FIRST FINANCIAL BANCORP /OH/
Form 10-Q
August 07, 2012
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FORM 10-Q
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

x QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2012

OR

o TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________________ to ____________________

Commission file number 0-12379

FIRST FINANCIAL BANCORP.
(Exact name of registrant as specified in its charter)

Ohio (State or other jurisdiction of incorporation or organization)	31-1042001 (I.R.S. Employer Identification No.)
255 East Fifth Street, Suite 700 Cincinnati, Ohio (Address of principal executive offices)	45202 (Zip Code)

Registrant's telephone number, including area code (877) 322-9530

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Date File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of Exchange Act).
Yes o No x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at August 3, 2012
Common stock, No par value	58,502,668

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FIRST FINANCIAL BANCORP.

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PART I - FINANCIAL INFORMATION
ITEM I - FINANCIAL STATEMENTS
FIRST FINANCIAL BANCORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	June 30, 2012 (Unaudited)	December 31, 2011
Assets		
Cash and due from banks	$126,392	$149,653
Interest-bearing deposits with other banks	9,187	375,398
Investment securities available-for-sale, at market value (cost $706,703 at June 30, 2012 and $1,421,490 at December 31, 2011)	724,518	1,441,846
Investment securities held-to-maturity (market value $877,832 at June 30, 2012 and $2,893 at December 31, 2011)	873,538	2,664
Other investments	71,492	71,492
Loans held for sale	20,971	24,834
Loans:		
Commercial	823,890	856,981
Real estate-construction	86,173	114,974
Real estate-commercial	1,321,446	1,233,067
Real estate-residential	292,503	287,980
Installment	61,590	67,543
Home equity	365,413	358,960
Credit card	31,486	31,631
Lease financing	30,109	17,311
Total loans, excluding covered loans	3,012,610	2,968,447
Less: Allowance for loan and lease losses	50,952	52,576
Net loans - uncovered	2,961,658	2,915,871
Covered loans	903,862	1,053,244
Less: Allowance for loan and lease losses	48,327	42,835
Net loans – covered	855,535	1,010,409
Net loans	3,817,193	3,926,280
Premises and equipment	142,744	138,096
Goodwill	95,050	95,050
Other intangibles	9,195	10,844
FDIC indemnification asset	146,765	173,009
Accrued interest and other assets	245,632	262,345
Total assets	$6,282,677	$6,671,511
Liabilities		
Deposits:		
Interest-bearing	$1,154,852	$1,317,339
Savings	1,543,619	1,724,659
Time	1,331,758	1,654,662
Total interest-bearing deposits	4,030,229	4,696,660
Noninterest-bearing	1,071,520	946,180
Total deposits	5,101,749	5,642,840

Federal funds purchased and securities sold under agreements to repurchase	73,919	99,431
Federal Home Loan Bank short-term borrowings	176,000	0
Total short-term borrowings	249,919	99,431
Long-term debt	75,120	76,544
Total borrowed funds	325,039	175,975
Accrued interest and other liabilities	139,101	140,475
Total liabilities	5,565,889	5,959,290
Shareholders' equity		
Common stock - no par value		
Authorized - 160,000,000 shares; Issued - 68,730,731 shares in 2012 and 2011	576,929	579,871
Retained earnings	331,315	331,351
Accumulated other comprehensive loss	(18,172)	(21,490)
Treasury stock, at cost, 10,217,338 shares in 2012 and 10,463,677 shares in 2011	(173,284)	(177,511)
Total shareholders' equity	716,788	712,221
Total liabilities and shareholders' equity	$6,282,677	$6,671,511

See Notes to Consolidated Financial Statements.

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FIRST FINANCIAL BANCORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Dollars in thousands, except per share data)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Interest income				
Loans, including fees	$63,390	$71,929	$129,826	$145,945
Investment securities				
Taxable	10,379	7,080	20,896	13,883
Tax-exempt	121	192	255	390
Total interest on investment securities	10,500	7,272	21,151	14,273
Other earning assets	(1,967)	(1,384)	(3,957)	(2,338)
Total interest income	71,923	77,817	147,020	157,880
Interest expense				
Deposits	6,381	10,767	14,097	22,167
Short-term borrowings	37	49	49	94
Long-term borrowings	675	937	1,355	2,026
Subordinated debentures and capital securities	0	197	0	391
Total interest expense	7,093	11,950	15,501	24,678
Net interest income	64,830	65,867	131,519	133,202
Provision for loan and lease losses - uncovered	8,364	5,756	11,622	6,403
Provision for loan and lease losses - covered	6,047	23,895	18,998	49,911
Net interest income after provision for loan losses	50,419	36,216	100,899	76,888
Noninterest income				
Service charges on deposit accounts	5,376	4,883	10,285	9,493
Trust and wealth management fees	3,377	3,507	7,168	7,432
Bankcard income	2,579	2,328	5,115	4,483
Net gains from sales of loans	1,132	854	2,072	1,843
FDIC loss sharing income	8,280	21,643	21,096	45,078
Accelerated discount on covered loans	3,764	4,756	7,409	10,539
Other	9,037	3,147	12,325	5,908
Total noninterest income	33,545	41,118	65,470	84,776
Noninterest expenses				
Salaries and employee benefits	29,048	25,123	57,909	52,693
Net occupancy	5,025	4,493	10,407	11,353
Furniture and equipment	2,323	2,581	4,567	5,134
Data processing	2,076	1,453	3,977	2,691
Marketing	1,238	1,402	2,392	2,643
Communication	913	753	1,807	1,567
Professional services	2,151	3,095	4,298	5,322
State intangible tax	970	1,236	1,996	2,601
FDIC expense	1,270	1,152	2,433	3,273
Loss - Other real estate owned	313	163	1,309	3,485
Loss - Covered other real estate owned	1,233	2,621	2,525	5,733

Loss sharing expense	3,085	755	4,836	814
Other	7,814	7,670	14,781	12,978
Total noninterest expenses	57,459	52,497	113,237	110,287
Income before income taxes	26,505	24,837	53,132	51,377
Income tax expense	8,703	8,864	18,336	18,197
Net income	$17,802	$15,973	$34,796	$33,180
Net earnings per common share - basic	$0.31	$0.28	$0.60	$0.58
Net earnings per common share - diluted	$0.30	$0.27	$0.59	$0.57
Cash dividends declared per share	$0.29	$0.12	$0.60	$0.24
Average common shares outstanding - basic	57,933,281	57,694,792	57,864,269	57,642,970
Average common shares outstanding - diluted	58,958,279	58,734,662	58,921,689	58,722,448

See Notes to Consolidated Financial Statements.

