TABLE OF CONTENTS

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2023

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES ACT OF 1934

Commission File Number 001-34762

FIRST FINANCIAL BANCORP.

(Exact name of registrant as specified in its charter)

Ohio	**31-1042001**
(State of incorporation)	(I.R.S. Employer Identification No.)

255 East Fifth Street, Suite 800	**Cincinnati Ohio**	**45202**
(Address of principal executive offices)		(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Trading symbol**	**Name of each exchange on which registered**
Common stock, No par value	**FFBC**	**The NASDAQ Stock Market LLC**

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

☒ Yes ☐ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

☐ Yes ☒ No

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 ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Date File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

The aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the sales price of the last trade of such stock as of June 30, 2023, was $1,905,507,000. (The exclusion from such amount of the market value of the shares owned by any person shall not be deemed an admission by the registrant that such person is an affiliate of the registrant.)

As of February 21, 2024, there were issued and outstanding 95,074,325 common shares of the registrant.

Documents Incorporated by Reference:

Portions of the registrant's Annual Report to Shareholders for the year ended December 31, 2023 (Exhibit 13) are incorporated by reference into Parts I, II and III. Portions of the registrant's definitive Proxy Statement for the Annual Meeting of Shareholders to be held on May 28, 2024 are incorporated by reference into Part III.

FORM 10-K CROSS REFERENCE INDEX

			Page
Part I	Item 1	Business	1
	Item 1A	Risk Factors	12
	Item 1B	Unresolved Staff Comments	24
	Item 1C	Cybersecurity	24
	Item 2	Properties	25
	Item 3	Legal Proceedings	25
	Item 4	Mine Safety Disclosures	25
		Supplemental Item - Executive Officers of the Registrant	26
Part II	Item 5	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	28
	Item 6	Selected Financial Data	28
	Item 7	Management's Discussion and Analysis of Financial Condition and Results of Operations	28
	Item 7A	Quantitative and Qualitative Disclosures about Market Risk	28
	Item 8	Financial Statements and Supplementary Data	29
	Item 9	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	29
	Item 9A	Controls and Procedures	29
	Item 9B	Other Information	29
Part III	Item 10	Directors, Executive Officers, and Corporate Governance	30
	Item 11	Executive Compensation	30
	Item 12	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	30
	Item 13	Certain Relationships and Related Transactions and Director Independence	30
	Item 14	Principal Accounting Fees and Services	30
Part IV	Item 15	Exhibits, Financial Statement Schedules	31
	Item 16	Form 10-K Summary	35
Signatures			36

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Report on Form 10-K and the documents incorporated by reference that are not statements of historical fact, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, without limitation, the statements specifically identified as forward-looking statements within this Annual Report on Form 10-K. In addition, certain statements in future filings by us with the SEC, in press releases, and in oral and written statements made by or with our approval, which are not statements of historical fact constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Examples of forward-looking statements include: (i) projections of income or expense, earnings per share, the payment or non-payment of dividends, capital structure and other financial items; (ii) statements of our plans and objectives of our management or Board of Directors, including those relating to products or services or potential acquisition activity; (iii) statements of future economic performance; and (iv) statements of assumptions underlying such statements. Words such as “believes,” “anticipates,” "likely," “expected,” "estimated," “intends,” and other similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for forward-looking statements to encourage companies to provide prospective information so long as those statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those discussed in the forward-looking statements. We desire to take advantage of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995.

Forward-looking statements involve risks and uncertainties. Actual results may differ materially from those predicted by the forward-looking statements because of various factors and possible events, including those factors and events identified (i) in "Item 1A. Risk Factors" of this Annual Report on Form 10-K and (ii) in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of First Financial's 2023 Annual Report to Shareholders (included within Exhibit 13 to this Annual Report on Form 10-K and incorporated by reference into Item 7 of this Annual Report on Form 10-K).

Forward-looking statements speak only as of the date on which they are made, and, except as may be required by law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are qualified in their entirety by the foregoing cautionary statements.

PART I

Item 1. Business.

First Financial Bancorp.

First Financial Bancorp., an Ohio corporation (First Financial or the Company), was formed in 1982. First Financial is a mid-sized, regional bank holding company headquartered in Cincinnati, Ohio, which has elected to become a financial holding company. References in this Form 10-K to "we," "us" or "our" refer, as the context requires, to First Financial and its subsidiaries, collectively or to First Financial as the holding company.

First Financial engages in the business of commercial banking and other banking and banking-related activities through its wholly-owned subsidiary, First Financial Bank (the Bank), which was founded in 1863. Effective December 30, 2016, the Bank converted its charter to an Ohio state chartered bank from a nationally chartered bank.

The range of banking services provided by First Financial to individuals and businesses includes commercial lending, real estate lending and consumer financing. Real estate loans are loans secured by a mortgage lien on the real property of the borrower, which may either be residential property (one to four family residential housing units) or commercial property (owner-occupied and/or investor income producing real estate, such as apartments, shopping centers, or office buildings). Risk of loss related to lending activities is managed by adherence to standard loan policies that establish certain levels of performance prior to the extension of a loan to the borrower. In addition, First Financial offers deposit products that include interest-bearing and noninterest-bearing accounts, time deposits and cash management services for commercial customers. A full range of trust and wealth management services is also provided through First Financial's Wealth Management line of business.

Commercial and industrial loans are made to all types of businesses for a variety of purposes including, but not limited to, inventory, receivables and equipment. First Financial works with businesses to meet their shorter-term working capital needs while also providing long-term financing for their business plans. First Financial also offers lease and equipment financing through two wholly-owned subsidiaries of the Bank, First Financial Equipment Finance LLC (First Equipment Finance) and Summit Funding Group, Inc. (Summit) (discussed below). Credit risk for lending activities is managed through standardized loan policies, established and authorized credit limits, centralized portfolio management and the diversification of market area and industries. The overall strength of the borrower is evaluated through the credit underwriting process and includes a variety of analytical activities, including the review of historical and projected cash flows, financial performance, financial strength of the principals and guarantors and collateral values, where applicable.

Commercial and industrial lending activities also include equipment and leasehold improvement financing for franchisees throughout the U.S., principally in the quick service and casual dining sector. The underwriting of these loans incorporates basic credit proficiencies combined with knowledge of select franchise concepts to measure the creditworthiness of proposed multi-unit borrowers. The focus is on a limited number of concepts that we believe have sound economics, lower closure rates, and higher brand awareness within specified local, regional or national markets. Loan terms for equipment are generally up to 84 months fully amortizing and up to 180 months on real estate-related requests.

First Financial also offers secured commercial financing throughout the U.S. through two wholly-owned subsidiaries of the Bank, Oak Street Funding LLC (Oak Street) and First Franchise Capital Corporation (First Franchise). Oak Street lends to the insurance industry, registered investment advisors, certified public accountants and indirect auto finance companies, while First Franchise lends to restaurant franchisees. Together, these niche lending activities are driven by acquisitions, ownership transitions and financing general working capital needs. The underwriting of Oak Street's loans involves analyses of collateral (through use of Oak Street's proprietary system) that consists of revenue, which is then continuously monitored by Oak Street throughout the life of the loans.

Commercial real estate loans are secured by a mortgage lien on the real property. The credit underwriting for both owner-occupied and investor income producing real estate loans includes detailed market analysis, historical and projected cash flow analysis, appropriate equity margins, assessment of lessees and lessors, type of real estate and other analyses. Market diversification within First Financial's service area and industry diversification are other means by which First Financial manages the risk. First Financial does not have a significant exposure to residential builders and developers.

Certain residential real estate loans originated by the Bank conform to secondary market underwriting standards and are sold within a short timeframe to unaffiliated third parties. The Bank sells these loans with both servicing retained and servicing released, depending on pricing and other market conditions. The credit underwriting standards adhere to a required level of

documentation, verifications, valuation and overall credit performance of the borrower. The underwriting of these loans includes an evaluation of these and other pertinent factors prior to the extension of credit. These underwriting standards increase the marketability and address the credit risk associated with the loans.

Consumer loans are primarily loans made to individuals. These types of loans include new and used vehicle loans, second mortgages on residential real estate and unsecured loans. Risk elements in the consumer loan portfolio are primarily focused on the borrower's cash flow and credit history, which are key indicators of the ability to repay. A level of security is provided through liens on automobile titles and second mortgage liens, where applicable. Consumer loans are generally smaller dollar amounts than other types of lending and are made to a large number of customers, increasing diversification within the portfolio. Economic conditions that affect consumers in First Financial's markets have a direct impact on the credit quality of these loans. Higher levels of unemployment, lower levels of income growth and weaker economic growth are factors that may adversely impact consumer loan credit quality.

Home equity lines of credit consist mainly of revolving lines of credit secured by residential real estate. Home equity lines of credit are generally governed by the same lending policies and subject to the same credit risk mitigants as described previously for residential real estate loans.

Bannockburn Global Forex (Bannockburn), a division of the Bank, is an industry-leading capital markets firm based in Cincinnati, Ohio, that provides transactional currency payments, foreign exchange hedging and other advisory products to closely held enterprises, financial sponsors and downstream financial institutions across the United States. Their primary focus is on small- and middle-market clients that have a need for tailored foreign exchange solutions. Bannockburn has a nationwide presence with offices in 10 locations throughout the U.S.

Information regarding statistical disclosure required by the Securities and Exchange Commission's Industry Guide 3 is included in "Table 4 - Statistical Information" of First Financial's 2023 Annual Report to Shareholders for the year ended December 31, 2023, and is incorporated herein by reference.

First Financial's executive office is located at 255 East Fifth Street, Suite 800, Cincinnati, Ohio 45202, and the telephone number is (877) 322-9530. We maintain a website with the address www.bankatfirst.com. The information contained on our website is not included, a part of or incorporated by reference into this Annual Report on Form 10-K. First Financial makes available its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports, free of charge, as soon as reasonably practicable after filing with the Securities and Exchange Commission (SEC), through its website, www.bankatfirst.com under the "Investor Relations" link, under "Financial Reporting." Copies of such reports also can be found on the SEC's website at www.sec.gov.

Human Capital

As of December 31, 2023, First Financial had approximately 2,165 employees located primarily in the states of Ohio, Indiana, Kentucky, and Illinois.

Employee Wellbeing. A key component of the Company's strategic intent is "Investing in our People." The company firmly believes that wellbeing is directly linked to engagement and engagement is a key pillar to the overall success. First Financial invests in employees and their families through various programs. One such program is the "Wellbeing Program," designed to support employees and their families in a holistic way, focusing on the five core areas of wellbeing: physical, financial, social, community and purpose. The program provides employees with incentives (such as health savings account contributions, paid time off and reimbursements) in exchange for voluntary participation in a range of activities, including an annual physical, health-risk assessment, webinar participation and enrollment in Company sponsored fitness activities. In 2023, 57% of eligible employees qualified for benefits under the Wellbeing Program. Additionally, First Financial partners with an independent primary care clinic that offers no or low cost preventive and routine care to associates and families.

Compensation and Benefits. First Financial offers employees competitive short-term and long-term compensation, a comprehensive set of benefits including health, dental and vision insurance, free or low-cost access to an independent provider of primary care clinics, life and disability programs, parental leave, product discounts and various expense reimbursement programs. First Financial also provides all eligible employees with a 5% annual allocation to the First Financial Pension Plan of eligible annual pay. The pension allocation is 100% company-paid, fully-vested and portable. The Bank regularly reviews it's total rewards practices to ensure compensation is equitable, taking into consideration such factors as experience, education, performance and market data.

Employee Engagement. First Financial launched its engagement strategy in 2020, partnering with a third party to create a culture of highly engaged employees by measuring employee engagement, providing manager training and coaching and developing action plans to deepen engagement. In July 2023 First Financial launched its fourth all-associate engagement survey. The results were positive and confirmed that engagement is strongly woven into the culture. The Bank sets clear expectations of managers for high-levels of accountability and to foster engagement principles. This focus drives the Company's success in improved client relations and outcomes. The engagement strategy includes coaching and training, intentional action plans, sharing success stories, and highlighting engagement champions. The 2023 survey results showed a marked increase in engagement from the survey conducted in 2022. As in prior years, teams throughout the Bank continue to engage in team huddles, manager and team training, town halls, mentoring, career and leadership development programs, and updated action plans to continue to drive engagement across the company. In 2023, we hosted monthly virtual town hall meetings for all associates, sharing business updates, opening the lines of communications and answering associate questions. In conjunction with senior management and town hall meetings, additional pulse surveys were completed which provided insight into our associates' needs, shaping future engagement strategies.

Diversity, Equity and Inclusion. First Financial prioritizes diversity, equity and inclusion (DEI) as an employer, a financial institution and as a member of the communities in which we operate. The DEI Committee of the Board provides guidance and oversight to First Financial's executive committee, the Diversity, Equity and Inclusion team, and the First Financial Diversity Council, which is comprised of 10 associates from across our footprint. First Financial supports eight associate-led Business Resource Groups (BRGs) designed to facilitate networking and leadership development. BRGs meet regularly throughout the year and host a variety of in person and virtual engagement opportunities. First Financial continues to develop our DEI strategy, which includes goals and action plans designed to increase associate and management diversity.

Subsidiaries

A listing of each of First Financial's subsidiaries can be found in Exhibit 21 to this Form 10-K.

Business Combinations

In December 2021, the Company completed its acquisition of Summit Funding Group, Inc. and its subsidiaries. Summit was a privately held, full service, equipment financing company that originates, purchases, sells and services equipment leases to commercial businesses in the United States and Canada. Upon completion of the transaction, Summit became a subsidiary of the Bank and continues to operate as Summit Funding Group, taking advantage of its existing brand recognition within the equipment financing industry. Pursuant to the purchase agreement, First Financial agreed to acquire all of the issued and outstanding equity securities of Summit for aggregate consideration of approximately $127.1 million consisting of $113.5 million in cash and $10.0 million of First Financial common stock, and a $3.6 million earn-out payment.

Market and Competitive Information

First Financial utilizes a community banking business model and serves a combination of metropolitan and non-metropolitan markets through its full-service banking centers primarily in Indiana, Ohio, Kentucky and Illinois. Market selection is based upon a number of factors, but markets are primarily chosen for their potential for growth, long-term profitability and customer reach. First Financial's goal is to develop a competitive advantage through a local market focus, building long-term relationships with clients to help them reach greater levels of financial success.

We also compete on a nationwide basis through Oak Street, which lends to the insurance industry, registered investment advisors, certified public accountants and indirect auto finance companies, First Franchise, which lends to restaurant franchisees, Bannockburn, which provides foreign exchange services to customers throughout the United States, and Summit, which provides equipment financing to commercial businesses to the United States and Canada.

The Company's markets support many different types of business activities, such as manufacturing, agriculture, education, healthcare and professional services. Within these markets, growth is projected to continue in key demographic groups and populations. First Financial's market evaluation includes demographic measures such as income levels, median household income and population growth. The Midwestern markets that First Financial serves have historically not experienced the level of economic volatility experienced in other areas of the country, although material fluctuations may occur.

First Financial believes that it is well positioned to compete in its markets. Smaller than super-regional and multi-national bank holding companies, First Financial believes that it can meet the needs of its markets through a local decision-making process and that it is better positioned to compete than smaller community banks that may have size or geographic limitations. First Financial's targeted customers include individuals and small to medium sized businesses within the Bank's geographic

footprint. Through its diversified delivery systems of banking centers, ATMs, internet banking and telephone-based transactions, First Financial is able to meet the needs of its customers in an ever-changing marketplace.

First Financial faces strong competition from financial institutions and other non-financial organizations. Its competitors include local and regional financial institutions, savings and loans and bank holding companies, as well as some of the largest banking organizations in the United States. In addition, other types of financial institutions, such as credit unions, offer a wide range of loan and deposit services that are competitive with those offered by First Financial. The consumer is also served by brokerage firms and mutual funds that provide checking services, credit cards, margin loans and other services similar to those offered by First Financial. Online lenders also create additional competition, particularly in the mortgage and consumer lending areas. Major consumer retail stores compete for loans by offering credit cards and retail installment contracts. It is anticipated that competition from other financial and non-financial services entities will continue and, for certain products and services, intensify.

Supervision and Regulation

First Financial and its subsidiaries are subject to an extensive system of laws and regulations that are intended primarily for the protection of consumers, depositors, borrowers, the Deposit Insurance Fund (DIF) of the Federal Deposit Insurance Corporation (FDIC), and the banking system in general and not for the protection of shareholders. These laws and regulations govern areas such as capital, permissible activities, allowance for credit losses, loans and investments, interest rates that can be charged on loans and consumer protection communications and disclosures. Certain elements of selected laws and regulations are described in more detail in the sections that follow. These descriptions are not intended to be complete and are qualified in their entirety by reference to the full text of the statutes and regulations described.

Bank Holding Company Regulation

As a bank holding company that has elected to become a financial holding company, First Financial is subject to the provisions of the Bank Holding Company Act of 1956, as amended (the BHCA), and is subject to supervision and examination by the Federal Reserve Board. The BHCA requires prior approval by the Federal Reserve Board in any case where a financial holding company proposes to: (i) acquire direct or indirect ownership or control of more than 5% of the voting shares of any bank that is not already majority-owned by the financial holding company; (ii) acquire all or substantially all of the assets of another bank or another financial or bank holding company; or (iii) merge or consolidate with any other financial or bank holding company. In addition, First Financial's acquisition of a savings and loan association requires prior Federal Reserve Board approval.

A qualifying bank holding company that has elected to become a financial holding company may affiliate with securities firms and insurance companies and engage in other activities that are financial in nature and not otherwise permissible for a bank holding company, if: (i) the holding company is "well managed" and "well capitalized" and (ii) each of its subsidiary banks (a) is well capitalized under the Federal Deposit Insurance Corporation Act of 1991 prompt corrective action provisions, (b) is well managed, and (c) has at least a "satisfactory" rating under the Community Reinvestment Act (CRA). No regulatory approval is required under the BHCA for a financial holding company to acquire a company, other than a bank or savings association, engaged in activities that are financial in nature or incidental to activities that are financial in nature, as determined by the Federal Reserve Board.

The Financial Services Modernization Act defines "financial in nature" to include:

- securities underwriting, dealing and market making;
- sponsoring mutual funds and investment companies;
- insurance underwriting and agency;
- merchant banking; and
- activities that the Federal Reserve Board has determined to be closely related to banking.

If a financial holding company or a subsidiary bank fails to maintain all requirements for the holding company to maintain financial holding company status, material restrictions may be placed on the activities of the holding company and its subsidiaries and on the ability of the holding company to enter into certain transactions and obtain regulatory approvals for new activities and transactions. The holding company could also be required to divest itself of subsidiaries that engage in activities that are not permitted for bank holding companies that are not financial holding companies. If restrictions are imposed on the activities of a financial holding company, the existence of such restrictions may not be made publicly available pursuant to confidentiality regulations of the bank regulatory agencies.

Each subsidiary bank of a financial holding company is subject to certain restrictions on the maintenance of reserves against deposits, extensions of credit to the financial holding company and its subsidiaries, investments in the stock and other securities of the financial holding company and its subsidiaries and the taking of such stock and securities as collateral for loans to borrowers. Further, a financial holding company and its subsidiaries are prohibited from engaging in certain tying arrangements in connection with any extension of credit, lease or sale of property or furnishing of any services. Various consumer laws and regulations also affect the operations of these subsidiaries.

In April 2020, the Federal Reserve Board adopted a final rule to revise its regulations related to determinations of whether a company has the ability to exercise control over another company for purposes of the Bank Holding Company Act. The final rule expands and codifies the presumptions for use in such determinations. By codifying the presumptions, the final rule provides greater transparency on the types of relationships that the Federal Reserve Board generally views as supporting a facts-and-circumstances determination that one company controls another company.

The Federal Reserve Board also has extensive enforcement authority over bank holding companies, including the ability to assess civil monetary penalties, issue cease and desist or removal orders, and require that a bank holding company divest subsidiaries (including a subsidiary bank). In general, the Federal Reserve Board may initiate enforcement actions for violations of laws and regulations and unsafe or unsound practices. A bank holding company is required by law and Federal Reserve Board policy to act as a source of financial strength to each subsidiary bank and to commit resources to support such subsidiary bank. The Federal Reserve Board may require a bank holding company to contribute additional capital to an undercapitalized subsidiary bank and may disapprove of the payment of dividends to its shareholders if the Federal Reserve Board believes the payment of such dividends would be an unsafe or unsound practice.

Federal Reserve System

The Federal Reserve Board requires all depository institutions to maintain reserves at specified levels against their transaction accounts, primarily checking accounts. In response to the COVID-19 pandemic, the Federal Reserve Board reduced reserve requirement ratios to 0% effective on March 26, 2020, to support lending to households and businesses. The reserve requirement ratio remained at 0% as of December 31, 2023.

Economic Growth, Regulatory Relief and Consumer Protection Act

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, as amended (the Dodd-Frank Act), imposes significant regulatory and compliance requirements, including the imposition of increased capital, leverage, and liquidity requirements, and numerous other provisions designed to improve supervision and oversight of, and strengthen safety and soundness within, the financial services sector.

On May 25, 2018, the Economic Growth, Regulatory Relief and Consumer Protection Act (the Regulatory Relief Act) was enacted to modify or remove certain financial reform rules and regulations, including some of those implemented under the Dodd-Frank Act. Bank holding companies with consolidated assets of less than $100 billion, including First Financial, are no longer subject to the enhanced prudential standards established under the Dodd-Frank Act. The Regulatory Relief Act also relieves bank holding companies and banks with consolidated assets of less than $100 billion, including First Financial, from certain record-keeping, reporting and disclosure requirements.

Depository Institution Regulation

The Bank, as a bank chartered under the laws of the State of Ohio and a member of the Federal Reserve Bank of Cleveland (Federal Reserve Bank), is subject to supervision and examination by the Federal Reserve Board and the Ohio Division of Financial Institutions (ODFI). The Bank's deposits are insured up to applicable legal limits by the DIF, which is administered by the FDIC and is subject to the provisions of the Federal Deposit Insurance Act, as amended (FDIA). The Bank is also subject to regulations of the Consumer Financial Protection Bureau (CFPB), which was established by the Dodd-Frank Act and has broad powers to adopt and enforce consumer protection regulations.

Regulatory Capital

Financial institutions and their holding companies are required to maintain capital as a way of absorbing losses. The Federal Reserve Board has adopted risk-based capital guidelines for bank holding companies as well as state banks that are members of a Federal Reserve Bank. The guidelines provide a systematic analytical framework that makes regulatory capital requirements sensitive to differences in risk profiles among banking organizations, takes off-balance sheet exposures expressly into account

in evaluating capital adequacy and incentivizes to holding liquid, low-risk assets. Capital levels as measured by these standards are also used to categorize financial institutions for purposes of certain prompt corrective action regulatory provisions.

In July 2013, the United States banking regulators approved final rules (the Basel III Capital Rules) implementing the Basel III framework set forth by the Basel Committee on Banking Supervision, as well as certain provisions of the Dodd-Frank Act. Community banking organizations, including First Financial and the Bank, began transitioning to the new rules when the new minimum capital requirements became effective on January 1, 2015. A capital conservation buffer (i.e. common equity) and additional deductions from common equity capital were phased in through January 1, 2019.

The Basel III capital rules include (i) a minimum common equity tier 1 capital ratio of 4.5%, (ii) a minimum tier 1 capital ratio of 6.0%, (iii) a minimum total capital ratio of 8.0% and (iv) a minimum leverage ratio of 4.0%.

Common equity for the common equity tier 1 capital ratio generally consists of common stock (plus related surplus), retained earnings, accumulated other comprehensive income (unless an institution elects to exclude such income from regulatory capital) and limited amounts of minority interests in the form of common stock, subject to applicable regulatory adjustments and deductions.

Tier 1 capital generally consists of common equity as defined for the common equity tier 1 capital ratio, plus certain non-cumulative preferred stock and related surplus, cumulative preferred stock and related surplus, trust preferred securities that have been grandfathered (but which are not otherwise permitted), and limited amounts of minority interests in the form of additional tier 1 capital instruments, less certain deductions.

Tier 2 capital, which can be included in the total capital ratio, generally consists of other preferred capital and subordinated debt meeting certain conditions plus limited amounts of the allowance for credit losses, subject to specified eligibility criteria, less applicable deductions.

The deductions from common equity tier 1 capital include goodwill and other intangibles, certain deferred tax assets, mortgage-servicing assets above certain levels, gains on sale in connection with a securitization, investments in a banking organization’s own capital instruments and investments in the capital of unconsolidated financial institutions (above certain levels).

Under the guidelines, capital is compared to the relative risk included in the balance sheet. To derive the risk included in the balance sheet, one of several risk weights is applied to different balance sheet and off-balance sheet assets, primarily based on the relative credit risk of the counterparty. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

The Basel III Capital Rules also place restrictions on the payment of capital distributions, including dividends and stock repurchases, and certain discretionary bonus payments to executive officers if the Company does not hold a capital conservation buffer of greater than 2.5% composed of common equity tier 1 capital compared to its minimum risk-based capital requirements, or if its eligible retained income is negative in that quarter and its capital conservation buffer ratio was less than 2.5% at the beginning of the quarter.

Federal banking regulators have established regulations governing prompt corrective action to resolve capital deficient banks. Under these regulations, institutions that become under-capitalized are subject to mandatory regulatory scrutiny and limitations, which increase as capital continues to decrease. Each such institution is also required to file a capital plan with its primary federal regulator, and its holding company must guarantee the capital shortfall up to 5% of the assets of the capital deficient institution at the time it becomes under-capitalized.

In accordance with the Basel III Capital Rules, in order to be “well-capitalized” under the prompt corrective action guidelines, a bank must have a common equity tier 1 capital ratio of at least 6.5%, a total risk-based capital ratio of at least 10.0%, a tier 1 risk-based capital ratio of at least 8.0% and a leverage ratio of at least 5.0%, and the bank must not be subject to any written agreement, order, capital directive or prompt corrective action directive to meet and maintain a specific capital level or any capital measure. At December 31, 2023, the Bank met the capital ratio requirements to be deemed “well-capitalized.”

A bank with a capital level that might qualify for well capitalized or adequately capitalized status may nevertheless be treated as though the bank is in the next lower capital category if the bank’s primary federal banking supervisory authority determines that an unsafe or unsound condition or practice warrants that treatment. A bank’s operations can be significantly affected by its capital classification under the prompt corrective action rules. For example, a bank that is not well capitalized generally is prohibited from accepting brokered deposits and offering interest rates on deposits higher than the prevailing rate in its market without advance regulatory approval. These deposit-funding limitations can have an effect on the bank’s liquidity. At each

successively lower capital category, an insured depository institution is subject to additional restrictions. Under-capitalized banks are required to take specified actions to increase their capital or otherwise decrease the risks to the DIF. Bank regulatory agencies generally are required to appoint a receiver or conservator within 90 days after a bank becomes critically under-capitalized with a leverage ratio of less than 2.0%. The FDIA provides that a federal bank regulatory authority may require a bank holding company to divest itself of an under-capitalized bank subsidiary if the agency determines that divestiture will improve the bank's financial condition and prospects.

In December 2018, the federal banking agencies issued a final rule to address regulatory treatment of credit loss allowances under the current expected credit loss (CECL) model (accounting standard). The rule revised the federal banking agencies' regulatory capital rules to identify which credit loss allowances under the CECL model are eligible for inclusion in regulatory capital and to provide banking organizations the option to phase in over three years the day-one adverse effects on regulatory capital that may result from the adoption of the CECL model. Concurrent with the enactment of the Coronavirus Aid, Relief, and Economic Recovery Act (CARES Act) in March 2020, federal banking agencies issued an interim final rule that delayed the estimated impact on regulatory capital resulting from the adoption of CECL. The interim final rule provided banking organizations that implemented CECL prior to the end of 2020 the option to delay for two years the estimated impact of CECL on regulatory capital relative to regulatory capital determined under the prior incurred loss methodology, followed by a three-year transition period to phase out the aggregate amount of capital benefit provided during the initial two-year delay. First Financial adopted the capital transition relief over the five year permissible period.

Debit Card Interchange Fees

The "Durbin Amendment" to the Dodd-Frank Act, also known as Regulation II, was enacted into law in July 2010. The Durbin Amendment limits the amount of interchange fees that banks with assets of $10 billion or more may charge to process electronic debit transactions. Under the Durbin Amendment and the Federal Reserve Board's implementing regulations, bank issuers which are not exempt may only receive an interchange fee from merchants that is reasonable and proportional to the cost of clearing the transaction. The maximum permissible interchange fee is equal to no more than $0.21 plus 5 basis points of the transaction value for many types of debit interchange transactions. A debit card issuer may also recover $0.01 per transaction for fraud prevention purposes if the issuer complies with certain fraud-related requirements established by the Federal Reserve Board. In addition, the Federal Reserve Board has rules governing routing and exclusivity that require issuers to offer two unaffiliated networks for routing transactions on each debit or prepaid product.

Limitations on Dividends and Other Payments

There are various legal limitations on the extent to which a subsidiary bank may finance or otherwise supply funds to its parent holding company. Under applicable federal and state laws, the Bank may not, subject to certain limited exceptions, make loans or extensions of credit to, or investments in the securities of, First Financial. A subsidiary bank is also subject to collateral security requirements for any loan or extension of credit permitted by such exceptions.

The Bank may not pay dividends out of its surplus if, after paying these dividends, it would fail to meet the required minimum capital levels established by the Federal Reserve Board. The amount of dividends payable by the Bank is also restricted if the Bank does not hold a capital conservation buffer as described above. In addition, the Bank must have the approval of the Federal Reserve Board and the ODFI if a dividend in any year would cause the total dividends for that year to exceed the sum of the Bank's net income for the current year and the retained earnings for the preceding two years, less required transfers to surplus or to fund the retirement of preferred stock. Under Ohio law, the Bank may pay a dividend from surplus only with the approval of First Financial (as the sole shareholder of the Bank) and the approval of the ODFI. Payment of dividends by the Bank may be restricted at any time at the discretion of its regulatory authorities, if such regulatory authorities deem such dividends to constitute unsafe and/or unsound banking practices or if necessary to maintain adequate capital.

The ability of First Financial to obtain funds for the payment of dividends, for the servicing of indebtedness and for other cash requirements is largely dependent on the amount of dividends that may be declared by the Bank. However, because the Federal Reserve Board expects First Financial to serve as a source of strength to the Bank, as discussed above, payment of dividends by the Bank may be restricted at any time at the discretion of the Federal Reserve Board if the Federal Reserve Board deems such dividends to constitute an unsafe and/or unsound banking practice.

The Federal Reserve Board has also issued a policy statement with regard to the payment of cash dividends by financial holding companies and other bank holding companies. The policy statement provides that, as a matter of prudent banking, a bank holding company should not maintain a rate of cash dividends unless its net income available to common shareholders over the past year has been sufficient to fully fund the dividends, and the prospective rate of earnings retention appears to be consistent with the bank holding company's capital needs, asset quality, and overall financial condition. Accordingly, a bank holding

company generally should not pay cash dividends that exceed its net income or that can only be funded in ways that weaken the bank holding company's financial health, such as by borrowing. Under certain circumstances, a bank holding company must provide notice to the Federal Reserve Board of an intended dividend payment, to which the Federal Reserve Board might object if it determines the payment would be an unsafe or unsound practice.

Insurance of Accounts

The FDIC maintains the DIF, which insures the deposit accounts of the Bank to the maximum amount provided by law. The general insurance limit is $250,000 per separately insured depositor. This insurance is backed by the full faith and credit of the United States government.

The FDIC assesses deposit insurance premiums on each insured institution quarterly based on risk characteristics of the institution. As a bank with assets of more than $10 billion, First Financial is subject to a deposit assessment based on a scorecard issued by the FDIC. This scorecard considers, among other things, the Bank's CAMELS rating, results of asset-related stress testing and funding-related stress, as well as its use of core deposits, among other things. Depending on the results of the Bank's performance under that scorecard, the total base assessment rate is between 1.5 and 40 basis points. The FDIC may also impose a special assessment in an emergency situation.

The FDIA requires the FDIC's Board of Directors to set a target or Designated Reserve Ratio (DRR) for the DIF annually. The DRR is the total of the DIF divided by the total estimated insured deposits of the industry. Under the long-range plan, the FDIC set the DRR at 2.0% and set a schedule of assessment rates that would progressively decrease when the DRR reached 2.0% and 2.5%. The FDIC views the 2.0% DRR as a long-term goal and the minimum level needed to withstand future crises of the magnitude of past crises. Extraordinary growth in insured deposits during the first and second quarters of 2020 caused the DRR to decline below the statutory minimum of 1.35% as of June 30, 2020. In September 2020, the FDIC Board of Directors adopted a restoration plan to restore the DRR to at least 1.35% by 2028, absent extraordinary circumstances, as required by the FDIC. The restoration plan maintained the assessment rate schedules in place at the time and required the FDIC to update its analysis and projections for the DIF balance and DRR at least semiannually.

In the semiannual update for the restoration plan in June 2022, the FDIC projected that the DRR was at risk of not reaching the statutory minimum of 1.35% by September 30, 2028, the statutory deadline to restore the DRR. Based on this update, the FDIC Board approved an amended restoration plan, and concurrently proposed an increase in initial base deposit insurance assessment rate schedules uniformly by two basis points, applicable to all insured depository institutions. In October 2022, the FDIC Board finalized the increase with an effective date of January 1, 2023, applicable to the first quarterly assessment period of 2023. The revised assessment rate schedules are intended to increase the likelihood that the DRR reaches the statutory minimum level of 1.35% by September 30, 2028. In the FDIC's most recent semiannual update for the amended restoration plan in November 2023, the FDIC noted that increased loss provisions associated with the failures of Silicon Valley Bank, Signature Bank and First Republic Bank in 2023 that reduced the DIF balance, coupled with strong growth in insured deposits, resulted in the reserve ratio declining 15 basis points from 1.25% as of December 31, 2022 to 1.10% as of June 30, 2023. Despite the decline in the reserve ratio, the FDIC staff projected that the reserve ratio remains on track to reach the statutory minimum of 1.35% ahead of the deadline of September 30, 2028. As a result, the FDIC staff recommended no changes to the amended restoration Plan and all scheduled assessment rates were maintained.

On November 16, 2023, the FDIC adopted a final rule implementing a special assessment to recover the loss to the DIF arising from the protection of uninsured depositors following the failures of Silicon Valley Bank and Signature Bank. The assessment base for the special assessment is equal to an insured depository institution's estimated uninsured deposits reported for the quarter ended December 31, 2022, adjusted to exclude the first $5 billion in estimated uninsured deposits. The FDIC will collect the special assessment at an annual rate of approximately 13.4 basis points, over eight quarterly assessment periods, beginning with the first quarter of 2024. For the quarter ended December 31, 2022, the Bank reported $5.3 billion in uninsured deposits and recorded a $0.9 million expense in the fourth quarter of 2023 reflecting the full assessment.

As insurer, the FDIC is authorized to conduct examinations of and to require reporting by DIF-insured institutions. Insurance of deposits may be terminated by the FDIC upon a finding that the institution has engaged or is engaging in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC or written agreement entered into with the FDIC.

Consumer Protection Laws and Regulations

Banks are subject to regular examination to ensure compliance with federal statutes and regulations applicable to their business, including consumer protection statutes and implementing regulations. The Dodd-Frank Act established the CFPB, which has

extensive regulatory and enforcement powers over consumer financial products and services. As a bank with total assets in excess of $10 billion, the Bank is primarily examined by the CFPB with respect to consumer protection laws and regulations. The CFPB has adopted numerous rules with respect to consumer protection laws and has commenced related enforcement actions. The following are just a few of the consumer protection laws applicable to the Bank:

- The CRA: imposes a continuing and affirmative obligation to fulfill the credit needs of its entire community, including low- and moderate-income neighborhoods.
- Equal Credit Opportunity Act: prohibits discrimination in any credit transaction on the basis of any of various criteria.
- Truth in Lending Act: requires that credit terms are disclosed in a manner that permits a consumer to understand and compare credit terms more readily and knowledgeably.
- Fair Housing Act: makes it unlawful for a lender to discriminate in its housing-related lending activities against any person on the basis of any of certain criteria.
- Home Mortgage Disclosure Act: requires financial institutions to collect data that enables regulatory agencies to determine whether the financial institutions are serving the housing credit needs of the communities in which they are located.
- Real Estate Settlement Procedures Act: requires that lenders provide borrowers with disclosures regarding the nature and cost of real estate settlements and prohibits abusive practices that increase borrowers' costs.
- Privacy provisions of the Gramm-Leach-Bliley Act: requires financial institutions to establish policies and procedures to restrict the sharing of non-public customer data with non-affiliated parties and to protect customer information from unauthorized access.

The banking regulators also use their authority under the Federal Trade Commission Act to take supervisory or enforcement action with respect to unfair or deceptive acts or practices by banks that may not necessarily fall within the scope of specific banking or consumer finance law.

On July 22, 2020, the CFPB issued a final small dollar loan rule related to payday, vehicle title and certain high cost installment loans (the Small Dollar Rule) that modified a former rule that was issued in November 2013. Lenders were required to comply with the Small Dollar Rule by June 13, 2022. Specifically, the Small Dollar Rule revokes provisions contained in the 2013 rule that: (i) provide that it is an unfair and abusive practice for a lender to make a covered short-term or longer-term balloon-payment loan, including payday and vehicle title loans, without reasonably determining that consumers have the ability to repay those loans according to their terms; (ii) prescribe mandatory underwriting requirements for making the ability-to-repay determination; (iii) exempt certain loans from mandatory underwriting requirements; and (iv) establish related definitions, reporting, and recordkeeping requirements. However, due to continuing appellate litigation regarding the constitutionality of the CPFB's funding structure, which stems, in part, from legal challenges to the Small Dollar Rule, the effective date for nationwide compliance with the Final Small Dollar Rule remains uncertain at this time.

Separately, the federal bank regulatory agencies issued interagency guidance on May 20, 2020, to encourage banks, savings associations, and credit unions to offer responsible small-dollar loans to customers for consumer and small business purposes. The Small Dollar Rule did not have a material effect on First Financial's financial condition or results of operations on a consolidated basis in 2022 or 2023.

Community Reinvestment Act

Under the CRA, every FDIC-insured institution is obligated, consistent with safe and sound banking practices, to help meet the credit needs of its entire community, including low and moderate income neighborhoods. The CRA requires the appropriate federal banking regulator, in connection with the examination of an insured institution, to assess the institution's record of meeting the credit needs of its community and to consider this record in its evaluation of certain applications to banking regulators, such as an application for approval of a merger or the establishment of a branch. An unsatisfactory rating may be used as the basis for the denial of an application and will prevent a bank holding company from making an election to become a financial holding company. As of its most recent examination, the Bank received a CRA rating of "outstanding."

On October 24, 2023, the federal banking agencies, including the Federal Reserve Board, issued a final rule designed to strengthen and modernize the regulations implementing the CRA. The changes are designed to encourage banks to expand access to credit, investment and banking services in low- and moderate-income communities, adapt to changes in the banking industry, including mobile and internet banking, provide greater clarity and consistency in the application of the CRA regulations and tailor CRA evaluations and data collection to bank size and type. The applicability date for the majority of the changes to the CRA regulations is January 1, 2026, and additional requirements will be applicable on January 1, 2027. First Financial cannot predict the impact the changes to the CRA will have on its operations at this time.

Privacy Rules

Federal banking regulators, as required under the Gramm-Leach-Bliley Act, as amended (the GLBA), have adopted rules limiting the ability of banks and other financial institutions to disclose nonpublic information about consumers to non-affiliated third parties. The rules require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to non-affiliated third parties. The privacy provisions of the GLBA affect how consumer information is transmitted through diversified financial services companies and conveyed to outside vendors.

Fiscal and Monetary Policies

The earnings of banks, and, therefore, the earnings of First Financial (and its subsidiaries), are affected by the fiscal and monetary policies of the United States government and its agencies, including the Federal Reserve Board. An important function of the Federal Reserve Board is to regulate the national supply of bank credit in an effort to prevent recession and to restrain inflation. Among the procedures used to implement these objectives are open market operations in United States government securities, changes in the discount rate on member bank borrowings, and changes in reserve requirements on member bank deposits. These policies are used in varying degrees and combinations to directly affect the availability of bank loans and deposits, as well as the interest rates charged on loans and paid on deposits.

Volcker Rule

In December 2013, five federal agencies adopted a final regulation implementing the so-called Volcker Rule provision of the Dodd-Frank Act (the Volcker Rule). The Volcker Rule placed limits on the trading activity of insured depository institutions and entities affiliated with depository institutions, subject to certain exceptions. Such trading activity included the purchase or sale as principal of a security derivative, commodity future, option, or similar instrument in order to benefit from short-term price movements or to realize short-term profits. The Volcker Rule exempted trading in specified United States government, agency, state and/or municipal obligations. The Volcker Rule also excluded: (i) trading conducted in certain capacities, including as a broker or other agent, through a deferred compensation or pension plan, as a fiduciary on behalf of customers; (ii) trading to satisfy a debt previously contracted; (iii) trading under certain repurchase and securities lending agreements; and (iv) trading in connection with risk-mitigating hedging activities. Further, the Volcker Rule prohibited a banking entity from having an ownership interest in, or certain relationships with, a hedge fund or private equity fund, also known as “covered funds,” subject to a number of exceptions.

On June 25, 2020, the federal bank regulatory agencies finalized a rule modifying the Volcker Rule’s prohibition on banking entities investing in or sponsoring covered funds. The new rule permits certain banking entities to offer financial services and engage in other activities that do not raise concerns that the Volcker Rule was originally intended to address. To the extent First Financial engages in any of the trading activities or has any ownership interests in or relationship with any of the types of funds regulated by the Volcker Rule, First Financial believes that its activities and relationships comply with such rule, as modified through rule-making.

Office of Foreign Assets Control Regulation

The United States Treasury Department’s Office of Foreign Assets Control (OFAC) administers and enforces economic and trade sanctions against targeted foreign countries and regimes, under authority of various laws, including designated foreign countries, nationals and others. OFAC publishes lists of specially designated targets and countries. First Financial is responsible for, among other things, blocking accounts of, and transactions with, such targets and countries, prohibiting unlicensed trade and financial transactions with them and reporting blocked transactions after their occurrence. Failure to comply with these sanctions could have serious financial, legal and reputational consequences, including causing applicable bank regulatory authorities not to approve merger or acquisition transactions when regulatory approval is required or to prohibit such transactions even if approval is not required. Regulatory authorities have imposed cease and desist orders and civil money penalties against institutions found to be violating these obligations.

Incentive Compensation

Following the adoption of additional listing requirements in 2023 to comply with the Dodd-Frank Act and rules adopted by the SEC in October 2022, public companies are now required to adopt, implement and disclose a "clawback" policy for incentive compensation payments that allows recovery of incentive compensation that was paid on the basis of erroneous financial information necessitating an accounting restatement due to material noncompliance with financial reporting requirements. This clawback policy is intended to apply to compensation paid within the three completed fiscal years immediately preceding the date the issuer is required to prepare a restatement and would cover all executives (including former executives) who received incentive awards. First Financial has adopted and implemented a clawback policy, which is included as Exhibit 97 to this Report.

Transactions with Affiliates; Insider Loans

Sections 23A and 23B of the Federal Reserve Act and Federal Reserve Board Regulation W generally:

- limit the extent to which a bank or its subsidiaries may engage in “covered transactions” with any one affiliate to an amount equal to 10.0% of the bank's capital stock and surplus;
- limit the extent to which a bank or its subsidiaries may engage in “covered transactions” with all affiliates to an amount equal to 20.0% of the bank's capital stock and surplus; and
- require that all such transactions be on terms substantially the same, or at least as favorable to the bank or subsidiary, as those provided to a non-affiliate.

An affiliate of a bank is any company or entity that controls, is controlled by or is under common control with the bank. The term “covered transaction” includes the making of loans to the affiliate, the purchase of assets from the affiliate, the issuance of a guarantee on behalf of the affiliate, the purchase of securities issued by the affiliate and other similar types of transactions.

A bank’s authority to extend credit to executive officers, directors and greater than 10.0% shareholders, as well as entities such persons control, is subject to Sections 22(g) and 22(h) of the Federal Reserve Act and Regulation O promulgated thereunder by the Federal Reserve Board. Among other things, these loans must be made on terms (including interest rates charged and collateral required) substantially similar to those offered to unaffiliated individuals or be made as part of a benefit or compensation program on terms widely available to employees and must not involve a greater than normal risk of repayment. In addition, the amount of loans a bank may make to these persons is based, in part, on the bank’s capital position, and specified approval procedures must be followed in making loans which exceed specified amounts.

Cybersecurity

In March 2015, federal regulators issued two related statements regarding cybersecurity. One statement indicates that financial institutions should design multiple layers of security controls to establish several lines of defense and to ensure that their risk management processes also address the risk posed by compromised customer credentials, including security measures to reliably authenticate customers accessing Internet-based services of the financial institution. The other statement indicates that a financial institution’s management is expected to maintain sufficient business continuity planning processes to ensure the rapid recovery, resumption and maintenance of the financial institution’s operations after a cyber-attack involving destructive malware. A financial institution is also expected to develop appropriate processes to enable recovery of data and business operations and address rebuilding network capabilities and restoring data if the financial institution or its critical service providers fall victim to this type of cybersecurity-attack. If First Financial fails to observe the regulatory guidance, it could be subject to various regulatory sanctions, including financial penalties.

In November 2021, the FDIC, the OCC and the Federal Reserve Board issued a final rule that became effective in May 2022 requiring banking organizations that experience a computer-security incident to notify certain entities. A computer-security incident occurs when there is a violation or imminent threat of a violation to banking security policies and procedures, or when actual or potential harm to the confidentiality, integrity, or availability of an information system or the information occurs. The affected bank must notify its respective federal regulator of the computer-security incident as soon as possible and no later than 36 hours after the bank determines a computer-security incident that rises to the level of a notification incident has occurred. These notifications are intended to promote early awareness of threats to banking organizations and will help banks react to those threats before they manifest into larger incidents. This rule also requires bank service providers to notify their customers of a computer-security incident that has caused, or is reasonably likely to cause, a material service disruption or degradation for four or more hours.

State regulators have also been increasingly active in implementing privacy and cybersecurity standards and regulations. Recently, several states have adopted regulations requiring certain financial institutions to implement cybersecurity programs and providing detailed requirements with respect to these programs, including data encryption requirements. Many states have also recently implemented or modified their data breach notification and data privacy requirements. First Financial expects this trend of new state-level activity to continue and is actively monitoring developments in the states in which we conduct business.

On July 26, 2023, the SEC adopted final rules that require public companies to promptly disclose material cybersecurity incidents in a Current Report on Form 8-K and detailed information regarding their cybersecurity risk management, strategy, and governance on an annual basis in an Annual Report on Form 10-K. Companies are required to report on Form 8-K any cybersecurity incident they determine to be material within four business days of making that determination. See "ITEM 1C CYBERSECURITY" of Part 1 of this Report. These SEC rules, and any other regulatory guidance, are in addition to notification and disclosure requirements under state and federal banking law and regulations.

In the ordinary course of business, First Financial relies on electronic communications and information systems to conduct its operations and to store sensitive data. First Financial employs an in-depth, layered, defensive approach that leverages people, processes, encryption and multi-factor authentication technology to manage and maintain cybersecurity controls. First Financial utilizes a variety of preventative and detective tools to monitor, block, and provide alerts regarding suspicious activity, as well as report on any suspected advanced persistent threats. Notwithstanding the strength of First Financial's defensive measures, the threat from cybersecurity-attacks is severe, attacks are sophisticated and increasing in volume, and attackers respond rapidly to changes in defensive measures. First Financial's systems and those of its customers and third-party service providers are under constant threat and it is possible that First Financial could experience a significant event in the future. Risks and exposures related to cybersecurity attacks are expected to remain high for the foreseeable future due to the rapidly evolving nature and sophistication of these threats, in addition to the expanding use of Internet banking, mobile banking and other technology-based products and services by us and our customers.

Patriot Act

A major focus of governmental policy on financial institutions in recent years has been aimed at combating money laundering and terrorist financing. In response to the terrorist events of September 11, 2001, the Uniting and Strengthening of America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the Patriot Act) substantially broadened the scope of United States anti-money laundering laws and regulations by imposing significant new compliance and due diligence obligations, creating new crimes and penalties, and expanding the extra-territorial jurisdiction of the United States. The Patriot Act gives the United States government powers to address terrorist threats through enhanced domestic security measures, expanded surveillance powers, increased information sharing and broadened anti-money laundering requirements. Title III of the Patriot Act encourage information sharing among bank regulatory agencies and law enforcement bodies. Further, certain provisions of Title III impose affirmative obligations on a broad range of financial institutions. Among other requirements, Title III and related regulations require regulated financial institutions to establish a program specifying procedures for obtaining identifying information from customers seeking to open new accounts and establish enhanced due diligence policies, procedures and controls designed to detect and report suspicious activity. The Bank has established policies and procedures that it considers to be in compliance with the requirements of the Patriot Act.

State Law

As an Ohio-chartered bank, the Bank is subject to regular examination by the ODFI. State banking regulation affects the Bank's internal organization and corporate governance, capital distributions, activities, acquisitions of other institutions and branching. State banking regulation may contain limitations on an institution's activities that are in addition to limitations imposed under federal banking law. The ODFI may initiate supervisory measures or formal enforcement actions, and under certain circumstances, it may take control of an Ohio-chartered bank.

Item 1A. Risk Factors.

The risks listed here are not the only risks we face. Additional risks that are not presently known, or that we presently deem to be immaterial, also could have a material effect on our financial condition, results of operations, business and prospects. (See also "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" for certain forward looking statements.)

Risks Related to Economic and Market Conditions

Weakness in the economy and in the real estate market, including specific weakness within our geographic footprint, may affect us, including requiring us to record additional loan loss provision or to charge off loans.

First Financial's success depends, in part, on economic and political conditions, local and national, as well as governmental fiscal and monetary policies. Conditions such as inflation, recession, unemployment, changes in interest rates, fiscal and monetary policy and other factors beyond First Financial's control may affect its deposit levels and composition, demand for loans, the ability of borrowers to repay their loans and the value of the collateral securing the loans it makes. Economic turmoil in different regions of the world, as well as military conflicts such as those currently ongoing in Ukraine and the Middle East, affect the economy and stock prices in the United States, which can affect First Financial's earnings and capital and the ability of its customers to repay loans.

If the strength of the United States economy in general and the strength of the local economies in which we conduct operations decline, this could result in, among other things, a deterioration of credit quality or a reduced demand for credit, including a resultant effect on our loan portfolio and allowance for credit losses. While the Federal Reserve slowed the pace of interest rate hikes earlier in 2023, it may remain open to increasing rates further should inflation dynamics remain unfavorable. This scenario of higher short-term interest rates for a longer period than currently anticipated by market participants ("higher for longer"), along with other factors, could also result in higher delinquencies and greater charge-offs in future periods, which could materially affect our financial condition and results of operations.

There is no assurance that our non-impaired loans will not become impaired or that our impaired loans will not suffer further deterioration in value. A slowing labor market, declining savings, higher interest rates, and sticky inflation could cause financial stress to consumers and slacken consumption. The fluctuations in national, regional and local economic conditions, including those related to local residential, commercial real estate and construction markets, may result in increased charge-offs and, consequently, reduce our net income. These fluctuations are not predictable, cannot be controlled and may have a material impact on our operations and financial condition even if other favorable events occur.

Changes in market interest rates or capital markets could affect our revenues and expenses, the value of assets and obligations, and the availability and cost of capital or liquidity.

Given the nature of our business, and the fact that most of our assets and liabilities are financial in nature, we tend to be sensitive to market interest rate movements and the performance of the financial markets. Our primary source of income is net interest income, which is the difference between the interest income generated by our interest-earning assets (consisting primarily of loans and, to a lesser extent, securities) and the interest expense generated by our interest-bearing liabilities. Prevailing economic conditions, fiscal and monetary policies and the policies of various regulatory agencies all affect market rates of interest and the availability and cost of credit, which, in turn, significantly affect financial institutions' net interest income. If the interest we pay on deposits and other borrowings increases at a faster rate than increases in the interest we receive on loans and investments, net interest income, and, therefore, our earnings, could be affected. Earnings and capital levels could also be affected if the interest we receive on loans and other investments falls more quickly than the interest we pay on deposits and other borrowings.

In addition to the general impact of the economy, changes in interest rates or in valuations in the debt, equity, or currency markets could directly impact us in one or more of the following ways:

- the yield on earning assets and rates paid on interest bearing liabilities may change in disproportionate ways;
- the value of certain balance sheet and off-balance sheet financial instruments or the value of equity investments that we hold could decline;
- the value of assets for which we provide processing services could decline;
- the bank's profitability may decline due to negative impacts of increased market volatility;
- insured and/or uninsured depositors may seek alternative investments, making the bank more reliant on alternative, more expensive funding sources;
- the demand for loans and refinancings may decline, which could negatively impact income related to loan originations; or
- to the extent we access capital markets to raise funds to support our business, such changes could affect the cost of such funds or the ability to raise such funds.

Although we have implemented procedures we believe will reduce the potential effects of changes in interest rates on our results of operations, these procedures may not always be successful. In addition, any substantial or prolonged change in

market interest rates could affect our financial condition, results of operations and liquidity. During 2023, the target fed funds rate increased by 100 basis points. Because the First Financial balance sheet is asset sensitive, these interest rate increases resulted in $108.6 million of incremental net income in 2023.

Our loan portfolio consists of a significant number of loans secured by real estate and other assets, the value of which can be affected by market conditions.

We offer a variety of secured loans, including commercial lines of credit, commercial term loans, real estate, construction, home equity, consumer and other loans. Many of our loans are secured by real estate (both residential and commercial) within our market area. A major change in the real estate market, such as deterioration in the value of collateral, or in the local or national economy, could affect our customers' ability to pay these loans, which in turn could impact our results of operations and financial condition. Additionally, increases in unemployment also may affect the ability of certain clients to repay loans and the financial results of commercial clients in localities with higher unemployment, may result in loan defaults and foreclosures and may impair the value of our collateral. This is especially relevant in light of the sustained inflation and rising interest rates experienced in 2023. Loan defaults and foreclosures are unavoidable in the banking industry, and we try to limit our exposure to this risk by monitoring carefully our extensions of credit. Additionally, a concentration of natural disasters or a significant disruption in the insurance market could impact the risk relating to our insurance lending business. We cannot fully eliminate credit risk, and as a result, credit losses may increase in the future.

Weakness in the secondary market for residential mortgage loans could affect us.

Disruptions in the secondary market for residential mortgage loans limit the market for and liquidity of many mortgage loans. The effects of mortgage market challenges, combined with reductions in residential real estate market prices and reduced levels of home sales, could affect the value of collateral securing mortgage loans that we hold, mortgage loan originations and profits on sales of mortgage loans. Such conditions could result in higher losses or charge-offs in our mortgage loan portfolio and other lines of business. Declines in real estate values, home sale volumes, financial stress on borrowers as a result of job losses, interest rate resets on adjustable rate mortgage loans or other factors could have further effects on borrowers that could result in higher delinquencies and greater charge-offs in future periods, which would affect our financial condition or results of operations. A decline in home values or overall economic weakness could also have an impact upon the value of real estate or other assets which we own upon foreclosing a loan and our ability to realize value on such assets.

Our financial instruments carried at fair value expose us to certain market risks.

We maintain an available-for-sale investment securities portfolio, which includes assets with various types of instruments and maturities. At times, we also maintain certain assets that are classified and accounted for as trading assets. The changes in fair value of available-for-sale securities are recognized in shareholders' equity as a component of other comprehensive income. The changes in fair value of financial instruments classified as trading assets are carried at fair value with changes in fair value recognized in earnings. The fair value of financial instruments carried at fair value is exposed to market risks related to changes in interest rates and market liquidity. We manage the market risks associated with these instruments through broad asset/liability management strategies. Changes in the market values of these financial instruments could have a material impact on our financial condition or results of operations. We may classify additional financial assets or financial liabilities at fair value in the future.

