



Credit Management

Richard Barbercheck
EVP & Chief Credit Officer

first

first financial bancorp

Investor Day

August 15, 2012

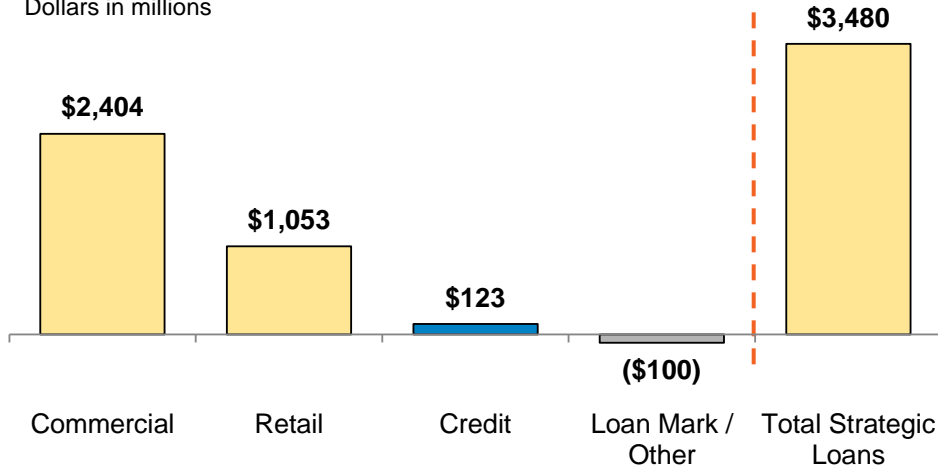
Another step on the path to success

Strategic Portfolio Management

- Credit management has responsibility for the Company's entire portfolio
- Special asset officers directly manage assigned strategic loans as well as the covered – non-strategic portfolio
- Focus of metrics in this presentation are uncovered – strategic and credit managed portfolio

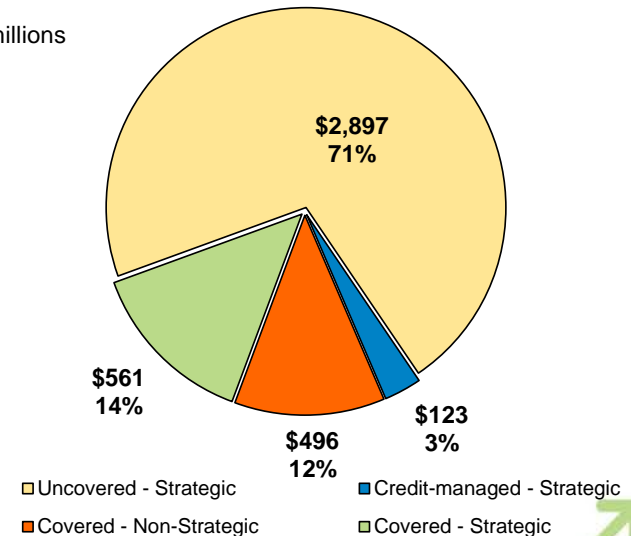
Strategic Credit Portfolio

Dollars in millions



Total Loan Portfolio*

Dollars in millions



*excludes loan mark



Strong Credit Culture

- Credit culture established at the top
 - Strategic approach to target client selection
 - Well-defined, centralized credit policies
 - Credit-inclusive product team structure
 - New loan product assessments
- Sound underwriting practices
 - Risk appropriate underwriting standards
 - Responsive underwriting and approval processes
 - Decisions made close to the client
- Disciplined credit management
 - Weekly credit quality and management dashboards
 - Weekly delinquent loan discussions
 - Product team portfolio analysts
 - Dedicated Special Assets team

Strong Credit Culture

- Portfolio performance monitoring
 - Segmented portfolio quality
 - Concentration and stress testing
 - Credit risk management reviews
 - Regulatory and audit examinations

- Key Performance Indicators (“KPIs”) and Service Level Agreements (“SLA”) reviewed on a monthly basis
 - Portfolio analysis reports / portfolio analyst
 - Portfolio size / credit officer
 - Credit approval requests (“CARs”) / underwriter
 - Deal team discussions held
 - Approval response time

Client Focused Delivery System

➤ Commercial Lending (>\$1 million)

- Client focused product design
- Specialized product teams
- Hands-on relationship managers
- Relationship-based client management

➤ Business Banking (<\$1 million)

- Expanded delivery model
- Streamlined credit process
- Expedited client response
- Centralized underwriting
- Efficient credit management

➤ Retail Lending

- Comprehensive retail product offerings
- Real Estate broker partnerships
- Expanded retail sales team

