



# Retail Banking

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EVPs & Co-Chief Retail Banking Officers



Investor Day  
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Another step on the path to success

# Retail Banking

## Retail Summary:

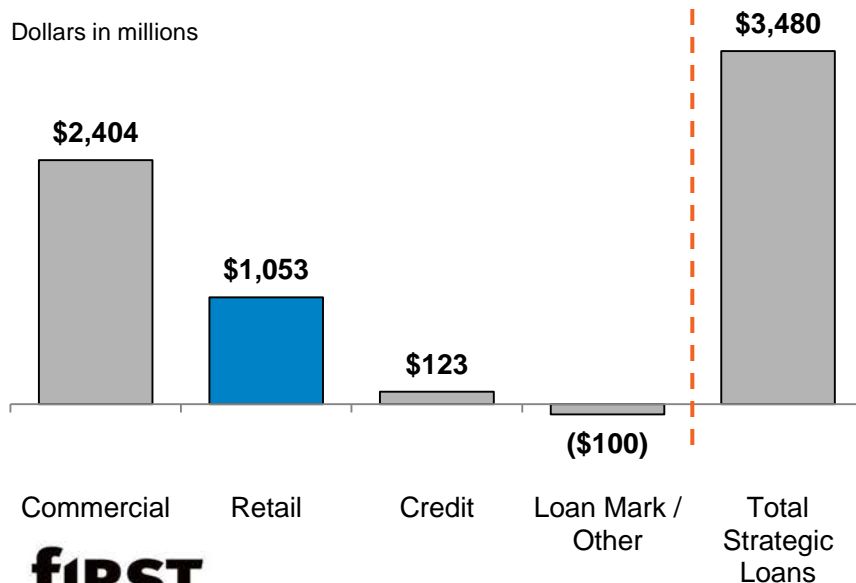
- 122 sales centers <sup>(1)</sup>
- 153 ATMs
- \$3.6 billion in deposits
- \$1.1 billion in loans
- 229,000 households served



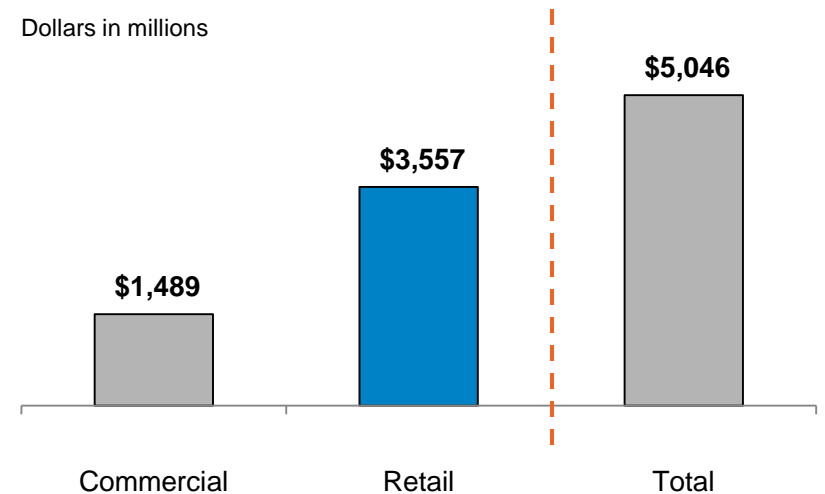
# Retail Banking

- Overall strategy is a client-centered approach focusing on sales, household and revenue growth while maximizing efficiency and resources through all channels
- Business unit leadership is divided under the following areas:
  - Banking markets, branch administration, deposits and client service center
  - Lending products: residential mortgage, consumer loans, small business banking and card services

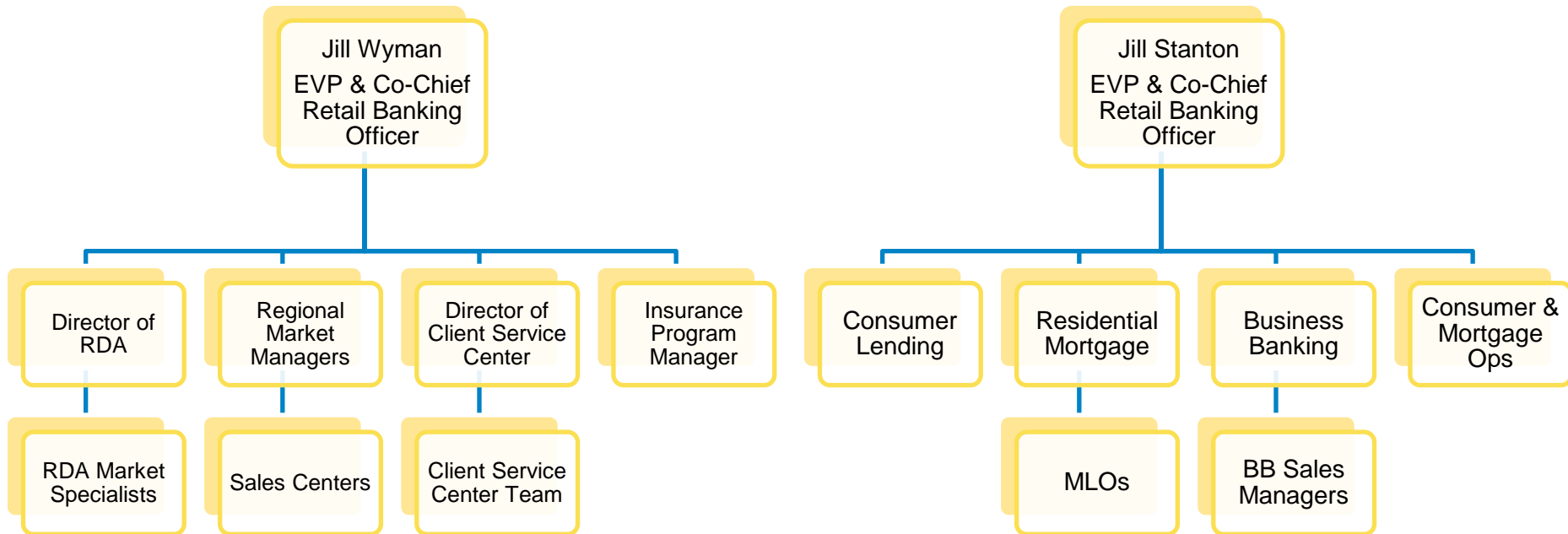
## Strategic Loan Composition



## Strategic Deposit Composition



# Management Structure



# Competitive Landscape

## vs. Large Regional Competitors

- Local market-based decision making
- More tailored financial solutions
- Relationship focus
- Greater personal attention to retail clients
- More responsive and efficient

