



NEWS RELEASE

First Financial Corporation Reports Second Quarter Results

7/27/2021

TERRE HAUTE, Ind., July 27, 2021 (GLOBE NEWSWIRE) -- First Financial Corporation (NASDAQ:THFF) today announced results for the second quarter of 2021. For the three months ending June 30, 2021:

For the quarter:

- Net income was \$16.6 million compared to \$11.9 million for the same period of 2020;
- Diluted net income per common share of \$1.24 compared to \$0.87 for the same period of 2020; and
- Return on average assets was 1.40% compared to 1.10% for the three months ended June 30, 2020.

The Corporation further reported results for the six months ending June 30, 2021:

- Net income was \$29.5 million compared to \$24.1 million for the same period of 2020;
- Diluted net income per common share of \$2.19 compared to \$1.76 for the same period of 2020; and
- Return on average assets was 1.26% compared to 1.16% for the six months ended June 30, 2020.

"We are pleased with our second quarter results," said Norman L. Lowery, Chairman and Chief Executive Officer. "Our asset quality remains strong which allows us to release some of the credit loss reserves established during the pandemic. Our focus continues to be on our customers and assisting them as they navigate these unusual times."

Average Total Loans

Average total loans for the second quarter of 2021 were \$2.62 billion versus \$2.73 billion for the comparable period in 2020.

Total Loans Outstanding

Total loans outstanding as of June 30, 2021 were \$2.57 billion compared to \$2.78 billion as of June 30, 2020.

Average Total Deposits

Average total deposits for the quarter ended June 30, 2021, were \$3.98 billion versus \$3.53 billion as of June 30, 2020, an increase of \$455 million or 12.90%.

Total Deposits

Total deposits were \$3.99 billion as of June 30, 2021, compared to \$3.57 billion as of June 30, 2020, an increase of \$419 million or 11.73%. On a linked quarter basis, total deposits increased \$83 million from \$3.91 billion for the quarter ending March 31, 2021.

Book Value Per Share

Book Value per share was \$45.08 at June 30, 2021, compared to \$43.04 at June 30, 2020 an increase of 4.73%.

Shareholder Equity

Shareholder equity at June 30, 2021, was \$588.2 million compared to \$590.3 million on June 30, 2020. In the quarter the Corporation repurchased 497,000 shares of its common stock.

Tangible Common Equity to Tangible Asset Ratio

The Corporation's tangible common equity to tangible asset ratio was 10.75% at June 30, 2021, compared to 11.73% at June 30, 2020.

Net Interest Income

Net interest income for the second quarter of 2021 was \$35.6 million, compared to \$35.9 million reported for the same period of 2020.

Net Interest Margin

The net interest margin for the quarter ended June 30, 2021, was 3.23% compared to the 3.97% reported at June 30, 2020.

Nonperforming Loans

Nonperforming loans as of June 30, 2021, were \$20.0 million versus \$23.0 million as of June 30, 2020. The ratio of

nonperforming loans to total loans and leases was 0.78% as of June 30, 2021, versus 0.83% as of June 30, 2020.

Credit Loss Provision

The provision for credit losses for the three months ended June 30, 2021, was \$(2.20) million compared to the \$2.97 million provision for the second quarter of 2020. In the first three quarters of 2020 the provision was calculated using the incurred loss basis. Beginning in the fourth quarter 2020, the provision was calculated using the current expected credit loss accounting standard.

Net Charge-Offs/Recoveries

In the second quarter of 2021 net recoveries were \$152 thousand compared to net charge-offs of \$743 thousand in the same period of 2020.

Allowance for Credit Losses

In March 2020 due to the uncertainty surrounding the global pandemic and as provided by the Coronavirus Aid Relief and Economic Security Act the Corporation elected to delay the implementation of the Current Expected Credit Loss accounting standard. On December 31, 2020 the Corporation adopted ASU 2016-13 (topic 326), "Measurement of Credit Losses on Financial Instruments" commonly referenced as the Current Expected Credit Loss ("CECL") model. CECL was retrospectively adopted on January 1, 2020.

The Corporation's allowance for credit losses as of June 30, 2021, was \$44.7 million compared to \$23.3 million as of June 30, 2020. The increase is primarily related to the adoption of CECL. The allowance for credit losses as a percent of total loans was 1.74% as of June 30, 2021, compared to 0.84% as of June 30, 2020. The allowance as of June 30, 2021 was calculated using CECL. The allowance as of June 30, 2020 was calculated using the incurred loss method.

Non-Interest Income

Non-interest income for the three months ended June 30, 2021 and 2020 was \$10.9 and \$8.8 million, respectively.

