First Financial Bancorp

Investor Presentation

Third Quarter 2014

first financial bancorp

Another step on the path to success

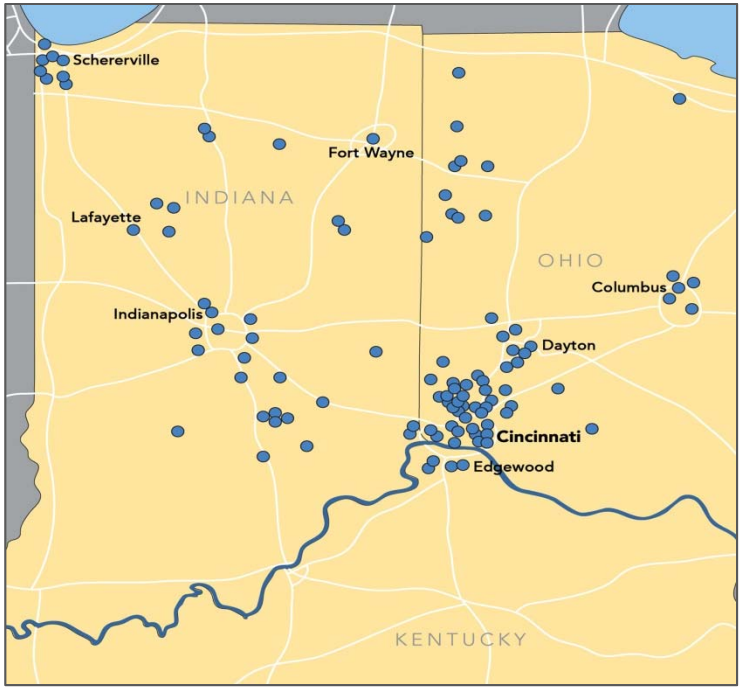
FFBC
NASDAQ
GLOBAL SELECT

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.

Focused Business Strategy

- Client-intimate strategy focused on long-term, profitable relationships with clients
- Strong sales culture across all business lines
- Lines of business
  - Commercial
  - Consumer
  - Wealth Management
  - Mortgage
- Target clients – individuals and small / mid-size businesses located in-market
- Ohio, Indiana and Kentucky
  - 106 locations with focus on metro and near-metro markets
- Primary focus and value creation is through organic growth in key regional markets
- Supplement organic strategy through acquisitions in current footprint as well as contiguous markets with growth opportunities



New Market Expansion

<u>Columbus, OH</u>[(1)] – entered the market through three acquisitions that closed during the third quarter, acquired loans of $606 million and deposits of $569 million on a combined basis

<u>Fort Wayne, IN</u> – added experienced and well established commercial and residential mortgage teams

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

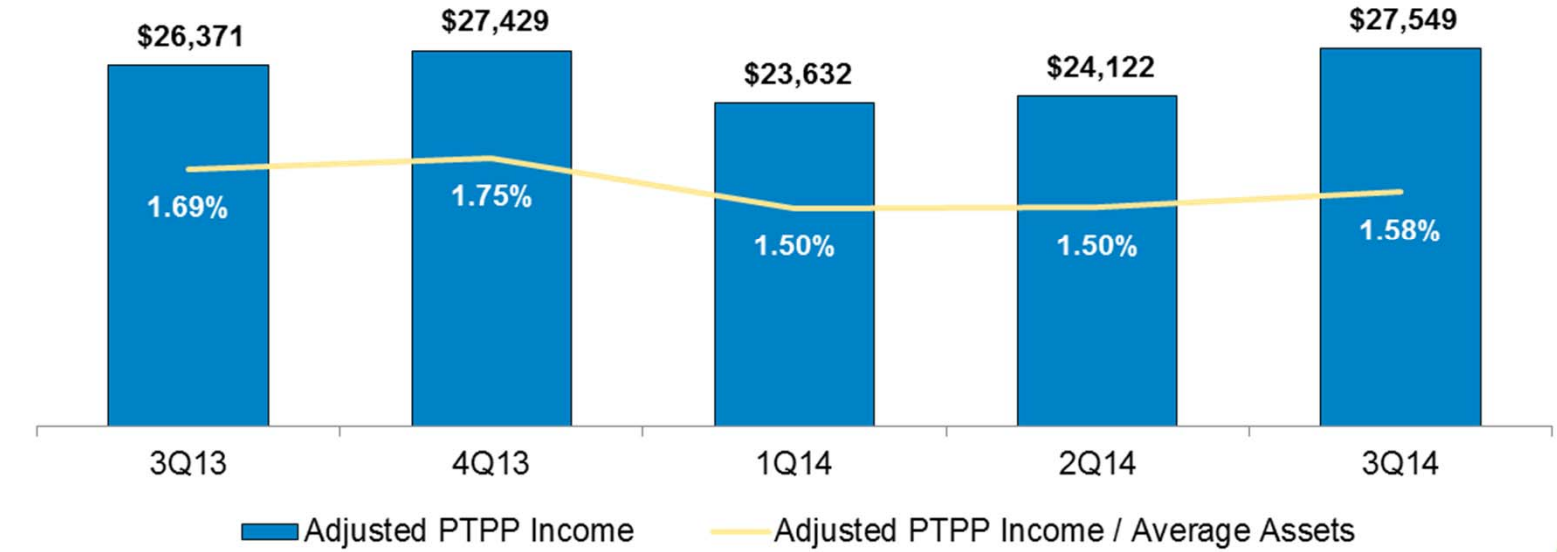
Third Quarter 2014 Financial Highlights

- Third quarter net income of $15.3 million, or $0.26 per diluted common share; $0.31 per diluted common share adjusted for the impact of non-operating items
  - YTD net income of $46.4 million, or $0.79 per diluted common share; $0.86 adjusted for non-operating items
- Continued solid performance
  - Return on average assets of 1.07% adjusted for non-operating items
  - Return on average tangible common equity of 12.39% adjusted for non-operating items
- Board of directors announced 6.7% dividend increase in the quarterly dividend to $0.16 per share
- Entered the attractive Columbus, Ohio market
  - 5 acquired banking centers
  - Total acquired loans of $606 million, net of estimated fair value marks
  - Total acquired deposits of $569 million, net of estimated fair value marks
- Annualized total loan growth of 14.6% on a period-end basis
  - Strong performance in specialty finance, traditional C&I / owner-occupied CRE and franchise lending
- Quarterly net interest margin declined 4 bps to 3.66%
  - Negative impact of covered loan balance decline partially offset by the positive impact from acquired loans, improved loan yields and fee income

