



Financial Management

Frank Hall

EVP, Chief Financial Officer and Chief Operating Officer

first

first financial bancorp

Investor Day

August 15, 2012

Overview

- Operating results are discussed absent the impact of acquired loan discounts, accounting valuation changes and FDIC indemnification payments and indemnification asset changes
- Presentations are organized to provide
 - Overview of the strategy, background and relative context
 - Revenue growth opportunities
 - Expense savings or efficiency opportunities

Overview

- Environmental observations
 - Net interest income
 - Noninterest income
 - Noninterest expense
 - Credit
 - Capital
- Efficiency Initiative
- Financial Reporting and Management

Net Interest Income

- Challenging environment
- Net interest income – earning assets
 - Loan portfolio environmental challenges
 - Competitive pricing pressure
 - Frequency of prepayments and refinancing
 - Good news – chance to bid for new business
 - Bad news – faster re-pricing of assets even if we retain the business
 - Investment portfolio challenges
 - Reinvestment rates are low
 - Asset class differentiation is not reflected in relative yield
- Focus needs to be on growth – now more than ever!

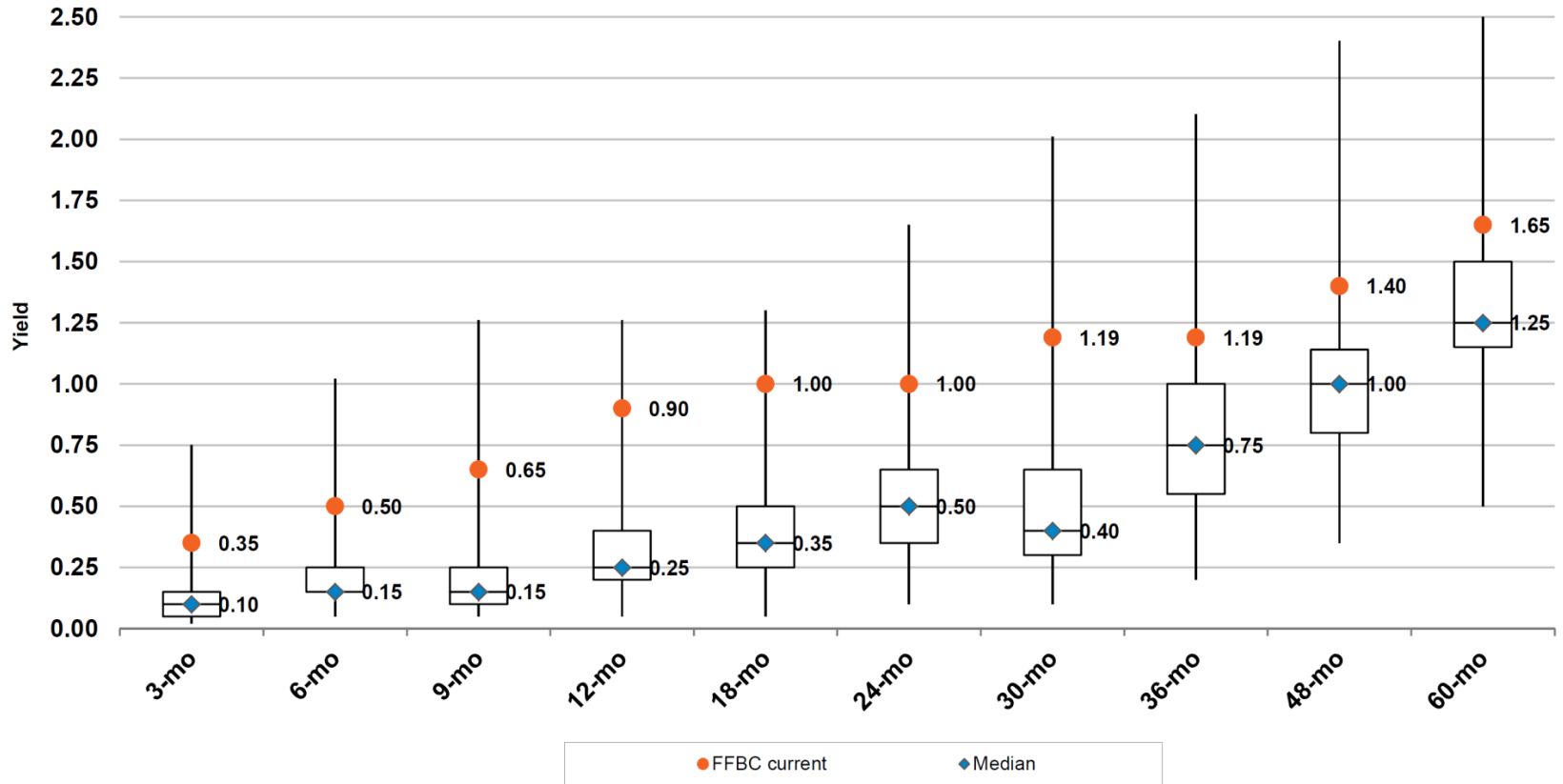
Net Interest Income

- Net interest income – liabilities
 - Industry loan to deposit ratio at all-time lows
 - Pricing of deposit liabilities is one remaining margin lever