Commercial Lending

	Centrally	Market/LOB
Origination		☒
Underwriting	☒	
Decisioning	☒	☒
Management		☒
Collections		☒

Business Banking

	Centrally	Market/LOB
Origination		☒
Underwriting	☒	
Decisioning	☒	
Management	☒	☒
Collections	☒	

Retail Lending

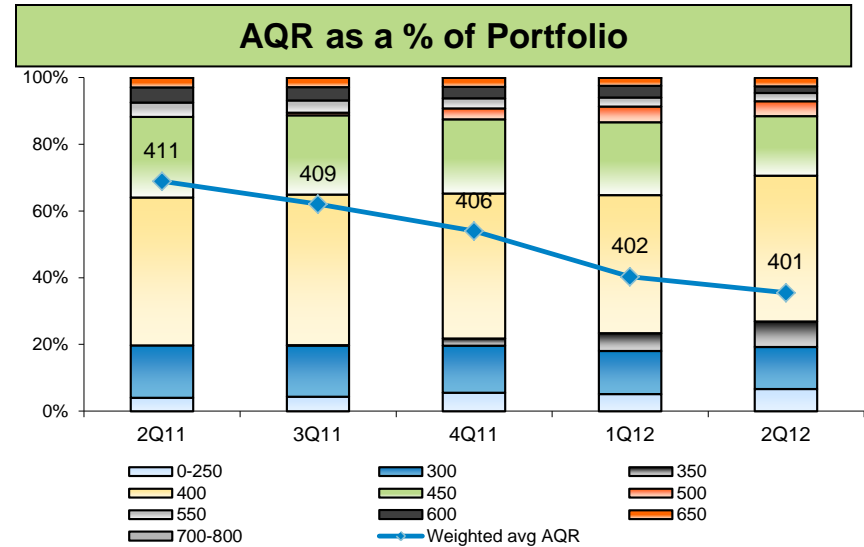
	Centrally	Market/LOB
Origination		☒
Underwriting	☒	
Decisioning	☒	
Management	☒	☒
Collections	☒	



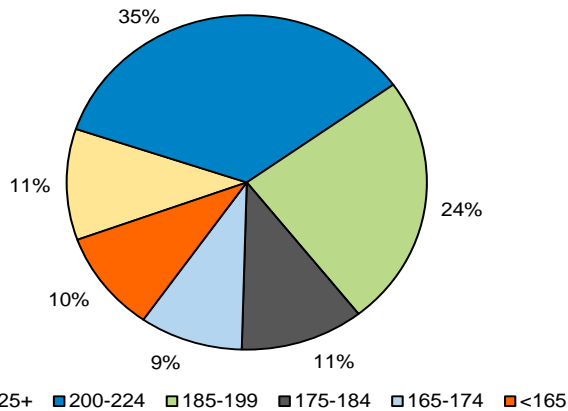
Credit Quality – Asset Quality Rating (“AQR”)

➤ Risk Ratings

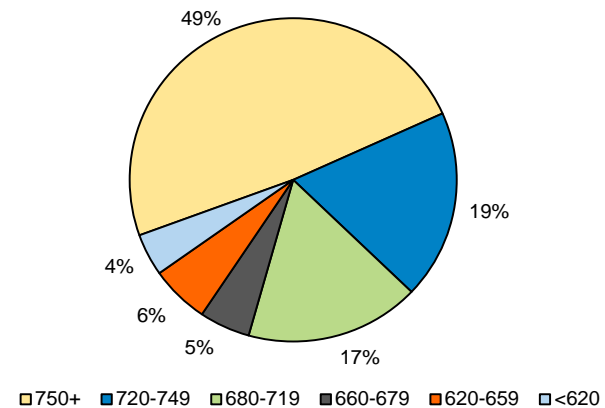
- Monitored on all portfolios
- Model supported decisions
- Periodic reviews and refreshes applied
- Strong performance at
 - AQR <550 (88%)
 - SBSS >165 (90%)
 - FICO >660 (90%)



SBSS Scores (Business Banking)

