Investor Presentation

Fourth Quarter 2018

first financial bancorp

Forward Looking Statement Disclosure

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: (i) economic, market, liquidity, credit, interest rate, operational and technological risks associated with the Company's business; (ii) 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; (iii) management's ability to effectively execute its business plans; (iv) mergers and acquisitions, including costs or difficulties related to the integration of acquired companies; (v) the possibility that any of the anticipated benefits of the Company's recent merger with MainSource Financial Group, Inc. will not be realized or will not be realized within the expected time period; (vi) the effect of changes in accounting policies and practices; (vii) changes in consumer spending, borrowing and saving and changes in unemployment; (viii) changes in customers' performance and creditworthiness; and (ix) the costs and effects of litigation and of unexpected or adverse outcomes in such litigation. Additional factors that may cause our actual results to differ materially from those described in our forward-looking statements can be found in the Form 10-K for the year ended December 31, 2017, as well as our other filings with the SEC, which are available on the SEC website at www.sec.gov.

All forward-looking statements included in this filing are made as of the date hereof and are based on information available at the time of the filing. Except as required by law, the Company does not assume any obligation to update any forward-looking statement.

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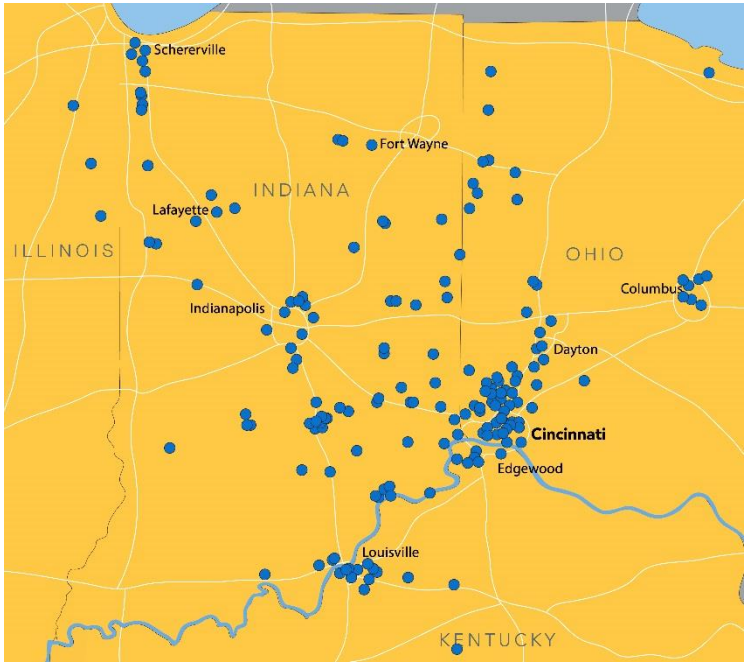
Company Overview



Overview

Founded: 1863

Headquarters: Cincinnati, Ohio

Banking Centers: 159

Assets: $14.0 billion

Loans: $8.8 billion

Deposits: $10.1 billion

Wealth Mgmt: $4.2 billion

- $2.6 billion AUM
- $1.6 billion brokerage

Lines of Business

Commercial

- C&I, O-CRE, ABL, Equipment Finance, Treasury

Retail Banking

- Consumer, Business Banking, Small Business

Mortgage Banking

Wealth Management / Private Banking

Investment Commercial Real Estate

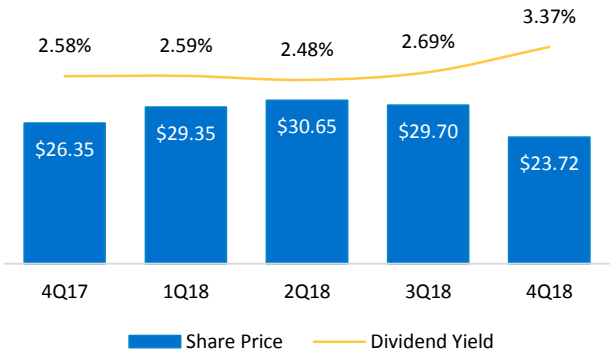
Commercial Finance





www.bankatfirst.com

NASDAQ: FFBC



FIRST

first financial bancorp

Current Priorities

- Achieve targeted income and balance sheet growth objectives
- Develop / begin implementation of strategic technology roadmap
- Execute acquisition strategy
  - Prioritize fee based businesses: wealth, capital markets
  - In-market bank acquisitions that provide improved market share or niche businesses / expertise
- Continue transformation of distribution network
  - Open new flagship location in downtown Cincinnati
  - Consolidate / close existing locations
  - Speed transition to advising functions
  - Limited openings in strategic locations
- Drive associate engagement and cultural development
- Complete development of CECL framework

Revenue Growth Strategies

LOB | Go-to-Market

Product & Pricing

- Regional pricing strategy
- Increased Commercial lending limits
- New Consumer product line-up
- Treasury Management product investments

Talent Expansion

- Up-Market Commercial talent acquisition
- New business line leadership in Mortgage – focused on building out capabilities and increasing salesforce

Client Experience

- Improved Cash Management Platform

Distribution

Defined Models

- Community
- Metro
- Headquarters
- National
- Digital

Capacity Plans

- Increased physical distribution network
- Closed 41 overlapping locations
- Aligned sales teams to distribution models

Expanded Capabilities

- Rollout of "in-house" derivatives desk capabilities
- Exploit untapped Wealth Management opportunities for expanded client base

Technology

Enterprise Data Management

- Investment in data warehouse
- Enabling data as a strategic asset
- Deposit & loan complete
- Connection into CRM platform

Enterprise CRM

- Company-wide implementation of SFDC
- Marketing automation and sales enablement program development
- Sales Management
- Operational Integration

Digital Transformation

- Roadmap Creation
- Resource Allocation
- Enhanced Client Experience

Talent

Staffing Model

- Defined new company FTE targets
- Middle Market team is 80% built
- End-of-the-year target for completion of all items
- Larger salesforce in targeted Lines of Business

Culture

- Change Management through merger
- Refreshed Corporate Strategic Intent
- Attraction/recruitment engagement and retention programs

Franchise Growth Plans

fIRST first financial bank

Go-to-Market Strategies

COMMERCIAL BANKING

Vision
To be known and operate as the Premier Business Bank and to provide banking solutions to the business, to the owner(s) and to their employees.

Target Audience
- High Demander
- $10MM-100MM Sales Revenue
- 50+ Employees

Current Portfolio
Approx 500 Relationships
$2.3B Commitments
$1.7B Balances
$1.1B Business Deposits
$1.3B Pub Fund Deposits

Value Proposition
We offer the products of our large regional competitors and, through **personal relationship building**, we become their trusted financial partner.

Business Line Goals
- Loan Growth
- Deposit Growth
- Fee Revenue

RETAIL BANKING

Vision
Achieve organic growth by creating long-lasting relationships by finding ways to help our clients succeed.

Target Audience
- Consumers
- Small Business
- Business Banking

Goals
- Core Deposit Growth
- Client Retention
- Share of Wallet
- Business Banking

Value Proposition
Centers on our ability to remain relevant and offer the products and services that our larger competitors do, but with a level of client intimacy that is difficult for larger competitors to sustain. Our clients look to us as their partner, and we will seek to provide them every product and service that they need—but nothing that they don't.

Current Portfolio

	Consumer	Business	Pub Funds
Number of Households	278,718	31,624	
Total Deposit Balance	$5.1B	$1.2B	$168MM
Total Loan Balance	$995MM	$1.2B	

MORTGAGE

Vision
To be known as a premier mortgage lender in our communities by leveraging our relationships, exceptional client service and a comprehensive selection of product options to assist our clients in obtaining their dream of homeownership.

Target Audience
Clients looking to purchase or refinance a home less than $2.5MM

Current State
- Qtr Orig Volume $125MM
- Avg loan size $195K

Business Objectives
- Grow the business
- Focus on CRA
- Regulatory Compliance
- Customer Satisfaction

Value Proposition
A team of mortgage experts that deliver a fast, consistent experience for our clients by offering a suite of products to meet the needs of all client segments.

WEALTH MANAGEMENT

Vision
Utilize a holistic wealth management approach to grow, preserve and protect client wealth.