Adjusted Pre-Tax, Pre-Provision Income Trend

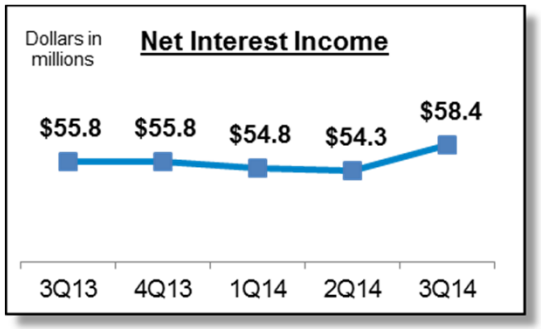
- Adjusted pre-tax, pre-provision ("PTPP") income represents income before taxes plus provision for all loans less FDIC loss sharing income and accelerated discount adjusted for significant non-operating and non-recurring items
- Third quarter adjusted PTPP income increased $3.4 million compared to the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

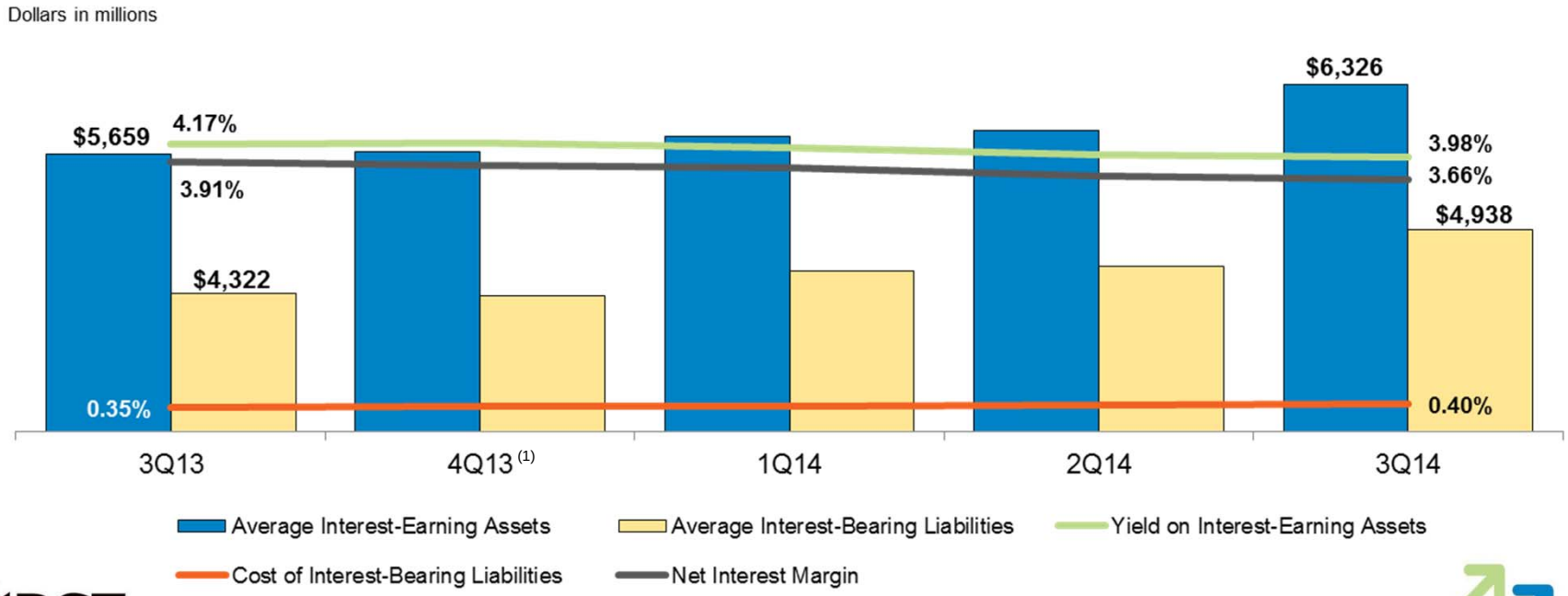
(Dollars in thousands)



Components of Net Interest Income

- ↗ Net interest margin decreased 4 bps during the third quarter to 3.66%
- ↗ Quarterly average balance of loans increased 9.2% while the portfolio yield declined 2 bps to 4.68% (2)
- ↗ Quarterly average investment balances increased 3.0% while the portfolio yield declined 10 bps to 2.37%
- ↗ Cost of interest bearing deposits remained low at 0.41%





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(1) Excludes impact of loans returning to accrual status during the fourth quarter 2013

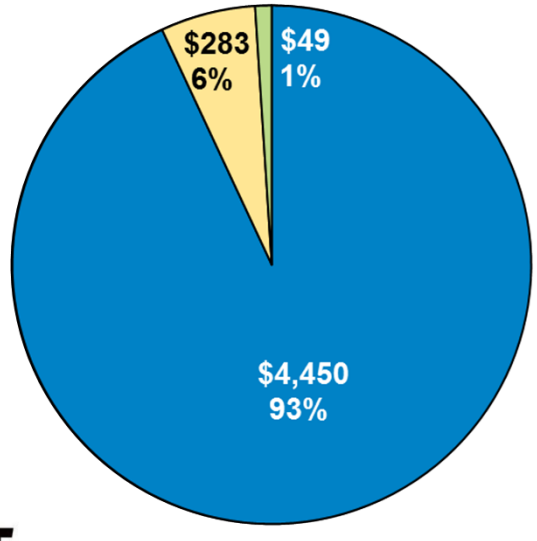
(2) Includes loans held for sale, nonaccrual loans and the FDIC indemnification asset