## vs. Smaller Local Competitors

- Greater depth and breadth of product offerings
- Greater resources and capital
- Ability to handle new laws and regulations effectively; minimize impact on client
- Local market emphasis keeps us close to the client as well

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# Strategic Priorities

- Capitalizing on competitive advantages to build full client relationships
- Utilizing competitive intelligence to identify client needs to attract and retain relationships with the appropriate risk and return
- Share of wallet and household growth as well as client retention in core markets with ability to further leverage strong position
- Continual review of the sales center footprint to maximize revenue growth in strategic markets while improving our operating leverage

# Strategic Priorities

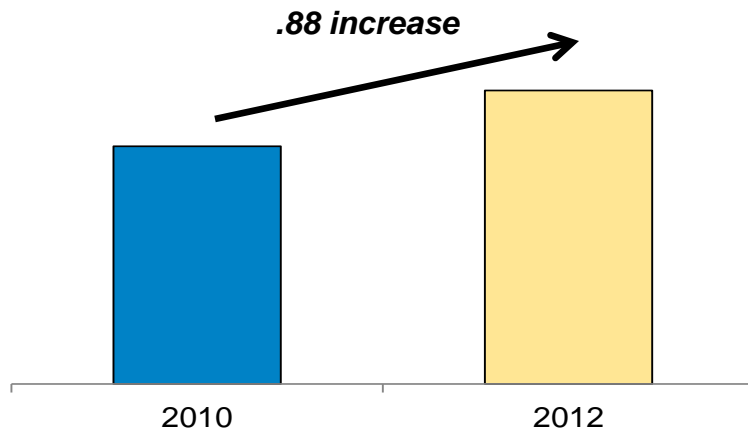
- New prototype is distinctive and unique
- Focuses on the relationship rather than transactions
- Evolution to client centered structure
- Expansion of current markets through new prototype sales center
- Relocation of key sales centers where appropriate



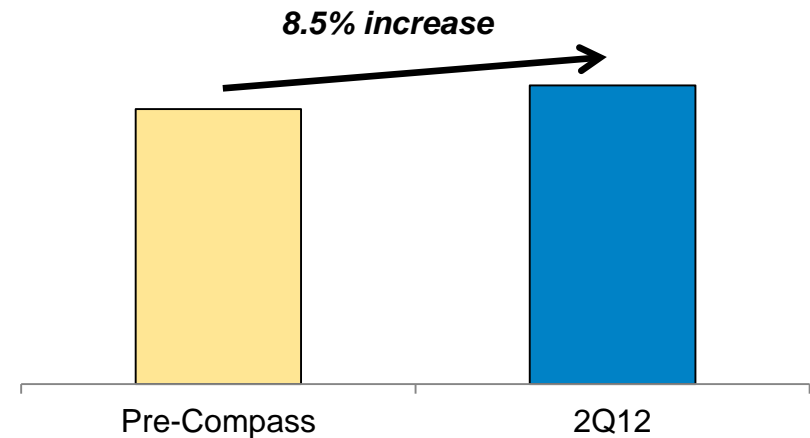
# Revenue Growth - Sales

- Focused on building full client relationships measured through relationship growth, client satisfaction and services per household
- Household growth and client satisfaction is driven through a daily focus on understanding clients' needs, cross-sell efforts and sales per banker per day
- High levels of associate engagement drive revenue growth by improving accountability and client satisfaction

## Associate Engagement (1)



## Client Satisfaction



(1) Gallup considers improvement of 0.15 to be significant (1 – 5 scale)

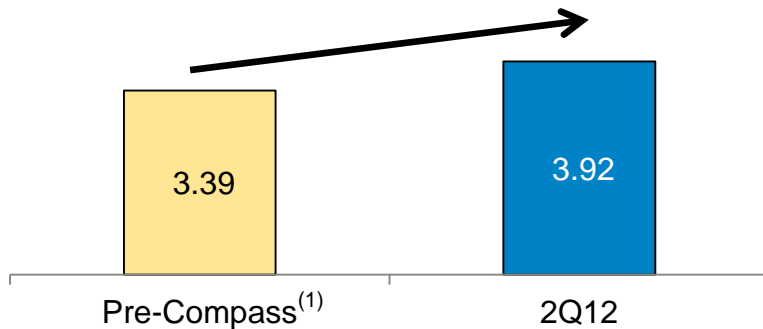
(2) Pre-Compass refers to the best estimate of data available prior to implementation of the Compass sales process



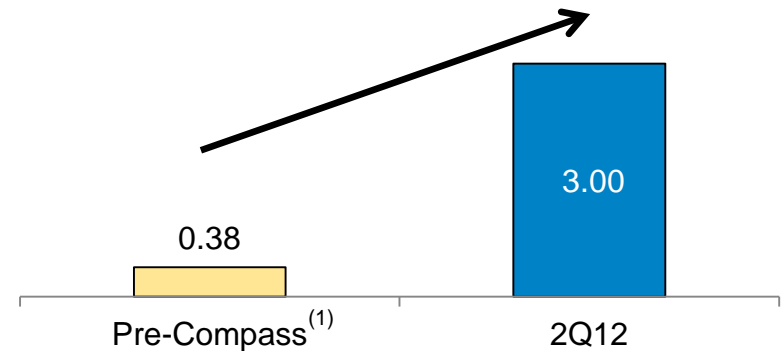
# Revenue Growth - Sales

➤ Execution and structured sales tracking lead to positive results

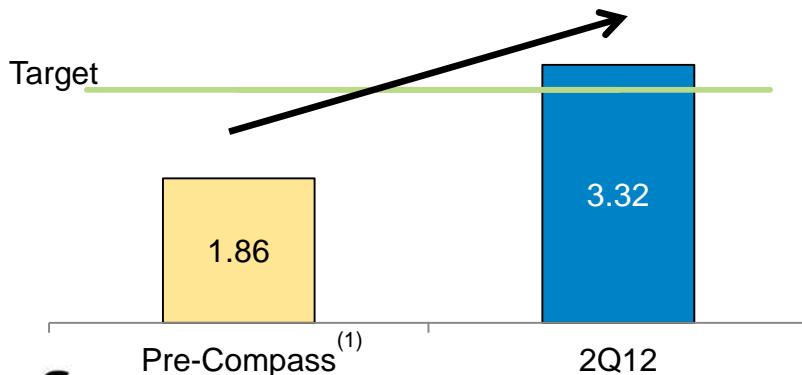
Sales per Banker per Day



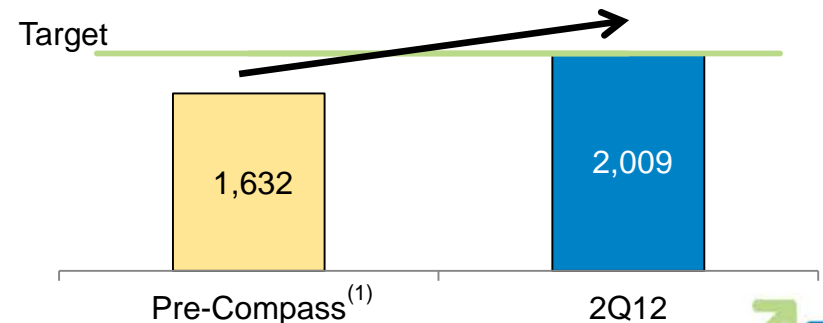
Cross-Sales<sup>(2)</sup> per Banker per Day



Services per Household



Households per Branch



(1) Pre-Compass refers to the best estimate of data available prior to implementation of the Compass sales process

(2) Cross-sales only include new households to the bank.