Target Audience
Mass Affluent: $150-$499K HH income
$250K-$1MM in AUM

High Net Worth: $500K+ HH Income
$1MM-$10MM in AUM

Plan Sponsors: $1-$20MM Plan Size
100+ Participants

Value Proposition
- Convenient and efficient venue to comprehensively address all financial/banking needs
- Investment Management Process
- Expertise - Trust, Estate, Financial Planning, RPS
- Best in Class Brokerage Platform

Current Portfolio

	Relationships	Assets
Trust & Investments	1,900	$2.3B
Brokerage	10,000	$1.6B
RPS	130	$253MM

Business Line Goals
- AUM Growth
- New Client Acquisition
- Maintain Top Quartile Investment Outcomes

INVESTMENT COMMERCIAL REAL ESTATE

Vision
To be recognized by professional developers and investors as the market leader. Through constant monitoring and application of our strategy we will build a high performing portfolio with acceptable risk and excellent financial returns.

Current Portfolio

Central OH	$642MM
Southern OH	$853MM
Indiana	$603MM
Healthcare	$190MM

Business Line Goals
- Loan Growth
- Swap Revenue
- Deposit Growth

Target Audience
Professional investors/developers with proven track-record to weather down-cycles

COMMERCIAL FINANCE

Vision
To be the market leader in client experience for commercial financing by delivering unique and diverse product offerings through cutting-edge technology and exceptional client service.

Target Audience
- Insurance Businesses (Retail, Wholesale, MGA, MGU, Risk Retention Groups, Carriers)
- Registered Investment Advisors
- Multi-Unit Restaurant Franchisees
- Certified Public Accountants
- Commercial Automotive Portfolios
- Third-Party Loan Servicing

Current Portfolio

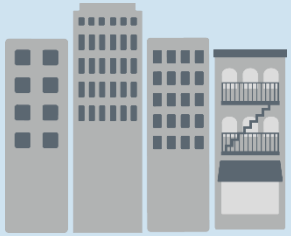
FRA	$548MM
OSF	$521MM

Value Proposition
Fulfill the unique capital needs for our targeted cash flow-based industries while providing extraordinary service to our borrowers.

Business Line Goals
- Portfolio Growth
- Revenue Growth

Market Centric Strategies

METRO MARKETS



Louisville, KY
Columbus, OH
Indianapolis, IN
Dayton, OH

▼ Low brand awareness
Low market share

- Build relationships through becoming the Premier Business Bank
- Bank the business, the business owners and the employees
- Leads to targeted growth across all business lines

COMMUNITY MARKETS



Southeastern IN
South Central IN
Northwest IN
Northern OH

▲ High brand awareness
High market share

- Deepen relationships
- Expand product offering
- Word-of-mouth referrals
- Leads to organic growth

HEADQUARTERS

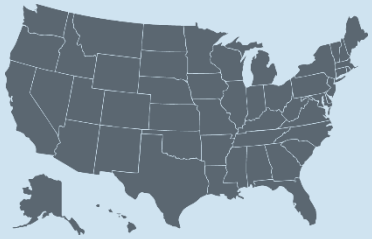


Greater Cincinnati
Northern KY

4th in market share
All business lines represented

- Hometown Community
- Significant branch network
- Alternative to larger banks
- Mass player, based on brand, reputation and legacy
- Visible presence
- Large associate population

NATIONAL



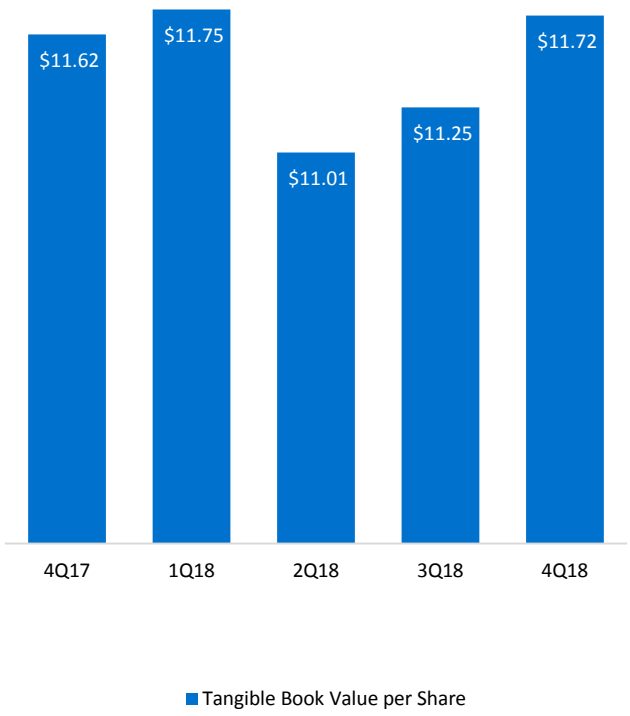
Industry Specific

▶ Niche offering

- Oak Street Funding
- First Franchise Capital

Capital Strategy & Deployment

Tangible Book Value Per Share



Strategy & Deployment

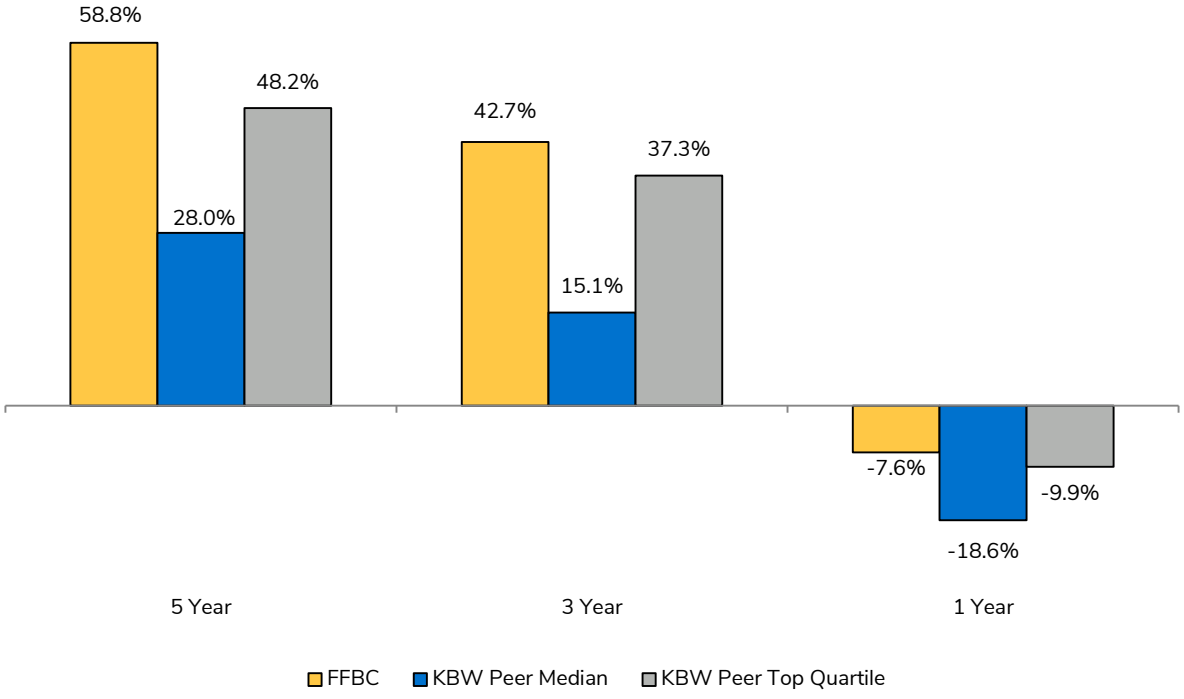
- Tangible Book Value Per Share dilution from the merger substantially recovered in 4Q18
- Announced in 1Q19 share repurchase plan of up to 5 million shares, or approximately 5.0% of the Company's issued and outstanding shares
- Announced 10% increase in quarterly dividend from $0.20 to $0.22 per share
- Targeted dividend payout ratio remains 35-40%

Invest in First Financial

- Experienced and proven management team
- Increased scale to invest in franchise
- Proven & sustainable business model
  - Well managed through the cycle
  - Conservative operating philosophy
  - Consistent profitability – 113 consecutive quarters
- Top quartile performer – ROAA, ROATCE, Efficiency
- Robust capital management
  - Prudent steward of shareholders' capital
- Strong asset quality
- Well defined M&A strategy
  - Selective markets, products & asset diversification

Invest in First Financial

Total Shareholder Return[1,2,3,4]



[1] Includes dividend reinvestment.
[2] Peer group includes KBW regional bank index peers.
[3] Based on stock price as of 12/31/2018.
[4] Beginning date is 01/01/2018 for the 1-year return, 01/01/2016 for the 3-year return, and 01/01/2014 for the 5-year return.