Risks Related to Our Business

When we loan money, commit to loan money or enter into a letter of credit or other contract with a counterparty, we incur credit risk, or the risk of loss if our borrowers do not repay their loans or our counterparties fail to perform according to the terms of their contracts.

Since lending is one of our primary business activities, the credit quality of our portfolio can have a significant impact on our earnings. We estimate and establish reserves for credit risks we reasonably expect to occur over the expected life of our loan portfolio. This process, which is critical to our financial results and condition, requires difficult, subjective and complex judgments, including reviews of economic conditions and how these economic conditions might impair the ability of our borrowers to repay their loans. As is the case with any such assessments, there is always the chance that we will fail to identify the proper factors or that we will fail to accurately estimate the impacts of factors that we identify. In addition, large loans, letters of credit and contracts with individual counterparties in our portfolio magnify the credit risk that we face, as the impact of large borrowers and counterparties not repaying their loans or performing according to the terms of their contracts has a disproportionately significant impact on our credit losses and reserves.

The information that we use in managing our credit risk may be inaccurate or incomplete, which may result in an increased risk of default and otherwise have an effect on our business, results of operations and financial condition.

In deciding whether to extend credit or enter into other transactions with clients and counterparties, we may rely on information furnished by or on behalf of clients and counterparties, including financial statements and other financial information. We also may rely on representations of clients and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. Nonetheless, in the near-term, high interest rates along with rising costs, particularly robust wage growth, are expected to weigh on firms' profit margins. Likewise, the resumption of federal student loan payments in October 2023 and the discontinuation of other government support programs pose uncertainty regarding the potential impacts on some borrowers' ability to pay. Although we regularly review our credit exposure to specific clients and counterparties and to specific industries that we believe may present credit concerns, default risk may arise from events or circumstances that are difficult to detect, such as fraud. Moreover, such circumstances, including fraud, may become more likely to occur or be detected in periods of general economic uncertainty. We may also fail to receive full information with respect to the risks of a counterparty. In addition, in cases where we have extended credit against collateral, we may find that we are under-secured, for example, as a result of sudden declines in market values that reduce the value of collateral or due to fraud with respect to such collateral. If such events or circumstances were to occur, it could result in a potential loss of revenue and have an effect on our business, results of operations and financial condition.

Our allowance for credit losses may prove to be insufficient to absorb losses in our loan portfolio.

We maintain an allowance for credit losses that we believe is a reasonable estimate of the expected losses over the expected life of the loan portfolio based on a CECL model. We believe that our allowance for credit losses is maintained at a level adequate to absorb expected losses over the life of the loans in the loan portfolio as of the corresponding balance sheet date. However, our allowance for credit losses may not be sufficient to cover actual credit losses, and future provision for credit losses could materially affect our operating results. The accounting measurements related to the allowance for credit losses require significant estimates which are subject to uncertainty and change related to new information and changing circumstances. Management estimates the allowance using relevant available information from both internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. Historical credit loss experience paired with economic forecasts provide the basis for the quantitatively modeled estimation of expected credit losses. First Financial adjusts its quantitative model, as necessary, to reflect conditions not already considered by such model. Our estimates of the risk of loss and amount of loss on any loan are complicated by the significant uncertainties surrounding our borrowers' abilities to successfully execute their business models through changing economic environments, competitive challenges and other factors. Because of the degree of uncertainty and susceptibility of these factors to change, our actual losses may vary from our current estimates.

In addition, bank regulators periodically review our allowance for credit losses and may require us to increase our provision for credit losses or recognize further loan charge-offs. The accounting guidance requires banks to record, at the time of origination, credit losses expected throughout the life of the asset on loans, leases and held-to-maturity debt securities, as opposed to the previous practice of recording losses when it was probable that a loss event had occurred. Under the CECL model, we are required to use historical information, current conditions and reasonable and supportable forecasts to estimate the expected credit losses. If the methodologies and assumptions we use in the CECL model prove to be incorrect, or inadequate, the allowance for credit losses may not be sufficient, resulting in the need for additional allowance for credit losses to be established, which could have a material adverse impact on our financial condition and results of operations. We adopted the CECL accounting guidance in 2020 and recognized a one-time cumulative effect adjustment to our allowance for credit losses and retained earnings as of January 1, 2020. Concurrent with the enactment of the CARES Act, federal bank regulatory agencies issued an interim final rule that delayed the estimated impact on regulatory capital resulting from the adoption of CECL. The interim final rule provided banking organizations that implemented CECL prior to the end of 2020 the option to delay for two years the estimated impact of CECL on regulatory capital relative to regulatory capital determined under the prior incurred loss methodology, followed by a three-year transition period to phase out the aggregate amount of capital benefit provided during the initial two-year delay.

We adopted CECL in the first quarter of 2020, including the regulatory phase-in. As a result of CECL, our financial results may be negatively affected as soon as weak or deteriorating economic conditions are forecasted and alter our expectations for credit losses. In 2021, we were able to recapture previous provision expense of $19.0 million as the credit conditions related to COVID-19 were not as significant as originally anticipated. In 2022, we recorded $6.7 million of provision expense as our loan portfolio grew and the overall duration of the portfolio extended due to rising interest rates. In 2023, we recorded $43.1 million of provision expense as our loan portfolio grew, net charge-offs increased and the overall duration of the portfolio extended due to rising interest rates and slower loan prepayments. Depending upon future circumstances, as well as broader macroeconomic shifts, we may incur significant provision expense for credit losses in future periods.

Our foreign exchange business plays a crucial role in facilitating various financial transactions, including foreign exchange, interest rate, and soon commodity hedging for our commercial clients and is largely dependent upon a small number of large clients and market volatility that could adversely affect our financial condition, results of operations, and reputation.

In August 2019, First Financial acquired Bannockburn, which engages in various capital markets activities as part of its matched book business encompassing foreign exchange, interest rate, and, coming in 2024, commodity hedging transactions.

- Concentration risk: Bannockburn's business model relies, to some extent, upon a small number of large clients. The loss of one or more of these large clients would adversely affect the revenue derived from Bannockburn.
- Market risk: Foreign currency transactions expose us to market risk, including fluctuations in foreign exchange rates, interest rates, and commodity prices. These fluctuations could result in financial losses or decreased revenues if we fail to accurately predict or manage these risks. Foreign currency transactions historically increase as market volatility increases. Sustained periods of stability in global financial markets could also adversely affect Bannockburn's revenue.
- Credit risk: We are exposed to credit risk through our dealings with counterparties in derivative transactions. While we have risk management policies and procedures in place to mitigate credit risk, the failure of counterparties to fulfill their obligations could lead to financial losses or damage to our reputation.
- Liquidity risk: The nature of our capital markets operations requires us to maintain sufficient liquidity to meet our obligations, including margin calls and settlement requirements. A sudden or unexpected increase in liquidity needs could strain our resources and negatively impact our financial position.
- Regulatory risk: Our capital markets activities are subject to extensive regulatory oversight and compliance requirements. Changes in regulations or regulatory enforcement actions could increase our compliance costs, restrict our ability to operate certain businesses, or result in fines or penalties.
- Operational Risk: We face operational risks, including systems failures, errors, or disruptions, that could disrupt our capital markets activities and result in financial losses or harm to our reputation.
- Legal risk: Our capital markets operations are subject to legal risks, including litigation, regulatory investigations, and disputes with clients or counterparties. Adverse legal outcomes could result in financial losses, reputational damage, or regulatory sanctions.
- Political risk: Our foreign exchange business is also susceptible to the risk that political events or changes in government policies could negatively impact the bank's matched book business.

We rely on other companies to provide key components of our business infrastructure, creating risks of failures by such companies and cybersecurity incidents involving our customers' information.

Digitalization and technological innovation continue to advance the trend of banks outsourcing technology operations and banks entering partnerships or other arrangements with third parties. Third parties provide key components of our business infrastructure, such as processing and Internet connections and network access. These vendors also provide services that support our operations, including the storage and processing of sensitive consumer and business customer data, as well as our sales efforts. Any disruption in such services provided by these third parties or any failure of these third parties to handle current or higher volumes could affect our ability to deliver products and services to clients and to efficiently and effectively conduct our business. Technological or financial difficulties of a third-party service provider could affect our business to the extent such difficulties result in the interruption or discontinuation of services provided by that party.

A cybersecurity breach of a vendor's system may result in theft of our data or disruption of business processes. A material breach of customer data security at a service provider's site may negatively impact our business reputation and cause a loss of customers, result in increased expense to contain the event and/or require that we provide credit monitoring services for affected customers, result in regulatory fines and sanctions, and may result in litigation. We may experience liability to our customers for losses arising from a breach of a vendor's data security system. We rely on our outsourced service providers to implement and maintain prudent cybersecurity controls. Furthermore, we may not be insured against all types of losses as a result of third-party failures, and our insurance coverage may be inadequate to cover all losses resulting from system failures or other disruptions. Failures in our business infrastructure could interrupt the operations or increase the costs of doing business.

Unauthorized use or disclosure of sensitive or confidential client or customer information, whether through a breach of our computer systems or otherwise, or other breaches in the security of our systems could harm our business.

As part of our business, we collect, process, and retain sensitive and confidential client and customer information on behalf of our subsidiaries and other third parties. Despite the security measures we have in place, our facilities and systems, and those of our third-party service providers, may be vulnerable to security breaches, acts of fraud, acts of vandalism, computer viruses, malware, ransomware, theft of information, misplaced or lost data, programming and/or human errors, or other similar events.

Ransomware actors continue to affect the sector by targeting banks and their third parties. These attacks have the potential to affect banks and market operations by rendering critical data inaccessible as well as by threatening the confidentiality of customer data through data leaks. If information security is breached, information can be lost or misappropriated, resulting in financial loss or costs to us or damages to others. Our systems can be rendered inoperable, resulting in our inability to provide service to our customers. Any security breach involving the misappropriation, loss, destruction or unauthorized disclosure of confidential customer information, whether by us or by our vendors, could severely damage our reputation, expose us to the risk of litigation and liability, disrupt our operations and have a material effect on our business.

Cybersecurity risk management programs are expensive to maintain and will not protect us from all risks associated with maintaining the security of customer data and our proprietary data from external and internal intrusions, disaster recovery and failures in the controls used by our vendors. Employee error or misconduct may result in failure to implement policies and procedures designed to avoid risks. Moreover, as technology and cyberattacks change over time, we must continually monitor and change systems to guard against new threats. We may not know of and be able to guard against a new threat until after an attack has occurred. Congress and the legislatures of states in which we operate regularly consider legislation that would impose more stringent data privacy requirements.

Any of these occurrences could result in our diminished ability to operate one or more of our businesses, potential liability to clients, reputational damage and regulatory intervention in the form of requirements, restrictions and penalties, which could affect us our business and results of operations.

We rely on our systems, employees and certain counterparties, and certain failures could affect our operations.

We are exposed to many types of operational risk, including the risk of fraud by employees and outsiders, clerical and record-keeping errors, and computer/telecommunications systems malfunctions. Our business is dependent on our ability to process a large number of increasingly complex transactions. If any of our financial, accounting or other data processing systems fail or have other significant shortcomings, we could be affected. We depend on internal systems and outsourced technology to support these data storage and processing operations. Our inability to use or access these information systems at critical points in time could unfavorably impact the timeliness and efficiency of our business operations. In recent years, some banks have experienced denial of service attacks in which individuals or organizations flood the bank's website with extraordinarily high volumes of traffic, with the goal and effect of disrupting the ability of the bank to process transactions.

Additionally, we could be affected if one of our employees or a third-party service provider causes a significant operational break-down or failure, either as a result of human error or where an individual purposefully sabotages or fraudulently manipulates our operations or systems. We are also at risk of an impact on our systems and operations from natural disasters, terrorism, and international hostilities. Such events can also impact power or communications systems operated by others on which we rely.

Misconduct by employees could include fraudulent, improper, or unauthorized activities on behalf of clients or improper use of confidential information. We may not be able to prevent employee or third-party errors or misconduct, and the precautions we take to detect this type of activity might not be effective in all cases. Employee errors or misconduct could subject us to civil claims for negligence or regulatory enforcement actions, including fines and restrictions on our business.

In addition, continuing cyberattacks and current geopolitical tensions highlight the importance of heightened threat monitoring and safeguarding against disruptive attacks targeting the financial sector. There have been instances where financial institutions have been victims of fraudulent activity in which criminals pose as customers to initiate wire and automated clearinghouse transactions out of customer accounts. Although we have policies and procedures in place to verify the authenticity of our customers, we cannot assure that such policies and procedures will prevent all fraudulent transfers. Such activity can result in financial liability and harm to our reputation.

Our liquidity is dependent upon our ability to receive dividends from our subsidiaries, which accounts for most of our revenue and could affect our ability to pay dividends, and we may be unable to provide liquidity from other sources.

We are a separate and distinct legal entity from our subsidiaries, notably the Bank. We receive substantially all of our revenue from dividends from our subsidiaries. These dividends are the principal source of funds to pay dividends on our common shares and interest and principal on outstanding debt. Various federal and/or state laws and regulations limit or restrict the amount of dividends that the Bank and certain of our non-bank subsidiaries may pay us. Additionally, if our subsidiaries' earnings are not sufficient to make dividend payments to us while maintaining adequate capital levels, we may not be able to make dividend payments to our common shareholders. As of December 31, 2023, the Bank had $248.7 million available to pay dividends to First Financial without prior regulatory approval.

To enhance liquidity, we may borrow under credit facilities or from other sources. Turbulence in the capital and credit markets may cause many lenders and institutional investors to reduce or cease to provide funding to borrowers and, as a result, we may not be able to further increase liquidity through additional borrowings.

Limitations on our ability to receive dividends from our subsidiaries or an inability to increase liquidity through additional borrowings, or inability to maintain, renew or replace existing credit facilities, could have a material effect on our liquidity and on our ability to pay dividends on our common shares and interest and principal on our debt.

As of December 31, 2023, we had indebtedness of $1.3 billion.

Clients could pursue alternatives to bank deposits, causing us to lose a relatively inexpensive source of funding.

Checking and savings account balances and other forms of client deposits, including uninsured deposits, could decrease if clients perceive alternative investments as providing superior expected returns. We regularly perform liquidity tress testing and sensitivity analyses of deposit assumptions. Both remain critical given recent trends in deposit balance and interest rate movements, as well as uncertainty regarding depositor behavior moving forward.

Consumers may move money out of bank deposits in favor of other investments, including digital or cryptocurrency. When clients move money out of bank deposits in favor of alternative investments, we can lose a relatively inexpensive source of funds, increasing our funding costs. Sound liquidity risk management, including processes that ensure sufficient committed capacity to meet contingent liquidity needs, remains critical.

Our financial condition, results of operations, and stock price may be negatively impacted by unrelated bank failures and negative depositor confidence in depository institutions.

The recent bank failures of Silicon Valley Bank in California, Signature Bank in New York, and First Republic Bank in California, and the decision of Silvergate Bank in California to voluntarily liquidate its assets and wind down operations, each of which occurred during the first and second quarters of 2023, have caused uncertainty in the investor community and negative confidence among bank customers generally.

While we do not believe that the circumstances of these banks' failures and liquidations are indicators of broader issues with the banking system, the failures may reduce customer confidence, affect sources of funding and liquidity, increase regulatory requirements and costs, adverselyaffect financial markets and/or have a negative reputational ramification for the financial services industry, including us. These bank failures led to volatility and declines in the market for bank stocks and questions about depositor confidence in depository institutions, which in turn led to a greater focus by institutions, investors, and regulators on the on-balance sheet liquidity of and funding sources for financial institutions and the composition of its deposits. Notwithstanding, our efforts to promote deposit insurance coverage with our customers and otherwise effectively manage our liquidity, deposit portfolio retention, and other related matters, our financial condition, results of operation, and stock price may be adversely affected by future negative events within the banking sector and adverse customer or investor responses to such events.

Disruptions in our ability to access capital markets on desirable terms may affect our capital resources, liquidity and business.

We depend on wholesale capital markets to provide us with sufficient capital resources and liquidity to meet our commitments and business needs, and to accommodate the transaction and cash management needs of our clients. Other sources of funding available to us, and upon which we rely as regular components of our liquidity risk management strategy, include inter-bank borrowings, repurchase agreements, and borrowings from the Federal Home Loan Bank system. Any occurrence that may limit our access to these sources on acceptable or desirable terms, such as a decline in the confidence of debt purchasers, a downgrade in our credit rating, or a downgrade in the credit rating of our depositors or counterparties participating in the capital markets, may affect our capital costs and our ability to raise capital and, in turn, our liquidity.

In addition, prior debt offerings could potentially have important consequences to us and our debt and equity investors, including:

- requiring a substantial portion of our cash flow from operations to make interest payments;
- making it more difficult to satisfy debt service and other obligations;
- increasing the risk of a future credit ratings downgrade of our debt, which could increase future debt costs and limit the future availability of debt financing;
- increasing our vulnerability to general adverse economic and industry conditions;

- reducing the cash flow available to fund capital expenditures and other corporate purposes and to grow our business;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry;
- placing us at a competitive disadvantage relative to our competitors that may not be as highly leveraged with debt; and
- limiting our ability to borrow additional funds as needed or take advantage of business opportunities as they arise, pay cash dividends or repurchase securities.

We continue to evaluate these risks on an ongoing basis.

Projections for new business initiatives and strategies may prove inaccurate.

The introduction, implementation, withdrawal, success and timing of business initiatives and strategies, including, but not limited to, the opening of new banking centers or entering into new product lines, may be less successful or may be different than anticipated, which could affect our business. The Bank makes certain projections and develops plans and strategies for its banking and financial products. If we do not accurately determine demand for our banking and financial products, it could result in us incurring significant expenses without the anticipated increases in revenue, which could result in a material effect on the Bank's business and/or capital.

We may be required to repurchase mortgage loans or indemnify mortgage loan purchasers as a result of breaches of representations and warranties, borrower fraud, or certain borrower defaults, which could harm our liquidity, results of operations and financial condition.

When we sell mortgage loans, whether as whole loans or pursuant to a securitization, we are required to make customary representations and warranties to the purchaser about the mortgage loans and the manner in which they were originated. Our whole loan sale agreements require us to repurchase or substitute mortgage loans in the event we breach any of these representations or warranties. In addition, we may be required to repurchase mortgage loans as a result of borrower fraud. While we have taken steps to enhance our underwriting policies and procedures, there can be no assurance that these steps will be effective or reduce risk associated with loans sold in the past. If the level of repurchase and indemnity activity becomes material, our liquidity, results of operations and financial condition may be affected.

Competition in the financial services industry is intense and could result in our losing business and/or key personnel or experiencing reduced margins.

We operate in a highly competitive industry that could become even more competitive as a result of legislative, regulatory and technological changes, and continued consolidation. We face aggressive competition from other domestic and foreign lending institutions as well as from numerous other providers of financial services. The ability of non-banking financial institutions to provide services previously limited to commercial banks has intensified competition. Because non-banking financial institutions are not subject to the same regulatory restrictions as banks and bank holding companies, they can often operate with greater flexibility and lower cost structures. Securities firms and insurance companies that elect to become financial holding companies may acquire banks and other financial institutions. These developments may significantly change the competitive environment in which we conduct business. Some of our competitors have greater financial resources and/or face fewer regulatory constraints, such as Financial Technology Companies, or FinTechs. Credit unions that compete with us have regulatory and other advantages that allow them to price products and services more competitively. As a result of these various sources of competition, we could lose loan, deposit, or other types of business to competitors or be forced to price products and services on less advantageous terms to retain or attract clients, either of which could affect our profitability.

The principal bases for competition are pricing (including the interest rates charged on loans or paid on interest bearing deposits), product structure, the range of products and services offered, and the quality of customer service (including convenience and responsiveness to customer needs and concerns). The ability to access and use technology is an increasingly important competitive factor in the financial services industry, and it is a critically important component to customer satisfaction as it affects our ability to deliver the right products and services. For example, digital or cryptocurrencies, blockchain, and other FinTech technologies that are designed to enhance transactional security have the potential to disrupt the financial industry, change the way banks do business, and reduce the need for banks as financial deposit-keepers and intermediaries.

Another increasingly competitive factor in the financial services industry is the competition to attract and retain talented employees across many of our business and support areas, many of whom are key to executing our strategic plan and to maintaining relationships with the customers and communities they serve. This competition could lead to adverse effects on our business, financial condition, or operating results and could also cause us to not pursue certain business opportunities.

Failure to adequately address the competitive pressures we face could make it harder for us to attract and retain customers across our businesses. Similarly, meeting these competitive pressures could require us to incur significant additional expense, to reevaluate the number of branches through which we serve our customers, or to accept risk beyond what we would otherwise view as desirable under the circumstances. In addition, in our interest rate sensitive business, pressure to increase rates on deposits or decrease rates on loans could reduce our net interest margin with a resulting negative impact on our net interest income.

Consumers may decide not to use banks to complete their financial transactions, or deposit funds electronically with banks having no branches within our market area, which could affect net income.

Technology and other changes allow parties to complete financial transactions without banks. For example, consumers can pay bills and transfer funds directly without banks. Consumers can also shop for higher deposit interest rates at banks across the country, which may offer higher rates because they have few or no physical branches and open deposit accounts electronically. This process could result in the loss of fee income and client deposits and could increase our funding costs.

Our wealth management business subjects us to a variety of investment and market risks.

At December 31, 2023, we had $3.5 billion in assets under management. A sharp decline or heightened volatility in the stock market could negatively impact the value of investments held by the bank's wealth management clients, which in turn impacts the amount of assets under management and subjects our earnings to additional risks and uncertainties. As our wealth management business grows, we may also face operational risk resulting from inadequate or failed internal processes, systems or errors, and regulatory risk, which could result in penalties or restrictions due to non-compliance with laws and regulations.

Negative public opinion could damage our reputation and impact business operations and revenues.

As a financial institution, our earnings and capital are subject to risks associated with negative public opinion. Negative public opinion could result from our actual or alleged conduct in any number of activities, including lending practices, the failure of any of our products or services to meet our clients' expectations or applicable regulatory requirements, corporate governance and acquisitions, social media and other marketing activities, and the implementation of environmental, social and governance practices or actions taken by government regulators and community organizations in response to any of the foregoing. Negative public opinion could affect our ability to attract and/or retain clients, could expose us to litigation and regulatory action, and could have a material adverse effect on our stock price or result in heightened volatility. Negative public opinion could also affect our ability to borrow funds in the unsecured wholesale debt markets.

We may not pay dividends on our common shares.

Holders of our common shares are only entitled to receive such dividends as our Board of Directors may declare out of funds legally available for such payments. Although we have historically declared cash dividends on our common shares, we are not required to do so and may reduce or eliminate our common share dividend in the future. Additionally, our funds to pay dividends on common shares are dependent upon dividends paid to us by the Bank, which are subject to regulatory restrictions. A reduction in our dividend rate could affect the market price of our common shares.

Significant or sustained declines in our current market capitalization could impact the carrying value of our goodwill.

Numerous facts and circumstances are considered when evaluating the carrying value of our goodwill. One of those considerations is our market capitalization, which is evaluated over a reasonable period of time and compared to the aggregate estimated fair value of the reporting unit. While this comparison provides some relative market information regarding the estimated fair value of our reporting unit, it is not determinative and needs to be evaluated in the context of the current economic and political environment. However, significant and/or sustained declines in First Financial's market capitalization, especially in relation to First Financial's book value, could be an indication of potential impairment of goodwill.

Other considerations include forecasts of revenues and expenses derived from internal management projections for a period of five years, changes in working capital estimates, company specific discount rate derived from a rate build up approach, externally sourced bank peer group market multiples and externally sourced bank peer group change in control premium, all of which are highly subjective and require significant management judgment. Changes in these key assumptions could materially affect our estimate of the reporting unit fair value and could affect our conclusion regarding the existence of potential impairment.

A reduction in our credit rating could affect us or the holders of our securities.

The credit rating agencies assessing our creditworthiness regularly evaluate the Company, and credit ratings are based on a number of factors, including our financial strength and ability to generate earnings, as well as factors not entirely within our control, including changes in rating methodologies and conditions affecting the financial services industry and the economy. There can be no assurance that we will maintain our current credit rating. A downgrade of the credit rating of the Company could affect our access to liquidity and capital, and could significantly increase our cost of funds, trigger additional collateral or funding requirements and decrease the number of investors and counterparties willing to lend to us or purchase our securities. This could affect our growth, profitability and financial condition, including liquidity.

Potential acquisitions may disrupt our business and dilute shareholder value, and we may not be able to successfully consummate or integrate such acquisitions.

We may acquire other financial institutions, or branches or assets of other financial institutions, in the future. We may also open new branches and enter into new lines of business or offer new products or services. Any such expansion of our business will involve a number of expenses and risks, which may include:

- the time and expense associated with identifying and evaluating potential expansions;
- the potential inaccuracy of estimates and judgments used to evaluate credit, operations, management and market risk with respect to the target company;
- potential exposure to unknown or contingent liabilities of the target company;
- exposure to potential asset quality issues of the target company;
- difficulty and expense of integrating the operations and personnel of the target company;
- difficulty or added costs in the wind-down of non-strategic operations;
- potential disruption to our business;
- potential diversion of our management's time and attention;
- the possible loss of key employees and customers of the target company;
- difficulty in estimating the value (including goodwill) of the target company;
- difficulty in receiving appropriate regulatory approval for any proposed transaction; and
- potential changes in banking, or tax laws or regulations or accounting rules that may affect the target company.

We regularly evaluate merger and acquisition opportunities and conduct due diligence activities related to possible transactions with other financial institutions and financial services companies. Acquisitions could involve the payment of a premium over book and market values, and, therefore, dilution of our tangible book value and net income per common share may occur in connection with any such transaction. Furthermore, any difficulty integrating businesses acquired as a result of a merger or acquisition and the failure to realize the expected revenue increases, cost savings, increases in geographic or product presence, and/or other projected benefits from an acquisition could have an impact on our liquidity, results of operations and financial condition and any such integration could divert management's time and attention from managing our company in an effective manner.

Any merger or acquisition opportunity that we decide to pursue will ultimately be subject to regulatory approval or other closing conditions. We may expend substantial time and resources pursuing potential acquisitions which may not be consummated because regulatory approval or other closing requirements are not satisfied. Additionally, the banking regulators and applicable laws and regulations may restrict our ability to engage in acquisitions under certain circumstances.

Our accounting policies and processes are critical to how we report our financial condition and results of operations. They require management to make estimates about matters that are uncertain.

Accounting policies and processes are fundamental to how we record and report our financial condition and results of operations. Management must exercise judgment in selecting and applying many of these accounting policies and processes so they comply with U.S. GAAP.

Management has identified certain accounting policies as being critical because they require management's judgment to ascertain the valuations of assets, liabilities, commitments and contingencies. A variety of factors could affect the ultimate valuation that is made when recording income, recognizing an expense, recovering an asset, valuing an asset or liability, or reducing a liability. We have established detailed policies and control procedures that are intended to ensure these critical accounting estimates and judgments are well controlled and applied consistently. In addition, our policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. Because of the uncertainty

surrounding our judgments and the estimates pertaining to these matters, we cannot guarantee that we will not be required to adjust accounting policies or re-state prior period financial statements.

See the “Critical Accounting Estimates” in the Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 1- Summary of Significant Accounting Policies in the Notes to Consolidated Financial Statements, in our 2023 Annual Report to Shareholders (included within Exhibit 13 to this Form 10-K) for more information.

Changes in our accounting policies or in accounting standards could materially affect how we report our financial results and condition.

From time to time, the FASB, SEC and other regulatory agencies change the financial accounting and reporting guidance that governs the preparation of our financial statements. These changes can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in us restating prior period financial statements.

Our disclosure controls and procedures may not prevent or detect all errors or acts of fraud.

Our disclosure controls and procedures are designed to reasonably assure that information required to be disclosed by us in reports we file or submit under the Securities Exchange Act of 1934 (Exchange Act) is accurately accumulated and communicated to management, and recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms. We believe that any disclosure controls and procedures or internal controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of management's system of controls are met.

These inherent limitations include the realities that judgments in decision making can be faulty, that alternative reasoned judgments can be drawn, or that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by an unauthorized override of the controls. Accordingly, because of the inherent limitations in management's system of controls, misstatements due to error or fraud may occur and not be detected.

Our revenues derived from investment securities may be volatile and subject to a variety of risks.

We generally maintain investment securities and trading positions in the fixed income markets. Unrealized gains and losses associated with our investment portfolio and mark to market gains and losses associated with our investment portfolio are affected by many factors, including our credit position, interest rate volatility and volatility in capital markets, among other economic factors. Our return on such investments could experience volatility, and such volatility may affect our financial condition and results of operations. Additionally, accounting regulations may require us to record a charge prior to the actual realization of a loss when market valuations of such securities are impaired and such impairment is considered to be other than temporary.

Risks Related to the Legal and Regulatory Environment

Regulatory actions could impact our ability to compete for new business, constrain our ability to fund our liquidity needs and increase the cost of our services.

First Financial and its subsidiaries are subject to the supervision and regulation of various state and federal regulators, including the Federal Reserve Board, the FDIC, the SEC, the CFPB, the Financial Industry Regulatory Authority, and the ODFI. As such, we are subject to a wide variety of laws and regulations. As part of their supervisory process, which includes periodic examinations and continuous monitoring, the regulators have the authority to impose restrictions or conditions on our activities and the manner in which we operate our business. These actions could impact the Company and the Bank in a variety of ways, including subjecting us to fines, restricting our ability to pay dividends, precluding mergers or acquisitions, limiting our ability to offer certain products or services, or imposing additional capital, operating, or oversight requirements. Additionally, actions by regulatory agencies against us could cause us to devote significant time and resources to defending our business and may lead to penalties that materially affect us and our shareholders. Even the reduction of regulatory restrictions could have an adverse effect on us and our shareholders if such lessening of restrictions increases competition within our industry or our market area.

Increasing scrutiny and evolving expectations from customers, regulators, investors, and other stakeholders with respect to our environmental, social and governance practices may impose additional costs on us or expose us to new or additional risks.

Financial institutions are facing increasing scrutiny from customers, regulators, investors, and other stakeholders related to their environmental, social and governance (ESG) practices and disclosure. Investor advocacy groups, investment funds and influential investors are also increasingly focused on these practices, especially as they relate to the environment, health and safety, diversity, labor conditions and human rights. Increased ESG-related compliance costs for us as well as among our third-party suppliers, vendors and various other parties within our supply chain could result in increases to our overall operational costs. Failure to adapt to or comply with regulatory requirements or investor or stakeholder expectations and standards could negatively impact our reputation, ability to do business with certain partners, access to capital, and the price of our common shares.

General Risk Factors

Weaknesses of other financial institutions could affect us.

Our ability to engage in routine funding transactions could be affected by the actions and lack of commercial soundness of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, and counterparty relationships, among others. As a result, defaults by, or even rumors or questions about, one or more financial services institutions, or the financial services industry in general, have led to market-wide liquidity problems and could lead to losses or defaults by us or by other institutions in the future. A default, or threatened default, of a large institution could negatively impact the entire financial system, and could expose us to credit risk in the event of default of our counterparty or client. In addition, our credit risk may be exacerbated when the collateral held by us cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the financial instrument exposure due us. There is no assurance that any such losses would not affect our financial condition or results of operations.

Maintaining or increasing market share depends on market acceptance and regulatory approval of new products and services.

Our success depends, in part, on our ability to adapt products and services to evolving industry standards. There is increasing pressure to provide products and services at lower prices, which can reduce net interest income and noninterest income from fee-based products and services. In addition, the widespread adoption of new technologies, including digital or cryptocurrencies, blockchain, and other “fintech” technologies, could require us to make substantial capital expenditures to modify or adapt existing products and services or develop new products and services. We may not be successful in introducing new products and services in response to industry trends or developments in technology or those new products may not achieve market acceptance. As a result, we could lose business, be forced to price products and services on less advantageous terms to retain or attract clients or be subject to increased costs.

The fiscal and monetary policies of the United States government and its agencies could have an effect on our earnings.

The Federal Reserve Board regulates the supply of money and credit in the United States. Its policies determine in large part the cost of funds for lending and investing and the returns earned on those loans and investments, both of which affect the net interest margin. The resultant changes in interest rates can also materially affect the value of certain financial assets we hold, such as debt securities. For example, in 2023, the Federal Reserve Open Markets Committee increased the target fed funds rate by 100 basis points resulting in the Bank's net interest margin on a fully tax equivalent basis increasing from 3.77% to 4.40% comprised of a 206 basis point increase in earning asset yields and a 190 basis point increase in total cost of interest-bearing liabilities. At the same time, accumulated other comprehensive loss decreased from $358.7 million in 2022 to $309.8 million in 2023, driven by an increase in the valuation of available-for-sale securities. The policies of the Federal Reserve Board can adversely affect borrowers, and increase default risk on their loans. Changes in Federal Reserve Board policies are beyond our control and difficult to predict; consequently, the impact of these changes on our activities and results of operations is difficult to predict.

Changes in tax laws could affect our performance.

We are subject to extensive federal, state and local taxes, including income, excise, sales/use, payroll, property, franchise, withholding and ad valorem taxes. Changes to our tax liability could have a material effect on our results of operations. In addition, our customers are subject to a wide variety of federal, state and local taxes. Changes in taxes paid by our customers may affect their ability to purchase homes or consumer products, which could affect their demand for our loans and deposit

products. In addition, such negative effects on our customers could result in defaults on the loans we have made and decrease the value of mortgage-backed securities in which we have invested.

Item 1B. Unresolved Staff Comments.
None.

Item 1C. Cybersecurity.

Risk Management and Strategy

Cybersecurity (cyber) risk is differentiated from information technology risk by threat interactions that yield high impact consequences and ever-increasing probability. While standard security operations address most day-to-day incidents, cyber risk includes motivated threat actors who often use advanced tools, techniques and processes to evade detection or inflict maximum damage to an organization's information assets. Cyber threats and attacks adapt and evolve rapidly, so First Financial works to continuously enhance controls and processes to protect its networks, applications, and data from attack, damage or unauthorized access. Critical components to the Company's cyber risk control structure include corporate governance, threat intelligence, security operations, security awareness training and patch management programs. Cyber risk mitigation includes effectively identifying, protecting against, detecting, responding to and recovering from cyber threats.

The Company's cybersecurity program is overseen by its Chief Information Security and Privacy Officer (the "CISO"). The Company's CISO has over 20 years' experience in the information security industry, including a previous CISO position at a large global conglomerate based internationally, and as head of product security for a US-based large global conglomerate. The Company's CISO also has previous financial services experiences as head of cyber defense for a large regional bank. The CISO meets quarterly with and chairs the Cyber ERM Committee, which consists of representatives from the officer of enterprise security, information technology, risk, compliance, and other internal stakeholders, and presents quarterly to the Enterprise Risk Management Committee ("ERMC"), which includes executive and senior leadership of the Company, and the Risk and Compliance Committee of the Board of Directors ("Board Risk Committee"). The management of risk from cybersecurity threats is one of the risks that is continuously assessed, monitored and managed by the Company under the Company's ERM framework which is described more fully in the Company's Annual Report to Shareholders. The CISO maintains a scorecard which monitors and measures various cyber risks, including:

a. Operational capability, including cyber defense, vulnerability management, and third-party risk management.
b. Risk assessments, including GLBA assessments and attack simulations.
c. Program maturity, including MITRE and the Federal Financial Institutions Examination's Council's maturity framework.
d. Internal and External Audit, including external assessments, internal audit results, and regulator exam results.

The Company uses a variety of tools to monitor and mitigate cybersecurity risks, including employee training, phishing simulators, incident response tabletops, cybersecurity insurance and business continuity planning for the protection of the Company's assets. Additionally, the Company's cybersecurity function is audited on an annual basis by a third party using the MITRE ATTACK framework.

The Company maintains an ad hoc committee comprised of senior management with responsibility for third party (vendor) risk management, including the CISO, the Chief Risk Officer, the Chief Compliance Officer, representatives from vendor management, and enterprise risk management associates. The ad hoc committee reviews diligence regarding vendors, including cyber diligence, and monitors any incidents or cybersecurity threats involving those third parties. Cyber diligence of critical vendors (vendors which store or interact with customers' personally identifiable information) includes an annual review of the technology and data interfaces with the vendor, an annual review of the vendor's cyber security controls, and monthly monitoring of the vendor's outward-facing security posture.

No risks from cybersecurity threats, including those resulting from any previous cybersecurity incidents, have materially affected the Company, including its business strategy, results of operations or financial condition.

Governance

First Financial's board of directors is responsible for overseeing the Company's cybersecurity risk management objectives and risk tolerance as part of its oversight of the Company's compliance and risk management activities. Specific oversight of the cybersecurity function is delegated to the Board Risk Committee. The Chair of the Board Risk Committee has extensive cybersecurity experience, including both experience as a chief information security officer of a publicly traded financial

institution and as an outside cybersecurity consultant. The committee chairperson maintains CISSP and CRISC certifications. Through the Board Risk Committee, the Board's oversight responsibilities include:

a. establishing and guiding the Company's cybersecurity risk tolerance, including the determination of the aggregate risk appetite and identifying the senior managers who have the responsibility for managing risk;
b. ensuring that the Company implements sound fundamental principles that facilitate the identification, measurement, monitoring and control of risk;
c. ensuring that adequate resources are dedicated to cybersecurity risk management; and
d. confirming that awareness of cybersecurity risk management activities is evident throughout the organization.

The Company has developed and documented an incident response plan that includes various levels of escalation in the event of a cyber incident. All incidents begin with information security and information technology associates, with escalation to a crisis management team comprised of the CISO, the Chief Risk Officer and certain designated members of executive management in the event the situation is severe. The crisis management team communicates with the full executive team and the Board of Directors in case of more severe incidents. More complete reporting is then provided to the ERMC and the Board Risk Committee during regularly scheduled quarterly meetings.

Item 2. Properties.
At December 31, 2023, the Company operated 130 full service banking centers, 24 of which are leased facilities. Our core banking operating markets are located within the four state region of Ohio, Indiana, Kentucky and Illinois. First Financial's executive office is a leased facility located in Cincinnati, Ohio and we operate 57 banking centers in Ohio, three banking centers in Illinois, 58 banking centers in Indiana and 12 banking centers in Kentucky. In addition, we operate our Commercial Finance division, responsible for our insurance lending business and franchise lending business, from a non-banking center location in Indiana.

Item 3. Legal Proceedings.
We are from time to time engaged in various litigation matters including the defense of claims of improper or fraudulent loan practices or lending violations, and other matters, and we have a number of unresolved claims pending. In addition, as part of the ordinary course of business, we 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 are 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, we believe that damages, if any, and other amounts relating to pending matters are not likely to be material to our consolidated financial position or results of operations. Reserves are established for these various matters of litigation, when appropriate under FASB ASC Topic 450, Contingencies, based in part upon the advice of legal counsel.

Item 4. Mine Safety Disclosures.
Not applicable.

Supplemental Item. Information About Our Executive Officers.

The following table sets forth information concerning the executive officers of First Financial as of February 21, 2024. The executive officers perform policy-making functions for First Financial. The officers are elected annually at the organizational meeting of the board of directors and serve until the next organizational meeting, or until their successors are elected and duly qualified.

	Position with First Financial Bancorp	Age
Archie M. Brown	President and Chief Executive Officer	63
James M. Anderson	EVP, Chief Financial Officer and Chief Operating Officer	52
Richard S. Dennen	EVP, Chief Corporate Banking Officer	57
Karen B. Woods	EVP, General Counsel and Chief Administrative Officer	55
William R. Harrod	EVP, Chief Credit Officer	56
Amanda N. Neeley	EVP, Chief Consumer Banking and Strategy Officer	43
Gregory A. Harris	President, Yellow Cardinal Advisory Group	55

The following is a brief description of the business experience over the past five years of the individuals named above.

Archie M. Brown - Archie Brown is the President, Chief Executive Officer and a director of First Financial and the Bank, having been appointed to these positions on April 1, 2018 following First Financial's acquisition of MainSource Financial Group, Inc. Previously, he served as the President and Chief Executive Officer of MainSource from August 2008 until April 2018 and chairman of the board of MainSource from April 2011 until April 2018.

James M. Anderson - Jamie Anderson became the Chief Financial Officer of First Financial and the Bank on April 1, 2018 following the merger of First Financial and MainSource. and the Chief Operating Officer in April 2023. Previously Mr. Anderson served as the Chief Financial Officer of MainSource from January 2006 to April 2018. Prior to that role, he served in the following roles at MainSource: Administrative Vice President and Principal Accounting Officer from March 2005 to January 2006, Controller and Principal Accounting Officer from March 2002 to March 2005, and Controller from September 2000 to March 2002. Mr. Anderson is a certified public accountant (inactive).

Richard S. Dennen - Rick Dennen became the Chief Corporate Banking Officer of First Financial in 2021, and is currently responsible for all national commercial businesses of the Bank including business capital and the foreign exchange business. Mr. Dennen remains the CEO of First Commercial Finance, a division of First Financial Bank, which operates under two subsidiaries of the Bank, Oak Street Funding and First Franchise Capital Corporation, a role he has held since 2015. Oak Street Funding is a specialty finance company engaged in lending to insurance agencies, registered investment advisors, certified public accountants, energy and indirect auto financing companies. First Franchise Capital Corporation lends to restaurant franchises. Mr. Dennen is a certified public accountant.

Karen B. Woods - Karen Woods serves as General Counsel and Chief Administrative Officer of First Financial. She joined First Financial in April 2018 following the merger of First Financial and MainSource and served as General Counsel and Chief Risk Officer from 2021-2022. She previously served as Corporate Counsel and Chief Risk Officer of MainSource from January 2016 to April 2018. Prior to joining MainSource, Ms. Woods was a partner at Krieg DeVault LLP in Indianapolis, Indiana. Ms. Woods previously served as a judicial law clerk to the Honorable John G. Baker, Indiana Court of Appeals.

William R. Harrod - Bill Harrod is the Chief Credit Officer of First Financial, a role he has held since October 2017. He is responsible for managing and monitoring the loan portfolio and other related credit functions in a risk appropriate manner including underwriting, approval, and collections. Mr. Harrod first joined First Financial in 2015 and has held various credit

and management positions since then in specialty banking, corporate banking, commercial and industrial lending and commercial finance.

Amanda N. Neeley - Mandy Neeley is the Chief Consumer Banking and Strategy Officer of First Financial. Ms. Neeley is responsible for the launch and evolution of the First Financial brand, the introduction of the Premier Business Bank acquisition strategy, the advancement of sales and enterprise customer relationship management processes, and development of a formalized strategic planning program. Ms. Neeley has spent her entire career in banking with First Financial, beginning as a part-time teller during college and, after graduating in 2003, Marketing Coordinator. She has held the role of Chief Strategy Officer since 2016 and added the role of Chief Consumer Banking Officer in 2021.

Gregory A. Harris - Greg Harris serves as the president of Affluent Banking and Yellow Cardinal Advisory Group, a division of First Financial Bank. He is responsible for all aspects of the business line including sales, client experience, investment management, administration, compliance, and operations. Greg joined First Financial in 2009 and has over 32 years of experience in the financial services industry. Prior to joining First Financial, Greg served in various leadership capacities at Touchstone Investments, an institutional mutual fund management company and Fund Project Services, Inc., a financial services M&A integration firm he co-founded in 1998. He began his career at Fifth Third Bank as a product manager within the bank's Trust and Investment business.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

(a) **Market information, holders, dividends**

First Financial's common shares are listed on The NASDAQ Global Select Stock Market® under the symbol "FFBC." As of February 21, 2024, our common shares were held by approximately 3,660 shareholders of record, a number that does not include beneficial owners who hold shares in “street name,” or shareholders from previously acquired companies that have not exchanged their stock. At December 31, 2023, no stock options and 1,072,031 shares of restricted stock were outstanding. Additional information about stock options, restricted stock and restricted stock units is included in Note 21 - Stock Options and Awards in the Notes to Consolidated Financial Statements in First Financial’s 2023 Annual Report to Shareholders and in Item 12 below.

The payment of future cash dividends is at the discretion of our Board of Directors and subject to a number of factors, including results of operations, general business conditions, growth, financial condition, regulatory limitation and other factors deemed relevant by the Board. Further, our ability to pay future cash dividends is subject to certain regulatory requirements and restrictions discussed in the Supervision and Regulation section in Item 1 above. For further information see Note 3 - Restrictions on Cash and Dividends in the Notes to Consolidated Financial Statements of First Financial's 2023 Annual Report to Shareholders (included as Exhibit 13 of this report), which is incorporated by reference in response to this item.

Stock Performance Graph

The stock performance graph contained in “Total Return to Shareholders” of First Financial's 2023 Annual Report to Shareholders (included as Exhibit 13 of this report), is incorporated herein by reference in response to this item.

(b) Unregistered Sales of Equity Securities and Use of Proceeds

None.

(c) Issuer Purchases of Equity Securities

In December 2018 the Board approved a stock repurchase plan pursuant to which the Company was authorized to repurchase up to 5,000,000 shares of common stock through December 31, 2020 (the 2018 Stock Repurchase Plan). On December 22, 2020, the Board announced that it had authorized a new, two-year stock repurchase plan (the 2020 Stock Repurchase Plan) that provided for the purchase of up to 5,000,000 additional shares of common stock of the Company. The 2020 Stock Repurchase Plan became effective January 1, 2021, upon the expiration of the 2018 Stock Repurchase Plan. The Board announced on January 27, 2022, that the 2020 Stock Repurchase Plan was terminated effective December 31, 2021, and replaced with a new plan effective January 1, 2022 (the 2022 Stock Repurchase Plan). The 2022 Stock Repurchase Plan authorized the purchase of up to 5,000,000 shares of common stock and expired on December 31, 2023. In December 2023 the Board authorized a new two-year plan effective January 1, 2024, that provides for the purchase of up to 5,000,000 shares of the common stock of the Company (the “2024 Stock Repurchase Plan”). The Company did not purchase any shares under the 2022 Stock Repurchase Plan in the fourth quarter of 2023.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results Of Operations.
The information contained in the Management’s Discussion and Analysis section (including certain forward looking statements) of First Financial’s 2023 Annual Report to Shareholders (included as Exhibit 13 of this report) is incorporated herein by reference in response to this item.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk.
The information contained in the Market Risk section and in Table 20 - Market Risk Disclosure of the Management’s Discussion and Analysis section, both of which are in First Financial's 2023 Annual Report to Shareholders (included as Exhibit 13 of this report), is incorporated herein by reference in response to this item.

Item 8. Financial Statements and Supplementary Data.
The consolidated financial statements and the reports of our independent registered public accounting firm included in the Consolidated Financial Statements and the Notes to Consolidated Financial Statements in First Financial's 2023 Annual Report to Shareholders (included as Exhibit 13 of this report), are incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.
None.

Item 9A. Controls and Procedures.
Disclosure Controls and Procedures
Management is responsible for establishing and maintaining effective disclosure controls and procedures, as defined under
Rule 13a-15 of the Securities Exchange Act of 1934, that are designed to cause the material information required to be disclosed by First Financial in the reports it files or submits under the Securities Exchange Act of 1934 to be recorded, processed, summarized, and reported to the extent applicable within the time periods required by the Securities and Exchange Commission's rules and forms. In designing and evaluating the disclosure controls and procedures, management recognized that a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

As of the end of the period covered by this report, First Financial performed an evaluation under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures pursuant to Rule 13a-15 of the Securities Exchange Act of 1934. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting
There were no changes in First Financial's internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, First Financial's internal control over financial reporting.

Item 9B. Other Information.
During the three months ended December 31, 2023, none of the Company's officers or directors adopted or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement."

Item 9. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.
Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.
Certain information concerning executive officers of First Financial has been supplied in the “Supplemental Item. Executive Officers of the Registrant” of this Form 10-K. The information appearing under the headings “Election of Directors,” “Corporate Governance - Board Committees,” “Shareholder Nominations for Election to the Board” and "Delinquent Section 16(a) Reports" in First Financial's Definitive Proxy Statement with respect to the Annual Meeting of Shareholders to be held on May 28, 2024, and which is expected to be filed with the SEC, pursuant to Regulation 14A of the Exchange Act (First Financial’s Proxy Statement) within 120 days of the close of our fiscal year, is incorporated herein by reference in response to this item.

Item 11. Executive Compensation.
The information appearing under the headings “Meetings of the Board of Directors and Committees of the Board,” “Compensation Discussion and Analysis,” “Executive Compensation,” “Compensation Tables," "Compensation Committee Interlocks and Insider Participation,” “Compensation Committee Report” and "2023 Board Compensation" in First Financial’s Proxy Statement is incorporated herein by reference in response to this item.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.
The information appearing under the headings “Shareholdings of Directors, Executive Officers, and Nominees for Director” and "Principal Shareholders" of First Financial’s Proxy Statement is incorporated herein by reference in response to this item.

Equity Compensation Plan Information

The following table sets forth information as of December 31, 2023 with respect to compensation plans under which our common shares may be issued:

Securities authorized for issuance under equity compensation plans

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c) (1)
Equity compensation plans approved by security holders	0	$ 0.00	2,400,802
Equity compensation plans not approved by security holders	N/A	N/A	N/A

(1) The securities included in this column are available for issuance under the First Financial Bancorp. 2020 Stock Plan, which was approved by the shareholders at the 2020 Annual Meeting.

Item 13. Certain Relationships and Related Transactions.
The information appearing in Note 15 - Related Parties Transactions in the Notes to Consolidated Financial Statements included in First Financial’s 2023 Annual Report to Shareholders (included as Exhibit 13 of this report) is incorporated herein by reference in response to this item. The information appearing under the headings "Director Independence" and “Corporate Governance-Transactions with Related Parties” in First Financial’s Proxy Statement is incorporated herein by reference in response to this item.

Item 14. Principal Accounting Fees and Services.
Information appearing under the heading “Independent Registered Public Accounting Firm Fees” in First Financial’s Proxy Statement is incorporated herein by reference in response to this item.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) (1) The consolidated financial statements (and report thereon) listed below are incorporated herein by reference from First Financial's 2023 Annual Report to Shareholders (included as Exhibit 13 of this report) as noted:

Reports of Independent Registered Public Accounting Firm (PCAOB ID 173) - Incorporated by reference from First Financial's 2023 Annual Report

Consolidated Balance Sheets as of December 31, 2023 and 2022 - Incorporated by reference from First Financial's 2023 Annual Report

Consolidated Statements of Income for years ended December 31, 2023, 2022 and 2021 - Incorporated by reference from First Financial's 2023 Annual Report

Consolidated Statements of Comprehensive Income (Loss) for years ended December 31, 2023, 2022 and 2021 - Incorporated by reference from First Financial's 2023 Annual Report

Consolidated Statements of Changes in Shareholders' Equity for years ended December 31, 2023, 2022 and 2021 - Incorporated by reference from First Financial's 2023 Annual Report

Consolidated Statements of Cash Flows for years ended December 31, 2023, 2022 and 2021 - Incorporated by reference from First Financial's 2023 Annual Report

Notes to Consolidated Financial Statements - Incorporated by reference from First Financial's 2023 Annual Report

(2) Financial Statement Schedules: Schedules to the consolidated financial statements required by Regulation S-X are not required under the related instructions, or are inapplicable, and therefore have been omitted

(3) Exhibits:

The documents listed below are filed/furnished with this Annual Report on Form 10-K as exhibits or incorporated into this Annual Report on Form 10-K by reference as noted:

Exhibit Number	
2.1	Agreement and Plan of Merger, dated July 25, 2017 between First Financial Bancorp. and MainSource Financial Group, Inc. (Incorporated by reference from Exhibit 2.1 to the Current Report on Form 8-K filed on July 27, 2017) (certain schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K) (File No. 001-34762).
2.2	Agreement and Plan of Merger dated as of June 18, 2019, by and among First Financial Bancorp., First Financial Bank, Wallace Merger Sub, LLC, Bannockburn Global Forex, LLC and Fortis Advisors, LLC, solely in its capacity as Member Representative (filed as Exhibit 1.1 to First Financial's Current Report on Form 8-K filed on June 19, 2019) (File No. 001-34762).
2.3	Amendment No. 1 to Agreement and Plan of Merger, dated as of August 6, 2019, by and among First Financial Bancorp., First Financial Bank, Wallace Merger Sub, Bannockburn Global Forex, LLC, and Fortis Advisors, LLC, solely in its capacity as the Member Representative (Incorporated by reference from Exhibit 2.1 to the Current Report on Form 8-K filed on August 6, 2019)(/File No. 001-34762).
2.4	Amendment No. 2 to Agreement and Plan of Merger, dated as of August 29, 2019, by and among First Financial Bancorp., First Financial Bank, Wallace Merger Sub LLC, Bannockburn Global Forex, LLC, and Fortis Advisors, LLC, solely in its capacity as the Member Representative (filed as Exhibit 2.1 to First Financial's Current Report on Form 8-K filed on September 3, 2019, and incorporated herein by reference).
2.5	Stock Purchase Agreement, dated as of December 6, 2021, by and among First Financial Bancorp., First Financial Bank, Summit Funding Group, Inc., the Sellers (as defined therein), and Richard L. Ross, as Sellers' Representative (Incorporated by reference from Exhibit 2.1 to the Current Report on Form 8-K filed on December 7, 2021) (certain schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K) (File No. 001-34762).

