

FIRST FINANCIAL CORP /IN/
Form DEF 14A
March 14, 2019

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
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Check the appropriate box:
 Preliminary Proxy Statement
 Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
 Definitive Proxy Statement
 Definitive Additional Materials
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FIRST FINANCIAL CORPORATION

(Name of Registrant as Specified In Its Charter)

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

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 Fee paid previously with preliminary materials.
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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 13, 2019

Dear Shareholders:

Our 2019 Annual Meeting of Shareholders will be held on Wednesday, April 17, 2019 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 2018 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 Internet, 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 can 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.

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 17, 2019

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 (the "Corporation") will be held on Wednesday, April 17, 2019 at 11:00 a.m., local time, at One First Financial Plaza, Terre Haute, Indiana.

The purposes of the meeting are:

- To elect W. Curtis Brighton, William R. Kriebel, and Ronald K. Rich to the Board of Directors of the Corporation (1) for a three-year term expiring at the 2022 annual meeting of shareholders and until their successors are duly elected and qualified;
- (2) To conduct a non-binding advisory vote to approve the compensation of our named executive officers as described in the Proxy Statement;
- (3) To ratify the appointment of Crowe LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2019; and
- (4) To transact such other business as may properly be presented at the meeting or any adjournment or postponement thereof.

Only shareholders of record at the close of business on February 25, 2019 will be entitled to notice of and to vote at the meeting.

By Order of the Board of Directors

/s/ Rodger A. McHargue
Chief Financial Officer and Secretary

March 13, 2019

Important Notice Regarding the Availability of Proxy Materials for the
Shareholder Meeting to be Held on April 17, 2019:

The proxy statement and annual report are available at <https://www.first-online.com/proxy>.

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FIRST FINANCIAL CORPORATION
ONE FIRST FINANCIAL PLAZA
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,” and First Financial Bank, N.A. is referred to as “the Bank.”

QUESTIONS AND ANSWERS ABOUT THE MEETING

Q: Why did I receive this Proxy Statement?

You received this proxy statement and accompanying notice of annual meeting because, as a shareholder of the Corporation, our Board of Directors (the “Board”) is soliciting your proxy to vote at the annual meeting of shareholders. The annual meeting will be held on Wednesday, April 17, 2019, 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. It is first being mailed to our shareholders on or about March 13, 2019. As explained under “How do I vote?” below, you do not need to attend the annual meeting in order to vote your shares.

Q: What am I voting on?

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

• The election of W. Curtis Brighton, William R. Kriebel, and Ronald K. Rich to the Board for a three-year term;

• The approval, on a non-binding advisory basis, of the compensation of our named executive officers as described in this proxy statement; and

• The ratification of the appointment of Crowe LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2019.

Q: Who is entitled to vote?

Holders of our outstanding common stock as of the close of business on February 25, 2019, the record date, are entitled to vote at the annual meeting. As of February 25, 2019, 12,290,212 shares of common stock were issued and outstanding, each of which entitles the holder to one vote.

Q: What are the Board’s recommendations?

The Board recommends that you vote your shares as follows:

• FOR the election of W. Curtis Brighton, William R. Kriebel, and Ronald K. Rich to the Board for a three-year term;

• FOR the approval, on a non-binding advisory basis, of the compensation of our named executive officers; and

• FOR the ratification of the appointment of Crowe LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2019.

The shares represented by a properly executed and returned proxy card will be voted according to your instructions. 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.

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 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.

In the unlikely event that any of the director nominees becomes unable or is unwilling to serve at the time of the meeting, 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 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?

Holders of a majority of the voting power of the outstanding shares of common stock of the Corporation, represented in person or by proxy, constitute a quorum for the annual meeting. As of the record date, 12,290,212 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, by mail or via the Internet.

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 16, 2019 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.

Submitting a Proxy via the Internet: You can submit a proxy for your shares via the Internet until 11:59 p.m. Eastern Daylight Time on April 16, 2019 by visiting the website on the enclosed proxy card, www.proxyvote.com. Internet proxy submission is available 24 hours a day. Our Internet proxy submission procedures are designed to authenticate shareholders by using individual control numbers.

By casting your vote in any of the ways listed above, you are authorizing the individuals listed on the proxy card 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 submitted by telephone, via the Internet at www.proxyvote.com or completed, dated, signed and returned in the envelope provided by

April 10, 2019. 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 submit your voting instructions 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, William R. Kriebel, Ronald K. Rich and William J. Voges. The Compensation and Employee Benefits Committee is appointed by the Board 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?