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4Q 2018 Results

113th Consecutive Quarter of Profitability

Profitability

- Net income = $55.0 million or $0.56 per diluted share. Adjusted net income = $59.7 million or $0.61 per diluted share[1,2].
- Return on average assets = 1.59%. Adjusted return on average assets = 1.72%[1].
- Return on average shareholders' equity = 10.68%. Adjusted return on average shareholders' equity = 11.59%[1].
- Return on average tangible common equity = 19.63%[1]. Adjusted return on average tangible common equity = 21.29%[1].

Income Statement

- Net interest income = $126.0 million.
- Net interest margin of 4.16% on a GAAP basis; 4.21% on a fully tax equivalent basis[1].
- Noninterest income = $29.5 million; $27.9 million[1] as adjusted for merger related items.
- Noninterest expense = $83.4 million; $75.9 million[1] as adjusted for merger related items.
- Efficiency ratio = 53.62%. Adjusted efficiency ratio = 49.30%[1].
- Effective tax rate of 17.6%. Adjusted effective tax rate of 17.9%[1].

Balance Sheet

- Total assets increased $144.0 million compared to the linked quarter to $14.0 billion.
- EOP loans decreased $23.2 million compared to the linked quarter to $8.8 billion.
- EOP deposits increased $387.8 million compared to the linked quarter to $10.1 billion.
- EOP investment securities increased $147.4 million compared to the linked quarter.

Asset Quality

- Provision expense = $5.3 million. Net charge offs = $6.5 million. NCOs / Avg. Loans = 0.29% annualized.
- Nonperforming Loans / Total Loans = 0.98%. Nonperforming Assets / Total Assets = 0.63%.
- ALLL / Nonaccrual Loans = 79.97%. ALLL / Total Loans = 0.64%. Classified Assets / Total Assets = 0.94%.

Capital

- Total capital ratio = 14.10%.
- Tier 1 common equity ratio = 11.87%.
- Tangible common equity ratio = 8.79%.
- Tangible book value per share = $11.72.

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[1] Non-GAAP financial measure which management believes facilitates a better understanding of the Company's financial condition. See Appendix for Non-GAAP reconciliation.
[2] See Slide 16 for Adjusted Earnings detail.

Full Year 2018 Results

113th Consecutive Quarter of Profitability

Profitability

- Net income = $172.6 million or $1.93 per diluted share. Adjusted net income = $204.7 million or $2.28 per diluted share[1].
- Return on average assets = 1.37%. Adjusted return on average assets = 1.62%[1].
- Return on average shareholders' equity = 9.85%. Adjusted return on average shareholders' equity = 11.68%[1].
- Return on average tangible common equity = 17.32%[1]. Adjusted return on average tangible common equity = 20.54%[1].

Income Statement

- Net interest income = $449.2 million.
- Net interest margin of 4.05% on a GAAP basis; 4.10% on a fully tax equivalent basis[1].
- Noninterest income = $103.4 million ; $102.8 million[1] as adjusted for merger related items.
- Noninterest expense = $323.8 million; $282.6 million[1] as adjusted for merger related items.
- Efficiency ratio = 58.60%. Adjusted efficiency ratio = 51.19%[1]
- Effective tax rate of 19.4%. Adjusted effective tax rate of 19.7%[1]

Balance Sheet

- Total assets increased $5.1 billion compared to the prior year to $14.0 billion.
- EOP loans increased $2.8 billion compared to the prior year to $8.8 billion.
- EOP deposits increased $3.2 billion compared to the prior year to $10.1 billion.
- EOP investment securities increased $1.3 billion compared to the prior year.

Asset Quality

- Provision expense = $14.6 million. Net charge offs = $12.1 million. NCOs / Avg. Loans = 0.15% annualized.
- Nonperforming Loans / Total Loans = 0.98%. Nonperforming Assets / Total Assets = 0.63%.
- ALLL / Nonaccrual Loans = 79.97%. ALLL / Total Loans = 0.64%. Classified Assets / Total Assets = 0.94%.

Capital

- Total capital ratio = 14.10%.
- Tier 1 common equity ratio = 11.87%.
- Tangible common equity ratio = 8.79%.
- Tangible book value per share = $11.72.

[1] Non-GAAP financial measure which management believes facilitates a better understanding of the Company's financial condition. See Appendix for Non-GAAP reconciliation.

4Q 2018 Highlights

- Strong quarterly earnings
  - Adjusted[1] earnings per share - $0.61
  - Adjusted[1] return on assets – 1.72%
  - Adjusted[1] return on average tangible common equity – 21.29%
  - Expansion in capital ratios
- Higher net interest margin
  - Increase driven by higher asset yields and loan fees as well as a shift in funding mix
  - Higher asset yields partially offset by increase in deposit costs
- Adjusted[1] noninterest expense decreased $2.1 million to $75.9 million compared to the linked quarter
  - Lower employee benefits and collection expenses during the fourth quarter
- Stable loan balances
  - 10% linked quarter increase in loan origination activity offset by elevated ICRE payoffs
- Strong deposit growth primarily in noninterest bearing, brokered CD's and money market accounts
  - Annualized quarterly increase in average balances of 16%
- Stable credit quality
  - Classified assets declined 5% compared to the linked quarter
  - Annualized net charge-offs increased to 29 bps as a percentage of average loans for the quarter; 15 bps for the full year 2018
  - Increase in nonperforming assets impacted by further deterioration of a single large franchise finance relationship ($17MM)

[1] Non-GAAP financial measure which management believes facilitates a better understanding of the Company's financial condition. See Appendix for Non-GAAP reconciliations.

Adjusted Net Income [1]

The table below lists certain adjustments that we believe are significant to understanding our quarterly performance.

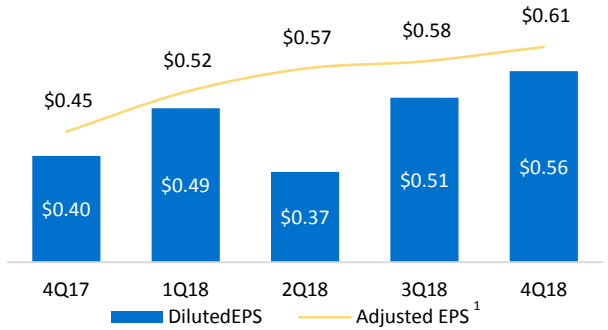
	4Q 2018			3Q 2018		
	As Reported	Adjusted		As Reported	Adjusted	
Net interest income	$ 125,959	$ 125,959		$ 123,485	$ 123,485	
Provision for loan and lease losses	$ 5,310	$ 5,310		$ 3,238	$ 3,238	
Noninterest income	$ 29,504	$ 29,504		$ 28,684	$ 28,684	
plus: bankcard interchange	-	-		-	340	A
plus: losses on investment securities	-	60	A	-	279	A
less: gains from the redemption of off balance sheet securitizations	-	(1,645)	A	-	-	
Total noninterest income	$ 29,504	$ 27,919		$ 28,684	$ 29,303	
Noninterest expense	$ 83,352	$ 83,352		$ 85,415	$ 85,415	
less: merger-related expenses	-	3,264	A	-	5,205	A
less: severance expenses	-	4,221	A	-	2,200	A
Total noninterest expense	$ 83,352	$ 75,867		$ 85,415	$ 78,010	
Income before income taxes	$ 66,801	$ 72,701		$ 63,516	$ 71,540	
Income tax expense	$ 11,787	$ 11,787		$ 12,859	$ 12,859	
plus: tax effect of adjustments						
(A) @ 21% statutory rate	-	1,239		-	1,685	
Total income tax expense	$ 11,787	$ 13,026		$ 12,859	$ 14,544	
Net income	$ 55,014	$ 59,675		$ 50,657	$ 56,996	
Net earnings per share - diluted	$ 0.56	$ 0.61		$ 0.51	$ 0.58	

[1] Non-GAAP financial measure which management believes facilitates a better understanding of the Company's financial condition. See Appendix for Non-GAAP reconciliations.