3.1	Amended Articles of Incorporation of First Financial Bancorp (reflecting all amendments filed with the Ohio Secretary of State) [for purposes of SEC reporting compliance only - not filed with the Ohio Secretary of State] (filed as exhibit 3.2 to the Form S-3 on July 31, 2014 and incorporated hereby by reference)(File No. 333-197771).
3.2	Amended and Restated Regulations of First Financial Bancorp, amended as of July 28, 2015 (filed as Exhibit 3.1 to the Form 8-K filed on July 29, 2015 and incorporated herein by reference) (File No. 000-34762).
4.1	Letter Agreement, dated as of December 23, 2008, between First Financial Bancorp. and the United States Department of the Treasury, which includes the Securities Purchase Agreement - Standard Terms (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on December 30, 2008, and incorporated herein by reference) (File No. 000-12379).
4.2	Warrant to Purchase up to 930,233 shares of Common Stock dated as of December 23, 2008 (filed as Exhibit 4.1 to the Form 8-K filed on December 30, 2008 and incorporated herein by reference) (File No. 000-12379).
4.3	Indenture, dated as of August 25, 2015, by and between First Financial Bancorp. and Wells Fargo Bank, National Association, as Trustee. (filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on August 26, 2015, and incorporated herein by reference) (File No. 000-34762).
4.4	Supplemental Indenture, dated as of August 25, 2015, by and between First Financial Bancorp. and Wells Fargo Bank, National Association, as Trustee. (filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed on August 26, 2015, and incorporated herein by reference) (File No. 000-34762).
4.5	Form of 5.125% Subordinated Note due 2025 (included as part of Exhibit 4.4 to this Annual Report).
4.6	Indenture dated as of December 19, 2002 between MainSource Financial Group, Inc., as issuer, and State Street Bank and Trust Company of Connecticut, N.A., as trustee, re: floating rate junior subordinated deferrable interest debentures due 2032 (incorporated by reference to Exhibit 4.6 to the Annual Report on Form 10-K of MainSource Financial Group, Inc. for the fiscal year ended December 31, 2002 filed March 28, 2003 with the Commission).
4.7	Amended and Restated Declaration of Trust dated as of December 19, 2002 among State Street Bank and Trust Company of Connecticut, N.A., as institutional trustee, MainSource Financial Group, Inc., as sponsor, and James L. Saner Sr., Donald A. Benziger and James M. Anderson, as administrators (incorporated by reference to Exhibit 4.7 to the Annual Report on Form 10-K of MainSource Financial Group, Inc. for the fiscal year ended December 31, 2002 filed March 28, 2003 with the Commission).
4.8	Guarantee Agreement dated as of December 19, 2002 between MainSource Financial Group, Inc., and State Street Bank and Trust Company of Connecticut, N.A (incorporated by reference to Exhibit 4.8 to the Annual Report on Form 10-K of MainSource Financial Group, Inc. for the fiscal year ended December 31, 2002 filed March 28, 2003 with the Commission).
4.9	Indenture dated as of April 1, 2003 between MainSource Financial Group, Inc., as issuer, and U.S. Bank, N.A., as trustee, re: floating rate junior subordinated deferrable interest debentures due 2033 (incorporated by reference to Exhibit 4.1 to the Quarterly Report on Form 10-Q of MainSource Financial Group, Inc. for the quarter ended June 30, 2003 filed August 14, 2003 with the Commission).
4.10	Amended and Restated Declaration of Trust dated as of April 1, 2003 among U.S. Bank, N.A., as institutional trustee, MainSource Financial Group, Inc., as sponsor, and James L. Saner Sr., Donald A. Benziger and James M. Anderson, as administrators (incorporated by reference to Exhibit 4.2 to the Quarterly Report on Form 10-Q of MainSource Financial Group, Inc. for the quarter ended June 30, 2003 filed August 14, 2003 with the Commission).
4.11	Guarantee Agreement dated as of April 1, 2003 between MainSource Financial Group, Inc., and U.S. Bank, N.A (incorporated by reference to Exhibit 4.3 to the Quarterly Report on Form 10-Q of MainSource Financial Group, Inc. for the quarter ended June 30, 2003 filed August 14, 2003 with the Commission).
4.12	Indenture dated as of June 12, 2003 between MainSource Financial Group, Inc., as issuer, and The Bank of New York, as trustee, re: rate junior subordinated deferrable interest debentures due (incorporated by reference to Exhibit 4.4 to the Quarterly Report on Form 10-Q of MainSource Financial Group, Inc. for the quarter ended June 30, 2003 filed August 14, 2003 with the Commission).
4.13	Amended and Restated Declaration of Trust dated as of June 12, 2003 among The Bank of New York, as institutional trustee, MainSource Financial Group, Inc., as sponsor, and James L. Saner Sr., Donald A. Benziger and James M. Anderson, as administrators (incorporated by reference to Exhibit 4.5 to the Quarterly Report on Form 10-Q of MainSource Financial Group, Inc. for the quarter ended June 30, 2003 filed August 14, 2003 with the Commission).
4.14	Guarantee Agreement dated as of June 12, 2003 between MainSource Financial Group, Inc., and The Bank of New York (incorporated by reference to Exhibit 4.6 to the Quarterly Report on Form 10-Q of MainSource Financial Group, Inc. for the quarter ended June 30, 2003 filed August 14, 2003 with the Commission).
4.15	Form of Amended and Restated Declaration of Trust dated as of October 13, 2006, of MainSource Statutory Trust IV, among MainSource Financial Group, Inc. as sponsor, Wells Fargo Delaware Trust Company as Delaware trustee and Wells Fargo Bank, National Association, as institutional trustee (incorporated by reference to Exhibit 10.1 to the periodic report on Form 8-K of MainSource Financial Group, Inc. filed October 17, 2006 with the Commission).

4.16	Form of Indenture dated as of October 13, 2006, between MainSource Financial Group, Inc. and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 10.2 to the periodic report on Form 8-K of MainSource Financial Group, Inc. filed October 17, 2006 with the Commission).
4.17	Form of Guarantee Agreement dated as of October 13, 2006, between MainSource Financial Group, Inc., as guarantor, and Wells Fargo Bank, National Association, as guarantee trustee (incorporated by reference to Exhibit 10.3 to the periodic report on Form 8-K of MainSource Financial Group, Inc. filed October 17, 2006 with the Commission).
4.18	Warrant for the Purchase of Shares of MainSource Financial Group, Inc. Common Stock (incorporated by reference to Exhibit 4.2 to the Report on Form 8-K of MainSource Financial Group, Inc. filed January 20, 2009 with the Commission).
4.19	Second Supplemental Indenture, dated April 30, 2020, between First Financial Bancorp. and Wells Fargo Bank, National Association (Incorporated by reference from Exhibit 4.2 to the Current Report on Form 8-K filed on April 30, 2020)(File No. 001-34762).
4.20	Form of 5.25% Fixed-to-Floating Rate Subordinated Notes due 2030 (Included in Exhibit 4.19 of this Form 10-K)(Incorporated by reference from Exhibit 4.3 to the Current Report on Form 8-K filed on April 30, 2020) (File No. 001-34762).)
4.21	Description of Registrant's Securities (filed as Exhibit 4.19 to the Annual Report on Form 10-K filed on February 221, 2020).
10.1	First Financial Bancorp. 1999 Stock Incentive Plan for Officers and Employees, dated April 27, 1999 (filed as Exhibit A to the Registrant's Proxy Statement filed on March 22, 1999, and incorporated herein by reference) (File No. 000-12379).*
10.2	Form of Stock Option Agreement for Non-Qualified Stock Options (2005-2008) under the First Financial Bancorp. 1999 Stock Incentive Plan for Officers and Employees (filed as Exhibit 10.2 to the Form 8-K filed on April 22, 2005 and incorporated herein by reference) (File No. 000-12379).*
10.3	Form of Executive Supplemental Retirement Agreement (filed as Exhibit 10.7 to the Form 10-Q for the quarter ended March 31, 2010 and incorporated herein by reference) (File No. 000-12379).*
10.4	Form of Endorsement Method Split Dollar Agreement (filed as Exhibit 10.8 to the Form 10-Q for the quarter ended March 31, 2010 and incorporated herein by reference) (File No. 000-12379).*
10.5	First Financial Bancorp. Amended and Restated Deferred Compensation Plan (filed as Exhibit 10.9 to the Form 10-Q for the quarter ended March 31, 2010 and incorporated herein by reference) (File No. 000-12379).*
10.6	First Financial Bancorp. Key Executive Short Term Incentive Plan Amended and Restated March 10, 2015 (originally established in 2011)(filed as Exhibit 10.1 to the Form 8-K on May 25, 2016 and incorporated herein by reference) (File No. 001-34762).*
10.7	Form of Agreement for Stock Award pursuant to the Key Executive Incentive Plan between First Financial Bancorp. (3-year holding period) (filed as Exhibit 10.21 to First Financial Bancorp's Annual Report for the year ended December 31, 2015 and incorporated herein by reference) (File No. 001-34762).*
10.8	First Financial Bancorp. 2012 Stock Plan (filed as Appendix A to the Definitive Proxy Statement filed on April 13, 2012 and incorporated herein by reference) (File No. 001-34762).*
10.9	Form of Agreement for 2015 Performance Stock Awards under the First Financial Bancorp. 2012 Stock Plan (3-year vesting/accrual of dividends)) (filed as Exhibit 10.26 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2015 and incorporated herein by reference) (File No. 001-34762).*
10.10	Form of Agreement for Restricted Stock Awards under the First Financial Bancorp. 2012 Stock Plan (employees of First Financial Bank, 3-year vesting/accrual of dividends)) (filed as Exhibit 10.27 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2015 and incorporated herein by reference) (File No. 001-34762).*
10.11	Form of Agreement for Restricted Stock Awards under the First Financial Bancorp. 2012 Stock Plan (employees of Oak Street Funding, 3-year vesting/accrual of dividends)) (filed as Exhibit 10.28 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2015 and incorporated herein by reference) (File No. 001-34762).*
10.12	Form of Agreement for Performance Stock Awards under the First Financial Bancorp. 2012 Stock Plan (3-year vesting/accrual of dividends)) (filed as Exhibit 10.29 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2015 and incorporated herein by reference) (File No. 001-34762).*
10.13	Form of Agreement for Performance Stock Awards under the First Financial Bancorp. 2012 Stock Plan (employees of Oak Street Funding, 3-year vesting/accrual of dividends)) (filed as Exhibit 10.30 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2015 and incorporated herein by reference) (File No. 001-34762).*
10.14	Form of Agreement for Restricted Stock Awards under the First Financial Bancorp. 2012 Stock Plan (Directors, 1-year vest/accrual of dividends)) (filed as Exhibit 10.31 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2015 and incorporated herein by reference) (File No. 001-34762).*

10.15	Executive Supplemental Savings Agreement between First Financial Bancorp. and Claude E. Davis, President and Chief Executive Officer dated December 31, 2013 (filed as Exhibit 10.1 to the Form 8-K filed on January 7, 2014 and incorporated herein by reference) (File No. 001-34762).*
10.16	First Financial Bancorp Amended and Restated 2012 Stock Plan (filed as Exhibit A to the Definitive Proxy Statement filed on April 13, 2017 and incorporated herein by reference) (File No. 001-34762).*
10.17	Form of Agreement for Restricted Stock Awards under the First Financial Bancorp. Amended and Restated 2012 Stock Plan (Directors, 1-year vest/accrual of dividends) (filed as Exhibit 10.2 to the Form10-Q for the quarter ended June 30, 2017 and incorporated herein by reference).*
10.18	Form of Agreement for Restricted Stock Awards under the First Financial Bancorp. Amended and Restated 2012 Stock Plan (employees of First Financial Bank, 3-year vesting/accrual of dividends) (filed as Exhibit 10.3 to the Form10-Q for the quarter ended June 30, 2017 and incorporated herein by reference).*
10.19	Form of Agreement for Restricted Stock Awards under the First Financial Bancorp. Amended and Restated 2012 Stock Plan (employees of Oak Street Funding, 3-year vesting/accrual of dividends) (filed as Exhibit 10.4 to the Form10-Q for the quarter ended June 30, 2017 and incorporated herein by reference).*
10.20	Form of Agreement for Restricted Stock Awards under the First Financial Bancorp. Amended and Restated 2012 Stock Plan (employees of First Franchise Capital Corporation, 3-year vesting/accrual of dividends) (filed as Exhibit 10.5 to the Form10-Q for the quarter ended June 30, 2017 and incorporated herein by reference).*
10.21	Form of Agreement for Stock Awards under the Key Executive Short Term Incentive Plan and the First Financial Bancorp. Amended and Restated 2012 Stock Plan (immediate vest, 1-year holding) (filed as Exhibit 10.8 to the Form10-Q for the quarter ended June 30, 2017 and incorporated herein by reference).*
10.22	Form of Agreement for Performance Stock Awards under the First Financial Bancorp. Amended and Restated 2012 Stock Plan (employees of First Financial Bank) 3-year vesting/accrual of dividends)(filed as Exhibit 10.36 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2017 and incorporated herein by reference) (File No. 001-34762).*
10.23	Form of Agreement for Performance Stock Awards under the First Financial Bancorp. Amended and Restated 2012 Stock Plan (employees of Oak Street Funding, 3-year vesting/accrual of dividends)(filed as Exhibit 10.37 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2017 and incorporated herein by reference) (File No. 001-34762).*
10.24	Employment and Non-Competition Agreement between Archie M. Brown, Jr. and First Financial Bancorp. and First Financial bank, dated as of July 25, 2017 (filed as Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed on July 27, 2017 and incorporated herein by reference) (File No. 001-34762).*
10.25	Employment and Non-Competition Agreement between Claude E. Davis and First Financial Bancorp. and First Financial bank, dated as of July 25, 2017 (filed as Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed on July 27, 2017 and incorporated herein by reference) (File No. 001-34762).*
10.26	Severance and Change in Control Agreement between John M. Gavigan and First Financial Bank dated September 22, 2017 (filed as exhibit 10.2 of the Registrant's Current Report on Form 8-K filed on September 22, 2017 and incorporated herein by reference) (File No. 001-34762).*
10.27	Severance and Change in Control Agreement between James M. Anderson and First Financial Bank dated September 18, 2017 (filed as exhibit 10.4 of the Registrant's Current Report on Form 8-K filed on September 22, 2017 and incorporated herein by reference) (File No. 001-34762).*
10.28	MainSource Financial Group, Inc. 2007 Stock Incentive Plan (incorporated by reference to Exhibit 10.9 to the Annual Report on Form 10-K of MainSource Financial Group, Inc. for the year ending December 31, 2007, filed March 17, 2008 with the Commission).*
10.29	Letter Agreement dated June 3, 2019, between Claude E. Davis and First Financial Bancorp (filed as Exhibit 10.2 to First Financial's Current Report on Form 8-K filed on June 5, 2019 and incorporated herein by reference).
10.30	First Financial Bancorp. 2020 Stock Plan (Incorporated by reference from Exhibit 10.1 to the Current Report on Form 8-K filed on May 27, 2020)(File No. 001-34762) .*
10.31	Form of Agreement for Restricted Stock Awards under the First Financial Bancorp. 2020 Stock Plan (filed as Exhibit 10.34 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2020 and incorporated herein by reference) (File No. 001-34762).
10.32	Form of Agreement for Performance Stock Awards under the First Financial Bancorp. 2020 Stock Plan (filed as Exhibit 10.35 to the Registrant's Annual Report on Form 10-K for the year ended December 31,2020 and incorporated herein by reference) (File No. 001-34762).*
10.33	Severance and Change in Control Agreement between Richard Dennen and First Financial Bank dated September 21, 2021 (filed as Exhibit 10.33 to the Registrant's Annual Report on Form 10-K for the year ended December 31,2021 and incorporated herein by reference((File No. 001-34762).*
10.34	Credit Agreement by and between First Financial Bancorp. and Stifel Bank & Trust dated as of December 29, 2021 (filed as Exhibit 10.34 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2021 and incorporated herein by reference) (File No. 001-34762).*.

10.35	Pledge and Security Agreement by and between First Financial Bancorp. and Stifel Bank & Trust dated as of December 29, 2021 (filed as Exhibit 10.35 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2021 and incorporated herein by reference) (File No. 001-34762).*
13	Registrant's annual report to shareholders for the year ended December 31, 2023.
14.1	First Financial Bancorp. Code of Conduct, as approved January 28, 2020 (filed as Exhibit 14.1 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2019 and incorporated herein by reference) (File No. 001-34762).
14.2	Code of Ethics for the CEO and Senior Financial Officers (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on October 29, 2012 and incorporated herein by reference) (File No. 001-34762).
21	First Financial Bancorp. Subsidiaries.
23	Consent of Crowe LLP, Independent Registered Public Accounting Firm.
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 filed herewith.
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 filed herewith.
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 furnished herewith.
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 furnished herewith.
97	Recoupment of Compensation (Clawback) Policy
101	Financial statements from the Annual Report on Form 10-K of the Company for the year ended December 31, 2023, formatted in inline XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Cash Flows, (v) Consolidated Statements of Changes in Shareholders' Equity, and (vi) Notes to Consolidated Financial Statements, as blocks of text and in detail.**
104	The cover page from the Annual Report on Form 10-K Report for the Company for the year ended December 31, 2023, formatted in inline XBRL and contained in Exhibit 101.

First Financial will furnish, without charge, to a security holder upon request a copy of the documents, portions of which are incorporated by reference (Annual Report to Shareholders and Proxy Statement), and will furnish any other Exhibit upon the payment of reproduction costs.

* Compensation plan(s) or arrangement(s).
** As provided in Rule 406T of Regulation S-T, this information shall not be deemed "filed" for purposes of Section 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934 or otherwise subject to liability under those sections.

Item 16. Form 10-K Summary.
None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FIRST FINANCIAL BANCORP.

By: /s/ Archie M. Brown
Archie M. Brown, Director
President and Chief Executive Officer

Date 2/22/2024

Pursuant to the requirements of the Securities Exchange Act of 1934, the report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Archie M. Brown
Archie M. Brown, Director
President and Chief Executive Officer

Date 2/22/2024

/s/ James M. Anderson
James M. Anderson, Executive Vice President, Chief Financial Officer and Chief Operating Officer

Date 2/22/2024

/s/ Claude E. Davis
Claude E. Davis, Director
Chairman of the Board

Date 2/22/2024

/s/ Scott T. Crawley
Scott T. Crawley, Senior Vice President and Controller
(Principal Accounting Officer)

Date 2/22/2024

/s/ William G. Barron
William G. Barron, Director

Date 2/22/2024

/s/ Vincent A. Berta
Vincent A. Berta, Director

Date 2/22/2024

/s/ Cynthia O. Booth
Cynthia O. Booth, Director

Date 2/22/2024

/s/ Susan L. Knust
Susan L. Knust, Director

Date 2/22/2024

/s/ William J. Kramer
William J. Kramer, Director

Date 2/22/2024

/s/ Dawn C. Morris
Dawn C. Morris, Director

Date 2/22/2024

/s/ Thomas M. O'Brien
Thomas M. O'Brien, Director

Date 2/22/2024

/s/ Andre T. Porter
Andre T. Porter, Director

Date 2/22/2024

/s/ Maribeth S. Rahe
Maribeth S. Rahe, Director

Date 2/22/2024

/s/ Gary W. Warzala
Gary W. Warzala, Director

Date 2/22/2024

EXHIBIT 13

Glossary of Abbreviations and Acronyms

First Financial Bancorp has identified the following list of abbreviations and acronyms that are used in the Notes to Consolidated Financial Statements and the Management's Discussion and Analysis of Financial Condition and Results of Operations.

ABL	Asset backed loans
ACL or Allowance	Allowance for credit losses
AFS	Available-for-sale
AOCI	Accumulated other comprehensive income
ASC	Accounting standards codification
ASU	Accounting standards update
ATM	Automated teller machine
Bank	First Financial Bank
Basel III	Basel Committee regulatory capital reforms, Third Basel Accord
Bp/bps	Basis point(s)
BOLI	Bank owned life insurance
CDs	Certificates of deposit
C&I	Commercial & industrial
CMOs	Collateralized mortgage obligations
CRE	Commercial real estate
Company	First Financial Bancorp.
DDA	Demand deposit account
Dodd-Frank	Dodd-Frank Wall Street Reform and Consumer Protection Act
EAD	Exposure at Default
ERISA	Employee Retirement Income Security Act
ERM	Enterprise Risk Management
EVE	Economic value of equity
Fair Value Topic	FASB ASC Topic 825, Financial Instruments
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FDM	Financial Difficulty Modification
FHLB	Federal Home Loan Bank
FHLMC	Federal Home Loan Mortgage Corporation
First Financial	First Financial Bancorp.
FNMA	Federal National Mortgage Association
Form 10-K	First Financial Bancorp. Annual Report on Form 10-K
FRB	Federal Reserve Bank
GAAP	U.S. Generally Accepted Accounting Principles
GNMA	Government National Mortgage Association
HTC	Historic tax credit
HTM	Held-to-maturity
Insignificant	Less than $0.1 million
IRLC	Interest Rate Lock Commitment
LGD	Loss given default
LIHTC	Low income housing tax credit
LTV	Loan to value
MBSs	Mortgage-backed securities
MD&A	Management’s Discussion and Analysis of Financial Condition and Results of Operations
MSFG	MainSource Financial Group, Inc.
N/A	Not applicable
NII	Net interest income
NMTC	New markets tax credit
N/M	Not meaningful
ODFI	Ohio Department of Financial Institutions
OREO	Other real estate owned
PCA	Prompt corrective action
PCD	Purchase credit deteriorated
PCI	Purchase credit impaired
PD	Probability of default
PPP	Paycheck Protection Program
R&S	Reasonable and supportable
ROU	Right-of-use
SEC	United States Securities and Exchange Commission
SFG or Summit	Summit Funding Group, Inc
SOFR	Secured Overnight Financing Rate
Topic 842	FASB ASC Topic 842, Leasing
TDR	Troubled debt restructuring
TTC	Through the cycle
USD	United States dollars

Management’s Discussion and Analysis of Financial Condition and Results of Operations

This annual report contains forward-looking statements. See the Forward-Looking Statements section that follows for further information on the risks and uncertainties associated with forward-looking statements.

The following discussion and analysis is presented by management to facilitate the understanding of the financial condition, cash flows, changes in financial condition and results of operations of First Financial Bancorp. Management's discussion and analysis identifies trends and material changes that occurred during the reporting periods presented and should be read in conjunction with the Consolidated Financial Statements and accompanying Notes.

Certain reclassifications of prior years' amounts have been made to conform to current year presentation. Such reclassifications had no effect on net earnings, total assets, liabilities and shareholders' equity.

EXECUTIVE SUMMARY

First Financial Bancorp. is a $17.5 billion financial holding company headquartered in Cincinnati, Ohio. The Company primarily operates through First Financial Bank, an Ohio-chartered commercial bank with 130 full service banking centers. First Financial provides banking and financial services products to business and retail clients through its six lines of business: Commercial, Retail Banking, Mortgage Banking, Wealth Management, Investment Commercial Real Estate and Commercial Finance. The Commercial Finance business lends to targeted industry verticals on a nationwide basis. Operating under the brand of Yellow Cardinal Advisory Group, Wealth Management had $3.5 billion in assets under management as of December 31, 2023 and provides the following services: financial planning, investment management, trust administration, estate settlement, business succession planning, brokerage services and retirement planning.

Additional information about First Financial, including its products, services and banking locations, is available on the Company's website at www.bankatfirst.com.

The major components of First Financial’s operating results for the previous three years are summarized in Table 1 – Financial Summary and are discussed in greater detail in the sections that follow.

MARKET STRATEGY

First Financial develops a competitive advantage by utilizing a local market focus to provide superior service and build long-term relationships with clients while helping them achieve greater financial success. First Financial serves a combination of metropolitan and community markets in Ohio, Indiana, Kentucky and Illinois through its full-service banking centers. First Financial also has certain lending platforms that extend beyond the geographic banking center footprint to provide financing to franchise owners and clients within the financial services industry as well as equipment lease financing to commercial businesses. First Financial's investment in community markets is an important part of the Bank's core funding base and has historically provided stable, low-cost funding sources.

First Financial’s market selection process includes multiple factors, but markets are primarily chosen for their potential for long-term profitability and growth. First Financial intends to concentrate plans for future growth and capital investment within its current markets, and will continue to evaluate additional growth opportunities in metropolitan markets located within, or in close proximity to, the Company's current geographic footprint. Additionally, First Financial may seek strategic acquisitions that provide product line extensions or additional industry verticals that complement its existing business and diversify its product suite and revenue streams.

BUSINESS COMBINATIONS

In the first quarter of 2023, First Financial purchased the assets of Brady Ware Capital, LLC (Brady Ware). Located in Miamisburg, Ohio, Brady Ware was an advisory firm for mergers and acquisitions, focusing primarily on business succession planning. First Financial acquired all of the assets of Brady Ware for aggregate consideration of approximately $4.3 million, consisting of $3.4 million in cash and a $0.9 million earn-out payment. Pursuant to the purchase agreement, the earn-out payment is payable in installments for each of the five years following the closing of the acquisition, contingent upon the results of Brady Ware's operations.
The transaction was accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed and consideration exchanged were recorded at estimated fair value on the acquisition date in accordance with FASB

ASC Topic 805, Business Combinations. Goodwill arising from the Brady Ware acquisition was $4.2 million and reflects the business's growth potential and the expectation that the acquisition will provide additional revenue growth with the expansion of the Bank's advisory business. In May 2023, First Financial also acquired Brady Ware Corporate Finance, a broker-dealer and member of FINRA. First Financial recorded $0.1 million of goodwill in connection with the acquisition of Brady Ware Corporate Finance. The fair value measurements of Brady Ware assets and liabilities are subject to refinement for up to one year after the closing date of the acquisition as additional information relative to closing date fair values become available, and the measurement period ends in the first quarter of 2024 for Brady Ware. The measurement period for recording adjustments to the fair value of assets and liabilities ends in the second quarter of 2024 for Brady Ware Corporate Finance.

Table 1 • Financial Summary

(Dollars in thousands, except per share data)	December 31, 2023	2022	2021
Summary of operations			
Interest income	$ 903,004	$ 585,006	$ 483,217
Tax equivalent adjustment [1]	6,356	6,357	6,091
Interest income tax – equivalent [1]	909,360	591,363	489,308
Interest expense	275,234	65,863	31,099
Net interest income tax – equivalent [1]	$ 634,126	$ 525,500	$ 458,209
Interest income	$ 903,004	$ 585,006	$ 483,217
Interest expense	275,234	65,863	31,099
Net interest income	627,770	519,143	452,118
Provision for credit losses	43,107	11,713	(18,121)
Noninterest income	212,422	189,641	171,506
Noninterest expenses	478,489	455,349	400,812
Income before income taxes	318,596	241,722	240,933
Income tax expense	62,733	24,110	35,773
Net income	$ 255,863	$ 217,612	$ 205,160
Per share data			
Earnings per common share			
Basic	$ 2.72	$ 2.33	$ 2.16
Diluted	$ 2.69	$ 2.30	$ 2.14
Cash dividends declared per common share	$ 0.92	$ 0.92	$ 0.92
Average common shares outstanding–basic (in thousands)	93,939	93,529	95,035
Average common shares outstanding–diluted (in thousands)	95,096	94,587	95,897
Selected year-end balances			
Total assets	$ 17,532,900	$ 17,003,316	$ 16,329,141
Earning assets	14,966,741	14,331,900	13,941,829
Investment securities	3,231,392	3,636,829	4,409,237
Total loans and leases	10,933,176	10,298,971	9,288,299
Interest-bearing demand deposits	2,993,219	3,037,153	3,198,745
Savings deposits	4,331,228	3,828,139	4,157,374
Time deposits	2,718,390	1,700,705	1,330,263
Noninterest-bearing demand deposits	3,317,960	4,135,180	4,185,572
Total deposits	13,360,797	12,701,177	12,871,954
Short-term borrowings	937,814	1,287,156	296,203
Long-term debt	344,115	346,672	409,832
Shareholders' equity	2,267,974	2,041,373	2,258,942
Select Financial Ratios			
Average loans to average deposits [2]	82.04 %	76.11 %	76.15 %
Net charge-offs to average loans and leases	0.33 %	0.06 %	0.26 %
Average shareholders' equity to average total assets	12.53 %	12.85 %	14.06 %
Average tangible shareholders' equity to average tangible assets	6.51 %	6.59 %	8.29 %
Return on average assets	1.51 %	1.33 %	1.28 %
Return on average equity	12.01 %	10.34 %	9.08 %
Return on average tangible shareholders' equity	24.72 %	21.62 %	16.43 %
Net interest margin	4.36 %	3.73 %	3.27 %
Net interest margin (tax equivalent basis) [1]	4.40 %	3.77 %	3.31 %
Dividend payout	33.82 %	39.48 %	42.59 %
Tangible book value per share	$ 12.38	$ 9.97	$ 12.26

[1] Tax equivalent basis calculated using a 21% tax rate
[2] Includes loans held for sale

OVERVIEW OF OPERATIONS

Net income for the year ended December 31, 2023 was $255.9 million, resulting in earnings per diluted common share of $2.69. This compares to net income of $217.6 million and earnings per diluted common share of $2.30 in 2022. Return on average assets was was 1.51% and 1.33% for 2023 and 2022, respectively. First Financial's return on average tangible shareholders' equity for 2023 was 24.72%, compared to 21.62% for 2022.
Net interest income in 2023 increased $108.6 million, or 20.9%, from 2022, to $627.8 million, primarily driven by higher yields earned on the loan and investment portfolios resulting as a result of higher interest rates offsetting higher funding costs. The net interest margin on a fully tax equivalent basis was 4.40% for 2023 compared to 3.77% in 2022.

Noninterest income increased $22.8 million, or 12.0%, to $212.4 million during 2023 from $189.6 million in 2022. The increase in 2023 was primarily driven by increases in leasing business income, other noninterest income and wealth management fees, which were partially offset by lower mortgage banking income.

Noninterest expense increased $23.1 million, or 5.1%, from $455.3 million in 2022 to $478.5 million in 2023. This increase was largely driven by higher salaries and incentives, data processing expenses, FDIC assessments and leasing business expenses. These increases were partially offset by a decline in other noninterest expenses.

Income tax expense increased $38.6 million, or 160.2%, to $62.7 million in 2023 from $24.1 million in 2022, with the effective tax rate increasing to 19.7% in 2023 from 10.0% in 2022. The increase in the effective tax rate in 2023 was primarily related to the recognition of fewer tax credit investments in 2023 compared to 2022.
Total loans increased $634.2 million, or 6.2%, to $10.9 billion at December 31, 2023 from $10.3 billion at December 31, 2022, primarily driven by growth in residential real estate loans, lease financing and C&I loans. Total deposits increased $659.6 million, or 5.2%, to $13.4 billion as of December 31, 2023 from $12.7 billion at December 31, 2022 due to increases in time and savings deposits, which offset declines in noninterest bearing deposits.

The ACL on loans and leases was $141.4 million, or 1.29% of total loans at December 31, 2023, compared to $133.0 million, and 1.29% of total loans at December 31, 2022. First Financial recorded $43.1 million in provision expense during 2023, compared to $6.7 million in provision expense during 2022.

First Financial's operational results may be influenced by certain economic factors and conditions, such as market interest rates, industry competition, household and business spending levels, consumer confidence and the regulatory environment. For a more detailed discussion of the Company's operations, please refer to the sections that follow.

NON-GAAP FINANCIAL MEASURES

The Company utilizes certain non-GAAP financial measures, which it believes provide useful insight to the reader of the Consolidated Financial Statements. These non-GAAP measures should be supplemental to primary GAAP measures and should not be read in isolation or relied upon as a substitute for the primary GAAP measures.

For analytical purposes, net interest income is presented in the following table adjusted to a tax equivalent basis assuming a 21% marginal tax rate. Net interest income is disclosed on a tax equivalent basis to consistently reflect income from tax-exempt assets, such as municipal loans and investments, in order to facilitate a comparison between taxable and tax-exempt amounts. Management believes it is a standard practice in the banking industry to present net interest margin and net interest income on a fully tax equivalent basis as these measures provide useful information to make peer comparisons.

Table 2 • Non-GAAP - Net Interest Income

(Dollars in thousands)	Year ended December 31, 2023	2022	2021
Net interest income	$ 627,770	$ 519,143	$ 452,118
Tax equivalent adjustment	6,356	6,357	6,091
Net interest income - tax equivalent	$ 634,126	$ 525,500	$ 458,209
Average earning assets	$ 14,404,909	$ 13,921,563	$ 13,826,645
Net interest margin [(1)]	4.36 %	3.73 %	3.27 %
Net interest margin (FTE) [(1)]	4.40 %	3.77 %	3.31 %

[(1)] Calculated using net interest income divided by average earning assets

In addition to capital ratios defined by the U.S. banking agencies, First Financial considers various other measures when evaluating capital utilization and adequacy, including the return on average tangible shareholders' equity and the tangible shareholders' equity ratio. These calculations are intended to complement the capital ratios defined by the U.S. banking agencies for both absolute and comparative purposes. As GAAP does not include capital ratio measures, the Company believes there are no comparable GAAP financial measures to these ratios. These ratios are not formally defined by GAAP or codified in the federal banking regulations and, therefore, are considered to be non-GAAP financial measures.

First Financial believes return on average tangible shareholders' equity is an important measure for comparative purposes with other financial institutions, but it is not defined under GAAP, and therefore is considered a non-GAAP financial measure. This measure is useful for evaluating the performance of a business as it calculates the return available to common shareholders without the impact of intangible assets and their related amortization.

First Financial encourages readers to consider its Consolidated Financial Statements in their entirety and not to rely on any single financial measure.

The following table reconciles non-GAAP capital ratios to GAAP:

Table 3 • Non-GAAP - Capital Ratios

(Dollars in thousands)	Year ended December 31, 2023	2022	2021
Net income (a)	$ 255,863	$ 217,612	$ 205,160
Average total shareholders' equity	2,129,751	2,105,339	2,259,807
Less:			
Average goodwill	(1,005,805)	(999,611)	(937,943)
Average other intangibles	(88,724)	(99,081)	(73,496)
Average tangible equity (b)	1,035,222	1,006,647	1,248,368
Total shareholders' equity	2,267,974	2,041,373	2,258,942
Less:			
Goodwill	(1,005,868)	(1,001,507)	(1,000,749)
Other intangibles	(83,949)	(93,919)	(104,367)
Ending tangible equity (c)	1,178,157	945,947	1,153,826
Total assets	17,532,900	17,003,316	16,329,141

Table 3 • Non-GAAP - Capital Ratios

	Year ended December 31,		
	2023	2022	2021
Less:			
Goodwill	(1,005,868)	(1,001,507)	(1,000,749)
Other intangibles	(83,949)	(93,919)	(104,367)
Ending tangible assets (d)	16,443,083	15,907,890	15,224,025
Risk-weighted assets (e)	13,374,177	12,923,233	11,642,201
Total average assets	16,997,223	16,382,730	16,072,360
Less:			
Average goodwill	(1,005,805)	(999,611)	(937,943)
Average other intangibles	(88,724)	(99,081)	(73,496)
Average tangible assets (f)	15,902,694	15,284,038	15,060,921
Ending common shares outstanding (g)	95,141,244	94,891,099	94,149,240
Ratios			
Return on average tangible shareholders' equity (a)/(b)	24.72 %	21.62 %	16.43 %
Ending tangible shareholders' equity as a percent of:			
Ending tangible assets (c)/(d)	7.17 %	5.95 %	7.58 %
Risk-weighted assets (c)/(e)	8.81 %	7.32 %	9.91 %
Average tangible shareholders' equity to average tangible assets (b)/(f)	6.51 %	6.59 %	8.29 %
Tangible book value per share (c)/(g)	$ 12.38	$ 9.97	$ 12.26

NET INCOME

2023 vs. 2022. First Financial's net income increased $38.3 million, or 17.6%, to $255.9 million in 2023, compared to net income of $217.6 million in 2022. The increase in 2023 was primarily related to a $108.6 million, or 20.9%, increase in net interest income and a $22.8 million, or 12.0%, increase in noninterest income, partially offset by a $23.1 million, or 5.1%, increase in noninterest expenses, a $36.3 million, or 539.9%, increase in provision expense and a $38.6 million, or 160.2%, increase in income tax expense.

2022 vs. 2021. First Financial's net income increased $12.5 million, or 6.1%, to $217.6 million in 2022, compared to net income of $205.2 million in 2021. The increase in 2022 was primarily related to a $67.0 million, or 14.8%, increase in net interest income, a $18.1 million, or 10.6%, increase in noninterest income and a $11.7 million, or 32.6%, decrease in income tax expense, partially offset by a $54.5 million, or 13.6%, increase in noninterest expenses and a $25.8 million, or 135.4%, increase in provision expense.

For more detail, refer to the Net interest income, Noninterest income, Noninterest expenses, Income taxes, and Asset quality and allowance for credit losses sections that follow.

NET INTEREST INCOME

First Financial's net interest income for the years 2021 through 2023 is shown in Table 1 – Financial Summary.

First Financial's principal source of income is net interest income, which is the excess of interest received from earning assets, including loan-related fees and purchase accounting accretion, less interest paid on interest-bearing liabilities. The amount of net interest income is determined by the volume and mix of earning assets, the rates earned on such assets and the volume, mix

and rates paid for the deposits and borrowed money that support the earning assets. Earning assets consist of interest-bearing loans to customers as well as marketable investment securities. First Financial's tax equivalent net interest margin was 4.40%, 3.77% and 3.31% for 2023, 2022 and 2021, respectively.

Table 5 – Volume/Rate Analysis - Tax Equivalent Basis describes the extent to which changes in interest rates as well as changes in the volume of earning assets and interest-bearing liabilities have affected First Financial's net interest income on a tax equivalent basis during the years presented. Nonaccrual loans and loans held for sale were included in the average loan balances used to determine the yields in Table 5 – Volume/Rate Analysis - Tax Equivalent Basis, which should be read in conjunction with Table 4 – Statistical Information.

Loan fees included in the interest income computation for 2023, 2022 and 2021 were $19.0 million, $19.2 million and $46.8 million, respectively, with the 2021 fees being heavily influenced by PPP activity. Interest income also included purchase accounting accretion of $4.2 million, $8.8 million and $12.3 million for 2023, 2022 and 2021, respectively.

2023 vs. 2022. Net interest income increased $108.6 million, or 20.9%, to $627.8 million in 2023 from $519.1 million in 2022, as interest rates rose during 2023. This increase was due to higher asset yields and higher earning asset balances more than offsetting an increase in interest bearing liabilities and rates paid on those liabilities during the period.

Net interest margin on a fully tax equivalent basis increased 63 bps to 4.40% for 2023 compared to 3.77% in 2022 as the Company's asset sensitive balance sheet responded to further Fed rate hikes. This resulted in a 206 bp increase in asset yields, which more than offset an increase in interest-bearing liabilities and a 190 bp increase in funding costs during the period.

Interest income grew $318.0 million, or 54.4%, in 2023 when compared to the prior year as the yield on earning assets rose to 6.31% from 4.25%. Additionally, average earning assets increased to $14.4 billion as of December 31, 2023 from $13.9 billion in 2022, primarily due to a $1.0 billion increase in average loan balances.

Total interest expense increased due to a 184 bp increase in the cost of interest-bearing deposits coupled with a $878.3 million increase in those deposit balances, a 218 bp increase in the cost of average borrowings and a $183.4 million increase in those borrowings. The increasing rate environment resulted in a shift in deposit mix as customers migrated from noninterest bearing accounts to higher cost deposit products. Additionally, higher interest rates drove the increase in the cost of interest-bearing deposits, which was 2.18% in 2023 compared to 34 bps for the same period in the prior year. Average borrowed funds increased $183.4 million in 2023, while the cost of these borrowed funds increased to 5.38% in 2023 from 3.20% during 2022.

2022 vs. 2021. Net interest income increased $67.0 million, or 14.8%, from $452.1 million in 2021 to $519.1 million in 2022, as interest rates rose during 2022. This increase was due to higher asset yields and higher earning asset balances more than offsetting an increase in interest-bearing liabilities and rates paid on those liabilities during the period.

Net interest margin on a fully tax equivalent basis increased 46 bps to 3.77% for 2022 compared to 3.31% in 2021 as the Company's asset sensitive balance sheet responded to multiple Fed rate hikes. This resulted in a 71 bp increase in asset yields, which more than offset an increase in interest-bearing liabilities and a 36 bp increase in funding costs during the period.

Interest income grew $101.8 million, or 21.1%, in 2022 when compared to the prior year as the yield on earning assets rose to 4.25% from 3.54%. Additionally, average earning assets increased to $13.9 billion as of December 31, 2022 from $13.8 billion in 2021.

Total interest expense increased due to a 17 bp increase in the cost of interest-bearing deposits, an increase in average borrowings and a 63 bp increase in the average rate on those borrowings. The increasing rate environment drove the rise in the cost of interest-bearing deposits, which was 34 bps in 2022 compared to 17 bps for the same period in the prior year. Average borrowed funds increased $529.8 million in 2022, while the cost of these borrowed funds increased to 3.20% in 2022 from 2.57% during 2021.

Table 4 • Statistical Information

(Dollars in thousands)	2023 Average Balance	2023 Interest	2023 Average Yield	2022 Average Balance	2022 Interest	2022 Average Yield	2021 Average Balance	2021 Interest	2021 Average Yield
Earning assets									
Loans and leases [1], [4]									
Commercial and industrial [2]	$ 3,447,984	$ 263,632	7.65 %	$ 2,979,273	$ 154,152	5.17 %	$ 2,790,733	$ 137,841	4.94 %
Lease financing [2]	342,243	25,063	7.32 %	153,380	11,785	7.68 %	67,822	2,739	4.04 %
Construction-real estate	535,715	41,302	7.71 %	476,597	23,036	4.83 %	575,883	18,743	3.25 %
Commercial-real estate [2]	4,038,457	293,353	7.26 %	4,040,365	185,017	4.58 %	4,379,325	152,251	3.48 %
Residential-real estate	1,231,507	54,065	4.39 %	989,743	40,083	4.05 %	971,692	40,275	4.14 %
Installment and other consumer	970,681	69,016	7.11 %	935,607	46,118	4.93 %	854,780	34,906	4.08 %
Total loans and leases	10,566,587	746,431	7.06 %	9,574,965	460,191	4.81 %	9,640,235	386,755	4.01 %
Investment securities [3]									
Taxable	2,952,767	125,520	4.25 %	3,293,010	102,314	3.11 %	3,271,601	79,213	2.42 %
Tax-exempt [2]	489,466	17,596	3.59 %	739,036	23,374	3.16 %	841,639	23,193	2.76 %
Total investment securities [3]	3,442,233	143,116	4.16 %	4,032,046	125,688	3.12 %	4,113,240	102,406	2.49 %
Interest-bearing deposits with other banks	396,089	19,813	5.00 %	314,552	5,484	1.74 %	73,170	147	0.20 %
Total earning assets	14,404,909	909,360	6.31 %	13,921,563	591,363	4.25 %	13,826,645	489,308	3.54 %
Nonearning assets									
Allowance for credit losses	(145,472)			(125,001)			(162,477)		
Cash and due from banks	216,625			233,925			242,201		
Accrued interest and other assets	2,521,161			2,352,243			2,165,991		
Total assets	$ 16,997,223			$ 16,382,730			$ 16,072,360		
Interest-bearing liabilities									
Deposits									
Interest-bearing demand	$ 2,932,477	$ 42,388	1.45 %	$ 3,158,560	$ 8,933	0.28 %	$ 2,988,359	$ 1,930	0.06 %
Savings	3,932,100	68,168	1.73 %	4,049,883	8,871	0.22 %	4,065,654	4,122	0.10 %
Time	2,397,289	91,454	3.81 %	1,175,086	10,336	0.88 %	1,601,295	8,383	0.52 %
Total interest-bearing deposits	9,261,866	202,010	2.18 %	8,383,529	28,140	0.34 %	8,655,308	14,435	0.17 %
Borrowed funds									
Short-term borrowings	1,019,470	53,378	5.24 %	817,495	19,132	2.34 %	204,503	198	0.10 %
Long-term debt	340,950	19,846	5.82 %	359,518	18,591	5.17 %	442,720	16,466	3.72 %
Total borrowed funds	1,360,420	73,224	5.38 %	1,177,013	37,723	3.20 %	647,223	16,664	2.57 %
Total interest-bearing liabilities	10,622,286	275,234	2.59 %	9,560,542	65,863	0.69 %	9,302,531	31,099	0.33 %
Noninterest-bearing liabilities									
Noninterest-bearing demand deposits	3,617,961			4,196,735			4,005,034		
Other liabilities	627,225			520,114			504,988		
Shareholders' equity	2,129,751			2,105,339			2,259,807		
Total liabilities and shareholders' equity	$ 16,997,223			$ 16,382,730			$ 16,072,360		
Net interest income and interest rate spread (fully tax equivalent)		$ 634,126	3.72 %		$ 525,500	3.56 %		$ 458,209	3.21 %
Net interest margin (fully tax equivalent)			4.40 %			3.77 %			3.31 %
Interest income and yield		$ 903,004	6.27 %		$ 585,006	4.20 %		$ 483,217	3.49 %
Interest expense and rate		275,234	2.59 %		65,863	0.69 %		31,099	0.33 %
Net interest income and spread		$ 627,770	3.68 %		$ 519,143	3.51 %		$ 452,118	3.16 %
Net interest margin			4.36 %			3.73 %			3.27 %

[1] Nonaccrual loans are included in average loan balance and loan fees are included in interest income.

[2] Interest income on tax-exempt investments and on certain tax-exempt loans and leases has been adjusted to a tax equivalent basis using a 21% tax rate.

[3] Includes HTM securities, AFS securities and other investments

[4] Includes loans held-for-sale

Table 5 • Volume/Rate Analysis - Tax Equivalent Basis [1]

(Dollars in thousands)	2023 change from 2022 due to Volume	Rate	Total	2022 change from 2021 due to Volume	Rate	Total
Interest income						
Loans [2]	$ 70,049	$ 216,191	$ 286,240	$ (3,137)	$ 76,573	$ 73,436
Investment securities [3]						
Taxable	(14,463)	37,669	23,206	665	22,436	23,101
Tax-exempt	(8,972)	3,194	(5,778)	(3,245)	3,426	181
Total investment securities interest [3]	(23,435)	40,863	17,428	(2,580)	25,862	23,282
Interest-bearing deposits with other banks	4,079	10,250	14,329	4,208	1,129	5,337
Total	50,693	267,304	317,997	(1,509)	103,564	102,055
Interest expense						
Interest-bearing demand deposits	(3,268)	36,723	33,455	481	6,522	7,003
Savings deposits	(2,042)	61,339	59,297	(35)	4,784	4,749
Time deposits	46,626	34,492	81,118	(3,749)	5,702	1,953
Short-term borrowings	10,575	23,671	34,246	14,346	4,588	18,934
Long-term debt	(1,081)	2,336	1,255	(4,302)	6,427	2,125
Total	50,810	158,561	209,371	6,741	28,023	34,764
Net interest income	$ (117)	$ 108,743	$ 108,626	$ (8,250)	$ 75,541	$ 67,291

[1] Tax equivalent basis calculated using a 21% tax rate
[2] Includes nonaccrual loans and loans held-for-sale
[3] Includes HTM securities, AFS securities and other investments

NONINTEREST INCOME AND NONINTEREST EXPENSES

Noninterest income and noninterest expenses for 2023, 2022 and 2021 are shown in Table 6 – Noninterest Income and Noninterest Expenses.

NONINTEREST INCOME

2023 vs. 2022. Noninterest income increased $22.8 million, or 12.0%, to $212.4 million in 2023 from $189.6 million in 2022. The increase was primarily attributed to a $19.7 million, or 62.5%, increase in leasing business income, a $4.4 million, or 24.9%, increase in other noninterest income and a $2.6 million, or 11.0% increase in wealth management fees. These increases were partially offset by an $1.8 million, or 12.2%, decrease in gain on sale of loans, a $0.9 million, or 1.7%, decrease in foreign exchange income, and a $0.8 million, or 2.8%, decrease in service charges on deposit accounts.
The growth in leasing business income in 2023, reflected continued growth from Summit Funding Group during the year. The increase in other noninterest income was driven by BOLI gains as well as higher loan syndication fees, while wealth management fees were boosted by an increase in managed assets.

Partially offsetting these increases, gains on sales of retail mortgage loans declined in 2023 as loan demand slowed due to a significant increase in interest rates. Foreign exchange income declined slightly following record high levels in 2022, and service charge income declined due to a full-year impact of the Company's changes to its service charge and overdraft programs in 2022.

2022 vs. 2021. Noninterest income increased $18.1 million, or 10.6%, to $189.6 million in 2022 from $171.5 million in 2021. The increase was attributed to $31.6 million of leasing business income, a $10.2 million, or 22.7%, increase in foreign exchange income and a $2.0 million, or 12.6%, increase in other noninterest income. These increases were partially offset by an $18.0 million, or 54.4%, decrease in gain on sale of loans, a $3.8 million, or 12.0%, decrease in service charges on deposit accounts, a $2.5 million, or 31.4%, decrease in client derivative fees and a $1.3 million, or 191.0%, decrease in unrealized gain (loss) on equity securities.

Noninterest income in 2022 was bolstered by leasing business income, which reflected new activity acquired as part of the

Summit Funding Group acquisition at the end of 2021. In addition, foreign exchange income increased during the year due to record demand for currency transactions in 2022. The increase in other noninterest income was driven by higher income earned on limited partnership investments during the year.

Partially offsetting those increases, gains on sales of retail mortgage loans declined from the prior year as loan demand slowed due to a significant increase in interest rates. Service charge income declined during the year as a result of the Company's changes to its service charge and overdraft programs, and client derivative fees declined as a result of lower product demand. The unrealized loss on equity securities in 2022 was related to a decline in the value of the Company's Class B Visa shares.

Table 6 • Noninterest Income and Noninterest Expenses

	2023		2022		2021	
(Dollars in thousands)	Total	% Change	Total	% Change	Total	% Change
Noninterest income						
Service charges on deposit accounts	$ 27,289	(2.8)%	$ 28,062	(12.0)%	$ 31,876	8.3 %
Wealth management fees	26,081	11.0 %	23,506	(1.2)%	23,780	11.7 %
Bankcard income	14,039	(2.4)%	14,380	0.6 %	14,300	22.0 %
Client derivative fees	5,155	(5.3)%	5,441	(31.4)%	7,927	(23.1)%
Foreign exchange income	54,051	(1.7)%	54,965	22.7 %	44,793	13.8 %
Leasing business income	51,322	62.5 %	31,574	N/M	0	N/M
Net gains from sales of loans	13,217	(12.2)%	15,048	(54.4)%	33,021	(35.5)%
Net gain (loss) on equity securities	206	(132.2)%	(639)	(191.0)%	702	(92.2)%
Other	22,320	24.9 %	17,873	12.6 %	15,866	30.1 %
Subtotal	213,680	12.3 %	190,210	10.4 %	172,265	(6.7)%
Net gain (loss) on sales/transfers of investment securities	(1,258)	121.1 %	(569)	(25.0)%	(759)	(116.6)%
Total	$ 212,422	12.0 %	$ 189,641	10.6 %	$ 171,506	(9.3)%
Noninterest expenses						
Salaries and employee benefits	$ 292,731	8.7 %	$ 269,368	9.5 %	$ 245,924	3.9 %
Net occupancy	22,990	3.5 %	22,208	0.3 %	22,142	(4.8)%
Furniture and equipment	13,543	2.4 %	13,224	(4.3)%	13,819	(7.7)%
Data processing	35,852	6.5 %	33,662	7.3 %	31,363	14.0 %
Marketing	9,647	10.3 %	8,744	9.5 %	7,983	24.5 %
Communication	2,729	1.7 %	2,683	(8.4)%	2,930	(16.1)%
Professional services	9,926	2.0 %	9,734	(16.6)%	11,676	17.2 %
State intangible tax	3,914	(8.7)%	4,285	0.7 %	4,256	(29.7)%
FDIC assessments	11,948	66.1 %	7,194	27.8 %	5,630	10.2 %
Intangible assets amortization	10,402	(7.0)%	11,185	13.7 %	9,839	(11.6)%
Leasing business expense	32,500	59.6 %	20,363	N/M	0	N/M
Other	32,307	(38.7)%	52,699	16.5 %	45,250	16.9 %
Total	$ 478,489	5.1 %	$ 455,349	13.6 %	$ 400,812	2.6 %

NONINTEREST EXPENSES

2023 vs. 2022. Noninterest expenses increased $23.1 million, or 5.1%, to $478.5 million in 2023 compared to $455.3 million in 2022, primarily due to a $23.4 million, or 8.7%, increase in salaries and employee benefits, a $12.1 million, or 59.6% increase in leasing business expenses, a $4.8 million, or 66.1%, increase in FDIC assessments, and a $2.2 million, or 6.5%, increase in data processing expenses. Partially offsetting these increases was a $20.4 million, or 38.7%, decrease in other noninterest expenses.

Salaries and employee benefits in 2023 were driven higher by annual compensation adjustments, incentive compensation tied to fee income, and performance related incentives tied to the Company's financial results. Leasing business expense reflected continued growth from Summit Funding Group during the year. FDIC assessment expense increased during 2023 due to higher assessment rates coupled with a one-time special assessment of $0.9 million, while data processing expenses increased as the Company continued to make strategic investments in technology, including its online banking platform. Partially offsetting these increases, other noninterest expense declined in 2023 due to elevated tax credit investment write-downs in 2022 that did not recur in the current year.

2022 vs. 2021. Noninterest expenses increased $54.5 million, or 13.6%, in 2022 compared to 2021, primarily due to a $23.4 million, or 9.5%, increase in salaries and employee benefits, $20.4 million of leasing business expense, a $7.4 million, or 16.5%, increase in other noninterest expenses, a $2.3 million, or 7.3%, increase in data processing expenses, a $1.6 million, or 27.8%, increase in FDIC assessments and a $1.3 million, or 13.7%, increase in intangible asset amortization expense. These increases were partially offset by a $1.9 million, or 16.6%, decrease in professional services.

Salaries and employee benefits in 2022 were driven higher by annual compensation adjustments, incentive compensation tied to fee income, and performance related incentives tied to the Company's financial results. Leasing business expense reflected new activity acquired as part of the Summit Funding Group transaction. The increase in other noninterest expense was largely attributed to higher write-downs of tax credit investments in 2022, while data processing expenses increased as the Company continued to make strategic investments in technology. FDIC assessment expense increased during the year due to higher assessment rates while intangible amortization expenses increased following the acquisition of Summit. Professional services declined in 2022 due to acquisition and loan sale related expenses in 2021 that did not recur in 2022.

INCOME TAXES

2023 vs. 2022. First Financial’s income tax expense in 2023 totaled $62.7 million compared to $24.1 million in 2022, resulting in effective tax rates of 19.7% and 10.0% for 2023 and 2022, respectively. The higher effective tax rate in 2023 was primarily related to higher pre-tax income during the year as well as tax credit activity during 2022 that did not recur in 2023.

2022 vs. 2021. First Financial’s income tax expense in 2022 totaled $24.1 million compared to $35.8 million in 2021, resulting in effective tax rates of 10.0% and 14.8% for 2022 and 2021, respectively. The lower effective tax rate in 2022 was primarily related to an increase in tax credit activity during the year, partially offset by higher pre-tax income.

For further information on income taxes, see Note 16 – Income Taxes in the Notes to Consolidated Financial Statements.

INVESTMENTS

First Financial utilizes its investment portfolio as a source of liquidity and interest income, as well as a tool for managing the Company's interest rate risk profile. As such, the Company's primary investment strategy is to invest in debt securities with low credit risk, such as treasury and agency-backed residential MBS. The investment portfolio is also managed with consideration to prepayment, extension and maturity risk. First Financial invests primarily in MBS issued by U.S. government agencies and corporations, such as GNMA, FHLMC and FNMA, as these securities are considered to have a low credit risk and high liquidity profile due to government agency guarantees. Government and agency backed securities comprised 51.0% and 47.4% of First Financial's investment securities portfolio as of December 31, 2023 and 2022, respectively.

The Company also invests in certain securities that are not supported by government or agency guarantees and whose realization is dependent on future principal and interest repayments. Prior to purchase, First Financial performs a detailed collateral and structural analysis on these securities and strategically invests in asset classes in which First Financial has expertise and experience, as well as a senior position in the capital structure. First Financial continuously monitors credit risk and geographic concentration risk in its evaluation of market opportunities that would enhance the overall performance of the

portfolio. Securities not supported by government or agency guarantees represented 49.0% and 52.6% of First Financial's investment securities portfolio as of December 31, 2023 and 2022, respectively.

The other investments category in the Consolidated Balance Sheets consists primarily of First Financial’s investments in FRB stock, FHLB stock and class B Visa shares.

2023 vs. 2022. First Financial’s investment portfolio at December 31, 2023 totaled $3.1 billion, compared to $3.5 billion at December 31, 2022, and represented 17.7% of total assets at December 31, 2023. The $392.2 million, or 11.2%, decline in the investment portfolio during 2023 was primarily related to the Company's strategic redeployment of balance sheet liquidity to fund loan growth during the year.
First Financial classified $3.0 billion, or 97.4%, and $3.4 billion, or 97.6%, of investment securities as AFS at December 31, 2023 and 2022, respectively. First Financial classified $80.3 million, or 2.6%, and $84.0 million, or 2.4%, of investment securities as HTM at December 31, 2023 and 2022, respectively.

First Financial recorded a $282.0 million unrealized after-tax loss on the investment portfolio as a component of equity in AOCI resulting from changes in the fair value of AFS securities at December 31, 2023 due to rising interest rates. This unrealized loss position improved $44.0 million in 2023 from a $325.9 million unrealized after-tax loss at December 31, 2022. The overall duration of the investment portfolio was 4.6 years as of both December 31, 2023 and December 31, 2022. First Financial has avoided adding to its portfolio any particular securities that would materially increase credit risk or geographic concentration risk and the Company continuously monitors and considers these risks in its evaluation of current market opportunities that would enhance the overall performance of the portfolio.

