experience

Nominated for a term expiring in 2017:

B. Guille Cox, Jr., Age 68

Mr. Cox has served on the Board of First Financial Corporation since 1987 and is the Chairman of the Corporation's Board of Directors and of the Board of Directors of First Financial Bank, NA. He also is the Chairman of the Bank's Trust Committee and serves on the Bank's Investment and Loan Committees as well as the Corporation's Governance and Nominating Committees. Mr. Cox has been a Senior Partner in the Law Firm Cox, Zwerner, Gambill & Sullivan since 1980. He also serves on the boards of Hendrich Title Company and Katzenbach Inc. As a Rose Hulman Institute of Technology board member, Mr. Cox serves on the executive and investment committees. Mr. Cox received a B.S. degree in Physics from MIT and a Doctor of Jurisprudence degree from Harvard Law School.

Anton H. George, Age 54

Mr. George joined the Board in 1987 and serves on the Corporation's Audit, Compensation and Employee Benefits, and Executive Committees. He also serves on the Bank's Loan Committee. Mr. George is the president of Vision Investments, LLC and Vision Enterprises Global, LLC. Mr. George is the past president and chief executive officer of the Indianapolis Motor Speedway and Hulman and Company. He also is a current director of Vectren Corporation. Mr. George earned a B.S. degree in Business Administration from Indiana State University.

Gregory L. Gibson, Age 51

Mr. Gibson joined the Board in 1994 and serves on the Corporation's Loan Review Committee as well as the Bank's Loan Committee. Mr. Gibson is the president of ReTec, Inc. and serves on the boards of Rose Hulman Institute of

Technology and Saint Mary-of-the-Woods College. Mr. Gibson has also served on the Indiana Judicial Commission and is currently serving on the Indiana Port Commission as well as the board of directors for the Methodist Health Foundation in Indianapolis. He holds a B.S. degree from Rose Hulman Institute of Technology.

Virginia L. Smith, Age 66

Ms. Smith joined the Board in 1987 and serves on the Corporation's Loan Review, Loan Policy and Procedures, Affirmative Action, and Executive Committees as well as the Bank's Loan Committee. Ms. Smith has been the president of Princeton Mining Company, Inc. since 1990. She also serves on the boards of Deep Vein Coal Company, Inc., Princeton Mining Company, Inc., R.J. Oil Company, Inc. and the Sheldon Swope Art Museum. Ms. Smith received a B.S. degree in Education from Indiana State University and a B.S. in Business Administration from Saint Mary-of-the-Woods College.

Directors whose term expires in 2016:

W. Curtis Brighton, Age 60

Mr. Brighton joined the Board in 2004 and is a current member of the Corporation's Enterprise Risk Management, Loan Review, and Loan Policy and Procedures Committees as well as the Bank's Loan Committee. Mr. Brighton is the president of Templeton Coal Company, Inc. Prior to this, Mr. Brighton held the positions of president and general counsel for Hulman and Company. Mr. Brighton has been the general manager of Lynch Coal Operators Reciprocal Association since 1985 and was a private practice attorney for 12 years. He serves on the boards of Templeton Coal Company, Inc., Deep Vein Coal Company, Inc., Princeton Mining Company, Inc., R.J. Oil Company, Inc., Union Hospital, Inc. and Lynch Coal Operators Reciprocal Association. Mr. Brighton earned a B.S. degree in Business Administration from Indiana State University and a Doctor of Jurisprudence degree from Drake University.

William R. Krieble, Age 66

Mr. Krieble joined the Board in 2009 and serves on the Bank's Loan and Community Reinvestment Act Committees. Mr. Krieble also serves on the Corporation's Enterprise Risk Management and Affirmative Action Committees. Mr. Krieble retired after 41 years of service to the State of Indiana where he most recently served as the program director for the Division of Disability and Rehabilitative Services of the State of Indiana. He received his B.S. and M.S. degrees from Indiana State University.

Ronald K. Rich, Age 75

Mr. Rich joined the Board in 2005 and serves as the Chairman of the Governance and Nominating Committee. He is a member of the Corporation's Compensation and Employee Benefits, Enterprise Risk Management and Audit Committees. Mr. Rich also is a member of the Bank's Loan Committee. Mr. Rich also serves as the Lead Independent Director. Mr. Rich has been a financial representative for Northwestern Mutual Financial Network since 1963. He holds CLU and CHFC designations from The American College.

Directors whose terms expire in 2015:

Thomas T. Dinkel, Age 63

Mr. Dinkel joined the Board in 1989 and is the Chairman of the Corporation's Audit Committee and serves on the Loan Review Committee. He also serves on the Bank's Community Reinvestment Act, Investment Services and Loan Committees. Mr. Dinkel has been the president and chief executive officer of Sycamore Engineering, Inc., Dinkel Associates, Sycamore Building Corporation and Dinkel Telekom since 1986 and has held various positions at Sycamore Engineering since 1966. Mr. Dinkel serves on the board of Rose Hulman Institute of Technology and is chairman of the business administration and compensation committees. Additionally, he serves on the facilities, investment management, president evaluation, executive and student affairs committees of the board of Rose Hulman. He earned his B.S. degree from Rose Hulman Institute of Technology.

Norman L. Lowery, Age 67

Mr. Lowery joined the Board in 1989. He serves on the Corporation's Acquisition, Affirmative Action, Disaster Recovery, Disclosure, Executive, Enterprise Risk Management, Loan Policy and Procedures, Loan Review and Strategic Planning Committees. Mr. Lowery also serves on the Bank's Asset Liability and Community Reinvestment Act Committees. Mr. Lowery is the Vice Chairman, Chief Executive Officer, and President of First Financial Corporation, serving since 1996, 2004, and 2013 respectively. He is also the Vice Chairman, President and Chief Executive Officer of First Financial Bank, serving since 1996. Prior to joining First Financial Corporation, Mr. Lowery was a partner in the law firm of Wright, Shagley and Lowery where he practiced for 19 years. Mr. Lowery is a member of the boards of Lynch Coal Operators Reciprocal Association, Indiana State University, the Terre Haute Economic Development Corp. and the Terre Haute Chamber of Commerce. He received a B.S. degree in Political Science from Indiana State University and a Doctor of Jurisprudence degree from Indiana University.

William J. Voges, Age 59

Mr. Voges joined the Board in 2008 and is the Chairman of the Corporation's Compensation and Employee Benefits Committee, and serves on the Governance and Nominating Committees as well as the Bank's Loan Committee. Mr. Voges has served as chief executive officer and chairman of the Root Company since 1996 and as general counsel since 1990. Prior to joining the Root Company, he was a partner in the Fink, Loucks, Sweet, and Voges law firm for 9 years. Mr. Voges also served on the board for Consolidated-Tomoka Land Company (a public company listed on the NYSE-AMEX under the symbol CTO) from 2001 to 2012, where he has served as Chairman from 2009 to 2011, and on the audit, executive and corporate governance committees. He also has prior experience on the boards of several financial institutions. Mr. Voges received his B.S. in Business Administration from Stetson University and his Doctor of Jurisprudence degree from Stetson College of Law.

Recommendation of the Board of Directors

Our board of directors unanimously recommends that you vote “**FOR**” B. Guille Cox, Jr., Anton H. George, Gregory L. Gibson, and Virginia L. Smith, the persons nominated by the Governance and Nominating Committee to be elected as directors.

The Governance and Nominating Committee believes that well functioning boards consist of a diverse collection of individuals that bring a variety of complementary skills. Although the board of directors does not have a formal policy with regard to the consideration of diversity in identifying directors, diversity is one of the factors that the Governance and Nominating Committee may, pursuant to its charter, take into account in identifying director candidates. The Governance and Nominating Committee generally considers each director eligible for nomination in the broad context of the overall composition of our board of directors with a view toward constituting a board that, as a body, possesses the demonstrated senior leadership and management experience to oversee our business. The Committee has historically sought directors that bring broad and varied skills and knowledge from retail and wholesale businesses, legal, financial and government. The experience, qualifications, attributes, or skills that led the Governance and Nominating Committee to conclude that each of the members of the board of directors nominated by the Governance and Nominating Committee should serve on the board are generally described below:

W. Curtis Brighton

Mr. Brighton’s history as a private practice attorney provides the Board with an enhanced legal and regulatory perspective.

B. Guille Cox, Jr.

Having served on the Board of the Corporation since 1987, Mr. Cox provides a historical perspective of both the Corporation and the industry for our Board. His legal practice provides the Board with counsel on legal issues as well as issues in our markets.

Thomas Dinkel

As a business owner and an entrepreneur, Mr. Dinkel provides an understanding of small business which makes up much of our lending base. His vast experience as a contractor also provides us with key insight concerning our facilities and facility maintenance.