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FIRST FINANCIAL BANCORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollars in thousands)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Net income	$17,802	$15,973	$34,796	$33,180
Other comprehensive income, net of tax:				
Unrealized gains on investment securities arising during the period	157	3,720	2,596	2,913
Change in retirement obligation	355	265	710	529
Unrealized gain on derivatives	0	379	0	391
Foreign currency exchange	3	66	12	309
Other comprehensive income	515	4,430	3,318	4,142
Comprehensive income	$18,317	$20,403	$38,114	$37,322

See Notes to Consolidated Financial Statements.

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FIRST FINANCIAL BANCORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Dollars in thousands except per share data)
(Unaudited)

	Common Stock	Common Stock	Retained	Accumulated other comprehensive	Treasury stock		
	Shares	Amount	earnings	income (loss)	Shares	Amount	Total
Balances at January 1, 2011	68,730,731	$580,097	$310,271	$ (12,044)	(10,665,754)	$(180,930)	$697,394
Net income			33,180				33,180
Other comprehensive income				4,142			4,142
Cash dividends declared:							
Common stock at $0.24 per share			(13,996)				(13,996)
Excess tax benefit on share-based compensation		156					156
Exercise of stock options, net of shares purchased		(228)			12,808	217	(11)
Restricted stock awards, net of forfeitures		(3,974)			181,655	3,066	(908)
Share-based compensation expense		1,805					1,805
Balances at June 30, 2011	68,730,731	$577,856	$329,455	$ (7,902)	(10,471,291)	$(177,647)	$721,762
Balances at January 1, 2012	68,730,731	$579,871	$331,351	$ (21,490)	(10,463,677)	$(177,511)	$712,221
Net income			34,796				34,796
Other comprehensive income				3,318			3,318
Cash dividends declared:							
Common stock at $0.60 per share			(34,832)				(34,832)
Excess tax benefit on share-based compensation		348					348
Exercise of stock options, net of shares purchased		(914)			57,604	977	63
Restricted stock awards, net of forfeitures		(4,318)			188,735	3,250	(1,068)
		1,942					1,942

Share-based compensation expense							
Balances at June 30, 2012	68,730,731	$576,929	$331,315	$ (18,172)	(10,217,338)	$(173,284)	$716,788

See Notes to Consolidated Financial Statements.

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FIRST FINANCIAL BANCORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	Six months ended June 30, 2012	2011
Operating activities		
Net income	$34,796	$33,180
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan and lease losses	30,620	56,314
Depreciation and amortization	7,669	5,779
Stock-based compensation expense	1,942	1,805
Pension income	(285)	(700)
Net amortization of premiums/accretion of discounts on investment securities	4,902	1,710
Originations of loans held for sale	(102,950)	(59,692)
Net gains from sales of loans held for sale	(2,072)	(1,843)
Proceeds from sales of loans held for sale	106,803	82,004
Deferred income taxes	(2,670)	(6,643)
Decrease in interest receivable	3,341	646
Decrease (increase) in cash surrender value of life insurance	2,039	(629)
Increase in prepaid expenses	1,109	3,291
Decrease in indemnification asset	26,244	29,535
Decrease in accrued expenses	(2,932)	(22,272)
Decrease in interest payable	(993)	(1,124)
Other	4,928	5,614
Net cash provided by operating activities	112,491	126,975
Investing activities		
Proceeds from calls, paydowns and maturities of securities available-for-sale	126,901	198,811
Purchases of securities available-for-sale	(331,300)	(410,845)
Proceeds from calls, paydowns and maturities of securities held-to-maturity	50,122	11,665
Net decrease in interest-bearing deposits with other banks	366,211	29,844
Net (increase) decrease in loans and leases, excluding covered loans	(62,600)	14,756
Net decrease in covered assets	128,100	198,782
Proceeds from disposal of other real estate owned	22,537	18,947
Purchases of premises and equipment	(10,779)	(4,613)
Net cash provided by investing activities	289,192	57,347
Financing activities		
Net decrease in total deposits	(541,091)	(171,839)
Net increase in short-term borrowings	150,488	45,449
Payments on long-term borrowings	(1,410)	(26,611)
Redemption of other long-term debt	0	(20,620)
Cash dividends paid on common stock	(33,571)	(12,748)
Proceeds from exercise of stock options	292	60
Excess tax benefit on share-based compensation	348	156
Net cash used in financing activities	(424,944)	(186,153)

Cash and due from banks:		
Net decrease in cash and due from banks	(23,261)	(1,831)
Cash and due from banks at beginning of period	149,653	105,981
Cash and due from banks at end of period	$126,392	$104,150

See Notes to Consolidated Financial Statements.

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FIRST FINANCIAL BANCORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012
(Unaudited)

The consolidated financial statements for interim periods are unaudited; however, in the opinion of the management of First Financial Bancorp. (First Financial or the Company), all material adjustments (consisting of only normal recurring adjustments) necessary for a fair presentation have been included.

NOTE 1: BASIS OF PRESENTATION

The Consolidated Financial Statements of First Financial, a bank holding company, principally serving Ohio, Indiana and Kentucky, include the accounts and operations of First Financial and its wholly-owned subsidiary – First Financial Bank, N.A. (First Financial Bank or the Bank). All significant intercompany transactions and accounts have been eliminated in consolidation. Certain reclassifications of prior periods' amounts have been made to conform to the current period's presentation and had no effect on net earnings.