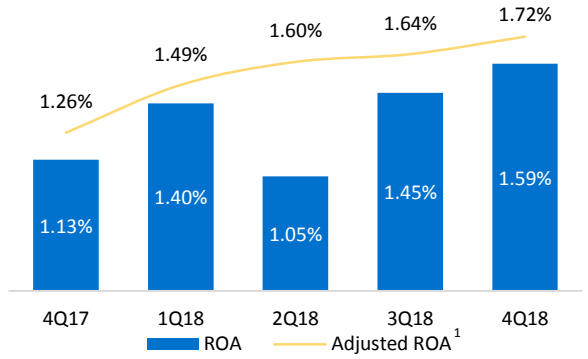
All dollars shown in thousands, except per share amounts.

Profitability

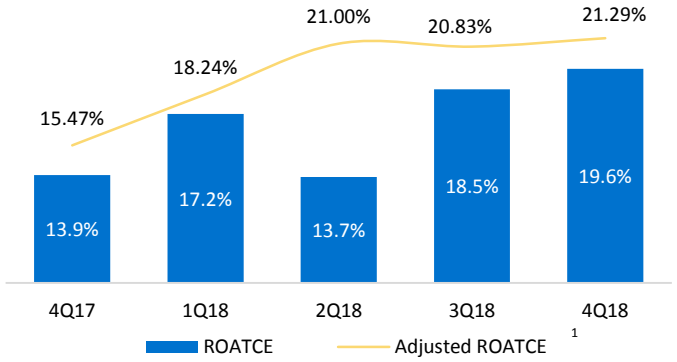
Diluted EPS



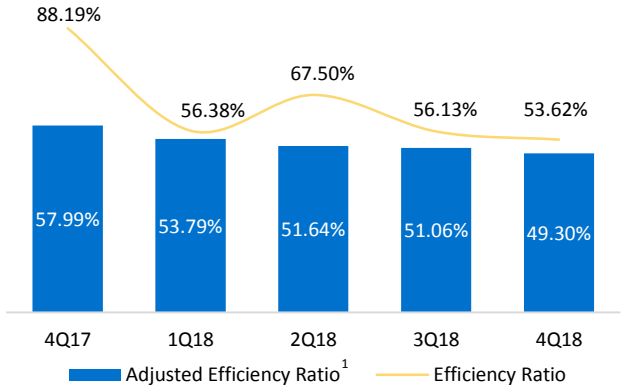
Return on Average Assets



Return on Avg Tangible Common Equity



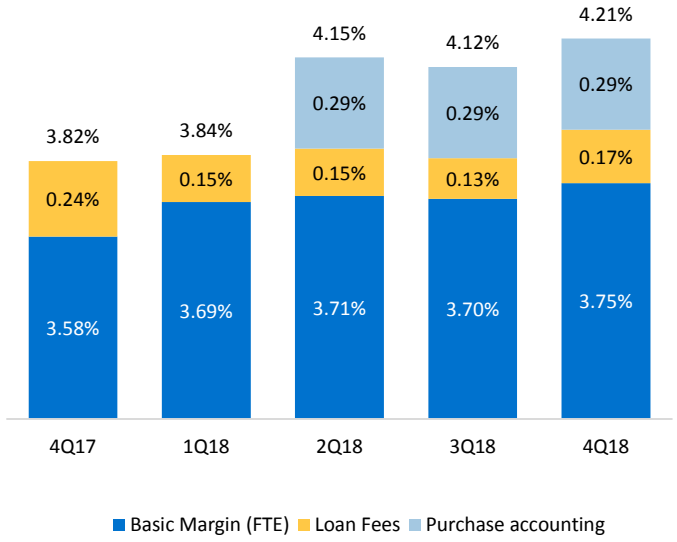
Efficiency Ratio



[1] Non-GAAP financial measure which management believes facilitates a better understanding of the Company's financial condition. See Appendix for Non-GAAP reconciliation.

Net Interest Margin

Net Interest Margin (FTE)



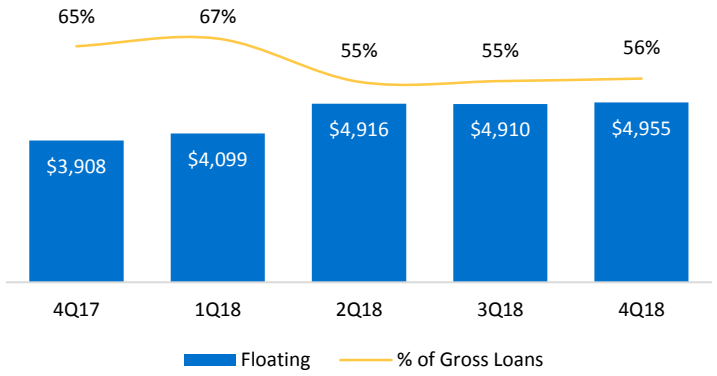
4Q18 NIM (FTE) Progression

3Q18	**4.12%**
Asset yields	0.12%
Asset mix	-0.01%
Loan fees	0.04%
Funding costs	-0.10%
Funding mix	0.04%
4Q18	**4.21%**

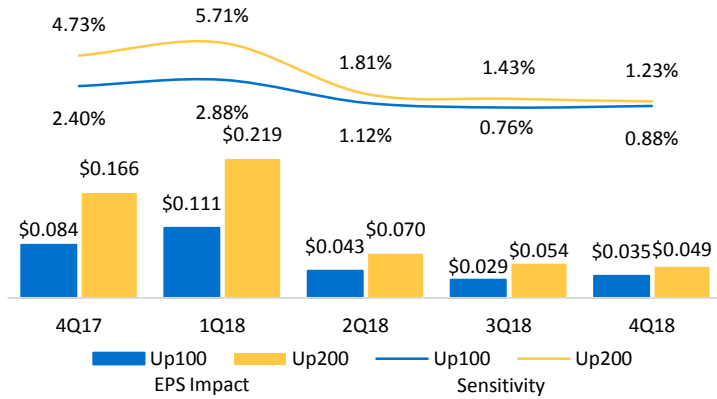
Interest Rate Sensitivity

- Asset sensitive position
- Majority of loans are variable rate:
  - 56% reprice <=3 months
- Securities portfolio duration – 3.3 years
  - +100 scenario 3.7 years
  - +200 scenario 3.8 years
- Non-maturity, interest bearing accounts modeled to increase 61 bps in an “Up 100” scenario
- 53% of deposits in Community Markets with high market share.

Loan Portfolio – Floating Loan Mix[1]



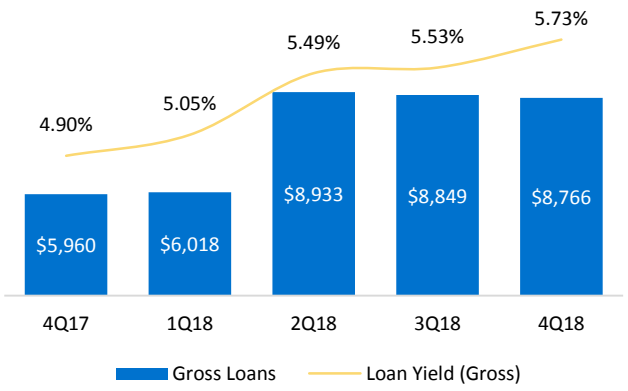
Sensitivity Trend (Up100, Up200)[2]



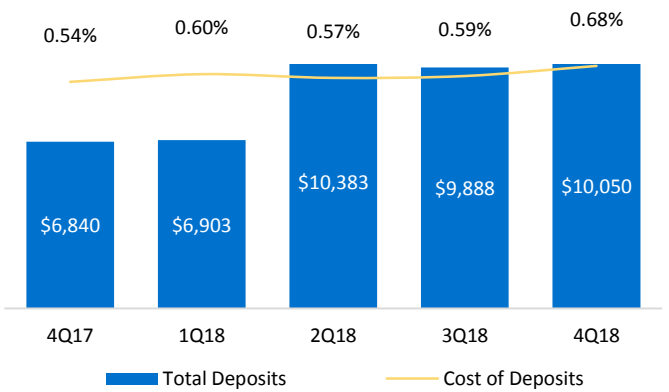
[1] As defined by EOP loans repricing in three months or less.
[2] Immediate parallel shifts across a 12 month horizon.