Debt securities issued by the U.S. government and U.S. government agencies and corporations, including the FHLB, FHLMC, FNMA and the U.S. Export/Import Bank, were not meaningful as a percentage of the portfolio at either December 31, 2023 or December 31, 2022.

Investments in MBS securities, which include CMOs, represented 52.5% and 51.6% of First Financial's total investment portfolio at December 31, 2023 and 2022, respectively. MBS are participations in pools of loans secured by mortgages under which payments of principal and interest are passed through to the security holders. These securities are subject to prepayment risk, particularly during periods of falling interest rates, and extension risk during periods of rising interest rates. Prepayments of the underlying residential real estate loans may shorten the lives of the securities, thereby affecting yields to maturity and market values.

Tax-exempt securities of states, municipalities and other political subdivisions totaled $660.7 million as of December 31, 2023 and $716.6 million as of December 31, 2022, comprising 21.3% and 20.5% of the investment portfolio at December 31, 2023 and 2022, respectively. The securities are diversified to include states as well as issuing authorities within states, thereby decreasing geographic portfolio risk. First Financial continuously monitors the risk associated with this investment type and reviews underlying ratings for possible downgrades. First Financial does not own any state or other political subdivision securities that are currently impaired.

Asset-backed securities were $560.2 million, or 18.1% of the investment portfolio at December 31, 2023 and $711.3 million, or 20.4% of the investment portfolio at December 31, 2022. First Financial considers these investment securities to have lower credit risk and a high liquidity profile as a result of explicit guarantees on the collateral.

Other securities, consisting primarily of taxable securities of states, municipalities and other political subdivisions, in addition to debt securities issued by corporations, were $151.7 million, or 4.9% of the investment portfolio, at December 31, 2023 and $164.6 million, or 4.7% of the investment portfolio, at December 31, 2022.

Table 7 • Investment Securities as of December 31

(Dollars in thousands)	2023 Amount	2023 Percent of Portfolio	2022 Amount	2022 Percent of Portfolio
U.S. Treasuries	$ 31,243	1.0 %	$ 32,696	0.9 %
Securities of U.S. government agencies and corporations	69,780	2.2 %	66,468	1.9 %
Mortgage-backed securities-residential	661,048	21.3 %	650,063	18.6 %
Mortgage-backed securities-commercial	540,156	17.4 %	664,925	19.0 %
Collateralized mortgage obligations	426,618	13.8 %	486,992	14.0 %
Obligations of state and other political subdivisions	660,692	21.3 %	716,591	20.5 %
Asset-backed securities	560,248	18.1 %	711,325	20.4 %
Other securities	151,662	4.9 %	164,609	4.7 %
Total	$ 3,101,447	100.0 %	$ 3,493,669	100.0 %

The estimated maturities and weighted-average yields of HTM and AFS investment securities as of December 31, 2023 are shown in Table 8 – Investment Securities. Tax-equivalent adjustments using a rate of 21% were included in calculating yields on tax-exempt obligations of state and other political subdivisions.

First Financial held $793.0 million and $388.2 million of cash on deposit with the Federal Reserve at December 31, 2023 and 2022, respectively. First Financial continually monitors its liquidity position as part of its ERM framework, specifically through its asset/liability management process.

The Company had a $0.2 million unrealized gain on equity securities recorded in noninterest income for the twelve months ended December 31, 2023 compared to a $0.6 million unrealized loss for the same period of 2022.

First Financial will continue to monitor loan and deposit demand, balance sheet composition, capital sensitivity and the interest rate environment as it manages investment strategies in future periods. See Note 4 – Investment Securities in the Notes to Consolidated Financial Statements for additional information on the Company's investment portfolio and Note 23 – Fair Value Disclosures for additional information on how First Financial determines the fair value of investment securities.

Table 8 • Investment Securities as of December 31, 2023

	Maturity [2]							
	Within one year		After one but within five years		After five but within ten years		After ten years	
(Dollars in thousands)	Amount	Yield[1]	Amount	Yield[1]	Amount	Yield[1]	Amount	Yield[1]
Held-to-Maturity								
Securities of other U.S. government agencies and corporations	$ 0	0.00 %	$ 0	0.00 %	$ 0	0.00 %	$ 0	0.00 %
Mortgage-backed securities-residential	0	0.00 %	0	0.00 %	0	0.00 %	0	0.00 %
Mortgage-backed securities-commercial	0	0.00 %	485	3.00 %	32,441	2.35 %	0	0.00 %
Collateralized mortgage obligations	0	0.00 %	3,917	2.45 %	4,053	1.64 %	0	0.00 %
Obligations of state and other political subdivisions	0	0.00 %	4,595	3.46 %	1,880	3.67 %	1,700	2.25 %
Other securities	0	0.00 %	0	0.00 %	31,250	5.13 %	0	0.00 %
Total	$ 0	0.00 %	$ 8,997	3.00 %	$ 69,624	3.60 %	$ 1,700	2.25 %
Available-for-Sale								
U.S. treasuries	$ 0	0.00 %	$ 31,243	1.32 %	$ 0	0.00 %	$ 0	0.00 %
Securities of other U.S. government agencies and corporations	0	0.00 %	0	0.00 %	69,780	1.74 %	0	0.00 %
Mortgage-backed securities-residential	83	3.50 %	69,690	3.30 %	250,719	2.31 %	340,556	2.35 %
Mortgage-backed securities-commercial	222,460	7.72 %	214,156	4.63 %	61,378	1.87 %	9,236	2.90 %
Collateralized mortgage obligations	11,228	6.07 %	165,141	2.78 %	136,299	2.29 %	105,980	2.25 %
Obligations of state and other political subdivisions	33,156	3.46 %	131,334	2.97 %	274,178	2.49 %	213,849	2.39 %
Asset-backed securities	283,977	6.26 %	209,987	3.17 %	55,169	2.68 %	11,115	3.40 %
Other securities	0	0.00 %	72,720	7.23 %	44,778	4.75 %	2,914	4.08 %
Total	$ 550,904	6.66 %	$ 894,271	3.69 %	$ 892,301	2.43 %	$ 683,650	2.39 %

[1] Tax equivalent basis was calculated using a 21% tax rate and yields were based on amortized cost.
[2] Maturity represents estimated life of investment securities

LENDING PRACTICES

First Financial remains dedicated to meeting the financial needs of individuals and businesses through its client-focused business model. The loan portfolio is comprised of a broad range of borrowers primarily located in the Ohio, Indiana and Kentucky markets; however, the commercial finance and leasing lines of business serve a national client base.

First Financial's loan portfolio consists of commercial loan types, including C&I, lease financing (equipment leasing), construction real estate and commercial real estate, as well as consumer loan types, such as residential real estate, home equity, installment and credit card loans. First Financial's lending portfolios are managed to avoid the creation of inappropriate industry, geographic, franchise concept or borrower concentration risk.

Credit Management. Subject to First Financial's credit policy and guidelines, credit underwriting and approval occur within the market and/or the centralized line of business originating the loan. First Financial has delegated a lending limit sufficient to address the majority of client requests in a timely manner to each market president and line of business manager. Loan requests for amounts greater than those limits require the approval of a designated credit officer or senior credit committee and may require additional approvals from the chief credit officer, the chief executive officer and the board of directors. This allows First Financial to manage the initial credit risk exposure through a standardized, strategic and disciplined approval process, but with an increasingly higher level of authority. Plans to purchase or sell a participation in a loan, or a group of loans, requires the approval of certain senior lending and administrative officers, and in some cases could include the board of directors.

Credit management practices are dependent on the type and nature of the loan. First Financial monitors all significant

exposures on an ongoing basis. Commercial loans are assigned internal risk ratings reflecting the risk of loss inherent in the loan. These internal risk ratings are assigned upon initial approval of credit and are updated periodically thereafter. First Financial reviews and adjusts its risk ratings based on actual experience, which is the basis for determining an appropriate ACL. First Financial's commercial risk ratings of pass, special mention, substandard and doubtful are derived from standard regulatory rating definitions and facilitate the monitoring of credit quality across the commercial loan portfolio. For further information regarding these risk ratings, see Note 5 – Loans and Leases in the Notes to the Consolidated Financial Statements.

Commercial loans rated as special mention, substandard or doubtful are considered criticized, while loans rated as substandard or doubtful are considered classified. Commercial loans may be designated as criticized and/or classified based on individual borrower performance or industry and environmental factors. Criticized and classified loans are subject to more frequent internal reviews to assess the borrower’s credit status and develop appropriate action plans.

Management considers classified loans to be the leading indicator of credit losses, and these loans are typically managed by the Special Assets Department. Special Assets is a commercial credit group whose primary focus is to handle the day-to-day management of commercial workouts, recoveries and problem loan resolutions. Special Assets ensures that First Financial has appropriate oversight, improved communication and timely resolution of issues throughout the loan portfolio. Additionally, the Credit Risk Management group within First Financial's Risk Management function provides independent, objective oversight and assessment of commercial credit quality and processes.

Consumer lending credit approvals are based on, among other factors, the financial strength and payment history of the borrower, type of exposure and the transaction structure. Consumer loans are generally smaller dollar amounts than other types of lending and are made to a large number of customers, providing diversification within the portfolio. Credit risk in the consumer loan portfolio is managed by loan type, and consumer loan asset quality indicators, including delinquency, are continuously monitored. The Credit Risk Management group performs product-level performance reviews and assesses credit quality and compliance with underwriting and loan administration guidelines across the consumer loan portfolio.

LOANS AND LEASES

2023 vs. 2022. Loans, excluding loans held for sale, totaled $10.9 billion at December 31, 2023, increasing $634.2 million, or 6.2%, compared to December 31, 2022.

Residential real estate loans increased $241.4 million, or 22.1%, as rising interest rates led to more adjustable rate and nonconforming jumbo mortgage originations, which the Company retains on its balance sheet. Finance lease balances increased $238.7 million, or 101.1%, due to new production from Summit Funding Group. C&I loans increased $90.9 million, or 2.7%, largely due to the Company's strong origination efforts over the course of 2023. Additionally, construction real estate loans increased $52.8 million, or 10.3%; commercial real estate loans increased $28.2 million, or 0.7%; home equity loans increased $24.9 million, or 3.4%; and credit card balances increased $8.1 million, or 15.7%. Partially offsetting these increases was a decline in installment loans, which decreased $50.8 million, or 24.2%, during 2023.

Average loan balances, including loans held for sale, were $10.6 billion for 2023, an increase of $1.0 billion, or 10.4%, compared to 2022.

Table 9 – Loan Maturity/Rate Sensitivity indicates the contractual maturity of all loans outstanding at December 31, 2023 as well as their sensitivity to changes in interest rates.

For discussion of risks associated with the loan portfolio and First Financial's ACL, see the Asset Quality and Allowance for Credit Losses section included in Management’s Discussion and Analysis.

Table 9 • Loan Maturity/Rate Sensitivity

	December 31, 2023 Maturity				
(Dollars in thousands)	Within one year	After one but within five years	After five but within fifteen years	After fifteen years	Total
Commercial & industrial	$ 698,171	$ 2,224,560	$ 575,751	$ 2,739	$ 3,501,221
Lease financing	104,116	339,677	31,024	0	474,817
Construction real estate	133,294	281,196	39,807	110,535	564,832
Commercial real estate	782,812	2,110,544	1,141,385	46,198	4,080,939
Residential real estate	38,361	146,207	425,495	723,611	1,333,674
Home equity	22,183	95,139	132,907	508,447	758,676
Installment	37,289	93,600	26,700	1,489	159,078
Credit card	0	0	0	59,939	59,939
Total	$ 1,816,226	$ 5,290,923	$ 2,373,069	$ 1,452,958	$ 10,933,176

(Dollars in thousands)	Within one year	After one but within five years	After five but within fifteen years	After fifteen years	Total
Fixed rate					
Commercial & industrial	$ 151,861	$ 419,545	$ 150,981	$ 1,186	$ 723,573
Lease financing	91,277	292,047	22,545	0	405,869
Construction real estate	742	725	1,516	64,111	67,094
Commercial real estate	77,087	283,952	175,099	4,025	540,163
Residential real estate	30,209	109,009	317,841	540,091	997,150
Home equity	13,056	42,081	69,868	34,816	159,821
Installment	33,352	87,017	23,751	1,438	145,558
Credit card	0	0	0	490	490
Total	$ 397,584	$ 1,234,376	$ 761,601	$ 646,157	$ 3,039,718
Variable rate					
Commercial & industrial	$ 546,310	$ 1,805,015	$ 424,770	$ 1,553	$ 2,777,648
Lease financing	12,839	47,630	8,479	0	68,948
Construction real estate	132,552	280,471	38,291	46,424	497,738
Commercial real estate	705,725	1,826,592	966,286	42,173	3,540,776
Residential real estate	8,152	37,198	107,654	183,520	336,524
Home equity	9,127	53,058	63,039	473,631	598,855
Installment	3,937	6,583	2,949	51	13,520
Credit card	0	0	0	59,449	59,449
Total	$ 1,418,642	$ 4,056,547	$ 1,611,468	$ 806,801	$ 7,893,458

In an effort to mitigate credit risk, First Financial routinely reviews its loan portfolio for various concentrations. These reviews consider the Bank's collateral position as well as exposure to a given industry sector. First Financial believes that the loan portfolio is sufficiently diversified to provide protection from deterioration in any particular industry or devaluation of a specific collateral type. Table 10 - C&I and Owner Occupied Loans by Sector and Table 11 - Investor CRE Loans by Property Type provide additional detail behind the Company's C&I and CRE loan portfolios as of December 31, 2023.

Table 10 • C&I and Owner Occupied CRE Loans by Sector [1]

(Dollars in thousands)	December 31, 2023	% of Total Loans
NAICS Sector		
Finance and Insurance	$ 834,614	18.8 %
Real Estate and Rental and Leasing	774,814	7.1 %
Manufacturing	557,859	5.1 %
Accommodation and Food Services	308,219	2.8 %
Health Care and Social Assistance	260,386	2.4 %
Construction	254,909	2.3 %
Professional, Scientific, and Technical Services	221,985	2.0 %
Retail Trade	187,222	1.7 %
Transportation and Warehousing	168,515	1.5 %
Other Services (except Public Administration)	167,080	1.5 %
Agriculture, Forestry, Fishing and Hunting	157,287	1.4 %
Wholesale Trade	149,576	1.4 %
Administrative and Support and Waste Management	96,949	0.9 %
Arts, Entertainment, and Recreation	83,413	0.8 %
Public Administration	57,569	0.5 %
Other	170,791	1.6 %
Total	$ 4,451,188	40.7 %

[1] Excludes loan marks and loans in process

Table 11 • Investor CRE Loans by Property Type [1]

(Dollars in thousands)	December 31, 2023	% of Total Loans
Property Type		
Residential Multi Family 5+	$ 891,488	8.2 %
Retail Property	742,293	6.8 %
Office	441,339	4.0 %
Industrial	327,939	3.0 %
Hospital/Nursing Home	253,434	2.3 %
Hotel	204,104	1.9 %
Land	92,037	0.8 %
Residential 1-4 Family	77,975	0.7 %
Industrial	57,777	0.5 %
Other	57,696	0.5 %
Total	$ 3,146,082	28.8 %

[1] Excludes loan marks and loans in process

Additionally, given the potential for stress related to commercial office space, First Financial performed a targeted review of its exposure to this sector during 2023. As of December 31, 2023, First Financial had $462.4 million of loans collateralized by non-owner occupied office space, which represents 4.2% of the total loan portfolio. The overall LTV of the portfolio at origination is strong, and 67.9% of the portfolio is located in suburban locations. Additionally, the majority of the portfolio is secured by Class A and Class B assets with recourse to the sponsor. As of December 31, 2023, 91.0% of the office portfolio was pass rated, and there were two relationships totaling $22.6 million on nonaccrual status.

COMMITMENTS AND CONTINGENCIES

Off-balance sheet arrangements include commitments to extend credit and financial guarantees. Loan commitments are agreements to extend credit to a client absent any violation of any condition established in the commitment agreement. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee.

First Financial had commitments outstanding to extend credit totaling $4.5 billion and $4.4 billion at December 31, 2023 and 2022, respectively. This increase in commitments was driven by the Company's strong origination efforts during the year.

As of December 31, 2023, loan commitments with variable interest rates totaled $4.4 billion, while commitments with a fixed interest rate totaled $108.2 million. At December 31, 2022, commitments with variable interest rates totaled $4.2 billion, while loan commitments with a fixed interest rate totaled $126.3 million. The fixed rate loan commitments have interest rates ranging from 0% to 21% for both December 31, 2023 and 2022 and have maturities ranging from less than 1 year to 31.6 years at both December 31, 2023 and December 31, 2022.

Letters of credit are conditional commitments issued by First Financial to guarantee the performance of a client to a third party. First Financial’s portfolio of 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. First Financial issued letters of credit aggregating $34.9 million and $31.5 million at December 31, 2023, and 2022, respectively. Management conducts regular reviews of these instruments on an individual client basis.

First Financial is a party in risk participation transactions of interest rate swaps, which had total notional amounts of $341.7 million and $379.3 million at December 31, 2023, and 2022, respectively.

First Financial is a limited partner in several tax-advantaged limited partnerships whose purpose is to invest in approved qualified affordable housing, renewable energy, or other renovation or community revitalization projects. These investments are included in Accrued interest and other assets in the Consolidated Balance Sheets, with any unfunded commitments included in Accrued interest and other liabilities in the Consolidated Balance Sheets. As of December 31, 2023, First Financial expects to recover its remaining investments through the use of the tax credits that are generated by the investments. First Financial had unfunded commitments related to tax credit investments of $96.4 million and $84.3 million at December 31, 2023 and 2022, respectively.

In the ordinary course of business, First Financial and its subsidiaries are parties to litigation, including claims to the ownership of funds in particular accounts, the collection of delinquent accounts, challenges to security interests in collateral, foreclosure interests that are incidental to our regular business activities and other matters. While the ultimate liability with respect to these litigation matters and claims cannot be determined at this time, First Financial believes that damages, if any, and other amounts relating to pending matters are not probable or cannot be reasonably estimated as of December 31, 2023. Reserves are established for these various matters of litigation, when appropriate, under FASB ASC Topic 450, Contingencies, based in part upon the advice of legal counsel. First Financial had no reserves related to litigation matters as of December 31, 2023 or December 31, 2022.

ASSET QUALITY AND ALLOWANCE FOR CREDIT LOSSES

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 classified as nonaccrual due to a borrower's continued failure to adhere to contractual payment terms, coupled with other pertinent factors. When a loan is classified as nonaccrual, the accrual of interest income is discontinued and previously accrued but unpaid interest is reversed.

As detailed in Note 2, the Company prospectively adopted ASU 2022-02 effective as of January 1, 2023. The new rule eliminated the accounting for TDRs while establishing a new standard for the treatment of modifications made to borrowers experiencing financial difficulties, defined by First Financial as FDMs. Effective with the adoption of the standard, the

Company prospectively will not include FDMs in the calculation of nonperforming loans, nonperforming assets or classified assets. Prior period data, which included TDRs, has not been adjusted.

See Table 12 – Summary of the ACL and Selected Statistics for a summary of First Financial's nonaccrual loans and OREO, which collectively comprise nonperforming assets.

2023 vs. 2022. Nonaccrual loans as of December 31, 2023 were $65.8 million, or 60 bps of total loans. This represents a $37.1 million, or 129.7%, increase from $28.6 million as of December 31, 2022. The increase in nonaccrual loans was primarily attributed to two large CRE credits that were downgraded during 2023. Total nonperforming assets increased $26.1 million, or 65.6%, to $65.9 million at December 31, 2023 from $39.8 million at December 31, 2022. The increase in nonperforming assets was driven by the increase in nonaccrual loans, partially offset by the impact from adopting ASU 2022-02, which eliminated consideration of $11.0 million of accruing TDRs from nonperfoming assets.

Classified asset balances increased $12.9 million, or 10.0%, to $141.0 million at December 31, 2023 from $128.1 million at December 31, 2022. The increase was largely attributed to two CRE loans downgraded to nonaccrual, partially offset by the payoff of one large healthcare credit.

Allowance for credit losses. The ACL is a reserve accumulated on the Consolidated Balance Sheets through the recognition of the provision for loan and lease losses. First Financial records provision expense in the Consolidated Statements of Income to maintain the ACL at a level considered sufficient to absorb expected credit losses for financial assets in the portfolio over their expected remaining lives with consideration given to current and forward-looking information.

The recorded values of the loans and leases actually removed from the Consolidated Balance Sheets due to credit deterioration are referred to as charge-offs. First Financial's policy is to charge-off all or a portion of a loan when, in management's opinion, it is unlikely to collect the principal amount owed in full either through payments from the borrower or from the liquidation of collateral. All loans charged-off are subject to continuous review and concerted efforts are made to maximize any recovery. In most cases, the borrower's debt obligation is not canceled even though the balance may have been charged-off. Actual losses on loans and leases are charged against the ACL. Any subsequent recovery of a previously charged-off loan is credited back to the ACL.

Management estimates the allowance using relevant available information from both internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. Historical credit loss experience paired with economic forecasts provide the basis for the quantitatively modeled estimation of expected credit losses. First Financial adjusts its quantitative model, as necessary, to reflect conditions not already considered therein. These adjustments are commonly known as the Qualitative Framework. The evaluation of these factors is the responsibility of the ACL Committee, which is comprised of senior officers from the risk management, credit administration, finance and lending areas.

See Table 12 – Summary of the ACL and Selected Statistics for a summary of activity impacting the ACL and Table 13 – Allocation of the ACL for detail on its composition.

2023 vs. 2022. The total ACL, which includes both funded and unfunded reserves, was $159.9 million at December 31, 2023, which combined with 33 bps of net charge-offs to result in $43.1 million in total provision expense for the year. This compared to a total allowance of $151.4 million as of December 31, 2022 and $11.7 million of provision expense in 2022.

The Company utilized the Moody's December baseline forecast as its R&S forecast in the quantitative model at December 31, 2023. For reasonableness, the Company also considered the impact to the model from alternative, more adverse economic forecasts and slower prepayment speeds. These alternative analyses were utilized to inform the Company's qualitative adjustments. Additionally, First Financial considered its credit exposure to certain industries believed to be at risk for future credit stress, such as franchise, hotel and investor commercial real estate lending, when making qualitative adjustments to the ACL model.

ACL - Loans and Leases. The ACL on loans and leases at December 31, 2023 was $141.4 million, which was an $8.5 million, or 6.4%, increase from $133.0 million at December 31, 2022. The ACL was 1.29% as a percentage of total loans as of both December 31, 2023 and December 31, 2022. Provision expense increased $36.3 million, or 539.9%, to $43.1 million in 2023 from $6.7 million of provision expense in 2022. Modest ACL growth in 2023 was driven by loan growth and slower prepayments speeds during the period.

Net charge-offs increased $28.9 million, or 502.5%, to $34.6 million for 2023 compared to $5.7 million for 2022, while the ratio of net charge-offs as a percentage of average loans outstanding increased to 33 bps in 2023 from 6 bps in 2022. The increase in 2023 was largely attributed to two large relationships, which totaled $16.1 million. Additionally, $6.1 million of losses were incurred on loan sales during 2023 intended to minimize concentration risks.

The ACL as a percentage of nonaccrual loans was 215.1% at December 31, 2023 and 464.6% at December 31, 2022. The decrease in this ratio was attributed to the increase in nonaccrual loans during the period outpacing the increase in the ACL.

Provision expense is a product of the Company's ACL model combined with net charge-off activity during the period. Provision expense increased $36.3 million during 2023 as the Company recorded $43.1 million of provision expense during the period compared to $6.7 million in 2022. The increase in provision expense was driven by loan growth and the increase in net charge-offs during the period.

ACL - Unfunded Commitments. The ACL on unfunded commitments was $18.4 million as of both December 31, 2023 and December 31, 2022. First Financial recorded insignificant provision expense on unfunded commitments for the year ended December 31, 2023 compared to $5.0 million for the same period of 2022.

For further discussion of First Financial's ACL, see Note 6 – Allowance for Credit Losses in the Notes to Consolidated Financial Statements.

Table 12 • Summary of the ACL and Selected Statistics

(Dollars in thousands)	2023	2022	2021	2020	2019
Transactions in the allowance for credit losses:					
Balance at January 1	$ 132,977	$ 131,992	$ 175,679	$ 57,650	$ 56,542
Day one adoption impact of ASC 326	0	0	0	61,505	0
Purchase accounting ACL for PCD	0	0	17	0	0
Provision for credit losses	43,074	6,731	(19,024)	70,796	30,598
Loans charged-off:					
Commercial & industrial	19,175	5,899	15,620	5,345	26,676
Lease financing	4,423	152	0	852	162
Construction real estate	0	0	1,498	0	0
Commercial real estate	8,723	3,667	13,471	12,100	3,689
Real estate-residential	39	224	127	488	677
Home equity	340	160	1,073	1,541	2,591
Installment	6,442	1,549	334	148	223
Credit card	1,173	907	780	885	1,547
Total loans charged-off	40,315	12,558	32,903	21,359	35,565
Recoveries of loans previously charged-off:					
Commercial & industrial	1,534	939	1,612	2,907	2,883
Lease financing	55	49	0	0	0
Construction real estate	0	0	3	17	68
Commercial real estate	2,523	4,304	4,785	2,262	1,113
Real estate-residential	247	174	228	381	273
Home equity	615	898	1,223	1,132	1,335
Installment	441	165	151	158	251
Credit card	282	283	221	230	152
Total recoveries	5,697	6,812	8,223	7,087	6,075
Net charge-offs	34,618	5,746	24,680	14,272	29,490
Balance at December 31	$ 141,433	$ 132,977	$ 131,992	$ 175,679	$ 57,650
Net charge-offs to average loans and leases					
Commercial & industrial	0.51 %	0.17 %	0.50 %	0.08 %	0.95 %
Lease financing	1.28 %	0.07 %	0.00 %	1.07 %	0.17 %
Construction real estate	0.00 %	0.00 %	0.26 %	0.00 %	(0.01)%
Commercial real estate	0.15 %	(0.02)%	0.20 %	0.23 %	0.07 %
Real estate-residential	(0.02)%	0.01 %	(0.01)%	0.01 %	0.04 %
Home equity	(0.04)%	(0.10)%	(0.02)%	0.05 %	0.16 %
Installment	3.42 %	0.87 %	0.20 %	(0.01)%	(0.03)%
Credit card	1.49 %	1.14 %	1.13 %	1.39 %	2.81 %
Total net charge-offs	0.33 %	0.06 %	0.26 %	0.14 %	0.33 %
Nonperforming assets					
Nonaccrual loans [1]	$ 65,753	$ 28,623	$ 48,392	$ 80,752	$ 48,165
Accruing troubled debt restructurings [2]	N/A	10,960	11,616	7,099	11,435
Total nonperforming loans [2]	65,753	39,583	60,008	87,851	59,600
Other real estate owned (OREO)	106	191	98	1,287	2,033
Total nonperforming assets [2]	65,859	39,774	60,106	89,138	61,633
Accruing loans past due 90 days or more	2,028	857	137	169	201
Total underperforming assets [2]	$ 67,887	$ 40,631	$ 60,243	$ 89,307	$ 61,834
Total classified assets [2]	$ 140,995	$ 128,137	$ 104,815	$ 142,021	$ 89,250
Credit quality ratios:					
As a percent of year-end loans, net of unearned income:					
Allowance for credit losses	1.29 %	1.29 %	1.42 %	1.77 %	0.63 %
Nonaccrual loans	0.60 %	0.28 %	0.52 %	0.82 %	0.52 %
Nonperforming loans [2]	0.60 %	0.38 %	0.65 %	0.89 %	0.65 %
Allowance for credit losses to nonaccrual loans	215.10 %	464.58 %	272.76 %	217.55 %	119.69 %
Allowance for credit losses to nonperforming loans	215.10 %	335.94 %	219.96 %	199.97 %	96.73 %

[1] Nonaccrual loans include nonaccrual TDRs of $10.0 million, $16.0 million, $14.7 million, and $18.5 million, as of December 31, 2022, 2021, 2020, and 2019, respectively.
[2] Upon adoption of ASU 2022-02 as of January 1, 2023, the TDR model was eliminated. Prospectively, disclosures will include modifications of loans to borrower experiencing financial difficulty (FDM). FDMs are excluded from nonperforming, underperforming and classified assets.

Table 13 • Allocation of the ACL

	December 31,									
	2023		2022		2021		2020		2019	
(Dollars in thousands)	Allowance	Percent of Loans to Total Loans	Allowance	Percent of Loans to Total Loans	Allowance	Percent of Loans to Total Loans	Allowance	Percent of Loans to Total Loans	Allowance	Percent of Loans to Total Loans
Balance at End of Period Applicable to:										
Commercial and industrial	$ 44,319	32.0 %	$ 42,313	33.1 %	$ 44,052	29.3 %	$ 51,454	30.4 %	$ 18,584	32.6 %
Lease financing	12,365	4.4 %	3,571	2.3 %	1,633	1.2 %	995	0.8 %	971	0.8 %
Real estate – construction	11,003	5.2 %	13,527	5.0 %	11,874	4.9 %	21,736	6.4 %	2,381	5.0 %
Real estate – commercial	34,903	37.3 %	41,106	39.3 %	53,420	45.5 %	76,795	43.5 %	23,579	42.6 %
Real estate – residential	18,088	12.2 %	12,684	10.6 %	6,225	9.6 %	8,560	10.1 %	5,299	10.3 %
Installment, home equity & credit card	20,755	8.9 %	19,776	9.7 %	14,788	9.5 %	16,139	8.8 %	6,836	8.7 %
Total	$ 141,433	100.0 %	$ 132,977	100.0 %	$ 131,992	100.0 %	$ 175,679	100.0 %	$ 57,650	100.0 %

DERIVATIVES

First Financial is authorized to use certain derivative instruments including interest rate caps, floors, swaps and foreign exchange contracts to meet the needs of its clients while managing interest rate risk associated with certain transactions. The Company does not use derivatives for speculative purposes.

First Financial primarily utilizes interest rate swaps, which generally involve the receipt by First Financial of floating rate amounts from swap counterparties in exchange for payments to these counterparties by First Financial of fixed rate amounts received from borrowers. This results in the Company's loan customers receiving fixed rate funding while providing First Financial with a floating rate asset.
In conjunction with participating interests in commercial loans, First Financial periodically enters into risk participation agreements with counterparties whereby First Financial assumes a portion of the credit exposure associated with an interest rate swap on the participated loan in exchange for a fee. Under these agreements, First Financial will make payments to the counterparty if the loan customer defaults on its obligation to perform under the interest rate swap contract with the counterparty.

First Financial enters into IRLCs and forward commitments for the future delivery of mortgage loans to third party investors, which are considered derivatives. When borrowers secure an IRLC with First Financial and the loan is intended to be sold, First Financial will enter into forward commitments for the future delivery of the loans to third party investors in order to hedge against the effect of changes in interest rates impacting IRLCs and loans held for sale.

First Financial may enter into foreign exchange derivative contracts for the benefit of commercial customers to hedge their exposure to foreign currency fluctuations. Similar to the hedging of interest rate risk from interest rate derivative contracts, First Financial also enters into foreign exchange contracts with major financial institutions to economically hedge the exposure from client driven foreign exchange activity. The Company has risk limits and internal controls in place to help ensure excessive risk is not being taken in providing this service to customers.

First Financial may enter into interest rate collars and floors, which are designated as cash flow hedges. These cash flow hedges are utilized to mitigate interest rate risk on variable-rate commercial loan pools. Changes in the fair value of cash flow hedges included in the assessment of hedge effectiveness are recorded in AOCI and reclassified from AOCI to current period earnings when the hedged item affects earnings.

The structure of the interest rate collars is such that First Financial pays the counterparty an incremental amount if the collar index exceeds the cap rate. Conversely, First Financial receives an incremental amount if the index is below the floor rate. No payments are required if the collar index is between the cap and floor rates.

The structure of First Financial's interest rate floors is such that First Financial receives an incremental amount if the index falls below the floor strike rate. No payments are required if the index remains above the floor strike rate.

As of December 31, 2023, the notional value of the Company's cash flow hedges was $1.0 billion, with the $3.8 million change in the fair value recorded in AOCI in the Consolidated Balance Sheet. There were no cash flow hedges outstanding at December 31, 2022. As of December 31, 2023, the maximum length of time over which the Company is hedging its exposure

to the variability in future cash flows is 60 months. It is estimated that $0.7 million will be reclassified from OCI to interest income during the next 12 months.

See Note 13 – Derivatives in the Notes to Consolidated Financial Statements for additional information regarding First Financial's use of derivative instruments.

DEPOSITS

First Financial solicits deposits by offering commercial and consumer clients a wide variety of transaction and savings accounts, including checking, savings, money-market and time deposits of various maturities and rates.

2023 vs. 2022. First Financial's total deposits increased $659.6 million, or 5.2%, to $13.4 billion as of December 31, 2023 from $12.7 billion at December 31, 2022. This change was driven by a $1.0 billion, or 59.8%, increase in time deposits and a $503.1 million, or 13.1%, increase in savings deposits. These changes were partially offset by an $817.2 million, or 19.8%, decrease in noninterest bearing deposits and a $43.9 million, or 1.4%, decrease in interest-bearing checking deposits. Total non-time deposit balances were $10.6 billion as of December 31, 2023 and $11.0 billion as of December 31, 2022. The increase in total deposits was largely driven by the Company's utilization of brokered deposits as a source of funding. While core deposit balances were relatively flat year over year, the mix continued to shift to higher cost products such as retail CDs and money market savings as a result of higher interest rates.

Total average deposits for 2023 increased $299.6 million, or 2.4%, from 2022, primarily due to a $1.2 billion, or 104.0%, increase in average time deposits as the Company increased its reliance upon brokered deposits as a source of funding and customers migrated to higher yielding deposit products. These increases were partially offset by a $578.8 million, or 13.8%, decrease in average noninterest bearing deposits, a $226.1 million, or 7.2%, decrease in average interest-bearing demand deposits and a $117.8 million, or 2.9%, decrease in average savings deposits.

Uninsured deposit balances were $5.6 billion, or 42.1% of total deposits, as of December 31, 2023. The Company reviews uninsured deposits for concentration risk, and typically evaluates this risk by excluding public funds and intercompany deposits to arrive at an adjusted uninsured deposit amount. As such, excluding public funds and intercompany accounts, adjusted uninsured deposits were $3.2 billion, or 23.8% of total deposits, at December 31, 2023.

Table 14 – Uninsured Deposits-Maturities of Time Deposits Greater Than or Equal to $250,000 details the contractual maturity of certain deposits that are not FDIC insured. Time Deposits Greater Than or Equal to $250,000 represented 2.2% of total deposits outstanding at December 31, 2023 and 1.3% at December 31, 2022.

Table 14 • Uninsured Deposits-Maturities of Time Deposits Greater than or Equal to $250,000

(Dollars in thousands)	CDs	IRAs	Total
December 31, 2023			
Maturing in			
3 months or less	$ 53,542	$ 969	$ 54,511
3 months to 6 months	85,206	2,971	88,177
6 months to 12 months	94,412	4,071	98,483
over 12 months	55,965	2,924	58,889
Total	$ 289,125	$ 10,935	$ 300,060
December 31, 2022			
Maturing in			
3 months or less	38,264	1,382	$ 39,646
3 months to 6 months	21,380	610	21,990
6 months to 12 months	46,710	2,385	49,095
over 12 months	49,806	4,602	54,408
Total	$ 156,160	$ 8,979	$ 165,139

BORROWINGS

First Financial's short-term borrowings are utilized to manage the Company's normal liquidity needs. These borrowings include repurchase agreements utilized for corporate sweep accounts with cash management account agreements in place, as well as overnight advances from the FHLB. The Company's long-term borrowings consist of subordinated debt, FRB borrowings, FHLB long-term advances, repurchase agreements utilizing investment securities pledged as collateral and a capital loan from a municipality.

2023 vs. 2022. First Financial utilizes both short-term borrowings and long-term advances from the FHLB as wholesale funding sources. Borrowed funds were $1.3 billion as of December 31, 2023 compared to $1.6 billion as of
December 31, 2022. Borrowings decreased during the period largely as a result of the Company utilizing brokered CDs in lieu of borrowings to satisfy its funding needs.

Short-term borrowings decreased $349.3 million, or 27.1%, to $937.8 million at December 31, 2023, from $1.3 billion at December 31, 2022. First Financial had $800.0 million of short-term borrowings from the FHLB at December 31, 2023 compared to $1.1 billion at December 31, 2022. Short-term borrowings included no repurchase agreements as of December 31, 2023 or 2022. Additionally, Company had no federal funds purchased as of December 31, 2023 or 2022.

Total long-term debt was $344.1 million and $346.7 million at December 31, 2023 and 2022, respectively. Outstanding subordinated debt totaled $314.2 million and $313.7 million as of December 31, 2023 and 2022, respectively. The subordinated debt is treated as Tier 2 capital for regulatory capital purposes and also included unamortized valuation and debt issuance costs of $6.9 million and $7.8 million as of December 31, 2023 and 2022, respectively.

The Company had no FHLB long-term advances as of December 31, 2023 or 2022. First Financial's total remaining borrowing capacity from the FHLB was $611.3 million at December 31, 2023. For ease of borrowing execution, First Financial utilizes a blanket collateral agreement with the FHLB. First Financial pledged $6.2 billion of certain eligible residential, commercial and agricultural real estate loans, home equity lines of credit and certain agency CMOs, municipals and CMBS securities as collateral for borrowings from the FHLB as of December 31, 2023.

See Note 12 – Borrowings in the Notes to Consolidated Financial Statements for additional information on First Financial's borrowings.

LIQUIDITY

Liquidity management is the process by which First Financial manages the continuing flow of funds necessary to meet its financial commitments on a timely basis and at a reasonable cost. These funding commitments include withdrawals by depositors, credit commitments to borrowers, shareholder dividends, share repurchases, operating expenses and capital expenditures. Liquidity is derived primarily from deposit growth, principal and interest payments on loans and investment securities, maturing loans and investment securities and access to wholesale funding sources.

First Financial’s most stable source of liability-funded liquidity for both long and short-term needs is deposit growth and retention of the core deposit base. In addition to core deposit funding, First Financial also utilizes a variety of other short and long-term funding sources, which include subordinated notes, longer-term advances from the FRB and FHLB and its short-term line of credit. For further information regarding the company's liability-funded liquidity, see Note 11 - Deposits and Note 12 - Borrowings.

Both First Financial and the Bank received investment grade credit ratings from Kroll Bond Rating Agency, Inc., an independent rating agency. These credit ratings impact the cost and availability of financing to First Financial, and a downgrade to these credit ratings could affect First Financial's or the Bank’s abilities to access the credit markets and potentially increase borrowing costs, negatively impacting financial condition and liquidity. Key factors in maintaining high credit ratings include consistent and diverse earnings, strong credit quality and capital ratios, diverse funding sources and disciplined liquidity monitoring procedures. The ratings of First Financial and the Bank at December 31, 2023 were as follows:

Table 15 • Credit Ratings

	First Financial Bancorp	First Financial Bank
Senior Unsecured Debt	BBB+	A-
Subordinated Debt	BBB	BBB+
Short-Term Debt	K2	K2
Deposit	N/A	A-
Short-Term Deposit	N/A	K2

First Financial's principal source of asset-funded liquidity is marketable investment securities, particularly those of shorter maturities. AFS securities were 97.4% and 97.6% of the total investment portfolio as of December 31, 2023 and 2022, respectively. The market value of investment securities classified as AFS totaled $3.0 billion and $3.4 billion at December 31, 2023 and 2022, respectively. As of December 31, 2023, $1.4 billion of AFS securities were unpledged and there were $358.0 million of securities available to be sold at breakeven. Additionally, $533.3 million of AFS securities have floating rates and could be sold with minimal losses at December 31, 2023.

HTM securities that are maturing within a short period of time can be an additional source of liquidity. As of December 31, 2023 and 2022, the Company had no HTM securities maturing within one year.

In total, First Financial expects $622.9 million of cash flows from its investment portfolio in the next 12 months.

Other sources of liquidity include cash and due from banks and interest-bearing deposits with other banks. At December 31, 2023, these balances totaled $1.0 billion, and First Financial had unused and available overnight wholesale funding sources of $5.1 billion, or 29.0% of total assets, to fund loan and deposit activities in addition to general corporate requirements.

First Financial has a $40.0 million short-term credit facility with an unaffiliated bank that matures in December 2024. This facility has a variable interest rate and provides First Financial additional liquidity, if needed, for various corporate activities including the repurchase of First Financial common stock and the payment of dividends to shareholders. As of both December 31, 2023 and 2022, First Financial had no outstanding balance. The credit agreement requires First Financial to comply with certain covenants including those related to asset quality and capital levels, and First Financial was in compliance with all covenants associated with this facility as of December 31, 2023 and 2022. This credit facility also required First Financial to pledge as collateral the Bank's common stock where the lender is granted a security interest in this collateral.

Certain restrictions exist regarding the Bank's ability to transfer funds to First Financial in the form of cash dividends, loans, other assets or advances and the approval of the Bank's primary federal regulator is required to pay dividends in excess of regulatory limitations. Dividends paid to First Financial from the Bank totaled $160.0 million, $170.0 million and $200.0 million for 2023, 2022 and 2021, respectively. As of December 31, 2023, the Bank had retained earnings of $918.9 million, of which $248.7 million was available for distribution to First Financial without prior regulatory approval. As an additional source of liquidity, First Financial had $134.7 million in cash at the parent company as of December 31, 2023.

Share repurchases may also impact First Financial's liquidity. For further information regarding share repurchases, see the Capital section that follows.

Capital expenditures were $24.1 million for 2023, $13.8 million for 2022 and $15.3 million for 2021. Material commitments for capital expenditures as of December 31, 2023, were $40.4 million. Management believes that sufficient liquidity exists to fund its future capital expenditure commitments.

Management is not aware of any other trends, events or regulatory requirements that, if implemented, are likely to have a material effect on First Financial's liquidity. For a discussion of liquidity risk management, please see the Market Risk section that follows.

CAPITAL

Risk-Based Capital. First Financial and its subsidiary, First Financial Bank, are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations involve quantitative measures of assets, liabilities and certain off-balance sheet items calculated under regulatory guidelines. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet minimum capital requirements can initiate regulatory action.

The Board of Governors of the Federal Reserve System approved Basel III in order to strengthen the regulatory capital framework for all banking organizations, subject to a phase-in period for certain provisions. Basel III established and defined quantitative measures to ensure capital adequacy. These measures require First Financial to maintain minimum amounts and ratios of Common equity Tier 1 capital, Total and Tier 1 capital to risk-weighted assets and Tier 1 capital to average assets (Leverage ratio).

Basel III includes a minimum ratio of Common equity Tier 1 capital to risk-weighted assets of 7.0% and includes a fully phased-in capital conservation buffer of 2.5% of risk-weighted assets. Further, the minimum ratio of Tier 1 capital to risk-weighted assets is 8.5% and all banks are subject to a 4.0% minimum leverage ratio, while the minimum required Total risk-based capital ratio is 10.5%. Failure to maintain the required Common equity Tier 1 capital will result in potential restrictions on a bank’s ability to pay dividends, repurchase stock and pay discretionary compensation to its employees. The capital requirements also provide strict eligibility criteria for regulatory capital instruments and change the method for calculating risk-weighted assets in an effort to better identify riskier assets, such as highly volatile commercial real estate and nonaccrual loans.

First Financial's Tier 1 capital increased to 12.06% at December 31, 2023 compared to 11.17% at December 31, 2022, while the total capital ratio increased to 13.61% from 13.09% during the same period. The leverage ratio increased to 9.70% at December 31, 2023, compared to 8.89% at December 31, 2022. Likewise, the Company’s tangible common equity ratio increased to 7.17% at December 31, 2023 from 5.95% at December 31, 2022. The increase in the tangible common equity ratio was primarily driven by the Company's strong earnings as well as the increase in accumulated other comprehensive income during the period, which was primarily due to improvement in the investment portfolio during the year.

As of December 31, 2023, First Financial met all capital adequacy requirements to which it was subject. At December 31, 2023 and 2022, regulatory notifications categorized First Financial Bank as well-capitalized under the regulatory framework for prompt corrective action. There have been no conditions or events that management believes has changed the Company’s capital categorization.

For further detail on First Financial's capital ratios at December 31, 2023, see Note 20 – Capital in the Notes to Consolidated Financial Statements.

Table 16 • Capital Adequacy

(Dollars in thousands)	December 31, 2023	2022
Consolidated capital calculations		
Common stock	$ 1,638,972	$ 1,634,605
Retained earnings	1,136,718	968,237
Accumulated other comprehensive loss	(309,819)	(358,663)
Treasury stock, at cost	(197,897)	(202,806)
Total shareholders' equity	2,267,974	2,041,373
Common equity tier 1 capital adjustments		
Goodwill and other intangibles	(1,089,817)	(1,095,426)
Total tangible equity	$ 1,178,157	$ 945,947
Total assets	$ 17,532,900	$ 17,003,316
Goodwill and other intangibles	(1,089,817)	(1,095,426)
Total tangible assets	$ 16,443,083	$ 15,907,890
Common tier 1 capital	$ 1,568,815	$ 1,399,420
Tier 1 capital	1,613,480	1,443,698
Total capital	1,820,285	1,691,255
Total risk-weighted assets	13,374,177	12,923,233
Average assets [(1)]	16,628,122	16,240,905
Regulatory capital		
Common tier 1 ratio	11.73 %	10.83 %
Tier 1 ratio	12.06 %	11.17 %
Total capital ratio	13.61 %	13.09 %
Leverage ratio	9.70 %	8.89 %
Other capital ratios		
Total shareholders' equity to ending assets	12.94 %	12.01 %
Total tangible shareholders' equity to ending tangible assets	7.17 %	5.95 %
Total tangible shareholders' equity to risk-weighted assets	8.81 %	7.32 %

[(1)] For purposes of calculating the Leverage ratio, certain intangible assets are excluded from average assets.

First Financial generally seeks to balance the return of earnings to shareholders through shareholder dividends and share repurchases with capital retention in order to maintain adequate levels of capital and support the Company's growth plans.

Shareholder Dividends. First Financial's dividend payout ratio, or total dividends paid divided by net income available to common shareholders, was 33.8%, 39.5% and 42.6% for the years 2023, 2022 and 2021, respectively. The dividend payout ratio is continually reviewed by management and the board of directors for consistency with First Financial's overall capital planning activities and compliance with applicable regulatory limitations. In January 2024, the board of directors authorized a dividend of $0.23 per common share, payable on March 15, 2024 to all shareholders of record as of March 1, 2024.

Share Repurchases. First Financial did not purchase any shares under the 2022 Repurchase Plan during 2023 or 2022.

Effective January 2024, First Financial's board of directors approved a new stock repurchase plan (the 2024 Repurchase Plan), replacing the 2022 Repurchase Plan which expired in December of 2023. The 2024 Repurchase Plan continues for two years and authorizes the purchase of up to 5,000,000 shares of the Company's common stock and will expire in December 2025.

Shareholders' Equity. Total shareholders' equity at December 31, 2023 and December 31, 2022 was $2.3 billion and $2.0 billion, respectively. The increase in total equity compared to the prior year was primarily due to an increase in retained earnings during the year, which was the result of the Company's strong earnings.

For further detail, see the Consolidated Statements of Changes in Shareholders' Equity.

PENSION PLAN

First Financial sponsors a non-contributory defined-benefit pension plan covering substantially all employees. The significant assumptions used in the valuation and accounting for the pension plan include the discount rate, expected return on plan assets and the rate of employee compensation increase. The discount rate assumption was determined based on highly rated corporate bonds, weighted to adjust for their relative size, projected plan cash flows using the annuity substitution method as well as comparisons to external industry surveys. The expected return on plan assets was 7.25% for both 2023 and 2022, and was based on the composition of plan assets, actual returns, economic forecasts and economic trends. The assumed rate of compensation increase was 3.50% and was compared to historical increases for plan participants for reasonableness.

Presented below is the estimated impact on First Financial's projected benefit obligation and pension expense as of December 31, 2023, assuming shifts in the significant assumptions:

Table 17 • Rate Change Impact on Pension Parameters

	Discount rate		Expected return on plan assets		Rate of compensation increase	
(Dollars in thousands)	-100 BP	+100 BP	-100 BP	+100 BP	-100 BP	+100 BP
Change in Projected Benefit Obligation	$ 3,351	$ (2,580)	N/A	N/A	$ (291)	$ 635
Change in Pension Expense	(366)	471	$ 1,490	$ (1,490)	(23)	125

Based upon the plan's current funding status and updated actuarial projections for 2023, First Financial recorded expense related to its pension plan of $3.5 million for 2023, $2.0 million for 2022 and $3.4 million for 2021. First Financial will make contributions to the plan if plan assets do not meet or exceed ERISA's minimum funding standards. Given the plan's over-funded status, First Financial made no cash contributions to fund the pension plan in 2023, 2022 or 2021 nor does it expect to make a cash contribution in 2024.

See Note 17 – Employee Benefit Plans in the Notes to Consolidated Financial Statements for additional information on First Financial's pension plan.

ENTERPRISE RISK MANAGEMENT

First Financial considers risk to be any issue that could have an adverse impact on the Company's capital or earnings, or negatively impact the Company's ability to meet its objectives. First Financial manages risks through a structured ERM approach that routinely assesses the overall level of risk, identifies specific risks and evaluates the steps being taken to mitigate those risks. First Financial continues to enhance its risk management capabilities and has, over time, embedded risk awareness into the Company's culture. ERM allows First Financial to align a variety of risk management activities within the Company into a cohesive, enterprise-wide approach and focus on process-level risk management activities and strategic objectives within the risk management culture. Additionally, ERM allows the Company to deliberately develop risk responses and evaluate the effectiveness of mitigation compared to established thresholds for risk appetite and tolerance, in addition to facilitating the consideration of significant organizational changes and consolidation of information through a common process for management and the board of directors.

First Financial has identified nine types of risk that it monitors in its ERM framework. These risks include credit, market (composed of interest rate, liquidity, capital, foreign exchange and financial risk), operational, compliance, strategic, reputation, information technology, cybersecurity and legal.

First Financial uses a robust regulatory risk framework as one of the foundational components of its ERM framework. This allows for a common categorization across the Company and provides a consistent and complete risk framework that can be summarized and assessed enterprise-wide. Additionally, the risk framework utilized is consistent with that used by the Company's regulators, which results in additional feedback on First Financial's ability to assess and measure risk across the organization as well as the ability for management and the board of directors to identify and understand differences in assessed risk profiles.

ERM helps ensure that First Financial continues to identify and adequately address risks that emerge from a combination of new customers, products and associates, changing markets, new lines of business and processes and new or evolving systems.

The goals of First Financial's ERM framework are to:

- focus on the Company at both the enterprise and line of business levels;
- align the Company's risk appetite with its strategic, operational, compliance and reporting objectives;
- enhance risk response decisions;
- reduce operational deficiencies and possible losses;
- identify and manage interrelated risks;
- provide integrated responses to multiple risks;
- improve the deployment and allocation of capital; and
- improve overall business performance.

Specific enterprise-level objectives include:

- creating a holistic view of risk in which risk is comprehensively considered, consistently communicated and documented in decision making;
- centralizing the oversight of risk management activities;
- defining the risks that will be addressed by the enterprise and each functional area or business unit to create an awareness of risks affecting the Company;
- establishing and maintaining systems and mechanisms to identify, assess, monitor and measure risks that may impact First Financial's ability to achieve its business objectives;
- creating a process which ensures that, for all new lines of business and new product decisions, management evaluates the expertise needed and assesses the risks involved;
- establishing and maintaining systems and mechanisms to monitor risk responses;
- developing risk occurrence information systems to provide early warning of events or situations that create risk for the Company;
- maintaining a compliance culture and framework that ensures adherence to laws, rules and regulations, fair treatment and privacy of customers and prevention of money laundering and terrorist financing;
- implementing and reviewing risk measurement techniques that management may use to establish the Company's risk tolerance, assess risk likelihood and impact, main effective controls and analyze risk and control monitoring processes; and
- establishing appropriate management reporting systems regarding the enterprise-wide risk exposures and allocation of capital.

Line of business-level objectives focus on why and where the particular business or business unit risk exists; how the business unit's management of its risks affects the Company's strategy, earnings, reputation and other key success factors; whether the line of business objectives are aligned with enterprise objectives; how effective internal procedures are integral to successful
business operations; and whether internal controls and their maintenance are reliable.

Board of Directors and Board Risk & Compliance Committees. First Financial's board of directors is responsible for understanding the Company's compliance and risk management objectives and risk tolerance, and as such, board oversight of the Company's compliance and risk management activities is a key component to an effective risk management process. The Board's oversight responsibilities include:

- establishing and guiding the Company's strategic direction and tolerance for risk, including the determination of the aggregate risk appetite and identifying the senior managers who have the responsibility for managing risk;
- monitoring the Company's performance and overall risk profile, ensuring that the level of risk is maintained at prudent levels and is supported by adequate capital;
- ensuring that the Company implements sound fundamental principles that facilitate the identification, measurement, monitoring and control of risk;
- ensuring that adequate resources are dedicated to compliance and risk management; and
- confirming that awareness of risk management activities is evident throughout the organization.

The board of directors has defined broad risk tolerance levels, or limits, to guide management in the decision-making process, and is responsible for establishing information and communication requirements to ensure that risk management activities remain within these tolerance limits. The Risk and Compliance Committee, a standing committee of the board of directors, is

responsible for carrying out the board's responsibilities in this regard. Other standing committees of the board (Audit, Compensation, Corporate Governance and Nominating, and Capital Markets) oversee particular areas of risk governance assigned specifically to them.

Risk Committees. The ERM program utilizes multiple cross-functional management committees as its primary assessment and communication mechanism for identified risks. These committees include:

- Board Enterprise Risk & Compliance
- Enterprise Risk Management
- Credit
- Compliance
- CRA & Fair Banking
- Human Resources
- Vendor Management
- Operational Risk
- Cybersecurity
- Information Technology
- Balance Sheet Strategy / ALCO
- Allowance for Credit Loss
- Sarbanes Oxley

Committee chairs play key roles in the execution of risk management activities throughout the enterprise and are responsible for continuous updates and communication among committee members in conjunction with the risk management department regarding changes to risk profiles, changes to risk assessments and the emergence of new risks that could impact the Company.

Executive and Senior Management. Members of executive and senior management are responsible for managing risk activities and delegating risk authority and tolerance to the responsible risk owners.

Management is responsible for identifying which processes and activities are critical to achieving the Company's business objectives within tolerance levels. Management then delegates responsibility, authority and accountability to the appropriate risk owners who are responsible for ensuring that the respective processes and activities are designed and implemented to manage the related risks within those delegated tolerance levels. Management analyzes and monitors risk management performance with key risk indicator and key performance indicator dashboards.

Chief Administrative Officer. The Chief Administrative Officer (CAO) provides executive leadership to various critical administrative functions. The CAO's responsibilities include oversight of the Risk Management, Compliance, Legal, Human Resources, Information Security, and Community Development departments. The CAO is responsible for ensuring regulatory compliance, implementing robust internal controls, and fostering a culture of adherence to policies and procedures. Additionally, the CAO works with senior executives to develop strategic initiatives aimed at enhancing risk mitigation strategies, helping our communities thrive, corporate responsibility and promoting the bank's overall stability and growth.