Net Interest Income

August 2011

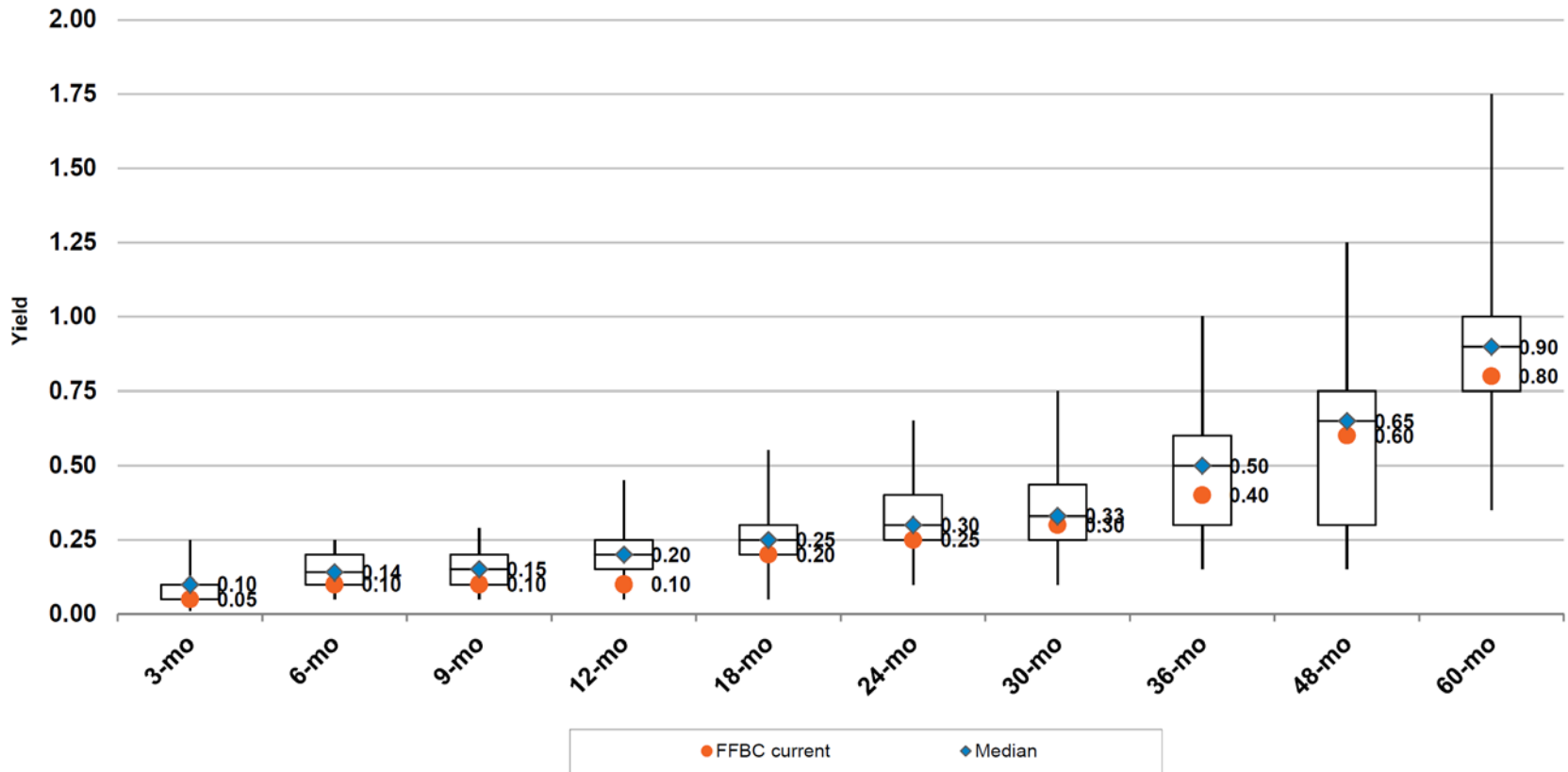
CD Competitive Landscape by Term



Net Interest Income

July 2012

CD Competitive Landscape by Term



Noninterest Income

- Fee revenue is largely in a competitive-based pricing range
- Dependent on overall growth of core business
- Wealth management presents most significant “stand-alone” opportunity
- Always mindful of new opportunities

Noninterest Expense

- Near-term impact of branch acquisitions and openings
- Evaluation of where investments are made
 - New technology
- Efficiency initiative

Credit

- Still subject to volatility
- Cautious outlook
- Not sure what “normal” looks like in the future

Capital

- Remain very well capitalized
- Preliminary analysis under conservative Basel III estimates are strong
- Sufficient capital for meaningful growth