Average Balance Sheet

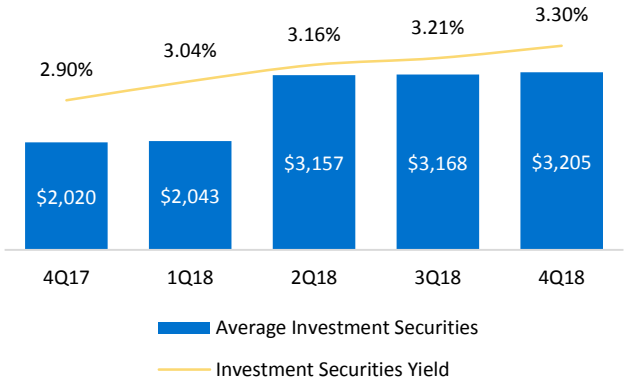
Average Loans



Average Deposits

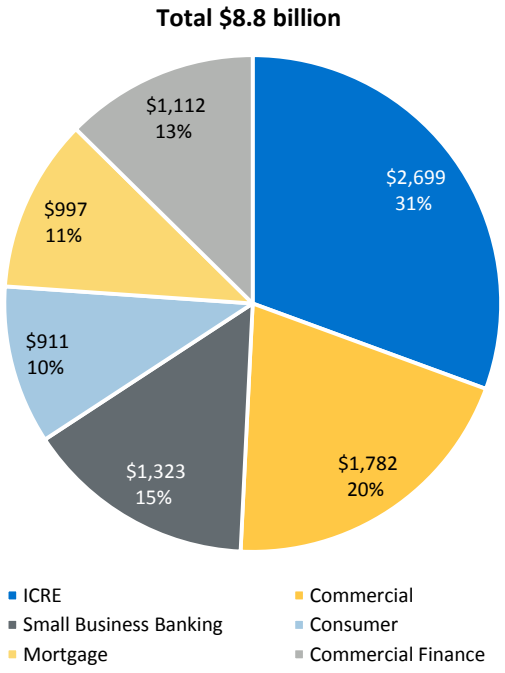


Average Securities

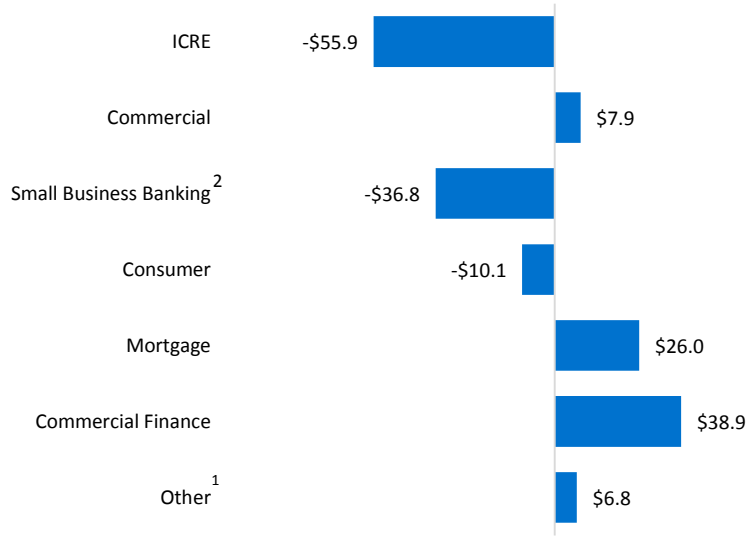


Loan Portfolio

Loan LOB Mix (EOP)



Net Loan Change-LOB (Linked Quarter)



Total growth/(decline):
($23.2 million)

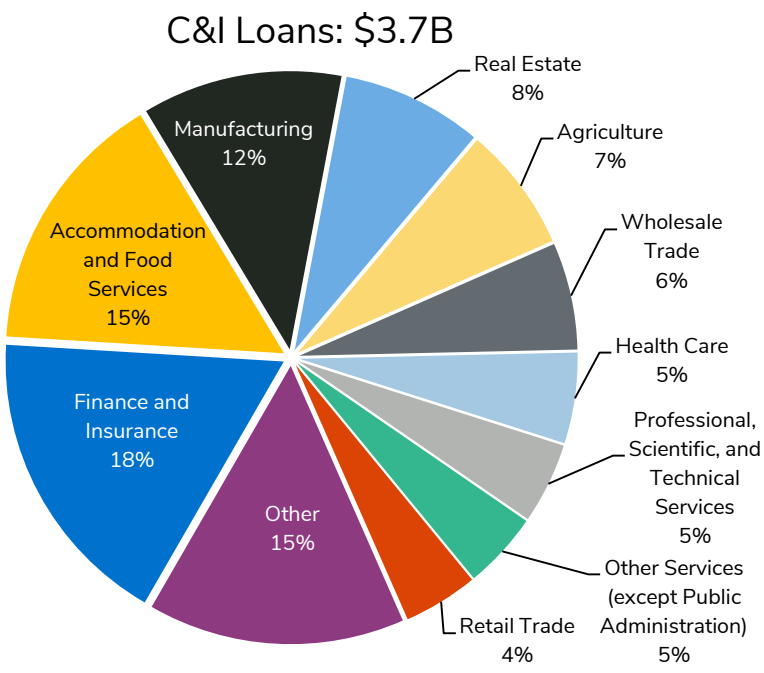
[1] Includes planned attrition related to syndications and loan marks.

[2] Decline primarily related to commercial real estate loans.

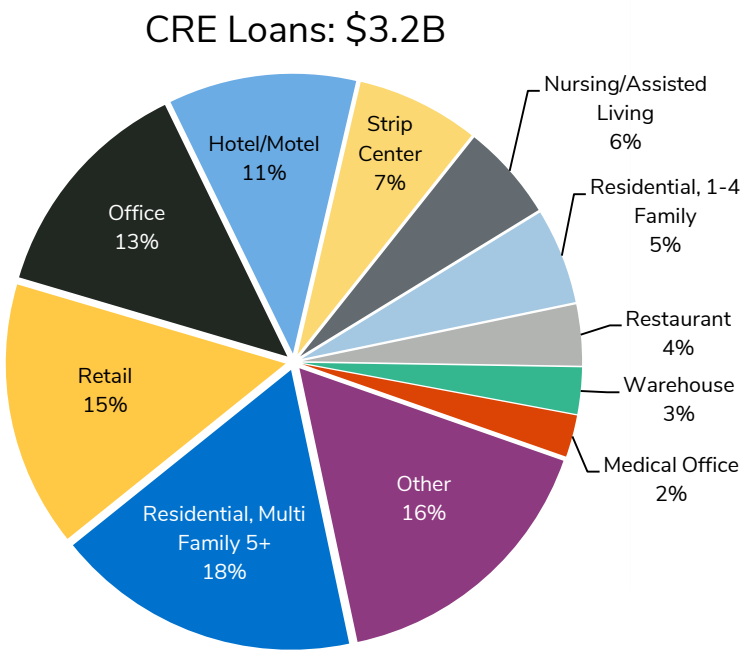
All dollars shown in millions.

Loan Portfolio

C&I Loans by Industry [1]



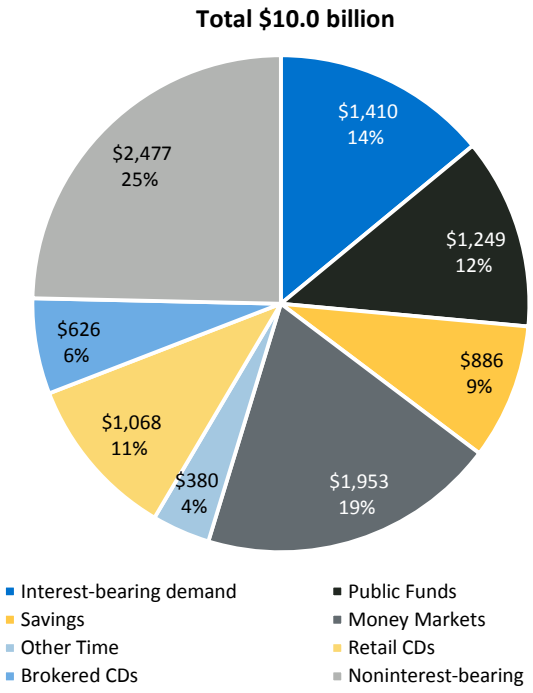
CRE Loans by Collateral [2]