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles (GAAP) requires management to make estimates, assumptions and judgments that affect the amounts reported in the Consolidated Financial Statements and accompanying Notes. Actual realized amounts could differ materially from those estimates.

These interim financial statements have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X and serve to update the First Financial Bancorp. Annual Report on Form 10-K (Form 10-K) for the year ended December 31, 2011. These interim financial statements may not include all information and notes necessary to constitute a complete set of financial statements under GAAP applicable to annual periods and accordingly should be read in conjunction with the financial information contained in the Form 10-K. Management believes these unaudited consolidated financial statements reflect all adjustments of a normal recurring nature which are necessary for a fair presentation of the results for the interim periods presented. The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the full year or any other interim period. The Consolidated Balance Sheet as of December 31, 2011, has been derived from the audited financial statements in the Company's 2011 Form 10-K.

NOTE 2: RECENTLY ADOPTED AND ISSUED ACCOUNTING STANDARDS

In April 2011, the Financial Accounting Standards Board (FASB) issued an update (ASU No. 2011-03, Reconsideration of Effective Control for Repurchase Agreements), which simplified the accounting for arrangements such as repurchase and securities lending agreements. The collateral maintenance requirement will be eliminated from the assessment of effective control, which could result in more transactions being accounted for as secured borrowings rather than sales. The assessment of effective control will focus on a transferor's contractual rights and obligations, not the amount of collateral obtained to repurchase or redeem the transferred financial asset. Under the amended guidance, a transferor maintains effective control over transferred financial assets, and thus accounts for the transfer as a secured borrowing, if there is an agreement that both entitles and obligates the transferor to repurchase the financial assets before maturity and all of the conditions already described in FASB ASC Topic 860, Transfers and Servicing, are met. The provisions of ASU 2011-03 became effective for First Financial for the interim reporting period ended March 31, 2012. This update did not have a material impact on the Consolidated Financial Statements.

In May 2011, the FASB issued an update (ASU No. 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs), which expands the disclosure requirements around fair value measurements categorized in Level 3 of the fair value hierarchy and requires disclosure of the level in the fair value hierarchy of items that are not measured at fair value but whose fair value must be disclosed. It also clarifies and expands upon existing requirements for fair value measurements of financial assets and liabilities as well as instruments classified in shareholders' equity. The provisions of ASU 2011-04 became effective for First Financial for the interim reporting period ended March 31, 2012. For further detail see Note 14 – Fair Value Disclosures.

In June 2011, the FASB issued an update (ASU 2011-05, Presentation of Comprehensive Income), which revises the manner in which entities present comprehensive income in their financial statements. This update eliminates the option to present components of other comprehensive income (OCI) as part of the statement of changes in stockholders' equity. The amendments to the existing standard require that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. Under either method, adjustments must be displayed for items that are reclassified from OCI to net income, in both net income and OCI. The

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amendments to the existing standard do not change the current option for presenting components of OCI gross or net of the effect of income taxes, provided that such tax effects are presented in the statement in which OCI is presented or disclosed in the notes to the financial statements. Additionally, the standard does not affect the calculation or reporting of earnings per share. The provisions of ASU 2011-05 became effective for First Financial for the interim reporting period ended March 31, 2012. This update resulted in the inclusion of the Consolidated Statements of Comprehensive Income in the Consolidated Financial Statements.

In September 2011, the FASB issued an update (ASU 2011-08, Testing Goodwill for Impairment), to simplify the current two-step goodwill impairment test in FASB ASC Topic 350-20, Intangibles - Goodwill and Other: Goodwill. This update permits entities to first perform a qualitative assessment to determine whether it is more likely than not (a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount. If the entity determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, it would then perform the first step of the goodwill impairment test; otherwise, no further impairment test would be required. The provisions of ASU 2011-08 became effective for First Financial for the interim reporting period ended March 31, 2012. This update did not have a material impact on the Consolidated Financial Statements.

In December 2011, the FASB issued an update (ASU 2011-11, Disclosures About Offsetting Assets and Liabilities), which creates new disclosure requirements about the nature of an entity's rights of offset and related arrangements associated with its financial instruments and derivative instruments. New disclosure requirements will be required for recognized financial and derivative instruments that are offset in accordance with the guidance in FASB ASC Topic 210-20-45, Balance Sheet - Offsetting - Other Presentation Matters, FASB ASC Topic 815-10-45, Derivatives and Hedging - Other Presentation Matters, or are subject to an enforceable master netting arrangement or similar agreement. Recognized assets and liabilities within the scope of this update include financial instruments such as derivatives, repurchase agreements, reverse repurchase agreements and securities lending and borrowing arrangements subject to master netting arrangements. An entity will be required to disclose information to enable users of its financial statements to evaluate the effect or potential effect of netting arrangements on its financial position, including the effect or potential effect of rights of set-off associated with certain financial instruments and derivative instruments. This guidance is effective for fiscal years beginning on or after January 1, 2013, and interim periods within those annual periods. The guidance must be applied retrospectively for any period presented that begins before an entity's date of initial application. First Financial does not anticipate this update will have a material impact on its Consolidated Financial Statements.

NOTE 3: BUSINESS COMBINATIONS

On September 23, 2011, First Financial Bank completed the purchase of 16 Ohio-based retail banking centers from Liberty Savings Bank, FSB (Liberty) including $126.5 million of performing loans and $341.9 million of deposits at their estimated fair values. First Financial also acquired $3.8 million of fixed assets at estimated fair value and paid Liberty a $22.4 million net deposit premium. Assets acquired in this transaction are not subject to a loss share agreement. First Financial recorded $17.1 million of goodwill related to the Liberty banking center acquisition.