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

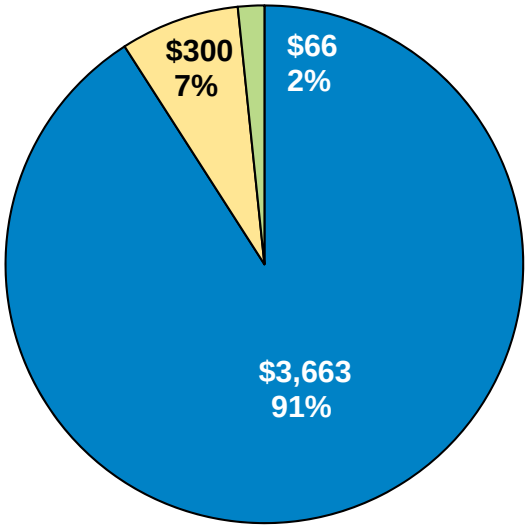
Total Gross Loans – $4.8 billion
As of September 30, 2014

(Dollars in millions)



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

(Dollars in millions)



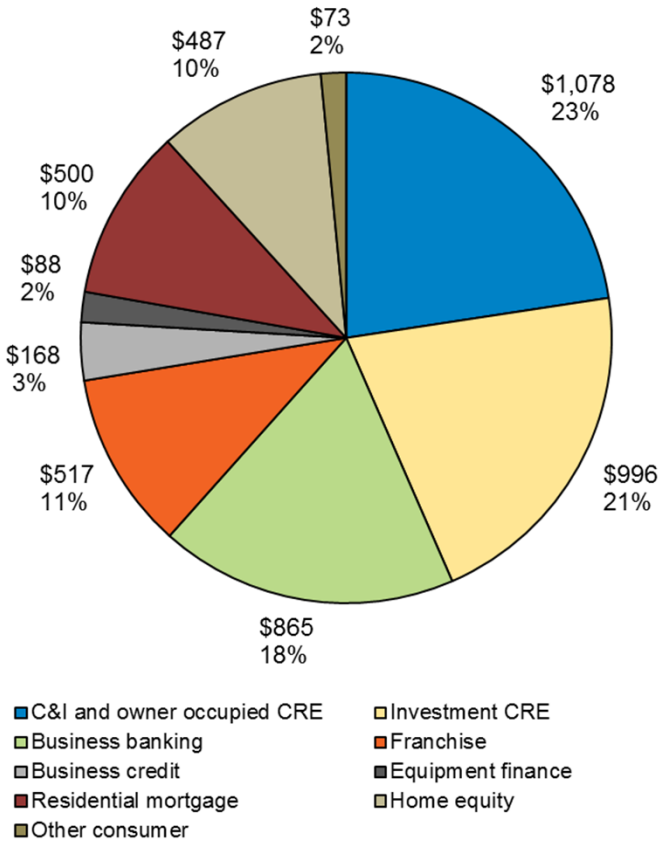
Uncovered loans
Covered loans likely to retain
Covered loans likely to exit

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

Commercial Lending

C&I / Owner Occupied CRE

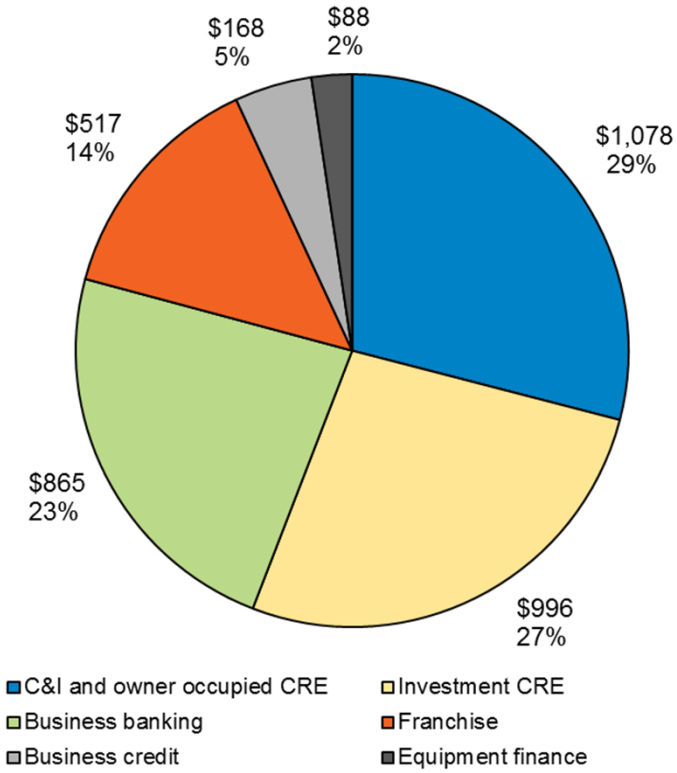
- Target loan size is $1 million to $15 million, with flexibility to increase based on relationship criteria
- Increased focus on middle market business clients (generally up to $30 million of revenue)
- Specialty finance designed to expand product set and increase client base
- Business banking and SBA lending for smaller businesses

Investment Real Estate

- Target loan size is $1 million to $15 million, with flexibility to increase based on relationship criteria
- Regional and local developers and investors
- Dedicated ICRE sales team of experts
- Interest rate risk management tools

Total Commercial Loans
Uncovered Loans and Covered Loans Likely to Retain – $3.7 billion[1]
As of September 30, 2014

(Dollars in millions)



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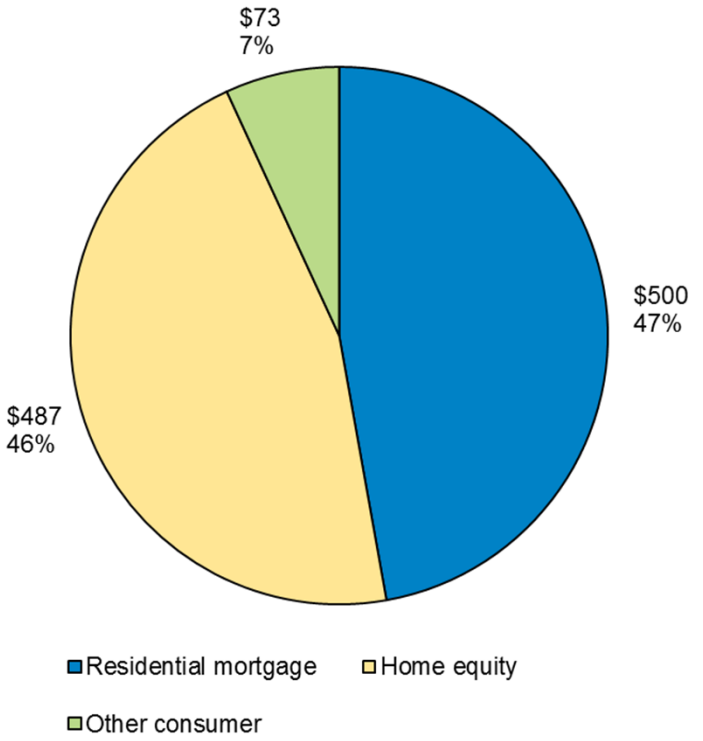
[1] Includes unpaid principal balance of covered loans likely to retain and excludes loan mark associated with these loans

