



COMPANY UPDATE/ ESTIMATES CHANGES

Key Metrics

FFBC - NASDAQ (as of 04/21/17)	\$28.20
Price Target	\$27.50
52-Week Range	\$18.00-\$29.80
Shares Outstanding (mm)	62.1
Market Cap. (\$mm)	\$1,752
3-Mo. Average Daily Volume (000)	236.6
Institutional Ownership	74.6%
Tangible Equity / Tangible Assets	9.5%
ROE	10.5%
Tangible Book Value Per Share	\$10.80
Price/Tangible Book Value	261.0%
Dividend Yield	2.4%
Price/LTM Earnings	18.8x

Operating EPS CY 12/31

	Curr. 2016E	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	\$0.33	\$0.35	\$0.39A	\$0.42	\$0.42
2Q	\$0.36	\$0.38	\$0.38	\$0.45	\$0.45
3Q	\$0.37	\$0.40	\$0.39	\$0.47	\$0.47
4Q	\$0.38	\$0.41	\$0.40	\$0.48	\$0.48
Year	\$1.43	\$1.53	\$1.57	\$1.81	\$1.82
P/E	19.7x		18.0x		15.5x

Common Dividends

	2016E	Curr. 2017E	Prior %chg.	Curr. 2018E
1Q	\$0.16	\$0.17A	6.3	\$0.18
2Q	\$0.16	\$0.17	6.3	\$0.18
3Q	\$0.16	\$0.17	6.3	\$0.18
4Q	\$0.16	\$0.17	6.3	\$0.18
Year	\$0.64	\$0.68	6.3	\$0.72

Company Description – First Financial Bancorp (FFBC) is a commercial banking organization headquartered in Cincinnati, Ohio. The company's primary operations are conducted in Ohio, Indiana and northern Kentucky. In addition to traditional retail and commercial banking services, First Financial offers trust, wealth management and investment brokerage services, as well as speciality lending niches including franchise lending, asset-based lending and equipment finance.

Banks

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First Financial Bancorp

FFBC -- NASDAQ -- Neutral -- 2

Reports \$0.04 Beat on Accounting Change & Provisioning; Reaffirming Neutral Rating

- **Earnings Results:** FFBC reported 1Q17 GAAP and operating EPS of \$0.39, which were \$0.04 ahead of our estimate and the Street consensus. A new accounting standard regarding stock-based compensation added \$0.02 to EPS.
- **Positive Highlights:** The provision for loan losses fell \$2.4 million to \$0.4 million on a LQ basis and was meaningfully below our estimate of \$2.0 million. The net charge-off ratio decreased three bps to 0.14% versus our estimate of 10 bps.

Operating noninterest expense increased 1.8% linked-quarter (LQ) to \$51.0 million, but was below our estimate of \$51.6 million

Operating noninterest income decreased 0.6% LQ to \$16.8 million primarily due to declines in service charges on deposits (7.9%), gains from sales of loans (28.9%) and “other” noninterest income (10.4%). However, results exceeded our projection of \$16.5 million.

- **Negative Highlights:** Net interest income declined 1.8% sequentially to \$68.9 million driven as a 0.9% rise in average earning assets was more than offset by one bp of net interest margin compression to 3.70% and two fewer days in the quarter. We had modeled net interest income of \$70.9 million and a 3.71% margin.

End-of-period loans were essentially flat on a LQ basis, while average loans were down 0.8%.

- **Estimates & Valuation:** We are increasing our 2017 and 2018 EPS estimates to \$1.57 and \$1.82 from \$1.53 and \$1.81, respectively. We are maintaining our \$27.50 price target and reaffirming our Neutral rating

Note Important Disclosures on pages 4 and 5
Note Analyst Certification on page 4

OTHER TAKEAWAYS & VALUATION

- Loan growth was impacted by subdued demand and elevated payoffs. The company guided to mid-single digit loan growth in 2017, down from its previous guidance of mid- to upper-single digit growth in 2017.
- The sequential NIM compression was attributable to an unfavorable shift in asset mix from loans to securities which more than offset improved yields on loans and securities. Management expects 2-3 bps of margin expansion in 2Q17 stemming from the March Fed rate hike.
- FFBC guided to noninterest expense growth of 2%-3% and an effective tax rate of approximately 31.5%-32.5% in 2017.
- NPAs/Assets rose 25 bps to 0.45%, while Classified Assets/Assets plunged 14 bps to 1.34%. The increase in nonperformers was primarily driven by two relationships, both of which are well secured by collateral.
- Our price target is derived through our discounted dividend model and the application of FFBC's historical forward multiple of approximately 15X to our 2Q18-1Q19 EPS estimates. The multiple that we employ is appropriate relative to FFBC's growth prospects, in our opinion.
- Major model assumptions include one additional Fed rate hike this year and another next year, continued flattening of the yield curve, slower loan growth in 2017 and a 28% corporate tax rate in 2018.