Loans acquired in conjunction with the Liberty banking center acquisition were evaluated for impairment in accordance with FASB ASC Topic 310-30, Loans and Debt Securities Acquired with Deteriorated Credit Quality. First Financial determined that the acquired loans were not impaired and is accounting for them under FASB ASC Topic 310-20, Receivables-Nonrefundable Fees and Costs.

On December 2, 2011, First Financial Bank completed the purchase of 22 Indiana-based retail banking centers from Flagstar Bank, FSB (Flagstar) and assumed approximately $464.7 million of deposits at their estimated fair value. First Financial also acquired $6.6 million of fixed assets at estimated fair value and paid Flagstar a $22.5 million net deposit premium. Assets acquired in this transaction are not subject to a loss share agreement. First Financial recorded

$26.1 million of goodwill related to the Flagstar banking center acquisition.

The Liberty and Flagstar banking center acquisitions were accounted for in accordance with FASB ASC Topic 805, Business Combinations. The fair values of assets and liabilities acquired in a business combination are subject to refinement for up to one year after the closing date of the acquisition (the measurement period) as information relative to closing date fair values becomes available.

NOTE 4: GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill. Assets and liabilities acquired in a business combination are recorded at their estimated fair values as of the acquisition date and are subject to refinement for up to one year as additional information relative to initial estimated fair value

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data becomes available. The excess cost of the acquisition over the fair value of net assets acquired is recorded as goodwill. First Financial recorded additions to goodwill in 2011 of $17.1 million related to the Liberty banking center acquisition and $26.1 million related to the Flagstar banking center acquisition. First Financial expects all the goodwill resulting from these acquisitions to be deductible for tax purposes.

Goodwill is not amortized, but is measured for impairment on an annual basis as of October 1 of each year or whenever events or changes in circumstances indicate that the fair value of a reporting unit may be below its carrying value. First Financial performed its annual impairment test as of October 1, 2011, and no impairment was indicated. As of June 30, 2012, no events or changes in circumstances indicated that the fair value of a reporting unit was below its carrying value.

Other intangible assets. Other intangible assets consist primarily of core deposit intangibles. Core deposit intangibles are recorded at their estimated fair value as of the acquisition date and are then amortized on an accelerated basis over their estimated useful lives. First Financial recorded $4.0 million of core deposit intangibles associated with the Liberty banking center acquisition and $3.0 million of core deposit intangibles associated with the Flagstar banking center acquisition during 2011, contributing to a total of $9.9 million of core deposit intangibles as of December 31, 2011. As of June 30, 2012, core deposit intangibles were $8.6 million. First Financial's core deposit intangibles have an estimated weighted average remaining life of 8.3 years.

NOTE 5: COMMITMENTS AND CONTINGENCIES

In the normal course of business, First Financial offers a variety of financial instruments with off-balance-sheet risk to its clients to assist them in meeting their requirements for liquidity and credit enhancement. These financial instruments include standby letters of credit and outstanding commitments to extend credit. GAAP does not require these financial instruments to be recorded in the Consolidated Balance Sheets, Consolidated Statements of Income, Consolidated Statements of Changes in Shareholders’ Equity and Consolidated Statements of Cash Flows.

First Financial’s exposure to credit loss, in the event of nonperformance by the other party to the financial instrument for standby letters of credit, and outstanding commitments to extend credit, is represented by the contractual amounts of those instruments. First Financial uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

Letters of credit. These transactions are conditional commitments issued by First Financial to guarantee the performance of a client to a third party. First Financial’s portfolio of standby letters of credit consists primarily of performance assurances made on behalf of clients who have a contractual commitment to produce or deliver goods or services. The risk to First Financial arises from its obligation to make payment in the event of the client's contractual default to produce the contracted good or service to a third party. First Financial has issued letters of credit (including standby letters of credit) aggregating $16.8 million and $20.0 million at June 30, 2012, and December 31, 2011, respectively. Management conducts regular reviews of these instruments on an individual client basis.

Loan commitments. Commitments to extend credit are agreements to lend to a client as long as there is no violation of any condition established in the commitment. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. First Financial evaluates each client’s creditworthiness on an individual basis. The amount of collateral obtained, if deemed necessary by First Financial upon extension of credit, is based on management’s credit evaluation of the client. The collateral held varies, but may include securities, real estate, inventory, plant or equipment. First Financial had commitments outstanding to extend credit totaling $1.2 billion at June 30, 2012, and $1.2 billion at December 31, 2011.

First Financial utilizes the allowance for loan and lease losses methodology to maintain a reserve that it considers sufficient to absorb probable losses inherent in standby letters of credit and outstanding loan commitments.

Contingencies/Litigation. The Company and its subsidiaries are engaged in various matters of litigation, other assertions of improper or fraudulent loan practices or lending violations and other matters, and the Company has a number of unresolved claims pending. In addition, as part of the ordinary course of business, First Financial and its subsidiaries are parties to litigation involving claims to the ownership of funds in particular accounts, the collection of delinquent accounts, challenges to security interests in collateral and foreclosure interests, that is incidental to our regular business activities. While the ultimate liability with respect to these other litigation matters and claims cannot be determined at this time, the Company believes that damages, if any, and other amounts relating to pending matters are not likely to be material to its consolidated financial position or results of operations. Reserves are established for these various matters of litigation, when appropriate under FASB ASC

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Topic 450, Contingencies, based in part upon the advice of legal counsel.

NOTE 6: INVESTMENTS

The following is a summary of held-to-maturity and available-for-sale investment securities as of June 30, 2012.

	Held-to-Maturity				Available-for-Sale			
(Dollars in thousands)	Amortized Cost	Unrealized Gain	Unrealized Loss	Market Value	Amortized Cost	Unrealized Gain	Unrealized Loss	Market Value
Securities of U.S. government agencies and corporations	$21,080	$259	$0	$21,339	$25,773	$344	$0	$26,117
Mortgage-backed securities	850,309	5,900	(2,135)	854,074	622,251	16,823	(107)	638,967
Obligations of state and other political subdivisions	2,149	270	0	2,419	7,571	93	(1)	7,663
Other securities	0	0	0	0	51,108	879	(216)	51,771
Total	$873,538	$6,429	$(2,135)	$877,832	$706,703	$18,139	$(324)	$724,518

The following is a summary of held-to-maturity and available-for-sale investment securities as of December 31, 2011.