Non-Interest Expense

Non-interest expense for the three months ended June 30, 2021, was \$28.0 million compared to \$26.9 million in 2020.

Efficiency Ratio

The Corporation's efficiency ratio was 58.75% for the quarter ending June 30, 2021, versus 58.78% for the same period in 2020.

Income Taxes

Income tax expense for the six months ended June 30, 2021, was \$7.38 million versus \$5.92 million for the same

period in 2020. The effective tax rate for the second quarter of 2021 was 20.02% compared to 19.71% for same period of 2020.

"I am proud of the dedication of our associates in providing sound advice and financial solutions to our customers, as we continue to navigate through COVID-19 and its related issues," Lowery stated.

About First Financial Corporation

First Financial Corporation (NASDAQ:THFF) is the holding company for First Financial Bank N.A. and The Morris Plan Company of Terre Haute, Inc. First Financial Bank N.A. is the fifth oldest national bank in the United States, operating 80 banking centers in Illinois, Indiana, Kentucky and Tennessee. The Morris Plan Company of Terre Haute, Inc. is a state industrial chartered financial institution operating one office in Terre Haute, Indiana. Additional information is available at www.first-online.bank.

Investor Contact:

Rodger A. McHargue

Chief Financial Officer

P: 812-238-6334

E: rmchargue@first-online.com

	June 30, 2021	Three Months Ended March 31, 2021	June 30, 2020	Six Months Ended June 30, 2021	June 30, 2020
END OF PERIOD BALANCES					
Assets	\$ 4,753,308	\$ 4,681,216	\$ 4,368,112	\$ 4,753,308	\$ 4,368,112
Deposits	\$ 3,988,751	\$ 3,905,348	\$ 3,569,893	\$ 3,988,751	\$ 3,569,893
Loans, including net deferred loan costs	\$ 2,568,713	\$ 2,646,937	\$ 2,777,083	\$ 2,568,713	\$ 2,777,083
Allowance for Credit Losses	\$ 44,732	\$ 46,776	\$ 23,285	\$ 44,732	\$ 23,285
Total Equity	\$ 588,163	\$ 598,112	\$ 590,284	\$ 588,163	\$ 590,284
Tangible Common Equity (a)	\$ 501,459	\$ 510,981	\$ 501,863	\$ 501,459	\$ 501,863
AVERAGE BALANCES					
Total Assets	\$ 4,751,068	\$ 4,600,750	\$ 4,317,011	\$ 4,675,909	\$ 4,169,900
Earning Assets	\$ 4,552,581	\$ 4,404,109	\$ 3,720,477	\$ 4,478,345	\$ 3,673,078
Investments	\$ 1,244,551	\$ 1,133,439	\$ 989,545	\$ 1,188,995	\$ 989,034
Loans	\$ 2,619,887	\$ 2,640,291	\$ 2,727,820	\$ 2,630,089	\$ 2,682,428
Total Deposits	\$ 3,981,243	\$ 3,816,705	\$ 3,526,529	\$ 3,898,974	\$ 3,398,578
Interest-Bearing Deposits	\$ 3,173,782	\$ 3,059,290	\$ 2,858,594	\$ 3,116,536	\$ 2,798,994
Interest-Bearing Liabilities	\$ 101,594	\$ 110,448	\$ 121,791	\$ 106,021	\$ 114,317
Total Equity	\$ 600,599	\$ 600,669	\$ 591,522	\$ 600,634	\$ 580,609
INCOME STATEMENT DATA					
Net Interest Income	\$ 35,628	\$ 34,913	\$ 35,895	\$ 70,541	\$ 72,245
Net Interest Income Fully Tax Equivalent (b)	\$ 36,719	\$ 35,959	\$ 36,962	\$ 72,678	\$ 74,371
Provision for Credit Losses	\$ (2,196)	\$ 452	\$ 2,965	\$ (1,744)	\$ 5,655
Non-interest Income	\$ 10,931	\$ 9,294	\$ 8,776	\$ 20,225	\$ 17,871
Non-interest Expense	\$ 27,996	\$ 27,639	\$ 26,883	\$ 55,635	\$ 54,437
Net Income	\$ 16,614	\$ 12,877	\$ 11,924	\$ 29,491	\$ 24,105
PER SHARE DATA					
Basic and Diluted Net Income Per Common Share	\$ 1.24	\$ 0.95	\$ 0.87	\$ 2.19	\$ 1.76

Cash Dividends Declared Per Common Share	\$	0.53	\$	—	\$	0.52	\$	0.53	\$	0.52
Book Value Per Common Share	\$	45.08	\$	44.2	\$	43.04	\$	45.08	\$	43.04
Tangible Book Value Per Common Share (c)	\$	38.31	\$	37.76	\$	36.68	\$	38.43	\$	36.59
Basic Weighted Average Common Shares Outstanding		13,414		13,533		13,715		13,473		13,727

(a) Tangible common equity is a non-GAAP financial measure derived from GAAP-based amounts. We calculate tangible common equity by excluding goodwill and other intangible assets from shareholder's equity.