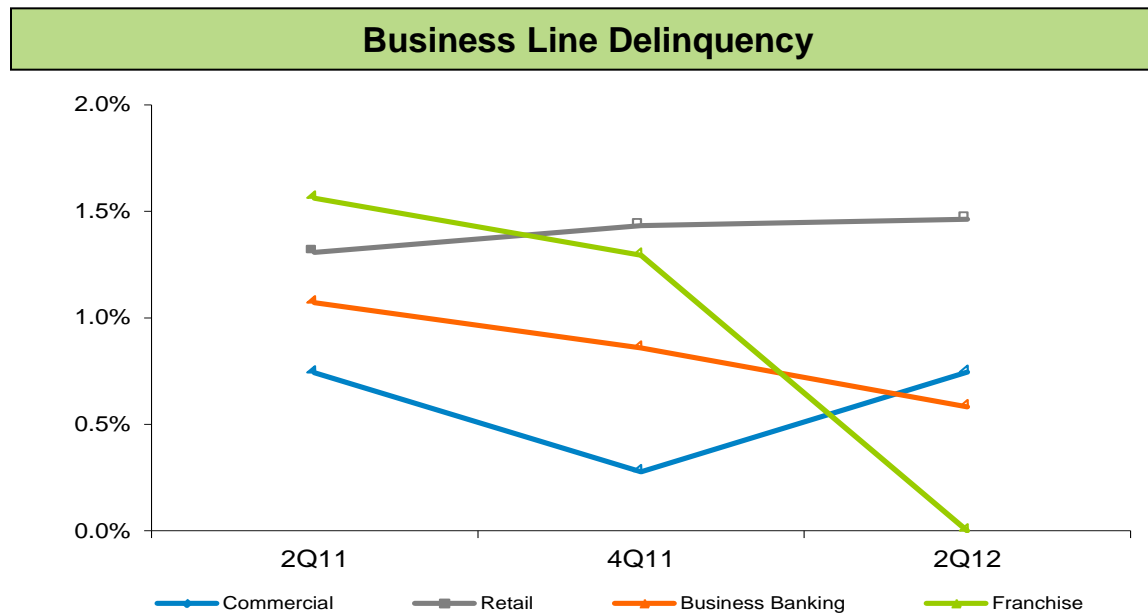


FICO Scores (Retail Banking)



Delinquency Trends

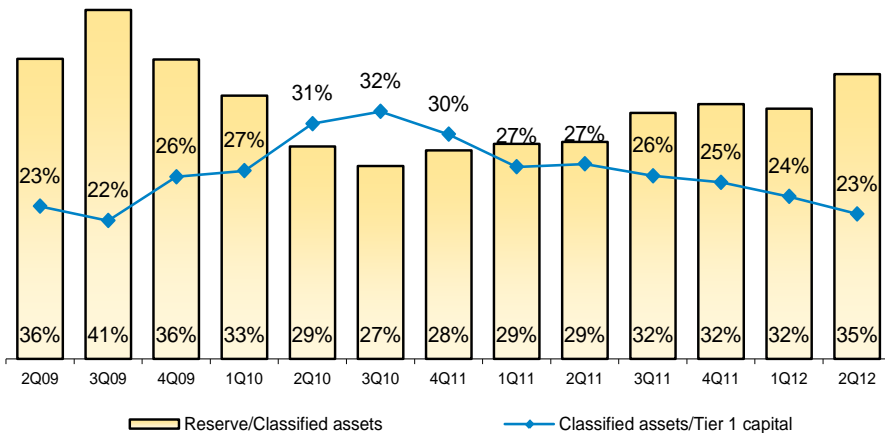
- Delinquency trends and management
 - Commercial – generally stable but subject to large dollar volatility
 - Retail – stable with situational quarterly variances
 - Business Banking – gradual and continued improvement; solid historical performance
 - Franchise – significant improvement



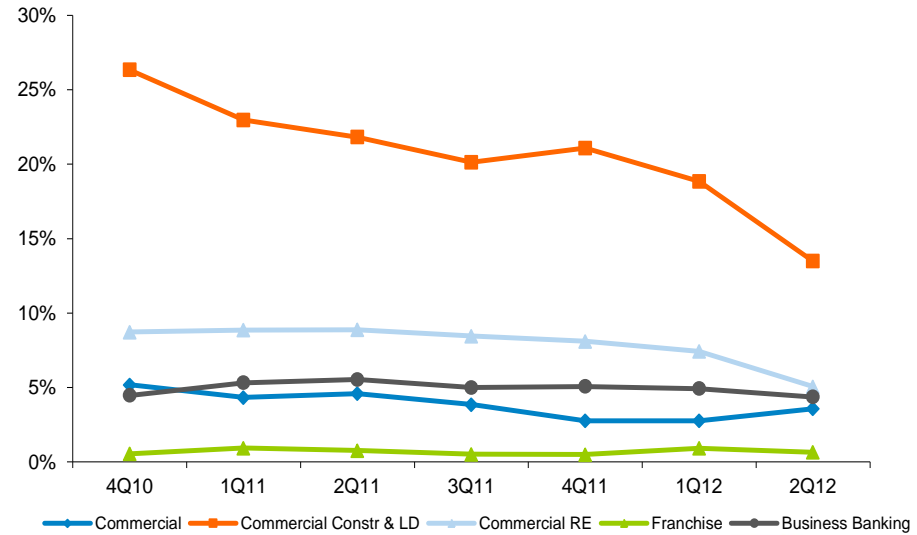
Classified Asset Trends

- Classified asset trends are positive
 - Balance has declined for seven consecutive quarters
 - Increasing reserve coverage
 - Improvement in commercial product segments