Consumer Lending

- Consumer lending focused primarily on residential mortgage, home equity and credit cards
- Serving consumer households in Ohio, Indiana and Kentucky markets
- Mortgage loan originators located across footprint with concentrations in Cincinnati, Columbus, Dayton, Fort Wayne and Indianapolis

Total Consumer Loans
Uncovered Loans and Covered Loans Likely to Retain – $1.1 billion[1]
As of September 30, 2014

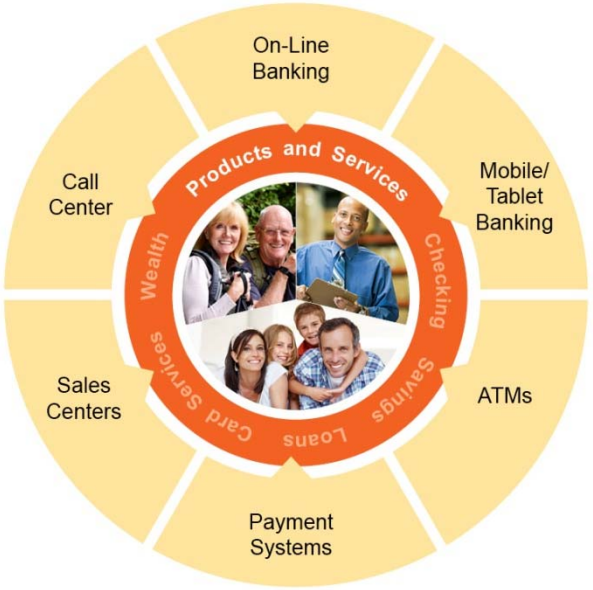
(Dollars in millions)



[1] Includes unpaid principal balance of covered loans likely to retain and excludes loan mark associated with these loans

Delivery Channels and Product Innovation

- Deliver a consistent brand experience in a cost-effective manner
  - Launched new online banking platform in 2012
  - Added mobile apps to accommodate client preferences with further enhancements such as Snap Deposit
  - Client usage of mobile and online channels has increased significantly
  - Deployed image-capture ATMs
  - Sales centers focused on relationship vs. transactions
  - Introducing enhanced online treasury management platform
  - State-of-the-art paperless mortgage process with local underwriting and processing
  - Launching first electronic banking center in late 2014





Ping Pay
by first financial bank

fIRST Mobile Apps

Panorama
by first financial bank

Snap Deposit
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e-Statements

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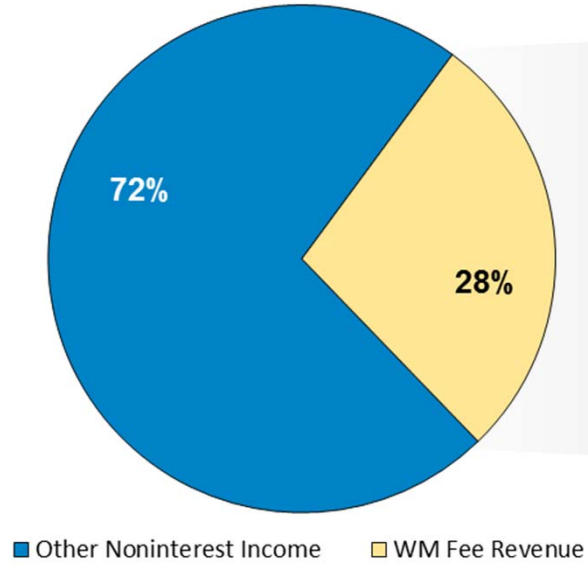
Wealth Management Business Overview

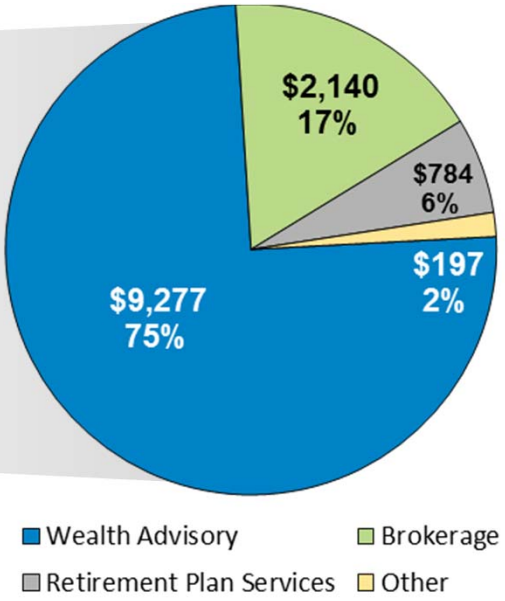
- $2.4 billion of assets under management at September 30, 2014
- Fee income generated through our three main business units represented 28% of First Financial's 2014 noninterest income

2014 WM Revenue as a % of Total Noninterest Income*



2014 Revenue by Primary Unit

$s in thousands



*excludes FDIC indemnification income and accelerated discount from paid in full loans