If the shares you own are held in “street name”, the bank, broker or other nominee will vote your shares according to your instructions. Under applicable stock exchange rules, if you do not give instructions to your broker, bank or other nominees, it will still be able to vote your shares on any “discretionary” items but will not be allowed to vote your shares with respect to any “non-discretionary” items without receiving voting instructions from you. For the 2019 Annual Meeting, only the proposal to ratify Crowe LLP as our independent registered public accounting firm is considered to be a discretionary item, and your broker, bank or other nominee will be able to vote on that item even if it does not receive voting instructions from you. Unless you provide voting instructions to your broker, bank or other nominee, it will not have authority to vote your shares on any of the other proposals described in this proxy statement. Therefore, it is particularly important that beneficial owners instruct their brokers, banks or other nominees 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 on a particular matter. Abstentions are counted as present for purposes of determining a quorum, but are not counted as votes cast and, therefore, will have no effect on the outcome of any proposal to be voted on at the annual meeting.

A broker “non-vote” occurs when a broker or other nominee who holds shares for the beneficial owner is barred from voting those shares with respect to a proposal 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 LLP as our independent registered public accounting firm.

Brokers will not have such discretionary voting power to vote shares with respect to any other proposal described in this proxy statement. Shares that are the subject of a broker non-vote may be 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, 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

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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 approval, on a non-binding advisory basis, of the compensation of our named executive officers will be approved if the votes cast for the proposal exceed those cast against the proposal. The proposal for the ratification of the appointment of Crowe LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2019 will be approved 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 for their reasonable, out-of-pocket costs for forwarding proxy and solicitation materials to beneficial owners of common stock. 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 2018 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 as of the 2019 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.

Three directors are to be elected. W. Curtis Brighton, William R. Kriebel, and Ronald K. Rich 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. 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. Each of the nominees has consented to being named as a nominee in this proxy statement, and is expected to serve if elected. The Board 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 2022:

W. Curtis Brighton, Age 65

Mr. Brighton joined the Board in 2004 and is a current member of the Corporation's Audit, 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 & Company. Mr. Brighton has been the general manager of Lynch Coal Operators Reciprocal Corporation since 1985 and was a private practice attorney for 12 years. He serves on the boards of Templeton Coal Company, Inc., Union Hospital, Inc. and Lynch Coal Operators Reciprocal Corporation. Mr. Brighton earned a B.S. degree in Business Administration from Indiana State University and a J.D. degree from Drake University.

William R. Kriebel, Age 71

Mr. Kriebel joined the Board in 2009 and serves on the Bank's Loan and Community Reinvestment Act Committees. Mr. Kriebel also serves on the Corporation's Compensation and Employee Benefits, Enterprise Risk Management, Affirmative Action and Cyber Security Committees. Mr. Kriebel 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 80

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 and Enterprise Risk Management Committees. Mr. Rich also is a member of the Bank's Loan Committee. Mr. Rich also serves as the Lead Independent Director. Mr. Rich formerly served as a financial representative for Northwestern Mutual Financial Network. He holds Chartered Life Underwriter and Chartered Financial Consultant designations from The American College of Financial Services.

Directors whose term expires in 2021:

Thomas T. Dinkel, Age 68

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

Norman L. Lowery, Age 72

Mr. Lowery joined the Board in 1989 and has served as its Vice Chairman since 1996. He serves on the Corporation's Acquisition, Affirmative Action, Disaster Recovery, Disclosure, Executive, Enterprise Risk Management, Loan Policy and Procedures, Loan Review, Strategic Planning and Cyber Security Committees. Mr. Lowery also serves on the Bank's Asset Liability, Community Reinvestment Act and Loan Committees. Mr. Lowery is the Chief Executive Officer and President of the Corporation, serving in those positions since 2004 and 2013, respectively, and the Vice Chairman, President and Chief Executive Officer of the Bank, serving since 1996. Prior to joining the Corporation, Mr. Lowery was a partner in the law firm of Wright, Shagley & Lowery, P.C., where he practiced for 19 years. Mr. Lowery serves on the boards of Princeton Mining Company, Inc., Deep Vein Coal Company, Inc., Lynch Coal Operators Reciprocal Corporation, and the Terre Haute Area Economic Development Corporation. He is the father of Norman D. Lowery, the Chief Operating Officer of the Corporation and the Bank and the brother-in-law of Virginia L. Smith, who retired as a director of the Corporation on December 18, 2018. He received a B.S. degree in Political Science from Indiana State University and a J.D. degree from Indiana University.