	Held-to-Maturity				Available-for-Sale			
(Dollars in thousands)	Amortized Cost	Unrealized Gain	Unrealized Loss	Market Value	Amortized Cost	Unrealized Gain	Unrealized Loss	Market Value
Securities of U.S. government agencies and corporations	$0	$0	$0	$0	$45,757	$433	$0	$46,190
Mortgage-backed securities	90	2	0	92	1,344,015	21,394	(2,031)	1,363,378
Obligations of state and other political subdivisions	2,574	227	0	2,801	9,270	121	(5)	9,386
Other securities	0	0	0	0	22,448	530	(86)	22,892
Total	$2,664	$229	$0	$2,893	$1,421,490	$22,478	$(2,122)	$1,441,846

The following is a summary of investment securities by estimated maturity as of June 30, 2012.

	Held-to-Maturity		Available-for-Sale	
(Dollars in thousands)	Amortized Cost	Market Value	Amortized Cost	Market Value
Due in one year or less	$699	$713	$56,125	$56,038
Due after one year through five years	602,928	603,210	548,361	562,663
Due after five years through ten years	208,808	211,892	69,761	71,627
Due after ten years	61,103	62,017	32,456	34,190
Total	$873,538	$877,832	$706,703	$724,518

The following tables present the age of gross unrealized loss and associated fair value by investment category.

(Dollars in thousands)	June 30, 2012 Less than 12 Months Fair Value	 Unrealized Loss	 12 Months or More Fair Value	 Unrealized Loss	 Total Fair Value	 Unrealized Loss
Mortgage-backed securities	$245,450	$(2,164)	$26,070	$(78)	$271,520	$(2,242)
Obligations of state and other political subdivisions	0	0	401	(1)	401	(1)
Other securities	31,001	(216)	17	0	31,018	(216)
Total	$276,451	$(2,380)	$26,488	$(79)	$302,939	$(2,459)

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	December 31, 2011					
	Less than 12 Months		12 Months or More		Total	
(Dollars in thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Mortgage-backed securities	$343,883	$(1,938)	$29,562	$(93)	$373,445	$(2,031)
Obligations of state and other political subdivisions	0	0	2,278	(5)	2,278	(5)
Other securities	9,133	(86)	17	0	9,150	(86)
Total	$353,016	$(2,024)	$31,857	$(98)	$384,873	$(2,122)

Unrealized losses on debt securities are generally due to higher current market yields relative to the yields of the debt securities at their amortized cost.

All securities with unrealized losses are reviewed quarterly to determine if any impairment is considered other than temporary, requiring a write-down to fair market value. First Financial considers the percentage loss on a security, duration of the loss, average life or duration of the security, credit rating of the security, as well as payment performance and the Company's intent and ability to hold the security to maturity when determining whether any impairment is other than temporary. At this time First Financial does not intend to sell, and it is not more likely than not that the Company will be required to sell debt security issues temporarily impaired prior to maturity or recovery of book value.

For further detail on the fair value of investment securities, see Note 14 – Fair Value Disclosures.

NOTE 7: DERIVATIVES

The use of derivative instruments allows First Financial to meet the needs of its clients while managing the interest-rate risk associated with certain transactions. First Financial's board of directors has authorized the use of certain derivative products, including interest rate caps, floors and swaps. First Financial does not use derivatives for speculative purposes and currently does not have any derivatives that are not designated as hedges.

The following table summarizes the derivative financial instruments utilized by First Financial by the nature of the underlying asset or liability:

	Fair Value Hedges	
(Dollars in thousands)	June 30, 2012	December 31, 2011
Instruments associated with loans:		
Total notional value	$890,200	$775,328

While authorized to use a variety of derivative products, First Financial primarily utilizes interest rate swaps as a means to offer borrowers credit-based products that meet their needs and may from time to time utilize interest rate swaps to manage the macro interest rate risk profile of the Company. These agreements establish the notional amount, or basis on which interest rate payments are exchanged with counterparties.

As only interest rate payments are exchanged, cash requirements and credit risk are significantly less than the notional amount and the Company's credit risk exposure is limited to the market value of the instrument. First Financial manages this market value credit risk through borrower and counterparty credit policies. First Financial's counterparty credit policies require the Company to maintain a total derivative notional position of less than 35% of assets, total credit exposure of less than 3% of capital and no single counterparty credit risk exposure greater than $20.0 million.

The Company is currently well below all single counterparty and portfolio limits. At June 30, 2012, the Company had a total counterparty notional amount outstanding of approximately $453.6 million, spread among eight counterparties, with an outstanding liability from these contracts of $28.3 million. At December 31, 2011, the Company had a total counterparty notional amount outstanding of approximately $396.4 million, spread among seven counterparties, with an outstanding liability from these contracts of $27.3 million.

First Financial’s exposure to credit loss, in the event of nonperformance by a borrower, is limited to the market value of the derivative instrument associated with that borrower. First Financial monitors its derivative credit exposure to borrowers by monitoring the creditworthiness of the related loan customers through the normal credit review processes the Company

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performs on all borrowers. Additionally, the Company monitors derivative credit risk exposure related to problem loans through the Company's allowance for loan and lease losses committee. First Financial considers the market value of a derivative instrument to be part of the carrying value of the related loan for these purposes as the borrower is contractually obligated to pay First Financial this amount in the event the derivative contract is terminated.

In connection with its use of derivative instruments, First Financial from time to time is required to post cash collateral with its counterparties to offset its market position. Derivative collateral balances were $23.5 million and $24.4 million at June 30, 2012, and December 31, 2011, respectively. First Financial classifies the derivative cash collateral outstanding with its counterparties as an adjustment to the fair value of the derivative contracts within accrued interest and other liabilities in the Consolidated Balance Sheets.