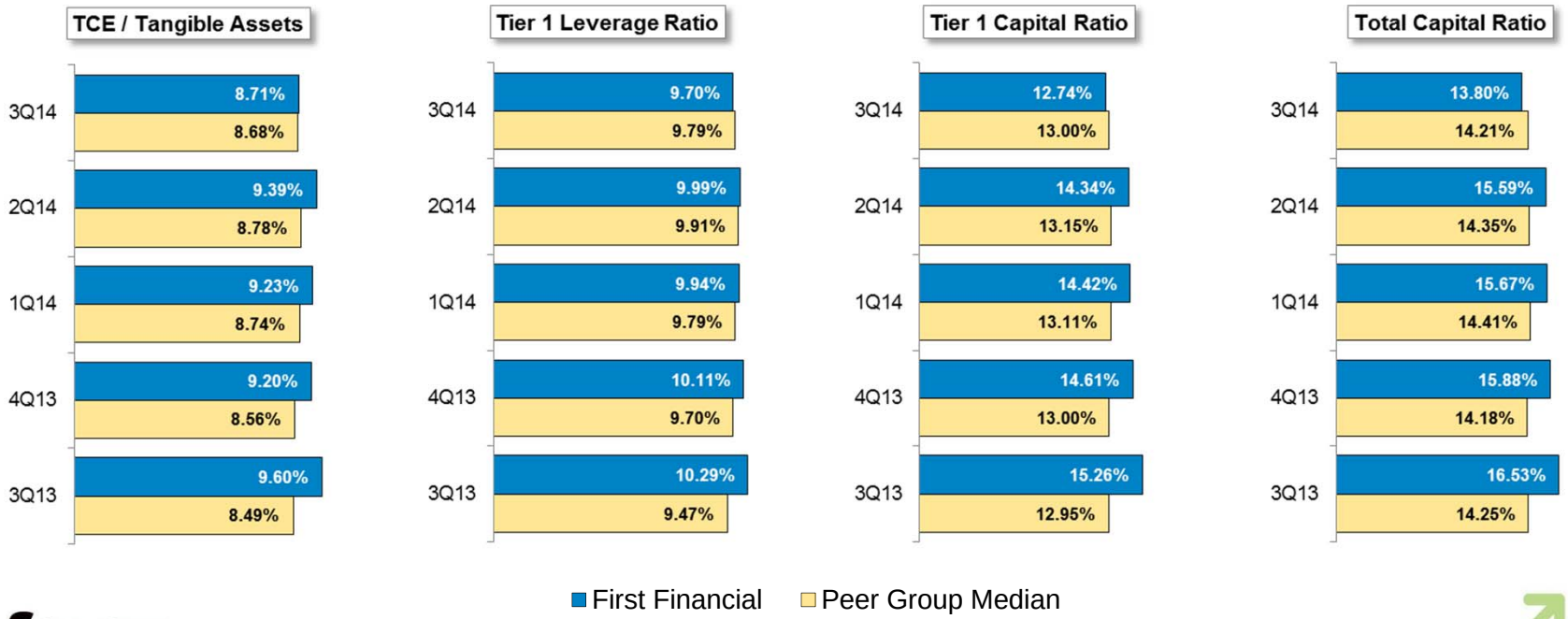
Capital Management

- Long-term capital return target to shareholders of 60% - 80% of earnings through combination of dividends and share repurchases
- Quarterly dividend of $0.16 per share
  - Translates into yield of 3.5% compared to current peer median dividend yield of 2.5%
- Announced a share repurchase plan targeting one million shares annually beginning fourth quarter 2012
  - Repurchased approximately 1,250,000 total shares to date under the plan
  - Suspended repurchases in second quarter 2014 due to pending merger agreements and increasingly active M&A environment
- Established revised long-term capital targets based on Basel III analysis and impact
  - Tier 1 leverage ratio of 8.0%
  - Common equity tier 1 capital ratio of 9.0%
  - Tier 1 capital ratio of 10.5%
  - Total capital ratio of 12.5%

Peer Group comprised of the component banks within the KBW Regional Bank Index (49 total companies excluding First Financial); Dividend valuation data as of November 7, 2014.

Capitalization

- Primary component of capital is common equity
- Capitalization levels have declined as company deployed capital through organic growth and recent acquisitions in addition to the strong return of capital to shareholders
- Long-term goal is to deploy capital above target levels though growth initiatives



Peer Group comprised of the component banks within the KBW Regional Bank Index (49 total companies excluding First Financial); based on most recent financial information as of November 7, 2014.

Source: Peer Group median data obtained from SNL Financial

Credit Quality (Excluding Covered Assets)

- Classified assets have declined $14.5 million, or 12.0%, since the third quarter 2013
- Continued problem asset resolution activity during the quarter
  - NPLs, NPAs and classified assets impacted by acquisitions as well as the addition of a single CRE relationship totaling $6.6 million during the quarter
  - Allowance coverage ratios also impacted by acquired loans, which are recorded at estimated fair value and have no associated allowance

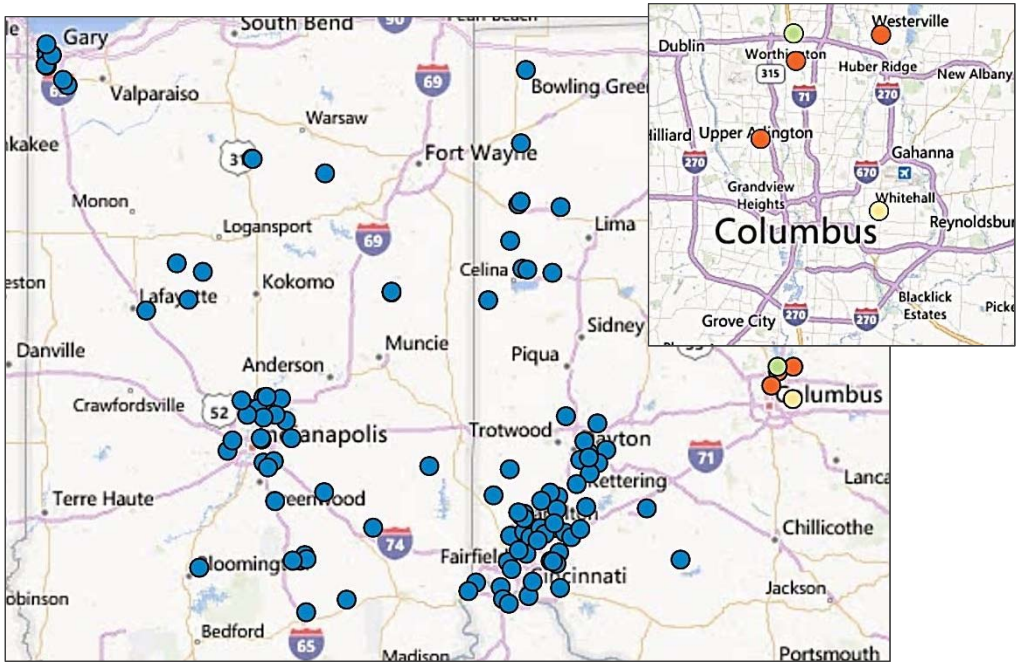
Select Credit Metrics *(Dollars in thousands)*	**3Q14**	**2Q14**	**1Q14**	**4Q13**	**3Q13**
NPLs / total loans	1.24%	1.23%	1.35%	1.50%	2.16%
NPAs / total assets	0.90%	0.89%	0.95%	1.13%	1.38%
Allowance for loan & lease losses / total loans	0.95%	1.15%	1.19%	1.25%	1.33%
Annualized NCOs / average loans & leases	0.07%	0.11%	0.23%	0.41%	0.34%
Total classified assets	$ 105,914	$ 103,799	$ 103,471	$ 110,509	$ 120,423
% increase / (decrease)	*2.0%*	*0.3%*	*(6.4%)*	*(8.2%)*	*(7.2%)*