William J. Voges, Age 64

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 Committee as well as the Bank's Loan Committee. Mr. Voges has served as chairman of the board and head of trust administration of the Root Company, a private investment company, since 2016. Prior to this, Mr. Voges 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 law firm of Fink, Loucks, Sweet & Voges for nine years. Mr. Voges also served on the board for Consolidated-Tomoka Land Co., a publicly traded diversified real-estate operating company (NYSE MKT: CTO), from 2001 to 2012, where he 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 J.D. degree from Stetson University College of Law.

Directors whose term expires in 2020:

B. Guille Cox, Jr., Age 73

Mr. Cox has served on the Board since 1987 and serves as the Chairman of the Boards of Directors of the Corporation and the Bank. He also is the Chairman of the Bank's Trust and Asset Management Committee and serves on the Bank's Investment and Loan Committees as well as the Corporation's Governance and Nominating Committee. Mr. Cox has been a senior partner in the law firm of Cox, Zwerner, Gambill & Sullivan, LLP 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 committee. Mr. Cox received a B.S. degree in Physics from the Massachusetts Institute of Technology and a J.D. degree from Harvard Law School.

Anton H. George, Age 59

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, an import sales and distribution company. Mr. George is the past president and chief executive officer of the Indianapolis Motor Speedway and its parent Hulman & Company for which he currently serves as a director. He served on the board of directors at Vectren Corporation, an energy holding company, from 2000 until February 2019 and was a member of its Nominating and Corporate Governance and Compensation and Benefits Committees. He also served on the boards of Princeton Mining Company, Inc. and Deep Vein Coal Company, Inc. until April 2016 and currently serves on the board of R.J. Oil Co., Inc. Mr. George earned a B.S. degree in Business Administration from Indiana State University.

Gregory L. Gibson, Age 56

Mr. Gibson joined the Board in 1994 and serves on the Corporation's Loan Review Committee and the Governance and Nominating Committee as well as the Bank's Investment, Trust and Asset Management, and Loan Committees. Mr. Gibson is the president of ReTec Corporation, a waste management consulting business, and is involved in other business ventures. Mr. Gibson also serves on the board of trustees of Rose-Hulman Institute of Technology.

Mr. Gibson has also served on the Indiana Judicial Nominating Commission and is currently serving as vice chairman of the Ports of Indiana Commission as well as the board of directors for the Methodist Health Foundation Inc. in Indianapolis. He holds a B.S. degree from Rose-Hulman Institute of Technology.

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Recommendation of the Board of Directors

OUR BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE “FOR” W, CURTIS BRIGHTON, WILLIAM R. KRIEBLE, AND RONALD K. RICH, 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. The Governance and Nominating Committee generally considers each director eligible for nomination in the broad context of the overall composition of our Board 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 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.

Mr. Cox’s long-standing tenure provides the Board with a historical perspective of both the Corporation and the industry. His legal practice provides the Board with insight on legal issues as well as issues in our markets.

Thomas T. 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 insights 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 involved in a variety of business ventures, Mr. Gibson provides the Board with invaluable insight into industries and markets in which we and our clients do business. As a developer, Mr. Gibson provides counsel on market expansion. His service on various commissions and 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 our business, our customers and our employees, and he 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 matters. Mr. Rich also possesses valuable insight regarding our markets and our various client bases.

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, 2018, the Board met 20 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 2018 Annual Meeting of Shareholders except William J. Voges.

Committees

The Board has established a number of committees that 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., Gregory L. Gibson, Ronald K. Rich (Chairman) and William J. Voges. The Board has determined that Messrs. Cox, Gibson, Rich and Voges are independent under the rules of the NASDAQ Global Select Market. The Governance and Nominating Committee met two times during 2018.

The primary objectives of the Governance and Nominating Committee are to assist the Board in developing and recommending corporate governance policies and guidelines for the Corporation and identifying, evaluating and nominating persons for election to the Board 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 of the "About Us" section of the website under the link "Governance Documents." The Governance and Nominating Committee identifies director nominees through 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 will take into consideration a variety of factors and criteria it deems appropriate, with a view toward constituting a Board that possesses the demonstrated senior leadership and management experience to oversee our business. 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 W. Curtis Brighton, Thomas T. Dinkel (Chairman) and Anton H. George. The Board has determined that Messrs. Brighton, Dinkel and George are independent under Securities and Exchange Commission ("SEC") Rule 10A-3 and the rules of the NASDAQ Global Select Market. The Audit Committee met four times during 2018.