Anton H. George

Mr. George's experience on various boards of directors provides valuable advice on governance issues. As an established Midwest entrepreneur, Mr. George has significant knowledge of the markets in which we operate.

Gregory L. Gibson

As a businessman and entrepreneur, Mr. Gibson has a variety of business interests. This provides the Board with invaluable knowledge into these segments of our clients and the markets. As a developer, Mr. Gibson provides counsel for market expansion. His service on Boards also provides valuable political and governance perspectives.

William R. Krieble

Mr. Krieble's long service to the State of Indiana provides the Board with valuable political and governmental perspectives.

Norman L. Lowery

As President and Chief Executive Officer, Mr. Lowery is intimately familiar with First Financial Corporation, its customers and its employees and provides the Board with valuable leadership, particularly through his keen insight into the industry and the markets we serve. His legal background also provides a critical element with respect to governance and regulatory issues affecting the Corporation and the Bank. Mr. Lowery also provides valuable counsel to the Board with respect to our strategic initiatives.

Ronald K. Rich

Mr. Rich's long service in the financial and insurance industries brings specific knowledge of matters affecting the Corporation's insurance subsidiary and its insurance matters. Mr. Rich also possesses valuable insight regarding our markets and our various client bases.

Virginia L. Smith

Ms. Smith's service as president of a local retail company provides the Board with valuable insight regarding our market area. Also, as a female business leader, she provides important perspectives on women-owned businesses.

William J. Voges

Mr. Voges' past service on the boards of financial institutions provides additional perspectives of the issues facing our Board. His legal background, coupled with his past experience, provides tremendous value on legal, governance and regulatory matters. Mr. Voges also complements the Board with his keen strategic insight.

ADDITIONAL information about the Board of directors

Meetings and Attendance

During the year ended December 31, 2013, the Board of Directors of the Corporation met 18 times. Each director attended more than 75% of the aggregate of (i) all meetings of the Board held while he or she was a director and (ii) all meetings of committees on which he or she served during the period that he or she served on the committee. Although the Corporation has no formal policy on director attendance at annual meetings of shareholders, they are encouraged to attend such meetings. All directors attended the 2013 Annual Meeting of Shareholders.

Committees

The Board of Directors has established a number of committees which facilitate the administration and oversight of the Corporation. Among these committees are the Governance and Nominating, Audit, and Compensation and Employee Benefits Committees.

Governance and Nominating Committee Members consist of B. Guille Cox, Jr., Ronald K. Rich (Chairman) and William J. Voges. The Board of Directors has determined that Messrs. Cox, Rich and Voges are independent under the rules of the NASDAQ Global Select Market. The Governance and Nominating Committee met four times during 2013.

The primary objectives of the Governance and Nominating Committee are to assist the Board of Directors by developing and recommending corporate governance policies and guidelines for the Corporation and by identifying and nominating persons for election to the Board of Directors and appointment to the committees of the Board. A copy of the Governance and Nominating Committee Charter is available on the Corporation's web site at www.first-online.com on the "Investor Relations" page under the link "Governance Documents."

The Governance and Nominating Committee identifies director nominees through a combination of referrals, including referrals from management, existing Board members and shareholders. Other than the director qualifications and independence standards established in our Corporate Governance Guidelines, the Governance and Nominating Committee currently does not maintain any formal criteria for selecting directors and may take into consideration such factors and criteria as it deems appropriate. However, in reviewing qualifications for prospective nominees to the Board, the Governance and Nominating Committee generally will take into consideration, among other matters, a candidate's experiences, skills, expertise, diversity, personal and professional integrity, character, business judgment, time available to serve, dedication, conflicts of interest and ability to oversee the Corporation's business and affairs. The Governance and Nominating Committee does not evaluate nominees proposed by shareholders any differently than other nominees to the Board.

Audit Committee Members consist of Thomas T. Dinkel (Chairman), Anton H. George and Ronald K. Rich. The Board of Directors has determined that Messrs. George, Dinkel and Rich are independent under SEC Rule 10A-3 and the rules of the NASDAQ Global Select Market. The Audit Committee met four times during 2013.

The primary objectives of the Audit Committee are to assist the Board of Directors in its oversight of the following matters:

- The integrity of our financial statements;
- The qualifications and independence of our independent registered public accounting firm;
- The performance of our internal audit function and independent registered public accountants;
- Our compliance with certain applicable legal and regulatory requirements; and
- Our system of disclosure controls and system of internal controls regarding finance, accounting and legal compliance.

In addition, among other responsibilities, the Audit Committee reviews the Corporation's accounting functions, the adequacy and effectiveness of the internal controls and internal auditing methods and procedures. A copy of the Audit Committee charter is available on the Corporation's website at www.first-online.com on the "Investor Relations" page under the link "Governance Documents."

The Board of Directors has determined that each member of the Audit Committee is financially sophisticated under the applicable NASDAQ rules. The Board of Directors selected the members of the Audit Committee based on the Board's determination that they are fully qualified to monitor the performance of management, the public disclosures by the Corporation of its financial condition and performance, our internal accounting operations and our independent registered public accountants. In addition, the Audit Committee has the ability on its own to retain independent accountants or other advisors whenever it deems appropriate.

The Board of Directors has determined that the Corporation currently does not have a director who qualifies as a "financial expert" under federal securities laws. To be considered a "financial expert," an individual's past experience generally must include experience in the preparation or audit of comparable public company financial statements, or the supervision of someone in the preparation or audit of comparable public company financial statements. While it might be possible to recruit a person who meets these qualifications of a "financial expert," the Board has determined that in order to fulfill all the functions of our Board and our Audit Committee, each member of our Board and our Audit Committee, including any "financial expert," should ideally understand community banking and understand the markets in which the Corporation operates, and that it is not in the best interests of our Corporation to nominate as a director someone who does not have all the experience, attributes and qualifications we seek.

Compensation and Employee Benefits Committee Members consist of Anton H. George, Ronald K. Rich and William J. Voges (Chairman). The Board of Directors has determined that Messrs. George, Rich and Voges are independent under the rules of the NASDAQ Global Select Market. The Compensation and Employee Benefits Committee met five times in 2013.

The primary objective of the Compensation and Employee Benefits Committee is to approve the compensation of our named executive officers and senior management. In addition, among other responsibilities, the Compensation and Employee Benefits Committee administers the compensation plans of the Corporation. A copy of the charter of the Compensation and Employee Benefits Committee is available on the Corporation's website at www.first-online.com on the "Investor Relations" page under the link "Governance Documents."

Compensation of Directors

The goal of our director compensation package is to attract and retain qualified candidates to serve on the Board of Directors. In setting compensation, the Board considers compensation levels of directors of other financial institutions of similar size. Each director of the Corporation is also a director of First Financial Bank, N.A. (the "Bank"), the lead subsidiary bank of the Corporation. The non-employee directors receive director fees from both the Corporation and the Bank. During 2013, nonemployee directors received a \$40,000 retainer from the Corporation and a \$5,000 retainer from the Bank. During 2013, each non-employee director of the Corporation and the Bank received a fee of \$750 for each board meeting attended for the Corporation and the Bank, respectively.

Non-employee directors also receive a fee for each meeting attended of the Audit Committee of \$1,000, the Compensation and Employee Benefits Committee of \$1,000, the Governance and Nominating Committee of \$500 and the Loan Committee of the Bank of \$500. No non-employee director served as a director of any other subsidiary of the Corporation.

Employee directors receive no compensation for meetings attended.

The table below summarizes the compensation paid by the Corporation to each non-employee director for the fiscal year ended December 31, 2013.

2013 DIRECTOR COMPENSATION TABLE

Name	Fees Earned or Paid in Cash		Total
W. Curtis Brighton	\$ 76,000	(1)	\$76,000
B. Guille Cox	80,000		80,000
Thomas Dinkel	80,500		80,500
Anton H. George	85,000		85,000
Gregory L. Gibson	74,500		74,500
William H. Kriebel	78,000		78,000
Ronald K. Rich	87,500		87,500
Virginia L. Smith	77,500		77,500
William J. Voges	84,000	(1)	84,000

Members of the Board of Directors have the ability to defer a portion of their director fees under the First Financial (1) Corporation 2005 Directors' Deferred Compensation Plan. For a more detailed discussion of this plan, see the narrative immediately following these footnotes.

