



# First Financial Bancorp

## Fourth Quarter 2013 Earnings Release Supplemental Information

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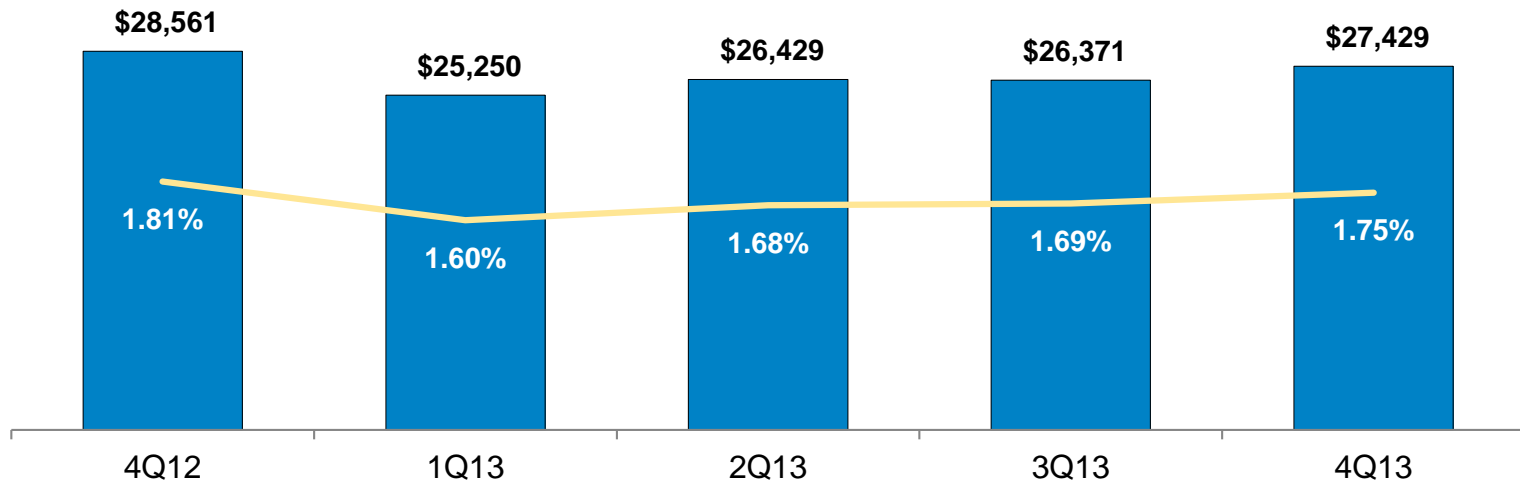
# Forward Looking Statement Disclosure

Certain statements contained in this release which are not statements of historical fact constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act. Examples of forward-looking statements include, but are not limited to, projections of revenues, income or loss, earnings or loss per share, the payment or non-payment of dividends, capital structure and other financial items, statements of plans and objectives of First Financial or its management or board of directors and statements of future economic performances and statements of assumptions underlying such statements. Words such as “believes,” “anticipates,” “likely,” “expected,” “intends,” and other similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. Management’s analysis contains forward-looking statements that are provided to assist in the understanding of anticipated future financial performance. However, such performance involves risks and uncertainties that may cause actual results to differ materially. These factors include, but are not limited to: economic, market, liquidity, credit, interest rate, operational and technological risks associated with the Company’s business; the effect of and changes in policies and laws or regulatory agencies (notably the recently enacted Dodd-Frank Wall Street Reform and Consumer Protection Act); management’s ability to effectively execute its business plan; mergers and acquisitions, including costs or difficulties related to the integration of acquired companies, including the recently announced proposed acquisitions of The First Bexley Bank and Insight Bank; 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, 2012, as well as its other filings with the SEC, for a more detailed discussion of these risks, uncertainties and other factors that could cause actual results to differ from those discussed in the forward-looking statements. Such forward-looking statements are meaningful only on the date when such statements are made, and the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such a statement is made to reflect the occurrence of unanticipated events.

# Adjusted Pre-Tax, Pre-Provision Income Trend

- Adjusted pre-tax, pre-provision (“PTPP”) income represents income before taxes plus provision for all loans less FDIC loss sharing income and accelerated discount adjusted for significant non-operating and non-recurring items
- Fourth quarter adjusted PTPP income increased \$1.1 million compared to the linked quarter, driven by a \$1.2 million decline in operating expenses

(Dollars in thousands)



