First Financial Bancorp

Third Quarter 2014 Earnings Release

Supplemental Information

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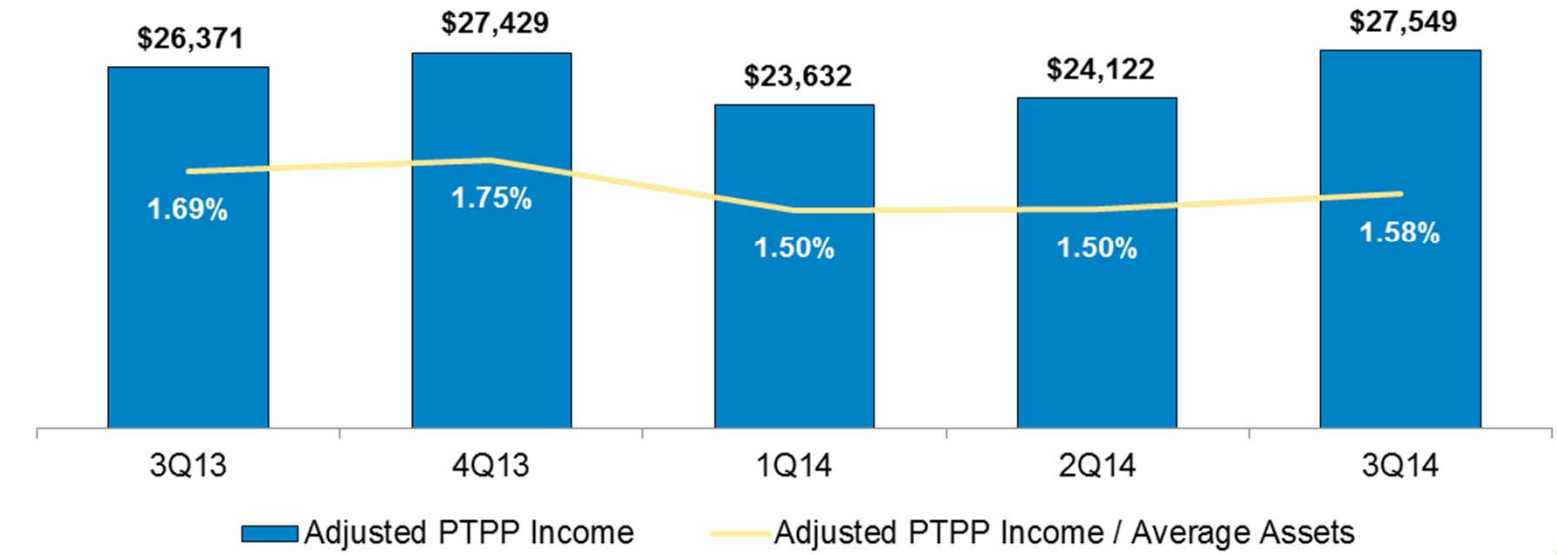
Forward Looking Statement Disclosure

Certain statements contained in this release which are not statements of historical fact constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act. Examples of forward-looking statements include, but are not limited to, projections of revenues, income or loss, earnings or loss per share, the payment or non-payment of dividends, capital structure and other financial items, statements of plans and objectives of First Financial or its management or board of directors and statements of future economic performances and statements of assumptions underlying such statements. Words such as ‘‘believes,’’ ‘‘anticipates,’’ “likely,” “expected,” ‘‘intends,’’ and other similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. Management’s analysis contains forward-looking statements that are provided to assist in the understanding of anticipated future financial performance. However, such performance involves risks and uncertainties that may cause actual results to differ materially. These factors include, but are not limited to: economic, market, liquidity, credit, interest rate, operational and technological risks associated with the Company’s business; the effect of and changes in policies and laws or regulatory agencies (notably the recently enacted Dodd-Frank Wall Street Reform and Consumer Protection Act); management’s ability to effectively execute its business plan; mergers and acquisitions, including costs or difficulties related to the integration of acquired companies; the Company’s ability to comply with the terms of loss sharing agreements with the FDIC; the effect of changes in accounting policies and practices; and the costs and effects of litigation and of unexpected or adverse outcomes in such litigation. Please refer to the Company’s Annual Report on Form 10-K for the year ended December 31, 2013, as well as its other filings with the SEC, for a more detailed discussion of these risks, uncertainties and other factors that could cause actual results to differ from those discussed in the forward-looking statements. Such forward-looking statements are meaningful only on the date when such statements are made, and the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such a statement is made to reflect the occurrence of unanticipated events.