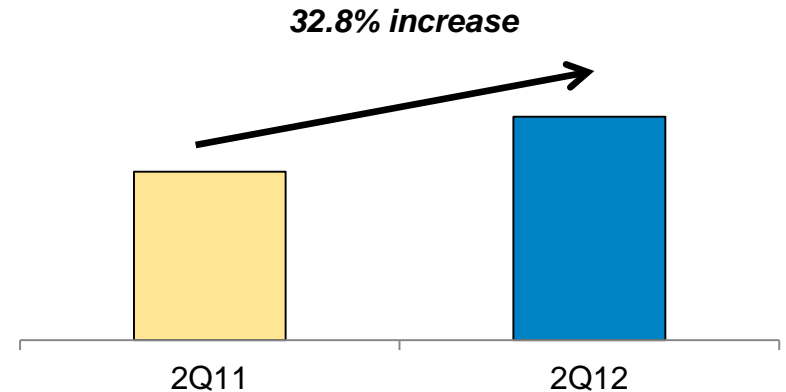
# Revenue Growth - Sales

- Same store loan production has increased 32.8% versus prior year
- Same store transactional deposit balances have increased 5.5% versus prior year

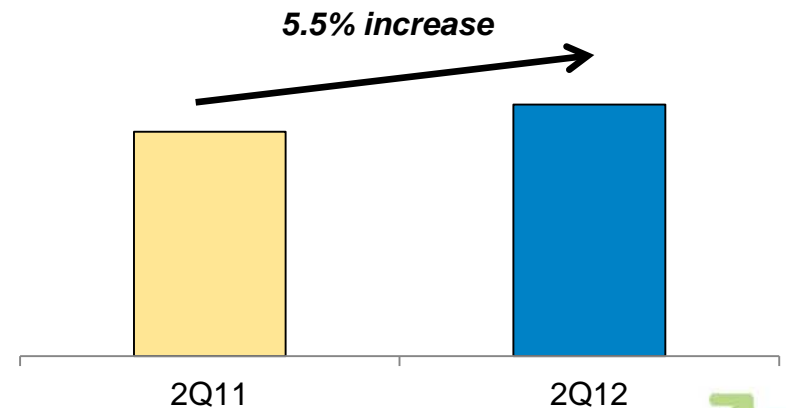
(1) Same stores are defined as sales centers that have been opened more than one year and exclude closed sales centers