The primary objectives of the Audit Committee are to assist the Board 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.

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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 of the "About Us" section of the website under the link "Governance Documents."

The Board has determined that each member of the Audit Committee is financially sophisticated under the applicable NASDAQ rules. The Board 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 has determined that none of its members currently meets the definition of an "audit committee financial expert" under federal securities laws. To be considered an "audit committee financial expert," an individual's past experience generally should 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. The Board has determined that in order to best fulfill the functions of our Board and our Audit Committee, each member of the Board and the Audit Committee should ideally understand community banking and the local markets in which the Corporation and the Bank do business. Accordingly, potential candidates who have such attributes in addition to having the experience the Board believes is necessary to qualify as "audit committee financial experts" are limited. Further, the Board believes that the addition of an "audit committee financial expert" is not necessary at this time given the level of financial knowledge and experience the current members of the Audit Committee possess.

Compensation and Employee Benefits Committee Members consist of Anton H. George, William R. Kriebel, Ronald K. Rich and William J. Voges (Chairman). The Board has determined that Messrs. George, Kriebel, Rich and Voges are independent under the rules of the NASDAQ Global Select Market. The Compensation and Employee Benefits Committee met five times during 2018.

The primary objective of the Compensation and Employee Benefits Committee is to review and approve the Corporation's compensation strategy and the compensation of our executive officers and senior management. In addition, among other responsibilities, the Compensation and Employee Benefits Committee establishes guidelines and oversees the administration of executive compensation plans and arrangements, as well as certain employee benefit plans. 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 of the "About Us" section of the website 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. 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 2018, nonemployee directors received a \$40,000 retainer from the Corporation and a \$5,000 retainer from the Bank. During 2018, each non-employee director of the Corporation and the Bank received a fee of \$750 for each board meeting attended for the Corporation or the Bank. In addition, Mr. Cox received a fee of \$5,000 in connection with his services as Chairman of the Board.

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 their service on the boards or board committees of the Corporation and the Bank.

The table below summarizes the compensation paid by the Corporation to each non-employee director for the fiscal year ended December 31, 2018.

Director Compensation

Name	Fees Earned or Paid in Cash	Total
W. Curtis Brighton	\$82,750	\$82,750
B. Guille Cox	84,750	84,750
Thomas Dinkel	80,500	80,500
Anton H. George	87,250	87,250
Gregory L. Gibson	77,750	77,750
William H. Kriebel	83,750	83,750
Ronald K. Rich	84,250	84,250
Virginia L. Smith*	74,250	74,250
William J. Voges	82,250	82,250

*Retired from the Board effective December 18, 2018

First Financial Corporation Directors' Deferred Compensation Plan. Prior to 2011, directors of the Corporation and the Bank were permitted to participate in a directors' deferred compensation plan. Under the plan, a director could elect to defer up to \$6,000 of his or her director's fees each year over a five-year period. The amount of deferred fees was 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, 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, will be paid to the director or his or her beneficiary. Payment will be made to the director or his or her beneficiary 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. For 2018, the allocated cost of the deferred directors' fees was \$97,981. This plan was closed to new participants in 2011. During 2018, no directors deferred amounts under this plan, and those directors who have attained age 65 received payments attributable to previously-deferred amounts under the plan in the following amounts: Mr. Dinkel - \$54,000, Mr. Kriebel - \$10,363, Mr. Norman L. Lowery - \$142,414 and Ms. Smith - \$74,914.

Director Stock Ownership Guidelines

The Board believes that directors more effectively represent the Corporation's shareholders if they are shareholders themselves. Therefore, the Board has adopted stock ownership guidelines applicable to all directors, other than Norman L. Lowery, who is subject to the stock ownership guidelines for executive officers discussed under "Compensation Discussion and Analysis." Under the guidelines, directors must 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. Additionally, directors may not dispose of shares of Corporation stock until they have satisfied the guidelines. Directors are expected to be in compliance with the stock ownership guidelines not 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 current guidelines became effective, compliance was required by February 21, 2017. All eight of our non-employee directors have met their stock ownership levels under these guidelines.