# Adjusted Pre-Tax, Pre-Provision Income

<i>(Dollars in thousands)</i>	For the three months ended				
	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012
Pre-tax, pre-provision income <sup>1</sup>	\$ 1,947	\$ 23,707	\$ 23,794	\$ 23,324	\$ 28,869
Less: accelerated discount on covered loans	1,572	1,711	1,935	1,935	2,455
Plus: loss share and covered asset expense <sup>2</sup>	2,441	1,928	(634)	2,129	2,251
Pre-tax, pre-provision income, net of accelerated discount and loss on covered OREO	2,816	23,924	21,225	23,518	28,665
Less: gain on sales of investment securities	-	-	188	1,536	1,011
Less: gain on sales of non-mortgage loans <sup>3</sup>	-	-	-	-	45
Less: other income not expected to recur	-	-	442	-	-
Plus: pension settlement charges	462	1,396	4,316	-	-
Plus: expenses related to efficiency initiative	1,450	1,051	1,518	2,878	952
Plus: FDIC indemnification asset valuation adjustment	22,417	-	-	-	-
Plus: acquisition-related expenses	284	-	-	-	-
Plus: other expenses not expected to recur	-	-	-	390	-
Adjusted pre-tax, pre-provision income	\$ 27,429	\$ 26,371	\$ 26,429	\$ 25,250	\$ 28,561

<sup>1</sup> Represents income before taxes plus provision for all loans less FDIC loss sharing income

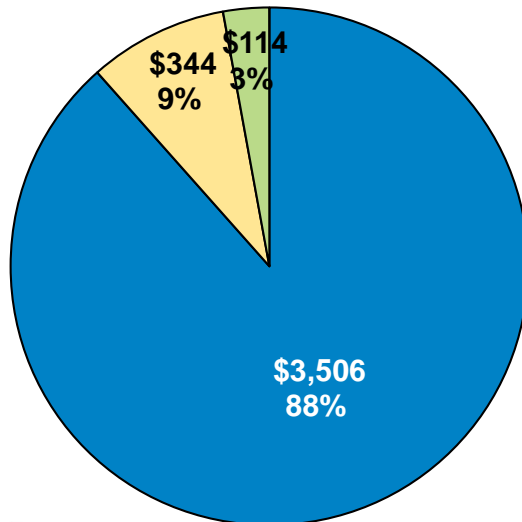
<sup>2</sup> Reimbursements related to losses on covered OREO and other credit-related costs are included in FDIC loss sharing income, which is excluded from the pre-tax, pre-provision income above

<sup>3</sup> Represents gain on sale of loans originated by franchise finance business

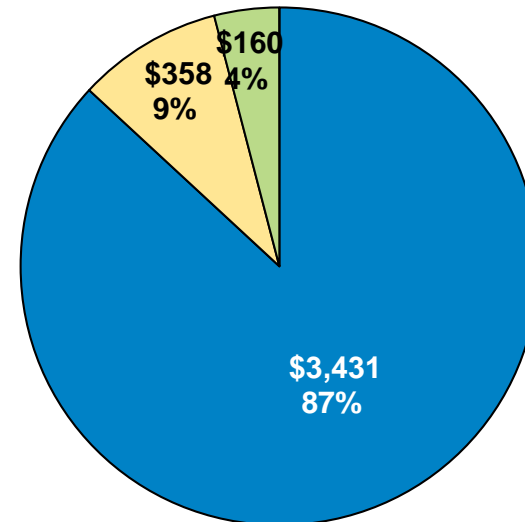
# Loan Composition

- 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

**Total Gross Loans – \$4.0 billion**  
**As of December 31, 2013**  
 (Dollars in millions)



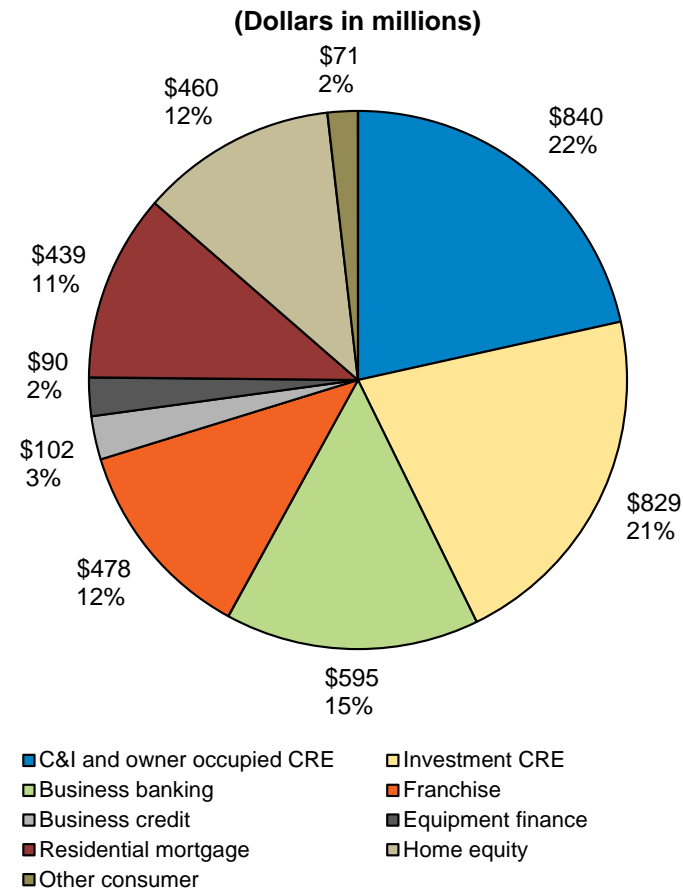
**Total Gross Loans – \$3.9 billion**  
**As of September 30, 2013**  
 (Dollars in millions)