Chief Risk Officer. The chief risk officer is responsible for the oversight of the Company's ERM processes. The chief risk officer may appoint other officers or establish other management committees as required for effective risk management and governance, including risk identification, risk measurement, risk monitoring, risk control or mitigation and risk reporting and assurance. The chief risk officer is also responsible for the maintenance of procedures, methodologies and guidelines considered necessary to administer the ERM program.

Chief Compliance Officer. The chief compliance officer is responsible for the oversight of the Company's compliance management function, which includes Bank Secrecy Act/Anti-Money Laundering and all other regulatory compliance. The chief compliance officer is authorized to implement all necessary actions to ensure achievement of the objectives of an effective compliance program and may appoint other officers or establish other management committees as required for effective compliance management. The chief compliance officer reviews and evaluates compliance issues and concerns and is responsible for monitoring and reporting results of the compliance efforts in addition to providing guidance to the board of directors and senior management team on matters relating to compliance.

Internal Audit. Internal audit is responsible for planning audit activities to periodically reassess the design and operation of key risk management processes and to make periodic evaluations of the ongoing accuracy and effectiveness of the communications from risk owners to senior management and from senior management to the board of directors.

Risk Assessment Process. The periodic assessment of risks is a key component of a sound ERM program. Managers, business line leaders and executives are responsible for developing the risk and control assessment for their individual departments, business lines and subsidiaries. The chief risk officer, management and the board risk and compliance committee are responsible for ensuring that risk is viewed and analyzed from an enterprise-level global perspective. Furthermore, interrelated risks are considered, assessing how a single risk or event may create multiple risks.

Risk management programs, in each functional component and in aggregate, are designed to accomplish the following:

- identify risks and their respective owners;
- link identified risks and their mitigation to the Company's strategic objectives;
- utilize risk and control assessments that evaluate both inherent risks and their associated likelihood of occurrence and consequences, as well as the associated controls employed and their effectiveness in reducing risk; the risks and their associated likelihood of occurrence and consequences;
- encourage employees in all units to develop a working understanding of upstream and downstream activities;
- develop strategies to manage risk, such as avoiding the risk; reducing the negative effect of the risk; transferring the risk to another party; and/or accepting some or all of the consequences of a particular risk;
- prioritize the risk issues with regard to the current residual risk status and trend;
- provide reports to management and risk owners that will assist them in implementing appropriate risk management processes;
- assist management in assessing the alternatives for managing risks;
- assist management in the development of risk management plans; and
- track risk management/mitigation efforts.

Monitoring and Reporting. The board of directors oversees risk reporting and monitoring through the board risk and compliance committee, which meets at least quarterly.

Management continually reviews any risk identified as key, as well as the appropriateness of established tolerance limits and the actions considered as necessary to mitigate key risks. As circumstances warrant, management provides recommendations to the board risk and compliance committee related to changes or adjustments to key risks or tolerance limits.

First Financial believes that communication is fundamental to successful risk management and productive reporting and communication between the risk management department, management and the board of directors is required for collaborative and effective risk management.

CREDIT RISK

Credit risk represents the risk of loss due to failure of a customer or counterparty to meet its financial obligations in accordance with contractual terms. First Financial manages credit risk through its underwriting and ongoing administration practices, periodically reviewing and approving its credit exposures using credit policies and guidelines approved by the board of directors.

MARKET RISK

Market risk is the risk of loss arising from adverse changes in the fair value of financial instruments due to changes in interest rates, foreign exchange rates and equity prices. The primary sources of market risk for First Financial are interest rate risk and liquidity risk.

Interest rate risk. Interest rate risk is the risk to earnings and the value of the Company's equity arising from changes in market interest rates. Interest rate risk arises in the normal course of business to the extent that there is a divergence between the amount of interest-earning assets and the amount of interest-bearing liabilities that are prepaid, withdrawn, re-priced or mature in specified periods. First Financial seeks to achieve consistent growth in net interest income and equity while managing volatility from shifts in market interest rates, while operating within acceptable limits established for interest rate risk and maintaining adequate levels of funding and liquidity.

Potential cash flows, sales, or replacement value of many of our assets and liabilities, especially those that earn or pay interest, are sensitive to changes in the general level of interest rates. This interest rate risk arises primarily from our normal business activities of gathering deposits and extending loans. Many factors affect our exposure to changes in interest rates, such as general economic and financial conditions, client preferences, historical pricing relationships, and re-pricing characteristics of

financial instruments. Our earnings can also be affected by the monetary and fiscal policies of the U.S. Government and its agencies, particularly the Federal Reserve.

In managing interest rate risk, the Company establishes guidelines and strategies for asset and liability management, including measurement of short and long-term sensitivities to changes in interest rates, through our internal Balance Sheet Strategies and Asset Liability Committee, which is comprised of senior officers from the treasury, risk management, credit administration, finance and lending areas. These guidelines and strategies are also reviewed with the Capital Markets Committee of our Board of Directors.

First Financial monitors its interest rate risk position using income simulation models and EVE sensitivity analyses that capture both short-term and long-term interest rate risk exposure. Income simulation involves forecasting NII under a variety of interest rate scenarios. EVE is calculated by discounting the cash flows for all balance sheet instruments under different interest rate scenarios. First Financial uses EVE sensitivity analysis to understand the impact of changes in interest rates on long-term cash flows, income and capital. For both NII and EVE modeling, First Financial leverages instantaneous parallel shocks to evaluate interest rate risk exposure across rising and falling rate scenarios. Additional scenarios evaluated include various non-parallel yield curve twists.

First Financial's interest rate risk models are based on the contractual and assumed cash flows and repricing characteristics for the Company's assets, liabilities and off-balance sheet exposure. A number of assumptions are also incorporated into the interest rate risk models, including prepayment behaviors and repricing spreads for assets in addition to attrition and repricing rates for liabilities. Assumptions are primarily derived from behavior studies of the Company's historical client base and are continually refined. Modeling the sensitivity of NII and EVE to changes in market interest rates is highly dependent on the assumptions incorporated into the modeling process.

Non-maturity deposit modeling is particularly dependent on the assumption for repricing sensitivity known as a beta. Beta is the amount by which First Financial's interest bearing non-maturity deposit rates will increase when short-term interest rates rise. The Company utilized a weighted average deposit beta of 42% in its interest rate risk modeling as of December 31, 2023. First Financial also includes an assumption for the migration of non-maturity deposit balances into CDs for all upward rate scenarios beginning with the +100 BP scenario, thereby increasing deposit costs and reducing asset sensitivity.

Presented below is the estimated impact on First Financial's NII and EVE as of December 31, 2023, assuming immediate, parallel shifts in interest rates:

Table 18 • Rate Change Impact on NII and EVE

	% Change from base case for immediate parallel changes in rates		
	-100 BP	+100 BP	+200 BP
NII - Year 1	(6.45)%	3.12%	4.78%
NII - Year 2	(6.10)%	2.49%	3.39%
EVE	(2.09)%	1.20%	2.39%

"Risk-neutral" refers to the absence of a strong bias toward either asset or liability sensitivity. *"Asset sensitivity"* is when a company's interest-earning assets reprice more quickly or in greater quantities than interest-bearing liabilities. Conversely, *"liability sensitivity"* is when a company's interest-bearing liabilities reprice more quickly or in greater quantities than interest-earning assets. In a rising interest rate environment, asset sensitivity results in higher net interest income while liability sensitivity results in lower net interest income. In a declining interest rate environment, asset sensitivity results in lower net interest income while liability sensitivity results in higher net interest income.

The projected results for NII and EVE reflect an asset sensitive position, due to a strong funding mix of low cost transactional deposits supporting loans priced primarily off the short end of the rate curve. The difference in sensitivity between the down and up rate scenarios is driven by an assumed compositional shift in funding makeup. First Financial continues to manage its balance sheet with a bias toward asset sensitivity while simultaneously balancing the potential earnings impact of this strategy.

First Financial continually evaluates the sensitivity of its interest rate risk position to modeling assumptions. The following table reflects First Financial's estimated NII sensitivity profile as of December 31, 2023 assuming both a 25% increase and decrease to the beta assumption on managed rate deposit products:

Table 19 • Estimated Interest Sensitivity on NII

	Beta sensitivity (% change from base)			
	+100 BP		+200 BP	
	Beta 25% lower	Beta 25% higher	Beta 25% lower	Beta 25% higher
NII-Year 1	4.19 %	2.05 %	5.81 %	3.75 %
NII-Year 2	3.58 %	1.40 %	4.44 %	2.34 %

See the Net Interest Income section of Management's Discussion and Analysis for further discussion.

Table 20 – Market Risk Disclosure projects the principal maturities and yields of First Financial's interest-bearing financial instruments at December 31, 2023 for the next five years and thereafter, as well as the fair value of the instruments. For loans, securities and liabilities with contractual maturities, the table presents principal cash flows and related weighted-average interest rates by contractual maturities. For investment securities, including MBS and CMO, principal cash flows are based on estimated average lives. For loan instruments without contractual maturities, such as credit card loans, principal payments are allocated based on historical payment activity trends. Maturities for interest-bearing liability accounts with no contractual maturity dates are estimated according to historical experience of cash flows and current expectations of client behaviors when calculating fair value, but are included in the maturing in one year or less category as they can be withdrawn on demand.

Table 20 • Market Risk Disclosure

	Principal Amount Maturing In							Fair Value December 31,
(Dollars in thousands)	2024	2025	2026	2027	2028	Thereafter	Total	2023
Rate sensitive assets								
Fixed interest rate loans [1]	$ 399,097	$ 370,474	$ 333,634	$ 301,693	$ 228,346	$ 1,372,007	$ 3,005,251	$ 2,802,503
Average interest rate	5.54 %	5.64 %	5.65 %	5.58 %	5.73 %	4.39 %	5.05 %	
Variable interest rate loans [1]	1,418,191	1,182,445	1,148,670	904,150	880,726	2,261,523	7,795,705	7,674,854
Average interest rate	8.02 %	7.86 %	7.79 %	7.72 %	8.47 %	7.36 %	7.78 %	
Fixed interest rate securities	144,200	132,320	141,926	226,054	282,932	1,566,562	2,493,994	2,488,741
Average interest rate	3.99 %	3.30 %	3.31 %	3.17 %	2.52 %	2.28 %	2.59 %	
Variable interest rate securities	406,703	74,737	23,950	17,350	4,000	80,713	607,453	604,073
Average interest rate	7.67 %	8.41 %	7.90 %	8.54 %	9.43 %	4.88 %	7.41 %	
Other earning assets	792,960	0	0	0	0	0	792,960	792,960
Average interest rate	5.40 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	5.40 %	
Rate sensitive liabilities								
Noninterest-bearing checking [2]	$ 3,317,960	$ 0	$ 0	$ 0	$ 0	$ 0	$ 3,317,960	$ 3,317,960
Savings and interest-bearing checking [2]	7,324,447	0	0	0	0	0	7,324,447	7,324,447
Average interest rate	2.36 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	2.36 %	
Time deposits	2,441,829	225,140	33,439	12,370	5,612	0	2,718,390	2,704,912
Average interest rate	4.46 %	4.15 %	0.69 %	0.59 %	0.85 %	0.00 %	4.37 %	
Fixed interest rate borrowings	942,591	121,996	5,679	6,365	7,130	150,168	1,233,929	1,240,372
Average interest rate	5.51 %	5.52 %	11.50 %	11.43 %	11.37 %	5.36 %	5.58 %	
Variable interest rate borrowings	0	0	0	0	0	48,000	48,000	47,868
Average interest rate	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	8.14 %	8.14 %	

[1] Includes loans held for sale
[2] Deposits without a stated maturity are represented as maturing within one year due to the ability of the client to withdraw deposited amounts on demand.

Liquidity risk. Liquidity risk is the potential that an entity will be unable to meet its obligations as they come due because of an inability to liquidate assets, or obtain funding or that it cannot easily unwind or offset exposures without significantly lowering market prices because of inadequate market depth or market disruptions. Management focuses on maintaining and

enhancing liquidity by maximizing collateral-based liquidity availability. First Financial manages liquidity in relation to the trend and stability of deposits; degree and reliance on short-term, volatile sources of funds, including any undue reliance on borrowings or brokered deposits to fund longer-term assets. Management identifies, measures, monitors and manages liquidity while seeking to maintain diversification of funding sources, both on- and off-balance-sheet.

Management, including the Balance Sheet Strategies and Asset Liability Committee, monitors liquidity through a regular review of asset and liability maturities, funding sources, and loan and deposit forecasts. The Company continually refines and updates its liquidity risk management processes, such as refining the contingency funding plan, meeting frequently, and securing additional contingent borrowing capacity. We maintain strategic and contingency liquidity plans to ensure sufficient available funding to satisfy requirements for balance sheet growth, properly manage capital market funding sources and to address unexpected liquidity requirements.

Management closely monitors the usage of excess business deposits, the balance of personal deposits and the broader macroeconomic environment. This monitoring includes consideration of various metrics and establishment of internal thresholds related to balance sheet composition, borrowing composition, and liquidity composition. Balance sheet composition metrics reviewed include the loan to deposit, loans to total assets and core deposits to total assets ratios among others. Borrowing composition monitoring includes, but is not limited to, consideration of borrowing capacity as a percentage of total assets, brokered CDs as a percentage of total assets and Fed funds lines to total assets. Liquidity composition ratios include remaining liquidity to total assets, and tier 1 liquidity sources as a percentage of both 30 and 90 day maturing liabilities, among others. As of December 31, 2023, all metrics reviewed were within the Company's policy limits.

The Company utilizes its contingency funding plan to assess the ability of the Company to successfully navigate significant liquidity events. The contingency funding plan considers various sources of liquidity, including loan and deposit growth rates, decreasing access to secured and unsecured wholesale funding sources and declining financial performance, to determine First Financial’s ability to meet liquidity requirements over certain time horizons and in certain stress scenarios. The contingency funding plan also includes the process for creating a Contingency Funding Task Force (CFTF). During a liquidity crisis, the CFTF, via the Balance Sheet Strategies and Asset Liability Committee, would assess and identify key mitigation strategies needed for addressing a liquidity crisis. These mitigation strategies would be assigned to appropriate personnel for implementation with established targets and reporting requirements. Typical mitigation strategies would include, but not be limited to, curtailing loan originations, pricing options for stabilizing/growing deposits, options for expanding wholesale funding sources, and asset liquidation options.

For further discussion of the Company's liquidity, please see the Liquidity section within Management's Discussion and Analysis.

OPERATIONAL RISK

Operational risk is the risk of loss due to human behavior, inadequate or failed internal systems and controls and external influences such as market conditions, fraudulent activities, natural disasters and security risks. First Financial continuously strives to strengthen the Company’s system of internal controls and operating processes as well as associates' ability to assess the impact on earnings and capital from operational risk.

COMPLIANCE RISK

Compliance risk represents the risk of regulatory sanctions, reputational impact or financial loss resulting from the Company’s failure to comply with rules and regulations issued by the various banking agencies and standards of good banking practice. Activities which may expose First Financial to compliance risk include, but are not limited to, those dealing with the prevention of money laundering, privacy and data protection, community reinvestment initiatives, fair lending challenges resulting from the Company’s ongoing management of its banking center network and employment and tax matters.

STRATEGIC AND REPUTATION RISK

Strategic risk represents the risk of loss due to failure to fully develop and execute business plans, failure to assess current and new business opportunities, markets and products, inability to effectively manage human capital risk factors such as satisfaction, engagement, attrition, retention, and diversity, equity and, inclusion (DEI) and any other event not identified in the defined risk types previously mentioned. Strategic risk focuses on analyzing factors that affect the direction of the institution or improper implementation of decisions

Reputation risk represents the risk of loss or impairment of earnings and capital from negative publicity. This affects the ability of First Financial to establish new relationships or services or to continue servicing existing relationships. Reputation risk is

recognized by the effect that public opinion could have on First Financial's franchise value and has evolved in recent years with the growth in social media. First Financial also seeks to build social responsibility into its brand and has formed a corporate responsibility working group to develop an initial corporate social responsibility (CSR) report, which will highlight First Financial's efforts, goals, and plans to help the environment and our communities.

Mitigation of strategic and reputation risk elements is achieved through initiatives that help First Financial better understand and report on the various risks it faces each day, including those related to the development of new products and business initiatives and client feedback response and mitigation routines that analyze and share feedback data with business lines for client experience and process improvements.

INFORMATION TECHNOLOGY RISK

Information technology risk is the risk that the information technologies utilized by FFB are not efficiently and effectively supporting the current and future needs of the business, operating as intended or compromise the availability, integrity and reliability of data and information. This risk also considers whether or not the Company's information technology exposes the Company's assets to potential loss or misuse, or threatens the Company's ability to sustain the operation of critical business processes.

CYBERSECURITY RISK

Cybersecurity (cyber) risk is differentiated from information technology risk by threat interactions that yield high impact consequences and ever-increasing probability. First Financial continues to be the target of various evolving and adaptive cyber attacks, including malware, phishing and distributed denial-of-service, in order to disrupt the operations of financial institutions, potentially test their cybersecurity capabilities, commit fraud, or obtain confidential, proprietary or other information. While standard security operations address most day-to-day incidents, cyber risk includes threats and attacks that often use advanced tools, techniques and processes to evade detection or inflict maximum damage to an organization's information assets. Cyber threats and attacks adapt and evolve rapidly, so First Financial works to continuously enhance controls and processes to protect its networks and applications from attack, damage or unauthorized access. Critical components to the Company's cyber risk control structure include corporate governance, threat intelligence, security awareness training and patch management programs. Cyber risk mitigation includes effectively identifying, protecting against, detecting, responding to and recovering from cyber threats.

LEGAL RISK

Legal risk encompasses the impact of unenforceable contracts, lawsuits or adverse judgments, which can disrupt or otherwise negatively affect the Company's operations or condition. Legal risk also includes the exposure from litigation, fiduciary relationships and contractual obligations from both traditional and nontraditional financial institution activities. Legal risk is present in all areas of the Company and its activities.

FOURTH QUARTER REVIEW

For the three months ended December 31, 2023, the Company reported net income of $56.7 million, or $0.60 per diluted common share. These results compare to net income of $63.1 million, or $0.66 per diluted common share, for the third quarter of 2023. Return on average assets for the fourth quarter of 2023 was 1.31% compared to a return on assets of 1.48% in the third quarter of 2023.

Loan balances increased $286.4 million from the third quarter of 2023, an increase of 10.7% on an annualized basis. The increase was attributed to strong origination volumes across much of the portfolio and included a $109.8 million increase in finance leases from Summit Funding Group. Average deposit balances increased $415.7 million compared to the linked quarter, primarily due to a $284.4 million increase in money market accounts, a $123.1 million increase in public funds, and a $157.6 million increase in combined retail and brokered CD's. These increases offset a decline in noninterest bearing deposits and savings accounts. This mix shift reflects the higher interest rates increasing customer demand for higher cost deposit products.

Net interest margin for the fourth quarter of 2023 was 4.21%, or 4.26% on a fully tax-equivalent basis. This was a 7 bp decline from the third quarter of 2023. This decrease was driven by higher funding costs, which included a 31 bp increase in the cost of deposits, outpacing increases in asset yields. Higher deposit costs were partially offset by a favorable shift in funding mix and a 14 bp increase in asset yields resulting from higher rates and a more profitable mix of earning asset balances during the period.

Noninterest income for the fourth quarter of 2023 was $47.0 million, a decrease of $9.6 million, or 17.0%, from the prior quarter. Foreign exchange income declined $4.7 million, or 34.8%, from the third quarter to $8.7 million, due to a $4.6 million loss on a trade. Additionally, leasing business income declined $1.7 million during the quarter; however, this was primarily a function of product mix as Summit originated a larger volume of finance leases during the period. Mortgage banking income declined $1.1 million, or 27.6%, during the quarter as demand softened due to higher interest rates.

Noninterest expense for the fourth quarter of 2023 was $119.1 million, a decrease of $2.9 million, or 2.4%, from the linked quarter. This decline from the linked quarter was due to lower employee costs and marketing expenses. These declines were partially offset by a $0.9 million FDIC special assessment expense incurred during the period.

The ACL, including both funded and unfunded reserves, was $159.9 million at December 31, 2023, and the Company recorded $10.2 million in total provision expense during the fourth quarter. The provision expense was driven by loan growth and net charge-offs during the period. The Company recorded 46 bps of net chargeoffs annualized as a percentage of loan balances during the quarter, which was a 15 bp decline from 61 bps in the third quarter. Total classified asset balances were relatively flat at the end of the fourth quarter when compared to the third quarter.

CRITICAL ACCOUNTING ESTIMATES

First Financial's Consolidated Financial Statements are prepared based on the application of accounting policies, the most significant of which are described in Note 1 – Summary of Significant Accounting Policies in the Notes to Consolidated Financial Statements. These policies require the reliance on estimates and assumptions which are inherently subjective and may be susceptible to significant change. Changes in underlying factors, assumptions or estimates could have a material impact on First Financial's future financial condition and results of operations. In management's opinion, some of these estimates and assumptions have a more significant impact than others on First Financial's financial reporting.

For First Financial, these estimates and assumptions include accounting for the ACL - loans and leases, goodwill, pension and income taxes. The estimates and assumptions made are based upon historical experience, future forecasts, or other factors that management believes to be reasonable under the circumstances. Because of the nature of the judgment and assumptions, actual results could differ from estimates, which could have a material effect on our financial condition and results of operations.

Allowance for credit losses - loans and leases

- **Overview.** The allowance for credit losses on loans and leases represents management's estimate of all expected credit losses over the expected contractual life of the Company's loan and lease portfolio. Determining the appropriateness of the allowance is complex and requires judgment by management about the effect of matters that are inherently uncertain. Subsequent evaluations of the then-existing loan and lease portfolio, in light of the factors then prevailing, may result in significant changes in the allowance for credit losses in those future periods.

  The allowance for credit losses on loans and leases, as reported in our Consolidated Balance Sheets, is adjusted by provision expense, which is recognized in earnings, and reduced by the charge-off of loan amounts, net of recoveries.

- **Judgments and Uncertainties.** Management estimates the allowance using relevant available information from both internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. Historical credit loss experience paired with economic forecasts provide the basis for the quantitatively modeled estimation of expected credit losses. First Financial adjusts its quantitative model, as necessary, to reflect conditions not already considered therein. These adjustments are commonly known as the Qualitative Framework.

  First Financial quantitatively models expected credit loss using PD, LGD and EAD over the R&S forecast period, reversion and post-reversion periods.

  Utilizing third-party software, First Financial forecasts PD by using a parameterized transition matrix approach. Average transition matrices are calculated over the TTC period, which was defined as the period from December 2007 to December 2022. TTC transition matrices are adjusted under forward-looking macroeconomic expectations to obtain R&S forecasts.

  First Financial is not required to develop forecasts over the full contractual term of the financial asset or group of financial assets. Rather, for periods beyond which the entity is able to make or obtain R&S forecasts of expected credit losses, the Company reverts in a straight line manner over a one year period to an average TTC loss level that is

reflective of the prepayment adjusted contractual term of the financial asset or group of financial assets. First Financial elected a two year R&S period which is forecasted using econometric data sourced from Moody's, an industry-leading independent third party.

FFB utilizes a non-parametric loss curve approach embedded within a third-party software for estimating LGD. The PD multiplied by LGD produces an expected loss rate that, when calculating the ACL, is applied to contractual loan cash flows, adjusted for expected future rates of principal prepayments.

The Company adjusts its quantitative model for certain qualitative factors to reflect the extent to which management expects current conditions and R&S forecasts to differ from the conditions that existed for the period over which historical information was evaluated. The Qualitative Framework reflects changes related to relevant data, such as changes in asset quality trends, portfolio growth and composition, national and local economic factors, credit policy and administration and other factors not considered in the base quantitative model.

- **Effect if Actual Results Differ From Assumptions.** The allowance represents management's best estimate, but significant downturns in circumstances relating to loan quality and economic conditions could result in a requirement for additional allowance. Likewise, an upturn in loan quality and improved economic conditions may allow a reduction in the required allowance. In either instance, unanticipated changes could have a significant impact on results of operations.

  One of the most significant judgments used in determining the allowance for credit losses is the macroeconomic forecast provided by a third party. The economic indices sourced from the macroeconomic forecast and used in projecting loss rates include the forecasted manufacturing overtime, business bankruptcies, rental vacancy rates, housing price indices, national unemployment rate, changes in commercial real estate prices, changes in home values, S&P 500 performance, housing sales, among other variable. Each reporting period, several macroeconomic forecast scenarios are considered by management. Management selects the macroeconomic forecast that is most reflective of expectations at that point in time. Changes in the macroeconomic forecast, could significantly impact the calculated estimated credit losses.

  Another variable utilized in the calculation of the allowance to which the calculation may be sensitive is the prepayment rate. The model incorporates a prepayment rate calculated using a trailing twelve month average by portfolio. Changes in prepayment speeds that vary from though the cycle actual prepayment activity may have a significant impact on the expected duration of the various loan portfolios, and could result in inaccurate estimate of default.

  The provision for credit loss recorded through earnings is the amount necessary to maintain the allowance for credit losses at the amount of expected credit losses. The amount of expense and the corresponding level of allowance for credit losses on loans are based on our evaluation of the collectability of the loan portfolio based on historical loss experience, reasonable and supportable forecasts, and other significant qualitative and quantitative factors.

Goodwill

- **Overview.** Assets and liabilities acquired in a business combination are recorded at their estimated fair values as of the acquisition date. The excess cost of the acquisition over the fair value of net assets acquired is recorded as goodwill. The Company's goodwill is accounted for in a single reporting unit representing the consolidated entity. The Company is required to evaluate goodwill for impairment on an annual basis or whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

  In testing goodwill for impairment, U.S. GAAP permits First Financial to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. In this qualitative assessment, First Financial evaluates events and circumstances which may include, but are not limited to, the general economic environment, banking industry and market conditions, the Company's overall financial performance, the performance of the Company's common stock, the key financial performance metrics of the Bancorp's reporting units and events affecting the reporting unit to determine if it is not more likely than not that the fair value of a reporting unit is less than its carrying amount. If the quantitative impairment test is required or the decision to bypass the qualitative assessment is elected, First Financial performs the goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount, including goodwill.

  First Financial performs its annual impairment test effective October 1, absent events or changes in circumstances that indicate the carrying value of goodwill may not be recoverable. These annual tests indicated that the Company's goodwill was not impaired as of October 1, 2023 and 2022.

- **Judgments and Uncertainties.** The determination of fair values is based on valuations using management's assumptions of future growth rates, future attrition, discount rates, multiples of earnings or other relevant factors. In addition, we engage third party specialists to assist in the development of fair values. Preliminary estimates of fair values may be adjusted for up to one year subsequent to the merger or acquisition date if new information is obtained about facts and circumstances that existed as of the merger or acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date. Adjustments recorded during this period are recognized in the current reporting period. Management uses various valuation methodologies to estimate the fair value of these assets and liabilities, and often involves a significant degree of judgment, particularly when liquid markets do not exist for the particular item being valued. Examples of such items include loans, deposits, identifiable intangible assets, and certain other assets and liabilities.

- **Effect if Actual Results Differ From Assumptions.** Changes in these factors, as well as downturns in economic or business conditions, could have a significant adverse impact on the carrying value of assets, including goodwill and liabilities, which could result in impairment losses affecting our financial statements as a whole and our banking subsidiary in which the goodwill resides.

Pension

- **Overview.** First Financial sponsors a non-contributory defined-benefit pension plan covering substantially all employees. Accounting for the pension plan involves material estimates regarding future plan obligations and investment returns on plan assets.

- **Judgments and Uncertainties.** The determination of the plan obligation is based on valuations using management's assumptions of discount rates, mortality rates, interest crediting rates, expected return on plan assets, rate of compensation increases and lump sum payment expectations. First Financial engages a third party actuary to calculate the balance sheet position of the plan, cash flow, plan asset information, amortization amounts and participant information. First Financial determines the discount rate assumption using published corporate bond indices and the projected cash flows of the pension plan. First Financial also utilizes external surveys for industry comparisons to assess the discount rate for reasonableness. The expected long-term return on plan assets is determined based on the composition of plan assets, actual returns and economic forecasts, while the rate of compensation increase is compared to historical increases for plan participants. Changes in these assumptions can have a material impact on the amount of First Financial's future pension obligations, on the funded status of the plan and on the Company's operating results.

- **Effect if Actual Results Differ From Assumptions.** Although management believes that the judgments and estimates used are reasonable, actual results could differ. Actual future pension costs/credits and funding levels will depend on future investment performance, changes in discount rates, market conditions, funding levels relative to the projected benefit obligation and accumulated benefit obligation and various other factors related to the populations participating in the pension plans. Please see the Pension Plan section of this MD&A for the estimated impact on pension expense and projected benefit obligations assuming shifts in certain plan assumptions.

Income taxes

- **Overview.** The Company is subject to the income tax laws of the U.S., its states, and the municipalities in which we operate. These tax laws are complex and subject to different interpretations by the taxpayer and the relevant government taxing authorities. We review income tax expense and the carrying value of deferred tax assets quarterly; and as new information becomes available, the balances are adjusted as appropriate. FASB ASC 740-10 (FIN 48) prescribes a recognition threshold of more-likely-than-not, and a measurement attribute for all tax positions taken or expected to be taken on a tax return, in order for those tax positions to be recognized in the financial statements. See Note 16 Income Taxes to the consolidated financial statements for a further description of our provision and related income tax assets and liabilities.

- **Judgments and Uncertainties.** In establishing a provision for income tax expense, the Company must make judgments and interpretations about the application of these inherently complex tax laws. It must also make estimates about when in the future certain items will affect taxable income in the various tax jurisdictions. Disputes over interpretations of the tax laws may be subject to review/adjudication by the court systems of the various tax jurisdictions or may be settled with the taxing authority upon examination or audit.

- **Effect if Actual Results Differ From Assumptions.** Although management believes that the judgments and estimates used are reasonable, actual results could differ and we may be exposed to losses or gains that could be material. To the extent we prevail in matters for which reserves have been established or are required to pay amounts

in excess of our reserves, our effective income tax rate in a given financial statement period could be materially affected. An unfavorable tax settlement would result in an increase in our effective income tax rate in the period of resolution. A favorable tax settlement would result in a reduction in our effective income tax rate in the period of resolution.

Management has discussed the development and selection of these critical accounting estimates with the Audit Committee and the Audit Committee has reviewed our disclosure relating to it in this "Management's Discussion and Analysis of Financial Condition and Results of Operations."

FORWARD-LOOKING STATEMENTS

Certain statements contained in this report which are not statements of historical fact constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as ''believes,'' ''anticipates,'' "likely," "expected," "estimated," ''intends'' and other similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. Examples of forward-looking statements include, but are not limited to, statements we make about (i) our future operating or financial performance, including revenues, income or loss and earnings or loss per share, (ii) future common stock dividends, (iii) our capital structure, including future capital levels, (iv) our plans, objectives and strategies, and (v) the assumptions that underlie our forward-looking statements.

As with any forecast or projection, forward-looking statements are subject to inherent uncertainties, risks and changes in circumstances that may cause actual results to differ materially from those set forth in the forward-looking statements. Forward-looking statements are not historical facts but instead express only management's beliefs regarding future results or events, many of which, by their nature, are inherently uncertain and outside of management's control. It is possible that actual results and outcomes may differ, possibly materially, from the anticipated results or outcomes indicated in these forward-looking statements. Important factors that could cause actual results to differ materially from those in our forward-looking statements include the following, without limitation:

- economic, market, liquidity, credit, interest rate, operational and technological risks associated with the Company's business;
- future credit quality and performance, including our expectations regarding future loan losses and our allowance for credit losses
- the effect of and changes in policies and laws or regulatory agencies, including the Dodd-Frank Wall Street Reform and Consumer Protection Act and other legislation and regulation relating to the banking industry;
- Management's ability to effectively execute its business plans;
- mergers and acquisitions, including costs or difficulties related to the integration of acquired companies;
- the possibility that any of the anticipated benefits of the Company's acquisitions will not be realized or will not be realized within the expected time period;
- the effect of changes in accounting policies and practices;
- changes in consumer spending, borrowing and saving and changes in unemployment;
- changes in customers' performance and creditworthiness;
- the costs and effects of litigation and of unexpected or adverse outcomes in such litigation;
- current and future economic and market conditions, including the effects of changes in housing prices, fluctuations in unemployment rates, U.S. fiscal debt, budget and tax matters, geopolitical matters, and any slowdown in global economic growth;
- the adverse impact on the U.S. economy, including the markets in which we operate, of the novel coronavirus, which causes the Coronavirus disease 2019 ("COVID-19"), global pandemic, and the impact on the performance of our loan and lease portfolio, the market value of our investment securities, the availability of sources of funding and the demand for our products;

- our capital and liquidity requirements (including under regulatory capital standards, such as the Basel III capital standards) and our ability to generate capital internally or raise capital on favorable terms;
- financial services reform and other current, pending or future legislation or regulation that could have a negative effect on our revenue and businesses, including the Dodd-Frank Act and other legislation and regulation relating to bank products and services;
- the effect of the current interest rate environment or changes in interest rates or in the level or composition of our assets or liabilities on our net interest income, net interest margin and our mortgage originations, mortgage servicing rights and mortgage loans held for sale;
- the effect of a fall in stock market prices on our brokerage, asset and wealth management businesses;
- a failure in or breach of our operational or security systems or infrastructure, or those of our third-party vendors or other service providers, including as a result of cyber attacks;
- the effect of changes in the level of checking or savings account deposits on our funding costs and net interest margin; and
- our ability to develop and execute effective business plans and strategies.

These and other risk factors are more fully described in First Financial's Annual Report on Form 10-K for the year ended December 31, 2023 under the section entitled “Item 1A. Risk Factors” and from time to time, in other filings with the SEC. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. Actual results may differ materially from those expressed in or implied by any forward-looking statements. Except to the extent required by applicable law or regulation, First Financial undertakes no obligation to revise or update publicly any forward-looking statements for any reason.

Management's Report on Internal Control over Financial Reporting

First Financial's management is responsible for establishing and maintaining adequate internal control over financial reporting. First Financial's internal control over financial reporting is a process designed under the supervision of First Financial's chief executive officer and chief financial officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Any system of internal control, no matter how well designed, has inherent limitations, including the possibility that a control can be circumvented or overridden and misstatements due to error or fraud may occur and not be detected. Also, because of changes in conditions, internal control effectiveness may vary over time. Accordingly, even an effective system of internal control will provide only reasonable assurance with respect to financial statement preparation. As of December 31, 2023, First Financial's management, including the chief executive officer and the chief financial officer, evaluated the effectiveness of First Financial's internal controls over financial reporting, using as its framework for that evaluation the Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission (2013 framework). Based on the evaluation, we believe that, as of December 31, 2023, our internal control over financial reporting is effective based on those criteria.

Crowe LLP, the independent registered public accounting firm that audited the consolidated financial statements included in this Form 10-K, has issued an attestation report on First Financial's internal control over financial reporting as of December 31, 2023. The report, which expresses an unqualified opinion on First Financial's internal control over financial reporting as of December 31, 2023, is included in the information that follows under the heading "Report of Independent Registered Public Accounting Firm."

/s/ Archie M. Brown	/s/ James M. Anderson
President and Chief Executive Officer	Executive Vice President, Chief Financial Officer and Chief Operating Officer
February 22, 2024	February 22, 2024

Report of Independent Registered Public Accounting Firm

Shareholders and the Board of Directors of First Financial Bancorp
Cincinnati, Ohio

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of First Financial Bancorp (the "Company") as of December 31, 2023 and 2022, the related consolidated statements of income, comprehensive income (loss), changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2023, and the related notes (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control - Integrated Framework: (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2023 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control - Integrated Framework: (2013) issued by COSO.

Basis for Opinions

The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

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

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

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for Credit Losses for Loans Qualitative Factors - Refer to Notes 1and 6 to the financial statements

The allowance for credit losses (the "ACL") is an accounting estimate of expected credit losses over the estimated life of financial assets carried at amortized cost and off-balance-sheet credit exposures in accordance with ASC 326. The standard requires a financial asset (or a group of financial assets), including the Company's loan portfolio, measured at amortized cost, to be presented at the net amount expected to be collected. Estimates of expected credit losses for loans are based on historical experience, current conditions and reasonable and supportable forecasts over the estimated life of the loans. In order to estimate the expected credit losses, the Company utilizes a loss estimation model.

Management quantitatively models expected credit loss using Probability of Default ("PD"), Loss Given Default ("LGD"), and Exposure at Default ("EAD") over the Reasonable and Supportable ("R&S") forecast, reversion and post-reversion periods. Utilizing third-party software, the Company forecasts PD by using transition matrices to evaluate when events are more or less likely to occur based on previous events. The transition matrices are adjusted under forward-looking macroeconomic expectations to obtain R&S forecasts. Management utilizes third-party software for estimating LGD. The PD multiplied by LGD produces an expected loss rate that, when calculating the ACL, is applied to contractual loan cash flows, adjusted for expected future rates of principal prepayments. The Company adjusts its quantitative model for certain qualitative factors to reflect the extent to which management expects current conditions and R&S forecasts to differ from the conditions that existed for the period over which historical information was evaluated. The qualitative framework reflects changes related to relevant data, such as changes in asset quality trends, portfolio growth and composition, national and local economic factors, credit policy and administration and other factors not considered in the base model. The ACL is measured on a collective (pool) basis when similar risk characteristics exist. The ACL is influenced by loan volumes, risk rating migration, delinquency status and other conditions influencing loss expectations, such as reasonable and supportable forecasts of economic conditions.

The Allowance for Credit Losses for Loans was identified by us as a critical audit matter because of the extent of auditor judgment applied and significant audit effort to evaluate the significant subjective and complex judgments made by management. The principal considerations resulting in our determination included the following:

- Significant auditor judgment and effort were used in evaluating the qualitative factors used in the calculation.
- Significant audit effort related to the completeness and accuracy of the high volume of data used in the model computation.

The primary procedures performed to address the critical audit matter included:

- Testing the effectiveness of management's internal controls over the preparation and evaluation of the ACL calculation, significant model assumptions, development and reasonableness of qualitative factors, completeness and accuracy of data used in the calculation, systems used in the development of the estimate, and the appropriateness of the overall calculation as well as control over the independent model validation.
- Substantively testing management's process for developing qualitative factors and assessing relevance and reliability of data used to develop factors, including evaluating management's judgments and assumptions for reasonableness.
- Substantively testing the mathematical accuracy of the EAD model including the completeness and accuracy of loan data used in the model to estimate ACL.



Crowe LLP

We have served as the Company's auditor since 2015, which is the year the engagement letter was signed for the audit of the 2016 financial statements.

Louisville, Kentucky
February 22, 2024

Consolidated Balance Sheets

(Dollars in thousands)	December 31, 2023	2022
Assets		
Cash and due from banks	$ 213,059	$ 207,501
Interest-bearing deposits with other banks	792,960	388,182
Investment securities available-for-sale, at fair value (amortized cost $3,382,604 at December 31, 2023 and $3,827,418 at December 31, 2022)	3,021,126	3,409,648
Investment securities held-to-maturity (fair value $71,688 at December 31, 2023 and $76,485 at December 31, 2022)	80,321	84,021
Other investments, at fair value	129,945	143,160
Loans held for sale, at fair value	9,213	7,918
Loans and leases		
Commercial & industrial	3,501,221	3,410,272
Lease financing	474,817	236,124
Construction real estate	564,832	512,050
Commercial real estate	4,080,939	4,052,759
Residential real estate	1,333,674	1,092,265
Home equity	758,676	733,791
Installment	159,078	209,895
Credit card	59,939	51,815
Total loans and leases	10,933,176	10,298,971
Less: Allowance for credit losses	(141,433)	(132,977)
Net loans and leases	10,791,743	10,165,994
Premises and equipment	194,740	189,080
Operating leases	153,214	91,738
Goodwill	1,005,868	1,001,507
Other intangibles	83,949	93,919
Accrued interest and other assets	1,056,762	1,220,648
Total assets	$ 17,532,900	$ 17,003,316
Liabilities		
Deposits		
Interest-bearing demand	$ 2,993,219	$ 3,037,153
Savings	4,331,228	3,828,139
Time	2,718,390	1,700,705
Total interest-bearing deposits	10,042,837	8,565,997
Noninterest-bearing	3,317,960	4,135,180
Total deposits	13,360,797	12,701,177
FHLB short-term borrowings	800,000	1,130,000
Other short-term borrowings	137,814	157,156
Total short-term borrowings	937,814	1,287,156
Long-term debt	344,115	346,672
Total borrowed funds	1,281,929	1,633,828
Accrued interest and other liabilities	622,200	626,938
Total liabilities	15,264,926	14,961,943
Shareholders' equity		
Common stock - no par value		
Authorized - 160,000,000 shares; Issued - 104,281,794 shares in 2023 and in 2022	1,638,972	1,634,605
Retained earnings	1,136,718	968,237
Accumulated other comprehensive income (loss)	(309,819)	(358,663)
Treasury stock, at cost, 9,140,550 shares in 2023 and 9,390,695 shares in 2022	(197,897)	(202,806)
Total shareholders' equity	2,267,974	2,041,373
Total liabilities and shareholders' equity	$ 17,532,900	$ 17,003,316

See Notes to Consolidated Financial Statements

Consolidated Statements of Income

(Dollars in thousands except per share data)	Years ended December 31, 2023	2022	2021
Interest income			
Loans and leases, including fees	$ 743,770	$ 458,742	$ 385,535
Investment securities			
Taxable	125,520	102,314	79,212
Tax-exempt	13,901	18,466	18,323
Total interest on investment securities	139,421	120,780	97,535
Other earning assets	19,813	5,484	147
Total interest income	903,004	585,006	483,217
Interest expense			
Deposits	202,010	28,140	14,435
Short-term borrowings	53,378	19,132	198
Long-term borrowings	19,846	18,591	16,466
Total interest expense	275,234	65,863	31,099
Net interest income	627,770	519,143	452,118
Provision for credit losses - loan and lease losses	43,074	6,731	(19,024)
Provision for credit losses - unfunded commitments	33	4,982	903
Net interest income after provision for credit losses	584,663	507,430	470,239
Noninterest income			
Service charges on deposit accounts	27,289	28,062	31,876
Wealth management fees	26,081	23,506	23,780
Bankcard income	14,039	14,380	14,300
Client derivative fees	5,155	5,441	7,927
Foreign exchange income	54,051	54,965	44,793
Leasing business income	51,322	31,574	0
Net gain from sales of loans	13,217	15,048	33,021
Net gain (loss) on sales/transfers of investment securities	(1,258)	(569)	(759)
Net gain (loss) on equity securities	206	(639)	702
Other	22,320	17,873	15,866
Total noninterest income	212,422	189,641	171,506
Noninterest expenses			
Salaries and employee benefits	292,731	269,368	245,924
Net occupancy	22,990	22,208	22,142
Furniture and equipment	13,543	13,224	13,819
Data processing	35,852	33,662	31,363
Marketing	9,647	8,744	7,983
Communication	2,729	2,683	2,930
Professional services	9,926	9,734	11,676
State intangible tax	3,914	4,285	4,256
FDIC assessments	11,948	7,194	5,630
Intangible assets amortization	10,402	11,185	9,839
Leasing business expense	32,500	20,363	0
Other	32,307	52,699	45,250
Total noninterest expenses	478,489	455,349	400,812
Income before income taxes	318,596	241,722	240,933
Income tax expense	62,733	24,110	35,773
Net income	$ 255,863	$ 217,612	$ 205,160
Earnings per common share			
Basic	$ 2.72	$ 2.33	$ 2.16
Diluted	$ 2.69	$ 2.30	$ 2.14
Average common shares outstanding - basic	93,938,772	93,528,712	95,034,690
Average common shares outstanding - diluted	95,096,067	94,586,851	95,897,385

See Notes to Consolidated Financial Statements

Consolidated Statements of Comprehensive Income (Loss)

(Dollars in thousands)	Years ended December 31, 2023	2022	2021
Net income	$ 255,863	$ 217,612	$ 205,160
Other comprehensive income (loss), net of tax:			
Unrealized gain (loss) on debt securities arising during the period	43,967	(346,963)	(52,538)
Change in retirement obligation	906	(11,177)	4,066
Unrealized gain (loss) on derivatives	3,755	0	0
Unrealized gain (loss) on foreign currency exchange	216	(90)	(625)
Other comprehensive income (loss)	48,844	(358,230)	(49,097)
Comprehensive income (loss)	$ 304,707	$ (140,618)	$ 156,063

See Notes to Consolidated Financial Statements

Consolidated Statements of Changes in Shareholders' Equity

(Dollars in thousands, except share amounts)	Common stock shares	Common stock amount	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock Shares	Treasury stock Amount	Total
Balance at January 1, 2021	104,281,794	$ 1,638,947	$ 720,429	$ 48,664	(6,259,865)	$ (125,970)	$ 2,282,070
Net income			205,160				205,160
Other comprehensive income (loss)				(49,097)			(49,097)
Cash dividends declared:							
Common stock at $0.92 per share			(88,116)				(88,116)
Purchase of common stock					(4,633,355)	(108,077)	(108,077)
Common stock issued in connection with business combinations		1,251			405,805	8,749	10,000
Exercise of stock options, net of shares purchased		(81)			6,936	145	64
Restricted stock awards, net of forfeitures		(9,394)			347,925	6,697	(2,697)
Share-based compensation expense		9,635					9,635
Balance at December 31, 2021	104,281,794	1,640,358	837,473	(433)	(10,132,554)	(218,456)	2,258,942
Net income			217,612				217,612
Other comprehensive income (loss)				(358,230)			(358,230)
Cash dividends declared:							
Common stock at $0.92 per share			(86,848)				(86,848)
Exercise of stock options, net of shares purchased		(160)			15,660	337	177
Restricted stock awards, net of forfeitures		(18,972)			726,199	15,313	(3,659)
Share-based compensation expense		13,379					13,379
Balance at December 31, 2022	104,281,794	1,634,605	968,237	(358,663)	(9,390,695)	(202,806)	2,041,373
Net income			255,863				255,863
Other comprehensive income (loss)				48,844			48,844
Cash dividends declared:							
Common stock at $0.92 per share			(87,382)				(87,382)
Exercise of stock options, net of shares purchased		(57)			4,855	105	48
Restricted stock awards, net of forfeitures		(10,474)			245,290	4,804	(5,670)
Share-based compensation expense		14,898					14,898
Balance at December 31, 2023	104,281,794	$ 1,638,972	$ 1,136,718	$ (309,819)	(9,140,550)	$ (197,897)	$ 2,267,974

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows

(Dollars in thousands)	Year ended December 31, 2023	2022	2021
Operating activities			
Net income	$ 255,863	$ 217,612	$ 205,160
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Provision for credit losses	43,107	11,713	(18,121)
Depreciation and amortization	30,026	31,181	32,136
Stock-based compensation expense	14,898	13,379	9,635
Pension expense (income)	3,515	2,002	3,365
Net amortization (accretion) on investment securities	7,190	12,819	28,987
Net (gain) loss on sales/transfers of investments securities	1,258	569	759
Net (gain) loss on equity securities	(206)	639	(702)
Originations of loans held for sale	(294,037)	(368,574)	(794,524)
Net (gains) losses on sales of loans held for sale	(13,217)	(15,048)	(33,021)
Proceeds from sales of loans held for sale	302,609	375,122	825,102
Deferred income taxes	13,365	(3,505)	12,087
Amortization of operating leases	7,773	7,626	7,425
Payment of operating lease liability	(7,819)	(7,824)	(6,860)
Bank owned life insurance income	(5,033)	(2,287)	(1,833)
Decrease (increase) in interest receivable	(9,567)	(19,134)	6,463
(Decrease) increase in interest payable	40,305	6,652	(1,889)
Decrease (increase) in other assets	159,446	(226,398)	138,225
(Decrease) increase in other liabilities	(62,507)	164,302	(24,237)
Net cash provided by (used in) operating activities	486,969	200,846	388,157
Investing activities			
Proceeds from sales of investment securities available-for-sale	92,187	277,082	375,276
Proceeds from calls, paydowns and maturities of securities available-for-sale	440,815	704,304	1,139,498
Purchases of securities available-for-sale	(96,745)	(641,643)	(2,418,290)
Proceeds from calls, paydowns and maturities of securities held-to-maturity	3,902	14,640	34,563
Purchases of securities held-to-maturity	0	0	(1,000)
Proceeds from calls, paydowns and maturities of other securities	29,713	8	42,403
Purchases of other investment securities	(16,292)	(40,836)	(11,474)
Net decrease (increase) in interest-bearing deposits with other banks	(404,778)	(173,371)	(194,506)
Proceeds from sales of loans and leases held for investment	0	0	141,072
Net decrease (increase) in loans and leases	(665,861)	(987,088)	503,203
Proceeds from disposal of other real estate owned	288	192	1,278
Purchases of premises and equipment	(24,135)	(13,778)	(15,333)
Net change in operating leases	(61,476)	(29,475)	0
Life insurance death benefits	4,652	6,860	2,305
Net cash acquired (paid) from business combinations	(3,535)	0	(109,024)
Net cash provided by (used in) investing activities	(701,265)	(883,105)	(510,029)
Financing activities			
Net (decrease) increase in total deposits	659,620	(170,777)	639,951
Net (decrease) increase in short-term borrowings	(349,342)	990,953	129,609
Payments on long-term borrowings	(3,313)	(64,018)	(463,382)
Cash dividends paid on common stock	(87,159)	(86,606)	(87,316)
Purchases of common stock	0	0	(108,077)
Proceeds from exercise of stock options	48	177	64
Net cash provided by (used in) financing activities	219,854	669,729	110,849
Cash and due from banks			
Net (decrease) increase in Cash and due from banks	5,558	(12,530)	(11,023)
Cash and due from banks at beginning of year	207,501	220,031	231,054
Cash and due from banks at end of year	$ 213,059	$ 207,501	$ 220,031

(continued on next page)

(Dollars in thousands)	Year ended December 31, 2023	2022	2021
Supplemental disclosures			
Interest paid	$ 234,929	$ 59,512	$ 32,841
Income taxes paid	$ 10,076	$ 5,696	$ 17,689
Acquisition of other real estate owned through foreclosure	$ 387	$ 327	$ 98
Issuance of restricted stock awards	$ 12,503	$ 22,280	$ 12,231
Common stock issued in acquisitions	$ 0	$ 0	$ 10,000
Supplemental schedule for investing activities			
Business combinations			
Assets acquired, net of purchase consideration	$ (3,420)	$ 64	$ 62,916
Liabilities assumed	941	822	125,894
Goodwill	$ 4,361	$ 758	$ 62,978

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Basis of presentation. The Consolidated Financial Statements of First Financial Bancorp., a financial holding company, principally serving Ohio, Indiana, Kentucky and Illinois, include the accounts and operations of First Financial and its wholly owned subsidiary, First Financial Bank. All significant intercompany transactions and accounts have been eliminated in consolidation. Certain reclassifications of prior years' amounts have been made to conform to current year presentation. Such reclassifications had no effect on net earnings.
Use of estimates. The preparation of financial statements in conformity with 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.

Cash and due from banks. Cash and due from banks consist of currency, coin and cash items due from banks. Cash items due from banks include noninterest-bearing balances that are on deposit at other depository institutions.

Investment securities. First Financial classifies debt securities into three categories: HTM, trading and AFS. Management classifies investment securities into the appropriate category at the time of purchase and re-evaluates that classification as deemed appropriate.

Investment securities are classified as HTM when First Financial has the positive intent and ability to hold the securities to maturity. HTM securities are recorded at amortized cost.

Investment securities classified as trading are held principally for resale in the near-term and are recorded at fair value. Fair value is determined using quoted market prices. Gains or losses on trading securities, both realized and unrealized, are reported in noninterest income.

Investment securities not classified as either HTM or trading are classified as AFS. AFS securities are recorded at fair value, with the unrealized gains and losses, net of tax, reported as a separate component of accumulated other comprehensive income (loss) in shareholders' equity.

The amortized cost of investment securities classified as either HTM or AFS on purchased callable debt securities is adjusted for amortization of premiums to the earliest call date if the call feature meets certain criteria. Otherwise, premiums are amortized to maturity similar to discounts on callable debt securities, or in the case of mortgage-backed securities, over the estimated life of the security. Such amortization and accretion are considered an adjustment to the yield on the security and included in interest income from investments. Interest and dividends are also included in interest income from investment securities in the Consolidated Statements of Income. Realized gains and losses are based on the amortized cost of the security sold using the specific identification method.

Other investments. Other investments include holdings in FRB and FHLB stock, which are both carried at cost as well as equity securities, including class B Visa shares which do not have a readily determinable fair value and are therefore monitored for impairment. Changes in the fair value of equity securities with readily determinable fair values are recorded in Net gain (loss) on equity securities in the Consolidated Statements of Income.

Loans held for sale. Loans held for sale consist of residential real estate loans newly originated for the purpose of sale to third parties, and in certain circumstances, loans previously originated that have been specifically identified by management for sale based on predetermined criteria. Loans held for sale are carried at fair value. Any subsequent change in the carrying value of transferred loans, not to exceed original cost, is recorded in the Consolidated Statements of Income. First Financial sells loans with servicing retained or released depending on pricing and market conditions.

Loans and leases. Loans and leases for which First Financial has the intent and ability to hold for the foreseeable future, or until maturity or payoff, are classified in the Consolidated Balance Sheets as loans and leases. Loans and leases are carried at the principal amount outstanding, net of unamortized deferred loan origination fees and costs, and net of unearned income. Loan origination and commitment fees received, as well as certain direct loan origination costs paid, are deferred, and the net amount is amortized as an adjustment to the related loan's yield.

Interest income on loans and leases is recorded on an accrual basis. When a loan is classified as nonaccrual, the accrual of interest income is discontinued and previously accrued, but unpaid interest is reversed. Any payments received while a loan is classified as nonaccrual are applied as a reduction to the carrying value of the loan. A loan may return to accrual status if collection of future principal and interest payments is no longer doubtful.

Allowance for credit losses - held-to-maturity securities. Management measures expected credit losses on held-to-maturity debt securities on a collective basis by security type. The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. Management classifies the held-to-maturity portfolio into the following major security types: Mortgage-backed, CMOs, Obligations of state and other political subdivisions and Other.

Nearly all of the HTM securities held by the Company are issued by U.S. government entities and agencies. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies and have a long history of no credit losses. The remainder of the Company's HTM securities are non-agency collateralized mortgage obligations and obligations of state and other political subdivisions which currently carry ratings no lower than A+. Accrued interest receivable on held-to maturity debt securities, which totaled $0.4 million as of both December 31, 2023 and 2022, is excluded by policy election from the estimate of credit losses.

Allowance for credit losses - available-for-sale securities. For AFS debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security’s amortized cost basis is written down to fair value through income. For debt securities available-for-sale that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security.

If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit loss is recognized in other comprehensive income (loss). Changes in the allowance for credit losses are recorded as provision for credit loss expense. Losses are charged against the allowance when management believes the uncollectibility of an AFS security is confirmed or when either of the criteria regarding intent or requirement to sell is met. Accrued interest receivable on AFS debt securities, which totaled $15.3 million and $15.9 million as of December 31, 2023 and 2022, respectively, is excluded from the estimate of credit losses.

Allowance for credit losses - loans and leases. The allowance for credit losses is a valuation account that is deducted from the loans’ amortized cost basis to present the net amount expected to be collected on the loans. Management's determination of the adequacy of the ACL is based on an assessment of the expected credit losses on loan and leases over their expected life. The ACL is increased by provision expense and decreased by charge-offs, net of recoveries of amounts previously charged-off. Loans are charged off when management believes that the collection of the principal amount owed in full, either through payments from the borrower or a guarantor or from the liquidation of collateral is unlikely. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off. Any interest that is accrued but not collected is reversed against interest income when a loan is placed on nonaccrual status, which typically occurs prior to charging off all, or a portion, of a loan. The Company made the policy election to exclude accrued interest receivable on loans and leases from the estimate of credit losses.