Recent Transaction Summary

In August 2014, First Financial completed the previously announced acquisitions of The First Bexley Bank, Insight Bank, and Guernsey Bancorp, all headquartered in the Columbus, OH market

- Entered the growth-oriented Columbus market through the acquisition of three highly successful and complementary institutions with client-focused business models similar to First Financial
- Strong business development teams now have access to greater resources, higher lending limits and wider commercial and consumer product sets to drive further growth and better serve their communities
- Attractive financial returns for shareholders before factoring in potential revenue synergies resulting from the enhanced product set and capabilities
- Integration risk is manageable and will not be a distraction to current and future strategic initiatives
- Pro forma capital levels are strong, leaving First Financial well positioned to capitalize on future organic growth and acquisition opportunities

Entrance to the Columbus, Ohio Market



- First Financial
- First Bexley
- Insight Bank
- Guernsey Bank

(Dollars in millions)	The First Bexley Bank	Insight Bank	The Guernsey Bank	Total
Purchase consideration	$ 44.5	$ 36.6	$ 16.0	$ 97.1
Total loans acquired	314.8	219.0	72.4	606.3
Total assets acquired	341.6	251.2	134.8	727.6
Total deposits assumed	273.9	179.3	115.4	568.6
Total liabilities assumed	315.3	230.8	126.8	672.9
Goodwill recorded	18.2	16.2	8.0	42.4

Columbus MSA Market Highlights[1]

- ↗ Third fastest growing metropolitan market in the Midwest
- ↗ Population of 1.9 million with projected growth of 4.3% through 2017 – highest in Ohio
- ↗ Diverse economy anchored by 15 Fortune 1000 companies

Pro Forma Deposit Market Share
Columbus MSA
FDIC Deposit Data as of June 30, 2014 - Holding Company Level

2013 Rank	Name	City, State	Number of Branches	Total Deposits ($000s)	Market Share (%)
1	Huntington Bancshares Inc.	Columbus, OH	88	14,879,171	30.2
2	JPMorgan Chase & Co.	New York, NY	76	11,882,831	24.1
3	PNC Financial Services Group Inc	Pittsburgh, PA	64	6,053,810	12.3
4	Fifth Third Bancorp	Cincinnati, OH	57	4,584,416	9.3
5	KeyCorp	Cleveland, OH	26	2,052,124	4.2
6	Park National Corp.	Newark, OH	33	1,906,923	3.9
7	U.S. Bancorp	Minneapolis, MN	44	1,367,048	2.8
8	**First Financial Bancorp.**	**Cincinnati, OH**	**5**	**541,724**	**1.1**
9	Heartland BancCorp	Gahanna, OH	12	528,971	1.1
10	FirstMerit Corp.	Akron, OH	11	498,081	1.0
	Other institutions		142	5,046,009	10.2
	Market total		558	49,341,108	100.0

Source: SNL Financial LC

[1] Source: the Columbus Chamber, SNL Financial LC

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Prior Acquisition History

- Supplements organic growth strategy through expansion in strategic markets
- Transactions met all internal criteria for acquisitions
- Loss sharing agreements provided significant protection on covered loans

Peoples (FDIC)
July 31, 2009

- 19 banking centers
- $521mm deposits
- $331mm in loss share covered loans[1]
- No first loss position

Irwin (FDIC)
September 18, 2009

- 27 banking centers
- $2.5B deposits
- $1.8B in loss share covered loans[1]
- No first loss position

Banking Centers
December 2, 2011

- 22 banking centers, primarily Indianapolis MSA
- $342mm retail deposits

Loan Portfolio
June 30, 2009

- $145 mm select performing commercial and consumer loans

Banking Centers
August 28, 2009

- Three banking centers in Indiana
- $85mm deposits
- $41mm in select performing commercial and consumer loans

Banking Centers
September 23, 2011

- 16 banking centers, primarily Dayton MSA
- $342mm deposits
- $127mm in select in-market performing loans

[1] Estimated fair market value of loans

We will continue to evaluate opportunities but never lose sight of the core franchise

Core philosophy and strategy remain unchanged

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Franchise Highlights

1. Strong operating fundamentals – 96 consecutive quarters of profitability
2. Investments to create long-term growth are producing results
3. Strong loan growth momentum driven by comprehensive portfolio of credit products
4. Well positioned in current markets and executing on new market expansion strategies
5. Growth strategies focused on increasing core deposits and fee revenue
6. Strong capital levels with ability to support further organic growth and acquisition opportunities
7. Balanced long-term capital management strategy returning 60% - 80% of earnings through dividends and share repurchases
8. Delivered on efficiency plan with focus on continual process improvement

Appendix

Investor Presentation

Third Quarter 2014

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Another step on the path to success