(2) Loan Production includes all consumer products except mortgage

Same Store<sup>(1)</sup> Sales – Loan Production<sup>(2)</sup>

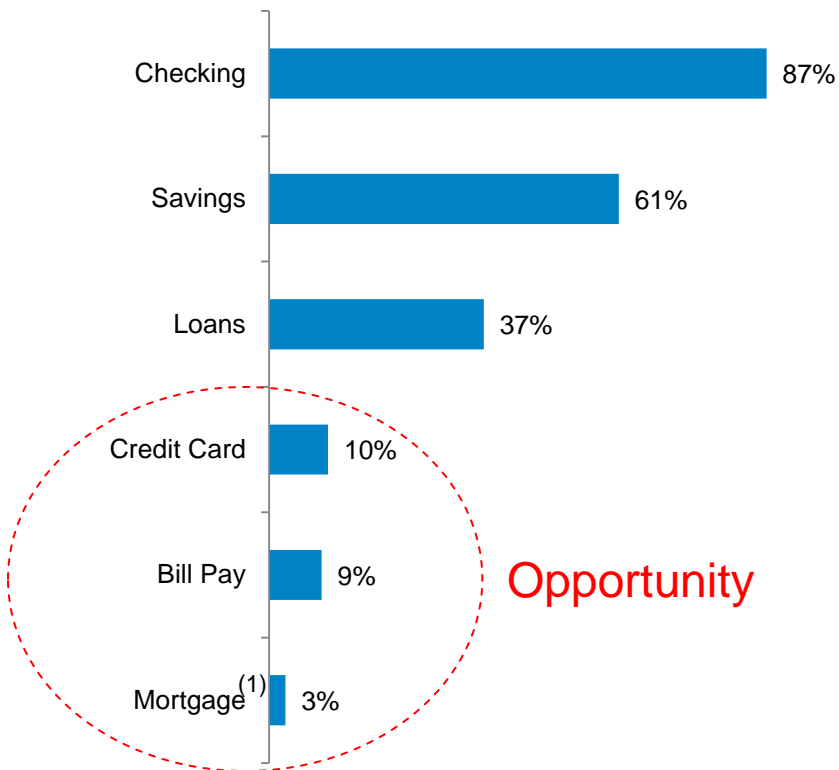


Same Store<sup>(1)</sup> Balances – Transactional Deposits



# Revenue Growth - Sales

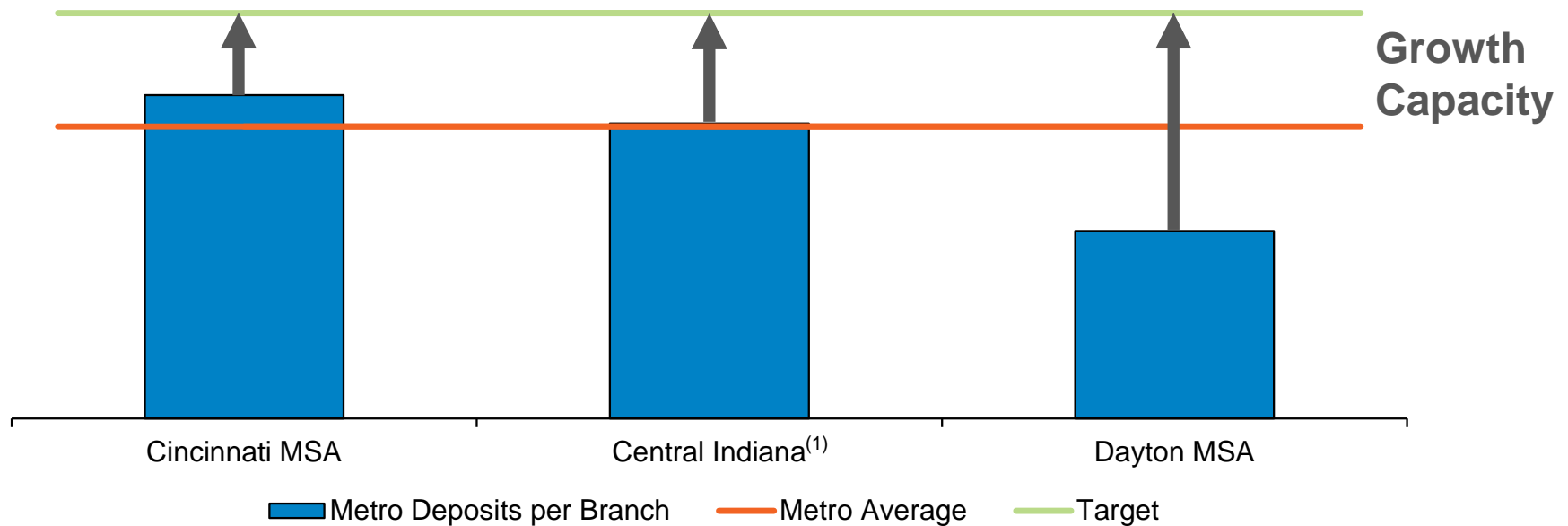
## Household Product Penetration



- Goal is to earn more of our clients' relationship across their financial needs and drive greater loyalty
- Significant revenue growth opportunities exist in credit card, bill pay and mortgage

# Revenue Growth - Deposits

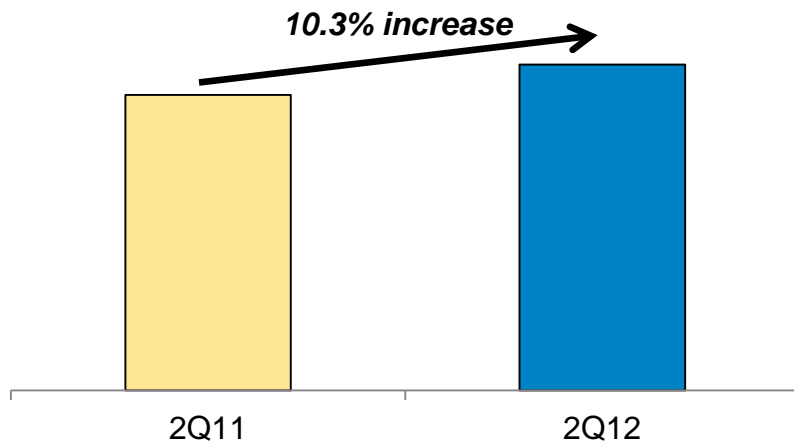
- Metropolitan market sales centers have the capacity to grow \$1.4 billion in deposits under the existing operating structure
- Sales centers acquired in 2011 provide significant opportunities for cost-effective growth as brand awareness and sales strengths are leveraged.



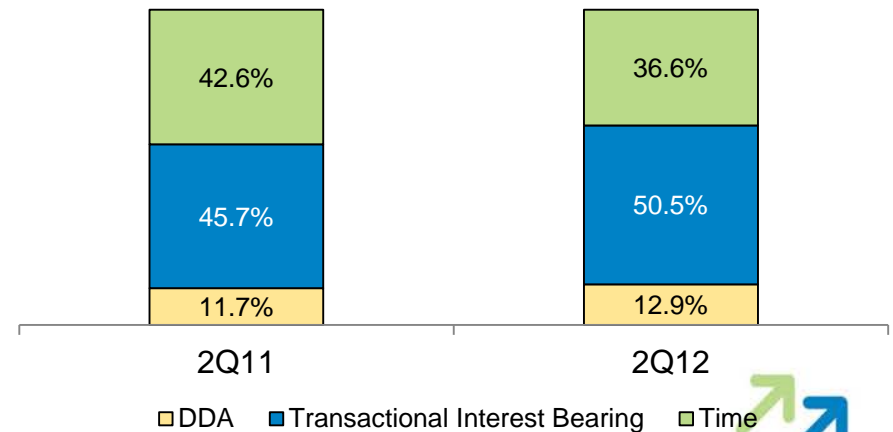
# Revenue Growth - Deposits

- Disciplined pricing and focus on more profitable transactional accounts
- Core transactional deposits have increased 19.0% year-over-year, driven by 2011 acquisitions and organic sales growth
- Costs of funds has decreased over the last year from 1.06% to 0.69%
- Single service CDs are driving the decline in time deposits
- Specific initiatives
  - Outbound calling
  - Acquisition re-pricing

NSF/OD & Service Charges on deposits



Retail Deposit Distribution



# Revenue Growth - Client Service Center

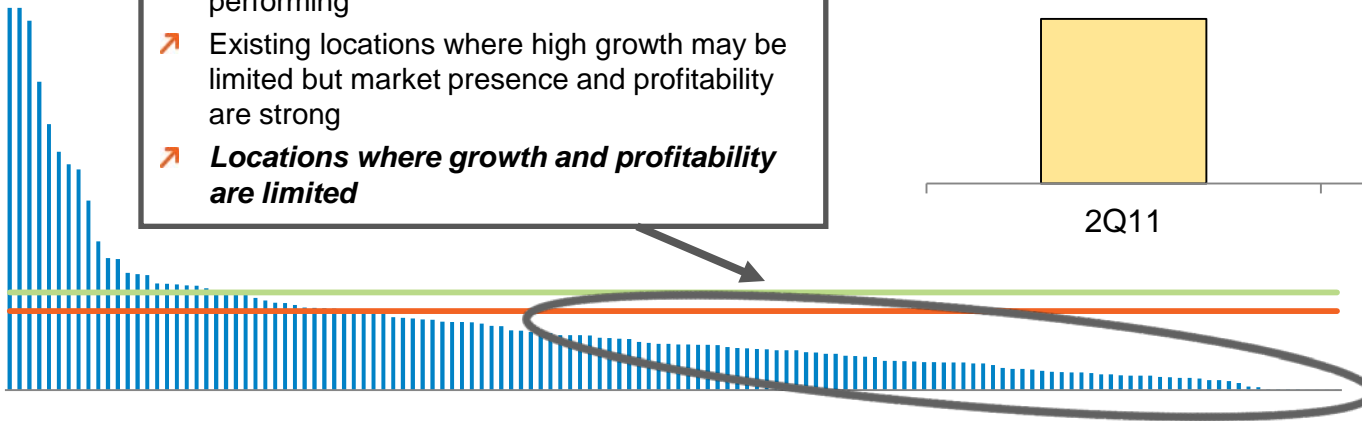
- New sales referral program introduced April 2012
- Component of retail needs-based sales focus
- Referrals tracked by client service center associates
- Averaging 5.5 referrals per associate per month in the first three months
- 41% of referrals result in a sale