The following table summarizes the derivative financial instruments utilized by First Financial and their balances:

		June 30, 2012			December 31, 2011		
			Estimated Fair Value			Estimated Fair Value	
(Dollars in thousands)	Balance Sheet Classification	Notional Amount	Gain	Loss	Notional Amount	Gain	Loss
Fair Value Hedges							
Pay fixed interest rate swaps with counterparty	Accrued interest and other liabilities	$16,932	$0	$(2,079)	$17,456	$0	$(2,263)
Matched interest rate swaps with borrower	Accrued interest and other assets	436,634	25,813	0	378,936	24,566	0
Matched interest rate swaps with counterparty	Accrued interest and other liabilities	436,634	0	(26,936)	378,936	0	(25,860)
Total		$890,200	$25,813	$(29,015)	$775,328	$24,566	$(28,123)

The following table details the derivative financial instruments, the average remaining maturities and the weighted-average interest rates being paid and received by First Financial at June 30, 2012:

				Weighted-Average Rate	
(Dollars in thousands)	Notional Amount	Average Maturity (years)	Fair Value	Receive	Pay
Asset conversion swaps					
Pay fixed interest rate swaps with counterparty	$16,932	3.8	$(2,079)	2.21%	6.73%
Receive fixed, matched interest rate swaps with borrower	436,634	4.5	25,813	5.35%	2.95%
Pay fixed, matched interest rate swaps with counterparty	436,634	4.5	(26,936)	2.95%	5.35%
Total swap portfolio	$890,200	4.5	$(3,202)	4.11%	4.20%

The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the resulting designation. Derivatives used to hedge the exposure to changes in the fair value of an asset, liability or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives used to hedge the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. First Financial had no derivative instruments designated as cash flow hedges at June 30, 2012.

Fair Value Hedges. First Financial utilizes interest rate swaps as a means to offer commercial borrowers products that meet their needs, but are also designed to achieve First Financial's desired interest rate risk profile at the time. The fair value hedge agreements generally involve the net receipt by First Financial of floating-rate amounts in exchange for net payments by First Financial, through its loan clients, of fixed-rate amounts over the life of the agreements without an exchange of the underlying principal or notional amount. This results in First Financial's loan customers receiving fixed rate funding, while providing First Financial with a floating rate asset. The net interest receivable or payable on the interest rate swaps is accrued and recognized as an adjustment to the interest income or interest expense of the hedged item. The fair value of the interest rate swaps is included within accrued interest and other assets on the Consolidated Balance Sheets. The corresponding fair-value adjustment is also included on the Consolidated Balance Sheets in the carrying value of the hedged item. Derivative gains and losses not considered effective in hedging the change in fair value of the hedged item are recognized immediately in income.

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The following table details the location and amounts recognized for fair value hedges:

(Dollars in thousands)		Decrease to Interest Income			
		Three Months Ended		Six Months Ended	
Derivatives in fair value hedging relationships	Classification of change in fair value	June 30,		June 30,	
		2012	2011	2012	2011
Interest Rate Contracts					
Loans	Interest Income - Loans	$(192)	$(236)	$(388)	$(471)
Total		$(192)	$(236)	$(388)	$(471)

NOTE 8: BORROWINGS

Short-term borrowings on the Consolidated Balance Sheets includes overnight advances from the Federal Loan Home Bank (FHLB). First Financial had $176.0 million in short-term borrowings with the FHLB at June 30, 2012 as a result of managing the Company's normal liquidity needs and on-going deposit rationalization strategies.

Long-term debt on the Consolidated Balance Sheets consists of FHLB long-term advances and repurchase agreements utilizing investment securities pledged as collateral. These instruments are primarily utilized to reduce overnight liquidity risk and to mitigate interest rate sensitivity on the balance sheet. First Financial has $65.0 million in repurchase agreements which have remaining maturities of between one and four years and a weighted average rate of 3.50%. Securities pledged as collateral in conjunction with the repurchase agreements are included within investment securities available-for-sale on the Consolidated Balance Sheets.

The following is a summary of long-term debt:

	June 30, 2012		December 31, 2011	
(Dollars in thousands)	Amount	Average Rate	Amount	Average Rate
Federal Home Loan Bank	$10,120	3.80%	$11,544	3.80%
National Market Repurchase Agreement	65,000	3.50%	65,000	3.50%
Total long-term debt	$75,120	3.54%	$76,544	3.55%

Under Federal Reserve Board guidelines, a company can issue qualifying debentures up to 25% of qualifying Tier I capital. First Financial has the capacity to issue approximately $162.3 million in additional qualifying debentures under these guidelines.

NOTE 9: LOANS (excluding covered loans)

First Financial offers clients a variety of commercial and consumer loan and lease products with various interest rates and payment terms. Lending activities are primarily concentrated in Ohio, Indiana and Kentucky, states where the Bank currently operates banking centers. Additionally, First Financial provides equipment and leasehold improvement financing for franchisees in the quick service and casual dining restaurant sector throughout the United States.

Credit Quality. To facilitate the monitoring of credit quality for commercial loans, and for purposes of determining an appropriate allowance for loan and lease losses, First Financial utilizes the following categories of credit grades:

Pass - Higher quality loans that do not fit any of the other categories described below.

Special Mention - First Financial assigns a Special Mention rating to loans and leases with potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or lease or in First Financial's credit position at some future date.

Substandard - First Financial assigns a substandard rating to loans or leases that are inadequately protected by the current sound financial worth and paying capacity of the borrower or of the collateral pledged, if any. Substandard loans and leases have well-defined weaknesses that jeopardize repayment of the debt. Substandard loans and leases are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not addressed.

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Doubtful - First Financial assigns a doubtful rating to loans and leases with all the attributes of a substandard rating with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. The possibility of loss is extremely high, but because of certain important and reasonably specific pending factors that may work to the advantage and strengthening of the credit quality of the loan or lease, its classification as an estimated loss is deferred until its more exact status may be determined. Pending factors include proposed merger, acquisition or liquidation procedures, capital injection, perfecting liens on additional collateral and refinancing plans.