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

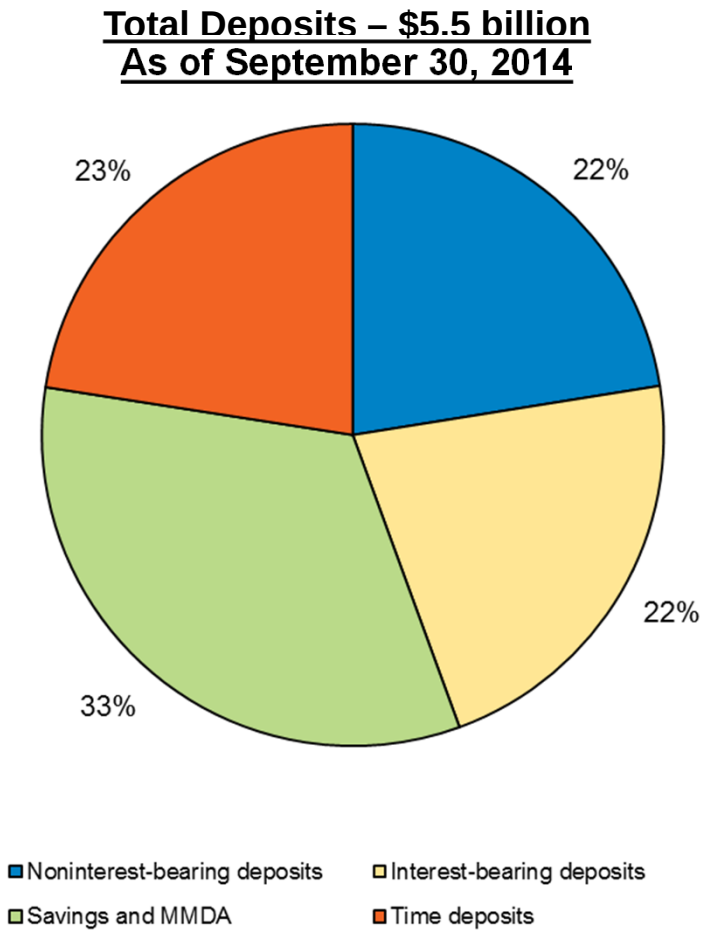
Investment Portfolio

- Investment portfolio represents 25.6% of total assets
- Yield earned on portfolio decreased to 2.37% from 2.47% for the linked quarter
- Overall duration of the portfolio declined to 3.7 years from 3.9 years at the end of the second quarter

Category *(Dollars in thousands)*	As of September 30, 2014				
	Held-to-Maturity	Available-for-Sale	Other Investments	Total	Percent of Portfolio
Debt obligations of the U.S. Government	$ -	$ 20,207	$ -	$ 20,207	1.1%
Debt obligations of U.S. Government Agency	17,917	12,270	-	30,187	1.6%
Residential Mortgage Backed Securities					
Pass-through securities:					
Agency fixed rate	77,000	95,964	-	172,964	9.2%
Agency adjustable rate	146,845	38,186	-	185,031	9.8%
Non-Agency fixed rate		8,917	-	8,917	0.5%
Collateralized mortgage obligations:					
Agency fixed rate	334,700	256,862	-	591,562	31.5%
Agency variable rate	-	110,378	-	110,378	5.9%
Agency collateralized and insured municipal securities	84,986	108,513	-	193,499	10.3%
Commercial mortgage backed securities	231,810	121,655	-	353,465	18.8%
Municipal bond securities	2,467	21,677	-	24,144	1.3%
Corporate securities	4,796	69,809	-	74,605	4.0%
Asset-backed securities	-	56,882	-	56,882	3.0%
Regulatory stock	-	-	45,025	45,025	2.4%
Other	-	8,274	4,961	13,235	0.7%
	$ 900,521	$ 929,594	$ 49,986	$ 1,880,101	100.0%

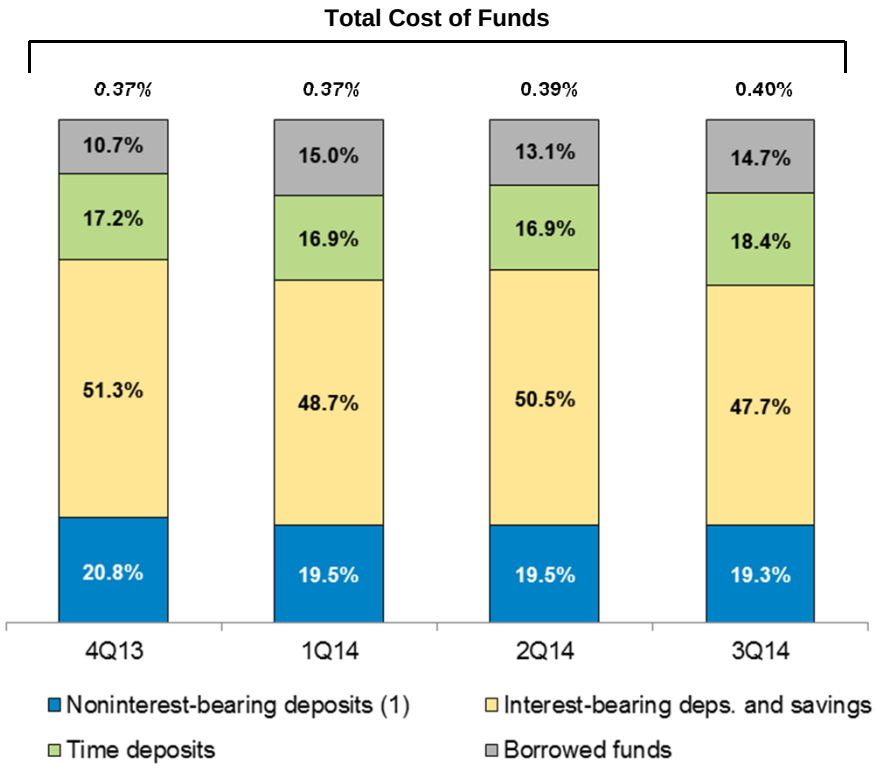
Deposit Composition

- Total deposits increased $657.9 million, or 13.5%, during the quarter
- Average total deposits increased $277.5 million, or 5.6%, during the quarter
  - Increases primarily driven by $569 million of deposits from acquisitions
- The total cost of deposit funding during the quarter remained low at 32 bps
- Non-time deposit balances comprise over 77% of the total base
- New products introduced to support growth and increase client share of wallet
  - Commercial and consumer indexed money market accounts
  - Relationship CD pricing