# Efficiency – Sales Centers

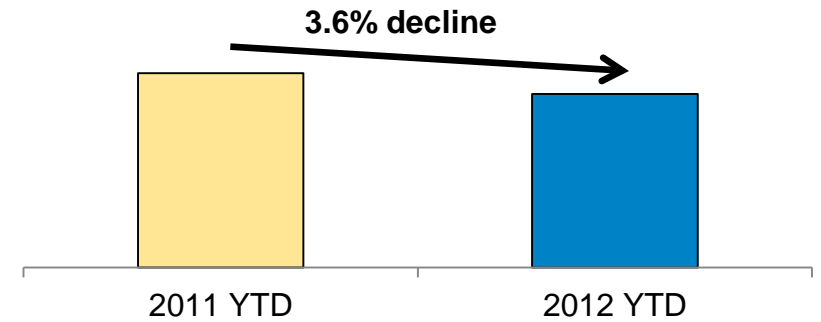
- Consolidation of sales centers where fewer branches can sufficiently serve our clients' needs
- Rationalization of sales centers where growth potential is limited
- Efficiency rates have improved as we have executed on our branch strategy

Represents sales centers that are:

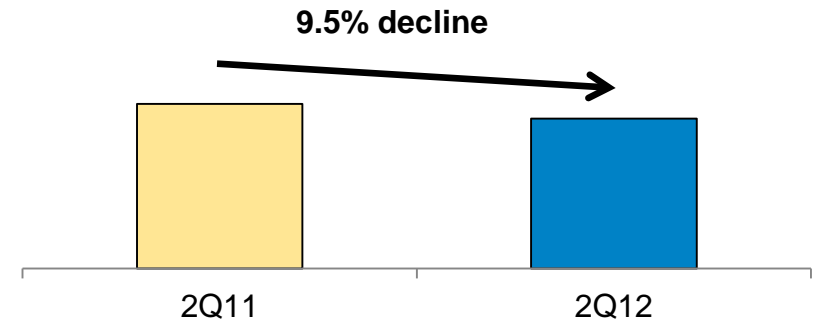
- Recent de novos or acquired locations in metropolitan markets expected to be high-performing
- Existing locations where high growth may be limited but market presence and profitability are strong
- **Locations where growth and profitability are limited**



Retail Operating Expenses / Branch

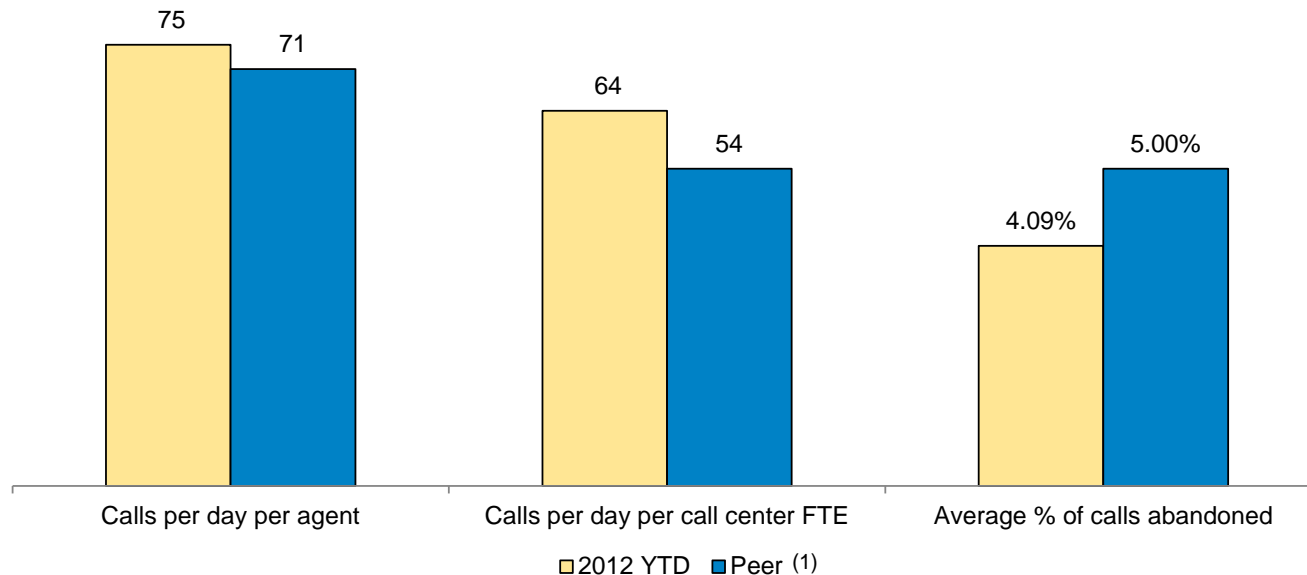


Retail FTEs / Branch



# Efficiency – Client Service Center

- Organization structure places managers closer to clients
- Specialists respond to clients' needs
- Service quality coaches monitor calls and mentor staff
- Specialized business and online banking support
- KPIs measured real-time for immediate adjustments

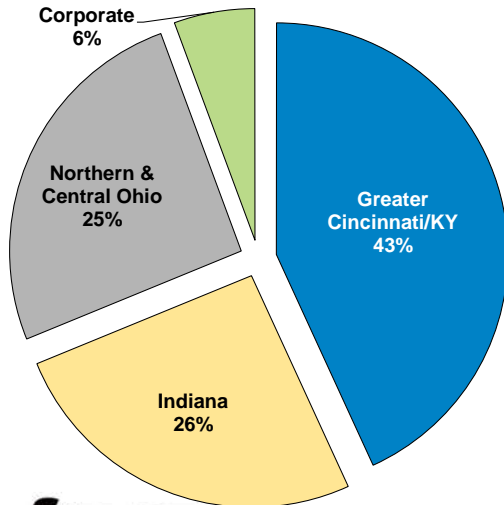




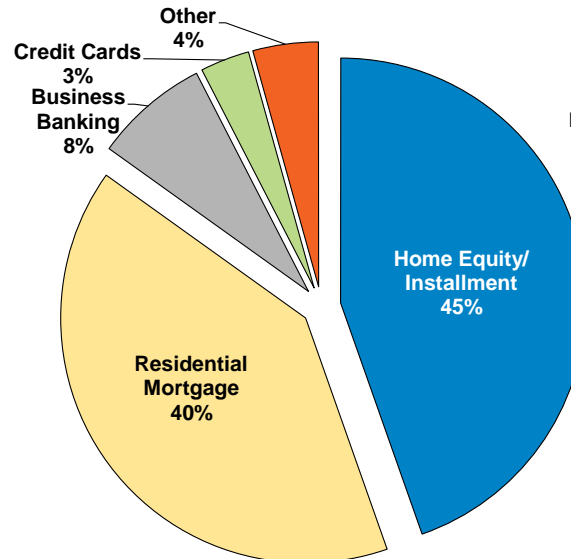
# Retail Lending

- \$1.1 billion in total loans, including home equity, mortgage, business banking and credit cards
- Mortgage loan originators located across footprint with concentrations in Cincinnati, Dayton and Indianapolis
- Business banking sales managers located in sales centers
- Serving retail households in Ohio, Indiana and Kentucky markets