(b) Net interest income fully tax equivalent is a non-GAAP financial measure derived from GAAP-based amounts. We calculate net interest income fully tax equivalent by adding back the tax equivalent factor of tax exempt income to net interest income. We calculate the tax equivalent factor of tax exempt income by dividing tax exempt income by the net of tax rate of 75%.

(c) Tangible book value per common share is a non-GAAP financial measure derived from GAAP-based amounts. We calculate the factor by dividing average tangible common equity by average shares outstanding. We calculate average tangible common equity by excluding average intangible assets from average shareholder's equity.

Key Ratios	Three Months Ended		June 30, 2020	Six Months Ended	
	June 30, 2021	March 31, 2021		June 30, 2021	June 30, 2020
Return on average assets	1.40 %	1.12 %	1.10 %	1.26 %	1.16 %
Return on average common shareholder's equity	11.06 %	8.58 %	8.06 %	9.82 %	8.30 %
Efficiency ratio	58.75 %	61.08 %	58.78 %	59.89 %	59.02 %
Average equity to average assets	12.64 %	13.06 %	13.70 %	12.85 %	13.92 %
Net interest margin (a)	3.23 %	3.27 %	3.97 %	3.25 %	4.05 %
Net charge-offs to average loans and leases	(0.02) %	0.11 %	0.11 %	0.04 %	0.17 %
Credit loss reserve to loans and leases	1.74 %	1.77 %	0.84 %	1.74 %	0.84 %
Credit loss reserve to nonperforming loans	223.46 %	222.64 %	101.12 %	223.46 %	101.12 %
Nonperforming loans to loans and leases	0.78 %	0.79 %	0.83 %	0.78 %	0.83 %
Tier 1 leverage	10.72 %	11.34 %	11.64 %	10.72 %	11.64 %
Risk-based capital - Tier 1	17.15 %	16.17 %	15.44 %	17.15 %	15.44 %

(a) Net interest margin is calculated on a tax equivalent basis.

Asset Quality	Three Months Ended		June 30, 2020	Six Months Ended	
	June 30, 2021	March 31, 2021		June 30, 2021	June 30, 2020
Accruing loans and leases past due 30-89 days	\$ 9,430	\$ 8,373	\$ 15,358	\$ 9,430	\$ 15,358
Accruing loans and leases past due 90 days or more	\$ 1,202	\$ 2,001	\$ 4,438	\$ 1,202	\$ 4,438
Nonaccrual loans and leases	\$ 14,356	\$ 14,545	\$ 14,634	\$ 14,356	\$ 14,634
Total troubled debt restructuring	\$ 4,460	\$ 4,464	\$ 3,899	\$ 4,460	\$ 3,899
Other real estate owned	\$ 989	\$ 942	\$ 3,577	\$ 989	\$ 3,577
Nonperforming loans and other real estate owned	\$ 21,007	\$ 21,952	\$ 26,548	\$ 21,007	\$ 26,548
Total nonperforming assets	\$ 24,272	\$ 25,280	\$ 29,493	\$ 24,272	\$ 29,493
Gross charge-offs	\$ 1,151	\$ 2,338	\$ 1,540	\$ 3,489	\$ 4,444

Recoveries	\$	1,303	\$	1,610	\$	797	\$	2,913	\$	2,131
Net charge-offs/(recoveries)	\$	(152)	\$	728	\$	743	\$	576	\$	2,313

CONSOLIDATED BALANCE SHEETS

(Dollar amounts in thousands, except per share data)