Efficiency Initiative

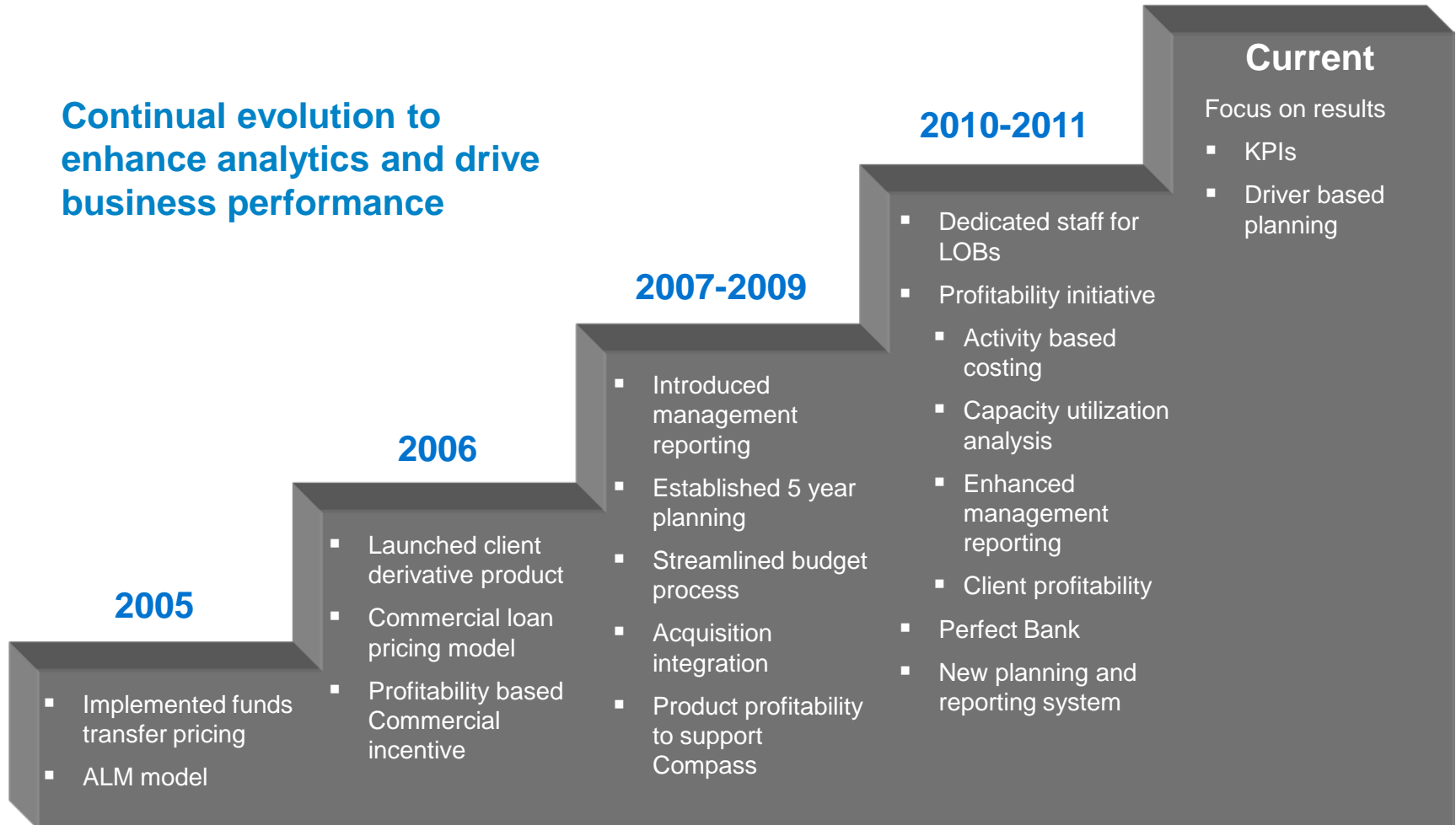
- Utilizing area-specific KPIs and peer performance data to identify areas for opportunity
 - Sales production comparisons
 - Operating efficiency comparisons
 - Deadline
- Targeting strategic, operating expense reduction of 5% or more
- Operating efficiency ratio target remains between 55% to 60% - currently in the mid-60%
- Timing may be up to 24 months to fully recognize some savings due to contractual or long-term implementation issues
- More specifics will be shared in the third quarter earnings release

Financial Reporting and Management

- Dedicated and integrated with business units and support areas
- Financial tools
 - Business unit reporting – monthly
 - Pricing models – integrated with lender incentives and credit quality
 - Profitability model & capacity utilization reporting
 - Aids in staffing for branches and operations areas
 - Driver based planning
 - KPI based accountability

