Investor Presentation

Fourth Quarter 2019

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 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, 2018, 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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About First Financial Bancorp

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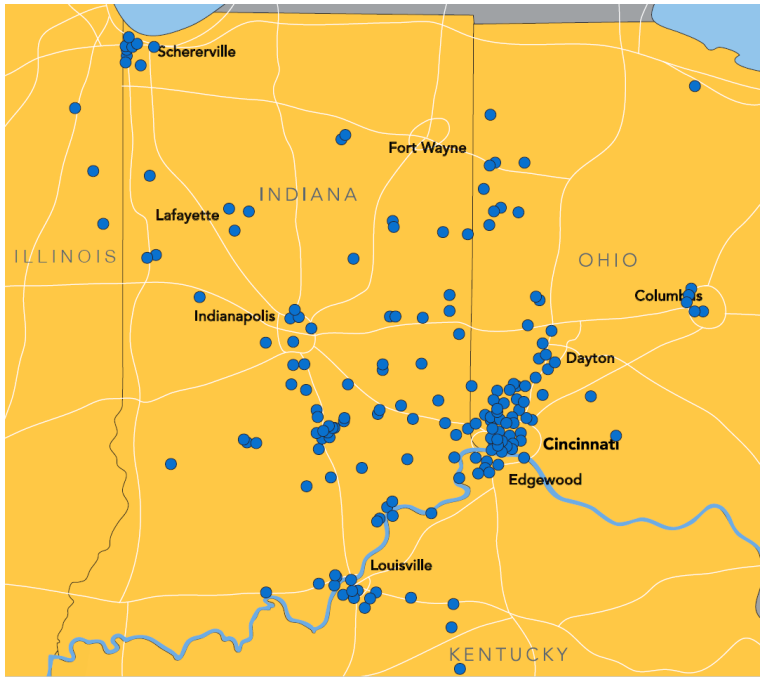
Company Overview



Overview

Founded: 1863

Headquarters: Cincinnati, Ohio

Banking Centers: 145

Assets: $14.5 billion

Loans: $9.2 billion

Deposits: $10.2 billion

Wealth Mgmt: $4.5 billion

- $2.9 billion AUM
- $1.6 billion brokerage

Lines of Business

Commercial

- C&I, O-CRE, ABL, Equipment Finance, Treasury, Bannockburn Global Forex

Retail Banking

- Consumer, Business Banking, Small Business

Mortgage Banking

Wealth Management / Private Banking

Investment Commercial Real Estate

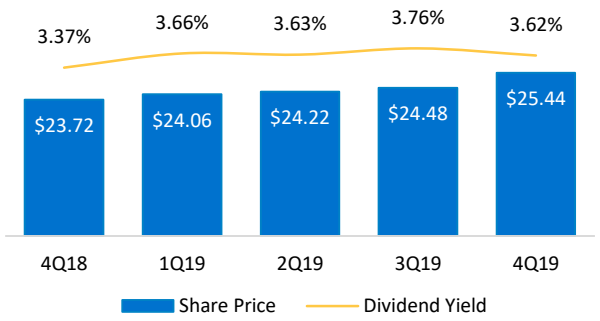
Commercial Finance





www.bankatfirst.com

NASDAQ: FFBC



FIRST

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Current Priorities

- Achieve targeted income and balance sheet growth objectives
- Realize expected benefits of Bannockburn acquisition
- Implement strategic technology and bank transformation roadmap
- Transform branch distribution network
  - Open second innovation hub location
  - Close additional underperforming branch locations
  - Invest in LMI locations
  - Re-imagine Greater Cincinnati distribution strategy
  - Continue transition to advising functions
- Drive associate engagement and cultural development
  - Partnership with Gallup
  - Holistic approach to associate development
  - Connecting to community
- Execute acquisition strategy
  - Prioritize fee-based businesses
  - Strategic bank acquisitions that provide improved market share or niche businesses / expertise
- Continue shareholder-focused capital management

Bannockburn Transaction Overview

- First Financial acquired Cincinnati based Bannockburn Global Forex, LLC ("BGF"), a capital markets firm specializing in foreign exchange payments, hedging, and other fee-based advisory services to small and medium enterprise ("SME") clients
- Highly-additive transaction, consistent with FFBC's previously communicated strategic focus on growing fee income

Strategic Benefits

- Adds >$30mm of fee income
- FFBC Fee Income / Revenue increases by ~400 bps
- Meaningful cross-sell opportunities to both sets of existing clients
- Counter-cyclical – BGF's activity increases in downturns

Transaction Detail

- ~$114.6mm transaction value
- ~2.6mm shares and $53.7mm in cash
- All key BGF team members will enter into retention agreements
- BGF team previously worked at a large regional bank under FFB's Chief Commercial Executive

Financial Impact

- Low-single digit GAAP EPS accretion / mid-single digit Cash EPS accretion
- Enhances ROA and ROATCE
- IRR > 40%; ~100% free cash flow generation
- TBV earnback < 5 years

Attractive risk / reward profile, with shared history and strong cultural alignment

4th & Vine – Opened 8/12/19

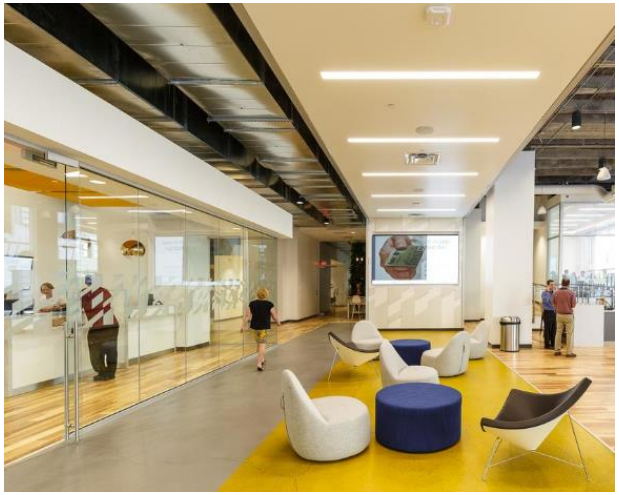
- New 15,000 sq. ft. First Innovation Center and Downtown Cincinnati Banking Hub Site
- Dedicated landing page www.4thvine.com
- Multi-use spaces free for the community including multiple conference rooms, areas for shared workspace, and 5,000 sq. ft. for seminars and events
- Office/workspace for front facing associates representing most revenue lines of business
- 1,500 sq. ft. full-service branch
- Since inception: 375 programming events, 29,749 visitors, 5,077 visits to 4thvine.com
- Opening second innovation center within the next 12 months