Management estimates the allowance using relevant available information from both internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. Historical credit loss experience paired with economic forecasts provide the basis for the quantitatively modeled estimation of expected credit losses. First Financial adjusts its quantitative model, as necessary, to reflect conditions not already considered therein. These adjustments are commonly known as the Qualitative Framework.

First Financial quantitatively models expected credit loss using PD, LGD and EAD over the R&S forecast period, reversion and post-reversion periods.

Utilizing third-party software, First Financial forecasts PD by using a parameterized transition matrix approach. Average transition matrices are calculated over the TTC period, which was defined as the period from December 2007 to December 2022. TTC transition matrices are adjusted under forward-looking macroeconomic expectations to obtain R&S forecasts.

First Financial is not required to develop forecasts over the full contractual term of the financial asset or group of financial assets. Rather, for periods beyond which the entity is able to make or obtain R&S forecasts of expected credit losses, the Company reverts in a straight line manner over a one year period to an average TTC loss level that is reflective of the prepayment adjusted contractual term of the financial asset or group of financial assets. First Financial elected a two year R&S period which is forecasted using econometric data sourced from Moody's, an industry-leading independent third party.

FFB utilizes a non-parametric loss curve approach embedded within a third-party software for estimating LGD. The PD multiplied by LGD produces an expected loss rate that, when calculating the ACL, is applied to contractual loan cash flows, adjusted for expected future rates of principal prepayments.

The Company adjusts its quantitative model for certain qualitative factors to reflect the extent to which management expects current conditions and R&S forecasts to differ from the conditions that existed for the period over which historical information was evaluated. The Qualitative Framework reflects changes related to relevant data, such as changes in asset quality trends, portfolio growth and composition, national and local economic factors, credit policy and administration and other factors not considered in the base quantitative model.

Loans that do not share risk characteristics are evaluated on an individual basis. First Financial will typically evaluate on an individual basis any nonaccrual loans greater than $250,000. When management determines that foreclosure is probable or when repayment is expected to be provided substantially through the operation or sale of underlying collateral, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs, as applicable. For loans evaluated on an individual basis that are not determined to be collateral dependent, a discounted cash flow analysis is performed to determine expected credit losses.

Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a restructuring will be executed with an individual borrower or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Company.

Credit card receivables do not have stated maturities. In determining the estimated life of a credit card receivable, management first estimates the future cash flows expected to be received and then applies those expected future cash flows to the credit card balance.

Significant downturns in circumstances relating to loan quality and economic conditions could result in a requirement for additional allowance. Likewise, an upturn in loan quality and improved economic conditions may allow a reduction in the required allowance. In either instance, unanticipated changes could have a significant impact on results of operations.

Allowance for credit losses - unfunded commitments. First Financial estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life consistent with the Company's ACL methodology for loans and leases. Adjustments to the reserve for unfunded commitments are recorded in Provision for credit losses - unfunded commitments in the Consolidated Statements of Income. The reserve for unfunded commitments is included in Accrued interest and other liabilities on the Consolidated Balance Sheets.

Legal Contingencies. First Financial and its subsidiaries may be parties to numerous claims and lawsuits as well as threatened or potential actions or claims concerning matters arising from the conduct of its business activities. The outcome of claims or litigation, and the timing of ultimate resolution are inherently difficult to predict and significant judgment may be required in the determination of both the probability of loss and whether the amount of the loss is reasonably estimable. First Financial's estimates are subjective and are based on the status of legal and regulatory proceedings, the merit of the Company’s defenses and consultation with internal and external legal counsel. An accrual for a potential litigation loss is established when information related to the loss contingency indicates both that a loss is probable and that the amount of loss can be reasonably estimated. This accrual, when required, is included in other liabilities in the Consolidated Balance Sheets and is adjusted from time to time as appropriate to reflect changes in circumstances. Legal expenses are recorded in Professional services expense in the Consolidated Statements of Income.

Premises and equipment. Premises and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are principally computed on the straight-line method over the estimated useful lives of the assets. Useful lives generally range from 10 to 40 years for building and building improvements; 3 to 10 years for furniture, fixtures

and equipment; and 3 to 5 years for software, hardware and data handling equipment. Land improvements are depreciated over 20 years and leasehold improvements are depreciated over the lesser of the term of the respective lease or the useful life of the asset. Premises and equipment are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Maintenance and repairs are expensed as incurred.

Operating Leases. First Financial provides financing for various types of equipment through a variety of leasing arrangements. Operating leases are carried at the aggregate of lease payments plus estimated residual value of the leased equipment, less unearned income. The Company recognizes income over the term of the lease using the constant effective yield method. Lease residual values are reviewed for impairment at least annually. Depreciation expense related to operating lease equipment is recorded in Leasing business expense on the Consolidated Statements of Income.

Bank-owned life insurance. First Financial purchases and is the owner and beneficiary of life insurance policies on the lives of certain employees. The Bank invests in these policies to provide an efficient form of funding for long-term retirement and other employee benefits costs. The policies are included within Accrued interest and other assets in the Consolidated Balance Sheets at each policy's respective cash surrender value. Changes in the cash surrender value of these policies are recorded in Other noninterest income in the Consolidated Statements of Income.

Goodwill. When accounting for business combinations, the net assets of entities acquired by First Financial are recorded at their estimated fair value at the date of acquisition. The excess cost of the acquisition over the fair value of net assets acquired is recorded as goodwill. Goodwill and other intangible assets deemed to have indefinite lives are not amortized, but are subject to annual impairment tests. The Company is required to evaluate goodwill for impairment on an annual basis or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. First Financial performs its annual impairment test effective October 1, absent events or changes in circumstances that indicate the carrying value of goodwill may not be recoverable.

The Company's goodwill is accounted for in a single reporting unit representing the consolidated entity. In testing goodwill for impairment, U.S. GAAP permits First Financial to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. In this qualitative assessment, First Financial evaluates events and circumstances which may include, but are not limited to, the general economic environment, banking industry and market conditions, the Company's overall financial performance, the performance of the Company's common stock, the key financial performance metrics of the Bancorp's reporting units and events affecting the reporting unit to determine if it is not more likely than not that the fair value of a reporting unit is less than its carrying amount. If the quantitative impairment test is required or the decision to bypass the qualitative assessment is elected, the Bancorp performs the goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount, including goodwill.

When required, management's quantitative impairment analysis includes both an income and a market approach. The income approach utilizes a discounted cash flow model and the market approach utilizes a market multiple methodology and as well as a comparable transaction methodology. These valuation methodologies utilize key assumptions that include forecasts of revenues and expenses derived from internal management projections, changes in working capital estimates, company specific discount rate derived from a rate build up approach, externally sourced bank peer group market multiples and externally sourced bank peer group change in control premium, all of which are highly subjective and require significant judgment.

Changes in these key assumptions, as well as downturns in economic or business conditions, could materially affect our estimate of the reporting unit fair value and could affect our conclusion regarding the existence of potential impairment. In 2023, management evaluated goodwill for impairment using a qualitative analysis.

Other intangible assets. Other intangible assets consist primarily of core deposit intangibles, customer list, MSR and other miscellaneous intangibles.

CDI represent the estimated value of acquired customer deposit relationships. CDI are recorded at fair value at the date of acquisition and are based on a discounted cash flow methodology that gives appropriate consideration to expected customer attrition rates, cost of the deposit base, reserve requirements and the net maintenance cost attributable to customer deposits. Core deposit intangibles are amortized on an accelerated basis over their estimated useful lives.

First Financial recorded a customer list intangible asset in conjunction with the Bannockburn and Summit mergers to account for the obligation or advantage on the part of either the Company or the customer to continue pre-existing relationships subsequent to the mergers. Customer list intangible assets are amortized on a straight-line basis over their estimated useful lives.

Mortgage servicing rights are servicing fees First Financial receives from selling fixed and adjustable-rate residential mortgage loans where it obtains servicing responsibilities. In those sales, the First Financial obtained servicing responsibilities and provided certain standard representations and warranties; however, the investors have no recourse to the Company's other assets for failure of debtors to pay when due. First Financial receives servicing fees based on a percentage of the outstanding balance.

Mortgage servicing rights are measured at fair value with changes in fair value reported in Other noninterest income in the Consolidated Statements of Income.

The fair value of the mortgage servicing rights is estimated by calculating the present value of estimated future net servicing cash flows, taking into consideration actual and expected mortgage loan prepayment rates, discount rates, servicing costs, and other economic factors, which are determined based on current market conditions. The expected and actual rates of mortgage loan prepayments are the most significant factors driving the value of mortgage servicing rights. Increases in mortgage loan prepayments reduce estimated future net servicing cash flows because the life of the underlying loan is reduced. In determining the market value of the mortgage servicing rights, mortgage interest rates, which are used to determine prepayment rates and discount rates, are held constant over the estimated life of the portfolio. Mortgage servicing rights are reported in other assets and are amortized against noninterest income offsetting the actual servicing income of the underlying mortgage loans.

Mortgage servicing rights are regularly evaluated for impairment based on the estimated fair value of those rights. The mortgage servicing rights are stratified by certain risk characteristics, primarily loan term and note rate. If impairment exists, a valuation allowance is established through a charge to income equal to the amount by which the carrying value exceeds the fair value.

Other miscellaneous intangible assets also include purchase commissions, non-compete agreements and trade name intangibles.
Other real estate owned. OREO consists of properties acquired by the Company primarily through the loan foreclosure or repossession process, or other resolution activity that results in partial or total satisfaction of problem loans. OREO properties are recorded at fair value, less estimated disposal costs (net realizable value) establishing a new cost basis. Physical possession of residential real estate property collateralizing a consumer mortgage loan occurs when legal title is obtained upon completion of foreclosure or when the borrower conveys all interest in the property to satisfy the loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Losses arising at the time of acquisition of such properties are charged against the ACL. Management performs periodic valuations to assess the adequacy of recorded OREO balances and subsequent changes in the carrying value of OREO properties are recorded in the Consolidated Statements of Income. Improvements to OREO properties may be capitalized if the improvements contribute to the overall value of the property, but may not be capitalized in excess of the net realizable value of the property. When management disposes of an OREO property, any gains or losses realized at the time of disposal are reflected in the Consolidated Statements of Income.

Affordable housing projects. First Financial has investments in certain qualified affordable housing projects. These projects are indirect federal subsidies that provide tax incentives to encourage investment in the development, acquisition and rehabilitation of affordable rental housing, and allow investors to claim tax credits and other tax benefits (such as deductions from taxable income for operating losses) on their federal income tax returns. The principal risk associated with qualified affordable housing investments is the potential for noncompliance with the tax code requirements, such as failure to rent properties to qualified tenants, resulting in unavailability or recapture of the tax credits and other tax benefits. Investments in affordable housing projects are included in Accrued interest and other assets in the Consolidated Balance Sheets while any unfunded commitment is recorded with Accrued interest and other liabilities. These investments are accounted for under the proportional amortization method. Under the proportional amortization method, the initial cost of the investment is amortized in proportion to the tax credits and other benefits received and recognized as a component of Income tax expense in the Consolidated Statements of Income.

Investments in historic tax credits. First Financial has noncontrolling financial investments in private investment funds and partnerships that finance the rehabilitation and re-use of historic buildings. These unconsolidated investments may generate a return through the realization of federal and state income tax credits, as well as other tax benefits, such as tax deductions from net operating losses of the investments over a period of time. Investments in historic tax credits are accounted for under the equity method of accounting and the Company's recorded investment in these entities is carried in Accrued interest and other assets on the Consolidated Balance Sheets with any unfunded commitment recorded in Accrued interest and other liabilities. Impairment of these investments is recorded in Other noninterest expense, while the tax credits and other net tax benefits received are recognized as a component of income tax expense in the Consolidated Statements of Income.

Investments in renewable energy credits. First Financial has investments in renewable energy projects where it has noncontrolling interest which is not consolidated. This investment may generate a return through the realization of federal and state income tax credits, as well as other tax benefits, such as tax deductions from net operating losses of the investments over a period of time. Investments in renewable energy tax credits are accounted for under the equity method of accounting and are included in Accrued interest and other assets on the Consolidated Balance Sheets with any unfunded commitment recorded in Accrued interest and other liabilities. Impairment of these investments is recorded in Other noninterest expense, while the tax credits and other net tax benefits received are recognized as a component of income tax expense in the Consolidated Statements of Income.

Deposits - Deposits generally include the unpaid balance of cash or its equivalent received or held by the Bank for its commercial and consumer customers. Deposits include both interest-bearing and noninterest-bearing balances. Interest expense incurred on interest-bearing deposits is recognized in accordance with applicable guidance in U.S. GAAP for these liabilities and is included in Interest expense in the Consolidated Statements of Income.

Income taxes. First Financial and its subsidiaries file a consolidated federal income tax return. Each subsidiary provides for income taxes on a separate return basis, and remits to First Financial amounts determined to be currently payable.

First Financial evaluates and assesses the relative risks and appropriate tax treatment of transactions after considering statutes, regulations, judicial precedent and other information, and maintains tax accruals consistent with its evaluation of these relative risks. Changes to the estimate of accrued taxes occur periodically due to changes in tax rates, interpretations of tax laws, the status of examinations being conducted by taxing authorities and changes to statutory, judicial and regulatory guidance that impact the relative risks of tax positions. These changes, when they occur, can affect deferred taxes and accrued taxes as well as the current period’s income tax expense and can be material to the Company's operating results.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Interest and penalties on income tax assessments or income tax refunds are recorded in Other noninterest expense in the Consolidated Statements of Income.

In establishing a provision for income tax expense, we must make judgments and interpretations about the application of complex tax laws as well as make estimates about when in the future certain items will affect taxable income. First Financial regularly reviews its tax positions and establishes reserves for income tax-related uncertainties based on estimates of whether it is more likely than not that the tax uncertainty would be sustained upon challenge by the appropriate tax authorities which would then result in additional taxes, penalties and interest due. Reserves for uncertain tax positions, if any, are included in income tax expense in the Consolidated Financial Statements.

Pension. First Financial sponsors a non-contributory defined-benefit pension plan covering substantially all employees. Accounting for the pension plan involves material estimates regarding future plan obligations and investment returns on plan assets. Significant assumptions used in the pension plan include the discount rate, expected return on plan assets and the rate of compensation increase. First Financial determines the discount rate assumption using published corporate bond indices and the projected cash flows of the pension plan. First Financial also utilizes external surveys for industry comparisons to assess the discount rate for reasonableness. The expected long-term return on plan assets is determined based on the composition of plan assets, actual returns and economic forecasts, while the rate of compensation increase is compared to historical increases for plan participants. Changes in these assumptions can have a material impact on the amount of First Financial’s future pension obligations, on the funded status of the plan and on the Company's operating results.

Derivative instruments. First Financial accounts for its derivative financial instruments in accordance with FASB ASC Topic 815, Derivatives and Hedging. FASB ASC Topic 815 requires all derivative instruments to be carried at fair value on the balance sheet.

The accounting for changes in the fair value of derivatives is based 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.

Interest rate client derivatives - First Financial utilizes matched interest rate swaps as a means to offer commercial borrowers fixed rate funding while providing the Company with floating rate assets. Upon entering into an interest rate swap with a

borrower, the Bank simultaneously enters into an offsetting swap agreement with an institutional counterparty, with substantially matching terms. These matched interest rate swap agreements generally involve the receipt by First Financial of floating rate amounts from the counterparties in exchange for payments to these counterparties by First Financial of fixed rate amounts received from commercial borrowers over the life of the agreements.

First Financial's matched interest rate swaps qualify as derivatives, but are not designated as hedging instruments. The net interest receivable or payable on matched interest rate swaps is accrued and recognized as an adjustment to interest income. The fair values of client derivatives are included within Accrued interest and other assets and Accrued interest and other liabilities in the Consolidated Balance Sheets.

Foreign exchange contracts - First Financial may enter into foreign exchange derivative contracts for the benefit of commercial customers to hedge their exposure to foreign currency fluctuations. Similar to the hedging of interest rate risk from interest rate derivative contracts, First Financial also enters into foreign exchange contracts with major financial institutions to economically hedge a substantial portion of the exposure from client driven foreign exchange activity. These derivatives are classified as free-standing instruments with the revaluation gain or loss recorded in Foreign exchange income in the Consolidated Statements of Income.

Cash flow hedges - First Financial may enter into interest rate collars and floors, which are designated as cash flow hedges. These cash flow hedges are utilized to mitigate interest rate risk on variable-rate commercial loan pools. Changes in the fair value of cash flow hedges included in the assessment of hedge effectiveness are recorded in AOCI and reclassified from AOCI to current period earnings when the hedged item affects earnings. Reclassified gains and losses on interest rate contracts related to commercial and industrial loans are recorded within interest income in the Consolidated Statements of Income.

Credit derivatives - In conjunction with participating interests in commercial loans, First Financial periodically enters into risk participation agreements with counterparties whereby First Financial assumes a portion of the credit exposure associated with an interest rate swap on the participated loan in exchange for a fee. Under these agreements, First Financial will make payments to the counterparty if the loan customer defaults on its obligation to perform under the interest rate swap contract with the counterparty. The fair value of these agreements is recorded in the Consolidated Balance Sheets in Accrued interest and other liabilities.

Mortgage derivatives - First Financial enters into IRLCs and forward commitments for the future delivery of mortgage loans to third party investors, which are considered derivatives. When borrowers secure an IRLC with First Financial and the loan is intended to be sold, First Financial will enter into forward commitments for the future delivery of the loans to third party investors in order to hedge against the effect of changes in interest rates impacting IRLCs and Loans held for sale. The fair value of these agreements is recorded in the Consolidated Balance Sheets in Accrued interest and other assets.

Stock-based compensation. First Financial grants stock-based awards, including restricted stock awards and options to purchase the Company’s common stock. Restricted stock award grants are for a fixed number of shares to employees and directors with an exercise price equal to the fair value of the shares at the date of grant. Stock-based compensation expense is recognized in the Consolidated Statements of Income on a straight-line basis over the vesting period. As compensation expense is recognized, a deferred tax asset is recorded that represents an estimate of the future tax deduction from exercise. At the time stock-based awards are exercised, canceled or expire, First Financial may be required to recognize an adjustment to tax expense.

Earnings per share. Basic earnings per common share is computed by dividing net income available to common shareholders by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per common share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding, unvested shares and dilutive common stock equivalents outstanding during the period. Common stock equivalents, which consist of common stock issuable under the assumed exercise of stock options granted under First Financial's stock-based compensation plans and the assumed conversion of common stock warrants, are calculated using the treasury stock method.

Segments and related information. While the Company monitors the operating results of its six lines of business, operations are managed and financial performance is evaluated on a consolidated basis. Accordingly, and consistent with prior years, all of the Company's operations are considered by management to be aggregated in one reportable operating segment.

2. Accounting Standards Recently Adopted or Issued

Standards Adopted in 2023

In March, 2022, the FASB issued ASU 2022-02 - *Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*. This standard eliminates the accounting guidance on TDRs for creditors in ASC 310-40 and amends the guidance on "vintage disclosures" to require disclosure of current period gross write-offs by year of origination. The ASU also updates the requirements related to accounting for credit losses under ASC 326 and adds enhanced disclosures for creditors with respect to loan refinancings and restructurings for borrowers experiencing financial difficulty. The amendments in this update are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, for any entities that have adopted ASU 2016-13 - Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The adoption of this standard resulted in amended disclosures in the Company's Consolidated Financial Statements, but did not materially impact the Company's results of operations.

Standards Adopted in 2022

During the first quarter of 2022, the SEC issued SAB No. 121. This bulletin adds interpretive guidance on the accounting and disclosure of obligations to safeguard crypto assets held for platform users. This guidance was applicable no later than the financial statements covering the first interim or annual period ending after June 15, 2022. Management reviewed its business activities and determined SAB 121 was not impactful to the Company's Consolidated Financial Statements as the Company did not safeguard crypto assets at the time of adoption or as of December 31, 2023.

Standards Issued But Not Yet Adopted

In March, 2023, the FASB issued ASU No. 2023-02, *Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method,* that is intended to improve the accounting and disclosures for investments in tax credit structures. The ASU is a ratification of the FASB's EITF consensus that was issued in December, 2022. The ASU allows reporting entities to elect to account for qualifying tax equity investments using the proportional amortization method, regardless of the program giving rise to the related income tax credits. The amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years, and early adoption is permitted.

In October 2023, the FASB issued ASU 2023-06, *Disclosure Improvements -- Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*, which amends the disclosure or presentation requirements related to various subtopics in the FASB Accounting Standards Codification. The ASU was issued in response to the SEC's August 2018 final rule that updated and simplified disclosure requirements that the SEC believed were redundant, duplicative, overlapping, outdated, or superseded. The new guidance is intended to align U.S. GAAP requirements with those of the SEC and to facilitate the application of U.S. GAAP for all entities. The effective date of ASU 2023-06 for each amendment will be the date on which the SEC's removal of that related disclosure requirement from Regulation S-X or Regulation S-K becomes effective, with early adoption prohibited. Entities would apply the amendments in ASU 2023-06 prospectively after the effective dates.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. The amendments improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. In addition, the amendments enhance interim disclosure requirements, clarify circumstances in which an entity can disclose multiple segment measures of profit or loss, provide new segment disclosure requirements for entities with a single reportable segment, and contain other disclosure requirements. The purpose of the amendments is to enable investors to better understand an entity's overall performance" and assess "potential future cash flows. The ASU applies to all public entities that are required to report segment information in accordance with ASC 280. The amendments in ASU 2023-07 are effective for all public entities for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024.

In December 2023, the FASB issued ASU 2023-09, *Improvements to Income Tax Disclosure*s, which requires consistent categories and greater disaggregation of information in the rate reconciliation and income taxes paid disaggregated by jurisdiction. The amendments are intended to address investors' requests for income tax disclosures that provide more information to help them better understand an entity's exposure to potential changes in tax laws and the ensuing risks and opportunities and to assess income tax information that affects cash flow forecasts and capital allocation decisions. The

guidance also eliminates certain existing requirements related to uncertain tax positions and unrecognized deferred tax. The guidance is effective for annual periods beginning after December 15, 2024.

All of the new standards issued but not adopted are expected to result in amended disclosures in the Company's Consolidated Financial Statements; however, none are expected to materially impact the Company's results of operations.

3. Restrictions on Cash and Dividends

As of December 31, 2023 and 2022, First Financial had $21.6 million and $25.0 million, respectively, in cash restricted for withdrawal and usage due to the centrally cleared derivative initial margin requirement included in Cash and due from banks on the Consolidated Balance Sheets. Additionally, First Financial had no required reserves with the FRB as of December 31, 2023 and 2022.

Dividends paid by First Financial to its shareholders are principally funded through dividends paid to the Company by its subsidiaries; however, certain restrictions exist regarding the ability of the Bank to transfer funds to First Financial in the form of cash dividends, loans or advances. The approval of the Federal Reserve Board and the ODFI is required for the Bank to pay dividends in excess of the regulatory limit, which is equal to the net income of the current year through the dividend date combined with the Bank's retained net income from the two preceding years. As of December 31, 2023, First Financial's subsidiaries had retained earnings of $923.0 million, of which $248.7 million was available for distribution to First Financial without prior regulatory approval.

4. Investment Securities

During the year ended December 31, 2023, proceeds on the sale of $92.2 million of AFS securities resulted in losses of $1.3 million and insignificant gains. During the year ended December 31, 2022, proceeds on the sale of $277.1 million of AFS securities resulted in gains of $1.0 million and losses of $1.6 million. During the year ended December 31, 2021, proceeds on the sale of $375.3 million of AFS securities resulted in gains of $6.8 million and losses of $7.6 million. The impact to income tax expense from these sales was insignificant in all three years.

In 2023 and 2022, there were no reclassifications of HTM securities to AFS securities.

The carrying value of investment securities pledged as collateral to secure public deposits, repurchase agreements and for other purposes as required by law totaled $1.6 billion at December 31, 2023 and $1.5 billion at December 31, 2022.

The following is table a summary of HTM and AFS investment securities as of December 31, 2023:

	Held-to-maturity				Available-for-sale			
(Dollars in thousands)	Amortized cost	Unrecognized gain	Unrecognized loss	Fair value	Amortized cost	Unrealized gain	Unrealized loss	Fair value
U.S. Treasuries	$ 0	$ 0	$ 0	$ 0	$ 34,904	$ 0	$ (3,661)	$ 31,243
Securities of U.S. government agencies and corporations	0	0	0	0	81,790	0	(12,010)	69,780
Mortgage-backed securities - residential	0	0	0	0	744,546	2,034	(85,532)	661,048
Mortgage-backed securities - commercial	32,926	0	(4,628)	28,298	543,134	7	(35,911)	507,230
Collateralized mortgage obligations	7,970	0	(539)	7,431	478,744	181	(60,277)	418,648
Obligations of state and other political subdivisions	8,175	130	(215)	8,090	765,223	1,614	(114,320)	652,517
Asset-backed securities	0	0	0	0	600,055	6	(39,813)	560,248
Other securities	31,250	0	(3,381)	27,869	134,208	0	(13,796)	120,412
Total	$ 80,321	$ 130	$ (8,763)	$ 71,688	$ 3,382,604	$ 3,842	$ (365,320)	$ 3,021,126

The following is a summary of HTM and AFS investment securities as of December 31, 2022:

	Held-to-maturity				Available-for-sale			
(Dollars in thousands)	Amortized cost	Unrecognized gain	Unrecognized loss	Fair value	Amortized cost	Unrealized gain	Unrealized loss	Fair value
U.S. Treasuries	$ 0	$ 0	$ 0	$ 0	$ 37,312	$ 0	$ (4,616)	$ 32,696
Securities of U.S. government agencies and corporations	0	0	0	0	80,382	0	(13,914)	66,468
Mortgage-backed securities - residential	0	0	0	0	747,478	47	(97,462)	650,063
Mortgage-backed securities - commercial	35,363	0	(4,114)	31,249	676,934	2	(47,374)	629,562
Collateralized mortgage obligations	9,280	0	(827)	8,453	538,970	181	(61,439)	477,712
Obligations of state and other political subdivisions	8,128	105	(201)	8,032	832,066	565	(124,168)	708,463
Asset-backed securities	0	0	0	0	772,261	39	(60,975)	711,325
Other securities	31,250	0	(2,499)	28,751	142,015	0	(8,656)	133,359
Total	$ 84,021	$ 105	$ (7,641)	$ 76,485	$ 3,827,418	$ 834	$ (418,604)	$ 3,409,648

The following table provides a summary of investment securities by contractual maturity as of December 31, 2023, except for residential and commercial mortgage-backed securities, collateralized mortgage obligations and asset-backed securities, which are shown as single totals, due to the unpredictability of the timing in principal repayments:

	Held-to-maturity		Available-for-sale	
(Dollars in thousands)	Amortized cost	Fair value	Amortized cost	Fair value
Due in one year or less	$ 0	$ 0	$ 4,729	$ 4,721
Due after one year through five years	4,595	4,690	161,803	148,088
Due after five years through ten years	33,130	29,781	225,993	195,230
Due after ten years	1,700	1,488	623,600	525,913
Mortgage-backed securities - residential	0	0	744,546	661,048
Mortgage-backed securities - commercial	32,926	28,298	543,134	507,230
Collateralized mortgage obligations	7,970	7,431	478,744	418,648
Asset-backed securities	0	0	600,055	560,248
Total	$ 80,321	$ 71,688	$ 3,382,604	$ 3,021,126

Unrealized gains and losses on debt securities available-for-sale are generally due to fluctuations in current market yields relative to the yields of the securities at their amortized cost. All AFS securities with unrealized losses are reviewed quarterly to determine if any impairment exists, requiring a write-down to fair value. For AFS securities in an unrealized loss position, the Company first assesses whether it intends to sell or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For debt securities available-for-sale in an unrealized loss position that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis for the security, a credit loss exists and an allowance for credit losses is recorded, limited to the amount that the fair value of the security is less than its amortized cost basis.

First Financial does not intend to sell, and it is not more likely than not that the Company will be required to sell, debt securities prior to maturity or recovery of the recorded value. Additionally, based on the Company's credit assessment of AFS securities in an unrealized loss position, the Company recorded no reserves on investment securities for the twelve months ended December 31, 2023 or 2022.

As of December 31, 2023, the Company's investment securities portfolio consisted of 1,018 securities, of which 783 were in an unrealized loss position. As of December 31, 2022, the Company's investment securities portfolio consisted of 1,251 securities, of which 891 were in an unrealized loss position.

Primarily all of First Financial's HTM debt securities are issued by U.S. government-sponsored enterprises. These securities carry the explicit and/or implicit guarantee of the U.S. government, are widely recognized as “risk free,” and have a long history of zero credit loss. The remainder of the Company's HTM securities are non-agency collateralized mortgage obligations
and obligations of state and other political subdivisions which currently carry ratings no lower than A+. There were no HTM securities on nonaccrual status or past due as of December 31, 2023, or 2022.

Management measures expected credit losses on HTM debt securities on a collective basis by security type. The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. The Company did not record an ACL for these securities as of December 31, 2023 or 2022.

The following tables provide the fair value and gross unrealized losses on AFS investment securities in an unrealized loss position for which an allowance for credit losses was not recorded, aggregated by investment category and the length of time the individual securities have been in a continuous loss position:

	December 31, 2023					
	Less than 12 months		12 months or more		Total	
(Dollars in thousands)	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
U.S. Treasuries	$ 0	$ 0	$ 31,243	$ (3,661)	$ 31,243	$ (3,661)
Securities of U.S. government agencies and corporations	0	0	69,780	(12,010)	69,780	(12,010)
Mortgage-backed securities - residential	31,892	(483)	538,863	(85,049)	570,755	(85,532)
Mortgage-backed securities - commercial	1,772	(11)	495,451	(35,900)	497,223	(35,911)
Collateralized mortgage obligations	10,699	(157)	393,884	(60,120)	404,583	(60,277)
Obligations of state and other political subdivisions	15,155	(132)	562,740	(114,188)	577,895	(114,320)
Asset-backed securities	6,853	(15)	542,029	(39,798)	548,882	(39,813)
Other securities	14,605	(396)	105,807	(13,400)	120,412	(13,796)
Total	$ 80,976	$ (1,194)	$ 2,739,797	$ (364,126)	$ 2,820,773	$ (365,320)

	December 31, 2022					
	Less than 12 months		12 months or more		Total	
(Dollars in thousands)	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
U.S. Treasuries	$ 2,383	$ (46)	$ 30,313	$ (4,570)	$ 32,696	$ (4,616)
Securities of U.S. Government agencies and corporations	0	0	66,468	(13,914)	66,468	(13,914)
Mortgage-backed securities - residential	195,972	(10,413)	443,415	(87,049)	639,387	(97,462)
Mortgage-backed securities - commercial	440,207	(18,823)	175,530	(28,551)	615,737	(47,374)
Collateralized mortgage obligations	199,138	(12,453)	269,242	(48,986)	468,380	(61,439)
Obligations of state and other political subdivisions	295,913	(31,196)	368,673	(92,972)	664,586	(124,168)
Asset-backed securities	250,946	(9,410)	422,090	(51,565)	673,036	(60,975)
Other securities	118,262	(6,865)	9,959	(1,791)	128,221	(8,656)
Total	$ 1,502,821	$ (89,206)	$ 1,785,690	$ (329,398)	$ 3,288,511	$ (418,604)

The following tables provide the fair value and gross unrealized losses on HTM investment securities in an unrealized loss position for which an allowance for credit losses was not recorded, aggregated by investment category and the length of time the individual securities have been in a continuous loss position:

	December 31, 2023					
	Less than 12 months		12 months or more		Total	
(Dollars in thousands)	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
U.S. Treasuries	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Securities of U.S. government agencies and corporations	0	0	0	0	0	0
Mortgage-backed securities - residential	0	0	0	0	0	0
Mortgage-backed securities - commercial	0	0	28,298	(4,628)	28,298	(4,628)
Collateralized mortgage obligations	0	0	7,431	(539)	7,431	(539)
Obligations of state and other political subdivisions	1,128	(3)	1,488	(212)	2,616	(215)
Asset-backed securities	0	0	0	0	0	0
Other securities	0	0	27,869	(3,381)	27,869	(3,381)
Total	$ 1,128	$ (3)	$ 65,086	$ (8,760)	$ 66,214	$ (8,763)

	December 31, 2022					
	Less than 12 months		12 months or more		Total	
(Dollars in thousands)	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
U.S. Treasuries	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Securities of U.S. government agencies and corporations	0	0	0	0	0	0
Mortgage-backed securities - residential	0	0	0	0	0	0
Mortgage-backed securities - commercial	17,656	(2,197)	13,593	(1,917)	31,249	(4,114)
Collateralized mortgage obligations	6,317	(606)	2,136	(221)	8,453	(827)
Obligations of state and other political subdivisions	5,160	(201)	0	0	5,160	(201)
Asset-backed securities	0	0	0	0	0	0
Other securities	7,081	(418)	21,670	(2,081)	28,751	(2,499)
Total	$ 36,214	$ (3,422)	$ 37,399	$ (4,219)	$ 73,613	$ (7,641)

For further detail on the fair value of investment securities, see Note 23 – Fair Value Disclosures.

5. Loans and Leases

First Financial offers clients a variety of commercial and consumer loan and lease products with various interest rates and payment terms. Commercial loan categories include C&I, CRE, construction real estate and lease financing. Consumer loan categories include residential real estate, home equity, installment and credit card.

Lending activities are primarily concentrated in states where the Bank operates banking centers (Ohio, Indiana, Kentucky and Illinois). First Financial also offers two nationwide lending platforms, one that provides equipment and leasehold improvement financing for franchisees in the quick service and casual dining restaurant sector and another that provides loans that are secured by commissions and cash collateral accounts to insurance agents and brokers.

Credit quality. To facilitate the monitoring of credit quality for commercial loans, 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 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.

Doubtful - First Financial assigns a doubtful rating to loans and leases with all of the attributes of a substandard rating with the added characteristic that the weaknesses make collection or liquidation in full highly questionable and improbable, on the basis of currently existing facts, conditions and values. 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 previously described are derived from standard regulatory rating definitions and are assigned upon initial approval of credit to borrowers and updated periodically thereafter.

First Financial considers repayment performance to be the best indicator of credit quality for consumer loans. Consumer loans that have principal and interest payments that are past due by 90 days or more are generally classified as nonperforming. In 2022 and all years prior that are presented below, consumer loans that have been modified in a TDR are classified as nonperforming.

The following table sets forth the Company's loan portfolio at December 31, 2023 by risk attribute and origination date as well as detailing current period chargeoffs by year of origination:

(Dollars in thousands)	2023	2022	2021	2020	2019	Prior	Term Total	Revolving	Total
Commercial & industrial									
Pass	$ 848,448	$ 736,213	$ 414,460	$ 265,143	$ 113,296	$ 226,970	$ 2,604,530	$ 774,080	$ 3,378,610
Special mention	0	13,373	4,970	882	19,560	1,328	40,113	8,882	48,995
Substandard	3,133	21,505	11,483	1,205	1,023	9,990	48,339	25,277	73,616
Doubtful	0	0	0	0	0	0	0	0	0
Total	$ 851,581	$ 771,091	$ 430,913	$ 267,230	$ 133,879	$ 238,288	$ 2,692,982	$ 808,239	$ 3,501,221
YTD Gross chargeoffs	$ 10	$ 2,978	$ 7,267	$ 7,055	$ 936	$ 929	$ 19,175	$ 0	$ 19,175
Lease financing									
Pass	$ 261,064	$ 186,997	$ 6,404	$ 1,189	$ 2,222	$ 523	$ 458,399	$ 0	$ 458,399
Special mention	4,761	8,047	0	0	0	0	12,808	0	12,808
Substandard	1,407	1,961	97	0	145	0	3,610	0	3,610
Doubtful	0	0	0	0	0	0	0	0	0
Total	$ 267,232	$ 197,005	$ 6,501	$ 1,189	$ 2,367	$ 523	$ 474,817	$ 0	$ 474,817
YTD Gross chargeoffs	$ 0	$ 0	$ 4,423	$ 0	$ 0	$ 0	$ 4,423	$ 0	$ 4,423
Construction real estate									
Pass	$ 170,259	$ 208,446	$ 108,886	$ 27,686	$ 7,784	$ 6,165	$ 529,226	$ 19,275	$ 548,501
Special mention	0	0	0	16,331	0	0	16,331	0	16,331
Substandard	0	0	0	0	0	0	0	0	0
Doubtful	0	0	0	0	0	0	0	0	0
Total	$ 170,259	$ 208,446	$ 108,886	$ 44,017	$ 7,784	$ 6,165	$ 545,557	$ 19,275	$ 564,832
YTD Gross chargeoffs	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Commercial real estate - investor									
Pass	$ 468,579	$ 595,423	$ 473,325	$ 261,794	$ 554,893	$ 636,598	$ 2,990,612	$ 39,668	$ 3,030,280
Special mention	7,894	9,345	12,134	110	32,756	14,204	76,443	0	76,443
Substandard	0	0	0	6,238	0	25,668	31,906	0	31,906
Doubtful	0	0	0	0	0	0	0	0	0
Total	$ 476,473	$ 604,768	$ 485,459	$ 268,142	$ 587,649	$ 676,470	$ 3,098,961	$ 39,668	$ 3,138,629
YTD Gross chargeoffs	$ 0	$ 0	$ 859	$ 2,030	$ 0	$ 3,119	$ 6,008	$ 0	$ 6,008
Commercial real estate - owner									
Pass	$ 138,932	$ 175,336	$ 130,240	$ 138,919	$ 86,182	$ 215,458	$ 885,067	$ 22,639	$ 907,706
Special mention	396	45	179	2,403	462	19,807	23,292	0	23,292
Substandard	0	0	3,919	835	1,324	5,234	11,312	0	11,312
Doubtful	0	0	0	0	0	0	0	0	0
Total	$ 139,328	$ 175,381	$ 134,338	$ 142,157	$ 87,968	$ 240,499	$ 919,671	$ 22,639	$ 942,310
YTD Gross chargeoffs	$ 0	$ 0	$ 0	$ 2,643	$ 1	$ 71	$ 2,715	$ 0	$ 2,715
Residential real estate									
Performing	$ 325,304	$ 234,583	$ 255,964	$ 188,212	$ 101,663	$ 210,583	$ 1,316,309	$ 0	$ 1,316,309
Nonperforming	243	917	2,584	3,496	2,160	7,965	17,365	0	17,365
Total	$ 325,547	$ 235,500	$ 258,548	$ 191,708	$ 103,823	$ 218,548	$ 1,333,674	$ 0	$ 1,333,674
YTD Gross chargeoffs	$ 0	$ 0	$ 8	$ 1	$ 27	$ 3	$ 39	$ 0	$ 39
Home equity									
Performing	$ 28,979	$ 23,175	$ 29,084	$ 32,917	$ 9,883	$ 22,419	$ 146,457	$ 606,183	$ 752,640
Nonperforming	20	69	258	162	138	317	964	5,072	6,036
Total	$ 28,999	$ 23,244	$ 29,342	$ 33,079	$ 10,021	$ 22,736	$ 147,421	$ 611,255	$ 758,676
YTD Gross chargeoffs	$ 0	$ 0	$ 7	$ 0	$ 174	$ 159	$ 340	$ 0	$ 340
Installment									
Performing	$ 16,026	$ 39,212	$ 22,961	$ 3,923	$ 1,691	$ 3,768	$ 87,581	$ 68,673	$ 156,254
Nonperforming	196	1,142	742	12	12	30	2,134	690	2,824
Total	$ 16,222	$ 40,354	$ 23,703	$ 3,935	$ 1,703	$ 3,798	$ 89,715	$ 69,363	$ 159,078
YTD Gross chargeoffs	$ 168	$ 3,189	$ 2,903	$ 154	$ 5	$ 23	$ 6,442	$ 0	$ 6,442

Credit cards									
Performing	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 59,438	$ 59,438
Nonperforming	0	0	0	0	0	0	0	501	501
Total	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 59,939	$ 59,939
YTD Gross chargeoffs	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 1,173	$ 1,173
Grand Total Loans	$ 2,275,641	$ 2,255,789	$ 1,477,690	$ 951,457	$ 935,194	$ 1,407,027	$ 9,302,798	$ 1,630,378	$ 10,933,176
Grand Total YTD Gross Chargeoffs	$ 178	$ 6,167	$ 15,467	$ 11,883	$ 1,143	$ 4,304	$ 39,142	$ 1,173	$ 40,315

The following table sets forth the Company's loan portfolio at December 31, 2022 by risk attribute and origination date:

(Dollars in thousands)	2022	2021	2020	2019	2018	Prior	Term Total	Revolving	Total
Commercial & industrial									
Pass	$ 879,836	$ 561,890	$ 348,123	$ 209,758	$ 112,282	$ 206,656	$ 2,318,545	$ 971,080	$ 3,289,625
Special mention	2,740	13,821	4,125	14,047	8,523	5,544	48,800	18,055	66,855
Substandard	2,335	5,176	11,886	8,016	3,331	13,812	44,556	9,236	53,792
Doubtful	0	0	0	0	0	0	0	0	0
Total	$ 884,911	$ 580,887	$ 364,134	$ 231,821	$ 124,136	$ 226,012	$ 2,411,901	$ 998,371	$ 3,410,272
Lease financing									
Pass	$ 167,035	$ 25,638	$ 13,705	$ 12,797	$ 9,402	$ 2,930	$ 231,507	$ 0	$ 231,507
Special mention	0	0	70	0	0	0	70	0	70
Substandard	4,363	0	0	164	11	9	4,547	0	4,547
Doubtful	0	0	0	0	0	0	0	0	0
Total	$ 171,398	$ 25,638	$ 13,775	$ 12,961	$ 9,413	$ 2,939	$ 236,124	$ 0	$ 236,124
Construction real estate									
Pass	$ 89,116	$ 276,639	$ 96,823	$ 4,902	$ 390	$ 353	$ 468,223	$ 23,266	$ 491,489
Special mention	0	14,395	0	0	6,166	0	20,561	0	20,561
Substandard	0	0	0	0	0	0	0	0	0
Doubtful	0	0	0	0	0	0	0	0	0
Total	$ 89,116	$ 291,034	$ 96,823	$ 4,902	$ 6,556	$ 353	$ 488,784	$ 23,266	$ 512,050
Commercial real estate - investor									
Pass	$ 643,174	$ 470,085	$ 301,510	$ 719,699	$ 300,772	$ 508,639	$ 2,943,879	$ 26,153	$ 2,970,032
Special mention	0	13,090	23,111	9,297	26,079	13,804	85,381	861	86,242
Substandard	0	6,950	6	4,025	17,178	9,631	37,790	0	37,790
Doubtful	0	0	0	0	0	0	0	0	0
Total	$ 643,174	$ 490,125	$ 324,627	$ 733,021	$ 344,029	$ 532,074	$ 3,067,050	$ 27,014	$ 3,094,064
Commercial real estate - owner									
Pass	$ 165,411	$ 155,041	$ 170,587	$ 101,137	$ 112,063	$ 211,377	$ 915,616	$ 11,125	$ 926,741
Special mention	0	0	0	1,479	0	14,040	15,519	0	15,519
Substandard	0	525	844	5,114	3,501	6,451	16,435	0	16,435
Doubtful	0	0	0	0	0	0	0	0	0
Total	$ 165,411	$ 155,566	$ 171,431	$ 107,730	$ 115,564	$ 231,868	$ 947,570	$ 11,125	$ 958,695
Residential real estate									
Performing	$ 320,676	$ 274,816	$ 205,948	$ 110,745	$ 51,583	$ 114,642	$ 1,078,410	$ 0	$ 1,078,410
Nonperforming	414	1,615	1,286	2,554	1,755	6,231	13,855	0	13,855
Total	$ 321,090	$ 276,431	$ 207,234	$ 113,299	$ 53,338	$ 120,873	$ 1,092,265	$ 0	$ 1,092,265
Home equity									
Performing	$ 26,411	$ 33,414	$ 38,226	$ 11,733	$ 8,051	$ 24,985	$ 142,820	$ 585,712	$ 728,532
Nonperforming	5	136	298	78	104	430	1,051	4,208	5,259
Total	$ 26,416	$ 33,550	$ 38,524	$ 11,811	$ 8,155	$ 25,415	$ 143,871	$ 589,920	$ 733,791
Installment									
Performing	$ 100,256	$ 38,694	$ 7,244	$ 3,915	$ 2,861	$ 3,242	$ 156,212	$ 51,854	$ 208,066
Nonperforming	650	794	18	6	20	42	1,530	299	1,829
Total	$ 100,906	$ 39,488	$ 7,262	$ 3,921	$ 2,881	$ 3,284	$ 157,742	$ 52,153	$ 209,895
Credit cards									
Performing	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 51,287	$ 51,287
Nonperforming	0	0	0	0	0	0	0	528	528
Total	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 51,815	$ 51,815
Grand Total	$ 2,402,422	$ 1,892,719	$ 1,223,810	$ 1,219,466	$ 664,072	$ 1,142,818	$ 8,545,307	$ 1,753,664	$ 10,298,971

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 December 31, 2023						
(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 still accruing
Loans							
Commercial & industrial	$ 1,717	$ 733	$ 4,822	$ 7,272	$ 3,493,949	$ 3,501,221	$ 376
Lease financing	790	1,028	4,224	6,042	468,775	474,817	1,151
Construction real estate	0	0	0	0	564,832	564,832	0
Commercial real estate-investor	19	16,455	6,238	22,712	3,115,917	3,138,629	0
Commercial real estate-owner	269	205	5,290	5,764	936,546	942,310	0
Residential real estate	4,786	1,929	3,744	10,459	1,323,215	1,333,674	0
Home equity	1,998	1,082	1,919	4,999	753,677	758,676	0
Installment	1,157	864	669	2,690	156,388	159,078	0
Credit card	320	211	501	1,032	58,907	59,939	501
Total	$ 11,056	$ 22,507	$ 27,407	$ 60,970	$ 10,872,206	$ 10,933,176	$ 2,028

	As of December 31, 2022						
(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 still accruing
Loans							
Commercial & industrial	$ 5,375	$ 72	$ 501	$ 5,948	$ 3,404,324	$ 3,410,272	$ 0
Lease financing	5,212	1,052	843	7,107	229,017	236,124	742
Construction real estate	0	0	0	0	512,050	512,050	0
Commercial real estate-investor	0	0	0	0	3,094,064	3,094,064	0
Commercial real estate-owner	26	5,216	44	5,286	953,409	958,695	0
Residential real estate	4,254	2,074	3,260	9,588	1,082,677	1,092,265	0
Home equity	1,725	729	1,209	3,663	730,128	733,791	0
Installment	874	490	414	1,778	208,117	209,895	0
Credit card	261	150	116	527	51,288	51,815	115
Total	$ 17,727	$ 9,783	$ 6,387	$ 33,897	$ 10,265,074	$ 10,298,971	$ 857

Financial Difficulty Modifications. Effective January 1, 2023, First Financial prospectively adopted ASU 2022-02 which eliminated the accounting for TDRs while establishing a new standard for the treatment of modifications made to borrowers experiencing financial difficulties, defined by First Financial as FDMs. As such, effective with the adoption of the standard, the Company prospectively will not include FDMs in the calculation of nonperforming loans, nonperforming assets or classified assets. Prior period data, which included TDRs, has not been adjusted.

FDM might result when a borrower is in financial distress, and may be in the form of principal forgiveness, an interest rate reduction, a term extension or an other-than-insignificant payment delay. In some cases, the Company might provide multiple types of modifications for a single loan. One type of modification, such as payment delay, may be granted initially, however, if the borrower continues to experience financial difficulty, another modification, such as term extension and/or interest rate reduction might be granted. Loans included in the "combination" column in the table that follows have more than one modification made to the same loan within the current reporting period. Additionally, modifications with a term extension or interest rate reduction are intended to reduce the borrower’s monthly payment, while modifications with a payment delay, which typically allow borrowers to make monthly payments, interest only payments for a period of time, are structured to cure the payment defaults by making delinquent payments due at maturity. Payment deferrals may be up to one year and have minimal financial impact since the deferred payments are paid at maturity.

The following table provides the amortized cost basis of FDM that had a payment default during the year ended December 31, 2023 and were modified in the twelve months prior to that default to borrowers experiencing financial difficulty during the year by class and type of modification:

	Year ended December 31, 2023						
(Dollars in thousands)	Principal forgiveness	Payment delay	Term extension	Interest rate reduction	Combination: Term extension and interest rate reduction	Total	Percent of total class of loans
Commercial & industrial	$ 0	$ 1,181	$ 3,329	$ 0	$ 0	$ 4,510	0.13 %
Residential real estate	0	1,889	96	0	55	2,040	0.15 %
Home equity	0	181	0	0	0	181	0.02 %
Total	$ 0	$ 3,251	$ 3,425	$ 0	$ 55	$ 6,731	0.06 %

The following table provides the financial effect of FDM during the year ended December 31, 2023 by class of loans:

	Year ended December 31, 2023		
(Dollars in thousands)	Principal forgiveness	Weighted average interest rate reduction	Weighted average term extension
Commercial & industrial	$ 0	0.00 %	0.2 years
Residential real estate	0	2.00 %	11.4 years
Total	$ 0	2.00 %	0.7 years

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The Company has committed to lend no additional amounts to the borrowers who have been classified as FDM. Additionally, there were 18 FDMs with a balance of $4.4 million that defaulted during the year ended December 31, 2023.

The Company closely monitors the performance of FDMs to understand the effectiveness of its modification efforts. The following table provides the performance of loans that have been modified since the January 1, 2023 adoption date of ASU 2022-02:

	Payment status as of December 31, 2023				
(Dollars in thousands)	Current	30 – 59 days past due	60 – 89 days past due	> 89 days past due	Total
Commercial & industrial	$ 1,181	$ 821	$ 0	$ 2,508	$ 4,510
Residential real estate	1,021	500	240	279	2,040
Home equity	111	70	0	0	181
Total	$ 2,313	$ 1,391	$ 240	$ 2,787	$ 6,731

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 classified as nonaccrual due to the continued failure to adhere to contractual payment terms by the borrower, coupled with other pertinent factors. When a loan is classified as nonaccrual, the accrual of interest income is discontinued and previously accrued but unpaid interest is reversed. Any payments received while a loan is on nonaccrual status are applied as a reduction to the carrying value of the loan. A loan classified as nonaccrual may return to accrual status if none of the principal and interest is due and unpaid, and the Bank expects repayment of the remaining contractual principal and interest.

Nonperforming loans. Effective January 1, 2023, loans classified as nonaccrual are considered nonperforming. Prior to the adoption of ASU 2022-02, nonperforming loans included nonaccrual loans as well as TDRs.

First Financial individually reviews all nonperforming loan relationships greater than $250,000 to determine if a specific reserve is required based on the borrower’s overall financial condition, resources and payment record, support from guarantors

and the realizable value of any collateral. Specific reserves 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.

The following table provides information on nonperforming loans as of December 31:

	2023			2022			2021		
(Dollars in thousands)	Nonaccrual loans with a related ACL	Nonaccrual loans with no related ACL	Total nonaccrual	Nonaccrual loans with a related ACL	Nonaccrual loans with no related ACL	Total nonaccrual	Nonaccrual loans with a related ACL	Nonaccrual loans with no related ACL	Total nonaccrual
Nonaccrual loans [1]									
Commercial & industrial	$ 3,329	$ 12,417	$ 15,746	$ 6,692	$ 1,550	$ 8,242	$ 11,077	$ 6,285	$ 17,362
Lease financing	1,505	2,105	3,610	0	178	178	0	203	203
Construction real estate	0	0	0	0	0	0	0	0	0
Commercial real estate	16,356	11,628	27,984	5,216	570	5,786	17,716	1,796	19,512
Residential real estate	0	14,067	14,067	0	10,691	10,691	0	8,305	8,305
Home equity	0	3,476	3,476	0	3,123	3,123	0	2,922	2,922
Installment	0	870	870	0	603	603	0	88	88
Total nonaccrual loans	$ 21,190	$ 44,563	$ 65,753	$ 11,908	$ 16,715	$ 28,623	$ 28,793	$ 19,599	$ 48,392

Interest income effect	2023	2022	2021
Gross amount of interest that would have been recorded under original terms	$ 5,694	$ 3,247	$ 5,132
Interest included in income			
Nonaccrual loans	1,673	1,134	1,618
Troubled debt restructurings	0	424	314
Total interest included in income	1,673	1,558	1,932
Net impact on interest income	$ 4,021	$ 1,689	$ 3,200
Commitments outstanding to borrowers with nonaccrual loans	$ 0	$ 0	$ 0

[1] Nonaccrual loans include nonaccrual TDRs of $10.0 million and $16.0 million as of December 31, 2022 and 2021, respectively.

A loan is considered to be collateral dependent when the borrower is experiencing financial difficulty and the repayment is expected to be provided substantially through the operation or sale of collateral. The following table presents the amortized cost basis of collateral dependent loans by class of loan.

	December 31, 2023						
	Type of Collateral						
(Dollar in thousands)	Business assets	Commercial real estate	Equipment	Land	Residential real estate	Other	Total
Class of loan							
Commercial & industrial	$ 10,952	$ 0	$ 3,869	$ 0	$ 0	$ 925	$ 15,746
Lease financing	0	0	3,610	0	0	0	3,610
Commercial real estate-investor	0	22,694	0	0	0	0	22,694
Commercial real estate-owner	0	3,397	1,893	0	0	0	5,290
Residential real estate	0	0	0	0	14,067	0	14,067
Home equity	0	0	0	0	3,476	0	3,476
Installment	0	0	0	0	0	870	870
Total	$ 10,952 10952000	$ 26,091	$ 9,372	$ 0	$ 17,543	$ 1,795	$ 65,753

	December 31, 2022						
	Type of Collateral						
(Dollar in thousands)	Business assets	Commercial real estate	Equipment	Land	Residential real estate	Other	Total
Class of loan							
Commercial & industrial	$ 8,205	$ 0	$ 0	$ 0	$ 0	$ 37	$ 8,242
Lease financing	0	0	178	0	0	0	178
Commercial real estate-investor	0	353	0	0	22	0	375
Commercial real estate-owner	0	3,399	1,893	119	0	0	5,411
Residential real estate	0	0	0	0	10,691	0	10,691
Home equity	0	0	0	0	3,123	0	3,123
Installment	0	0	0	0	0	603	603
Total	$ 8,205	$ 3,752	$ 2,071	$ 119	$ 13,836	$ 640	$ 28,623

Lease financing - Lessor. First Financial originates both sales-type and direct financing leases, and the Company manages and reviews lease residuals in accordance with its credit policies. Payments are generally fixed, however, in some agreements, lease payments may be indexed. Sales-type lease contracts contain the ability to purchase the underlying equipment at lease maturity and profit or loss is recognized at lease commencement. Direct financing leases are generally three to five years in length and may be extended at maturity, however, early cancellation may result in a fee to the borrower. For direct financing leases, the net unearned income is deferred and amortized over the life of the lease.

The components of the Company's net investments in direct financing and sales-type leases, which are included in Lease financing on the Consolidated Balance Sheets are as follows:

(Dollar in thousands)	December 31, 2023	December 31, 2022
Direct financing leases		
Lease receivables	$ 16,272	$ 35,081
Unguaranteed residual values	11,402	16,058
Sales-type leases		
Lease receivables	444,144	184,985
Unguaranteed residual values	2,999	0
Total net investment in direct financing and sales-type leases	$ 474,817	$ 236,124

Interest income for direct financing and sales-type leases was $25.2 million, $11.8 million and $2.7 million for the years ended December 31, 2023, 2022 and 2021, respectively.