First Financial Corporation Directors' Deferred Compensation Plan. Directors of the Corporation and the Bank may participate in the First Financial Corporation 2005 Directors' Deferred Compensation Plan. Under this plan, a director may defer up to \$6,000 of his or her director's fees each year over a five-year period provided that the director timely submits a deferral election to the Corporation. The amount of deferred fees is used to purchase an insurance product, of which the Corporation is the beneficiary, that funds benefit payments. An amount equal to the face amount of the policy will be paid to the director in addition to an amount equal to the tax savings the Corporation will receive by obtaining the proceeds from the policy on a tax-free basis. Payment will be made to the director in 120 monthly installments beginning on the first day of the month after the earlier of the director's 65th birthday or death. Each year from the initial date of deferral until payments begin, the Corporation accrues a non-cash expense which will equal, in the aggregate, the amount of the payments to be made to the director over the ten-year period. If a director fails for any reason, other than death, to serve as a director during the entire five-year period, or the director fails to attend at least 12 regular or special meetings of the Board each year, the amount of benefits paid will be prorated appropriately. For 2013, the allocated cost of the deferred directors' fees was \$148,686.56.

Director Stock Ownership Guidelines

The Board of Directors believes that directors more effectively represent the Corporation's shareholders, whose interests they are charged with protecting, if they are shareholders themselves. Therefore, the Board has adopted director stock ownership guidelines applicable to all directors. All directors are required to own a number of shares of the Corporation's common stock equal in value to three times their annual Corporation retainer for services as a director. Directors are expected to comply with the guidelines as soon as practicable and in no event later than five years after the date of their initial election or appointment as a director of the Corporation. In the case of individuals who were directors when the guidelines became effective, compliance is required within five years of the effective date. Additionally, directors may not dispose of shares of Corporation stock until they have satisfied the guidelines.

Anti-Hedging Policy

Directors, officers, and employees are prohibited from engaging in hedging or monetization transactions with respect to the securities of the Corporation.

Compensation Committee Interlocks and Insider Participation

During 2013 and as of the date of this Proxy Statement, none of the members of the Compensation and Employee Benefits Committee was or is an officer or employee of the Corporation, no executive officer of the Corporation served or serves on the compensation committee (or any other committee or board of directors performing a similar function) or board of directors of any company that employed or employs any member of the Corporation's Compensation and Employee Benefits Committee, and no executive officer of the Corporation served or serves on the compensation committee (or any other committee or board of directors performing a similar function) of an company one of whose executive officers served on our Board of Directors.

Certain Relationships and Related Transactions

Certain family relationships exist among the directors and executive officers of the Corporation. Norman L. Lowery (the Vice Chairman, President, and Chief Executive Officer of the Corporation and the Vice Chairman, President, and Chief Executive Officer of First Financial Bank) is the father of Norman D. Lowery (the Chief Operating Officer of First Financial Corporation and First Financial Bank N.A.) and the brother-in-law of Virginia L. Smith (a Director of the Corporation). There are no arrangements or understandings between any of the directors and executive officers pursuant to which any of them have been selected for their respective positions.

The Audit Committee is responsible for approving any transactions between the Corporation or its subsidiaries and any related party, including loans or extensions of credit and any sale of assets or other financial transactions. Directors and executive officers of the Corporation and their associates were customers of, and have had transactions with, the Corporation and its subsidiaries in the ordinary course of business during 2013. Comparable transactions may be expected to take place in the future. During 2013, various directors and executive officers of the Corporation and their respective associates were indebted to the subsidiary banks from time to time. These loans were made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for similar transactions with other persons not related to the Corporation and did not involve more than the normal risk of collectability or present other unfavorable features. Loans made to directors and executive officers that are subject to federal banking regulations are exempt from the insider loan prohibitions included in the Sarbanes-Oxley Act of 2002.

Related party transactions are evaluated on a case-by-case basis in accordance with the applicable provisions of the Articles of Incorporation and the Code of Business Conduct and Ethics of the Corporation.

The provisions of the Articles of Incorporation apply to contracts or transactions between the Corporation and (i) any director; or (ii) any corporation, unincorporated association, business trust, estate, partnership, trust, joint venture, individual or other legal entity in which any director has a material financial interest. The provisions of the Code of Business Conduct and Ethics apply to the directors, officers and employees of the Corporation.

The Articles of Incorporation provide that contracts or transactions between the Corporation and any of the persons described above are valid for all purposes, if the material facts of the contract or transactions and the director's interest were disclosed or known to the Board of Directors, a committee of the Board of Directors with authority to act thereon, or the shareholders entitled to vote thereon, and the Board of Directors, such committee or such shareholders authorized, approved or ratified the contract or transaction.

The Code of Business Conduct and Ethics provides that directors, officers and employees of the Corporation must make business decisions for the Corporation free of conflicting influences. Such persons are expected to avoid situations that may lead to real or apparent material conflicts between such person's self interest and their duties or responsibilities as a director, officer or employee of the Corporation.

The Senior Compliance Officer is responsible for annually reaffirming compliance with the Code of Business Conduct and Ethics by the directors, officers and employees of the Corporation.

Donald E. Smith served as president and chairman of the board of directors of the Corporation until the 2013 annual meeting of shareholders on April 17, 2013, at which point he became President and Chairman Emeritus. In this role,

Mr. Smith focused on public relations and business development for the Bank nurturing his extensive civic and business contacts in the Terre Haute, Indiana community. Mr. Smith retired from these duties March 1, 2014. In 2013 Mr. Smith received a salary of \$148,000 and restricted stock awards for 2012 performance with a grant date fair value of \$151,189, as determined pursuant to FASB Topic 718. Mr. Smith also received an allocation to his account in the Corporation's ESOP for 2013 of \$18,040.

CORPORATE GOVERNANCE

General

The Corporation aspires to the highest ethical standards for its employees, officers and directors and remains committed to the interests of its shareholders. The Corporation believes it can achieve these objectives with a plan for corporate governance that clearly defines responsibilities, sets high standards of conduct and promotes compliance with the law. The Board of Directors has adopted policies and procedures designed to foster the appropriate level of corporate governance. Certain of these procedures are discussed below.

Consideration of Director Candidates

The Board of Directors seeks directors who represent a variety of backgrounds and experiences which will enhance the quality of the Board's deliberations and decisions. When searching for new candidates, the Governance and Nominating Committee considers the evolving needs of the Board and searches for candidates who will fill any current or anticipated gaps. The Governance and Nominating Committee generally considers, among other matters, a candidate's experiences, skills, expertise, diversity, personal and professional integrity, character, business judgment, time available to serve, dedication, conflicts of interest and ability to oversee the Corporation's business and affairs. The Governance and Nominating Committee does not have a formal diversity policy; however, both the Board and the Governance and Nominating Committee believe it essential that Board members represent diverse experiences and viewpoints. The Governance and Nominating Committee considers the entirety of each candidate's credentials. With respect to directors who are nominated for re-election, the Governance and Nominating Committee also considers such director's previous contributions to the Board.

Board Leadership Structure and Lead Independent Director

Our Board of Directors regularly reviews and assesses the effectiveness of our leadership structure and will implement any changes as it deems appropriate. In February 2013, the Board of Directors established the size of the Board at 10, effective as of the 2013 annual meeting of shareholders.

We have determined our Chairman of the Board to be independent. Our President and Chief Executive Officer is also a director. The Board has separated the roles of Chief Executive Officer and Chairman of the Board in recognition of the differences between the two roles. The Chief Executive Officer is responsible for setting the strategic direction for the Corporation and the day-to-day leadership and performance of the Corporation, while the Chairman provides guidance to the Chief Executive Officer and sets the agenda for Board meetings and presides over meetings of the full Board.

Eight of our Directors are considered independent under the requirements of the NASDAQ Global Select Market. The Board of Directors has appointed the Chairman of our Governance and Nominating Committee, Ronald K. Rich, to serve as our Lead Independent Director to preside at all meetings of the independent directors. As Lead Independent Director, Mr. Rich acts as a liaison between the Board and the Chief Executive Officer. He also develops the agendas for the executive sessions. The independent directors met four times during 2013.

We believe that the separate responsibilities of, and coordination between, our Chairman, Chief Executive Officer and our Lead Independent Director enhances our Board of Directors' oversight of communications with our shareholders and is an effective leadership structure for our circumstances. Our Board of Directors also believes that the separately

defined roles of the Chairman, Chief Executive Officer and Lead Independent Director provide for effective corporate governance and enable the Chief Executive Officer to focus his time and energy on operating and managing the Corporation while leveraging the experiences and perspectives of the Chairman and Lead Independent Director.