4TH & VINE
a FIRST financial community

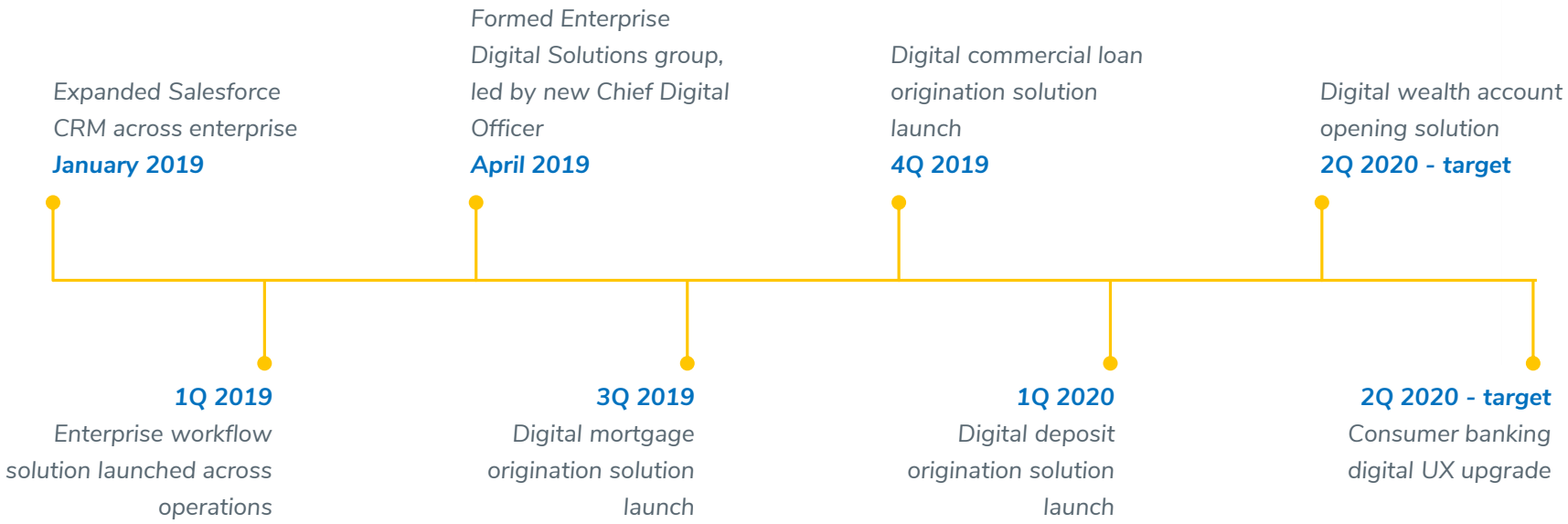
Digital + Technology Investments



> Enabling a ***simple, consistent & seamless*** customer experience across ***digital & physical*** channels & making it ***easier for associates*** to provide best-in-class customer service.

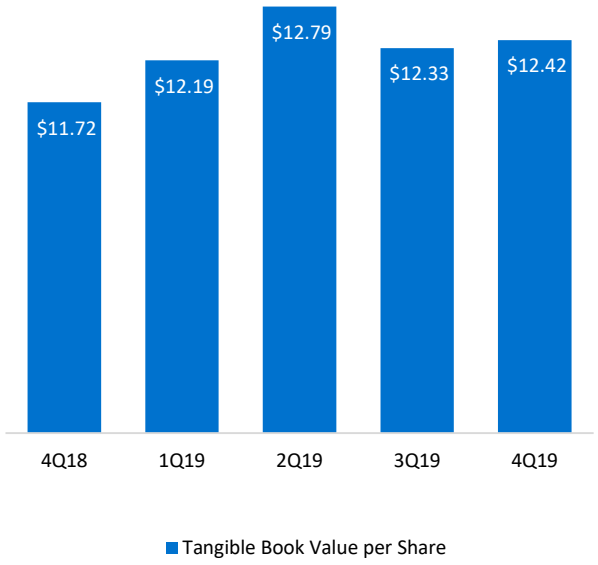
Digital + Technology Investments

- 2020 noninterest expense includes $6 – 8 million of strategic technology investments
- Continued investment in foundational data enablement + automation capabilities



Capital Strategy & Deployment

Tangible Book Value Per Share



Strategy & Deployment

- Repurchased 1.6 million shares in fourth quarter; 2.8 million repurchased in 2019
- 3.6% dividend yield
- Targeted dividend payout ratio remains 40 - 45%
- Strategic M&A

Revenue Growth Strategies

LOB | Go-to-Market

Product & Pricing

- Regional pricing strategy
- Treasury Management product investments
- Investments in Product Management

Talent Expansion

- Up-Market Commercial talent acquisition
- Added Chief Digital Officer; building out team
- Added Enterprise Product Executive
- Added Client Experience Executive

Client Experience

- Improved Cash Management Platform
- Improved Online Banking Product
- Blend – Mortgage Origination
- nCino – Commercial loan origination and online account opening

Distribution

Defined Models

- Community
- Metro
- Headquarters
- National
- Digital

Capacity Plans

- Increased physical distribution network
- Closed 48 locations since merger including 8 in 3Q of 2019
- 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
- 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
- Increased Resource Allocation
- Enhanced Client Experience

Talent

Staffing Model

- Defined new company FTE targets
- 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
$2.4B Commitments
$1.7B Balances
$1.1B Business Deposits
$1.4B 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
- Added new Forex product line through Bannockburn acquisition

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 Clients	320,482	32,561	
Total Deposit Balance	$5.1B	$1.1B	$187MM
Total Loan Balance	$878MM	$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 $213MM
- Avg loan size $212K

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	2,402	$2.6B
Brokerage	8,367	$1.6B
RPS	89	$257MM

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	$850MM
Southern OH	$1.2B
Indiana	$658MM
Healthcare	$262MM

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

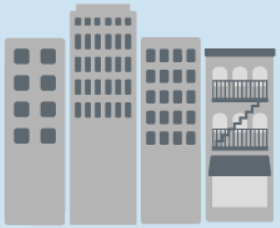
FRA	$467MM
OSF	$595MM

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



Southern 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

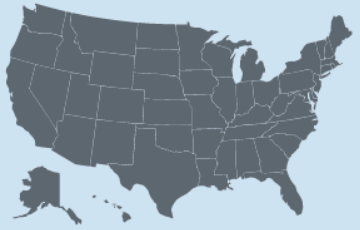


Greater Cincinnati
Northern KY

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
- Bannockburn Global Forex

Invest in First Financial

- Experienced and proven management team
- Increased scale to invest in technology
- Proven & sustainable business model
  - Well managed through the cycle
  - Conservative operating philosophy
  - Consistent profitability – 117 consecutive quarters
- Top quartile performer – ROAA, ROATCE, Efficiency, Credit
- Robust capital management
  - Prudent steward of shareholders' capital
- Strong asset quality
- Well defined M&A strategy
  - Selective markets, products & revenue diversification



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4Q 2019 Results

117th Consecutive Quarter of Profitability

Profitability

- Net income = $48.7 million or $0.49 per diluted share. Adjusted[1] net income = $51.4 million or $0.52 per diluted share[2].
- Return on average assets = 1.34%. Adjusted[1] return on average assets = 1.41%.
- Return on average shareholders' equity = 8.60%. Adjusted[1] return on average shareholders' equity = 9.08%.
- Return on average tangible common equity = 15.84%[1]. Adjusted[1] return on average tangible common equity = 16.73%.

Income Statement

- Net interest income = $118.9 million.
- Net interest margin of 3.84% on a GAAP basis; 3.89% on a fully tax equivalent basis[1].
- Noninterest income = $36.8 million.
- Noninterest expense = $93.1 million; $87.8 million[1] as adjusted.
- Efficiency ratio = 59.78%. Adjusted [1] efficiency ratio = 56.36%.
- Effective tax rate of 16.0%. Adjusted [1] effective tax rate of 18.9%.

Balance Sheet

- EOP assets increased $31.2 million compared to the linked quarter to $14.5 billion.
- EOP loans increased $138.0 million compared to the linked quarter to $9.2 billion.
- Average deposits increased $204.3 million compared to the linked quarter to $10.2 billion.
- EOP investment securities remained relatively flat compared to the linked quarter.

Asset Quality

- Provision expense = $4.6 million. Net charge-offs = $3.5 million. NCOs / Avg. Loans = 0.15% annualized.
- Nonperforming Loans / Total Loans = 0.65%. Nonperforming Assets / Total Assets = 0.42%.
- ALLL / Nonaccrual Loans = 119.69%. ALLL / Total Loans = 0.63%. Classified Assets / Total Assets = 0.62%.

Capital

- Total capital ratio = 13.39%.
- Tier 1 common equity ratio = 11.30%.
- Tangible common equity ratio = 9.07%.
- Tangible book value per share = $12.42.

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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 18 for Adjusted Earnings detail.