Anti-Hedging Policy

Hedging and similar monetization transactions by a director or an executive officer can lead to a misalignment between the objectives of that director or executive officer and the objectives of our shareholders. Accordingly, all

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 2018, none of the members of the Compensation and Employee Benefits Committee was or is an officer or employee of the Corporation, and no executive officer of the Corporation served or serves on the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors)

or on the board of directors of any company that employed or employs any member of the Corporation's Compensation and Employee Benefits Committee. In addition, no executive officer of the Corporation served or serves on the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of any company one of whose executive officers serves on our Board.

W. Curtis Brighton and Norman L. Lowery serve on the board of directors of Lynch Coal Operators Reciprocal Corporation, an inactive mutual workers compensation insurance company which is in the process of winding down. Mr. Brighton serves as the general manager of the corporation and receives less than \$20,000 annually in compensation for such service. Mr. Lowery does not participate in the determination of such compensation paid to Mr. Brighton, and Mr. Brighton does not serve on the Corporation's Compensation and Employee Benefits Committee.

Certain Relationships and Related Transactions

Certain family relationships exist among the executive officers of the Corporation. Norman L. Lowery (the Vice Chairman, President, and Chief Executive Officer of the Corporation and the Bank) is the father of Norman D. Lowery (the Chief Operating Officer of the Corporation and the Bank) and the brother-in-law of Virginia L. Smith, a member of the Board until her retirement on December 18, 2018. 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 2018. Comparable transactions may be expected to take place in the future. During 2018, 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 "Code of Ethics"). 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 or of which any director is a director, officer or trustee. The provisions of the Code of Ethics apply to the directors, officers and employees of the Corporation.

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

The Code of 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 such person's 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 Ethics by the directors, officers and employees of the Corporation.

INFORMATION ABOUT THE NAMED EXECUTIVE OFFICERS

The name, age, position and business experience of each named executive officer who is not a member of the Board is described below:

Rodger A. McHargue, Age 57

Mr. McHargue is the Chief Financial Officer of the Corporation and the Bank and also the Secretary and Treasurer of the Corporation, serving since 2010. He joined the Corporation in 1994. Prior to that, Mr. McHargue was employed at Bank One Indianapolis. He received a B.S. degree in Economics and Finance from Indiana State University and an M.B.A. from Indiana State University. He is also a graduate of the ABA Stonier Graduate School of Banking.

Steven H. Holliday, Age 58

Mr. Holliday is the Chief Credit Officer of the Corporation and the Bank, serving since 2012. Prior to joining the Corporation, Mr. Holliday was a Senior Vice President and Commercial Lending Executive at Old National Bancorp. Mr. Holliday received his B.S. in Business from Indiana State University and an M.B.A. from the University of Illinois. He holds a Credit Risk Certification designation through The Risk Management Association and is a graduate of Southern Illinois University School of Banking.

Norman D. Lowery, Age 51

Mr. Lowery is the Chief Operations Officer of the Corporation and the Bank, serving since 2010. He joined the Corporation in 1990 and has held a management position in Private Banking, as well as having been a Trust Investment Officer. Mr. Lowery received his B.A. degree from Indiana University and M.B.A. from Indiana Wesleyan University. Mr. Lowery formerly held several professional accreditations, including, a Financial Industry Regulatory Authority Series 7 license; Uniform Securities Agent Series 63 license; and a Uniform Investment Adviser Series 65 license. He is also an accredited Fiduciary Investment Manager. Mr. Lowery is a graduate of the Cannon Financial Institute Trust Investment School and Private Banking School. Mr. Lowery also graduated from the ABA Stonier Graduate School of Banking.

Karen L. Milienu, Age 58

Ms. Milienu is the Chief Branch Banking Officer for the Bank, serving since 2011. She joined the Corporation in 1997 and served as the Human Resources Director. Prior to joining the Corporation Ms. Milienu held positions as an Assistant Manager and various human resources positions at Fort Wayne National Corporation. Ms. Milienu received her B.A. degree from Purdue University and M.S. degree from Indiana University. Ms. Milienu holds several professional accreditations including, Senior Professional in Human Resources, Certified Compensation Professional, Certified Sales/Management Development Trainer, and Certified Sales Trainer.

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 has adopted policies and procedures designed to foster the appropriate level of corporate governance. Certain of these policies and procedures are discussed below.