Classified Asset Ratios



Classified Loans / Total Loans by Product



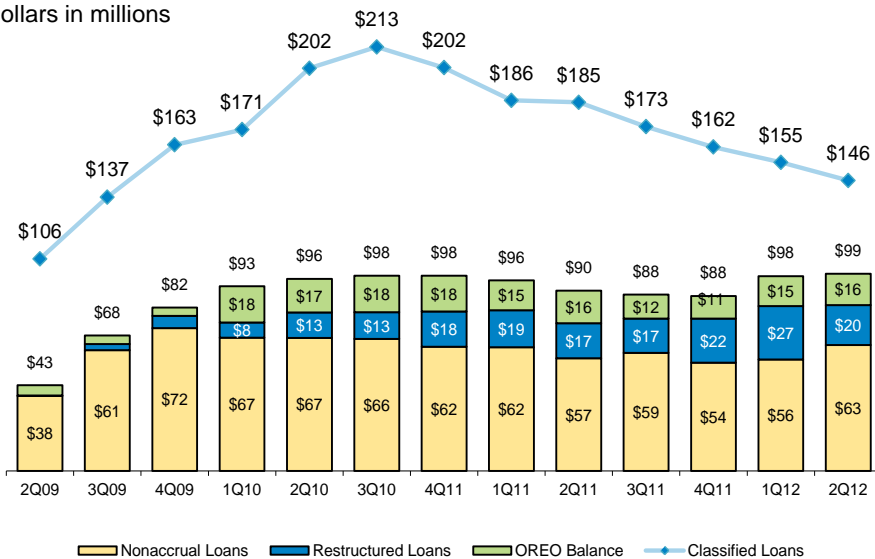
Nonperforming Asset Trends

➤ Nonperforming assets

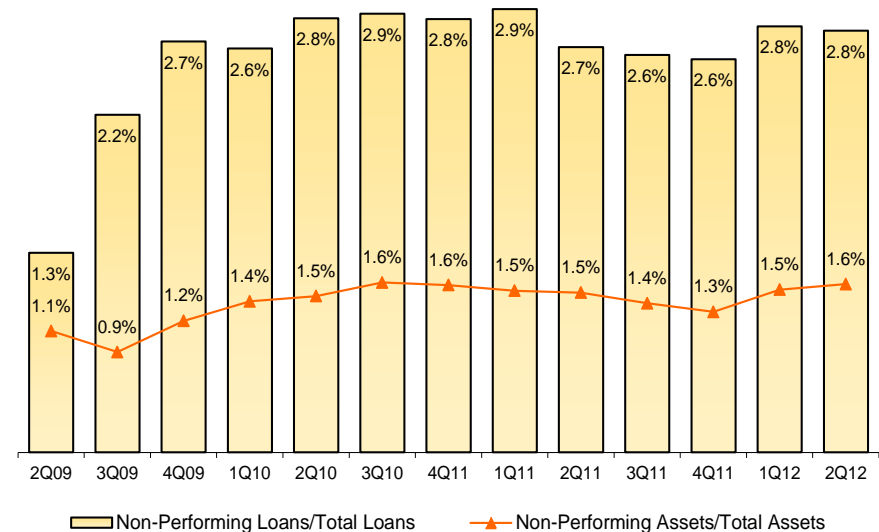
- Balance of nonaccrual loans relatively consistent over the last eight quarters
- Increase in TDRs driven by corrective actions and change in accounting guidance
- 50% of TDRs are accruing