4Q 2019 Highlights

- Solid quarterly earnings
  - Adjusted[1] earnings per share - $0.52
  - Adjusted[1] return on assets – 1.41%
  - Adjusted[1] return on average tangible common equity – 16.73%
- Loan and deposit growth in line with expectations
  - Loan balances increased $138.0 million compared to the linked quarter; 6.0% on an annualized basis
  - Strong average deposit growth driven by 19.8% annualized increase in average noninterest bearing deposits
- Strong net interest margin exceeded expectations
  - 7 bps decline driven by lower asset yields; partially offset by favorable shift in funding costs and mix
- Strong fee income
  - Full quarter impact of Bannockburn
  - Sustained level of client derivative fees and mortgage banking income
- Core banking expenses in line with expectations
  - Adjusted[1] noninterest expense of $87.8 million; Adjusted for $0.7 million of severance and merger related costs, a $2.9 million historic tax credit writedown and approximately $1.7 million of other non-recurring costs (i.e. branch consolidation costs)
  - $1.7 million of additional incentive compensation recorded in the quarter due to strong operating results
  - $0.8 million of additional collection costs directly attributable to significant decline in classified assets
- Improved credit profile
  - 33% decline in classified asset balances
  - Provision expense of $4.6 million sufficient to cover net charge-offs and loan growth
- Effective tax rate of 16.0%
  - Includes $3.2 million of historic tax credits
  - $0.7 million of taxes incurred on merger-related executive compensation
- Strong Capital ratios
  - Total capital of 13.39%; Tier 1 common equity of 11.30%; Tangible common equity of 9.07%
  - Tangible book value increased to $12.42
  - Repurchased 1.6 million shares during the quarter

[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[1] Net Income

The table below lists certain adjustments that the Company believes are significant to understanding our quarterly performance.

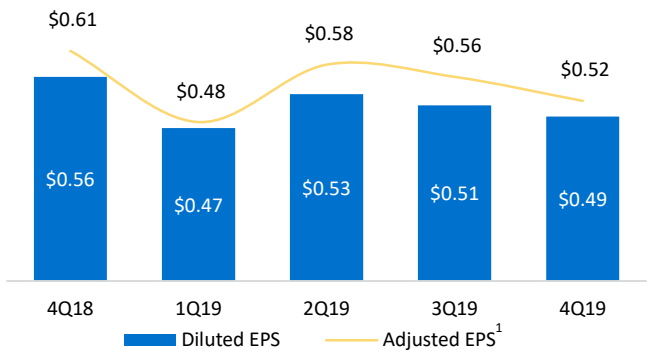
	4Q 2019		3Q 2019	
	As Reported	Adjusted	As Reported	Adjusted
Net interest income	$ 118,902	$ 118,902	$ 121,535	$ 121,535
Provision for loan and lease losses	$ 4,629	$ 4,629	$ 5,228	$ 5,228
Noninterest income	$ 36,768	$ 36,768	$ 33,140	$ 33,140
less: gains (losses) on investment securities	-	(56) A	-	208 A
Total noninterest income	$ 36,768	$ 36,824	$ 33,140	$ 32,932
Noninterest expense	$ 93,064	$ 93,064	$ 86,226	$ 86,226
less: severance and merger-related expenses	-	693 A	-	5,192 A
less: historic tax credit investment write-down	-	2,862 A		
less: other	-	1,740 A	-	711 A
Total noninterest expense	$ 93,064	$ 87,769	$ 86,226	$ 80,323
Income before income taxes	$ 57,977	$ 63,328	$ 63,221	$ 68,916
Income tax expense	$ 9,300	$ 9,300	$ 12,365	$ 12,365
less: tax effect of executive compensation	-	747	-	269
plus: after-tax impact on of historic tax credit write-down @ 21%	-	2,261	-	-
plus: tax effect of adjustments (A) @ 21% statutory rate	-	1,124	-	1,195
Total income tax expense	$ 9,300	$ 11,938	$ 12,365	$ 13,291
Net income	$ 48,677	$ 51,390	$ 50,856	$ 55,625
Net earnings per share - diluted	$ 0.49	$ 0.52	$ 0.51	$ 0.56
Pre-tax, pre-provision return on average assets	1.72%	1.86%	1.90%	2.05%

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

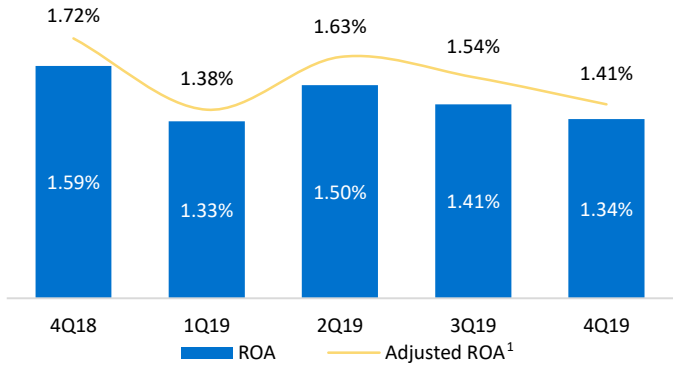
All dollars shown in thousands, except per share amounts.

Profitability

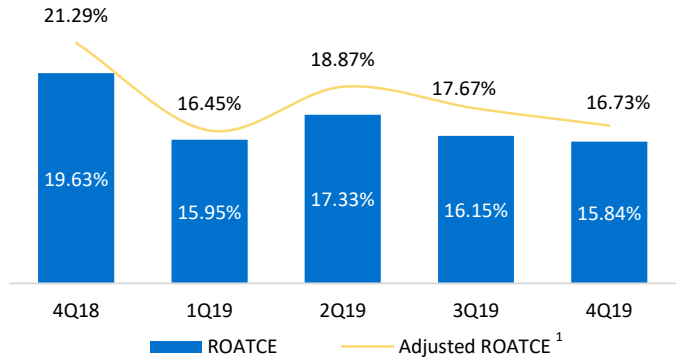
Diluted EPS



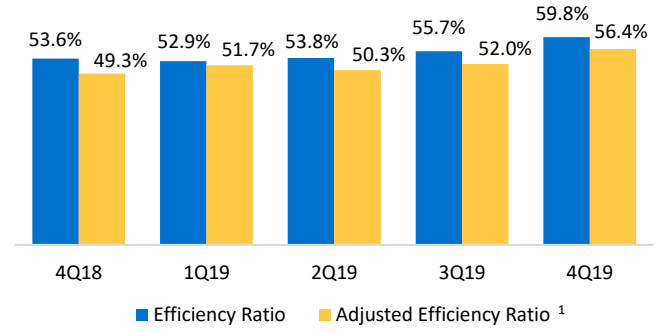
Return on Average Assets



Return on Avg Tangible Common Equity



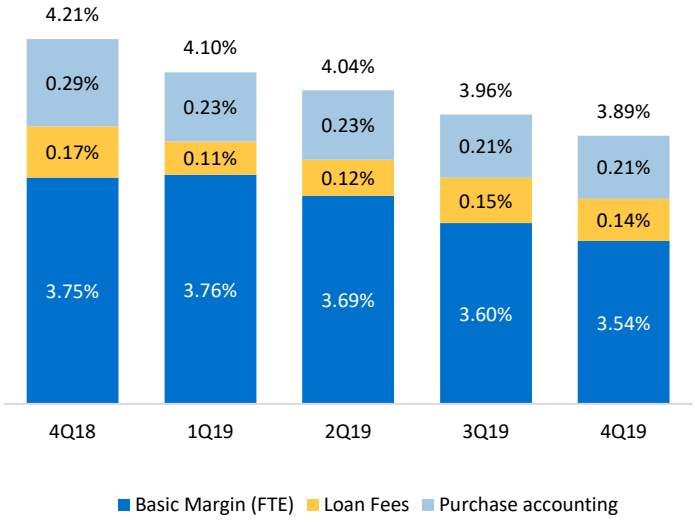
Efficiency Ratio



[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)