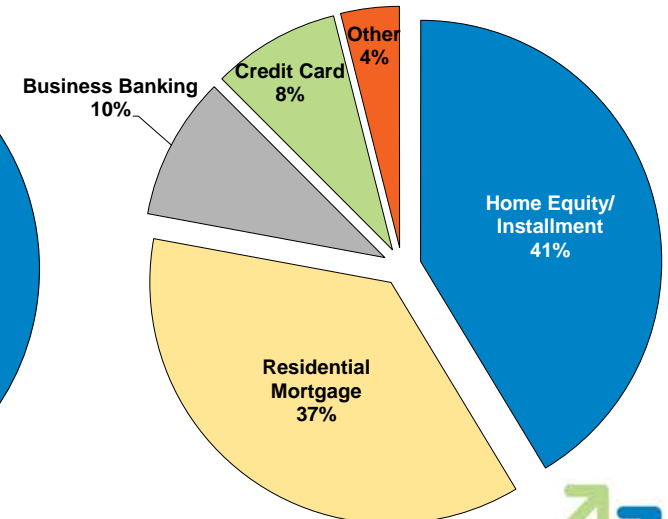
Loans by Geography



Loan Composition



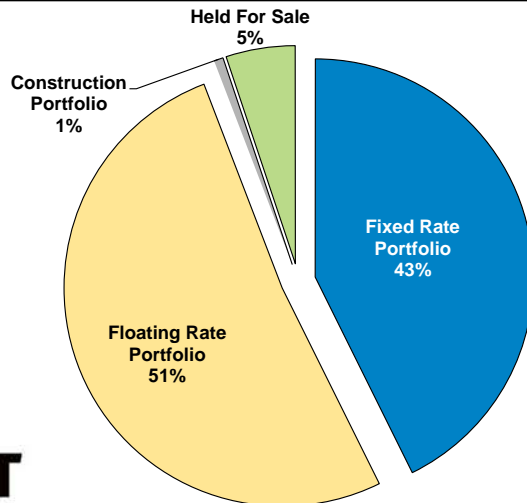
Revenue Contribution



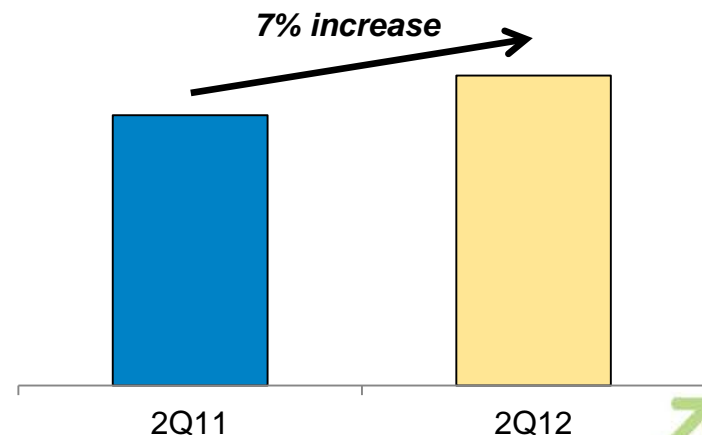
# Revenue Growth - Residential Mortgage

- Re-entered mortgage in 2009 as the market dynamics changed
- Initial strategy was originate-and-sell with servicing released
- As scale has grown, implementing strategy to retain select originations
- Providing complete product offering that meets the needs for target client base, driving growth in originations