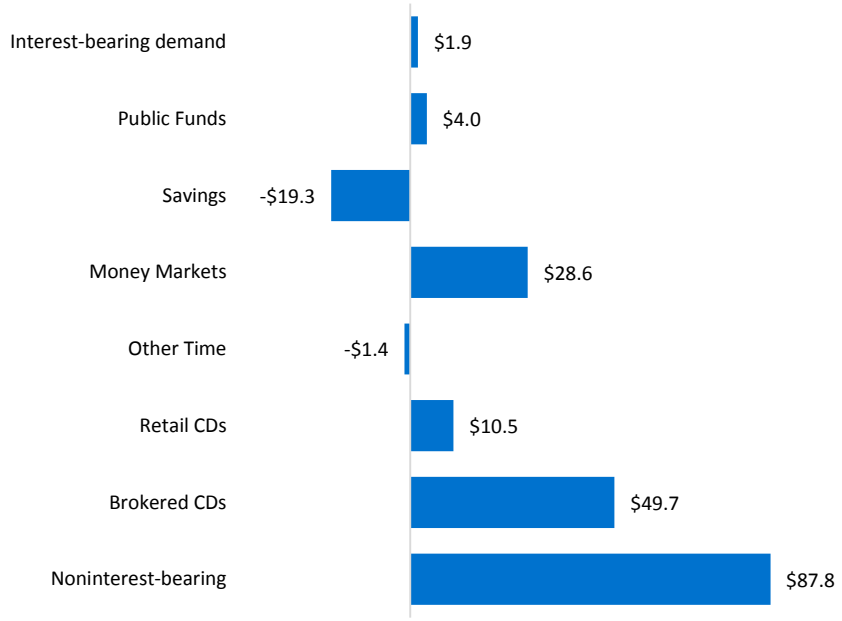
[1] Industry types included in Other representing greater than 1% of total C&I loans include Construction, Public Administration, Transportation & Warehousing, Waste Management, Arts, Entertainment, & Recreation, and Educational Services. Includes owner-occupied CRE.
[2] Collateral types included in Other representing greater than 1% of total CRE loans include Student Housing, Industrial Facility, Commercial Lot, Mini Storage, Real Estate IUB Other, and Manufacturing Facility.

Deposits

Deposit Product Mix (Avg)



4Q18 Average Deposit Progression



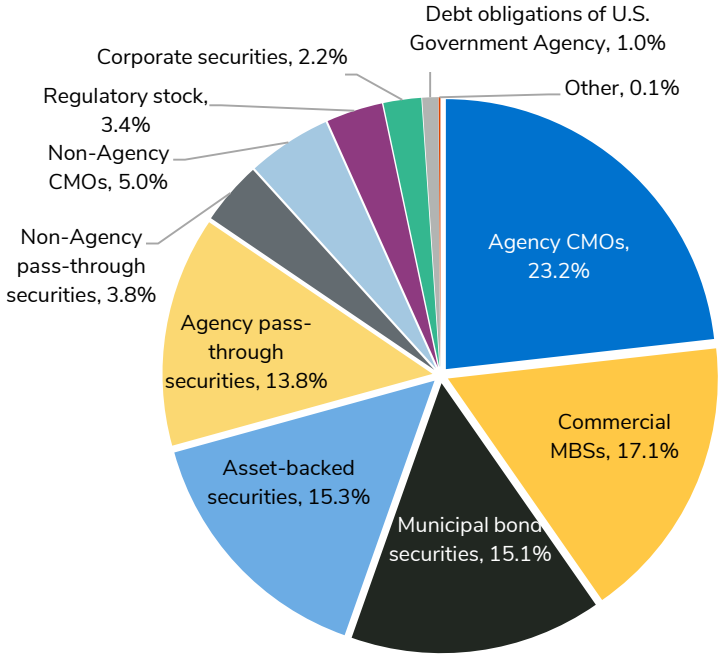
Total growth/(decline): $161.8 million

All dollars shown in millions.

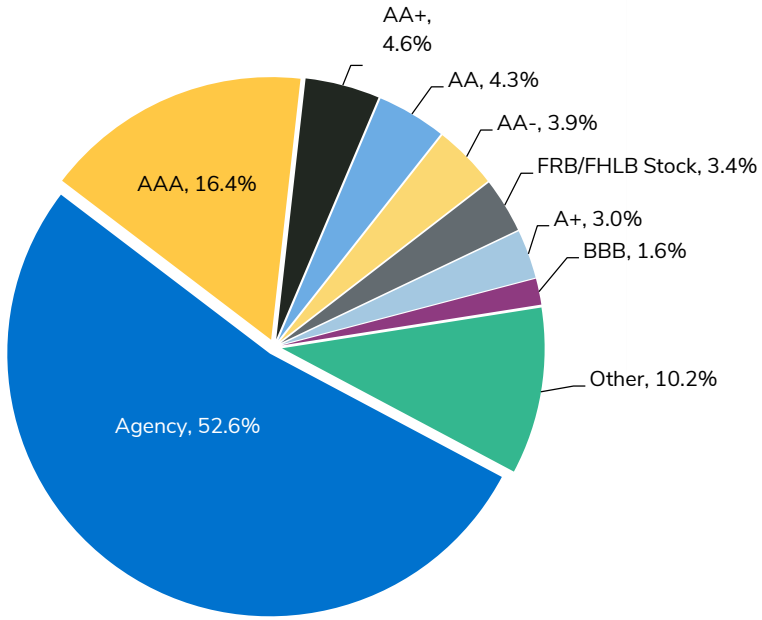
Investment Portfolio

- Total EOP investments of approximately $3.3 billion
- Investment portfolio / total assets = approximately 24%
- Portfolio duration = estimated 3.3 years

Portfolio Composition

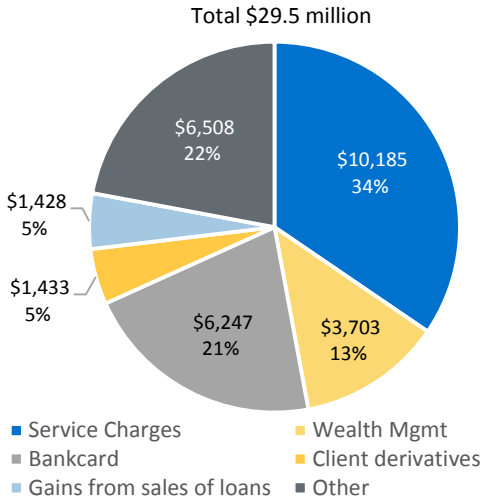


Portfolio Quality



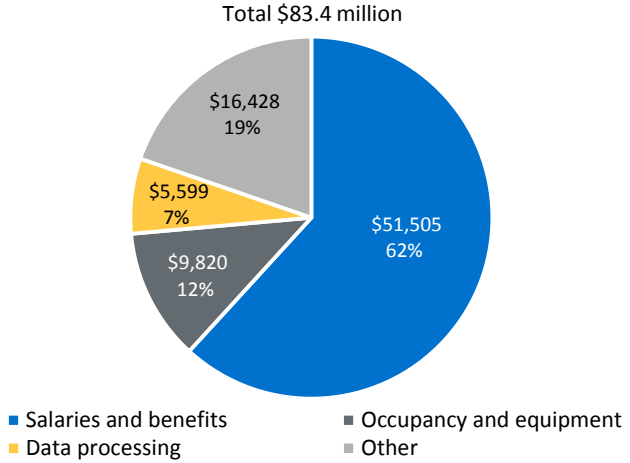
Noninterest Income and Noninterest Expense

Noninterest Income [1]



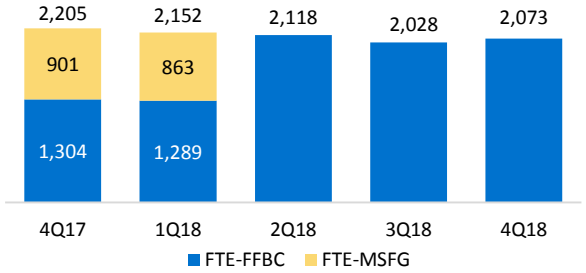
[1] Includes $1.6 million of gains from the redemption of off balance sheet securitizations

Noninterest Expense [2]



[2] Includes $4.2 million of severance expense and $3.3 million of merger-related expenses

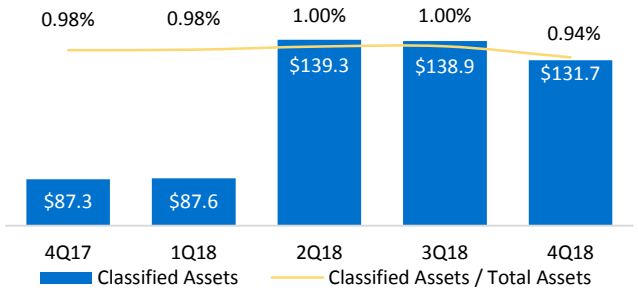
Combined FTE



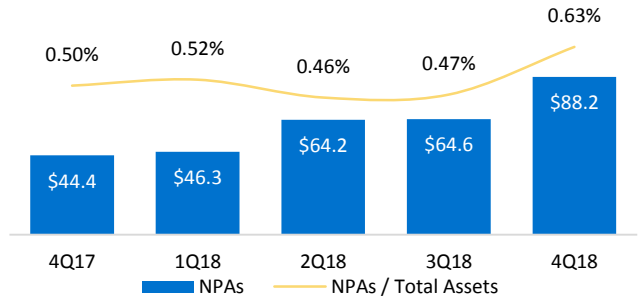
All dollars shown in thousands.