SUITABILITY

Our suitability rating on FFBC is 2 on our scale of 1 to 4 (1 = most conservative, 4 = most aggressive). Factors contributing to our suitability rating include the company's market capitalization, liquidity and trading volume, diversity of revenues and the geographic diversification of its footprint.

RISK FACTORS

- **Economy** – If the economy softens, loan demand could wane and credit quality could deteriorate.
- **Geography** – The company's operations are primarily clustered in a few states. Accordingly, its earnings are more vulnerable to any regional shock and/or slowdown.
- **Real Estate** – A significant percentage of the company's loans are real estate oriented. Any deterioration in real estate values would impair the value of the underlying real estate collateral.
- **Competition** – The industry is highly competitive and many of the company's competitors have greater resources.
- **Sector Rotation** – The share price of the company's common stock may be vulnerable to any sector rotation that might occur.
- **Regulatory Environment** – Banks operate in a highly regulated environment. Consequently, the company is vulnerable to regulatory uncertainties that could negatively impact shareholders.
- **Other** – Please see the company's financial statements for a further discussion of risks and considerations.

	FIRST FINANCIAL BANCORP								FFBC: NEUTRAL						
	1Q2016 A	2Q2016 A	3Q2016 A	4Q2016 A	1Q2017 A	2Q2017 E	3Q2017 E	4Q2017 E	FY 2015 A	FY 2016 A	FY 2017 E	FY 2018 E	FY 2017 E	FY 2018 E	
\$Millions, Except for Per Share Data															
Balance Sheet Data:															
Assets	8,193.6	8,310.1	8,368.5	8,438.0	8,531.2	8,652.5	8,730.4	8,870.1	8,147.4	8,438.0	8,870.1	9,451.5	3.6%	5.1%	6.6%
Gross Loans	5,520.0	5,711.7	5,806.9	5,770.6	5,761.7	5,833.8	5,938.8	6,051.6	5,409.7	5,770.6	6,051.6	6,505.4	6.7%	4.9%	7.5%
Average Earning Assets	7,398.0	7,475.7	7,591.2	7,630.1	7,695.7	7,863.0	7,937.9	8,037.3	6,836.3	7,523.4	7,883.5	8,363.9	10.1%	4.8%	6.1%
Deposits	6,176.8	6,119.6	6,338.7	6,525.8	6,529.9	6,622.8	6,682.4	6,789.3	6,179.6	6,525.8	6,789.3	7,234.3	5.6%	4.0%	6.6%
Equity	826.6	846.7	861.1	865.2	880.1	893.5	907.6	922.4	809.4	865.2	922.4	992.4	6.9%	6.6%	7.6%
Statement of Operations:															
FTE Net Interest Income	67.6	68.2	69.8	71.2	70.2	73.1	74.6	76.1	250.5	276.9	294.0	315.3	10.5%	6.2%	7.2%
Net Interest Income	66.6	67.1	68.8	70.2	69.9	71.8	73.3	74.8	246.5	272.7	288.8	309.7	10.6%	5.9%	7.2%
Provision for Loan Losses	1.7	4.0	1.7	2.8	0.4	2.4	2.9	3.2	9.6	10.1	9.0	15.4	5.2%	-11.6%	72.0%
Non-Interest Income:															
Service Charges on Deposit Accounts	4.4	4.5	5.1	5.0	4.6	5.1	5.2	5.2	19.0	18.9	20.1	20.5	-0.4%	6.4%	2.0%
Trust and Wealth Management Fees	3.4	3.3	3.2	3.2	3.7	3.4	3.5	3.5	13.1	13.2	14.1	15.1	0.5%	7.2%	6.8%
Bankcard Income	2.9	3.1	3.0	3.1	3.1	3.3	3.2	3.3	11.6	12.1	12.9	13.6	4.8%	6.5%	5.3%
Net Gains From Sales of Loans	1.2	1.8	2.1	1.7	1.2	1.5	1.4	1.2	6.5	6.8	5.3	5.4	5.1%	-21.4%	0.5%
Other	3.6	7.7	3.2	3.8	4.1	4.2	4.2	4.3	23.5	18.3	16.7	17.5	-22.1%	-8.6%	4.4%
Securities Gains	0.0	-0.2	0.4	0.0	0.0	0.0	0.0	0.0	1.5	0.2	0.5	0.0	-84.5%	120.5%	-100.0%