Mortgage Loan Composition

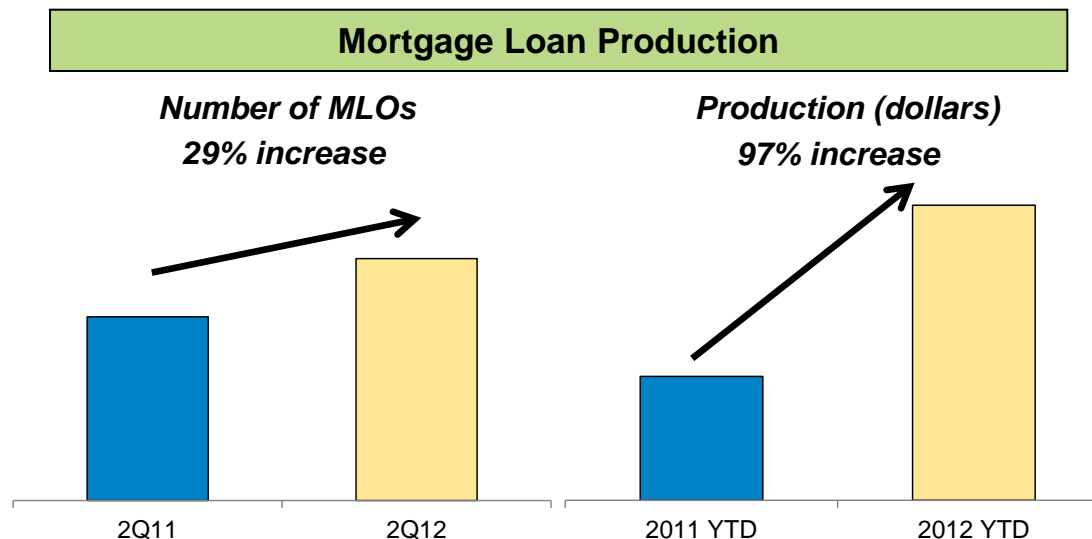


Mortgage Loan Growth



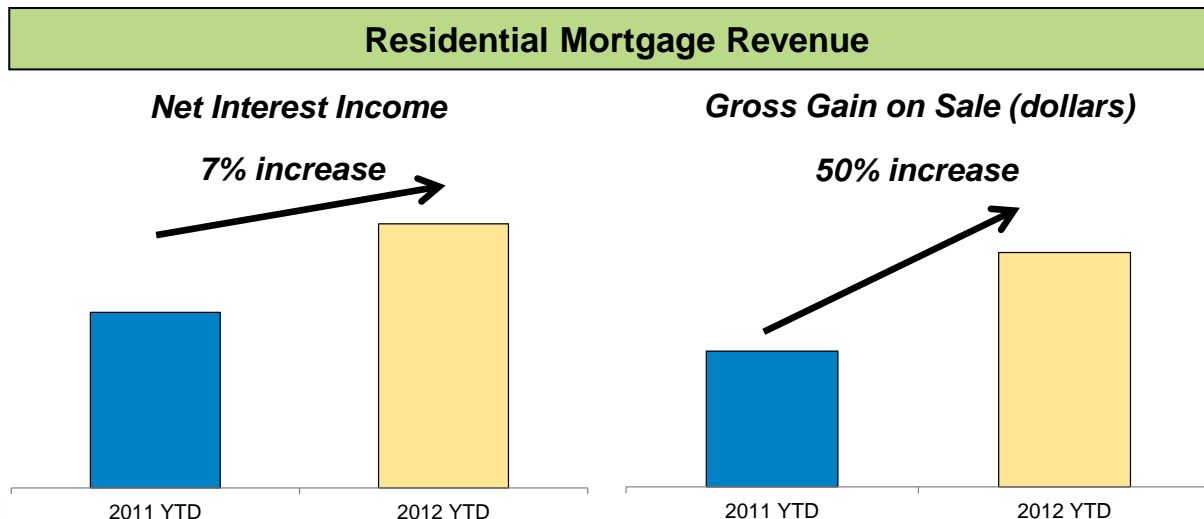
# Revenue Growth - Residential Mortgage

- Focus is on building out purchase production platform
  - Strategy includes building relationships with realtors and large real estate companies
  - 70% of our originations are purchase transactions
- Purchase focus results in sustainable revenue source
- Able to close purchase and refinance loans significantly faster than larger mortgage competitors
- Building a strong mortgage origination business by hiring, training and retaining top talent
- Improving customer satisfaction scores year-over-year



# Revenue Growth - Residential Mortgage

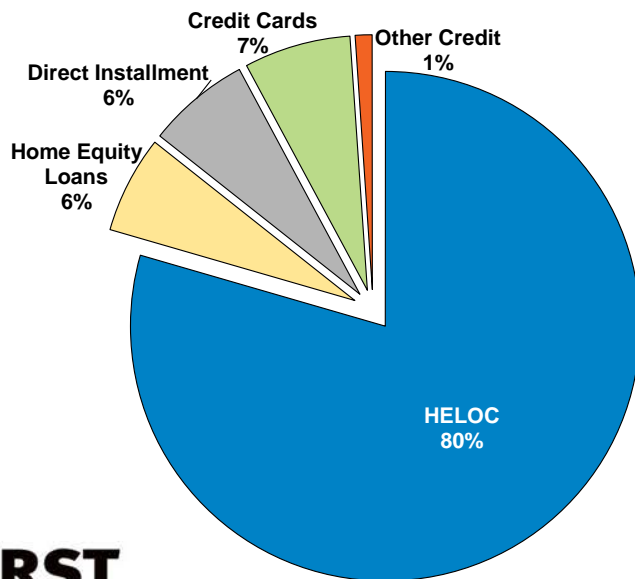
- Mortgage revenue has grown over the last few years as a result of increased focus on business
- Recently introduced new portfolio product to meet client needs and drive increased sales – First Simplified Loan
  - High credit quality borrowers – FICO of 700 or greater
  - Streamlined underwriting process; efficient for borrower and First Financial
  - Eliminates secondary market issues while maintaining underwriting standards



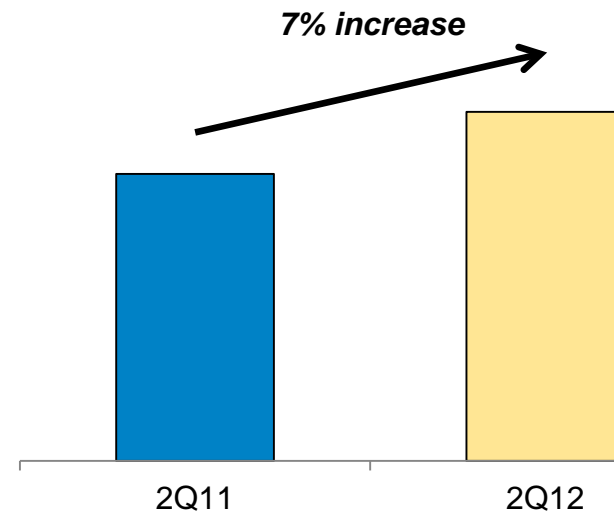
# Revenue Growth - Consumer Lending

- Product offerings include HELOC, home equity loans, credit cards and direct installment
- Integrated branch sales efforts has led to a significant increase in originations
- Credit cards originated through the retail channel present an opportunity for significant growth
- Leveraging growth in brand awareness, targeted consumer marketing strategy and cross-selling efforts to drive sales

Consumer Loan Composition



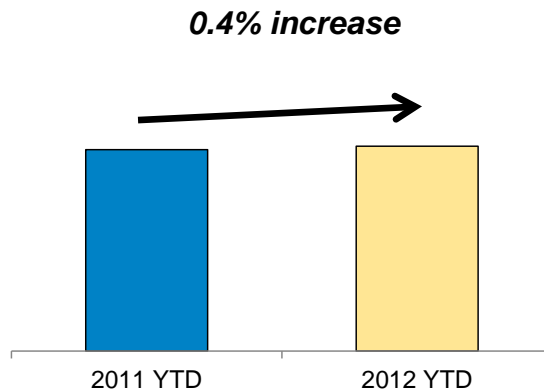
Consumer Loan Growth



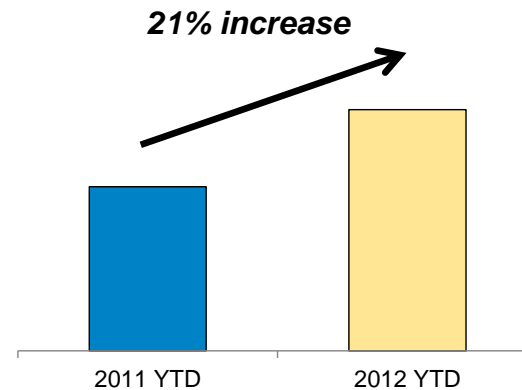
# Revenue Growth - Consumer Lending

- Opportunities exist to grow portfolios and expand product suite if economic conditions in strategic markets improve
- Market headwinds include tepid economic recovery with depressed real estate values and consumer de-leveraging
- Well-positioned when economy recovers
  - Capture new sales through marketing and branch strategies
  - Increase utilization on existing lines