Risk Oversight

Our Board of Directors has an active role, as a whole and also at the committee level, in overseeing management of the Corporation's risks. The Board regularly reviews information regarding the Corporation's financial results, operations and liquidity, as well as the risks associated with each. The Audit Committee oversees management of the Corporation's financial risks, including the oversight of our internal audit function and potential conflicts of interest. The Compensation and Employee Benefits Committee is responsible for overseeing the management of risks relating to the Corporation's executive compensation plans and arrangements. The Governance and Nominating Committee manages risks associated with the independence of the Board of Directors. The Director's Enterprise Risk Management Committee and the Enterprise Risk Management Committee advise and assist the Board in its oversight and management of enterprise risk. The Enterprise Risk Management Committee is composed of Board members W. Curtis Brighton, William R. Kriebel and Ronald K. Rich, the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, the Chief Credit Officer, Chief Risk Officer, Director of Branch Banking, the heads of Legal, Operations, Human Resources, Loan Review, Auditing, Information Technology and representatives from The Morris Plan Company of Terre Haute and Forrest Sherer Insurance. The Director's Enterprise Risk Management Committee is composed of Board members W. Curtis Brighton (Chairman), William R. Kriebel, and Ronald K. Rich who are responsible for, among other matters, coordinating risk management issues with other Board and management level committees as well as establishing and maintaining effective policies, procedures and practices for identifying, measuring and mitigating enterprise risk. The Enterprise Risk Management Committee and the Director's Enterprise Risk Management Committee receive regular reports from management and meet no less frequently than quarterly to discuss matters relating to the management of the various components of enterprise risk, including credit, interest rate, liquidity, compliance, technology, transaction, reputation and strategic risks. While each committee is responsible for evaluating certain risks and overseeing the management of these risks, the entire Board of Directors is regularly informed about such risks through committee reports.

Director Independence

The Board of Directors has determined that a majority of the members of the Board, including Messrs. Cox, Kriebel, Rich, George, Dinkel, Voges, Brighton and Gibson, are independent, as independence is defined under revised listing standards of the NASDAQ Global Select Market applicable to the Corporation.

Corporate Governance Guidelines

The Board of Directors has adopted Corporate Governance Guidelines containing general principles regarding the functions of the Board of Directors and its committees. The Governance and Nominating Committee periodically reviews the Corporate Governance Guidelines and will recommend changes to the Board as it deems appropriate. A copy of the Corporate Governance Guidelines is available on the Corporation's web site at www.first-online.com on the "Investor Relations" page under the link "Governance Documents".

Code of Ethics

The Board of Directors has adopted a Code of Business Conduct and Ethics (the “Code of Ethics”) that applies to all of the Corporation’s directors, officers and employees, including its principal executive officer, principal financial officer, principal accounting officer and controller. The Corporation intends to disclose any amendments to the Code of Ethics by posting such amendments on its website. In addition, any waivers of the Code of Ethics for directors or executive officers of the Corporation will be disclosed in a report on Form 8-K filed with the Securities and Exchange Commission. A copy of the Code of Ethics is available on the Corporation’s web site at www.first-online.com on the “Investor Relations” page under the link “Governance Documents”.

Communications with Independent Directors

Any shareholder who desires to contact the Chairman of the Board of Directors, the Lead Independent Director or the other members of the Board of Directors, or who desires to make a recommendation of a director candidate for consideration by the Governance and Nominating Committee, may do so electronically by sending an email to the following address: directors@ffc-in.com. Alternatively, a shareholder can contact the Chairman of the Board, Lead Independent Director, Chairman of the Governance and Nominating Committee or the other members of the Board by writing to: First Financial Corporation, One First Financial Plaza, P.O. Box 540, Terre Haute, Indiana 47808. Communications received electronically or in writing are distributed to the Chairman of the Board, Lead Independent Director, Chairman of the Governance and Nominating Committee or the other members of the Board as appropriate depending on the facts and circumstances outlined in the communication received. For example, if any complaints regarding accounting, internal accounting controls and auditing matters are received, then they will be forwarded by the Secretary to the Chairman of the Audit Committee for review.

Governance Documents

For further information, including electronic versions of our Corporate Governance Guidelines, Code of Business Conduct and Ethics, Audit Committee Charter, Compensation and Employee Benefits Committee Charter, and Governance and Nominating Committee Charter, please contact the Secretary of the Corporation, Rodger A. McHargue, First Financial Corporation, One First Financial Plaza, P.O. Box 540, Terre Haute, Indiana 47808, (812) 238-6000, or visit our website at www.first-online.com on the “Investor Relations” page under the link “Governance Documents.”

REPORT OF THE AUDIT COMMITTEE

In accordance with its written charter adopted by the Board of Directors, the Audit Committee of the Board assisted the Board in fulfilling its responsibility for oversight of the quality and integrity of the accounting, auditing and financial reporting practices of the Corporation. All of the members of the Audit Committee are independent, as defined in the Corporation’s listing requirements. During 2013, the Audit Committee met four times, and the Audit Committee chair, as representative of the Audit Committee, discussed the interim financial information contained in each quarterly earnings announcement with management and the independent public accounting firm prior to public release.

In discharging its oversight responsibility as to the audit process, the Audit Committee obtained from the independent public accounting firm a formal written statement describing all relationships between the independent public accounting firm and the Corporation that might bear on the independent public accounting firm’s independence consistent with applicable requirements of the Public Company Accounting Oversight Board (United States) regarding the independent public accounting firm’s communications with the Audit Committee concerning independence, and has discussed with the independent public accounting firm any relationships that may impact its objectivity and independence and satisfied itself as to the independent public accounting firm’s independence. The Audit Committee also discussed with management, the internal auditors and the independent public accounting firm the quality and adequacy of the Corporation’s internal controls and the internal audit function’s organization, responsibilities, budget and staffing. The Audit Committee reviewed both with the independent and internal auditors its audit plans, audit scope and identification of audit risks.

The Audit Committee discussed and reviewed with the independent public accounting firm all communications required by standards of the Public Company Accounting Oversight Board, including the matters required to be discussed by Auditing Standard No. 16, “Communication with Audit Committees,” and, with and without management present, discussed and reviewed the results of the independent public accounting firm’s examination of the financial statements. The Audit Committee also discussed the results of the internal audit examinations.

The Audit Committee reviewed and discussed the audited financial statements of the Corporation as of and for the year ended December 31, 2013, with management and the independent public accounting firm. Management represented to the Audit Committee that the Corporation's financial statements as of and for the year ended December 31, 2013 were prepared in accordance with accounting principles generally accepted in the United States. Management has the primary responsibility for the preparation of the Corporation's internal controls and financial statements and the independent public accounting firm has the responsibility for performing an independent audit of our consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board.

Based on the above-mentioned review and discussions with management and the independent public accounting firm, the Audit Committee recommended to the Board that the Corporation's audited financial statements be included in its Annual Report on Form 10-K for the year ended December 31, 2013, for filing with the Securities and Exchange Commission.

Members of the Audit Committee

Thomas T. Dinkel, Chairman
Anton H. George
Ronald K. Rich

EXECUTIVE COMEPNSATION DISCUSSION AND ANALYSIS

Introduction

This Compensation Discussion and Analysis describes the Corporation's executive compensation program as it relates to the five executive officers included on the compensation tables beginning on page 29. The five executive officers listed on the compensation tables, who we refer to as "named executive officers" or "NEOs," consist of our Chief Executive Officer, our Chief Financial Officer, and our three other most highly compensated executive officers. For 2013, our named executive officers and their positions were:

Norman L. Lowery – Chief Executive Officer and President, First Financial Corporation and First Financial Bank, N.A.

Rodger A. McHargue – Chief Financial Officer, First Financial Corporation and First Financial Bank, N.A.

Norman D. Lowery – Chief Operations Officer, First Financial Corporation and First Financial Bank, N.A.

Steven H. Holliday – Chief Credit Officer, First Financial Bank, N.A.

Karen L. Milienu – Director of Branch Banking, First Financial Bank, N.A.

The following pages describe our executive compensation philosophy, the principal components of our executive compensation program, how our program reflects our compensation philosophy, and the roles played by different persons in establishing and evaluating the various components of our executive compensation program. We also discuss the results of our shareholders' 2013 "Say-On-Pay" vote and the actions that we have taken, or intend to take, to respond to those results. Our discussion provides important context for the compensation tables that follow and, therefore, should be read in conjunction with those tables.

COMPENSATION PHILOSOPHY

The Compensation and Employee Benefits Committee ("Compensation Committee") is responsible for determining our executive compensation philosophy and the establishment, implementation, and monitoring of our executive compensation program. The Compensation Committee is composed entirely of independent Directors as determined under the rules of the NASDAQ Global Select market.