The remaining maturities of lease receivables were as follows:

(Dollars in thousands)	Direct financing and Sales-type
2024	$ 139,108
2025	129,796
2026	109,181
2027	82,552
2028	38,694
Thereafter	30,422
Total lease payments	529,753
Less: unearned interest income	(69,337)
Net lease receivables	$ 460,416

OREO. OREO is comprised of properties acquired by the Company primarily through the loan foreclosure or repossession process, that result in partial or total satisfaction of problem loans.

Changes in OREO were as follows:

	Years ended December 31,		
(Dollars in thousands)	2023	2022	2021
Balance at beginning of year	$ 191	$ 98	$ 1,287
Additions			
Commercial real estate	0	0	98
Residential real estate	387	327	0
Total additions	387	327	98
Disposals			
Commercial real estate	0	(98)	(947)
Residential real estate	(288)	(94)	(331)
Total disposals	(288)	(192)	(1,278)
Valuation adjustments			
Commercial real estate	0	0	(9)
Residential real estate	(184)	(42)	0
Total valuation adjustments	(184)	(42)	(9)
Balance at end of year	$ 106	$ 191	$ 98

6. Allowance for Credit Losses

Allowance for credit losses - loans and leases. The ACL is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. The ACL is increased by provision expense and decreased by charge-offs, net of recoveries of amounts previously charged-off. First Financial's policy is to charge-off all or a portion of a loan when, in management's opinion, it is unlikely to collect the principal amount owed in full either through payments from the borrower or a guarantor or from the liquidation of collateral. Cumulative recovery payments credited to the ACL for any loan do not exceed the amount charged-off. Accrued interest receivable on loans and leases, which totaled $56.9 million and $47.5 million as of December 31, 2023 and December 31, 2022, respectively, is excluded from the estimate of credit losses.

Management estimates the allowance using relevant available information from both internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. Historical credit loss experience paired with economic

forecasts provide the basis for the quantitatively modeled estimation of expected credit losses. First Financial adjusts its quantitative model, as necessary, to reflect conditions not already considered by the quantitative model. These adjustments are commonly known as the Qualitative Framework.

The ACL is measured on a collective (pool) basis when similar risk characteristics exist. The Company has identified the following portfolio segments and measures the ACL using the following methods:

Commercial and industrial – C&I loans include revolving lines of credit and term loans to commercial customers for use in normal business operations to finance working capital needs, equipment purchases, leasehold improvements or other projects. C&I loans are generally underwritten individually and secured with the assets of the Company and/or the personal guarantee of the business owners. C&I loans also include ABL, equipment and leasehold improvement financing for franchisees in the quick service and casual dining restaurant sector and commission-based loans to insurance agents and brokers. ABL transactions typically involve larger commercial clients and are secured by specific assets, such as inventory, accounts receivable, machinery and equipment. In the franchise lending space, First Financial focuses on a limited number of restaurant concepts that have sound economics, low closure rates and strong brand awareness within specified local, regional or national markets. Within the insurance lending platform, First Financial serves insurance agents and brokers that are looking to maximize their book-of-business value and grow their agency business. Expected default activity in the C&I portfolio is based on forecasted manufacturing overtime hours and business bankruptcies. Changes in forecasted expectations for these economic variables could result in volatility in the Company’s ACL in future periods.

Lease financing – Lease financing consists of lease transactions for the acquisition of both new and used business equipment for commercial clients. Lease products may include tax leases, finance leases, lease lines of credit and interim funding. The credit underwriting for lease transactions includes detailed analysis of the lessee's industry and business model, nature of the equipment, equipment resale values, historical and projected cash flow analysis, secondary sources of repayment and guarantor, in addition to other considerations.

The ACL model for leases sources expected default rates from the C&I portfolio model. Therefore, changes in forecasted expectations for manufacturing overtime hours and business bankruptcies could result in volatility in the Company's ACL as it pertains to finance leases in future periods.

Construction real estate – Real estate construction loans are term loans to individuals, companies or developers used for the construction or development of a commercial or residential property for which repayment will be generated by the sale or permanent financing of the property. Generally, these loans are for construction projects that have been pre-sold, pre-leased or have secured permanent financing, as well as loans to real estate companies with significant equity invested in the project. An independent credit team underwrites construction real estate loans, which are managed by experienced lending officers and monitored through the construction phase by a centralized funding desk that manages loan disbursements.

The construction ACL model is adjusted for forecasted changes in rental vacancy rates in the Bank’s geographic footprint and the housing price index. Changes in forecasted expectations for these economic variables could result in volatility in the Company's ACL in future periods.

Commercial real estate - owner & investor – Commercial real estate loans consist of term loans secured by a mortgage lien on real estate properties such as apartment buildings, office and industrial buildings and retail shopping centers. Additionally, the Company's franchise lending activities discussed in the "Commercial and Industrial" section often include the financing of real estate in addition to equipment. The credit underwriting for both owner-occupied and investor income producing real estate loans includes detailed market analysis, historical and projected cash flow analysis, appropriate equity margins, assessment of lessees and lessors, environmental risks and the type, age, condition and location of real estate, among other factors.

First Financial models owner-occupied and investor CRE separately when determining the ACL. For owner occupied CRE, the model is adjusted for forecasted changes in S&P 500 performance, CRE prices, and business bankruptcies. The investor CRE loans model is adjusted by forecasted S&P 500 performance, the return on rental property (NCREIF Property Index) and business bankruptcies. Changes in forecasted expectations for these economic variables could result in volatility in the Company’s ACL in future periods.

Residential real estate – Residential real estate loans represent loans to consumers for the financing of a residence. These loans generally have a 15 to 30 year term and a fixed interest rate, but may have a shorter term to maturity or an adjustable interest rate. In most cases, these loans are extended to borrowers to finance their primary residence. First Financial sells residential real estate loan originations into the secondary market on both servicing retained and servicing released bases. Residential real

estate loans are generally underwritten to secondary market lending standards, utilizing underwriting processes that rely on empirical data to assess credit risk as well as analysis of the borrower's ability to repay their obligations, credit history, the amount of any down payment and the market value or other characteristics of the property. First Financial also offers a residential mortgage product that features similar borrower credit characteristics but a more streamlined underwriting process than typically required to sell to government-sponsored enterprises and thus is retained on the Consolidated Balance Sheets.

The residential real estate ACL model is adjusted for forecasted changes in household price index, housing starts, mortgage debt service ratio, home sales, and disposable income. Changes in forecasted expectations for these economic variables could result in volatility in the Company's ACL in future periods.

Home equity **–** Home equity lending includes both term loans and revolving lines of credit secured by a first or second lien on the borrower’s residence. Home equity lending underwriting considerations include the borrower's credit history as well as debt-to-income and loan-to-value policy limits.

The home equity ACL model is adjusted for forecasted changes in personal bankruptcies and outstanding consumer credit. Changes in forecasted expectations for these economic variables could result in volatility in the Company's ACL in future periods.

Installment – Installment lending consists of consumer loans not secured by real estate, including loans secured by automobiles and unsecured personal loans.

The installment ACL model is adjusted for forecasted changes in household consumer debt service ratio, outstanding consumer credit and CPI. Changes in forecasted expectations for these economic variables could result in volatility in the Company's ACL in future periods.

Credit card – Credit card lending consists of secured and unsecured revolving lines of credit to consumer and business customers. Credit card lines are generally available for an indefinite period of time as long as the borrower's credit characteristics do not materially or adversely change, but lines are unconditionally cancellable by the Company at any time.

The credit card ACL model is adjusted for forecasted changes in prime rate, outstanding consumer credit and household mortgage debt service ratio. Changes in forecasted expectations for these economic variables could result in volatility in the Company's ACL in future periods.

The Company utilized the Moody's December baseline forecast as its R&S forecast in the quantitative model. For reasonableness, the Company also considered the impact to the model from alternative, more adverse economic forecasts, and slower prepayment speeds. These alternative analyses were utilized to inform the Company's qualitative adjustments. Additionally, First Financial considered its credit exposure to certain industries believed to be at risk for future credit stress, such as franchise, office, hotel and investor commercial real estate lending when making qualitative adjustments to the ACL model.

First Financial's ACL is influenced by loan volumes, risk rating migration or delinquency status, and other conditions impacting loss expectations, such as reasonable and supportable forecasts of economic conditions. For the twelve months ended December 31, 2023, the ACL increased slightly as the impact from slower prepayment speeds and loan growth were partially offset by improvements in economic forecasts and credit quality. For the twelve months ended, December 31, 2022, the ACL was relatively stable as strong loan growth and slower prepayment speeds offset the impact from stable credit quality.

Changes in the allowance by loan category as of December 31 were as follows:

	2023								
(Dollars in thousands)	Commercial & industrial	Lease financing	Construction real estate	Commercial real estate	Residential real estate	Home equity	Installment	Credit card	Total
Allowance for credit losses									
Balance at beginning of year	$ 42,313	$ 3,571	$ 13,527	$ 41,106	$ 12,684	$ 12,447	$ 4,945	$ 2,384	$ 132,977
Provision for credit losses	19,647	13,162	(2,524)	(3)	5,196	600	5,944	1,052	43,074
Gross charge-offs	(19,175)	(4,423)	0	(8,723)	(39)	(340)	(6,442)	(1,173)	(40,315)
Recoveries	1,534	55	0	2,523	247	615	441	282	5,697
Total net charge-offs	(17,641)	(4,368)	0	(6,200)	208	275	(6,001)	(891)	(34,618)
Ending allowance for credit losses	$ 44,319	$ 12,365	$ 11,003	$ 34,903	$ 18,088	$ 13,322	$ 4,888	$ 2,545	$ 141,433

	2022								
(Dollars in thousands)	Commercial & industrial	Lease financing	Construction real estate	Commercial real estate	Residential real estate	Home equity	Installment	Credit card	Total
Allowance for credit losses									
Balance at beginning of year	$ 44,052	$ 1,633	$ 11,874	$ 53,420	$ 6,225	$ 9,643	$ 1,097	$ 4,048	$ 131,992
Provision for credit losses	3,221	2,041	1,653	(12,951)	6,509	2,066	5,232	(1,040)	6,731
Gross charge-offs	(5,899)	(152)	0	(3,667)	(224)	(160)	(1,549)	(907)	(12,558)
Recoveries	939	49	0	4,304	174	898	165	283	6,812
Total net charge-offs	(4,960)	(103)	0	637	(50)	738	(1,384)	(624)	(5,746)
Ending allowance for credit losses	$ 42,313	$ 3,571	$ 13,527	$ 41,106	$ 12,684	$ 12,447	$ 4,945	$ 2,384	$ 132,977

	2021								
(Dollars in thousands)	Commercial & industrial	Lease financing	Construction real estate	Commercial real estate	Residential real estate	Home equity	Installment	Credit card	Total
Allowance for credit losses									
Beginning balance, prior to adoption of ASC 326	$ 51,454	$ 995	$ 21,736	$ 76,795	$ 8,560	$ 11,869	$ 1,215	$ 3,055	$ 175,679
Purchase accounting ACL for PCD	0	17	0	0	0	0	0	0	17
Provision for credit losses	6,606	621	(8,367)	(14,689)	(2,436)	(2,376)	65	1,552	(19,024)
Gross charge-offs	(15,620)	0	(1,498)	(13,471)	(127)	(1,073)	(334)	(780)	(32,903)
Recoveries	1,612	0	3	4,785	228	1,223	151	221	8,223
Total net charge-offs	(14,008)	0	(1,495)	(8,686)	101	150	(183)	(559)	(24,680)
Ending allowance for credit losses	$ 44,052	$ 1,633	$ 11,874	$ 53,420	$ 6,225	$ 9,643	$ 1,097	$ 4,048	$ 131,992

Allowance for credit losses - unfunded commitments. First Financial estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life consistent with the Company's ACL methodology for loans and leases.

First Financial determined the adequacy of this reserve based upon an evaluation of the unfunded credit facilities, which included consideration of historical commitment utilization experience, credit risk ratings and historical loss rates, consistent with the Company's ACL methodology at the time.

The ACL on unfunded commitments was $18.4 million as of December 31, 2023 and December 31, 2022. First Financial recorded immaterial provision expense related to the ACL on unfunded commitments for the twelve months ended December 31, 2023 but recorded $5.0 million and $0.9 million of provision expense related to the ACL on unfunded commitments for the twelve months ended December 31, 2022, and 2021, respectively.

7. Premises and Equipment

Premises and equipment at December 31 were as follows:

(Dollars in thousands)	2023	2022
Land and land improvements	$ 48,575	$ 49,016
Buildings	162,423	157,620
Furniture and fixtures	72,580	69,855
Leasehold improvements	32,060	32,515
Construction in progress	8,413	5,644
	324,051	314,650
Less: Accumulated depreciation and amortization	129,311	125,570
Total	$ 194,740	$ 189,080

Depreciation expense recorded on premises and equipment in 2023, 2022 and 2021 was $13.3 million, $12.9 million and $14.1 million, respectively.

8. Leases - Lessee

A lease is defined as a contract, or part of a contract, that conveys the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration. For contracts where First Financial is a lessee, the recipient of the right to control, substantially all of those agreements are for real estate property for branches, ATM locations and office space.

Substantially all of the Company's leases are classified as operating leases. Under Accounting Topic 842, operating lease agreements are required to be recognized on the Consolidated Balance Sheets as a ROU asset and a corresponding lease liability. The Company's right to use an asset over the life of a lease is recorded as a ROU asset in Accrued interest and other assets on the Consolidated Balance Sheet and was $54.2 million and $54.3 million at December 31, 2023 and 2022, respectively. Certain adjustments to the ROU asset may be required for items such as initial direct costs paid or incentives received. First Financial recorded a $64.5 million and $64.5 million lease liability in Accrued interest and other liabilities on the Consolidated Balance Sheet at December 31, 2023 and 2022, respectively.

The calculated amount of the ROU assets and lease liabilities are impacted by the length of the lease term and the discount rate used to calculate the present value of minimum lease payments. Regarding the discount rate, Topic 842 requires the use of the rate implicit in the lease whenever this rate is readily determinable. As this rate is rarely determinable, the Company utilizes its incremental borrowing rate at lease inception, on a collateralized basis, over a similar term.

Leases with an initial term of 12 months or less are not recorded on the balance sheet and First Financial recognizes lease expense for these leases on a straight-line basis over the term of the lease. Most leases include one or more options to renew, with renewal terms that can extend the lease term from one to 20 years or more. The exercise of renewal options on operating leases is at the Company's sole discretion, and certain leases may include options to purchase the leased property. If at lease inception, the Company considers the exercising of a renewal option to be reasonably certain, the Company will include the extended term in the calculation of the ROU asset and lease liability. First Financial does not enter into lease agreements which contain material residual value guarantees or material restrictive covenants.

Certain leases provide for increases in future minimum annual rental payments as defined in the lease agreements and leases generally also include real estate taxes and common area maintenance charges in the annual rental payments.

The components of lease expense for the years ended December 31, 2023, 2022 and 2021 were as follows:

(Dollars in thousands)	December 31, 2023	December 31, 2022	December 31, 2021
Operating lease cost	$ 7,773	$ 7,626	$ 7,425
Short-term lease cost	0	8	108
Variable lease cost	3,107	2,827	2,621
Total operating lease cost	$ 10,880	$ 10,461	$ 10,154

Future minimum commitments due under these lease agreements as of December 31, 2023 are as follows:

(Dollars in thousands)	Operating leases
2024	$ 7,962
2025	7,701
2026	7,509
2027	7,181
2028	7,117
Thereafter	43,793
Total lease payments	81,263
Less: imputed interest	(16,779)
Total	$ 64,484

The weighted average lease term and discount rate for the Company's operating leases were as follows:

	December 31, 2023	December 31, 2022	December 31, 2021
Operating leases			
Weighted-average remaining lease term	12.3 years	13.1 years	13.9 years
Weighted-average discount rate	3.43 %	3.29 %	3.25 %

Supplemental cash information at year end related to leases was as follows:

(Dollars in thousands)	December 31, 2023	December 31, 2022	December 31, 2021
Cash paid for amounts included in the measurement of lease liabilities			
Operating cash flows from operating leases	$ 7,819	$ 7,824	$ 6,860
ROU assets obtained in exchange for lease obligations			
Operating leases	6,585	4,730	6,076

9. Operating Leases - Lessor

First Financial provides financing for various types of equipment through a operating leasing arrangements. Operating leases are carried at cost less accumulated depreciation in the Consolidated Balance Sheets. Operating leases were $153.2 million and $91.7 million at December 31, 2023 and December 31, 2022, respectively, net of accumulated depreciation of $62.1 million and $35.0 million at December 31, 2023 and December 31, 2022, respectively. The Company recorded lease income of $39.8 million and $24.5 million related to lease payments for operating leases in leasing business income in the Consolidated Statements of Income for the years ended December 31, 2023 and 2022, respectively. Depreciation expense related to operating lease equipment was $32.5 million and $20.4 million for the years ended December 31, 2023 and 2022, respectively.

First Financial performs assessments of the recoverability of long-lived assets when events or changes in circumstances indicate that their carrying values may not be recoverable. First Financial recognized no impairment losses associated with operating lease assets for the twelve months ended December 31, 2023 or 2022. Recognized impairment losses, if any, would be recorded in Leasing business income in the Consolidated Statements of Income.

The future lease payments receivable from operating leases as of December 31, 2023 are as follows:

(Dollars in thousands)	Undiscounted cash flows
2024	$ 44,105
2025	35,091
2026	24,871
2027	12,718
2028	5,682
Thereafter	2,863
Total operating lease payments	$ 125,330

10. 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. The excess of the purchase price of the acquisition over the fair value of net assets acquired is recorded as goodwill.

Changes in the carrying amount of goodwill for the years ended December 31, 2023, 2022 and 2021 are shown below.

(Dollars in thousands)	2023	2022	2021
Balance at beginning of year	$ 1,001,507	$ 1,000,749	$ 937,771
Goodwill resulting from business combinations	4,361	758	62,978
Balance at end of year	$ 1,005,868	$ 1,001,507	$ 1,000,749

In the first quarter of 2023, First Financial recorded $4.2 million of goodwill related to the acquisition of the assets of Brady Ware Capital. Brady Ware Capital specializes in buy-side and sell-side consulting services for mid-sized businesses. This acquisition is consistent with First Financial's approach of adding niche financial services to core banking capabilities and further expands its broad service offerings. In May 2023, First Financial also acquired Brady Ware Corporate Finance, a broker-dealer and member of FINRA. First Financial recorded $0.1 million of goodwill in connection with the acquisition of Brady Ware Corporate Finance. The fair value measurements of Brady Ware assets and liabilities are subject to refinement for up to one year after the closing date of the acquisition as additional information relative to closing date fair values become available, and the measurement period ends in January 2024 for Brady Ware Capital. The measurement period for recording adjustments to the fair value of assets and liabilities ends in May 2024 for Brady Ware Corporate Finance.

In December 2021, First Financial recorded $63.0 million of goodwill resulting from the acquisition of Summit Funding Group, Inc. During 2022, First Financial recorded adjustments of $0.8 million to goodwill from the Summit merger. First Financial recorded its final adjustments to goodwill related to the Summit merger in the fourth quarter of 2022.

Goodwill is evaluated 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 most recent annual qualitative impairment test as of October 1, 2023 and no impairment was indicated. As of December 31, 2023, no events or changes in circumstances indicated that the fair value of the reporting unit was below its carrying value.

Other intangible assets. Other intangible assets consist primarily of core deposit intangibles, customer list, mortgage servicing rights and other miscellaneous intangibles, such as purchase commissions, non-compete agreements and trade name intangibles.

Core deposit intangibles represent the estimated fair value of acquired customer deposit relationships on the date of acquisition and are amortized on an accelerated basis over their estimated useful lives. First Financial's core deposit intangibles have an estimated weighted average remaining life of 4.3 years.

First Financial recorded a customer list intangible asset in conjunction with the Summit acquisition to account for the obligation or advantage on the part of either the Company or the customer to continue the pre-existing relationship subsequent to the merger. The Summit customer list intangible asset is being amortized on a straight-line basis over its estimated useful life of 12 years and was $25.1 million and $27.6 million at December 31, 2023 and December 31, 2022, respectively. Additionally, First

Financial recorded a customer list intangible asset in conjunction with the Bannockburn acquisition which is being amortized on a straight-line basis over its estimated useful life of 11 years and was $23.9 million and $27.5 million at December 31, 2023 and December 31, 2022, respectively.

Mortgage servicing rights represent the value of servicing fees First Financial expects to receive from the servicing responsibilities it retained when selling fixed and adjustable-rate residential mortgage loans. In those sales, First Financial retained servicing responsibilities and provided certain standard representations and warranties; however, the investors have no recourse to the Company's other assets for failure of debtors to pay when due. First Financial receives servicing fees based on a percentage of the outstanding balance. When First Financial sells mortgage loans with servicing rights retained, these servicing rights are initially recorded at fair value. First Financial has selected the "amortization method" as permissible within U.S. GAAP, whereby the servicing rights capitalized are amortized in proportion to and over the period of estimated future servicing income with respect to the underlying loan. At the end of each reporting period, the carrying value of MSRs is assessed for impairment with a comparison to fair value. MSRs are carried at the lower of their amortized cost or fair value. The amortization of MSRs is included within other noninterest income in the Consolidated Statements of Income.

Amortization expense recognized on intangible assets for 2023, 2022 and 2021 was $13.4 million, $14.3 million and $14.1 million, respectively, which includes MSR amortization of $3.0 million, $3.1 million and $4.3 million, respectively.

The gross carrying amount and accumulated amortization of other intangible assets were as follows:

(Dollars in thousands)	December 31, 2023		December 31, 2022	
	Gross carrying amount	Accumulated amortization	Gross carrying amount	Accumulated amortization
Amortized intangible assets				
Core deposit intangibles	$ 41,750	$ (29,395)	$ 41,750	$ (26,488)
Customer list	69,563	(20,553)	69,563	(14,457)
Other	10,960	(5,477)	14,079	(7,064)
Mortgage servicing rights	23,791	(6,690)	21,347	(4,811)
Total	$ 146,064	$ (62,115)	$ 146,739	$ (52,820)

The estimated amortization expense of intangible assets for the next five years is as follows:

(Dollars in thousands)	Intangible amortization
2024	$ 9,193
2025	9,145
2026	9,092
2027	9,051
2028	6,842

11. Deposits

Time deposits that meet or exceed the FDIC insurance limit of $250,000 at December 31, 2023 and 2022 were $300.1 million and $165.1 million, respectively.

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

(Dollars in thousands)	Time deposits
2024	$ 2,441,560
2025	225,140
2026	33,439
2027	12,371
2028	5,612
Thereafter	268
Total	$ 2,718,390

12. Borrowings

Short-term borrowings, or borrowings that mature in less than one year, on the Consolidated Balance Sheets include repurchase agreements utilized for corporate sweep accounts with cash management account agreements in place, federal funds purchased, overnight advances from the FHLB and a short-term line of credit.

The following is a summary of short-term borrowings for the last three years:

	2023		2022		2021	
(Dollars in thousands)	Amount	Rate	Amount	Rate	Amount	Rate
At December 31,						
Federal funds purchased and securities sold under agreements to repurchase	$ 0	0.00 %	$ 0	0.00 %	$ 51,203	0.01 %
FHLB borrowings	800,000	5.47 %	1,130,000	4.58 %	225,000	0.18 %
Other short-term borrowings	137,814	5.33 %	157,156	4.33 %	20,000	1.90 %
Total	$ 937,814	5.45 %	$ 1,287,156	4.55 %	$ 296,203	0.27 %
Average for the year						
Federal funds purchased and securities sold under agreements to repurchase	$ 15,583	5.25 %	$ 29,526	1.42 %	$ 160,967	0.07 %
FHLB borrowings	845,666	5.25 %	672,928	2.37 %	43,371	0.20 %
Other short-term borrowings	158,221	5.18 %	115,041	2.38 %	165	1.92 %
Total	$ 1,019,470	5.24 %	$ 817,495	2.34 %	$ 204,503	0.10 %

All repurchase agreements are subject to terms and conditions agreed to by the Bank and the client. To secure its liability to the client, the Bank is authorized to sell or repurchase U.S. Treasury, government agency and mortgage-backed securities. As of both December 31, 2023 and 2022, the Bank had no securities sold under agreements to repurchase.

First Financial had outstanding FHLB advances included in short-term borrowings of $800.0 million as of December 31, 2023 and $1.1 billion outstanding short-term FHLB advances as of December 31, 2022. Additionally, at December 31, 2023 and 2022, other short-term borrowings included $137.8 million and $157.2 million, respectively, of collateral owed to counterparty banks by First Financial.

First Financial also has a $40.0 million short-term credit facility with an unaffiliated bank that matures in December, 2024, which is included in short-term borrowings. This facility has a variable interest rate and provides First Financial additional liquidity, if needed, for various corporate activities including the repurchase of First Financial common stock and the payment of dividends to shareholders. As of both December 31, 2023 and December 31, 2022, First Financial had no outstanding balance. The credit agreement requires First Financial to comply with certain covenants including those related to asset quality and capital levels, and First Financial was in compliance with all covenants associated with this facility as of both December 31, 2023 and December 31, 2022. This credit facility also required First Financial to pledge as collateral the Bank's common stock where the lender is granted a security interest in this collateral.

The following is a summary of First Financial's long-term debt:

	2023		2022	
(Dollars in thousands)	Amount	Average Rate	Amount	Average Rate
Subordinated debt	$ 314,163	5.60 %	$ 313,705	5.48 %
Unamortized debt issuance costs	(1,613)	n/a	(1,998)	n/a
Notes issued in conjunction with acquisition of property and equipment	29,179	4.40 %	32,492	4.44 %
Capital lease liability	1,611	3.84 %	1,698	3.82 %
Capital loan with municipality	775	0.00 %	775	0.00 %
Total long-term debt	$ 344,115	5.51 %	$ 346,672	5.40 %

As of December 31, 2023, First Financial's long-term debt matures as follows:

(Dollars in thousands)	Long-term debt
2024	$ 6,773
2025	2,988
2026	5,355
2027	6,579
2028	2,620
Thereafter	319,800
Total	$ 344,115

In 2015, First Financial issued $120.0 million of subordinated notes, which have a fixed interest rate of 5.13% payable semiannually and mature in August 2025. These notes are not redeemable by the Company or callable by the holders of the notes prior to maturity. Subordinated notes are included in Long-term debt on the Consolidated Balance Sheets and treated as Tier 2 capital for regulatory capital purposes, subject certain limitations. When subordinated notes are within five years of maturity, the tier 2 capital eligibility reduces by 20% each year. This subordinated debt issued is eligible to be treated as Tier 2 capital for 20% of its original issuance amount at December 31, 2023 for regulatory capital purposes.

In April 2020, First Financial issued $150.0 million of fixed to floating rate subordinated notes. The subordinated notes have an initial fixed interest rate of 5.25% to, but excluding, May 15, 2025, payable semi-annually in arrears. From, and including, May 15, 2025, the interest rate on the subordinated notes will reset quarterly to a floating rate per annum equal to a benchmark rate, which is expected to be the then-current three-month term SOFR, plus 509 basis points, payable quarterly in arrears. The subordinated notes mature on May 15, 2030. These notes are redeemable by the Company in whole or in part beginning with the interest payment date of May 15, 2025. This subordinated debt issued in April 2020 that matures in May 2030, is eligible to be treated as Tier 2 capital for 100% of its original issuance amount at December 31, 2023 for regulatory capital purpose.

In addition, First Financial acquired $49.5 million of variable rate subordinated notes in the MSFG merger that were issued to previously formed trusts in exchange for the trust proceeds. These notes were recorded at fair value at the date of the MSFG merger and the Consolidated Balance Sheets include $44.2 million and $43.7 million for these notes at December 31, 2023 and December 31, 2022, respectively. Interest on the acquired subordinated notes is payable quarterly, in arrears, and the Company has the option to defer interest payments for a period not to exceed 20 consecutive quarters. These acquired subordinated notes mature 30 years after the date of original issuance and may be called at par following the 5 year anniversary of issuance. These variable rate subordinated notes are treated as Tier 1 capital for regulatory capital purposes.

Additionally, long-term borrowings also included $29.2 million and $32.5 million of term notes, both with and without recourse, with an average interest rate of 4.40% and 4.44% at December 31, 2023 and 2022, respectively. These term notes were used to finance Summit's equity investment in the purchase of equipment to be leased to customers.

FHLB advances, both short-term and long-term, must be collateralized with qualifying assets, typically certain commercial and residential real estate loans, as well as certain government and agency securities. For ease of borrowing execution, First Financial utilizes a blanket collateral agreement with the FHLB, and at December 31, 2023, had collateral pledged with a book value of $6.2 billion.

13. Derivatives

First Financial maintains an overall risk management strategy that incorporates the use of derivative instruments to reduce certain risks related to interest rate, prepayment and foreign currency volatility. Additionally, First Financial holds derivative instruments for the benefit of its commercial customers and for other business purposes. The Company does not enter into unhedged speculative derivative positions. The Company’s interest rate risk management strategy involves modifying the repricing characteristics of certain financial instruments so that changes in interest rates do not adversely affect First Financial’s net interest margin and cash flows. Derivative instruments that the Company may use as part of its interest rate risk management strategy include interest rate caps, floors, swaps, and foreign exchange contracts, to meet the needs of its clients while managing the interest and currency rate risk associated with certain transactions. First Financial may also utilize interest rate swaps to manage the interest rate risk profile of the Company. These derivatives are reported within Accumulated other comprehensive income (loss).
Interest rate payments are exchanged with counterparties based on the notional amount established in the interest rate agreement. As only interest rate payments are exchanged, the cash requirements and credit risk associated with interest rate swaps are significantly less than the notional amount and the Company’s credit risk exposure is limited to the market value of the instruments. First Financial does not use derivatives for speculative purposes.

First Financial manages this market value credit risk through counterparty credit policies including a review of total derivative notional position to total assets, total credit exposure to total capital and counterparty credit exposure risk.

For discussion of First Financial's accounting for derivative instruments, see Note 1 – Summary of Significant Accounting Policies.

Interest rate client derivatives. First Financial utilizes interest rate swaps as a means to offer commercial borrowers fixed rate funding while providing the Company with floating rate assets. These derivatives are classified as free-standing instruments with the revaluation gain or loss recorded in Client derivative fees in the Consolidated Statements of Income. While these derivatives represent economic hedges, they do not qualify as hedges for accounting purposes.

At December 31, 2023, for interest rate derivatives, the Company had a total counterparty notional amount outstanding of $2.2 billion, spread among six counterparties, with an estimated fair value of $95.7 million. At December 31, 2022, the Company had interest rate derivatives with a total counterparty notional amount outstanding of $2.2 billion, spread among six counterparties, with an estimated fair value of $145.8 million.

First Financial monitors its derivative credit exposure to borrowers by monitoring the creditworthiness of the related loan customers through the Company's normal credit review processes. Additionally, the Company's monitors derivative credit risk exposure related to problem loans through the its ACL 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 and its counterparties may be required to post cash collateral to offset the market position of the derivative instruments. First Financial maintains the right to offset these derivative positions with the collateral posted against them by or with the relevant counterparties.

Foreign Exchange Contracts. First Financial may enter into foreign exchange derivative contracts for the benefit of commercial customers to hedge their exposure to foreign currency fluctuations. Similar to the hedging of interest rate risk from interest rate derivative contracts, First Financial also enters into foreign exchange contracts with major financial institutions to economically hedge a substantial portion of the exposure from client driven foreign exchange activity. These derivatives are

classified as free-standing instruments with the revaluation gain or loss recorded in Foreign exchange income in the Consolidated Statements of Income. The Company has risk limits and internal controls in place to help ensure excessive risk is not being taken when providing this service to customers. These controls include a determination of currency volatility and credit equivalent exposure on these contracts. At December 31, 2023, the Company had total counterparty notional amount outstanding of $7.0 billion spread among five counterparties, with an estimated fair value of $23.9 million related to foreign exchange contracts, which is included in Accrued interest and other liabilities in the Consolidated Balance Sheets. At December 31, 2022, the Company had total counterparty notional amounts outstanding of $7.7 billion spread among five counterparties, with an estimated fair value of $17.3 million.

In connection with its use of foreign exchange contracts, First Financial and its counterparties may be required to post cash collateral to offset the market position of the derivative instruments. First Financial maintains the right to offset these derivative positions with the collateral posted against them by or with the relevant counterparties.

Cash Flow Hedges. In 2023, First Financial entered into interest rate collars and floors, which are designated as cash flow hedges. These cash flow hedges are utilized to mitigate interest rate risk on variable-rate commercial loan pools. As of December 31, 2023, the hedges were determined to be effective during the period and are expected to remain effective during the remaining terms. Changes in the fair value of cash flow hedges included in the assessment of hedge effectiveness are recorded in AOCI and reclassified from AOCI to current period earnings when the hedged item affects earnings. Reclassified gains and losses on interest rate contracts related to commercial and industrial loans are recorded within interest income in the Consolidated Statements of Income.

The structure of the interest rate collars is such that First Financial pays the counterparty an incremental amount if the collar index exceeds the cap rate. Conversely, First Financial receives an incremental amount if the index is below the floor rate. No payments are required if the collar index is between the cap and floor rates.

The structure of First Financial's interest rate floors is such that First Financial receives an incremental amount if the index falls below the floor strike rate. No payments are required if the index remains above the floor strike rate.

The notional value of the Company's cash flow hedges was $1.0 billion as of December 31, 2023, with the $3.8 million change in the fair value recorded in AOCI in the Consolidated Balance Sheet. There were no cash flow hedges outstanding at December 31, 2022. As of December 31, 2023, the maximum length of time over which the Company is hedging its exposure to the variability in future cash flows is 60 months. It is estimated that $0.7 million will be reclassified from OCI to interest income during the next 12 months.

The effect of derivative instruments in cash flow hedging relationships on the Consolidated Statements of Income were as follows:

(Dollars in thousands)		Twelve months ended December 31, 2023	
Derivatives in Cash Flow Hedging Relationship	**Location of Gain or (Loss) Reclassified from AOCI into income**	**Gain (loss) recognized in AOCI on Derivatives**	**Gain (loss) reclassified in AOCI on Derivatives**
Interest rate contracts	Interest income/(expense)	$ (3,755)	$ 237

The following table details the classification and amounts of interest rate derivatives, foreign exchange contracts and cash flow hedges recognized in the Consolidated Balance Sheets:

(Dollars in thousands)	December 31, 2023 Notional amount	December 31, 2023 Estimated fair value Gain [1]	December 31, 2023 Estimated fair value Loss [2]	December 31, 2022 Notional amount	December 31, 2022 Estimated fair value Gain [1]	December 31, 2022 Estimated fair value Loss [2]
Derivatives not designated as qualifying hedging instruments						
Client derivatives-instruments associated with loans [3]						
Matched interest rate swaps with borrower	$ 2,172,714	$ 13,232	$ (104,343)	$ 2,206,351	$ 5,057	$ (147,759)
Matched interest rate swaps with counterparty	2,172,714	104,092	(13,232)	2,206,351	147,759	(5,057)
Foreign exchange contracts [4]						
Matched foreign exchange contracts with customers	7,021,569	84,731	(60,825)	7,734,395	111,078	(93,804)
Matched foreign exchange contracts with counterparty	6,972,870	60,825	(84,731)	7,681,006	93,804	(111,078)
Derivatives not designated as qualifying hedging instruments	18,339,867	262,880	(263,131)	19,828,103	357,698	(357,698)
Derivatives designated as qualifying hedging instruments						
Cash flow hedges [5]						
Interest rate collars and floors on loan pools	1,000,000	0	(6,896)	0	0	0
Total derivatives designated as qualifying hedging instruments	1,000,000	0	(6,896)	0	0	0
Total	$ 19,339,867	$ 262,880	$ (270,027)	$ 19,828,103	$ 357,698	$ (357,698)

[1] Derivative assets are included in Accrued interest and other assets in the Consolidated Balance Sheets.
[2] Derivative liabilities are included in Accrued interest and other liabilities in the Consolidated Balance Sheets.
[3] Changes in fair value are included in Client derivative fees in the Consolidated Statements of Income.
[4] Changes in fair value are included in Foreign exchange income in the Consolidated Statements of Income.
[5] Changes in fair value are included in Accumulated comprehensive income in the Consolidated Balance sheets.

The following table discloses the gross and net amounts of client derivatives and foreign exchange contracts recognized in the Consolidated Balance Sheets:

(Dollars in thousands)	December 31, 2023 Gross amounts of recognized liabilities	December 31, 2023 Gross amounts offset in the Consolidated Balance Sheets	December 31, 2023 Net amounts of (assets)/liabilities presented in the Consolidated Balance Sheets	December 31, 2022 Gross amounts of recognized liabilities	December 31, 2022 Gross amounts offset in the Consolidated Balance Sheets	December 31, 2022 Net amounts of (assets)/liabilities presented in the Consolidated Balance Sheets
Client derivatives						
Matched interest rate swaps	$ 117,324	$ (270,678)	$ (153,354)	$ 152,816	$ (314,048)	$ (161,232)
Foreign exchange contracts with counterparty	145,556	(55,959)	89,597	204,882	(101,945)	102,937
Cash flow hedges	(6,896)	4,886	(2,010)	0	0	0
Total	$ 255,984	$ (321,751)	$ (65,767)	$ 357,698	$ (415,993)	$ (58,295)

The following table details the derivative financial instruments and the average remaining maturities at December 31, 2023:

(Dollars in thousands)	Notional amount	Average maturity (years)	Fair value
Interest rate contracts			
Receive fixed, matched interest rate swaps with borrower	$ 2,172,714	4.7	$ (91,111)
Pay fixed, matched interest rate swaps with counterparty	2,172,714	4.7	90,860
Foreign exchange contracts			
Foreign exchange contracts - pay USD	7,021,569	0.6	23,906
Foreign exchange contracts - receive USD	6,972,870	0.6	(23,906)
Total client derivatives	18,339,867	1.6	(251)
Cash flow hedges			
Interest rate collars and floors on loan pools	1,000,000	3.5	(6,896)
Total cash flow hedges	1,000,000	3.5	(6,896)
Total client derivatives	$ 19,339,867	1.7	$ (7,147)

At December 31, 2023, derivative collateral owed by the Company to counterparty banks was $116.2 million with $21.6 million restricted within cash and due from banks on the Company's Consolidated Balance Sheets and $137.8 million recorded in short-term borrowings. Derivative collateral owed by the Company to counterparty banks at December 31, 2022 was $132.2 million with $25.0 million restricted within cash and due from banks and $157.2 million recorded in short-term borrowings.

Credit derivatives. In conjunction with participating interests in commercial loans, First Financial periodically enters into risk participation agreements with counterparties whereby First Financial assumes or sells a portion of the credit exposure associated with an interest rate swap on the participated loan in exchange for a fee. Under these agreements, First Financial will either make a payment or receive a payment from the counterparty if the loan customer defaults on its obligation to perform under the interest rate swap contract. The total notional value of the purchased risk agreements totaled $232.5 million as of December 31, 2023 and $246.8 million as of December 31, 2022. The total notional value of the sold risk agreements totaled $109.2 million as of December 31, 2023 and $132.5 million as of December 31, 2022. The net fair value of these agreements is recorded in Accrued interest and other liabilities on the Consolidated Balance Sheets and was $0.1 million at December 31, 2023 and insignificant at December 31, 2022.

Mortgage Derivatives. First Financial enters into IRLCs and forward commitments for the future delivery of mortgage loans to third party investors, which are considered derivatives. When borrowers secure an IRLC with First Financial and the loans are intended to be sold, First Financial will enter into forward commitments for the future delivery of the loans to third party investors in order to hedge against the effect of changes in interest rates impacting IRLCs and and loans held for sale. At December 31, 2023, the notional amount of the IRLCs was $25.2 million and the notional amount of forward commitments was $25.5 million. As of December 31, 2022, the notional amount of IRLCs was $12.0 million and the notional amount of forward commitments was $15.3 million. The fair value of these agreements was $0.3 million at December 31, 2023 and $0.1 million at December 31, 2022 and was recorded in Accrued interest and other assets on the Consolidated Balance Sheets. The impact of these derivatives on Net gain on sale of loans in the Consolidated Statements of Income was a $0.7 million and $4.3 million gain for the years ended December 31, 2023 and 2022, respectively and a $3.3 million loss for the year ended December 31, 2021.

14. Commitments and Contingencies

First Financial offers a variety of financial instruments including letters of credit and outstanding commitments to extend credit to assist clients in meeting their requirement for liquidity and credit enhancement. GAAP does not require these financial instruments to be recorded in the Consolidated Financial Statements.

First Financial utilizes the same credit policies in issuing commitments and conditional obligations as it does for credit instruments recorded on the Consolidated Balance Sheets. First Financial's exposure to credit loss in the event of nonperformance by the counterparty is represented by the contractual amounts of those instruments. First Financial estimates

credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company in accordance with ASC 326. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated useful life consistent with the Company's ACL methodology for loans and leases. Adjustments to the reserve for unfunded commitments are recorded in Provision for credit losses - unfunded commitments in the Consolidated Statements of Income. First Financial had $18.4 million of reserves for unfunded commitments recorded in Accrued interest and other liabilities on the Consolidated Balance Sheets as of both December 31, 2023 and 2022.

Loan commitments. Loan commitments are agreements to extend credit to a client absent any violation of conditions established in the commitment agreement. 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. 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 $4.5 billion and $4.4 billion at December 31, 2023 and 2022, respectively. As of December 31, 2023, loan commitments with a fixed interest rate totaled $108.2 million while commitments with variable interest rates totaled $4.4 billion. At December 31, 2022, loan commitments with a fixed interest rate totaled $126.3 million while commitments with variable interest rates totaled $4.2 billion. The fixed rate loan commitments have interest rates ranging from 0.00% to 21.00% and maturities ranging from less than 1 year to 31.6 years for both December 31, 2023 and 2022.

The following table presents by type First Financial's loan balances and contractual obligations to extend credit:

	December 31, 2023		December 31, 2022	
(dollars in thousands)	Unfunded commitment	Loan balance	Unfunded commitment	Loan balance
Commercial & industrial	$ 1,942,868	$ 3,501,221	$ 1,833,977	$ 3,410,272
Lease financing	0	474,817	6,842	236,124
Construction real estate	565,009	564,832	689,015	512,050
Commercial real estate-investor	101,689	3,138,629	107,205	3,094,064
Commercial real estate-owner	40,346	942,310	48,208	958,695
Residential real estate	98,686	1,333,674	74,089	1,092,265
Home equity	972,474	758,676	903,459	733,791
Installment	25,841	159,078	16,073	209,895
Credit card	235,686	59,939	225,864	51,815
Total	$ 3,982,599	$ 10,933,176	$ 3,904,732	$ 10,298,971

Letters of credit. Letters of credit are conditional commitments issued by First Financial to guarantee the performance of a client to a third party. First Financial's letters of credit consist 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 aggregating $34.9 million and $31.5 million at December 31, 2023, and 2022, respectively. Management conducts regular reviews of these instruments on an individual client basis.

Risk participation agreements. First Financial is a party in risk participation transactions of interest rate swaps, which had total notional amount of $341.7 million and $379.3 million at December 31, 2023 and 2022, respectively.

Affordable housing projects and other tax credit investments. First Financial is a limited partner in several tax-advantaged limited partnerships whose purpose is to invest in approved qualified affordable housing, renewable energy, or other renovation or community revitalization projects. These investments are included in Accrued interest and other assets in the Consolidated Balance Sheets, with any unfunded commitments included in Accrued interest and other liabilities in the Consolidated Balance Sheets. As of December 31, 2023, First Financial expects to recover its remaining investments through the use of the tax credits that are generated by the investments.

The following table summarizes First Financial's investments in affordable housing projects and other tax credit investments.

(Dollars in thousands)		December 31, 2023		December 31, 2022	
Investment	Accounting Method	Investment	Unfunded commitment	Investment	Unfunded commitment
LIHTC	Proportional amortization	$ 142,933	$ 80,465	$ 126,537	$ 70,690
HTC	Equity	19,798	14,043	17,108	11,955
NMTC	Equity	1,938	0	2,944	0
Renewable energy	Equity	23,981	1,857	11,851	1,689
Total		$ 188,650	$ 96,365	$ 158,440	$ 84,334

The following tables summarize First Financial's amortization expense and tax benefit recognized in affordable housing projects and other tax credit investments.

	Twelve months ended					
	December 31, 2023		December 31, 2022		December 31, 2021	
(Dollars in thousands)	Amortization expense [1]	Tax expense (benefit) recognized [2]	Amortization expense [1]	Tax expense (benefit) recognized [2]	Amortization expense [1]	Tax expense (benefit) recognized [2]
LIHTC	$ 14,545	$ (14,563)	$ 11,929	$ (11,088)	$ 8,894	$ (8,581)
HTC	0	(319)	0	(319)	1,116	(263)
NMTC	415	(210)	415	(210)	210	(210)
Renewable energy	0	0	23,411	(25,473)	11,467	(12,216)
Total	$ 14,960	$ (15,092)	$ 35,755	$ (37,090)	$ 21,687	$ (21,270)

[1] The amortization expense for the LIHTC investments is included in income tax expense. The amortization expense for the HTC, NMTC, and Renewable energy tax credits is included in other noninterest expense.

[2] All of the tax benefits recognized are included in Income tax expense. The tax benefit recognized for the HTC, NMTC, and Renewable energy investments primarily reflects the tax credits generated from the investments and excludes the net tax expense (benefit) and deferred tax liability of the investments' income (loss).

Contingencies/Litigation. First Financial and its subsidiaries are engaged in various matters of litigation from time to time, and have a number of unresolved claims pending.

Like many banks, First Financial has been the subject of lawsuits relating to overdraft fees. This type of litigation is time consuming and expensive in large part due to the amount of data to be sorted and disclosed, in some cases going back multiple years. During the second and fourth quarters of 2021, First Financial determined that it was in its best interest to settle lawsuits in the states of Indiana and Ohio and had signed settlement agreements that were presented to the court for approval. As such, First Financial recorded legal settlement expenses of $7.1 million, which were recorded in Other noninterest expenses in the Consolidated Statements of Income during 2021. For years ended December 31, 2022 and 2021, legal settlement expenses of $3.3 million and $3.8 million were paid. No legal settlement expenses were accrued or paid in the year ended December 31, 2023.

Additionally, as part of the ordinary course of business, First Financial and its subsidiaries are parties to other litigation, including claims to the ownership of funds in particular accounts, the collection of delinquent accounts, challenges to security interests in collateral, foreclosure interests that are incidental to our regular business activities and other matters. While the ultimate liability with respect to these litigation matters and claims cannot be determined at this time, First Financial believes that damages, if any, and other amounts relating to pending matters are not probable or cannot be reasonably estimated as of December 31, 2023. Reserves are established for these various matters of litigation, when appropriate, under FASB ASC Topic 450, *Contingencies*, based in part upon the advice of legal counsel. First Financial had no reserves related to litigation matters as of December 31, 2023 or December 31, 2022.

15. Related Party Transactions

Outstanding balance of loans to directors, executive officers, principal holders of First Financial's common stock and certain related persons were as follows:

(Dollars in thousands)	2023
Beginning balance	$ 5,618
Additions	810
Deductions	(3,175)
Ending balance	$ 3,253
Loans 90 days or more past due	$ 0

Related parties of First Financial, as defined for inclusion in the table above, were clients of, and had transactions with, subsidiaries of First Financial during the periods noted. Similar transactions with related parties may be expected in future periods.

16. Income Taxes

Income tax expense consisted of the following components:

(Dollars in thousands)	2023	2022	2021
Current expense			
Federal	$ 46,800	$ 24,307	$ 21,397
State	2,568	3,308	2,289
Total current expense	49,368	27,615	23,686
Deferred expense (benefit)			
Federal	11,769	(4,399)	10,944
State	1,596	894	1,143
Total deferred expense (benefit)	13,365	(3,505)	12,087
Income tax expense	$ 62,733	$ 24,110	$ 35,773

The difference between the federal income tax rates applied to income before income taxes and the effective rates were due to the following:

(Dollars in thousands)	2023	2022	2021
Income taxes computed at federal statutory rate (21%) on income before income taxes	$ 66,905	$ 50,762	$ 50,596
Benefit from tax-exempt income	(6,165)	(5,743)	(5,613)
Tax credits	(15,271)	(37,331)	(21,561)
Basis reduction on tax credit	87	2,761	1,346
Tax expense (benefit) of equity compensation	(418)	(154)	(243)
State income taxes, net of federal tax benefit	3,290	3,320	2,711
Affordable housing investments	12,097	9,341	7,194
Other	2,208	1,154	1,343
Income tax expense	$ 62,733	$ 24,110	$ 35,773

The major components of the temporary differences that gave rise to deferred tax assets and liabilities at December 31, 2023, and 2022, were as follows:

(Dollars in thousands)	2023	2022
Deferred tax assets		
Allowance for credit losses	$ 32,453	$ 30,464
Deferred compensation	326	346
Postretirement benefits other than pension liability	537	636
Accrued stock-based compensation	2,317	2,216
Interest on nonaccrual loans	336	406
Accrued expenses	7,822	7,454
Net unrealized losses on investment securities	79,652	92,072
State net operating loss	960	1,152
Leasing liability	15,290	15,308
Reserve for unfunded commitments	4,261	4,254
Section 174 capitalized expense	656	0
Other	13,400	516
Total deferred tax assets	158,010	154,824
Deferred tax liabilities		
Tax depreciation in excess of book depreciation	(7,568)	(7,172)
FHLB and FRB stock	(3,911)	(3,912)
Mortgage-servicing rights	(3,956)	(3,825)
Leasing activities	(36,940)	(12,829)
Retirement obligation	(9,811)	(10,197)
Intangible assets	(20,789)	(18,462)
Deferred loan fees and costs	(2,408)	(1,638)
Prepaid expenses	(353)	(645)
Limited partnership investments	(3,062)	(312)
Fair value adjustments on business combinations	(5,788)	(6,736)
Net unrealized gains on derivatives	(1,130)	0
ASU 2016-01 unrealized gain/loss-equity securities	(2,401)	(2,237)
Right of use assets	(12,868)	(12,911)
Other	(3,918)	(3,653)
Total deferred tax liabilities	(114,903)	(84,529)
Total net deferred tax asset (liability)	$ 43,107	$ 70,295

At December 31, 2023 and 2022, the Company had a state net operating loss carryforward from MSFG of $1.7 million and $1.5 million, respectively. This carryforward begins to expire in 2026. The Company expects to fully utilize this net operating loss and, therefore, a valuation allowance was not required at December 31, 2023 and 2022. The acquired MSFG state net operating loss is subject to IRC Section 382 and is limited annually.

The realization of the Company's deferred tax assets is dependent upon the Company's ability to generate taxable income in future periods and the reversal of deferred tax liabilities during the same period. The Company has evaluated the available evidence supporting the realization of its deferred tax assets and determined it is more likely than not that the assets will be realized and thus no valuation allowance was recorded at December 31, 2023 and 2022.

The Bank's retained earnings at December 31, 2023 and 2022 included base-year bad debt reserves of $16.1 million. Base-year reserves are subject to recapture in the event the Bank redeems its stock, makes distributions in excess of current and accumulated earnings and profits (as calculated for federal income tax purposes), loses its "bank" status or liquidates. The

Bank has no intention of meeting any of the criteria for recapture. Accordingly, a deferred income tax liability of $3.4 million has not been recorded.

At December 31, 2023, First Financial had no unrecognized tax benefits compared to $1.9 million at both December 31, 2022 and 2021. As defined by FASB ASC Topic 740-10, Income Taxes, an unrecognized tax benefit is a position that if recognized would favorably impact the effective income tax rate in future periods. The unrecognized tax benefits in 2022 and 2021 were related to state income tax exposures where the Company believed it was likely that, upon examination, a state may have taken a position contrary to the position taken by First Financial. A resolution regarding the Company's uncertain tax position resulted in partial recognition of the benefit in the second quarter of 2023. First Financial recognizes interest accrued related to unrecognized tax benefits and penalties as income tax expense. At December 31, 2023, 2022 and 2021, the Company had no interest or penalties recorded.

At December 31, 2023, First Financial had no unrecognized tax benefits as determined in FASB ASC Topic 740-10, Income Taxes, that, if recognized, would favorably affect the effective income tax rate in future periods. As of both December 31, 2022 and 2021, First Financial had $1.9 million of unrecognized tax benefits, as determined in FASB ASC Topic 740-10, Income Taxes, that, if recognized, would favorably affect the effective income tax rate in future periods. A progression of gross unrecognized tax benefits as of December 31, 2023, 2022 and 2021 is as follows:

(Dollars in thousands)	2023	2022	2021
Balance at beginning of year	$ 2,386	$ 2,386	$ 2,386
Reductions for tax positions of prior years	(1,909)	0	0
Settlements	(477)	0	0
Balance at end of year	$ 0	$ 2,386	$ 2,386

First Financial and its subsidiaries are subject to U.S. federal income tax as well as state and local income tax in several jurisdictions. Tax years prior to 2020 have been closed and are no longer subject to U.S. federal income tax examinations. Tax years 2020 through 2023 remain open to examination by the federal taxing authority. With limited exception, First Financial is no longer subject to state and local income tax examinations for years prior to 2019.

17. Employee Benefit Plans

Pension plan. First Financial sponsors a non-contributory defined benefit pension plan covering substantially all employees and uses a December 31 measurement date for the plan. Plan assets were primarily invested in fixed income and equity mutual funds. The pension plan does not directly own any shares of First Financial common stock or any other First Financial security or product.

The investment objective of the Plan is to structure the assets to mirror the liabilities of the Plan, with the fixed income component matching the identified near and long-term plan distributions and the equity component generating growth of capital to meet other future Plan liabilities. The determination of the overall expected long-term return on plan assets was based on the composition of plan assets and long-term asset class return estimates developed by the Plan advisor, as well as a consensus of estimates from similarly managed portfolios of expected future returns.

First Financial recorded expense related to its pension plan of $3.5 million for 2023, $2.0 million for 2022 and $3.4 million for 2021. The components of net periodic benefit cost other than the service cost component are included in Other noninterest expense while service costs are recorded as a component Salaries and employee benefits in the Consolidated Statements of Income.

First Financial made no cash contributions to the pension plan in 2023, 2022 or 2021 and does not expect to make any contributions in 2024.

The following tables set forth information concerning amounts recognized in First Financial's Consolidated Balance Sheets and Consolidated Statements of Income related to the Company's pension plan:

(Dollars in thousands)	December 31, 2023	2022
Change in benefit obligation		
Benefit obligation at beginning of year	$ 80,006	$ 93,271
Service cost	9,291	9,065
Interest cost	4,279	2,585
Actuarial (gain) loss	6,687	(16,655)
Benefits paid, excluding settlement	(6,830)	(8,260)
Benefit obligation at end of year	93,433	80,006
Change in plan assets		
Fair value of plan assets at beginning of year	133,449	163,382
Actual return on plan assets	17,921	(21,673)
Benefits paid, excluding settlement	(6,830)	(8,260)
Fair value of plan assets at end of year	144,540	133,449
Amounts recognized in the Consolidated Balance Sheets		
Assets	51,106	53,443
Liabilities	0	0
Net amount recognized	$ 51,106	$ 53,443
Amounts recognized in accumulated other comprehensive income (loss)		
Net actuarial loss	$ 40,459	$ 41,628
Net prior service cost	22	32
Deferred tax assets	(9,364)	(9,637)
Net amount recognized	$ 31,117	$ 32,023
Change in accumulated other comprehensive income (loss)	$ (906)	$ 11,177
Accumulated benefit obligation	$ 92,953	$ 79,236

The change in the defined benefit obligations for the period was a result of the liabilities generating gains due to a large negative change in the interest crediting rate as well as an increase in the discount rate.