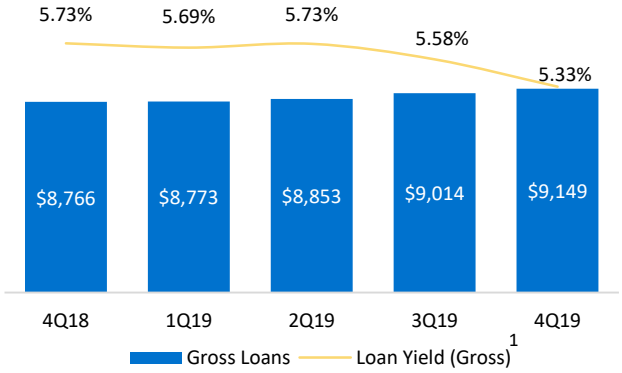


4Q19 NIM (FTE) Progression

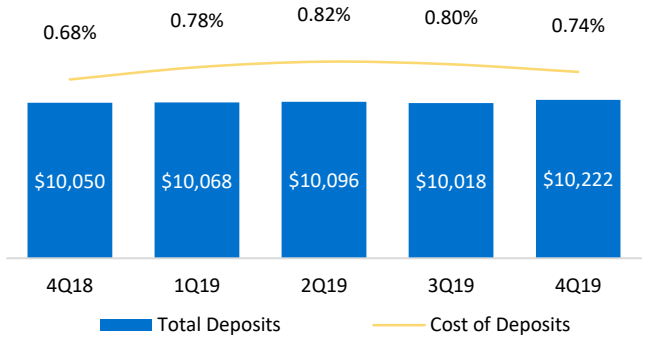
3Q19	**3.96%**
Asset yield	-0.19%
Asset mix	0.02%
Funding costs	0.07%
Funding mix	0.03%
4Q19	**3.89%**

Average Balance Sheet

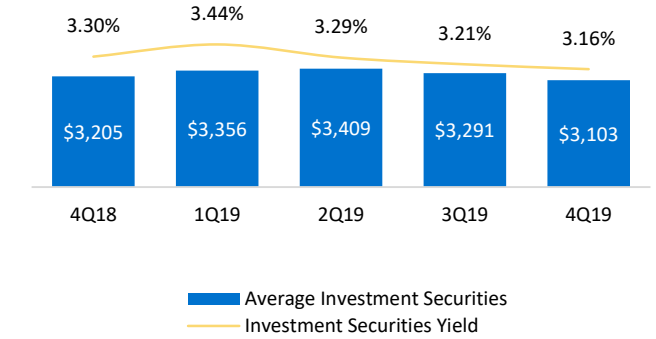
Average Loans



Average Deposits



Average Securities

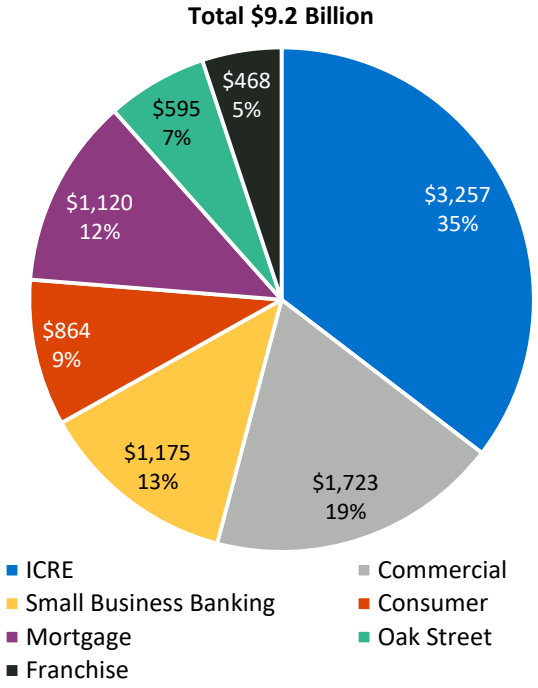


All dollars shown in millions

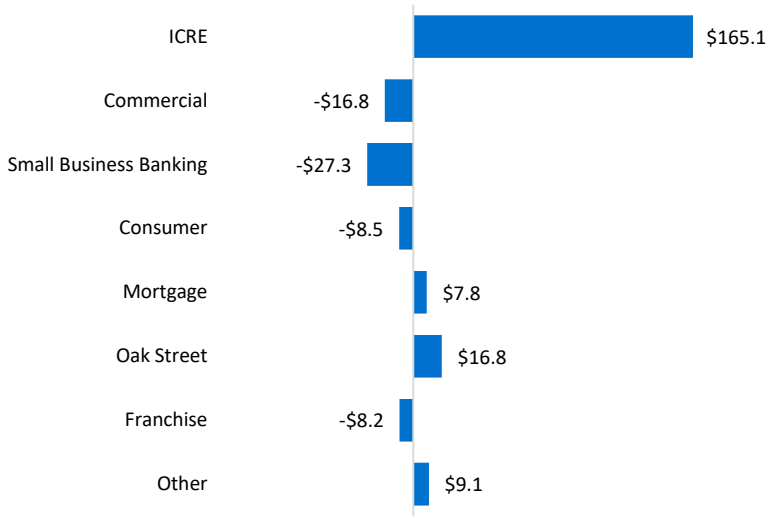
[1] Includes loans fees and purchase accounting accretion

Loan Portfolio

Loan LOB Mix (EOP)



Net Loan Change-LOB (Linked Quarter)



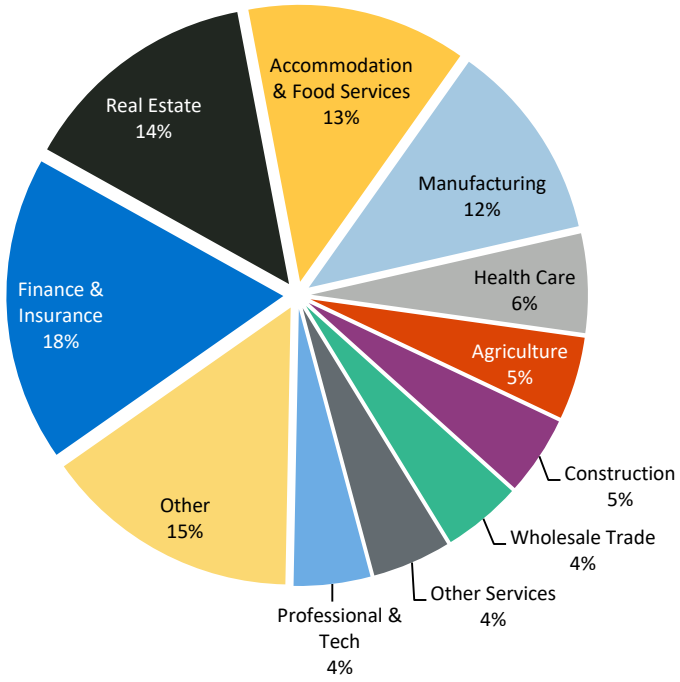
Total growth/(decline):
$138.0 million

All dollars shown in millions.