Consumer NII Growth



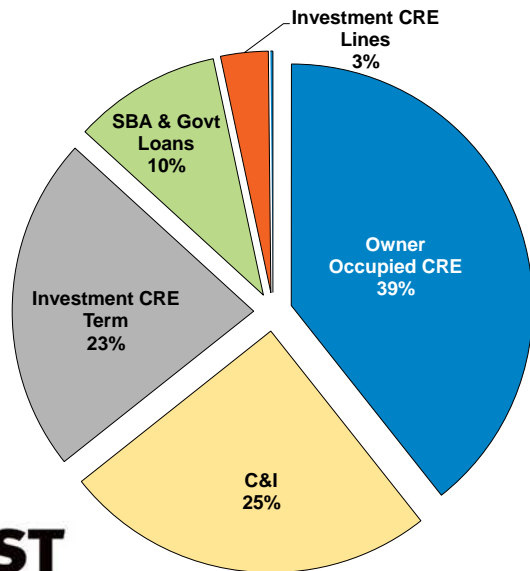
Consumer Loan Originations



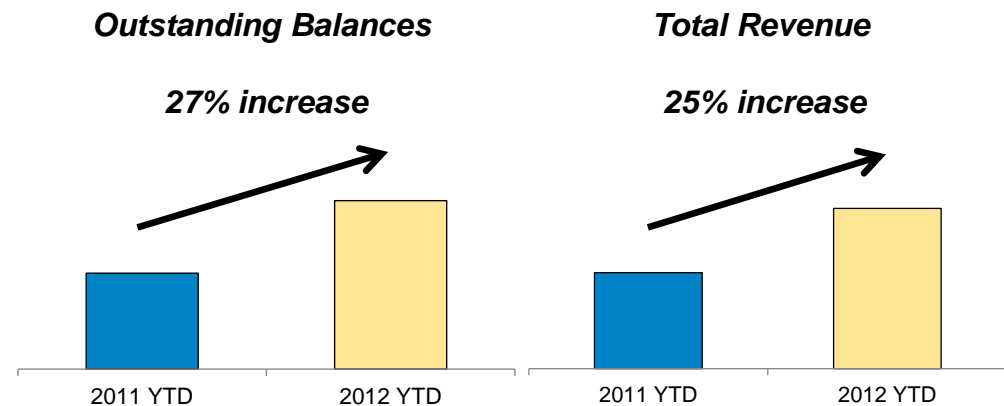
# Revenue Growth - Business Banking

- Business banking loans are originated through the retail channel by our Business Banking Sales Managers
- Low-cost delivery channel
- Focusing on clients underserved by the larger institutions
- Maximum relationship size recently increased from \$0.5 million to \$1 million
- Originated loans typically priced at an attractive spread over traditional commercial loans

Retail Business Banking Portfolio



Retail Business Banking Growth



# Business Banking Performance

- SBA Lender awards and recognition
  - 2010 Small Business Lender of the Year
  - 2011 top SBA lender in Southwest Ohio by dollar volume
- Continued opportunities to increase business banking loans through retail channel
- Business banking household penetration
  - Growth in services per household
  - Significant sales opportunity



Top SBA Lenders - SBA Fiscal Year 2011 Southwest Ohio <sup>1</sup>					
2011 Rank	Name	Number of Loans	Annual Increase (%)	Total Loans (\$MM)	Annual Increase (%)
1	Huntington Bank	168	124.0	\$ 19.4	65.0
2	<b>First Financial Bank</b>	<b>68</b>	<b>106.1</b>	<b>26.0</b>	<b>278.9</b>
3	US Bank	40	(20.0)	6.0	34.4
4	Chase	19	35.7	4.2	182.6
5	RiverHills Bank	18	(41.9)	4.1	(19.1)
6	Fifth Third Bank	14	(26.3)	5.8	26.0
6	Key Bank	14	75.0	3.9	153.9
7	PNC Bank	12	100.0	1.2	(28.2)
8	Stock Yards Bank & Trust	11	37.5	2.0	33.8

Source: Small Business Administration; Business Courier

<sup>1</sup> Counties of Butler, Clermont, Hamilton and Warren



# Retail Lending Credit Quality

- Our disciplined credit approach for all retail products has been reflected in the improving credit metrics of originated loans
- 2012 YTD originations reflect higher balances with stronger credit profile
- Experienced minimal GSE repurchases since 2009
- Demonstrates sound underwriting undertaken for all mortgages originated and sold

Dollars in thousands	Average Loan Size		FICO / SBSS Score		6/30 Delinquency Rate	6/30 Nonaccrual Rate	YTD Charge-Offs <sup>(1)</sup>
	YTD Originations	Portfolio	YTD Originations	Portfolio			
Portfolio mortgage	\$189	\$83	743	714	3.00%	2.29%	0.53%
Home equity <sup>(2)</sup>	\$53	\$32	755	739	0.59%	0.62%	0.59%
Business banking	\$105	\$88	192	183	0.60%	0.98%	0.71%
Credit card <sup>(2)</sup>	\$5	\$5	721	701	1.92%	-	2.02%

# Retail Banking – Summary

## *Expected Results: Growth in Diverse Revenue Sources & Greater Efficiency*

- Attracting and retaining clients and building market share by focusing on the full relationship and increased client satisfaction
- Capitalize on position as largest community bank in key metropolitan markets
- Increase share of wallet through highly developed sales process focused on sales per banker, cross-sell efforts and same store sales
- Leverage increase brand awareness and visibility as well as capabilities of prototype sales centers
- Continued review of sales centers to optimize retail distribution network and allocate resources in markets providing greatest opportunities for growth
- Maintain disciplined cost structure and maximize existing resources to drive greater efficiency

# Biographies

## Jill A. Stanton

### Executive Vice President & Co-Chief Retail Banking Officer

Ms. Stanton joined First Financial in 2008 and has responsibility for product line management for mortgage, consumer lending and small business banking. Prior to joining the company, she served as Senior Vice President for Irwin Union Bank where she was responsible for mortgage, consumer lending, business banking, commercial credit analysis, credit administration and loan operations in its commercial banking business. Ms. Stanton has over 20 years of experience within the financial services industry.

## Jill L. Wyman

### Executive Vice President & Co-Chief Retail Banking Officer

Ms. Wyman joined First Financial in 2003 as Vice President and Sales Director. In her current position, Ms. Wyman has responsibility for leading the retail banking markets, client service center and retail development and administration. She helped plan and launch First Financial's rebranding efforts in 2006, the Company's new sales center prototype in 2007 and the Company's retail sales process in 2009. Prior to joining the company, she spent 19 years in retail where she served in various leadership roles at Lazarus, a division of Federated Department Stores (currently Macy's).