The components of net periodic benefit cost are shown in the table that follows:

(Dollars in thousands)	December 31, 2023	2022	2021
Service cost	$ 9,291	$ 9,065	$ 9,128
Interest cost	4,279	2,585	2,157
Expected return on assets	(10,802)	(10,982)	(10,118)
Amortization of prior service cost (credit)	10	(302)	(413)
Recognized net actuarial loss	737	1,636	2,611
Net periodic benefit (income) cost	3,515	2,002	3,365
Other changes recognized in accumulated other comprehensive income (loss)			
Net actuarial (gain) loss	(432)	16,001	(3,068)
Prior service cost	0	0	0
Amortization of prior service cost	(10)	302	413
Amortization of gain	(737)	(1,636)	(2,611)
Total recognized in accumulated other comprehensive income (loss)	(1,179)	14,667	(5,266)
Total recognized in net periodic benefit cost and accumulated other comprehensive income (loss)	$ 2,336	$ 16,669	$ (1,901)

The pension plan assumptions are shown in the table that follows:

	December 31, 2023	2022	2021
Benefit obligations			
Discount rate	5.18 %	5.50 %	2.89 %
Rate of compensation increase	3.50 %	3.50 %	3.50 %
Weighted average interest crediting rate	4.93 %	5.20 %	2.58 %
Net periodic benefit cost			
Discount rate	5.50 %	2.89 %	2.55 %
Expected return on plan assets	7.25 %	7.25 %	7.25 %
Rate of compensation increase	3.50 %	3.50 %	3.50 %
Weighted average interest crediting rate	5.20 %	2.58 %	2.14 %

The fair value of the plan assets as of December 31, 2023 by asset category is shown in the table that follows:

	Fair Value Measurements			
(Dollars in thousands)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset Category				
Cash	$ 193	$ 193	$ 0	$ 0
U. S. Government agencies	2,751	0	2,751	0
Fixed income mutual funds	53,022	53,022	0	0
Equity mutual funds	74,301	74,301	0	0
Total assets in fair value hierarchy	130,267	127,516	2,751	0
Collective trusts	14,273	0	0	0
Investments at fair value	$ 144,540	$ 127,516	$ 2,751	$ 0

The fair value of the plan assets as of December 31, 2022 by asset category is shown in the table that follows:

(Dollars in thousands)	Total	Fair Value Measurements: Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value Measurements: Significant Observable Inputs (Level 2)	Fair Value Measurements: Significant Unobservable Inputs (Level 3)
Asset Category				
Cash	$ 158	$ 158	$ 0	$ 0
U. S. Government agencies	4,602	0	4,602	0
Fixed income mutual funds	47,234	47,234	0	0
Equity mutual funds	67,316	67,316	0	0
Total assets in fair value hierarchy	119,310	114,708	4,602	0
Collective trusts	14,139	0	0	0
Investments at fair value	$ 133,449	$ 114,708	$ 4,602	$ 0

The pension plan utilizes values provided by third-party pricing vendors to price investment securities in accordance with the fair value hierarchy of the Fair Value Topic and reviews the pricing methodologies utilized by the pricing vendors to ensure that the fair value determination is consistent with the applicable accounting guidance.

The level within the fair value hierarchy is based on the lowest level of input that is significant in the fair value measurement. The following methods, assumptions and valuation techniques were used by First Financial to measure the financial assets in the Company's pension plan.

U.S. Government and Government Agency Securities. These securities are valued using matrix pricing models developed by a third party and consider standard input factors such as observable market data, benchmark yields, interest rate volatilities, broker/dealer quotes, credit spreads and new issue data. Matrix pricing is widely used to value securities without solely
relying on quoted market prices for specific securities (Level 2).

Mutual funds. Mutual funds held by the pension plan are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission and are valued at the daily closing price as reported by the fund. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded (Level 1).

Collective trusts. The collective trusts are alternative investments valued at the net asset value of units of the collective trusts. The net asset value is used as a practical expedient to estimate fair value and is priced quarterly on a month lag. This practical expedient would not be used if it is determined to be probable that the fund will sell the investment for an amount different from the reported net asset value. Participant transactions (purchases and sales) may occur daily. If the plan initiates a full redemption of the collective trusts, the issuer reserves the right to require 12 months notification in order to ensure that securities liquidations will be carried out in an orderly business manner.

Investments measured at fair value using net asset value per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the hierarchy tables for such investments are intended to permit reconciliation to the fair value of plan assets at the end of the year.

See Note 23 – Fair Value Disclosures for further information related to the framework for measuring fair value and the fair value hierarchy.

The following benefit payments, which reflect expected future service, are expected to be paid:

(Dollars in thousands)	Expected benefit payments
2024	$ 6,184
2025	6,994
2026	6,772
2027	8,137
2028	7,645
Thereafter	49,048

401(k) plan. First Financial sponsors a defined contribution 401(k) plan which covers substantially all employees. Employees may contribute up to 50% of their earnings into the plan, not to exceed applicable limitations prescribed by the Internal Revenue Service. First Financial's contributions to the 401(k) plan are discretionary. The Company made no contributions to the 401(k) plan during the years ended December 31, 2023, 2022 or 2021.

18. Revenue Recognition

The majority of the Company's revenues come from sources that are outside of the scope of ASU 2014-09, Revenue from Contracts with Customers. Income sources that are outside of this standard include income earned on loans, leases, securities, derivatives and foreign exchange, excluding spot transactions. The Company's services that fall within the scope of ASU 2014-09 are presented within Noninterest income and are recognized as revenue when the Company satisfies its obligation to the customer. Services within the scope of this guidance include service charges on deposits, trust and wealth management fees, bankcard income, foreign exchange spot income, gain/loss on the sale of OREO and investment brokerage fees.

Service charges on deposit accounts. The Company earns revenues from its deposit customers for transaction-based fees, account maintenance fees and overdraft fees. Transaction-based fees, which include services such as ATM use fees, stop payment charges, statement rendering and ACH fees, are recognized at the time the transaction is executed as that is the point in time the Company fulfills the customer's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Company satisfies the performance obligation. Similarly, overdraft fees are recognized at the point in time that the overdraft occurs as this corresponds with the Company's performance obligation. Service charges on deposit accounts are withdrawn from the customer's deposit account.

Wealth management fees. Wealth management fees are primarily asset-based, but can also include flat fees based upon a specific service rendered, such as tax preparation services. The Company’s performance obligation is generally satisfied over time and the resulting fees are recognized monthly, based upon the month-end market value of the assets under management and the applicable fees. The Company does not earn performance-based incentives. Optional services such as real estate sales and tax return preparation services are also available to existing trust and wealth management customers. The Company’s performance obligation for these transactional-based services is generally satisfied, and related revenue recognized, as incurred.

Wealth management fees also includes brokerage revenue. Brokerage revenue represents fees from investment brokerage services provided to customers by a third party provider. The Company receives commissions from the third-party service provider on a monthly basis based upon customer activity for the month. The fees are recognized monthly and a receivable is recorded until commissions are paid the following month. Because the Company (i) acts as an agent in arranging the relationship between the customer and the third-party service provider and (ii) does not control the services rendered to the customers, investment brokerage fees are presented net of related costs.

Bankcard income. The Company earns interchange fees from cardholder transactions conducted through the Visa payment network. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized concurrent with the transaction processing services provided to the cardholder. Interchange income is presented on the Consolidated Statements of Income net of expenses. Gross interchange income for 2023 was $29.7 million, and was partially offset by $15.7 million of expenses within Noninterest income. Gross interchange income for 2022 was $29.5 million, and was partially offset by $15.1 million of expenses within Noninterest income, while gross interchange income for 2021 was $27.9 million, and was partially offset by $13.6 million of expenses within Noninterest income.

Foreign exchange income. Foreign exchange income includes both spot and forward income in First Financial's Consolidated Statements of Income. Forward income is excluded from the scope of ASU 2019-04, however, spot income is within the scope of the guidance. A foreign exchange spot trade is a trade made for immediate exchange and delivery of the currency, thus satisfying the performance obligation. Income from foreign exchange spot trades was $9.8 million, $7.3 million and $6.5 million for 2023, 2022 and 2021, respectively.

Other. Other noninterest income includes other recurring revenue streams such as transaction fees, safe deposit rental income, insurance commissions, merchant referral income and gain (loss) on sale of OREO. Transaction fees primarily include check printing sales commissions, collection fees and wire transfer fees which arise from in-branch transactions. Safe deposit rental income arises from fees charged to the customer on an annual basis and recognized upon receipt of payment. Insurance commissions are agent commissions earned by the Company and earned upon the effective date of the bound coverage. Merchant referral income is associated with a program whereby the Company receives a share of processing revenue that is generated from clients that were referred by First Financial to the service provider. Revenue is recognized at the time when the transaction occurs.

The Company records a gain or loss from the sale of OREO when control of the property transfers to the buyer, which generally occurs at the time of the executed deed. When the Company finances the sale of OREO to the buyer, the Company assesses whether the buyer is committed to perform their obligations under the contract and whether collectibility of the transaction price is probable. Once these criteria are met, the OREO asset is removed and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer.

19. Accumulated Other Comprehensive Income (Loss)

Shareholders' equity is affected by transactions and valuations of asset and liability positions that require adjustments to accumulated other comprehensive income (loss). The related tax effects allocated to other comprehensive income and accumulated other comprehensive income (loss) are as follows:

	December 31, 2023							
	Total other comprehensive income (loss)					Total accumulated other comprehensive income (loss)		
(Dollars in thousands)	Prior to reclass	Reclass from	Pre-tax	Tax effect	Net of tax	Beginning balance	Net activity	Ending balance
Unrealized gain (loss) on debt securities	$ 55,129	$ (1,258)	$ 56,387	$ (12,420)	$ 43,967	$ (325,925)	$ 43,967	$ (281,958)
Unrealized gain (loss) on derivatives	4,648	(237)	4,885	(1,130)	3,755	0	3,755	3,755
Retirement obligation	432	(747)	1,179	(273)	906	(32,023)	906	(31,117)
Foreign currency translation	216	0	216	0	216	(715)	216	(499)
Total	$ 60,425	$ (2,242)	$ 62,667	$ (13,823)	$ 48,844	$ (358,663)	$ 48,844	$ (309,819)

	December 31, 2022							
	Total other comprehensive income (loss)					Total accumulated other comprehensive income (loss)		
(Dollars in thousands)	Prior to reclass	Reclass from	Pre-tax	Tax-effect	Net of tax	Beginning Balance	Net Activity	Ending Balance
Unrealized gain (loss) on debt securities	$ (444,257)	$ 569	$ (444,826)	$ 97,863	$ (346,963)	$ 21,038	$ (346,963)	$ (325,925)
Retirement obligation	(16,000)	(1,334)	(14,666)	3,489	(11,177)	(20,846)	(11,177)	(32,023)
Foreign currency translation	(90)	0	(90)	0	(90)	(625)	(90)	(715)
Total	$ (460,347)	$ (765)	$ (459,582)	$ 101,352	$ (358,230)	$ (433)	$ (358,230)	$ (358,663)

	December 31, 2021							
	Total other comprehensive income (loss)					Total accumulated other comprehensive income (loss)		
(Dollars in thousands)	Prior to reclass	Reclass from	Pre-tax	Tax-effect	Net of tax	Beginning Balance	Net Activity	Ending Balance
Unrealized gain (loss) on debt securities	$ (67,759)	$ (759)	$ (67,000)	$ 14,462	$ (52,538)	$ 73,576	$ (52,538)	$ 21,038
Retirement obligation	3,068	(2,198)	5,266	(1,200)	4,066	(24,912)	4,066	(20,846)
Foreign currency translation	(625)	0	(625)	0	(625)	0	(625)	(625)
Total	$ (65,316)	$ (2,957)	$ (62,359)	$ 13,262	$ (49,097)	$ 48,664	$ (49,097)	$ (433)

The following table details the activity reclassified from accumulated other comprehensive income into income during the period:

	Amount Reclassified from Accumulated Other Comprehensive Income [1]			
	December 31,			
(Dollars in thousands)	2023	2022	2021	Affected Line Item in the Consolidated Statements of Income
Gain and loss on cash flow hedges				
Interest rate contracts	$ (237)	$ 0	$ 0	Interest expense - deposits
Realized gains and losses on securities available-for-sale	(1,258)	569	(759)	Net gain (loss) on sales/transfers of investment securities
Defined benefit pension plan				
Amortization of prior service cost [2]	(10)	302	413	Other noninterest expense
Recognized net actuarial loss [2]	(737)	(1,636)	(2,611)	Other noninterest expense
Amortization and settlement charges of defined benefit pension items	(747)	(1,334)	(2,198)	
Total reclassifications for the period, before tax	$ (2,242)	$ (765)	$ (2,957)	

[1] Negative amounts are debits to profit/loss.
[2] Included in the computation of net periodic pension cost (see Note 17 - Employee Benefit Plans for additional details)

20. Capital

Risk-based capital. First Financial and its subsidiary, First Financial Bank, are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations involve quantitative measures of assets, liabilities and certain off-balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet minimum capital requirements can initiate regulatory action.

The Board of Governors of the Federal Reserve System approved Basel III in order to strengthen the regulatory capital framework for all banking organizations, subject to a phase-in period for certain provisions. Basel III established and defined quantitative measures to ensure capital adequacy. These measures require First Financial to maintain minimum amounts and ratios of Common equity Tier 1 capital, Total and Tier 1 capital to risk-weighted assets and Tier 1 capital to average assets (Leverage ratio).

Basel III includes a minimum ratio of Common equity Tier 1 capital to risk-weighted assets of 7.0% and a fully phased-in capital conservation buffer of 2.5% of risk-weighted assets. Further, the minimum ratio of Tier 1 capital to risk-weighted assets is 8.5% and all banks are subject to a 4.0% minimum leverage ratio, while the required Total risk-based capital ratio is 10.50%. Failure to maintain the required Common equity Tier 1 capital will result in potential restrictions on a bank's ability to pay dividends, repurchase stock and pay discretionary compensation to its employees. The capital requirements also provide strict eligibility criteria for regulatory capital instruments and change the method for calculating risk-weighted assets in an effort to better identify riskier assets, such as highly volatile commercial real estate and nonaccrual loans.

As of December 31, 2023, First Financial met all capital adequacy requirements to which it was subject. To be categorized as well-capitalized, First Financial must maintain minimum Total risk-based capital, Tier 1 risk-based capital and Tier 1 leverage

ratios as set forth in the table that follows. The Company's most recent regulatory notifications categorized First Financial as "well-capitalized" under the regulatory framework for prompt corrective action. There have been no conditions or events since those notifications that management believes have changed the Company's categorization. Total regulatory capital exceeded the minimum requirement by $416.0 million on a consolidated basis at December 31, 2023.

The following tables present the actual and required capital amounts and ratios as of December 31, 2023 and 2022 under the Basel III Capital Rules. Capital levels required to be considered "well capitalized" are based upon prompt corrective action regulations, as reflected in the Basel III Capital Rules.

	Actual		Minimum capital required - Basel III		PCA requirement to be considered well capitalized	
(Dollars in thousands)	Capital amount	Ratio	Capital amount	Ratio	Capital amount	Ratio
December 31, 2023						
Common equity tier 1 capital to risk-weighted assets						
Consolidated	$ 1,568,815	11.73 %	$ 936,192	7.00 %	N/A	N/A
First Financial Bank	1,701,338	12.73 %	935,746	7.00 %	$ 868,907	6.50 %
Tier 1 capital to risk-weighted assets						
Consolidated	1,613,480	12.06 %	1,136,805	8.50 %	N/A	N/A
First Financial Bank	1,701,840	12.73 %	1,136,263	8.50 %	1,069,424	8.00 %
Total capital to risk-weighted assets						
Consolidated	1,820,285	13.61 %	1,404,289	10.50 %	N/A	N/A
First Financial Bank	1,743,521	13.04 %	1,403,619	10.50 %	1,336,780	10.00 %
Leverage						
Consolidated	1,613,480	9.70 %	665,125	4.00 %	N/A	N/A
First Financial Bank	1,701,840	10.24 %	664,781	4.00 %	830,976	5.00 %

	Actual		Minimum capital required - Basel III		PCA requirement to be considered well capitalized	
(Dollars in thousands)	Capital amount	Ratio	Capital amount	Ratio	Capital amount	Ratio
December 31, 2022						
Common equity tier 1 capital to risk-weighted assets						
Consolidated	$ 1,399,420	10.83 %	$ 904,626	7.00 %	N/A	N/A
First Financial Bank	1,581,328	12.26 %	903,244	7.00 %	$ 838,726	6.50 %
Tier 1 capital to risk-weighted assets						
Consolidated	1,443,698	11.17 %	1,098,475	8.50 %	N/A	N/A
First Financial Bank	1,581,900	12.26 %	1,096,796	8.50 %	1,032,278	8.00 %
Total capital to risk-weighted assets						
Consolidated	1,691,255	13.09 %	1,356,939	10.50 %	N/A	N/A
First Financial Bank	1,640,671	12.71 %	1,354,865	10.50 %	1,290,348	10.00 %
Leverage						
Consolidated	1,443,698	8.89 %	649,636	4.00 %	N/A	N/A
First Financial Bank	1,581,900	9.76 %	648,607	4.00 %	810,759	5.00 %

Share repurchases. The 2022 Repurchase Plan replaced the plan that expired on December 31, 2022 (the 2020 Repurchase Plan). Under the 2022 Repurchase Plan, First Financial did not repurchase any shares during 2023 or 2022. Under the 2020 Repurchase Plan, First Financial repurchased 4,633,355 shares at an average market price of $23.33 during 2021.

Effective January 2024, First Financial's board of directors approved a stock repurchase plan (the 2024 Repurchase Plan), replacing the 2022 Repurchase Plan which became effective in January 2022. The 2024 Repurchase Plan continues for two years and authorizes the purchase of up to 5,000,000 shares of the Company's common stock and will expire in December 2025.

21. Stock Options and Awards

Compensation cost for all stock-based awards at fair value on the date of grant and recognition of compensation expense over the service period for all awards expected to vest. First Financial recorded share-based compensation expense within salaries and employee benefits on the Consolidated Statements of Income of $14.9 million, $13.4 million and $9.6 million for the years ended December 31, 2023, 2022 and 2021, respectively, related to stock options and restricted stock awards. Total unrecognized compensation cost related to non-vested share-based compensation was $12.7 million at December 31, 2023 and is expected to be recognized over a weighted average period of 1.89 years.

As of December 31, 2023, First Financial had one active stock-based compensation plans, the 2020 Stock Plan, and there were 2,400,802 shares available for issuance.

In April 2018, in conjunction with the MSFG merger, First Financial assumed existing MSFG stock options, which were converted into options to purchase 83,551 shares of First Financial common stock. The converted MSFG options remain subject to all of the terms and conditions of the plan and grant agreements under which the MSFG Stock Options were originally issued. The assumed options were exercisable at the time of the merger and remained outstanding for 10 years after the initial grant date with all options expiring at the end of the exercise period. All options were exercised prior to their expiration date of April 10, 2023. Therefore, as of December 31, 2023, no options were outstanding under the Plan.

First Financial utilizes the Black-Scholes valuation model to determine the fair value of stock options granted. In addition to the stock option strike price, the Black-Scholes valuation model incorporates the following assumptions: the expected dividend yield based on historical dividend payouts; the expected stock price volatility based on the historical volatility of Company stock for a period approximating the expected life of the options; the risk-free rate based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected life of the option; and the expected option life represented by the period of time the options are expected to be outstanding, and is based on historical trends. No new options were granted in 2023, 2022 or 2021.

Stock option activity for the year ended December 31, 2023, is summarized as follows:

(Dollars in thousands, except share and per share data)	Number of shares	Weighted average exercise price	Weighted average remaining contractual life	Aggregate intrinsic value
Outstanding at beginning of year	4,855	$ 9.86		
Granted	0	0.00		
Exercised	(4,855)	9.86		
Forfeited or expired	0	0.00		
Outstanding at end of year	0	$ 0	0.00 years	$ 0
Exercisable at end of year	0	$ 0	0.00 years	$ 0

The intrinsic value of stock options is defined as the difference between the current market value and the exercise price. First Financial uses treasury shares purchased under the Company's share repurchase program to satisfy share-based exercises.

	2023	2022	2021
Total intrinsic value of options exercised	$ 71	$ 208	$ 114
Cash received from exercises	$ 48	$ 177	$ 64
Tax benefit from exercises	$ 3,446	$ 3,095	$ 2,229

Restricted stock awards are recorded at fair value as of the grant date as a component of shareholders' equity and amortized on a straight-line basis to salaries and benefits expense over the specified vesting periods, which is currently three years for employees and one year for non-employee directors. The vesting of these awards for employees and non-employee directors may require a service period to be met, and certain awards may also require performance measures to be met.

Activity in restricted stock for the previous three years ended December 31 is summarized as follows:

	2023		2022		2021	
	Number of shares	Weighted average grant date fair value	Number of shares	Weighted average grant date fair value	Number of shares	Weighted average grant date fair value
Nonvested at beginning of year	1,229,346	$ 21.28	839,733	$ 22.30	763,283	$ 22.04
Granted	623,742	20.05	945,193	23.57	539,020	22.69
Vested	(728,126)	18.87	(407,386)	28.05	(386,848)	22.24
Forfeited	(52,931)	25.68	(148,194)	18.40	(75,722)	22.86
Nonvested at end of year	1,072,031	$ 21.75	1,229,346	$ 21.28	839,733	$ 22.30

The fair value of restricted stock is determined based on the number of shares granted and the quoted price of First Financial's common stock. The fair value of restricted stock vested during 2023, 2022 and 2021 was $13.7 million, $11.4 million and $8.6 million, respectively.

22. Earnings per Common Share

The following table sets forth the computation of basic and diluted earnings per share:

(Dollars in thousands, except share and per share data)	2023	2022	2021
Numerator			
Net income	$ 255,863	$ 217,612	$ 205,160
Denominator			
Basic earnings per common share - weighted average shares	93,938,772	93,528,712	95,034,690
Effect of dilutive securities			
Employee stock awards	1,157,295	1,058,139	862,695
Diluted earnings per common share - adjusted weighted average shares	95,096,067	94,586,851	95,897,385
Earnings per share available to common shareholders			
Basic	$ 2.72	$ 2.33	$ 2.16
Diluted	$ 2.69	$ 2.30	$ 2.14

Stock options and warrants with exercise prices greater than the average market price of the common shares are excluded from the computation of net income per diluted share, as they would be antidilutive. Using the end of period price of the Company's common shares, there were no antidilutive options at December 31, 2023, 2022, or 2021.

As of December 31, 2023, 2022, and 2021, First Financial was authorized to issue 10,000,000 preferred shares; however, no preferred shares were issued or outstanding.

23. Fair Value Disclosures

The fair value framework as disclosed in the Fair Value Topic includes a hierarchy which focuses on prioritizing the inputs used in valuation techniques. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), a lower priority to observable inputs other than quoted prices in active markets for identical assets and liabilities (Level 2) and the lowest priority to unobservable inputs (Level 3). When determining the fair value measurements for assets and liabilities, First Financial looks to active markets to price identical assets or liabilities whenever possible and classifies such items in Level 1. When identical assets and liabilities are not traded in active markets, First Financial looks to observable market data for similar assets and liabilities and classifies such items as Level 2. Certain assets and liabilities are not actively traded in observable markets and First Financial must use alternative techniques, based on unobservable inputs, to determine the fair value and classifies such items as Level 3. The level within the fair value hierarchy is based on the lowest level of input that is significant in the fair value measurement.

The estimated fair values of First Financial's financial instruments not measured at fair value on a recurring or nonrecurring basis in the consolidated financial

statements were as follows:

(Dollars in thousands)	Carrying value	Estimated fair value			
		Total	Level 1	Level 2	Level 3
December 31, 2023					
Financial assets					
Cash and short-term investments	$ 1,006,019	$ 1,006,019	$ 1,006,019	$ 0	$ 0
Investment securities held-to-maturity	80,321	71,688	0	71,688	0
Other investments [1]	20,554	20,554	1,194	10,040	9,320
Loans and leases	10,791,743	10,468,144	0	0	10,468,144
Accrued interest receivable	72,620	72,620	0	15,697	56,923
Financial liabilities					
Deposits	13,360,797	13,347,319	0	13,347,319	0
Short-term borrowings	937,814	937,814	937,814	0	0
Long-term debt	344,115	350,426	0	350,426	0
Accrued interest payable	51,454	51,454	15,494	35,960	0

(Dollars in thousands)	Carrying Value	Estimated Fair Value			
		Total	Level 1	Level 2	Level 3
December 31, 2022					
Financial assets					
Cash and short-term investments	$ 595,683	$ 595,683	$ 595,683	$ 0	$ 0
Investment securities held-to-maturity	84,021	76,485	0	76,485	0
Other investments [1]	20,347	20,347	1,171	10,040	9,136
Loans and leases	10,165,994	9,916,353	0	0	9,916,353
Accrued interest receivable	63,721	63,721	0	16,233	47,488
Financial liabilities					
Deposits	12,701,177	12,670,747	0	12,670,747	0
Short-term borrowings	1,287,156	1,287,156	1,287,156	0	0
Long-term debt	346,672	348,041	0	348,041	0
Accrued interest payable	11,150	11,150	3,835	7,315	0

[1] FHLB stock and FRB stock of $109.4 million and $122.8 million as of December 31, 2023 and 2022, respectively, are excluded from the numbers above.

The following methods, assumptions and valuation techniques were used by First Financial to measure different financial assets and liabilities at fair value on a recurring or nonrecurring basis.

Investment securities. Investment securities classified as available-for-sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted market prices, when available (Level 1). If quoted market prices are not available, fair values are measured utilizing independent valuation techniques of identical or similar investment securities. First Financial compiles prices from various sources who may apply such techniques as matrix pricing to determine the value of identical or similar investment securities (Level 2). Matrix pricing is a mathematical technique widely used in the banking industry to value investment securities without relying exclusively on quoted prices for the specific investment securities but rather relying on the investment securities' relationship to other benchmark quoted investment securities. Any investment securities not valued based upon the methods previously described are considered Level 3.

First Financial utilizes values provided by third-party pricing vendors to price the investment securities portfolio in accordance with the fair value hierarchy of the Fair Value Topic and reviews the pricing methodologies utilized by the pricing vendors to ensure that the fair value determination is consistent with the applicable accounting guidance. First Financial's pricing process includes a series of quality assurance activities where prices are compared to recent market conditions, historical prices and other independent pricing services. Further, the Company periodically validates the fair value of a sample of securities in the portfolio by comparing the fair values to prices from other independent sources for the same or similar securities. First Financial analyzes unusual or significant variances, conducts additional research with the pricing vendor, and if necessary, takes appropriate action based on its findings. The results of the quality assurance process are incorporated into the selection of pricing providers by the portfolio manager.

Loans held for sale. The fair value of the Company's residential mortgage loans held for sale is determined on a recurring basis based on quoted prices for similar loans in active markets, and therefore, is classified as Level 2 in the fair value hierarchy.

Derivatives. The fair values of derivative instruments are based primarily on a net present value calculation of the cash flows related to the interest rate swaps and foreign exchange contracts at the reporting date, using primarily observable market inputs such as interest rate yield curves, which represents the cost to terminate the swap if First Financial should choose to do so. Additionally, First Financial utilizes an internally-developed model to value the credit risk component of derivative assets and liabilities, which is recorded as an adjustment to the fair value of the derivative asset or liability on the reporting date. Derivative instruments are classified as Level 2 in the fair value hierarchy.

Collateral dependent loans. Collateral dependent loans are defined as loans for which the repayment is expected to be provided substantially through the operation or sale of the collateral when the borrowers are experiencing financial difficulty. Collateral dependent loans are carried at fair value when the value of the operation or collateral less any costs to sell is not sufficient to cover the remaining balance. In these instances, the loans will either be partially charged-off

or receive specific allocations of the allowance for credit losses. For collateral dependent loans, fair value is generally based on real estate appraisals, a calculation of enterprise value or a valuation of business assets including equipment, inventory and accounts receivable. These loans had a principal amount of $19.7 million and $11.9 million at December 31, 2023 and December 31, 2022, respectively, with a valuation allowance of $4.4 million and $3.7 million at December 31, 2023 and December 31, 2022, respectively.

The value of real estate collateral is determined utilizing an income or market valuation approach based on an appraisal conducted by an independent, licensed third-party appraiser (Level 3). These appraisals may utilize a single valuation approach or a combination of approaches including the comparable sales approach and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Collateral is then adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and the client's business, resulting in a Level 3 fair value classification. Collateral dependent loans are evaluated on a quarterly basis for additional write-downs and are adjusted accordingly.

Enterprise value is defined as imputed value for the entire underlying business. To determine an appropriate range of enterprise value, FFB relies on a standardized set of valuation methodologies that take into account future projected cash flows, market based multiples as well as asset values. Valuations involve both quantitative and qualitative considerations and professional judgments concerning differences in financial and operating characteristics in addition to other factors that may impact values over time (Level 3).

The value of business equipment is based on an outside appraisal, if deemed significant, or the net book value on the applicable borrower financial statements. Likewise, values for inventory and accounts receivable collateral are based on borrower financial statement balances or aging reports on a discounted basis as appropriate (Level 3).

The fair value of collateral dependent loans is measured at fair value on a nonrecurring basis. Any fair value adjustments are recorded in the period incurred as provision for credit losses on the Consolidated Statements of Income.

Mortgage servicing rights. Mortgage servicing rights are evaluated for impairment based upon the fair value of the rights as compared to the carrying amount. If the carrying amount of the servicing asset exceeds fair value, impairment is recorded so that the servicing asset is carried at fair value. Fair value is determined based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model utilizes a discount rate of 11.50% and 12.20% for 2023 and 2022, respectively, weighted average prepayment speed of 5.92% and 3.43% for 2023 and 2022, respectively, and other economic factors that market participants would use in estimating future net servicing income and that can be validated against available market data.

OREO. Assets acquired through loan foreclosure are recorded at fair value less costs to sell, with any difference between the fair value of the property and the carrying value of the loan recorded as a charge-off establishing a new cost basis. Subsequent changes in value are reported as adjustments to the carrying amount and are recorded in noninterest expense. The carrying value of OREO is not re-measured to fair value on a recurring basis, but is subject to fair value adjustments when the carrying value differs from the fair value, less estimated selling costs. Fair value is based on recent real estate appraisals and is updated at least annually. The Company classifies OREO in level 3 of the fair value hierarchy.

Operating leases. First Financial performs assessments of the recoverability of long-lived assets when events or changes in circumstances indicate that their carrying values may not be recoverable and therefore, the carrying value of Operating leases is re-measured at fair value on a nonrecurring basis. When evaluating whether an individual asset is impaired, First Financial considers the current fair value of the asset, the changes in overall market demand for the asset and the rate of change in advancements associated with technological improvements that impact the demand for the specific asset under review. First Financial determines whether the carrying values of certain operating leases are not recoverable and as a result, records an impairment loss equal to the amount by which the carrying value of the assets exceeds the fair value. The fair value amounts are generally based on appraised values of the assets, resulting in a classification within Level 3 of the valuation hierarchy.

The financial assets and liabilities measured at fair value on a recurring basis in the consolidated financial statements, were as follows:

	Fair Value Measurements Using			Assets/Liabilities
(Dollars in thousands)	Level 1	Level 2	Level 3	at Fair Value
December 31, 2023				
Assets				
Investment securities available-for-sale	$ 31,243	$ 2,956,938	$ 32,945	$ 3,021,126
Loans held for sale	0	9,213	0	9,213
Interest rate derivative contracts	0	117,344	0	117,344
Foreign exchange derivative contracts	0	145,556	0	145,556
Interest rate floors	0	6,896	0	6,896
Total	$ 31,243	$ 3,235,947	$ 32,945	$ 3,300,135
Liabilities				
Interest rate derivative contracts	$ 0	$ 118,105	$ 0	$ 118,105
Foreign exchange derivative contracts	0	145,556	0	145,556
Total	$ 0	$ 263,661	$ 0	$ 263,661

	Fair Value Measurements Using			Assets/Liabilities
(Dollars in thousands)	Level 1	Level 2	Level 3	at Fair Value
December 31, 2022				
Assets				
Investment securities available-for-sale	$ 32,696	$ 3,341,095	$ 35,857	$ 3,409,648

Loans held for sale	0	7,918	0	7,918
Interest rate derivative contracts	0	152,846	0	152,846
Foreign exchange derivative contracts	0	204,882	0	204,882
Total	$ 32,696	$ 3,706,741	$ 35,857	$ 3,775,294
Liabilities				
Interest rate derivative contracts	$ 0	$ 153,119	$ 0	$ 153,119
Foreign exchange derivative contracts	0	204,882	0	204,882
Total	$ 0	$ 358,001	$ 0	$ 358,001

The following table presents a reconciliation for certain AFS securities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2023, 2022 and 2021.

(dollars in thousands)	December 31, 2023	December 31, 2022	December 31, 2021
Beginning balance	$ 35,857	$ 38,181	$ 40,575
Accretion (amortization)	(104)	(56)	(38)
Increase (decrease) in fair value	(99)	45	44
Purchases (settlements)	(2,709)	(2,313)	(2,400)
Ending balance	$ 32,945	$ 35,857	$ 38,181

Certain financial assets and liabilities are measured at fair value on a nonrecurring basis. Adjustments to the fair market value of these assets usually result from the application of fair value accounting or write-downs of individual assets. The following table summarizes financial assets and liabilities measured at fair value on a nonrecurring basis:

	Fair Value Measurements Using		
(Dollars in thousands)	Level 1	Level 2	Level 3
December 31, 2023			
Assets			
Collateral dependent loans			
Commercial	$ 0	$ 0	$ 1,795
Commercial real estate	0	0	13,538
OREO	0	0	106
Operating leases	0	0	0

	Fair Value Measurements Using		
(Dollars in thousands)	Level 1	Level 2	Level 3
December 31, 2022			
Assets			
Collateral dependent loans			
Commercial	$ 0	$ 0	$ 4,240
Commercial real estate	0	0	4,015
OREO	0	0	0
Operating leases	0	0	0

Fair value option. First Financial may elect to report most financial instruments and certain other items at fair value on an instrument-by instrument basis with changes in fair value reported in net income. After the initial adoption, the election is made at the acquisition of an eligible financial asset, financial liability, or firm commitment or when certain specified reconsideration events occur. The fair value election may not be revoked once an election is made.

The Company elected the fair value option for residential mortgage loans held for sale. This election allows for a more effective offset of the changes in fair values of the loans held for sale and the derivative financial instruments used to financially hedge them without having to apply complex hedge accounting requirements. The fair value of the Company's residential mortgage loans held for sale was determined based on quoted prices for similar loans in active markets.

The aggregate fair value of the Company's residential mortgage loans held for sale as of December 31, 2023 and 2022 was $9.2 million and $7.9 million, respectively. The aggregate unpaid principal balance of the Company's residential mortgage loans held for sale as of December 31, 2023 and 2022 was $8.5 million and $7.5 million, respectively. The resulting difference between the aggregate fair value and the aggregate remaining principal balance for loans for which the fair value option has been elected was $0.7 million and $0.4 million as of December 31, 2023 and 2022, respectively.

Changes in the estimated fair value of residential mortgage loans held for sale are reported as a component of Net gain from sales of loans in the Company's Consolidated Statements of Income. For the years ended December 31, 2023 and 2022, the change in fair value of the Company's residential mortgage loans held for sale was a net gain of $0.3 million and a net loss of $1.9 million, respectively.

24. First Financial Bancorp. (Parent Company Only) Financial Information

Balance Sheets

(Dollars in thousands)	December 31, 2023	2022
Assets		
Cash	$ 134,745	$ 91,013
Investment securities	1,134	1,681
Subordinated notes from subsidiaries	7,500	7,500
Investment in subsidiaries		
Commercial bank	2,334,411	2,161,338
Non-banks	8,915	11,246
Total investment in subsidiaries	2,343,326	2,172,584
Premises and equipment	274	283
Other assets	101,001	86,355
Total assets	$ 2,587,980	$ 2,359,416
Liabilities		
Subordinated notes	$ 312,550	$ 311,707
Dividends payable	1,440	1,271
Other liabilities	6,016	5,065
Total liabilities	320,006	318,043
Shareholders' equity	2,267,974	2,041,373
Total liabilities and shareholders' equity	$ 2,587,980	$ 2,359,416

Statements of Income and Comprehensive Income (Loss)

(Dollars in thousands)	Years Ended December 31, 2023	2022	2021
Income			
Interest income	$ 42	$ 37	$ 34
Noninterest income	1,230	13	215
Net gain (loss) on equity securities	(546)	(156)	448
Dividends from subsidiaries	164,974	171,900	202,000
Total income	165,700	171,794	202,697
Expenses			
Interest expense	18,305	16,624	15,900
Salaries and employee benefits	16,351	13,547	9,784
Professional services	1,510	256	2,343
Other	5,281	5,581	5,186
Total expenses	41,447	36,008	33,213
Income before income taxes and equity in undistributed net earnings of subsidiaries	124,253	135,786	169,484
Income tax expense (benefit)	(9,879)	(8,523)	(7,787)
Equity in undistributed earnings (loss) of subsidiaries	121,731	73,303	27,889
Net income	$ 255,863	$ 217,612	$ 205,160
Comprehensive income (loss)	$ 304,707	$ (140,618)	$ 156,063

Statements of Cash Flows

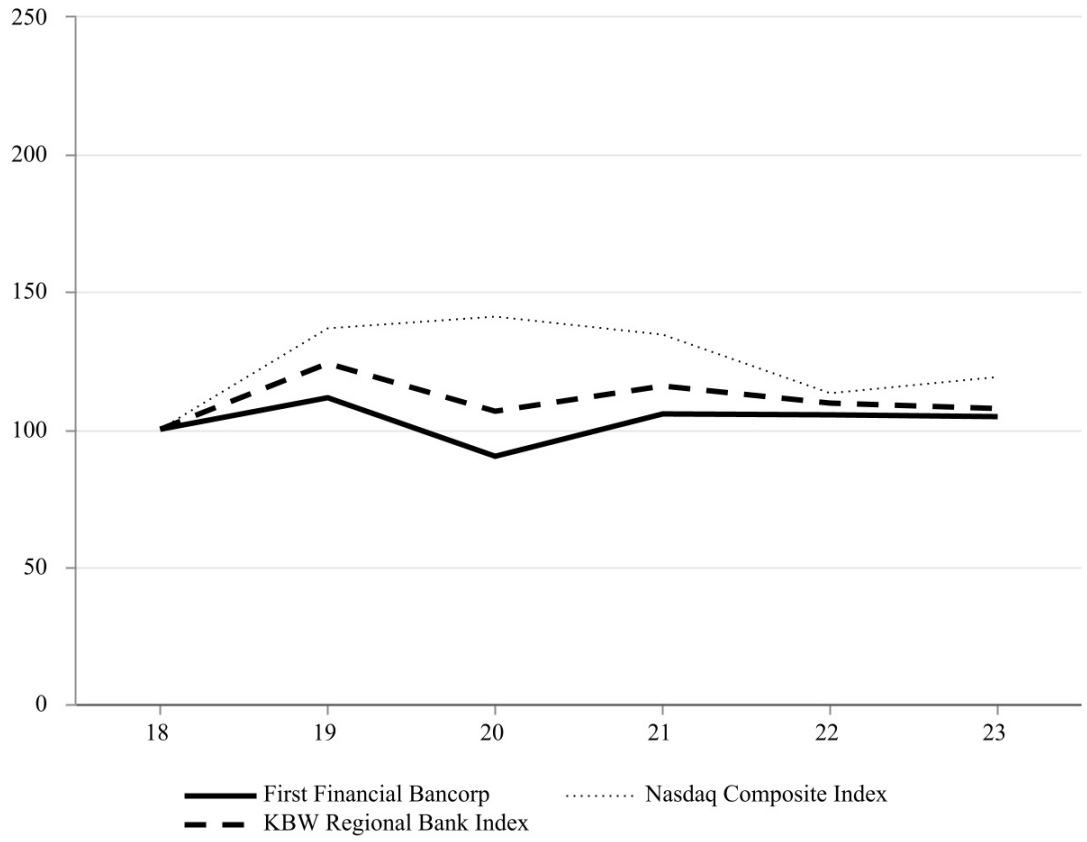
(Dollars in thousands)	Years Ended December 31, 2023	2022	2021
Operating activities			
Net income	$ 255,863	$ 217,612	$ 205,160
Adjustments to reconcile net income to net cash provided by operating activities			
Equity in undistributed (earnings) loss of subsidiaries	(121,731)	(73,303)	(27,889)
Depreciation and amortization	975	860	859
Stock-based compensation expense	14,898	13,379	9,635
Unrealized (gain) loss on equity securities	546	156	(448)
Deferred income taxes	(285)	(475)	(224)
(Decrease) increase in dividends payable	169	229	368
(Decrease) increase in other liabilities	(213)	634	(751)
Decrease (increase) in other assets	(10,129)	(8,748)	(8,096)
Net cash provided by (used in) operating activities	140,093	150,344	178,614
Investing activities			
Capital contributions to subsidiaries	(167)	0	(113,152)
Net cash acquired (paid) in business combinations	(3,400)	0	0
Purchases of premises and equipment	(13)	0	0
Other	0	1,011	0
Net cash (used in) provided by investing activities	(3,580)	1,011	(113,152)
Financing activities			
(Decrease) increase in short-term borrowings	0	(20,000)	20,000
Proceeds from long-term borrowings	0	0	(10,592)
Cash dividends paid on common stock	(87,159)	(86,606)	(87,316)
Purchases of common stock	0	0	(108,077)
Proceeds from exercise of stock options, net of shares purchased	48	177	64
Other	(5,670)	(3,659)	(2,697)
Net cash provided by (used in) financing activities	(92,781)	(110,088)	(188,618)
Net increase (decrease) in cash	43,732	41,267	(123,156)
Cash at beginning of year	91,013	49,746	172,902
Cash at end of year	$ 134,745	$ 91,013	$ 49,746

Total Return to Shareholders

The following graph compares the five-year cumulative total return to shareholders of First Financial Bancorp common stock with that of companies that comprise the Nasdaq Composite Index and the KBW Regional Bank Index. The KBW Regional Bank Index is comprised of 50 banks headquartered throughout the country and is used frequently by investors when comparing First Financial Bancorp's stock performance to that of other similarly sized institutions. First Financial Bancorp is included in the KBW Regional Bank Index.

The following table assumes $100 invested on December 31, 2018 in First Financial Bancorp, the Nasdaq Composite Index and the KBW Regional Bank Index, and assumes that dividends are reinvested.

COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN
AMONG FIRST FINANCIAL BANCORP, NASDAQ COMPOSITE INDEX
AND KBW REGIONAL BANK INDEX



	2018	2019	2020	2021	2022	2023
First Financial Bancorp	100.00	111.29	90.21	105.56	105.01	104.48
Nasdaq Composite Index	100.00	136.73	140.76	134.29	113.08	118.79
KBW Regional Bank Index	100.00	123.87	106.35	115.61	109.51	107.46

EXHIBIT 21

FIRST FINANCIAL BANCORP. SUBSIDIARIES (as of 12/31/23)

Name	State of Other Jurisdiction of Incorporation or Organization
First Financial Bank	Ohio
First Financial Collateral, Inc.	Indiana
First Financial Equipment Finance, LLC	Ohio
First Franchise Capital Corporation	Indiana
Irwin Home Equity Corporation	Indiana
IHE Funding Corp. II	Delaware
MSB Investments of Nevada, Inc.	Nevada
MSB Holdings of Nevada, Inc.	Nevada
MSB of Nevada, LLC	Nevada
First Financial Preferred Capital, Inc.	Ohio
Oak Street Holdings Corporation	Delaware
Oak Street Funding LLC	Delaware
Oak Street Servicing, LLC	Delaware
MainSource Statutory Trust I	Connecticut
MainSource Statutory Trust II	Connecticut
MainSource Statutory Trust III	Delaware
MainSource Statutory Trust IV	Delaware
FCB Bancorp Statutory Trust I	Delaware
OSF Insurance Receivables, LLC	Indiana
Summit Funding Group, Inc.	Ohio
New York Systems Exchange, Inc.	Ohio
Summit RFG Corp.	Ohio
SFG Titling Co.	Ohio
PRC SFG, LLC	Ohio
Summit Financial Services, Inc.-Consolidated	Ohio
Summit-Northlake Canadian Leasing Corporation	Ohio
Summit MFR Leasing II, LLC	Ohio
Summit MFR Leasing, LLC	Ohio
PRC SFG II, LLC	Ohio
Summit Continental Leasing, LLC	Ohio
Yellow Cardinal Corporate Finance, LLC	Ohio

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements of First Financial Bancorp.:

Form S-8 No. 338-86781
Form S-3 No. 333-25745
Form S-3 No. 333-156841
Form S-3 No. 333-153751
Form S-8 No. 333-168675
Form S-8 No. 333-188593
Form S-3 ASR No. 333-197771
Form S-8 No. 333-218188
Form S-3 ASR No. 333-219554
Form S-4 No. 333-220583
Form S-3 ASR No. 333-233701
Form S-8 No. 333-238698
Form S-3 ASR No. 333-262089

of our report dated February 22, 2024 relating to the 2023 consolidated financial statements and effectiveness of internal control over financial reporting, appearing in this Annual Report on Form 10-K.

Crowe LLP

Louisville, Kentucky
February 22, 2024

EXHIBIT 31.1

CERTIFICATIONS

I, Archie M. Brown, President and Chief Executive Officer of First Financial Bancorp., certify that:

1. I have reviewed this annual report on Form 10-K of First Financial Bancorp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: 2/22/2024

/s/ Archie M. Brown

Archie M. Brown
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS

I, James M. Anderson, Executive Vice President, Chief Financial Officer and Chief Operating Officer of First Financial Bancorp., certify that:

1. I have reviewed this annual report on Form 10-K of First Financial Bancorp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: 2/22/2024

/s/ James M. Anderson

James M. Anderson
Executive Vice President, Chief Financial Officer and Chief Operating Officer

EXHIBIT 32.1

CERTIFICATION OF PERIODIC FINANCIAL REPORT BY CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Form 10-K for the annual period ended December 31, 2023, of First Financial Bancorp. (the "Company"), as filed with the Securities and Exchange Commission on February 22, 2024 (the "Report"), I, Archie M. Brown, President and Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Archie M. Brown

Archie M. Brown
President and Chief Executive Officer

February 22, 2024

EXHIBIT 32.2

CERTIFICATION OF PERIODIC FINANCIAL REPORT BY CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Form 10-K for the annual period ended December 31, 2023, of First Financial Bancorp. (the "Company"), as filed with the Securities and Exchange Commission on February 22, 2024 (the "Report"), I, James M. Anderson, Executive Vice President, Chief Financial Officer and Chief Operating Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ James M. Anderson

James M. Anderson
Executive Vice President, Chief Financial Officer and Chief Operating Officer

February 22, 2024

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EXHIBIT 97

POLICY REGARDING RECOUPMENT OF COMPENSATION

Mission Category:	We are Committed to Our Shareholders
Policy Type:	Board of Directors
Responsibility:	Chief Human Resources Officer
Policy Approval Level:	Board of Directors Compensation Committee
Effective Date:	April 23, 2018
Revision Date:	October 24, 2023
Policy No.:	606

POLICY STATEMENT

This policy sets forth the conditions under which First Financial Bancorp or any of its subsidiaries (the "Company") will seek reimbursement or forfeiture of certain incentive compensation paid to or received by (1) any current or former Executive Officer or (2) certain other associates of the Company.

REASON FOR POLICY

This policy is designed to protect the Company and its subsidiaries by creating a disincentive against fraud and other excessively risky or other harmful behaviors by the Company's associates while strengthening the relationship between pay and Company performance.

WHO SHOULD READ THIS POLICY

- All First Financial associates
- Executive Management

POLICY

1. Recoupment of Erroneously Awarded Compensation from Executive Officers

In the event that the Board of Directors, a committee of the Board of Directors, or a court, regulator or other legally authorizing body determines that the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (an "Accounting

Restatement"), the Company will reasonably promptly cancel, recoup or refuse to provide, any Incentive-Based Compensation that was or would be erroneously awarded to any current and former Executive Officer, without regard to the Executive Officer's responsibility for the erroneous financial statements.

Definitions: For purposes of this Policy, "Incentive-Based Compensation" means any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure, including incentive-based compensation in the form of 1) stock awards, stock options, or other awards available under the Amended and Restated 2012 Stock Plan, the 2020 Stock Plan, or any successor stock plan, whether vested or unvested; 2) short-term incentive compensation; 3) individual bonus awards; or 4) payments to be made pursuant to any severance agreement, change in control agreement, or employment agreement. "Financial Reporting Measures" are measures that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measures that are derived wholly or in part from such measures. Stock price and total shareholder return are also financial reporting measures. A financial reporting measure need not be presented within the financial statements or included in a filing with the Commission. "Executive Officer" shall have the meaning of such term in Rule 10D-1 of the Securities Exchange Act of 1934, as amended and Rule 5608 of the Nasdaq Listing Rules.

The amount of Incentive-Based Compensation that must be recovered pursuant to this Policy shall be equal to the amount that exceeds the amount that otherwise would have been received had the compensation been determined based on the restated amounts, computed without regard to any taxes paid (the "Erroneously Awarded Compensation"). For incentive-based compensation based on stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the Accounting Restatement, the amount recovered must be based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total shareholder return upon which the incentive-based compensation was received. Such estimate must be documented and disclosed to the Company's listing exchange. For purposes of this Policy, recoverable incentive-based compensation will be deemed to be received in the fiscal period during which the financial reporting measure specified in the applicable incentive based compensation award is attained, even if the payment or grant occurred after the end of that period.

For purposes of this Policy, recoverable Incentive-Based Compensation means all Incentive-Based Compensation received on or after October 2, 2023 by an Executive Officer (i) after beginning service as an executive officer; (ii) who served as an Executive Officer at any time during the performance period for the Incentive-Based Compensation; (iii) while the Company has a class of securities listed on a national securities exchange or a national securities association; and (iv) during the three (3) completed fiscal years immediately preceding the date the Company is required to prepare a restatement, including any applicable period that results from a change in the Company's fiscal year within or immediately following those three completed fiscal years. For purposes of determining the relevant recovery period, the date that a Company is required to prepare an accounting restatement is the earlier to occur of:

1. The date the Company's board of directors, a committee of the board of directors, or the officer or officers of the Company authorized to take such action if board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an accounting restatement; or

2. The date a court, regulator, or other legally authorized body directs the Company to prepare an accounting restatement.

The Company's obligation to recover erroneously awarded Incentive-Based Compensation is not dependent on if or when the restated financial statements are filed with the Securities and Exchange Commission.

Notwithstanding anything to the contrary, this Policy shall not apply to amounts paid, or accrued and unpaid, as the Executive Officer's base salary through the last day of employment, equity awards that vest exclusively upon completion of a specified employment period, without any performance condition, or bonus awards that are based on subjective goals and goals unrelated to financial reporting measures.

The Company shall recoup the Erroneously Awarded Compensation unless the Compensation Committee, or in the absence of such a committee, a majority of the independent directors serving on the Board of Directors, has made a determination that recovery would be impracticable because:

1. after reasonable attempts to recover such compensation directly, the Compensation Committee of the Board of Directors determines that the cost of hiring a third party to assist in enforcing this Policy would exceed the amount to be recovered. The attempts to recover the compensation must be documented and disclosed to Nasdaq;

2. in the opinion of regional legal counsel acceptable to Nasdaq, the recovery of such compensation would violate home country law where that law was adopted prior to November 28, 2022; or

3. recovery of such compensation would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to all associates, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a).

2. Recoupment of Compensation from Certain Associates

Except where and as prohibited by applicable law, the Company shall have the right to defer, cancel or recoup any payment of, or refuse to provide, any incentive compensation to any associate in the event the Company determines in good faith, acting in its sole discretion, that:
1) The associate's misconduct or negligence has resulted in an Accounting Restatement.

2) An incentive compensation award was based on materially inaccurate data resulting from an associate's fraud, willful misconduct, or gross negligence.

3) The incentive compensation paid or to be paid is related to willful misconduct or gross negligence that either has had, or could reasonably be expected to have, a significant adverse reputational or economic impact on the Company (regardless of financial restatement).

4) The Company becomes subject to any statute, regulation or other government direction that, in the opinion of legal counsel, requires the return of the incentive compensation paid to an associate.

The Company may require reimbursement or forfeiture of all or a portion of any incentive compensation paid to or received by an associate during the three-year period preceding the date on which the Company makes the above determination.

For purposes of this section, an act or omission will not be considered to constitute misconduct, willful or otherwise, if the person in good faith relied upon the advice of the Company's legal counsel, external tax or accounting advisors of the Company, or the independent registered public accounting firm of the Company. For purposes of this section, "misconduct" may also include failure to report properly, or to take appropriate remedial action with respect to, willful misconduct or gross negligence by another person.

For purposes of this section, the recoupment determination shall be made on behalf of the Company by 1) the Compensation Committee of the Board of Directors with respect to any Executive Officer, and 2) by the Chief Executive Officer or his designee with respect to any other associate.

In determining whether to require reimbursement or forfeiture and, if so, the amount of reimbursement or forfeiture, the Compensation Committee and the Chief Executive Officer (or his designee), as applicable, may take into account such factors the Committee or Chief Executive Officer deems appropriate, including but not limited to the following considerations:

1. The extent to which any incentive compensation was based on the achievement of specified performance targets and, if so, whether any such incentive compensation would have been reduced had the misconduct not occurred.
2. The extent to which, prior to the public announcement of the events leading to an Accounting Restatement, the associate sold common shares of the Company and the amount of any sale proceeds received by the associate in excess of the amount that the associate would have received without the restatement.
3. The associate's involvement in and accountability for the misconduct.
4. The likelihood of success in seeking reimbursement or forfeiture and the amount likely to be recovered relative to the effort and expense involved.
5. The extent to which the assertion of a reimbursement or forfeiture claim may prejudice the interests of the Company.
6. The passage of time since the occurrence of the act in respect of the applicable misconduct.
7. Any pending or threatened legal proceeding relating to the applicable misconduct and any actual or anticipated resolution relating thereto.

8. The tax consequences to the Company and the affected associate.

3. General Provisions

A. The Company is prohibited from indemnifying any current or former Executive Officer against (i) the loss of Erroneously Awarded Compensation that is recouped pursuant to this Policy or (ii) any claims related to the Company's enforcement of this Policy.
B. The Company will file all disclosures with respect to this Policy as required by the Securities and Exchange Commission.
C. The Company may take any action permitted by law to recover amounts recoverable under this policy from an associate.
D. The Compensation Committee, with respect to Executive Officers, and the Chief Executive Officer, with respect to other associates, shall each have full and final authority to make all determinations required under this Policy and all such determinations shall be final and binding on all persons.
E. The rights and remedies in this policy are cumulative and not exclusive of any other rights or remedies that may be available to the Company or any of its subsidiaries, whether provided by law, equity, statute, agreement, or otherwise.
F. This policy is separate from and in addition to the requirements of Section 304 of the Sarbanes-Oxley Act of 2002 ("Section 304") that are applicable to the Company's Chief Executive Officer and Chief Financial Officer. Any amounts paid to the Company by the Chief Executive Officer and Chief Financial Officer pursuant to Section 304 shall be considered in determining any amount of Erroneously Awarded Compensation under this Policy.

RELATED REFERENCES

Procedure Related to Policy:	Not applicable
Regulation/Statute Related to Policy:	Rule 10D-1 of the Securities and Exchange Act of 1934 17 C.F.R. 229.402 Nasdaq Rule 5608;
Training Related to Policy:	Not applicable
External Documents:	Not applicable