Adjusted Pre-Tax, Pre-Provision Income Trend

- ↗ Adjusted pre-tax, pre-provision ("PTPP") income represents income before taxes plus provision for all loans less FDIC loss sharing income and accelerated discount adjusted for significant non-operating and non-recurring items
- ↗ Third quarter adjusted PTPP income increased $3.4 million compared to the linked quarter on higher net interest income resulting from continued organic asset generation as well as the Columbus, Ohio acquisitions during the period

(Dollars in thousands)



Adjusted Pre-Tax, Pre-Provision Income

(Dollars in thousands)	For the three months ended				
	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013
Pre-tax, pre-provision income [1]	$ 23,647	$ 22,422	$ 21,660	$ 1,947	$ 23,707
Less: accelerated discount on covered loans	789	621	1,015	1,572	1,711
Plus: loss share and covered asset expense [2]	(431)	1,863	1,602	2,441	1,928
Pre-tax, pre-provision income, net of accelerated discount and loss on covered OREO	22,427	23,664	22,247	2,816	23,924
Less: gain on sales of investment securities	-	-	50	-	-
Less: other income not expected to recur	97	-	-	-	-
Plus: pension settlement charges	-	-	-	462	1,396
Plus: expenses related to efficiency initiative	309	(59)	350	1,450	1,051
Plus: FDIC indemnification asset valuation adjustment	-	-	-	22,417	-
Plus: acquisition-related expenses	4,182	517	620	284	-
Plus: other expenses not expected to recur	728	-	465	-	-
Adjusted pre-tax, pre-provision income	$ 27,549	$ 24,122	$ 23,632	$ 27,429	$ 26,371

[1] Represents income before taxes plus provision for all loans less FDIC loss sharing income

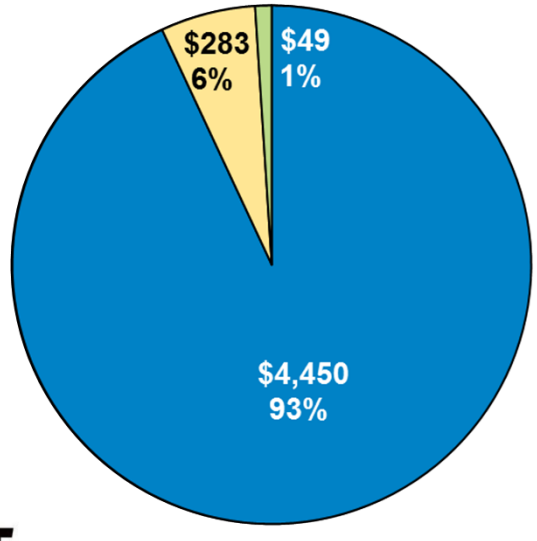
[2] Reimbursements related to losses on covered OREO and other credit-related costs are included in FDIC loss sharing income, which is excluded from the pre-tax, pre-provision income above

Loan Composition

- Covered loans likely to retain – performing credits both in- and out-of-market
  - Expected to retain past the expiration of applicable loss sharing agreements with the FDIC
- Covered loans likely to exit – primarily classified credits both in- and out-of-market
  - Pursuing resolution strategies with intent to exit under loss sharing agreements with the FDIC
- Commercial loss share expiration
  - Approximately $190.3 million of covered loans lost FDIC loss sharing protection effective October 1, 2014

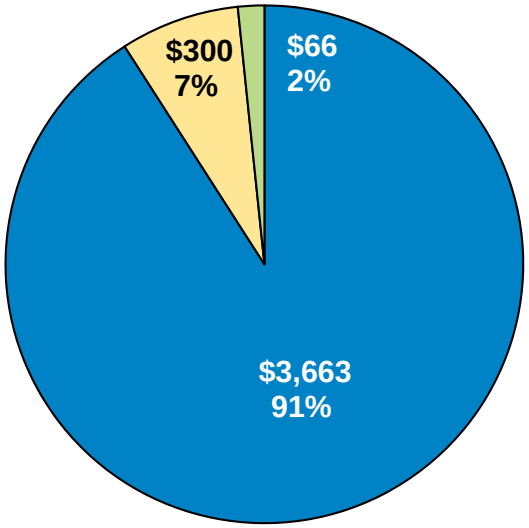
Total Gross Loans – $4.8 billion
As of September 30, 2014

(Dollars in millions)



Total Gross Loans – $4.0 billion
As of June 30, 2014

(Dollars in millions)



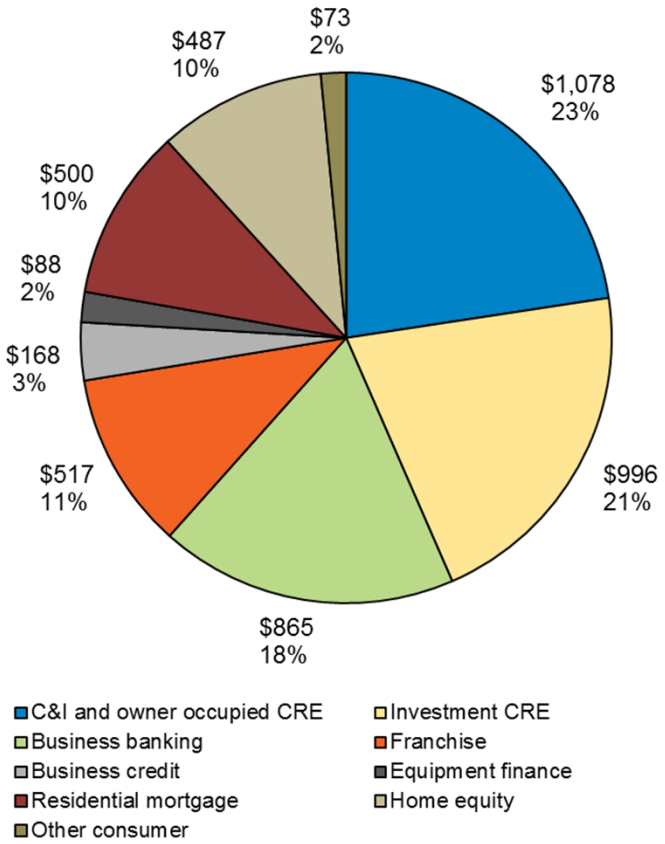
Uncovered loans
Covered loans likely to retain
Covered loans likely to exit