The credit grades described above, which are derived from standard regulatory rating definitions, are assigned upon initial approval of credit to borrowers and updated periodically thereafter.

First Financial considers repayment performance as the best indicator of credit quality for consumer loans. Consumer loans that have principal and interest payments that are past due by ninety days or more are generally classified as nonperforming. Additionally, consumer loans that have been modified in a TDR are classified as nonperforming unless such loans have a sustained period of repayment performance of six months or greater and are reasonably assured of repayment in accordance with the restructured terms. All other consumer loans and leases are classified as performing.

Commercial and consumer credit exposure by risk attribute was as follows:

	As of June 30, 2012			
		Real Estate		
(Dollars in thousands)	Commercial	Construction	Commercial	Total
Pass	$769,837	$70,832	$1,207,757	$2,048,426
Special Mention	30,583	412	34,497	65,492
Substandard	23,470	14,929	79,192	117,591
Doubtful	0	0	0	0
Total	$823,890	$86,173	$1,321,446	$2,231,509

(Dollars in thousands)	Real Estate Residential	Installment	Home Equity	Other	Total
Performing	$285,883	$61,271	$363,132	$61,595	$771,881
Nonperforming	6,620	319	2,281	0	9,220
Total	$292,503	$61,590	$365,413	$61,595	$781,101

	As of December 31, 2011			
		Real Estate		
(Dollars in thousands)	Commercial	Construction	Commercial	Total
Pass	$799,471	$89,072	$1,110,718	$1,999,261
Special Mention	37,547	1,751	28,994	68,292
Substandard	19,435	24,151	93,355	136,941
Doubtful	528	0	0	528
Total	$856,981	$114,974	$1,233,067	$2,205,022

(Dollars in thousands)	Real Estate Residential	Installment	Home Equity	Other	Total
Performing	$279,958	$67,136	$356,887	$48,942	$752,923
Nonperforming	8,022	407	2,073	0	10,502

Total	$287,980	$67,543	$358,960	$48,942	$763,425

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Delinquency. Loans are considered past due or delinquent when the contractual principal or interest due in accordance with the terms of the loan agreement or any portion thereof remains unpaid after the due date of the scheduled payment.

Loan delinquency, including nonaccrual loans, was as follows:

	As of June 30, 2012						
(Dollars in thousands)	30 – 59 days past due	60 – 89 days past due	> 90 days past due	Total past due	Current	Total	> 90 days past due and accruing
Loans							
Commercial	$948	$77	$6,385	$7,410	$816,480	$823,890	$0
Real estate - construction	1,968	2	6,872	8,842	77,331	86,173	0
Real estate - commercial	7,514	3,965	18,146	29,625	1,291,821	1,321,446	0
Real estate - residential	6,897	1,771	5,963	14,631	277,872	292,503	0
Installment	215	188	316	719	60,871	61,590	0
Home equity	1,357	712	2,026	4,095	361,318	365,413	0
All other	259	171	143	573	61,022	61,595	143
Total	$19,158	$6,886	$39,851	$65,895	$2,946,715	$3,012,610	$143

	As of December 31, 2011						
(Dollars in thousands)	30 - 59 days past due	60 - 89 days past due	> 90 days past due	Total past due	Current	Total	> 90 days past due and accruing
Loans							
Commercial	$2,964	$96	$7,473	$10,533	$846,448	$856,981	$0
Real estate - construction	47	0	17,004	17,051	97,923	114,974	0
Real estate - commercial	4,940	2,102	16,654	23,696	1,209,371	1,233,067	0
Real estate - residential	8,602	236	7,012	15,850	272,130	287,980	0
Installment	437	53	355	845	66,698	67,543	0
Home equity	1,304	246	1,637	3,187	355,773	358,960	0
All other	495	231	191	917	48,025	48,942	191
Total	$18,789	$2,964	$50,326	$72,079	$2,896,368	$2,968,447	$191

Nonaccrual. Loans are classified as nonaccrual when, in the opinion of management, collection of principal or interest is doubtful or when principal or interest payments are 90 days or more past due. Generally, loans are placed in nonaccrual status due to the continued failure to adhere to contractual payment terms by the borrower coupled with other pertinent factors, such as, insufficient collateral value. The accrual of interest income is discontinued and previously accrued, but unpaid interest is reversed when a loan is placed on nonaccrual status. Any payments received while a loan is on nonaccrual status are applied as a reduction to the carrying value of the loan. A loan may be placed back on accrual status if all contractual payments have been received and collection of future principal and interest payments is no longer doubtful.

Troubled Debt Restructurings. A loan modification is considered a troubled debt restructuring (TDR) when two conditions are met: 1) the borrower is experiencing financial difficulty and 2) concessions are made by the Company that would not otherwise be considered for a borrower with similar credit characteristics. The most common types of modifications include interest rate reductions, maturity extensions and modifications to principal amortization including interest only structures. Modified terms are dependent upon the financial position and needs of the individual borrower. If the modification agreement is violated, the loan is handled by the Company’s credit administration group for resolution, which may result in foreclosure in the case of real estate.

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TDRs are generally classified as nonaccrual for a minimum period of six months and may qualify for return to accrual status once they have demonstrated performance with the terms of the loan modification.

First Financial had 90 TDRs totaling $20.1 million at June 30, 2012, including $9.9 million on accrual status and $10.2 million of loans classified as nonaccrual. First Financial had no commitments outstanding to lend additional funds to borrowers whose loan terms have been modified in TDRs. At June 30, 2012, the allowance for loan and lease losses included reserves of $2.4 million related to TDRs. For the three and six months ended June 30, 2012, First Financial charged off $2.1 million and $4.7 million for the portion of TDRs determined to be uncollectible. Additionally, at June 30, 2012, approximately $1.8 million of the accruing TDRs have been performing in accordance with the restructured terms for more than one year.