The Compensation Committee seeks to provide a competitive compensation program that encourages current year performance and the creation of long-term shareholder value without exposing the Corporation to unreasonable risk, including credit, interest rate, liquidity, reputation, compliance, and transaction risk. Through our executive compensation program, we seek to:

- Attract, motivate, and retain highly-qualified, talented executives who are focused on the long-term best interests of our shareholders;

- Drive performance relative to our financial goals, balancing short-term operational objectives with long-term strategic goals;

- Link the interests of our executives with those of our shareholders;

- Establish Corporate, Departmental, and individual goals consistent with our strategic plan and budget that provide the basis for the annual and long-term metrics used to measure our success and the value that we create for shareholders;

- Reward our executives for both Corporation and individual performance;

Align compensation and variable incentives with measurable, objective, business results and appropriate risk management; and

Allow flexibility in responding to changing laws, accounting standards, and business needs as well as the constraints and dynamic conditions in the markets in which we do business.

We have implemented and operate our executive compensation program to reinforce our philosophy of aligning compensation with our short-term and long-term goals and to minimize risk to our shareholders. We currently maintain the following pay practices, which we believe enhance our pay-for-performance philosophy and further align our executives' interests with those of our shareholders:

WE DO HAVE THIS PRACTICE

ü Tie a significant portion of executive compensation to our performance metrics in the form of "at-risk" compensation.

ü Incentive award metrics that are objective and tied to key company performance metrics.

ü Share ownership guidelines (for executives and directors).

ü Compensation recoupment "claw-back" policy.

ü Anti-hedging policy.

ü Double trigger change in control severance.

ü Vest equity awards over three years to promote retention.

WE DO NOT HAVE THIS PRACTICE

ü Non-performance based incentive awards.

ü Hedging transactions by executive officers or directors.

ü Excise tax gross-ups in our CEO's Employment Agreement.

ü Automatic renewal ("Evergreen") provisions in our CEO's Employment Agreement.

The Compensation Committee believes our executive compensation program has achieved its intended results. The Committee believes our compensation is competitive with the pay practices of other financial institutions of comparable size and performance and has allowed us to attract and retain executives who make substantial

contributions to our success. We believe that the program aligns our executives' interests with those of our shareholders by providing a strong link between higher compensation and the attainment of pre-established objective performance goals.

TOTAL DIRECT COMPENSATION AND ITS COMPONENTS

We must continue to function as a high-performing financial services institution to provide value for our shareholders. To achieve this goal, we must have exceptional leadership committed to providing an outstanding customer experience, operating in a safe and sound manner, and producing results that build long-term shareholder value.

To encourage our executives to create shareholder value, we seek to align each executive's compensation with our short-term and long-term financial goals. We focus on total direct compensation, which is the sum of base salary, short-term incentives, and long-term equity-based incentives. Our total direct compensation is weighted heavily toward results, particularly for our NEOs, with a substantial portion of direct total compensation "at risk."

The following chart shows the portion of our CEO's total direct compensation at risk for 2012 and 2013.

The total direct compensation shown above is not the total compensation reported in the Summary Compensation Table (SCT) on page 29. Total Direct Compensation above shows the Compensation Committee's pay decisions for a specific performance year and the commensurate performance achieved by the CEO and the other NEOs. Amounts in the SCT reflect certain awards that were part of total direct compensation for one or more prior performance periods as well as non-performance based compensation such as the changes in the amount of pension values.

The following chart shows the principal components of total direct compensation for our NEOs.

How Total Direct Compensation is Delivered to Our CEO and Other NEOs

Component	Role	Comments
Base Salary	Fixed cash compensation based on competitive pay levels, the executive's performance, level of responsibility, and experience to facilitate the acquisition and retention of talented, experienced management.	In 2013, base salaries were adjusted to reflect CEO and NEO performance and the desired market positioning of the Corporation.
Short-Term Incentive Award	Annual variable compensation payable in cash based on the achievement of pre-established, objective, corporate performance goals to reward performance improvements in asset management, operations, and earnings which drive shareholder value.	New performance measures were adopted in 2013 to broaden the scope of financial and operational measures and to clarify the difference between short-term and long-term performance.
Long-Term Incentive Award	Equity compensation awarded on the achievement of pre-established, long-term, objective, corporate performance goals to align the executive's compensation with the prudent management of the Corporation's assets and earnings growth objectives.	To date, this award under our 2011 Equity Incentive Plan has been paid in the form of restricted stock that vests over three years of continued service. We believe that payment in Corporation stock and the vesting requirement links executives' compensation with long-term shareholder interests and is another method of mitigating risk.

2013 Performance and Compensation

The Corporation had another year of solid financial performance in 2013. Financial highlights include a 4.25% growth in assets from \$2.9 Billion to \$3.0 Billion and an increase in non-interest income of \$905,000 to \$40.5 Million. Total deposits grew 8% from \$2.3 Billion to \$2.5 Billion, with the majority of the growth occurring in core deposits. Our continued pricing discipline allowed a 33.1% reduction in total interest expense. Book value per share at year end was \$28.24, and shareholders' equity grew 3.78% to \$386.2 Million. For the 25th consecutive year, we increased the dividends we paid to shareholders, providing a total dividend of \$0.96 per share.

We have compared key aspects of our financial performance with the performance of companies in the SNL Bank Performance Group with assets between \$1.5 and \$6 billion as of the end of 2013. We compared not only the performance measures used in our incentive compensation plans, which are discussed below, but other performance measures key to creating shareholder value, many of which are unique to the financial services industry and reflect a focus on capital, asset quality, and regulatory oversight.

The following is a partial summary of the benchmarking results, including the performance criteria most closely aligned with the performance criteria under our incentive compensation plans:

SNL Bank Peer Group Performance**Assets \$1.5B to \$6.0B****2013 Financial Performance Results****Short-Term Performance Measures**

	Net Income 2013Y (\$000)	ROAA 2013Y (%)	Efficiency Ratio 2013Y (%)	NPLs / Loans 2013 Y (%)	Nonaccrual Loans / Loans 2013 & Y (%)	Deposit Growth Rate 2013 Y (%)
Minimum	(10,146)	(0.31)	105.14	0.07	0.06	(10.87)
Median	23,687	0.94	64.71	1.67	1.08	5.03
Average	29,434	1.00	65.21	2.00	1.21	10.35
Maximum	172,075	4.18	38.07	9.16	4.16	140.20
First Financial Corp.	31,534	1.06	64.19	1.90	1.79	8.02
Percent Rank	66 %	67 %	51 %	59 %	83 %	64 %

In 2013, we performed strongly with respect to the performance measures of our incentive compensation program. With a focus on net income, asset quality, and operating efficiency, we achieved third and fourth quartile results in comparison to a peer group of 110 public banks of comparable size. We are especially pleased with the low rate of nonaccruals and our improved efficiency ratio, which occurred in spite of the acquisition of eight new branches in 2013 which were part of our plan for expansion and growth but were anticipated to adversely affect our efficiency ratio. These accomplishments will drive future earnings growth and shareholder value.

Long-Term Performance Measures

	3 Year ROAA	3 Year ROAE	3 Year Efficiency Ratio	3 Year Basic Tangible Book Value per Share	3 Year NPLS/Loans
Minimum	(2.94)	(18.27)	107.47	1.67	0.19
Median	0.94	9.35	62.80	12.56	2.28
Average	0.87	8.87	63.63	90.90	2.65
Maximum	2.26	27.33	36.07	5,465.20	10.41
First Financial Corp.	1.23	9.42	58.99	24.51	2.74
Percent Rank	83 %	51 %	68 %	90 %	63 %

We are sustaining upper quartile performance against the long-term measures of ROAA and Tangible Book Value. These two measures are closely aligned with earnings efficiency and a strong balance sheet. Our rank at the 68th percentile for 3-year efficiency ratio is an indication of our strong cost-management principles and sustained non-interest income performance, despite the burden of the branch acquisitions we have completed over the past two years and their impact on our overall efficiency ratio.

2013 Compensation for Executives

Elements of Compensation

The principal elements of each NEO's compensation are base salary, short-term incentive compensation, long-term incentive compensation, and other benefits. Although the Compensation Committee has not adopted a formula for allocating a NEO's compensation among its various components, it believes that a significant portion of each NEO's compensation should be based on performance and that the percentage of total compensation at risk should increase with the NEO's total compensation and responsibilities with the Corporation.

The following chart shows the principal elements of compensation, each of which is discussed in more detail later in this summary:

Compensation Element	Description and Purpose
<i>Base Salary</i>	A fixed amount of cash compensation based on competitive pay levels and the executive's performance, level of responsibility, and experience.
<i>Short-term Incentive Compensation</i>	Annual variable compensation payable in cash, based on the achievement of pre-established objective corporate performance goals. Links compensation to the achievement of short-term corporate goals.
<i>Long-term Incentive Compensation</i>	To date, awards have been in the form of restricted stock based on the achievement of pre-established, objective, 3-year corporate performance goals. After being earned, the awards are subject to a 3-year vesting schedule. Links compensation to the achievement of longer-term corporate goals and serves as a retention incentive and to mitigate risk.
<i>Other Benefits</i>	Tax-qualified retirement plans and non-qualified deferred compensation plans encourage retention and provide important post-retirement benefits. Life insurance benefits are also provided.