Loan Portfolio

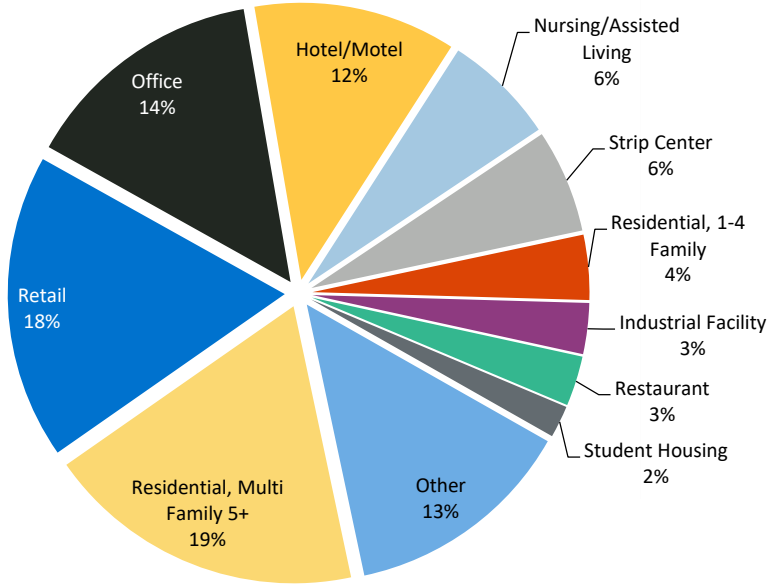
C&I Loans by Industry [1]

C&I Loans: $3.7B



CRE Loans by Collateral [2]

CRE Loans: $3.5B

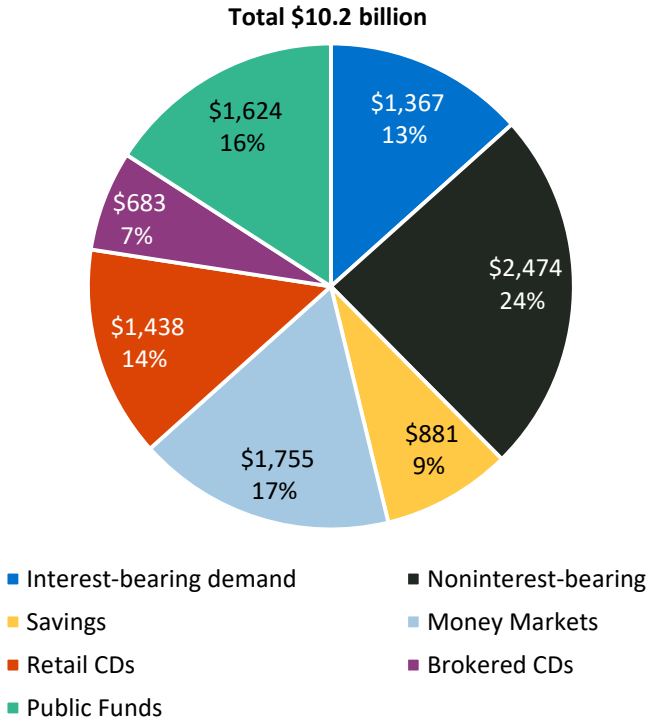


[1] Industry types included in Other representing greater than 1% of total C&I loans include Retail Trade, Transportation & Warehousing, Public Administration, Waste Management, Educational Services, Arts & Recreation, and Management of Companies & Enterprises. Includes owner-occupied CRE.

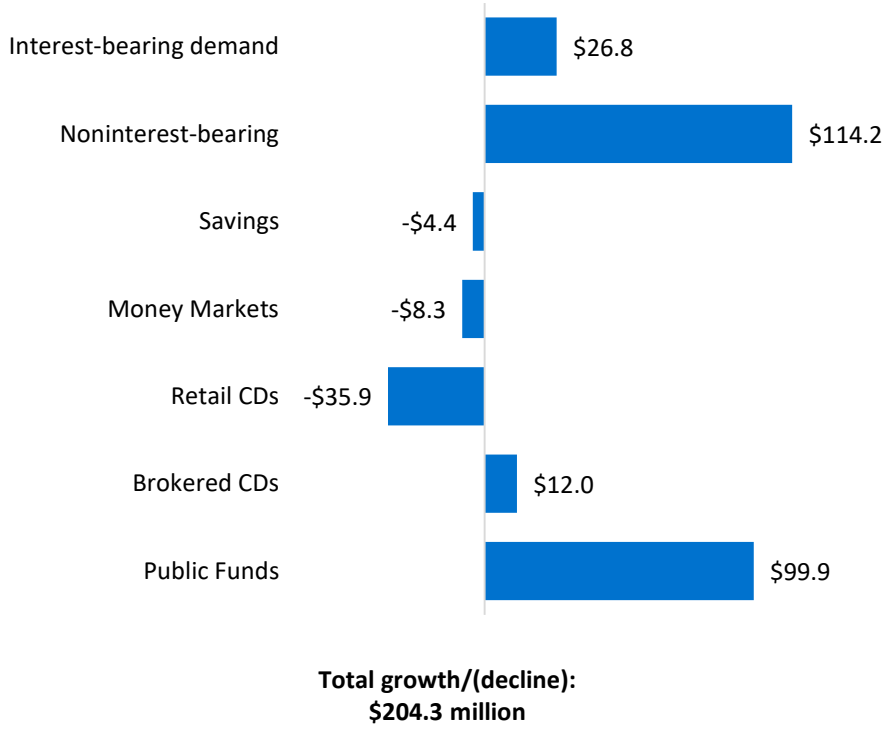
[2] Collateral types included in Other representing greater than 1% of total CRE loans include Medical Office, Warehouse, Mini Storage, Vacant Land Not Held for Development, and Real Estate IUB Other.

Deposits

Deposit Product Mix (Avg)



4Q19 Average Deposit Progression

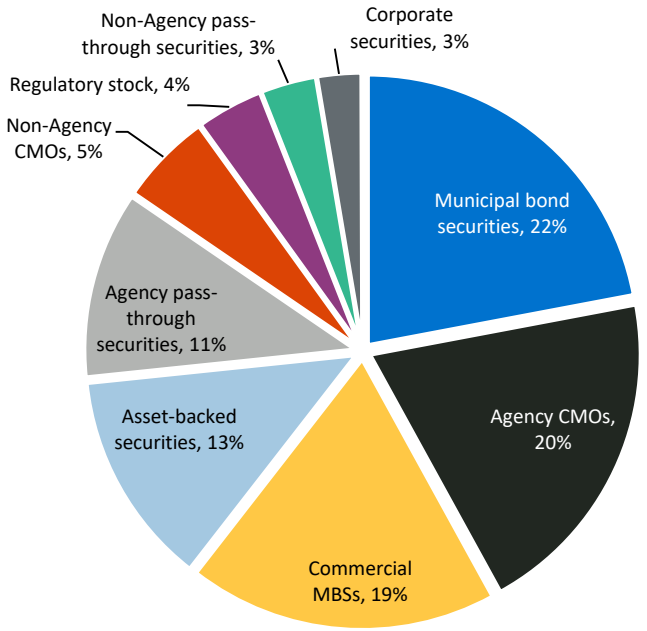


All dollars shown in millions.

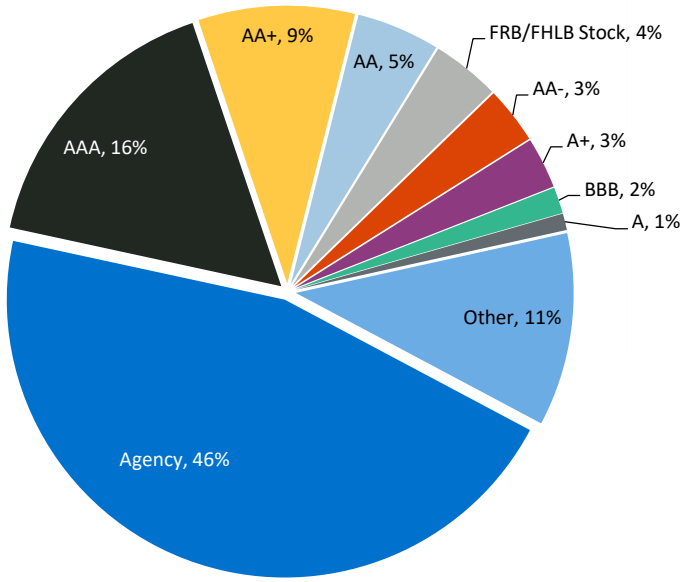
Investment Portfolio

- Total EOP investments of approximately $3.1 billion
- Investment portfolio / total assets = approximately 21.5%
- Portfolio duration approximately 3.4 years