NPA Formation

Dollars in millions



NPA Ratios



Net Charge-offs and Allowance for Loan Losses

Net charge-offs

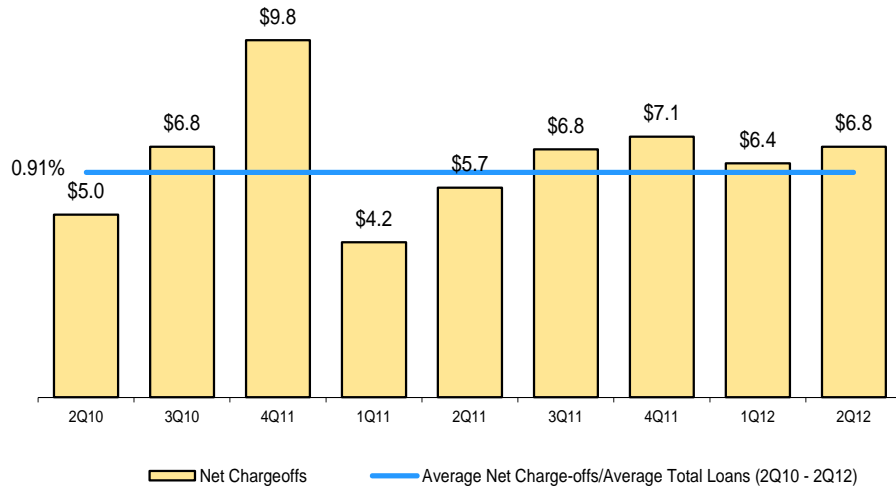
- Least loss analysis
- Large dollar volatility

Allowance for loan losses

- Reduction in allowance supports portfolio quality improvement
- Specific and general reserve levels provide appropriate coverage

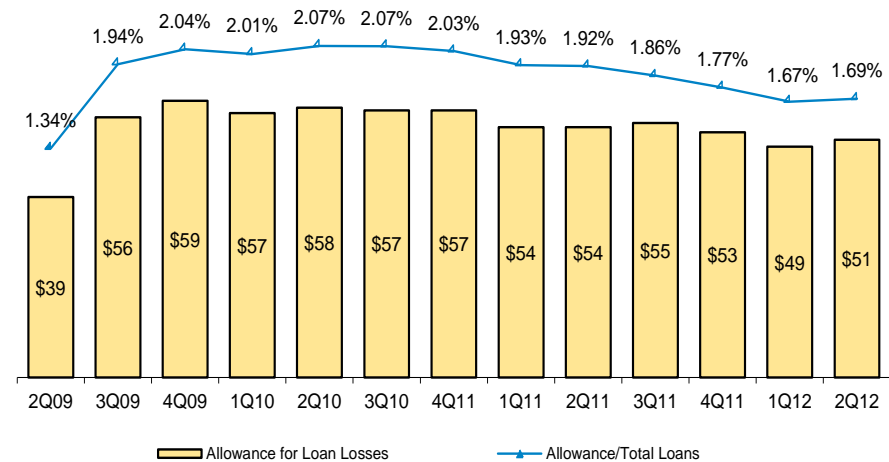
Net Charge-offs

Dollars in millions



Allowance for Loan Losses

Dollars in millions



Credit Outlook

➤ What are the strategic credit targets for the Company?

Metrics	Trendline	2Q 11	3Q 11	4Q 11	1Q 12	2Q 12	Long-Term Target
Average AQR		411	409	406	402	401	< 410
Total Delinquency %		0.96%	0.67%	0.68%	0.68%	0.85%	< 0.55%
Classified Assets (in millions)		\$184.8	\$172.6	\$162.4	\$154.7	\$145.6	NA
Classified Loans /Total Loans		6.63%	5.87%	5.47%	5.22%	4.83%	< 5%
Classified Assets/Tier 1 Capital		27.11%	26.08%	25.50%	24.26%	22.73%	< 25%
Non-Performing Loans/Total Loans		2.65%	2.60%	2.57%	2.79%	2.76%	< 1%
Non-Performing Assets/Total Equity		12.52%	12.16%	12.31%	13.67%	13.79%	< 10%
Non-Performing Assets/Total Assets		1.50%	1.40%	1.31%	1.52%	1.57%	< 1.25%
OREO/Total Assets		0.27%	0.19%	0.17%	0.23%	0.25%	< 0.1%
Total Net Charge-offs/Total Loans		0.83%	0.96%	0.95%	0.87%	0.93%	< 0.5%

Biography

Richard S. Barbercheck **Executive Vice President & Chief Credit Officer**

Mr. Barbercheck joined First Financial in 2005 as Senior Vice President and Chief Risk Officer and was appointed to his current position in 2006. Mr. Barbercheck is responsible for the administration of the Company's lending portfolios as well as oversight of the Company's credit policies and loan underwriting processes. Prior to joining the Company, he oversaw the Credit Risk Evaluation Group at Irwin Financial Corporation. Earlier in his career, he served at several banks in executive-level positions located in Southeastern Indiana, including Veedersburg State Bank (1989 – 1993), National City Bank (1993 - 1998) and Irwin Union Bank (1998 - 2005). Mr. Barbercheck has over 30 years of banking experience with a predominance of experience in the commercial lending and credit administration areas.