Asset Quality

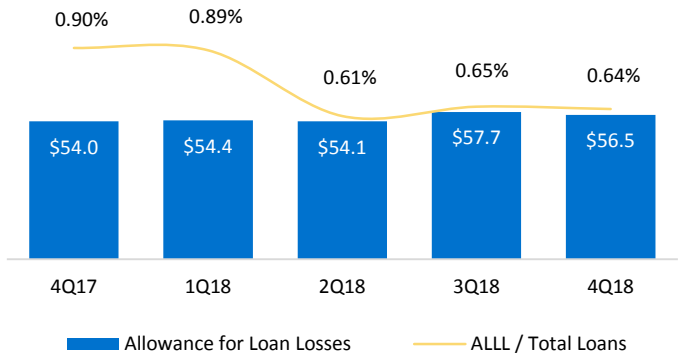
Classified Assets / Total Assets



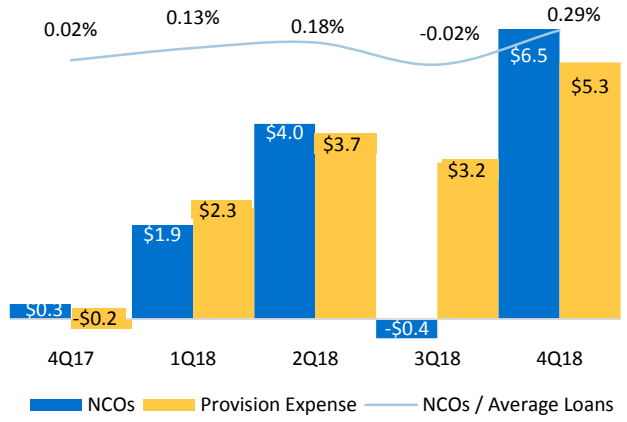
Nonperforming Assets / Total Assets



Allowance / Total Loans



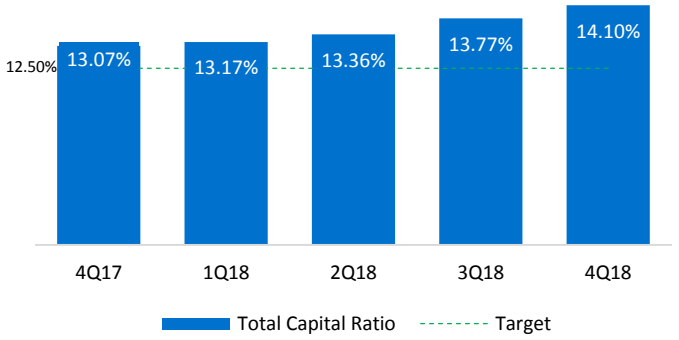
Net Charge Offs & Provision Expense



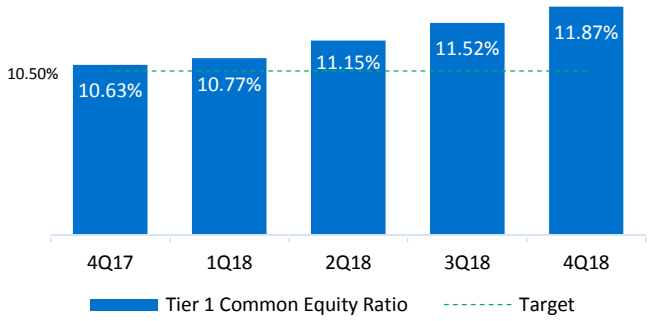
All dollars shown in millions.

Capital

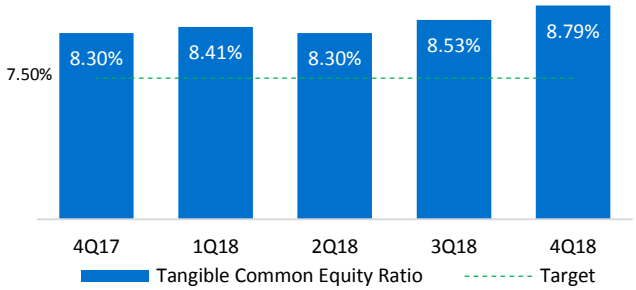
Total Capital Ratio



Tier 1 Common Equity Ratio



Tangible Common Equity Ratio



All capital numbers are considered preliminary.

1Q19 Outlook[1]

Balance Sheet	▪ Annualized loan growth expected to be in the low to mid single digits on a percentage basis
Net Interest Margin	▪ NIM (FTE) 3.87 - 3.92%, excluding purchase accounting impact ▪ Compares to 3.92% in 4Q18 ▪ Day count impact approximately $1 - $2 million
Credit	▪ Stable credit outlook; net charge-offs similar to full year 2018
Noninterest income[2]	▪ Seasonal decline expected; $27 - $28 million
Noninterest Expense[2]	▪ Seasonal increase expected; $76 - $78 million ▪ Efficiency ratio of 50 – 52%
Capital	▪ All capital ratios expected to exceed current internal targets
Taxes	▪ Effective tax rate of approximately 19.5%

[1] See Forward Looking Statement Disclosure on page 2 of this presentation for a discussion of factors that could affect management's expectations and results in future periods.

[2] Management's estimated outlook excludes merger-related activities.



Presentation Contents

About First Financial Bancorp

Financial Performance

Appendix

Appendix: Our Markets

- **Greater Cincinnati**
  - Loans $2.5 billion
  - Deposits $2.5 billion
  - Deposit Market Share #4 (3.2%)
  - Banking Centers 54
  - Fortune 500 Companies 9
- **Central OH**
  - Loans $1.1 billion
  - Deposits $0.4 billion
  - Deposit Market Share #13 (0.8%)
  - Banking Centers 5
  - Fortune 500 Companies 5
- **Community Markets**
  - Loans $1.9 billion
  - Deposits $4.6 billion
  - Banking Centers 77
- **Indianapolis**
  - Loans $1.1 billion
  - Deposits $0.7 billion
  - Deposit Market Share #14 (1.6%)
  - Banking Centers 10
  - Fortune 500 Companies 3
- **Louisville**
  - Loans $0.6 billion
  - Deposits $0.4 billion
  - Deposit Market Share #12 (1.9%)
  - Banking Centers 13
  - Fortune 500 Companies 3
- **Commercial Finance (National)**
  - Loans $1.1 billion

All numbers as of 12/31/2018 except deposit market share which is as of 6/30/2018.
Loan and deposit balances exclude special assets, loan marks, other out of market and corporately held balances.

Appendix: Non-GAAP Measures

The Company's earnings release and accompanying presentation contain certain financial information determined by methods other than in accordance with accounting principles generally accepted in the United States (GAAP). Such non-GAAP financial information should be considered supplemental to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. However, we believe that non-GAAP reporting provides meaningful information and therefore we use it to supplement our GAAP information. We have chosen to provide this supplemental information to investors, analysts and other interested parties to enable them to perform additional analyses of operating results, to illustrate the results of operations giving effect to the non-GAAP adjustments and to provide an additional measure of performance. We believe this information is helpful in understanding the results of operations separate and apart from items that may, or could, have a disproportional positive or negative impact in any given period. For a reconciliation of the differences between the non-GAAP financial measures and the most comparable GAAP measures, please refer to the following reconciliation tables.