Loan Composition

- ↗ Total loans, excluding loans acquired during the period, increased $147.7 million, or 14.6% on an annualized basis, compared to the linked quarter
- ↗ Third quarter growth driven by performance in specialty finance, C&I / owner-occupied CRE and franchise finance
- ↗ Uncovered loan growth has exceeded covered loan decline for seven of the past eight quarters

Total Uncovered Loans and Covered Loans Likely to Retain – $4.8 billion[1]
As of September 30, 2014

(Dollars in millions)



[1] Includes unpaid principal balance of covered loans likely to retain and excludes loan mark / other of ($37.7) million associated with these loans

Credit Product Diversity

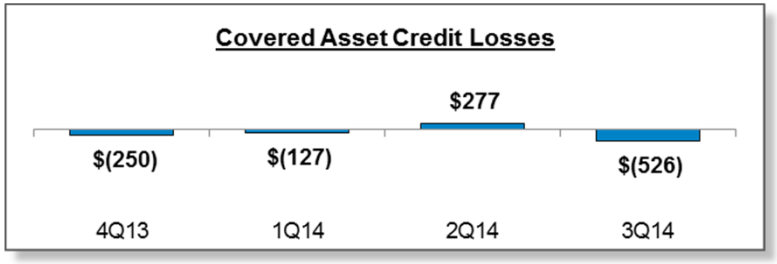
- During the third quarter, the Company's comprehensive set of credit products produced solid loan growth driven though multiple channels led by specialty finance, C&I / owner occupied CRE and franchise finance lending

Category *(Dollars in thousands)*	As of December 31, 2008	Percent of Portfolio	As of June 30, 2014 [1]	Percent of Portfolio	As of September 30, 2014 [1]	Percent of Portfolio
Commercial and CRE	$1,887,382	70.3%	$2,322,413	58.6%	$2,938,688	62.1%
Franchise finance	-	0.0%	495,756	12.5%	517,156	10.9%
Business credit	-	0.0%	119,141	3.0%	167,969	3.5%
Equipment finance	50	0.0%	92,946	2.3%	87,892	1.9%
Total commercial lending	**1,887,432**	**70.3%**	**3,030,256**	**76.5%**	**3,711,705**	**78.4%**
Residential mortgage	383,599	14.3%	452,279	11.4%	499,700	10.6%
Home equity	286,110	10.7%	455,898	11.5%	486,569	10.3%
Other consumer	126,119	4.7%	68,149	1.7%	72,802	1.5%
Total consumer lending	**795,828**	**29.7%**	**976,326**	**24.6%**	**1,059,071**	**22.4%**
Loan mark / other	-	0.0%	(43,836)	(1.1%)	(37,682)	(0.8%)
Total loans	$2,683,260	100.0%	$3,962,746	100.0%	$4,733,094	100.0%

[1] Includes all uncovered loans and unpaid principal balance of covered loans likely to retain

Components of Covered Asset Credit Losses

(Dollars in thousands)	For the three months ended September 30, 2014	Description
Net incremental impairment / (relief) for period	($890)	Reduction / (increase) in expected cash flows related to certain loan pools net of prior period impairment relief / recapture
Net charge-offs	690	Represents actual net charge-offs of the recorded investment in covered loans during the period [1]
Provision for loan and lease losses - covered	(200)	
(Gain) / loss on sale - covered OREO	(1,433)	
Other credit-related expenses [2]	915	
Total gross credit losses	($718)	
FDIC loss sharing income (Noninterest income)	($192)	Represents receivable / (payable) due from / to the FDIC on estimated losses; calculated as approximately 80% of gross credit losses related to covered assets [3]
	($526)	Difference between these two amounts represents actual credit costs for the period



[1] Investment in covered loans originally recorded at less than unpaid principal balance to reflect anticipated credit losses at time of acquisition

[2] Represents credit related expenses of $1.0 million net of $87 thousand of rental income on covered OREO properties

[3] FDIC loss sharing income was less than 80% of gross credit losses during the period as First Financial received reimbursement from the FDIC for a prior period charge for which indemnification offset was not recognized

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