Base Salary Base salary is the fixed component of total cash compensation. The Compensation Committee attempts to set base salaries for a particular executive position at a level that will facilitate the attraction and retention of a skilled management team. Base salaries are typically increased to reward those NEOs who have provided valuable service to the Corporation over many years. The Compensation Committee reviews market data in establishing base salaries, but it does not tie its determinations to a particular benchmark. Among the third-party compensation surveys that the Compensation Committee reviews are the Crowe Horwath Financial Institutions Compensation Survey (consisting of a survey for Indiana, Illinois, and the Midwest) and surveys provided by AON-Hewitt, The Hay Group, The Conference Board, Mercer, and Towers Watson.

The starting point for determining any adjustments to a NEO's base salary is the annual increase in the Corporation's annual salary pool approved by the full Board of Directors. Individual base salary increases for all employees, including the NEOs, are awarded as allocations from that salary pool. In establishing the amount of the pool, the Compensation Committee and the Board of Directors consider general economic conditions (such as inflation and recessionary factors), the performance of the Corporation and the Bank, and other sources of information, such as surveys referred to in the preceding paragraph.

The Compensation Committee adjusts the base salary of a NEO only after reviewing his or her performance over the past fiscal year. The Compensation Committee's review focuses on the NEO's attainment of objective performance goals established by the Compensation Committee, supervisory skills, dependability, initiative, skill level, and overall value to the Corporation. The Compensation Committee considers all of these factors as a whole, without giving a pre-established weighting to any particular factor, and determines any adjustment to the NEO's base salary.

Our Chief Executive Officer's employment agreement provides for a minimum base salary of \$620,297. This amount reflects Mr. Lowery's long and valuable service to the Corporation and his contributions to its success. For 2013, our CEO's base salary was \$626,097, and for 2014 it will be \$630,297.

Incentive Compensation The Compensation Committee makes annual incentive awards to named NEOs and other management employees pursuant to the First Financial Corporation 2011 Short-Term Incentive Plan ("2011 STIP"). Each year, the Compensation Committee establishes and approves objective performance goals, the relative weight accorded to each performance goal, and the threshold, target, and maximum award rates for each participating executive. For 2013, the Compensation Committee established these criteria on February 5, 2013, and it communicated the potential awards and performance criteria to our NEOs on the same date.

The amount of a NEO's incentive compensation for a year under the 2011 STIP depends on his or her target award, which is stated as a percentage of base salary, and the extent to which the performance criteria for the year are achieved or exceeded. No payments are made unless threshold performance is achieved or surpassed. At threshold performance, the payout is 80% of the NEO's target award; at target performance, 100% of the target award; and at or above maximum performance, 125% or 120%, for tiers 1 and 2 respectively, of the executive's target award. For

purposes of the STIP, Mr. Norman L. Lowery was the only tier 1 executive for 2013. Awards for performance between threshold and target or between target and maximum performance are determined by interpolation.

The Compensation Committee spends significant time reviewing the Corporation's annual strategic plan and budget, which are approved by the Board of Directors in November or December of the preceding year, and in analyzing financial measures and determining the level of performance required for threshold, target, and maximum payouts. The Compensation Committee establishes the threshold performance goals that it believes to be achievable given a sustained effort on the part of the named executive officers and target and maximum goals that require increasingly greater effort to achieve. The annual incentive opportunities for each NEO are based upon weighted performance measures established by the Compensation Committee based upon its assessment of what is important to the Corporation's and the Bank's overall performance and within the scope of the NEO's ability to achieve.

To receive an award earned under the 2011 STIP, a NEO must be employed on the last day of the year and, except in the case of termination on account of death, disability, or retirement, must be an employee on the payment date. The payment of amounts earned under the 2011 STIP must be made within 75 days after the end of the calendar year for which the payment is made.

The Compensation Committee commences the process of establishing our incentive compensation by considering and approving objective performance goals no later than February each year (February 5, 2013) which are tied to key components of our strategic plan and budget, and balanced against corporate risk.

In February, 2013, we modified the financial and operational performance measures used in our short-term and long-term incentive plans. In making those changes, we sought to align incentive compensation more closely with performance criteria that NEOs are able to influence with their performance rather than with market fluctuations over which NEOs have little, if any, control. In 2008 and 2009 many Community Banks lost significant value as a result of the financial crisis which First Financial successfully navigated. As a result these institutions have recognized higher shareholder returns recently but have still underperformed First Financial and the broader market over a longer time horizon.

Our performance measures are designed to ensure our incentive awards promote performance improvements that will lead to the creation of shareholder value. For this reason and the importance of "real capital" to financial institutions we added 3-Year Tangible Book Value to our long-term performance goals in 2013. This measure of book value demonstrates the real value of assets on our balance sheet and, in comparison with comparable financial institutions, can be a meaningful predictor of future shareholder value. In setting performance measures, we have also sought to encourage maintenance of a high quality loan portfolio, stress operational performance with the efficiency ratio, balance growth with a sound base of customer deposits and balance risk and incentive compensation in accordance with the Guidance on Sound Incentive Compensation Policies issued by the Federal Reserve, the FDIC, the OCC, and OTC in 2010. Finally, we stress operational performance with the efficiency ratio and balancing growth with a sound base of customer deposits.

Short-Term Incentive Plan

The table below reports the goals ("Goal"), their weightings ("Weight"), our results ("Actual"), and the 2013 results for the CEO and other NEOs ("Composite") under the Short-Term Incentive Plan. The goals set out below were established and approved by the Compensation Committee and communicated to participating executives on February 5, 2013, and were based on our strategic plan and budget for the year. For 2013, our CEO earned 99.75% of the Short-Term Incentive Plan target award.

Measure	Level	NL Lowery	McHargue	ND Lowery	Holliday	Milienu
Net Income	Goal	\$31,778	\$ 27,846	\$27,846	\$27,846	\$27,846
	Actual	\$31,534	\$ 27,887	\$27,887	\$27,887	\$27,887
	% of Goal	99.23 %	100.15 %	100.15 %	100.15 %	100.15 %
	Weight	50.00 %	40.00 %	40.00 %	20.00 %	30.00 %
	Composite	49.62 %	40.06 %	40.06 %	20.03 %	30.04 %
Efficiency Ratio	Goal	65.89 %	64.04 %	64.04 %	—	—
	Actual	64.52 %	64.37 %	64.37 %	—	—
	% of Goal	102.12 %	99.49 %	99.49 %	—	—
	Weight	25.00 %	20.00 %	20.00 %	—	—
	Composite	25.53 %	19.90 %	19.90 %	—	—
Non- Performing Loans	Goal	2.80 %	—	—	2.80 %	—
	Actual	2.68 %	—	—	2.72 %	—
	% of Goal	104.48 %	—	—	102.94 %	—
	Weight	7.50 %	—	—	10.00 %	—
	Composite	7.84 %	—	—	10.29 %	—
Delinquency	Goal	2.00 %	—	—	2.00 %	—
	Actual	1.60 %	—	—	1.88 %	—
	% of Goal	125.00 %	—	—	106.38 %	—
	Weight	7.50 %	—	—	10.00 %	—
	Composite	9.38 %	—	—	10.64 %	—
Loan Growth	Goal	2.81 %	3.91 %	3.91 %	3.91 %	—
	Actual	(4.19)%	(3.05)%	(3.05)%	(3.05)%	—
	% of Goal	0.00 %	0.00 %	0.00 %	0.00 %	—
	Weight	5.00 %	5.00 %	5.00 %	20.00 %	—
	Composite	0.00 %	0.00 %	0.00 %	0.00 %	—
Deposit Growth	Goal	3.35 %	4.94 %	4.94 %	—	4.94 %
	Actual	4.95 %	5.19 %	5.19 %	—	5.19 %
	% of Goal	147.76 %	105.06 %	105.06 %	—	105.06 %
	Weight	5.00 %	5.00 %	5.00 %	—	35.00 %
	Composite	7.39 %	5.25 %	5.25 %	—	36.77 %
Departmental Controllable Income/Expense	Goal	—	\$ 3,598	\$(3,959)	\$48,853	\$13,470
	Actual	—	\$ 4,079	\$(3,449)	\$41,980	\$14,180
	% of Goal	—	113.37 %	114.79 %	85.93 %	105.27 %
	Weight	—	30.00 %	30.00 %	15.00 %	35.00 %
	Composite	—	34.01 %	34.44 %	12.89 %	36.84 %
Net Charge-Offs	Goal	—	—	—	0.41 %	—
	Actual	—	—	—	0.37 %	—
	% of Goal	—	—	—	110.81 %	—
	Weight	—	—	—	10.00 %	—

Loan Spread	Composite	—	—	—	11.08	%	—				
	Goal	—	—	—	2.88	%	—				
	Actual	—	—	—	3.28	%	—				
	% of Goal	—	—	—	113.89	%	—				
	Weight	—	—	—	15.00	%	—				
	Composite	—	—	—	17.08	%	—				
TOTAL		99.75	%	99.22	%	99.65	%	82.02	%	103.66	%

Long-Term Incentive Plan

The Compensation Committee believes that equity-based compensation is an effective means of strengthening the alignment between the interests of our executive officers and our shareholders and is an essential tool for attracting, retaining, and motivating talented executive officers. At the 2011 annual meeting, the Corporation's shareholders approved the First Financial Corporation 2011 Equity Incentive Plan ("2011 EIP"), which provides for awards of incentive and nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, and long-term cash incentives.