Consideration of Director Candidates

The Board seeks directors who represent a variety of backgrounds and experiences that 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 experience, 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. As a result of the unanticipated retirement of Virginia L. Smith from the Board on December 18, 2018, our Board does not currently have a woman member. The Board and the

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Governance and Nominating Committee will be particularly mindful of this when searching for new candidates. 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 regularly reviews and assesses the effectiveness of our leadership structure and will implement any changes as it deems appropriate. Since 2013 the size of the Board has been set at ten and there is currently one vacancy on the Board.

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 and presides over Board meetings.

The Board 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.

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

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, the Chief Compliance Officer, the Chief Branch Banking Officer, the heads of Operations, Human Resources, Loan Review, Auditing, Information Technology, General Counsel, the Security Officer, the Chief Information Security Officer, and a representative from our subsidiary The Morris Plan Company of Terre Haute. 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.

The Corporation's and the Bank's Cyber Security Committees evaluate and oversee the management of risks relating to our information technology infrastructure. The Corporation's and the Bank's CRA Committees evaluate and oversee the

management of risks relating to our compliance with the Community Reinvestment Act. The Bank's Fair Lending Committee evaluates and oversees the management of risks relating to our lending policies and practices. While each committee is responsible for evaluating certain risks and overseeing the management of these risks, the entire Board is regularly informed about such risks through committee reports.

Director Independence

The Board has determined that all current members of the Board except Norman L. Lowery are independent. During 2018 Virginia L. Smith was not independent, as independence is defined under the listing standards of the NASDAQ Global Select Market applicable to the Corporation. Ms. Smith retired from the board on December 18, 2018. The Independent Directors met four times during 2018.

Corporate Governance Guidelines

The Board has adopted Corporate Governance Guidelines containing general principles regarding the functions of the Board 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 website at www.first-online.com on the "Investor Relations" page of the "About Us" section of the website under the link "Governance Documents."

Code of Ethics

The Board 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 discloses 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 SEC. 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 of the "About Us" section of the website under the link "Governance Documents."

Communications with Directors

Any shareholder who desires to contact the Chairman of the Board, the Lead Independent Director or the other members of the Board, 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 of the "About Us" section of the website under the link "Governance Documents."

AUDIT COMMITTEE REPORT

In accordance with its written charter adopted by the Board, 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. During 2018, 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 the independent public accounting firm's 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 their 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," as amended (AICPA, Professional Standards, Vol. 1. AU Section 380) 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, 2018, 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, 2018 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 2018 Annual Report on Form 10-K for filing with the SEC.

Members of the Audit Committee

Thomas T. Dinkel, Chairman

Anton H. George

W. Curtis Brighton

EXECUTIVE COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis (“CD&A”) describes our executive compensation program for our Named Executive Officers (“NEOs”) listed below. This CD&A also summarizes the Compensation and Employee Benefits Committee’s (“Compensation Committee” or “Committee”) process for making pay decisions, as well as its rationale for specific decisions related to the 2018 performance year.

NEO	Position
Norman L. Lowery	Chief Executive Officer and President (our “CEO”)
Rodger A. McHargue	Chief Financial Officer (our “CFO”)
Norman D. Lowery	Chief Operations Officer (our “COO”)
Steven H. Holliday	Chief Credit Officer
Karen L. Milienu	Chief Branch Banking Officer

EXECUTIVE SUMMARY

Our 2018 Performance

Fiscal 2018 was a very strong year for the Corporation, with record operating and net income results. Financial highlights included:

Record net income of \$46.6 million versus \$29.1 million for fiscal 2017. The increase in 2018 net income includes the recovery of a security previously written down for other-than temporary impairment, which contributed \$2.4 million pre-tax to interest income and \$4.5 million pre-tax to other income.

Diluted net income per common share was \$3.80 versus \$2.38 for fiscal 2017.

Return on assets for the twelve months ended December 31, 2018 was 1.57% compared to 0.98% for the twelve months ended December 31, 2017.

Total loans outstanding increased \$47.2 million, or 2.48%, to \$1.95 billion as of December 31, 2018, from \$1.91 billion as of December 31, 2017.

Total deposits were \$2.44 billion for 2018, compared to \$2.46 billion as of December 31, 2017.

Return on equity for the twelve months ended December 31, 2018 was 10.98% compared to 6.69% for the twelve months ended December 31, 2017.

The net interest margin for 2018 increased to 4.32% compared to 4.11% for fiscal 2017.

The ratio of nonperforming loans to total loans and leases was 0.85% as of December 31, 2018 versus 1.14% as of December 31, 2017.

Book value per share was \$36.06 at December 31, 2018 compared to \$33.77 at December 31, 2017.