Appendix: Non-GAAP to GAAP Reconciliation

Net interest income and net interest margin - fully tax equivalent

	Three months ended				
	Dec. 31, 2018	Sep. 30, 2018	June 30, 2018	Mar. 31, 2017	Dec. 31, 2017
Net interest income	$ 125,959	$ 123,485	$ 123,979	$ 75,812	$ 75,614
Tax equivalent adjustment	1,442	1,567	1,420	718	1,387
Net interest income - tax equivalent	$ 127,401	$ 125,052	$ 125,399	$ 76,530	$ 77,001
Average earning assets	$ 12,003,073	$ 12,056,627	$ 12,120,000	$ 8,087,848	$ 8,005,100
Net interest margin*	4.16 %	4.06 %	4.10 %	3.80 %	3.75 %
Net interest margin (fully tax equivalent)*	4.21 %	4.12 %	4.15 %	3.84 %	3.82 %

* Margins are calculated using net interest income annualized divided by average earning assets.

The tax equivalent adjustment to net interest income recognizes the income tax savings when comparing taxable and tax-exempt assets and assumes a 21% tax rate for 2018 and a 35% tax rate for 2017. Management believes that it is a standard practice in the banking industry to present net interest margin and net interest income on a fully tax equivalent basis. Therefore, management believes these measures provide useful information to investors by allowing them to make peer comparisons. Management also uses these measures to make peer comparisons.

Appendix: Non-GAAP to GAAP Reconciliation

Additional non-GAAP ratios

(Dollars in thousands, except per share data)	Three months ended					YTD	
	Dec. 31, 2018	Sep. 30, 2018	June 30, 2018	Mar. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Net income (a)	$ 55,014	$ 50,657	$ 36,418	$ 30,506	$ 24,811	$ 172,595	$ 96,787
Average total shareholders' equity	2,042,884	2,021,400	2,000,093	929,474	920,194	1,752,261	897,431
Less:							
Goodwill and other intangibles	(930,960)	(935,930)	(937,457)	(209,244)	(209,571)	(755,875)	(210,055)
Average tangible equity (b)	1,111,924	1,085,470	1,062,636	720,230	710,623	996,386	687,376
Total shareholders' equity	2,078,249	2,035,520	2,012,937	939,985	930,664	2,078,249	930,664
Less:							
Goodwill and other intangibles	(931,030)	(934,360)	(934,656)	(209,053)	(209,379)	(931,030)	(209,379)
Ending tangible equity (c)	1,147,219	1,101,160	1,078,281	730,932	721,285	1,147,219	721,285
Total assets	13,986,660	13,842,667	13,920,167	8,898,429	8,896,923	13,986,660	8,896,923
Less:							
Goodwill and other intangibles	(931,030)	(934,360)	(934,656)	(209,053)	(209,379)	(931,030)	(209,379)
Ending tangible assets (d)	13,055,630	12,908,307	12,985,511	8,689,376	8,687,544	13,055,630	8,687,544
Risk-weighted assets (e)	10,241,159	10,222,466	10,251,147	7,240,731	7,108,629	10,241,159	7,108,629
Total average assets	13,768,958	13,822,675	13,956,360	8,830,176	8,731,956	12,611,438	8,611,403
Less:							
Goodwill and other intangibles	(930,960)	(935,930)	(937,457)	(209,244)	(209,571)	(755,875)	(210,055)
Average tangible assets (f)	$ 12,837,998	$ 12,886,745	$ 13,018,903	$ 8,620,932	$ 8,522,385	$ 11,855,563	$ 8,401,348
Ending shares outstanding (g)	97,894,286	97,914,526	97,904,897	62,213,823	62,069,087	97,894,286	62,069,087
Ratios							
Return on average tangible shareholders' equity (a)/(b)	19.63%	18.52%	13.75%	17.18%	13.85%	17.32%	14.08%
Ending tangible equity as a percent of:							
Ending tangible assets (c)/(d)	8.79%	8.53%	8.30%	8.41%	8.30%	8.79%	8.30%
Risk-weighted assets (c)/(e)	11.20%	10.77%	10.52%	10.09%	10.15%	11.20%	10.15%
Average tangible equity as a percent of average tangible assets (b)/(f)	8.66%	8.42%	8.16%	8.35%	8.34%	8.40%	8.18%
Tangible book value per share (c)/(g)	$ 11.72	$ 11.25	$ 11.01	$ 11.75	$ 11.62	$ 11.72	$ 11.62

Appendix: Non-GAAP to GAAP Reconciliation

Additional non-GAAP measures

(Dollars in thousands, except per share data)	4Q18		3Q18		2Q18		1Q18		4Q17	
	As Reported	Adjusted	As Reported	Adjusted	As Reported	Adjusted	As Reported	Adjusted	As Reported	Adjusted
Net interest income (f)	$ 125,959	$ 125,959	$ 123,485	$ 123,485	$ 123,979	$ 123,979	$ 75,812	$ 75,812	$ 75,614	$ 75,614
Provision for loan and lease losses	5,310	5,310	3,238	3,238	3,735	3,735	2,303	2,303	(205)	(205)
plus: provision expense adjustment										
Noninterest income	29,504	29,504	28,684	28,684	28,256	28,256	16,938	16,938	18,382	18,382
less: gains from the redemption of off balance sheet securitizations		(1,645)								
plus: Bankcard interchange				340		341				
plus: losses on sale of investment securities		60		279		30				(19)
Total noninterest income (g)	29,504	27,919	28,684	29,303	28,256	28,627	16,938	16,938	18,382	18,363
Noninterest expense	83,352	83,352	85,415	85,415	102,755	102,755	52,288	52,288	82,898	82,898
less: severance expense		4,221		2,200		4,546				
less: historic tax credit investment write-down										11,328
less: merger-related expenses		3,264		5,205		19,397		1,985		8,444
less: indemnification asset impairment [1]								527		5,055
less: charitable foundation contribution										3,000
less: other								(113)		577
Total noninterest expense (e)	83,352	75,867	85,415	78,010	102,755	78,812	52,288	49,889	82,898	54,494
Income before income taxes (i)	66,801	72,701	63,516	71,540	45,745	70,059	38,159	40,558	11,303	39,688
Income tax expense	11,787	11,787	12,859	12,859	9,327	9,327	7,653	7,653	(13,508)	(13,508)
plus: tax effect of adjustments		1,239		1,685		5,106		504		9,935
plus: tax reform impact on DTLs & tax partnerships										8,191
plus: after-tax impact of historic tax credit write-down @ 35%										7,363
Total income tax expense (h)	11,787	13,026	12,859	14,544	9,327	14,433	7,653	8,157	(13,508)	11,981
Net income (a)	$ 55,014	$ 59,675	$ 50,657	$ 56,996	$ 36,418	$ 55,626	$ 30,506	$ 32,401	$ 24,811	$ 27,707
Average diluted shares (b)	98,468	98,468	98,484	98,484	98,432	98,432	62,181	62,181	62,132	62,132
Average assets (c)	13,768,958	13,768,958	13,822,675	13,822,675	13,956,360	13,956,360	8,830,176	8,830,176	8,731,956	8,731,956
Average shareholders' equity	2,042,884	2,042,884	2,021,400	2,021,400	2,000,093	2,000,093	929,474	929,474	920,194	920,194
Less:										
Goodwill and other intangibles	(930,960)	(930,960)	(935,930)	(935,930)	(937,457)	(937,457)	(209,244)	(209,244)	(209,571)	(209,571)
Average tangible equity (d)	1,111,924	1,111,924	1,085,470	1,085,470	1,062,636	1,062,636	720,230	720,230	710,623	710,623
Ratios										
Net earnings per share - diluted (a)/(b)	$ 0.56	$ 0.61	$ 0.51	$ 0.58	$ 0.37	$ 0.57	$ 0.49	$ 0.52	$ 0.40	$ 0.45
Return on average assets - (a)/(c)	1.59%	1.72%	1.45%	1.64%	1.05%	1.60%	1.40%	1.49%	1.13%	1.26%
Return on average tangible shareholders' equity - (a)/(d)	19.63%	21.29%	18.52%	20.83%	13.75%	21.00%	17.18%	18.24%	13.85%	15.47%
Efficiency ratio - (e)/((f)+(g))	53.6%	49.3%	56.1%	51.1%	67.5%	51.6%	56.4%	53.8%	88.2%	58.0%
Effective tax rate - (h)/(i)	17.6%	17.9%	20.2%	20.3%	20.4%	20.6%	20.1%	20.1%	-119.5%	30.2%

[1] - Impairment charge related to preliminary agreement to terminate FDIC loss sharing agreements.

fIRST

first financial bancorp

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