Our long-term incentive measures represent the aggregate goals for the three-year period ending in the year for which the award is made. They are communicated to participating executives no later than February 15 each year. For 2013, the long-term incentive measures remained the same as in 2012, with the addition of Tangible Book Value. The table below reports the goals ("Goal"), their weightings ("Weight"), our results ("Actual"), and the 2013 results for the CEO and other NEOs ("Composite") under the Long-Term Incentive Plan. As noted on the table, the actual earned award of restricted stock is calculated as percentage of the target award. For 2013, our CEO earned 111.99% of the Long-Term Incentive Plan target award.

Measure	Level	NL Lowery		McHargue		ND Lowery		Holliday		Milienu	
3 Year	Goal	1.11	%	1.06	%	1.06	%	1.06	%	1.06	%
Average	Actual	1.23	%	1.14	%	1.14	%	1.14	%	1.14	%
Return on	% of Goal	110.81	%	107.55	%	107.55	%	107.55	%	107.55	%
Assets	Weight	20.00	%	20.00	%	20.00	%	20.00	%	20.00	%
	Composite	22.16	%	21.51	%	21.51	%	21.51	%	21.51	%
3 Year	Goal	8.63	%	8.68	%	8.68	%	8.68	%	8.68	%
Average	Actual	9.36	%	9.25	%	9.25	%	9.25	%	9.25	%
Return on	% of Goal	108.46	%	106.57	%	106.57	%	106.57	%	106.57	%
Equity	Weight	15.00	%	15.00	%	15.00	%	15.00	%	15.00	%
	Composite	16.27	%	15.99	%	15.99	%	15.99	%	15.99	%
Tangible Book Value	Goal	\$25.18		\$ 25.18		\$25.18		\$25.18		\$25.18	
	Actual	\$24.91		\$ 24.91		\$24.91		\$24.91		\$24.91	
	% of Goal	98.93	%	98.93	%	98.93	%	98.93	%	98.93	%
	Weight	30.00	%	30.00	%	30.00	%	30.00	%	30.00	%
	Composite	29.68	%	29.68	%	29.68	%	29.68	%	29.68	%
3 Year	Goal	4.02	%	4.02	%	4.02	%	4.02	%	4.02	%
Earnings	Actual	5.04	%	5.04	%	5.04	%	5.04	%	5.04	%
Per Share	% of Goal	125.37	%	125.37	%	125.37	%	125.37	%	125.37	%
Growth	Weight	35.00	%	35.00	%	35.00	%	35.00	%	35.00	%
	Composite	43.88	%	43.88	%	43.88	%	43.88	%	43.88	%

TOTAL	111.99 %	111.05 %	111.05 %	111.05 %	111.05 %
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Retirement Plan Benefits

Overview We believe that retirement and other post-employment benefits can be a powerful motivational tool for attracting and retaining key executives. Our retirement plans consist of three tax qualified retirement plans, which cover most employees of the Corporation and participating subsidiaries. The Internal Revenue Code limits on qualified plan benefits that result in certain executive employees receiving a substantially lower benefit (as a percentage of compensation) than other participating employees. We have adopted nonqualified retirement plans to make-up for these benefit reductions.

Our three qualified retirement plans are the First Financial Corporation 401(k) Savings Plan ("Savings Plan"), the First Financial Corporation Stock Ownership Plan ("ESOP"), and the First Financial Corporation Employees' Pension Plan ("Pension Plan").

Qualified Retirement Plans

401(k) Savings Plan The Savings Plan allows eligible employees to contribute a portion of their compensation on a before-tax basis. Participants may direct the investment of their plan accounts among a diversified range of investment options. For those participants who are not eligible for future benefit accruals under the Pension Plan, the Corporation may, in its discretion, match the participant's contributions (up to 4% of compensation) and make non-matching contributions.

ESOP The Corporation and its participating subsidiaries and affiliates may make contributions to the ESOP in the form of Corporation stock or cash to be invested primarily in Corporation stock. The amount of any contributions is determined by the Board of Directors of the Corporation. The value of a participating employee's benefit under the ESOP depends on the value of the shares of Corporation stock and any other amounts allocated to his or her account.

Pension Plan The Pension Plan is a defined benefit plan that provides each participant with a benefit based on the participant's compensation and service, which is then offset by the value of the participant's benefit under the ESOP. This type of arrangement is commonly referred to as a floor-offset arrangement. Future accruals under the Pension Plan have been frozen for all participants except those who, as of December 31, 2012, (i) had reached age 65, completed at least 30 years of service, or had a combined years of age and vesting service of at least 70, or (ii) were participants in the Short-Term Incentive Plan.

Nonqualified Retirement Plan

The Corporation's nonqualified retirement plans provide supplemental retirement benefits for a select group of management or highly compensated employees to replace benefit reductions under the qualified retirement plans due to Internal Revenue Code limitations on compensation that may be considered in calculating benefits and on the total benefits for any employee. As the Corporation maintains both a qualified defined benefit plan and qualified defined contribution plans, it maintains separate nonqualified plans to make up for lost benefits under each type of plan. The Executives' Deferred Compensation Plan consists of an original plan, which is exempt from Internal Revenue Code Section 409A ("EDC Plan"), and a 2005 plan, which is subject to Section 409A ("2005 EDC Plan"). The EDC and the 2005 EDC permit participating executives to defer compensation without regard to the limitations imposed by the Internal Revenue Code applicable to qualified retirement plans and provides for a supplemental ESOP to make up for benefit reductions to comply with Internal Revenue Code limits. The Executive Supplemental Retirement Plan consists of an original plan, which is exempt from Internal Revenue Code Section 409A ("ESRP"), and a 2005 plan, which is subject to Section 409A ("2005 ESRP"). The ESRP and the 2005 ESRP make up for benefit reductions under the Pension Plan imposed to comply with Internal Revenue Code limits on qualified Plan benefits. Benefits under the ESRP and 2005 ESRP are reduced by amounts payable under the supplemental ESOP portion of the EDC Plan and the 2005 EDC Plan, just as amounts payable under the Pension Plan are reduced by the value of benefits payable under the ESOP.

Perquisites

The Corporation provides very limited perquisites to executive officers; however, it does sponsor a life insurance program for the named executive officers of the Bank. Under the life insurance program, the Bank purchased a whole life insurance policy on behalf of, and pays the premiums on behalf of, each executive officer of the Bank. The policy is owned by the individual and is intended to be fully paid at age 65 for those who were 55 or older, and at age 60 for those who were less than 55 years of age at the time the individual joined the Bank.

The Process for Setting Executive Compensation

Role of the Compensation Committee

Each year, the Compensation Committee reviews our executive compensation program to assure that the program and the compensation for each NEO are consistent with our compensation philosophy and, specifically, that a substantial portion of our NEOs' compensation is paid only if pre-established objective performance goals are met or exceeded. In exercising its duties, the Compensation Committee considers all elements of our executive compensation program, as well as individual performance, Corporation performance, and market compensation considerations.

The Compensation Committee determines the appropriate allocation of each NEO's potential compensation among base salary, short-term incentive compensation, long-term incentive compensation, and other components. Based on our strategic plan and budget, the Compensation Committee sets the appropriate goals and measures under the short-term and long-term incentive components of the program and communicates those goals and measures to covered NEOs on or before February 15 of the year. Each year, the Compensation Committee also reviews our performance compared to short-term and long-term objectives, reviews our executive officer pay practices, evaluates risks associated with our executive compensation program, and approves all awards under our short-term and long-term incentive plans. The Compensation Committee reports its decisions to the Board of Directors.