Portfolio Composition



Portfolio Quality



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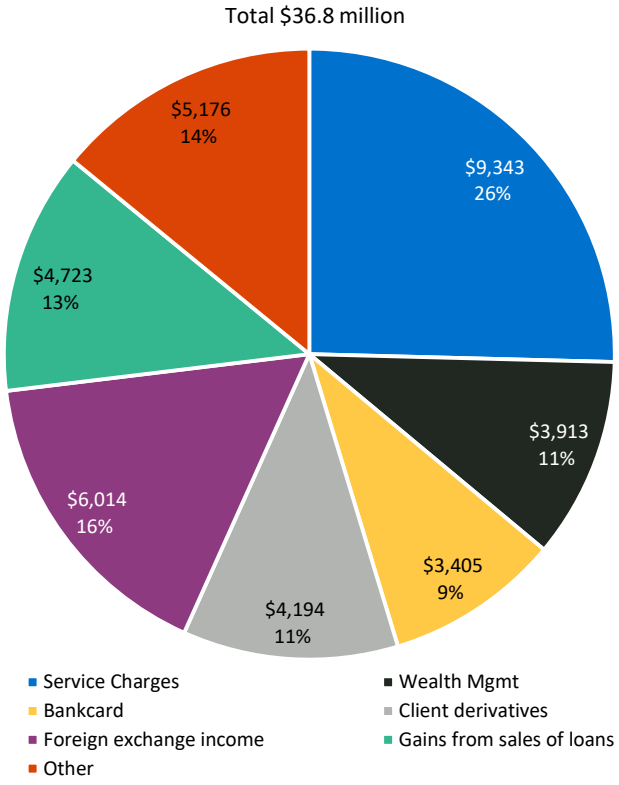
Noninterest Income

Noninterest Income

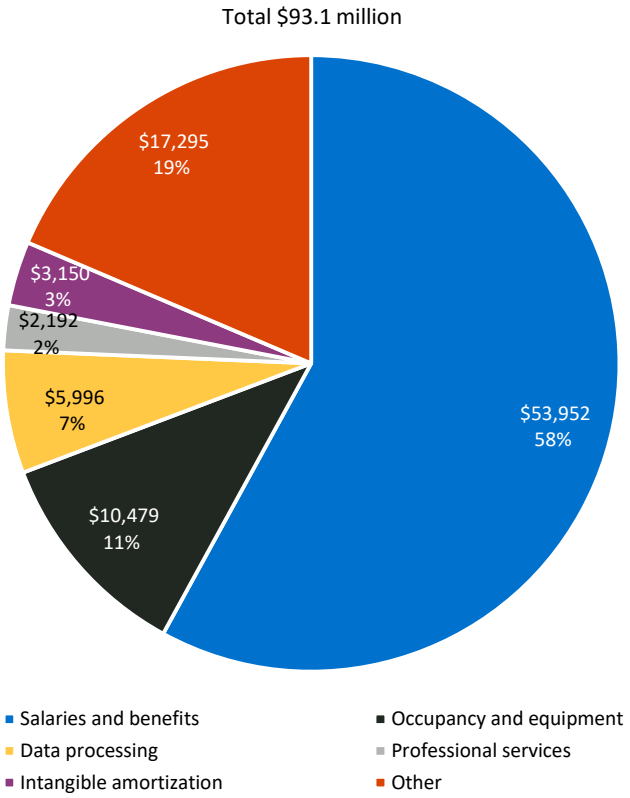


4Q19 Highlights

- $6.0 million of foreign exchange income represents full quarter impact of Bannockburn acquisition
- $4.2 million of derivative fees in line with record second and third quarters
- Continued momentum in Mortgage banking with income of $4.7 million

Noninterest Expense

Noninterest Expense

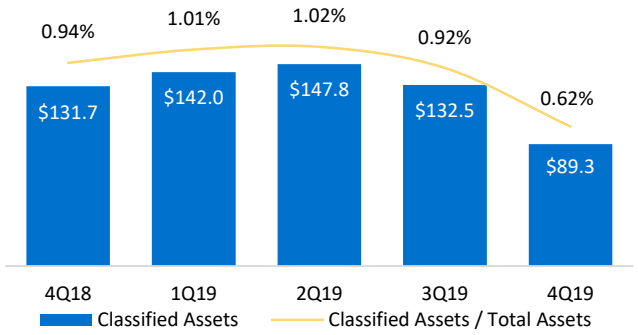


4Q19 Highlights

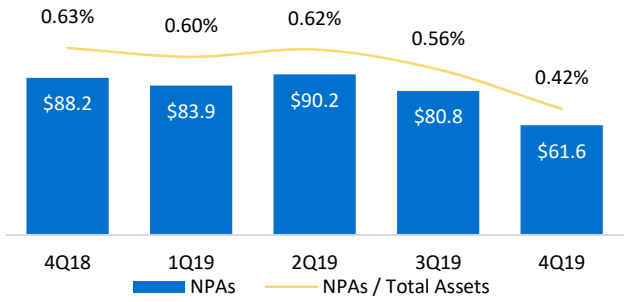
- Includes $0.7 million of severance and merger related costs
- $2.9 million write-down of historic tax credit investment
- $1.7 million related to other non-recurring costs such as branch consolidations
- Salaries and benefits impacted by $1.7 million of commissions and incentive compensation
- $0.8 million of additional collection costs directly attributable to significant decline in classified assets
- $0.4 million contribution to First Financial Foundation

Asset Quality

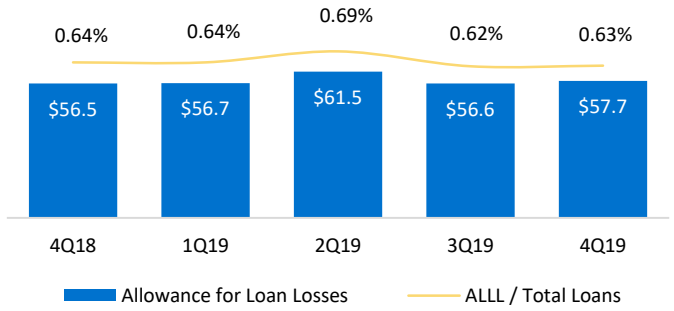
Classified Assets / Total Assets



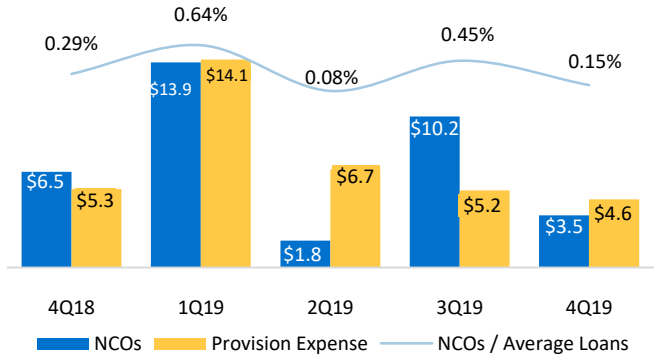
Nonperforming Assets / Total Assets



Allowance / Total Loans



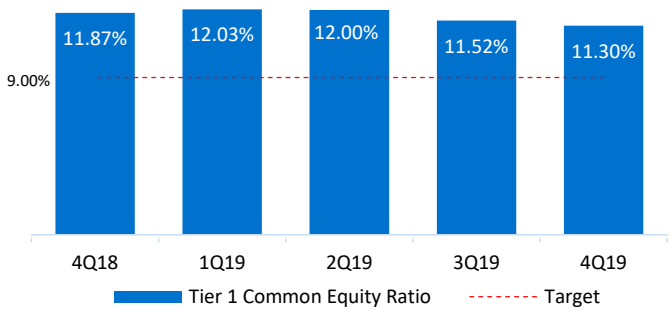
Net Charge Offs & Provision Expense



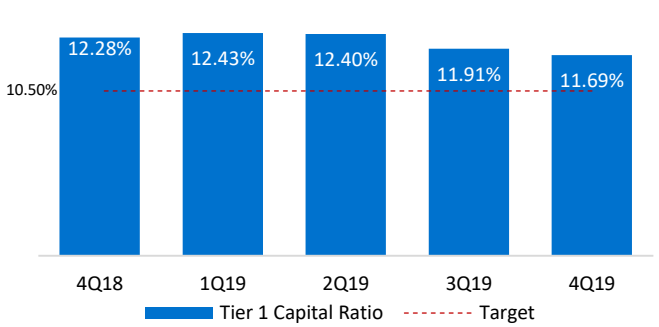
All dollars shown in millions.

