

Oak Street Holdings Corporation



Acquisition Overview

July 30, 2015

first

first financial bancorp

Another step on the path to success

Oak Street Holdings Corporation Overview

Nationally Recognized Specialty Lender to Insurance Agents and Agencies

- **Founded:** 2003
- **Headquarters:** Indianapolis, Indiana
- **Assets / Loans:** \$242 million / \$238 million
- **Target Lending Industries:** Provides commission-based commercial financing exclusively to insurance agents and brokers and third party loan servicing to financial institutions
- **Nation-wide Lending Platform:** Geographically well diversified portfolio with loan distribution across 46 states
 - 65% of current loan portfolio originated in TX, CA, WA, FL, GA, CT and OH
 - 29 states with > \$1.0 million in outstanding balances
- **Management:** Oak Street's long-standing senior leadership team has extensive industry experience and will continue to manage the business following the closing of the transaction
- **Proprietary Technology:** Robust and scalable loan origination and servicing platform
- **Collateral:** Loans are secured by tendered commission books and cash collateral accounts
 - Tendered commissions are redirected from the insurance carriers directly to Oak Street
 - Cash collateral accounts: \$19 million (approximately 8% of loan balances)
 - Approximately 85% of the loan portfolio is secured by commissions related to Property & Casualty policies
- **Carriers:** 92% of loan portfolio secured by commissions from carriers rated A-minus or better



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- **Target Loan Size:** Up to \$20 million
 - “Core” - Lending relationships < \$1.0 million
 - “Strategic” - Lending relationships > \$1.0 million
- **Average Loan Size:** \$340,000
 - Core: \$150,000
 - Strategic: \$4.4 million
- **Purpose:** Primarily acquisition, refinancing existing debt and/or working capital
- **Weighted Average Remaining Term:** 89 months
- **Weighted Average Seasoning:** 22 months
- **Weighted Average Gross Portfolio Yield:** Approximately 9% (predominately variable rate)
- **Loan Growth:** 2010 – 2015 YTD CAGR of 25%
- **Asset Quality:** First Financial reviewed 60% of the portfolio as part of its diligence efforts
 - Excellent credit performance
 - 2014 NCOs were 30 bps of average loans outstanding
 - No credit losses for any loans originated since 2011



Acquisition Overview and Pro Forma Impact

Transaction Overview

- **Transaction Value:** \$110 million / 100% Cash
- **Estimated Deal Costs:** \$3.0 million (3Q 2015)
- **Existing Oak Street Management:** Rick Dennen, Founder & President, will continue in current position
- **Organizational Structure:** Oak Street will become a subsidiary of First Financial Bank
- **Approval:** Board of Directors of First Financial and Oak Street have approved transaction
- **Expected Close:** Within 30 days
- **Limited Integration Risk:** Retention of all staff and operating systems will minimize integration risks

Pro Forma Financial Impact

- 2016 earnings accretion of \$0.16 - \$0.20 per share
- Net interest margin expansion of more than 20 bps related to Oak Street's portfolio yield of approximately 9%
- Oak Street warehouse-line funding structure to be replaced with lower-cost Bank funding sources
- Return on average tangible common equity increase of more than 270 bps
- Excellent risk-adjusted returns with expected annual net charge offs to total loans of approximately 50 bps
- Estimated tangible book value dilution of \$1.10 per share and earn back between 4 and 5 years
- Significant growth potential is further enhanced by a proprietary technology platform that is robust and scalable to other asset classes

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