Role of Company Personnel

Each year, prior to any adjustments in compensation, our Chief Executive Officer provides the Compensation Committee with a review of our strategic and financial performance and the compensation and performance of all executive officers other than himself. He also develops recommendations regarding the compensation of those executive officers and presents his recommendations to the Compensation Committee for review and approval. The Compensation Committee generally requests information relevant to its determinations from Corporation personnel, including our Chief Financial Officer. However, no executive officer other than our Chief Executive Officer attends Compensation Committee meetings. The Compensation Committee invites our Chief Executive Officer to attend Committee meetings at which it discusses the compensation of executive officers other than himself. Our Chief Executive Officer does not attend the portion of Compensation Committee meetings at which his compensation is discussed, nor does he make recommendations regarding his own compensation. The Corporation's Human Resources Management provides information and other support to our Chief Executive Officer and the Compensation Committee in connection with the Compensation Committee's deliberations.

Role of Outside Consultants

The Compensation Committee is authorized to retain its own advisors. In April 2010, the Compensation Committee retained Grant Thornton LLP as its independent compensation consultant. Grant Thornton did not perform any services for management, and it interacted with members of management only under the Compensation Committee's oversight and with the knowledge and permission of the Compensation Committee chair. Grant Thornton's duties included (i) design of a short-term incentive compensation plan, (ii) design of a long-term incentive plan for key executive officers, (iii) review of director compensation, and (iv) confirmation of the competitiveness of total compensation for certain executive officers. In connection with Grant Thornton's recommendations, the Board adopted the 2011 Short Term Incentive Compensation Plan and the 2011 Omnibus Equity Incentive Plan which approved by our shareholders at our 2011 annual meeting and is described under the heading "Incentive Compensation" on page 21.

In 2013, the Compensation Committee again retained Grant Thornton to provide advice regarding our compensation policies and practices. Grant Thornton provided a banking industry update, a regulatory update on compensation and corporate governance topics, and other topics related to the Corporation and its compensation plans. In connection with its retention of Grant Thornton, the Compensation Committee determined that no conflict of interest existed that would impair the ability of Grant Thornton to serve as a compensation consultant to the Compensation Committee.

Shareholder's 2013 Advisory Approval of the Corporation's Executive Compensation

At our most recent annual meeting, held on April 17, 2013, the Corporation held a non-binding advisory vote on the compensation program for our named executive officers, as disclosed in our proxy statement dated March 18, 2013. This type of vote is commonly referred to as "Say-On-Pay". At the meeting, approximately 52% of the represented shares voted to approve the executive compensation program, while approximately 30% voted against. Even though the executive compensation program did not change from 2011 to 2012, the number of shareholders approving the program decreased, and the number of shareholders voting against approval increased. The Committee believes that the increase in the number of "no" votes in 2013 was influenced by the recommendation of Institutional Shareholder Services ("ISS") to vote against the executive compensation program.

The Compensation Committee also believes the vote of our shareholders was influenced, in part, by the conclusion drawn by ISS that "the CEO's annual cash incentive award was paid at target, despite below-target achievement in two of the three performance metrics". While it is correct that two of the three performance metrics for the CEO were slightly below target (Net Income – 97.8% of target and Return on Equity – 96.05% of target), it is not correct the CEO was paid at target, as he was compensated at 97.8404% of target based on these results and the performance achieved on a third goal, Return on Assets.

Among the other reasons provided by ISS for its no-vote recommendation was that equity grants under the long-term incentive plan, while performance-based, were determined using the same performance metrics that were used for annual cash-based awards under the short-term plan, albeit using three-year averages instead of one-year results. While the Corporation and the Compensation Committee believe the metrics used in 2012 were appropriate for both the long-term equity incentive plan and annual cash based incentive awards, the Compensation Committee changed the metrics in February, 2013, prior to last year's annual meeting of shareholders and the ISS recommendation, so that the metrics under the short-term incentive plan and the long-term incentive plan, while still appropriate, differ.

The Compensation Committee has considered the ISS recommendations and the vote of our shareholders as a part of its review of the Corporation's overall executive compensation program, including the appropriateness of the compensation philosophy, our objectives, and the level of compensation provided to the NEOs. Based on an analysis of these factors, the Compensation Committee has determined our Executive Compensation Philosophy and the application of the philosophy is appropriate.

Assessment of Incentives for Excessive Risk-Taking

Each year, the Committee evaluates the material operational risks to the Corporation, which includes credit, interest rate, liquidity, reputation, compliance, and transaction risk as well as the added potential for loss that could result from any of our compensation programs. The Committee also charges the Corporation's General Auditor with performing a risk assessment of the incentive compensation program. Based on a review of these risks and the report of the General Auditor, the Committee has determined that the Corporation's compensation arrangements and policies do not encourage excessive risk-taking.

Share Ownership and Retention Guidelines and Prohibition on Hedging

Share ownership and retention guidelines help to foster a focus on long-term growth. The Board of Directors has adopted stock ownership guidelines applicable to our named executive officers. Under those guidelines, our CEO is required to own a number of shares of the Corporation's common stock equal in value to \$500,000, and other NEOs are required to own a number of shares equal in value to \$150,000. Except for purposes of exercising statutory

diversification rights under the ESOP, our covered executives may not dispose of shares until they have satisfied the guidelines. Covered executives are expected to comply with the guidelines as soon as practicable, and in no event later than five years after the date they become a covered executive. In the case of individuals who were covered executives when the guidelines became effective, compliance is required within five years of the effective date. Messrs. Norman L. Lowery, McHargue Norman D. Lowery, and Ms. Milienu currently meet the guidelines.

Our NEOs and directors are prohibited from engaging in hedging or monetization transactions with respect to the securities of the Corporation.

Tax Deductibility Cap on Executive Compensation

Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to public companies for compensation over \$1 million paid to each of a company's chief executive officer and certain other highly compensated executive officers. Qualifying performance-based compensation is not subject to this deduction limit. It is the Committee's objective to maximize deductibility under Section 162(m) to the extent consistent with the Committee's assessment of the interests of the Company and its shareholders.

Executive Compensation Recovery Policy

We can recover or "claw back" all or a portion of an incentive compensation payment which was based on erroneous data due to our material noncompliance with any financial reporting requirement under securities laws which resulted in an accounting restatement. The claw back applies to incentive compensation described above which was paid within three years preceding the date of the accounting restatement. In that instance, the participant is required to repay the excess amount which would not have been paid to the participant but for the accounting restatement.

Compensation Committee Report

The Compensation and Employee Benefits Committee of the Corporation has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Committee (i) is satisfied that the Compensation Discussion and Analysis represents the philosophy, intent and actions of the Committee with regard to executive compensation, and (ii) recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement on Schedule 14A.

Members of the Compensation and Employee Benefits Committee:

Anton H. George,
Ronald K. Rich
William J. Voges Chairman

EXECUTIVE COMPENSATION

2013 Summary Compensation Table

The following table sets forth the compensation awarded to, earned by, or paid to the chief executive officer, the chief financial officer and the three most highly compensated executive officers other than the chief executive officer and the chief financial officer (collectively, the "Named Executive Officers") during the years ended December 31, 2013, 2012 and 2011.

Name and Principal Position	Year	Salary (\$)	Stock Awards (\$) (1)	Non-Equity Incentive Plan Compensation (\$) (2)	Change in Pension Value And Nonqualified Deferred Compensation Earnings (\$) (3)	All Other Compensation (\$) (4)	Total (\$) (7)
Norman L. Lowery, Chie Executive Officer, First Financial Bank, N.A. and First Financial Corporation	2013	626,097	(5) 459,532	282,017	-	75,862	(7) 1,443,508
	2012	607,615	531,563	275,845	658,135	85,538	2,158,696
	2011	598,049	-	337,276	976,461	48,938	1,960,724
Rodger A. McHargue, Chief Financial Officer, First Financial Bank, N.A. and First Financial Corporation	2013	196,191	(5) 94,913	68,823	34,472	11,278	(7) 405,677
	2012	189,826	92,306	65,004	148,717	6,992	502,845
	2011	184,612	-	77,537	154,452	3,477	420,078
Steven H. Holliday, Chief Credit Officer, First Financial Bank, N.A.	2013	190,565	(6) -	54,578	-	13,281	258,424
	2012	78,506	-	62,000	-	7,532	148,038
	2011	-	-	-	-	-	-
Norman D. Lowery, Chief Operations Officer, First Financial Bank, N.A. and First Financial Corporation	2013	191,014	92,816	67,351	3,442	16,349	(7) 370,972
	2012	185,631	90,466	63,568	115,998	11,309	466,972
	2011	180,937	-	75,991	90,414	7,385	354,727
Karen L. Milienu,	2013	145,590	31,127	37,811	17,717	3,245	(7) 235,490

Director of Branch Banking,	2012	141,487	17,778	43,479	-	600	203,344
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