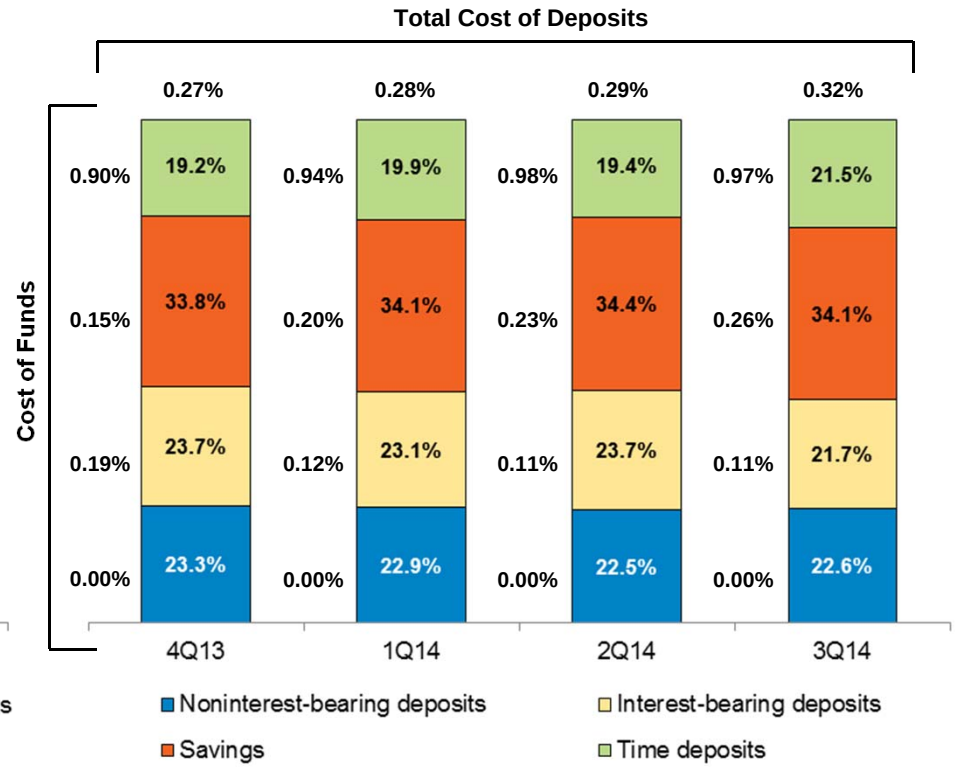


Funding Structure and Cost of Funds

Average Balances – Total Interest Bearing Liability Composition



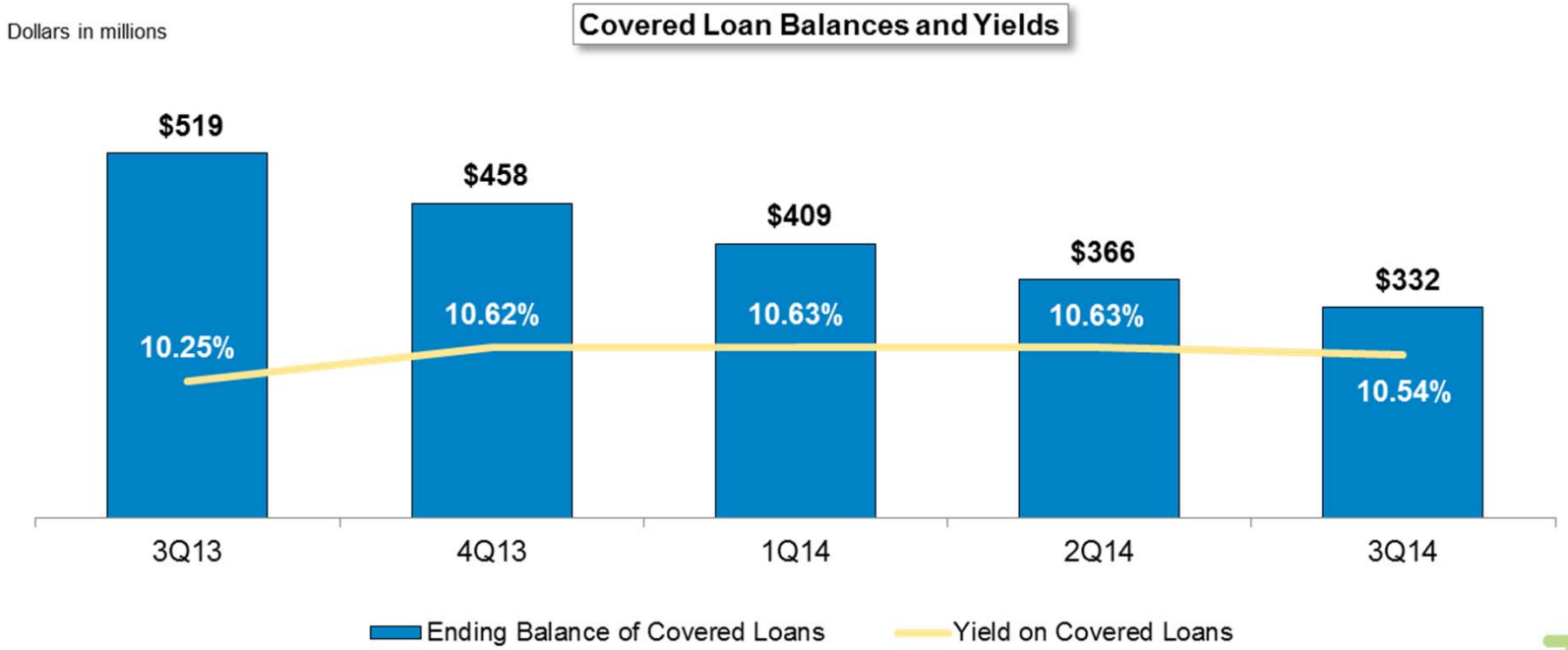
Average Balances – Deposit Composition



(1) Not included in cost of funds calculation

Covered Loan Activity

- Covered loans declined $33.3 million, or 9.1%, during the quarter
- The FDIC indemnification asset declined $6.3 million, or 20.6%, during the quarter to $24.2 million, or 7.3% of the balance of covered loans outstanding
- Successful execution of resolution strategies related to covered loans classified as likely to exit contributed to majority of quarterly decline



First Financial Bancorp

Investor Presentation

Third Quarter 2014

first financial bancorp

Another step on the path to success

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