First Financial had 78 TDRs totaling $22.1 million at December 31, 2011, including $4.0 million of loans on accrual status and $18.1 million of loans classified as nonaccrual. First Financial had no commitments outstanding to lend additional funds to borrowers whose loan terms have been modified in TDRs. At December 31, 2011, the allowance for loan and lease losses included reserves of $4.3 million related to TDRs. At December 31, 2011, approximately $1.3 million of the accruing TDRs had been performing in accordance with the restructured terms for more than one year.

The following table provides information on loan modifications classified as TDRs during the three and six months ended June 30, 2012.

	Three Months Ended June 30, 2012			Six Months Ended June 30, 2012		
	Total TDRs			Total TDRs		
(Dollars in thousands)	Number of Loans	Pre-Modification Loan Balance	Period End Balance	Number of Loans	Pre-Modification Loan Balance	Period End Balance
Commercial	2	$ 66	$ 66	10	$ 4,571	$ 4,562
Real estate - construction	0	0	0	0	0	0
Real estate - commercial	8	909	901	14	4,749	4,718
Real estate - residential	2	164	166	2	164	166
Installment	0	0	0	0	0	0
Home equity	0	0	0	0	0	0
Total	12	$ 1,139	$ 1,133	26	$ 9,484	$ 9,446

The following table provides information on how TDRs were modified during the three and six months ended June 30, 2012.

	June 30, 2012 (2)	
(Dollars in thousands)	Three Months Ended	Six Months Ended
Extended maturities	$ 406	$ 7,260
Adjusted interest rates	166	166
Combination of rate and maturity changes	468	563
Forbearance	93	1,236
Other (1)	0	221
Total	$ 1,133	$ 9,446

(1) Other includes covenant modifications and other concessions or combination of concessions that do not consist of interest rate adjustments, forbearance, and maturity extensions.
(2) Balances are as of period end.

First Financial considers repayment performance as an indication of the effectiveness of the Company's loan modifications. First Financial considers a borrower that is 90 days or more past due on any principal or interest payments for a TDR, or who prematurely terminates a restructured loan agreement without satisfying the contractual principal balance (for example, in a deed-in-lieu arrangement), to be in payment default of the terms of the TDR agreement.

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There was one loan modification classified as a TDR in the last twelve months that experienced a payment default during the six months ended June 30, 2012. It was a commercial loan with a balance of $1.0 million as of June 30, 2012.

Impaired Loans. Loans placed in nonaccrual status and TDRs are considered impaired. The following table provides information on nonaccrual, TDRs and total impaired loans:

(Dollars in thousands)	June 30, 2012	December 31, 2011
Impaired loans		
Nonaccrual loans		
Commercial	$12,065	$7,809
Real estate-construction	7,243	10,005
Real estate-commercial	36,116	28,349
Real estate-residential	5,069	5,692
Installment	319	371
Home equity	2,281	2,073
Nonaccrual loans	63,093	54,299
Troubled debt restructurings		
Accruing	9,909	4,009
Nonaccrual	10,185	18,071
Total troubled debt restructurings	20,094	22,080
Total impaired loans	$83,187	$76,379

	Three months ended June 30,		Six months ended June 30,	
(Dollars in thousands)	2012	2011	2012	2011
Interest income effect on impaired loans				
Gross amount of interest that would have been recorded under original terms	$1,259	$1,304	$2,589	$2,713
Interest included in income				
Nonaccrual loans	140	105	349	250
Troubled debt restructurings	148	84	231	166
Total interest included in income	288	189	580	416
Net impact on interest income	$971	$1,115	$2,009	$2,297

First Financial individually reviews all impaired commercial loan relationships greater than $250,000, as well as consumer loan TDRs greater than $100,000, to determine if a specific allowance based on the borrower's overall financial condition, resources and payment record, support from guarantors, and the realizable value of any collateral is necessary. Specific allowances are based on discounted cash flows using the loan's initial effective interest rate or the fair value of the collateral for certain collateral dependent loans.

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First Financial's investment in impaired loans was as follows:

	As of June 30, 2012					
(Dollars in thousands)	Current Balance	Contractual Principal Balance	Related Allowance	Average Current Balance	YTD Interest Income Recognized	Quarterly Interest Income Recognized
Loans with no related allowance recorded						
Commercial	$9,239	$11,621	$0	$8,461	$92	$37
Real estate - construction	5,524	6,350	0	5,590	10	5
Real estate - commercial	17,362	21,842	0	15,161	102	67
Real estate - residential	7,930	9,096	0	8,203	35	19
Installment	432	461	0	470	1	0
Home equity	2,281	2,557	0	2,123	4	2
Loans with an allowance recorded						
Commercial	8,907	9,972	3,179	5,305	87	72
Real estate - construction	3,001	5,109	1,261	7,292	59	14
Real estate - commercial	26,151	30,048	8,764	25,590	170	63
Real estate - residential	2,259	2,263	295	2,475	20	9
Installment	0	0	0	0	0	0
Home equity	101	101	2	67	0	0
Total						
Commercial	18,146	21,593	3,179	13,766	179	109
Real estate - construction	8,525	11,459	1,261	12,882	69	19
Real estate - commercial	43,513	51,890	8,764	40,751	272	130
Real estate - residential	10,189	11,359	295	10,678	55	28
Installment	432	461	0	470	1	0
Home equity	2,382	2,658	2	2,190	4	2
Total	$83,187	$99,420	$13,501	$80,737	$580	$288

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(Dollars in thousands)	As of December 31, 2011 Current Balance	Contractual Principal Balance	Related Allowance	Average Current Balance	Interest Income Recognized
Loans with no related allowance recorded					
Commercial	$6,351	$8,387	$0	$7,337	$62
Real estate - construction	6,289	11,129	0	5,657	2
Real estate - commercial	14,999	22,718	0	18,306	249
Real estate - residential	8,639	9,580	0		