Management Reporting Evolution

Continual evolution to enhance analytics and drive business performance



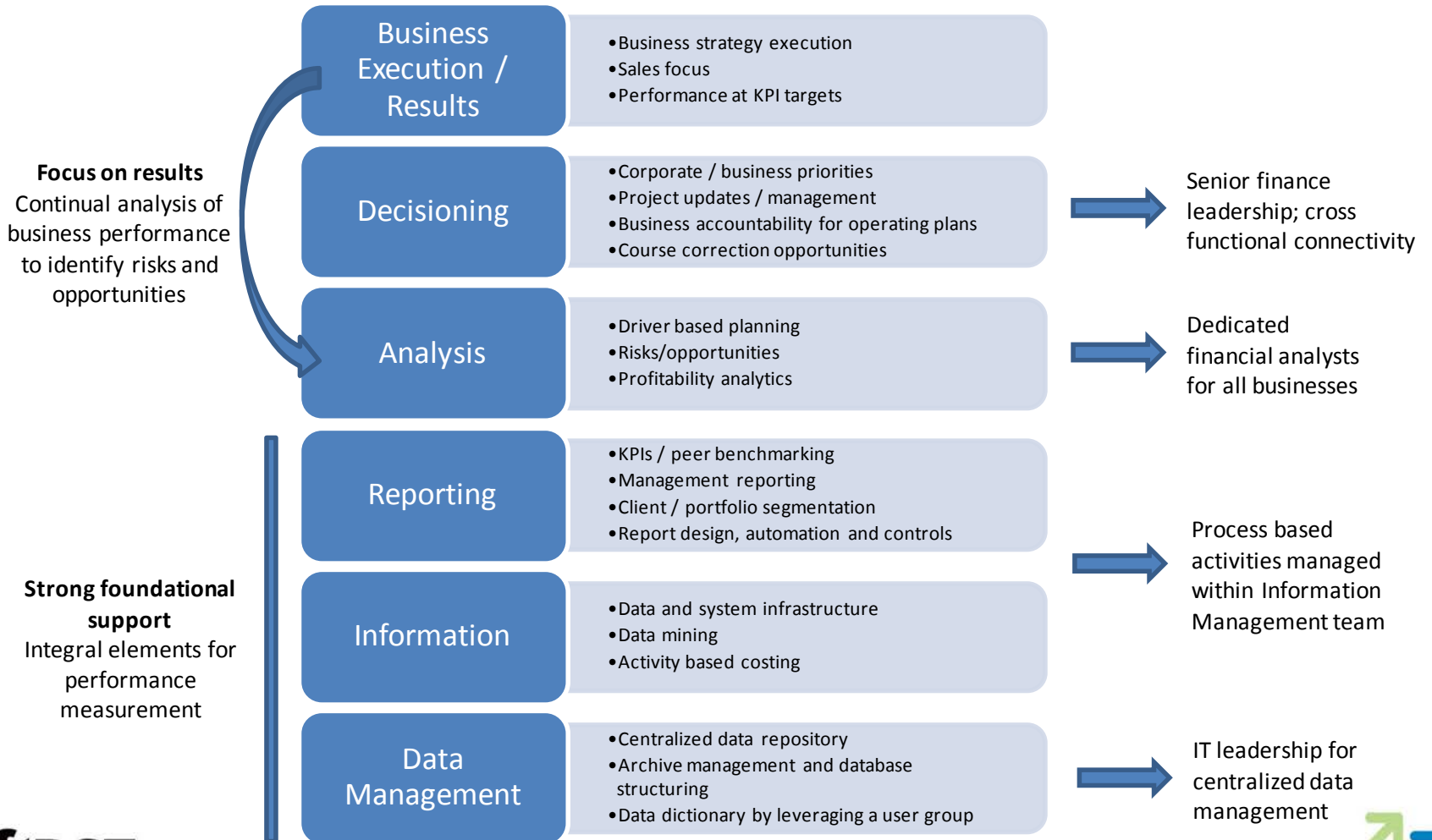
Financial Reporting and Management

- Business accountability for operating plans
 - Risks and opportunities
 - Monthly results meetings with CEO and CFO
- KPI scorecards
 - Measurable indicators of business performance
 - Targets established to drive top quartile performance
 - Compare to public peers and industry data (10Qs, H8, etc.)

Financial Reporting and Management

- Driver-based forecast
 - Transparency of future business performance
 - Continual analysis to identify risks and opportunities
 - Promotes idea generation
 - Provides connectivity of resource utilization across departments
 - Simplifies root cause analysis and course correction dialogue

Financial Reporting and Management



Biography

J. Franklin Hall

Executive Vice President, Chief Financial Officer & Chief Operating Officer

Mr. Hall joined First Financial in 1999 and was appointed to his current position in 2005. Prior to joining the Company, he was with Firststar Bank (currently US Bancorp). He is a Certified Public Accountant (inactive) and began his career with the public accounting firm Ernst & Young, LLP.