Capital

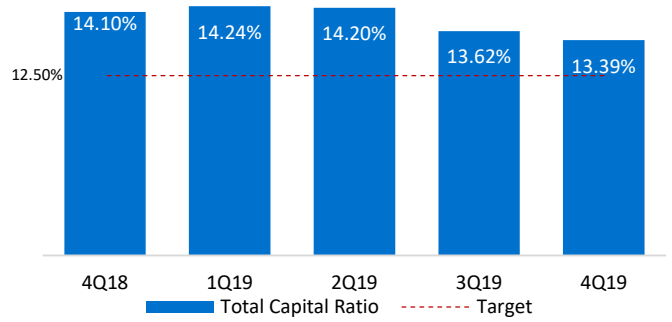
Tier 1 Common Equity Ratio



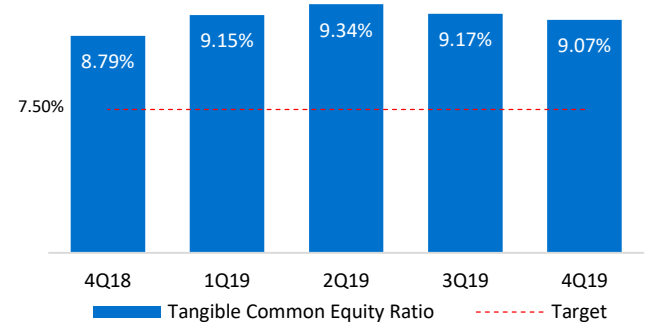
Tier 1 Capital Ratio



Total Capital Ratio



Tangible Common Equity Ratio



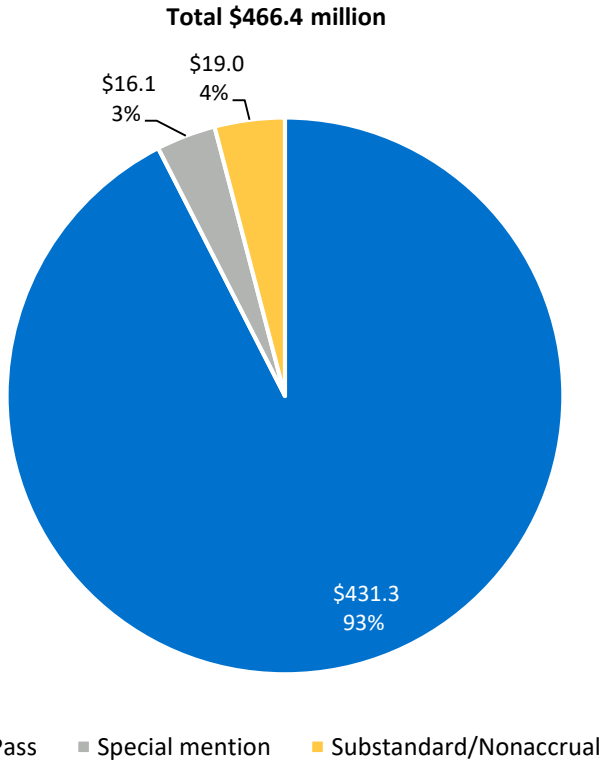
All capital numbers are considered preliminary.

Franchise Lending

Portfolio Overview

- Well-regarded national brand concepts
  - Financing for acquisition, development of new stores, and remodeling of existing stores
  - Top 15 concepts comprise 85% of portfolio outstandings
- Disciplined portfolio management
  - Annual concept reviews
  - Annual reviews of borrower relationships
  - Ongoing monitoring of borrower financial performance
- Granular portfolio
  - Average relationship: $2.6 million
  - Top 10 relationships comprise 29% of the portfolio and are performing well
    - 9 of top 10 include at least some real estate collateral
  - Largest relationship exposure is $18.2 million
- Strategic portfolio management
  - Balance 12/31/2018 – $556 million
  - Balance 12/31/2019 – $466 million

Quality Portfolio



All dollars shown in millions.

2020 Outlook[1]

Balance Sheet	• Annualized loan growth expected to be in the mid-single digits on a percentage basis
Net Interest Margin	• NIM (FTE) expected to remain relatively flat, assuming no further rate cuts and excluding purchase accounting • NIM (FTE) expected to decline 6 - 8 bps for each 25 bps decline in rates
Credit	• Credit outlook remains stable
Noninterest income[2]	• Estimated to be $145 - $155 million, with seasonal fluctuations expected
Noninterest Expense[2]	• Estimated to be $348 - $358 million, with seasonal fluctuations expected • Includes $6 -$8 million of expenses related to strategic technology investments
Capital	• All capital ratios expected to exceed current internal targets • Flexibility to consider additional deployment opportunities
Taxes	• Full year effective tax rate approximately 19.0%

[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.

CECL Update

- Established cross-functional Steering Committee tasked with managing the implementation
- Developed a transparent, consistent model
  - Multiple model dry/parallel runs
  - Qualitative framework to account for the drivers of credit losses not captured by the quantitative model
- Model validated by independent third party
- Estimated that reserve will increase upon adoption
  - Total reserve estimated to be $100 to $120 million, an increase of approximately $60 million
  - Increase significantly impacted by required reserve on acquired loans, prepayment speeds and economic forecasts
- Estimate is subject to change based upon the following
  - Continued review of the model
  - Finalization of internal controls ensuring model effectiveness
  - Current and forecasted macroeconomic conditions
  - Management's judgment



Presentation Contents

About First Financial Bancorp

Financial Performance

Appendix

Appendix: Our Markets

Greater Cincinnati

Loans	$2.8 billion
Deposits	$3.2 billion
Deposit Market Share	#4 (2.8%)
Banking Centers	52
Fortune 500 Companies	8

Central OH

Loans	$1.2 billion
Deposits	$0.4 billion
Deposit Market Share	#15 (0.8%)
Banking Centers	5
Fortune 500 Companies	5

Community Markets

Loans	$1.8 billion
Deposits	$4.3 billion
Banking Centers	67

Indianapolis

Loans	$1.2 billion
Deposits	$0.7 billion
Deposit Market Share	#14 (1.5%)
Banking Centers	10
Fortune 500 Companies	2

Louisville

Loans	$0.6 billion
Deposits	$0.5 billion
Deposit Market Share	#14 (1.6%)
Banking Centers	11
Fortune 500 Companies	3

Commercial Finance (National)

Loans	$1.1 billion

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All numbers as of 12/31/2019 except deposit market share which is as of 6/30/2019.
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, 2019	Sep. 30, 2019	June 30, 2019	Mar. 31, 2019	Dec. 31, 2018
Net interest income	$ 118,902	$ 121,535	$ 122,302	$ 121,515	$ 125,959
Tax equivalent adjustment	1,630	1,759	1,416	1,523	1,442
Net interest income - tax equivalent	$ 120,532	$ 123,294	$ 123,718	$ 123,038	$ 127,401
Average earning assets	$ 12,288,761	$ 12,343,327	$ 12,294,911	$ 12,163,751	$ 12,003,073
Net interest margin[1]	3.84 %	3.91 %	3.99 %	4.05 %	4.16 %
Net interest margin (fully tax equivalent)[1]	3.89 %	3.96 %	4.04 %	4.10 %	4.21 %