Total Non-Interest Income	15.5	20.2	16.9	16.9	17.4	17.6	17.5	17.4	75.2	69.6	69.8	72.1	7.4%	0.3%	3.3%
Non-Core Adjustment	0.0	-2.2	-0.4	0.0	-0.5	0.0	0.0	0.0	(1.5)	(2.6)	(0.5)	0.0	71.8%	-80.0%	-100.0%
Adjusted Non-Interest Income	15.5	18.0	16.6	16.9	16.8	17.6	17.4	17.4	73.7	67.0	69.3	72.1	-9.1%	3.4%	4.1%
Non-Interest Expense:															
Salaries and Employee Benefits	29.6	29.5	32.1	31.1	31.8	31.5	31.5	31.6	111.8	122.4	126.3	129.8	9.5%	3.2%	2.8%
Net Occupancy	5.0	4.5	4.5	4.3	4.5	4.5	4.6	4.6	18.2	18.3	18.2	18.6	0.5%	-0.7%	2.0%
Furniture and Equipment	2.2	2.1	2.1	2.2	2.2	2.2	2.2	2.2	8.7	8.7	8.8	9.0	-0.5%	1.3%	2.0%
Data Processing	2.7	2.8	2.8	3.1	3.3	3.3	3.3	3.3	10.9	11.4	13.3	13.6	5.0%	16.5%	2.0%
Marketing	1.1	0.8	0.6	1.5	0.5	0.8	0.8	0.8	3.7	4.0	2.8	2.8	6.5%	-30.0%	2.5%
Communication	0.5	0.5	0.5	0.4	0.4	0.4	0.5	0.5	2.2	1.9	1.8	1.8	-12.6%	-4.4%	2.2%
Professional Services	1.8	1.3	1.5	1.7	1.8	1.5	1.5	1.5	9.6	6.3	6.3	6.6	-34.5%	-0.2%	5.1%
Other	7.9	7.9	6.9	5.8	6.6	7.1	6.9	6.9	36.0	28.5	27.5	28.1	-20.9%	-3.5%	2.1%
Total Non-Interest Expense	50.7	49.4	51.1	50.2	51.0	51.3	51.2	51.4	201.1	201.4	204.9	210.2	0.1%	1.8%	2.6%
Non-Core Adjustment	-0.5	-0.2	-0.4	-0.1	0.0	0.0	0.0	0.0	(5.6)	(1.2)	0.0	0.0	-78.8%	-100.0%	NA
Adjusted Non-Interest Expense	50.2	49.2	50.7	50.1	51.0	51.3	51.2	51.4	195.5	200.2	204.9	210.2	2.4%	2.4%	2.6%
Pretax Income	30.2	31.9	33.0	34.3	34.4	35.6	36.6	37.6	115.0	129.3	144.2	156.2	12.4%	11.5%	8.3%
Income Taxes	10.0	10.6	10.1	10.9	10.3	11.6	11.9	12.3	37.3	41.7	46.1	41.5	11.8%	10.5%	-10.0%
Operating Net Income	20.1	21.3	22.9	23.3	24.1	24.0	24.7	25.4	77.7	87.6	98.1	114.7	12.7%	12.0%	16.9%
Share & Per Share Data:															
Diluted EPS	0.32	0.36	0.37	0.38	0.39	0.38	0.39	0.40	1.22	1.42	1.57	1.82	16.7%	10.4%	16.2%
Operating EPS	0.33	0.36	0.37	0.38	0.39	0.38	0.39	0.40	1.26	1.43	1.57	1.82	13.8%	9.5%	16.6%
Dividends Per Share	0.16	0.16	0.16	0.16	0.17	0.17	0.17	0.17	0.64	0.64	0.68	0.72	0.0%	6.3%	5.9%
Tangible Book Value	9.96	10.28	10.52	10.59	10.80	11.03	11.26	11.50	9.71	10.59	11.50	12.66	9.0%	8.7%	10.0%
Common Shares Outstanding	61,855	61,960	61,953	61,980	62,134	62,134	62,134	62,134	61,642	61,980	62,134	62,134	0.5%	0.2%	0.0%
Average Diluted Shares	61,840	62,027	62,086	62,081	62,140	62,876	62,876	62,876	61,877	62,011	62,692	62,876	0.2%	1.1%	0.3%
Key Financial Statistics:															
Return on Assets	0.98%	1.10%	1.10%	1.11%	1.16%	1.12%	1.13%	1.14%	1.00%	1.07%	1.14%	1.25%	7	7	11
Return on Equity	9.65%	10.78%	10.67%	10.79%	11.21%	10.86%	10.88%	10.99%	9.32%	10.47%	10.98%	11.99%	115	51	101
FTE Net Interest Margin	3.68%	3.67%	3.66%	3.71%	3.70%	3.73%	3.73%	3.76%	3.66%	3.68%	3.73%	3.77%	2	5	4
Operating Non-Int. Inc./Operating Rev.	18.88%	21.17%	19.39%	19.45%	19.64%	19.23%	18.91%	18.91%	23.05%	19.72%	19.36%	18.89%	(332)	(37)	(47)
Efficiency Ratio	60.67%	57.06%	59.51%	57.96%	58.18%	56.19%	55.17%	54.50%	59.99%	58.81%	56.01%	53.90%	(118)	(280)	(211)
Tangible Common Ratio	7.71%	7.86%	7.99%	7.97%	8.07%	8.11%	8.21%	8.25%	7.54%	7.97%	8.25%	8.51%	43	28	25
Reserves/Gross Loans	0.97%	0.99%	0.99%	1.00%	0.98%	0.98%	0.98%	0.98%	0.99%	1.00%	0.98%	0.98%	2	(3)	0
NCOs/Average Loans	0.04%	0.09%	0.05%	0.17%	0.14%	0.12%	0.13%	0.14%	0.16%	0.09%	0.13%	0.18%	(7)	5	4