	June 30, 2021	December 31, 2020
	(unaudited)	
ASSETS		
Cash and due from banks	\$ 677,862	\$ 657,470
Federal funds sold	516	301
Securities available-for-sale	1,219,625	1,020,744
Loans:		
Commercial	1,521,707	1,521,711
Residential	564,859	604,652
Consumer	482,147	479,750
	<u>2,568,713</u>	<u>2,606,113</u>
(Less) plus:		
Net deferred loan costs	2,241	4,181
Allowance for credit losses	<u>(44,732)</u>	<u>(47,052)</u>
	2,526,222	2,563,242
Restricted stock	14,825	14,812
Accrued interest receivable	15,103	16,957
Premises and equipment, net	63,895	62,063
Bank-owned life insurance	106,560	95,849
Goodwill	78,592	78,592
Other intangible assets	8,112	8,972
Other real estate owned	989	1,012
Other assets	41,007	37,530
TOTAL ASSETS	<u>\$ 4,753,308</u>	<u>\$ 4,557,544</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Non-interest-bearing	\$ 780,528	\$ 732,694
Interest-bearing:		
Certificates of deposit exceeding the FDIC insurance limits	77,647	107,764
Other interest-bearing deposits	<u>3,130,576</u>	<u>2,915,487</u>
	3,988,751	3,755,945
Short-term borrowings	98,525	116,061
FHLB advances	5,888	5,859
Other liabilities	71,981	82,687
TOTAL LIABILITIES	<u>4,165,145</u>	<u>3,960,552</u>
Shareholders' equity		
Common stock, \$.125 stated value per share;		
Authorized shares-40,000,000		
Issued shares-16,096,313 in 2021 and 16,075,154 in 2020	2,008	2,007
Outstanding shares-13,048,229 in 2021 and 13,558,511 in 2020	141,240	140,820
Additional paid-in capital	543,595	521,103
Retained earnings	1,412	9,764
Accumulated other comprehensive income/(loss)	<u>(100,092)</u>	<u>(76,702)</u>
Less: Treasury shares at cost-3,048,084 in 2021 and 2,516,643 in 2020	588,163	596,992
TOTAL SHAREHOLDERS' EQUITY	<u>\$ 4,753,308</u>	<u>\$ 4,557,544</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(Dollar amounts in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(unaudited)			
INTEREST INCOME:				
Loans, including related fees	\$ 31,966	\$ 33,224	\$ 63,823	\$ 68,258
Securities:				
Taxable	3,355	3,624	6,434	7,653
Tax-exempt	2,163	2,008	4,237	3,946
Other	387	400	733	802
TOTAL INTEREST INCOME	<u>37,871</u>	<u>39,256</u>	<u>75,227</u>	<u>80,659</u>
INTEREST EXPENSE:				
Deposits	2,090	3,019	4,376	7,549
Short-term borrowings	94	101	192	368
Other borrowings	59	241	118	497
TOTAL INTEREST EXPENSE	<u>2,243</u>	<u>3,361</u>	<u>4,686</u>	<u>8,414</u>
NET INTEREST INCOME	<u>35,628</u>	<u>35,895</u>	<u>70,541</u>	<u>72,245</u>
Provision for credit losses	(2,196)	2,965	(1,744)	5,655
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	<u>37,824</u>	<u>32,930</u>	<u>72,285</u>	<u>66,590</u>
NON-INTEREST INCOME:				
Trust and financial services	1,313	1,288	2,618	2,822
Service charges and fees on deposit accounts	2,327	2,102	4,570	5,100
Other service charges and fees	5,039	3,869	9,281	7,199
Securities gains (losses), net	258	31	106	225
Gain on sales of mortgage loans	1,450	1,205	2,843	1,903
Other	544	281	807	622
TOTAL NON-INTEREST INCOME	<u>10,931</u>	<u>8,776</u>	<u>20,225</u>	<u>17,871</u>
NON-INTEREST EXPENSE:				
Salaries and employee benefits	16,031	14,323	31,708	30,295
Occupancy expense	2,002	2,162	4,151	4,091
Equipment expense	2,440	2,673	5,018	5,134
FDIC Expense	287	49	585	(181)
Other	7,236	7,676	14,173	15,098
TOTAL NON-INTEREST EXPENSE	<u>27,996</u>	<u>26,883</u>	<u>55,635</u>	<u>54,437</u>
INCOME BEFORE INCOME TAXES	<u>20,759</u>	<u>14,823</u>	<u>36,875</u>	<u>30,024</u>
Provision for income taxes	4,145	2,899	7,384	5,919
NET INCOME	<u>16,614</u>	<u>11,924</u>	<u>29,491</u>	<u>24,105</u>
OTHER COMPREHENSIVE INCOME				
Change in unrealized gains/(losses) on securities, net of reclassifications and taxes	1,772	3,130	(9,296)	16,228
Change in funded status of post retirement benefits, net of taxes	472	384	944	788
COMPREHENSIVE INCOME	<u>\$ 18,858</u>	<u>\$ 15,438</u>	<u>\$ 21,139</u>	<u>\$ 41,121</u>
PER SHARE DATA				
Basic and Diluted Earnings per Share	<u>\$ 1.24</u>	<u>\$ 0.87</u>	<u>\$ 2.19</u>	<u>\$ 1.76</u>
Weighted average number of shares outstanding (in thousands)	<u>13,414</u>	<u>13,715</u>	<u>13,473</u>	<u>13,727</u>

Source: First Financial Corporation Indiana