[1] 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. 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 Dec. 31, 2019	Sep. 30, 2019	June 30, 2019	Mar. 31, 2019	Dec. 31, 2018	YTD Dec. 31, 2019	Dec. 31, 2018
Net income (a)	$ 48,677	$ 50,856	$ 52,703	$ 45,839	$ 55,014	$ 198,075	$ 172,595
Average total shareholders' equity	2,245,107	2,210,327	2,146,997	2,094,234	2,042,884	2,174,679	1,752,261
Less:							
Goodwill	(937,710)	(899,888)	(879,726)	(878,541)	(878,669)	(899,131)	(714,528)
Other intangibles	(78,190)	(51,365)	(37,666)	(39,900)	(42,305)	(51,884)	(33,682)
MSR's	(10,367)	(10,118)	(9,906)	(9,896)	(9,986)	(10,073)	(7,665)
Average tangible equity (b)	1,218,840	1,248,956	1,219,699	1,165,897	1,111,924	1,213,591	996,386
Total shareholders' equity	2,247,705	2,261,313	2,188,189	2,130,419	2,078,249	2,247,705	2,078,249
Less:							
Goodwill	(937,771)	(937,689)	(879,727)	(879,727)	(880,251)	(937,771)	(880,251)
Other intangibles	(76,201)	(79,506)	(36,349)	(38,571)	(40,805)	(76,201)	(40,805)
MSR's	(10,650)	(10,293)	(10,086)	(9,891)	(9,974)	(10,650)	(9,974)
Ending tangible equity (c)	1,223,083	1,233,825	1,262,027	1,202,230	1,147,219	1,223,083	1,147,219
Total assets	14,511,625	14,480,445	14,437,663	14,074,263	13,986,660	14,511,625	13,986,660
Less:							
Goodwill	(937,771)	(937,689)	(879,727)	(879,727)	(880,251)	(937,771)	(880,251)
Other intangibles	(76,201)	(79,506)	(36,349)	(38,571)	(40,805)	(76,201)	(40,805)
MSR's	(10,650)	(10,293)	(10,086)	(9,891)	(9,974)	(10,650)	(9,974)
Ending tangible assets (d)	13,487,003	13,452,957	13,511,501	13,146,074	13,055,630	13,487,003	13,055,630
Risk-weighted assets (e)	11,023,795	10,883,554	10,674,394	10,358,805	10,241,159	11,023,795	10,241,159
Total average assets	14,460,288	14,320,514	14,102,733	13,952,551	13,768,958	14,210,719	12,611,438
Less:							
Goodwill	(937,710)	(899,888)	(879,726)	(878,541)	(878,669)	(899,131)	(714,528)
Other intangibles	(78,190)	(51,365)	(37,666)	(39,900)	(42,305)	(51,884)	(33,682)
MSR's	(10,367)	(10,118)	(9,906)	(9,896)	(9,986)	(10,073)	(7,665)
Average tangible assets (f)	$ 13,434,021	$ 13,359,143	$ 13,175,435	$ 13,024,214	$ 12,837,998	$ 13,249,631	$ 11,855,563
Ending shares outstanding (g)	98,490,998	100,094,819	98,647,690	98,613,872	97,894,286	98,490,998	97,894,286
Ratios							
Return on average tangible shareholders' equity (a)/(b)	15.84%	16.15%	17.33%	15.95%	19.63%	16.32%	17.32%
Ending tangible equity as a percent of:							
Ending tangible assets (c)/(d)	9.07%	9.17%	9.34%	9.15%	8.79%	9.07%	8.79%
Risk-weighted assets (c)/(e)	11.09%	11.34%	11.82%	11.61%	11.20%	11.09%	11.20%
Average tangible equity as a percent of average tangible assets (b)/(f)	9.07%	9.35%	9.26%	8.95%	8.66%	9.16%	8.40%
Tangible book value per share (c)/(g)	$ 12.42	$ 12.33	$ 12.79	$ 12.19	$ 11.72	$ 12.42	$ 11.72

All dollars shown in thousands.

Appendix: Non-GAAP to GAAP Reconciliation

Additional non-GAAP measures

(Dollars in thousands, except per share data)	4Q19		3Q19		2Q19		1Q19		4Q18	
	As Reported	Adjusted	As Reported	Adjusted	As Reported	Adjusted	As Reported	Adjusted	As Reported	Adjusted
Net interest income (f)	$ 118,902	$ 118,902	$ 121,535	$ 121,535	$ 122,302	$ 122,302	$ 121,515	$ 121,515	$ 125,959	$ 125,959
Provision for loan and lease losses (j)	4,629	4,629	5,228	5,228	6,658	6,658	14,083	14,083	5,310	5,310
Noninterest income	36,768	36,768	33,140	33,140	34,638	34,638	26,827	26,827	29,504	29,504
less: gains from the redemption of off balance sheet securitizations										(1,645)
plus: Bankcard interchange										
less: gains (losses) on sale of investment securities		(56)		208		52		(34)		(60)
Total noninterest income (g)	36,768	36,824	33,140	32,932	34,638	34,586	26,827	26,861	29,504	27,919
Noninterest expense	93,064	93,064	86,226	86,226	84,378	84,378	78,499	78,499	83,352	83,352
less: severance and merger-related expenses		693		5,192		5,187		1,734		7,485
less: historic tax credit write-down @ 21%		2,862								
less: other		1,740		711		336		78		
Total noninterest expense (e)	93,064	87,769	86,226	80,323	84,378	78,855	78,499	76,687	83,352	75,867
Income before income taxes (i)	57,977	63,328	63,221	68,916	65,904	71,375	55,760	57,606	66,801	72,701
Income tax expense	9,300	9,300	12,365	12,365	13,201	13,201	9,921	9,921	11,787	11,787
plus: tax effect of adjustments		377		926		785		388		1,239
plus: after-tax impact of historic tax credit write-down @ 35%		2,261								
Total income tax expense (h)	9,300	11,938	12,365	13,291	13,201	13,986	9,921	10,309	11,787	13,026
Net income (a)	$ 48,677	$ 51,390	$ 50,856	$ 55,625	$ 52,703	$ 57,389	$ 45,839	$ 47,297	$ 55,014	$ 59,675
Average diluted shares (b)	99,232	99,232	99,078	99,078	98,648	98,648	98,436	98,436	98,468	98,468
Average assets (c)	14,460,288	14,460,288	14,320,514	14,320,514	14,102,733	14,102,733	13,952,551	13,952,551	13,768,958	13,768,958
Average shareholders' equity	2,245,107	2,245,107	2,210,327	2,210,327	2,146,997	2,146,997	2,094,234	2,094,234	2,042,884	2,042,884
Less:										
Goodwill and other intangibles	(1,026,267)	(1,026,267)	(961,371)	(961,371)	(927,298)	(927,298)	(928,337)	(928,337)	(930,960)	(930,960)
Average tangible equity (d)	1,218,840	1,218,840	1,248,956	1,248,956	1,219,699	1,219,699	1,165,897	1,165,897	1,111,924	1,111,924
Ratios										
Net earnings per share - diluted (a)/(b)	$ 0.49	$ 0.52	$ 0.51	$ 0.56	$ 0.53	$ 0.58	$ 0.47	$ 0.48	$ 0.56	$ 0.61
Return on average assets - (a)/(c)	1.34%	1.41%	1.41%	1.54%	1.50%	1.63%	1.33%	1.38%	1.59%	1.72%
Pre-tax, pre-provision return on average assets - ((a)+(j)+(h))/(c)	1.72%	1.86%	1.90%	2.05%	2.06%	2.22%	2.03%	2.08%	2.08%	2.25%
Return on average tangible shareholders' equity - (a)/(d)	15.84%	16.73%	16.15%	17.67%	17.33%	18.87%	15.95%	16.45%	19.63%	21.29%
Efficiency ratio - (e)/((f)+(g))	59.8%	56.4%	55.7%	52.0%	53.8%	50.3%	52.9%	51.7%	53.6%	49.3%
Effective tax rate - (h)/(i)	16.0%	18.9%	19.6%	19.3%	20.0%	19.6%	17.8%	17.9%	17.6%	17.9%

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