Source: Company reports and Hilliard Lyons estimates.

Additional information is available upon request.

Analyst Certification

I, Andrew W. Stapp, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

Important Disclosures

Hilliard Lyons' analysts receive bonus compensation based on Hilliard Lyons' profitability. They do not receive direct payments from investment banking activity.

First Financial Bancorp is/was a client of Hilliard Lyons within the past 12 months, received non-investment banking securities-related services, and Hilliard Lyons received compensation for those services.

Definitions of Ratings:

Buy - We believe the stock has significant total return potential in the coming 12 months.

Long-term Buy - We believe the stock is an above average holding in its sector, and expect solid returns to be realized over a longer time frame than our Buy rated issues, typically 2-3 years.

Neutral - We believe the stock is holding in its sector, is currently fully valued, and may be used as a source of funds if better opportunities arise.

Underperform - We believe the stock is vulnerable to a price decline in the next 12 months.

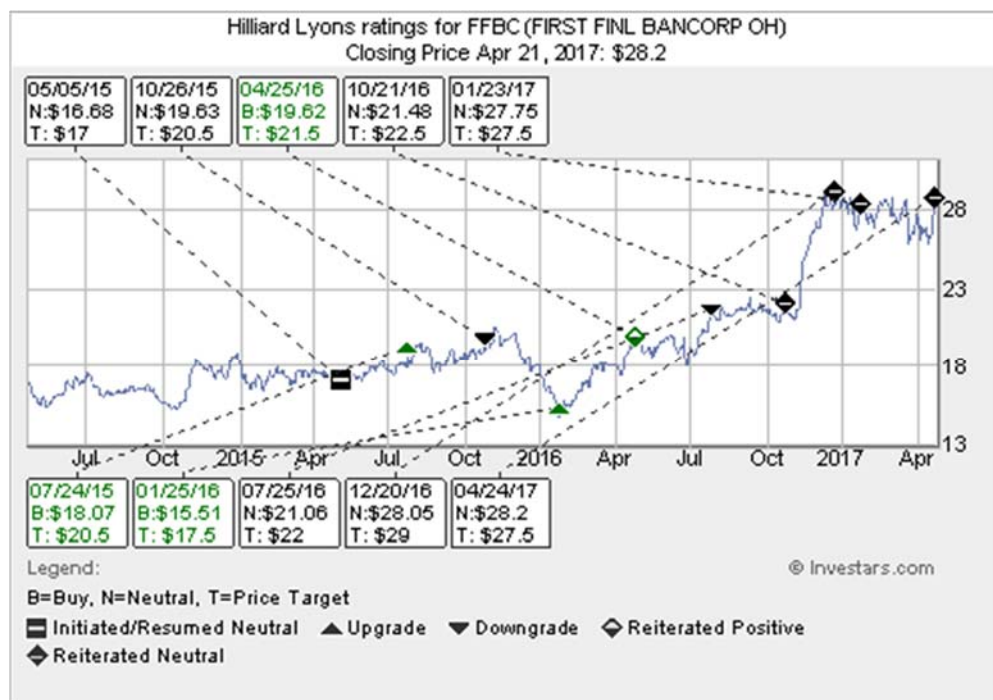
Definitions of Suitabilities:

1. A large cap, core holding with a solid history.

2. A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event driven setbacks.

3. An above average risk/reward ratio could be due to small size, lack of product diversity, sporadic earnings or high leverage.

4. Speculative, due to small size, inconsistent profitability, erratic revenue, volatility, low trading volume or a narrow customer or product base.



Hilliard Lyons Recommended Issues			Investment Banking Provided in Past 12 Mo.	
Rating	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	36	30%	14%	86%
Hold/Neutral	71	58%	6%	94%
Sell	15	12%	7%	93%

As of 5 April 2017

Other Disclosures

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