# Loan Composition

- Total uncovered loans increased \$74.7 million, or 8.6% on an annualized basis, compared to the linked quarter
- Growth driven by performance in the C&I / owner-occupied, franchise and specialty finance
- Uncovered loan growth has exceeded covered loan decline for four of the past five quarters
  - Total loans increased \$14.1 million during the quarter
- 11.6% of total loans covered under FDIC loss share agreements
  - 8.7% represent loans likely to retain

## Total Uncovered Loans and Covered Loans Likely to Retain – \$3.8 billion<sup>1</sup> As of December 31, 2013



<sup>1</sup> Includes unpaid principal balance of covered loans likely to retain and excludes loan mark / other of (\$54.3) million associated with these loans

# Credit Product Diversity

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

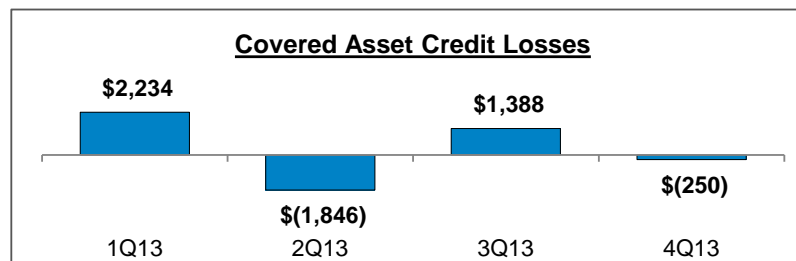
Category <i>(Dollars in thousands)</i>	As of December 31, 2008	Percent of Portfolio	As of September 30, 2013 <sup>1</sup>	Percent of Portfolio	As of December 31, 2013 <sup>1</sup>	Percent of Portfolio
Commercial and CRE	\$1,887,382	70.3%	\$2,251,000	59.4%	\$2,263,709	58.8%
Franchise finance	-	0.0%	461,041	12.2%	477,616	12.4%
Business credit	-	0.0%	95,118	2.5%	102,234	2.7%
Equipment finance	50	0.0%	84,571	2.2%	89,983	2.3%
<b>Total commercial lending</b>	<b>1,887,432</b>	<b>70.3%</b>	<b>2,891,730</b>	<b>76.3%</b>	<b>2,933,542</b>	<b>76.2%</b>
Residential mortgage	383,599	14.3%	443,835	11.7%	438,945	11.4%
Home equity	286,110	10.7%	463,245	12.2%	460,293	12.0%
Other consumer	126,119	4.7%	70,732	1.9%	70,968	1.8%
<b>Total consumer lending</b>	<b>795,828</b>	<b>29.7%</b>	<b>977,812</b>	<b>25.8%</b>	<b>970,206</b>	<b>25.2%</b>
Loan mark / other	-	0.0%	(80,194)	(2.1%)	(54,269)	(1.4%)
<b>Total loans</b>	<b>\$2,683,260</b>	<b>100.0%</b>	<b>\$3,789,348</b>	<b>100.0%</b>	<b>\$3,849,479</b>	<b>100.0%</b>

<sup>1</sup> Includes all uncovered loans and unpaid principal balance of covered loans likely to retain



# Components of Covered Asset Credit Losses

<i>(Dollars in thousands)</i>	<b>For the three months ended December 31, 2013</b>	<b>Description</b>
Net incremental impairment / (relief) for period	(\$4,358)	Reduction / (increase) in expected cash flows related to certain loan pools net of prior period impairment relief / recapture
Net charge-offs	(1,499)	Represents actual net charge-offs of the recorded investment in covered loans during the period <sup>1</sup>
Provision for loan and lease losses - covered	<u>(5,857)</u>	
(Gain) / loss on sale - covered OREO	946	
Other credit-related expenses <sup>2</sup>	1,276	
Total gross credit losses	<u><u>(\$3,635)</u></u>	
FDIC loss sharing income (Noninterest income)	(\$3,385)	Represents receivable due from the FDIC on estimated credit losses; calculated as approximately 80% of gross credit losses related to covered assets
	<b>(\$250)</b>	Difference between these two amounts represents actual credit costs for the period



<sup>1</sup> Investment in covered loans originally recorded at less than unpaid principal balance to reflect anticipated credit losses at time of acquisition

<sup>2</sup> Represents credit related expenses of \$1.5 million net of \$219 thousand of rental income on covered OREO properties





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