FIRST FINANCIAL BANCORP /OH/
Form 10-K
February 26, 2018
TABLE OF CONTENTS

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
(Mark One)
ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017

OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES ACT OF 1934
Commission File Number 001-34762
FIRST FINANCIAL BANCORP.
(Exact name of registrant as specified in its charter)

Ohio	31-1042001
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
255 East Fifth Street, Suite 700 Cincinnati, Ohio	45202 (Zip Code)

(Address of principal executive offices)
Registrant's telephone number, including area code: (877) 322-9530
Securities registered pursuant to Section 12(b) of the Act:
Common Shares, no par value
Warrants, each to purchase one Common Share, no par value
Name of exchange on which registered:
The NASDAQ Stock Market LLC
Securities registered pursuant to Section 12(g) of the Act:
None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
x Yes o No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
o Yes x No
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
x Yes o No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Date File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
x Yes o No
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (subpart 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o
	Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
o Yes x No

The aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the sales price of the last trade of such stock as of June 30, 2017, was $1,690,000,000. (The exclusion from such amount of the market value of the shares owned by any person shall not be deemed an admission by the registrant that such person is an affiliate of the registrant.)

As of February 23, 2018, there were issued and outstanding 62,093,120 common shares of the registrant.

TABLE OF CONTENTS

Documents Incorporated by Reference:
Portions of the registrant's Annual Report to Shareholders for the year ended December 31, 2017 are incorporated by reference into Parts I, II, III and IV.

Portions of the registrant's definitive Proxy Statement for the Annual Meeting of Shareholders to be held on May 22, 2018 are incorporated by reference into Part III.

TABLE OF CONTENTS

FORM 10-K CROSS REFERENCE INDEX

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Report on Form 10-K, which are not statements of historical fact, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, without limitation, the statements specifically identified as forward-looking statements within this document. In addition, certain statements in future filings by us with the SEC, in press releases, and in oral and written statements made by or with our approval, which are not statements of historical fact constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Examples of forward-looking statements include: (i) projections of income or expense, earnings per share, the payment or non-payment of dividends, capital structure and other financial items; (ii) statements of our plans and objectives or our management or Board of Directors, including those relating to products or services; (iii) statements of future economic performance; and (iv) statements of assumptions underlying such statements. Words such as “believes,” “anticipates,” “expects,” “intends,” “targeted” and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying those statements.

Statements concerning the potential merger of the Company and MainSource may also be forward-looking statements. Please refer to each of the Company’s filings with the SEC, for a more detailed discussion of risks, uncertainties and factors that could cause actual results to differ from those discussed in the forward-looking statements.

In addition to factors previously disclosed in reports filed by the Company and MainSource with the SEC, risks and uncertainties for the Company, MainSource and the combined company include, but are not limited to: the possibility that any of the anticipated benefits of the proposed Merger will not be realized or will not be realized within the expected time period; the risk that integration of MainSource's operations with those of the Company will be materially delayed or will be more costly or difficult than expected; the inability to close the Merger in a timely manner; diversion of management's attention from ongoing business operations and opportunities; the failure to satisfy other conditions to completion of the , including receipt of required regulatory and other approvals; the failure of the proposed Merger to close for any other reason; the challenges of integrating and retaining key employees; the effect of the announcement of the Merger on the Company’s, MainSource’s or the combined company's respective customer relationships and operating results; the possibility that the Merger may be more expensive to complete than anticipated, including as a result of unexpected factors or events; and general competitive, economic, political and market conditions and fluctuations. All forward-looking statements included in this filing are made as of the date hereof and are based on information available at the time of the filing. Except as required by law, neither the Company nor MainSource assumes any obligation to update any forward-looking statement.

The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for forward-looking statements to encourage companies to provide prospective information so long as those statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those discussed in the forward-looking statements. We desire to take advantage of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995.

Forward-looking statements involve risks and uncertainties. Actual results may differ materially from those predicted by the forward-looking statements because of various factors and possible events, including those factors and events identified (i) in "Item 1A. Risk Factors" of the Annual Report on Form 10-K and (ii) in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of First Financial's 2017 Annual Report (included within Exhibit 13 to this Annual Report on Form 10-K and incorporated by reference into Item 7 of this Annual Report on Form 10-K).

Forward-looking statements speak only as of the date on which they are made, and, except as may be required by law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made to reflect unanticipated events. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are qualified in their entirety by the foregoing cautionary statements.

TABLE OF CONTENTS

PART I

Item 1. Business.

First Financial Bancorp.

First Financial Bancorp., an Ohio corporation (First Financial or the Company), was formed in 1982. First Financial is a mid-sized, regional bank holding company headquartered in Cincinnati, Ohio. References in this Form 10-K to "we," "us" or "our" refer, as the context requires, to First Financial and its subsidiaries, collectively or to First Financial as the holding company.

First Financial engages in the business of commercial banking and other banking and banking-related activities through its wholly owned subsidiary, First Financial Bank (the Bank), which was founded in 1863. Effective December 30, 2016, the Bank converted its charter to an Ohio state chartered bank from a nationally chartered bank.

The range of banking services provided by First Financial to individuals and businesses includes commercial lending, real estate lending, and consumer financing. Real estate loans are loans secured by a mortgage lien on the real property of the borrower, which may either be residential property (one to four family residential housing units) or commercial property (owner-occupied and/or investor income producing real estate, such as apartments, shopping centers, or office buildings). Risk of loss related to lending activities is managed by adherence to standard loan policies that establish certain levels of performance prior to the extension of a loan to the borrower. In addition, First Financial offers deposit products that include interest-bearing and noninterest-bearing accounts, time deposits, and cash management services for commercial customers. A full range of trust and wealth management services is also provided through First Financial's Wealth Management division.

Commercial and industrial loans are made to all types of businesses for a variety of purposes including, but not limited to, inventory, receivables, and equipment. First Financial works with businesses to meet their shorter term working capital needs while also providing long-term financing for their business plans. First Financial also offers lease and equipment financing through a wholly-owned subsidiary of the Bank, First Financial Equipment Finance LLC (First Equipment Finance). Credit risk for lending activities is managed through standardized loan policies, established and authorized credit limits, centralized portfolio management and the diversification of market area and industries. The overall strength of the borrower is evaluated through the credit underwriting process and includes a variety of analytical activities, including the review of historical and projected cash flows, financial performance, financial strength of the principals and guarantors, and collateral values, where applicable.

Commercial and industrial lending activities also include equipment and leasehold improvement financing for franchisees throughout the U.S., principally in the quick service and casual dining sector. The underwriting of these loans incorporates basic credit proficiencies combined with knowledge of select franchise concepts to measure the creditworthiness of proposed multi-unit borrowers. The focus is on a limited number of concepts that we believe have sound economics, lower closure rates, and higher brand awareness within specified local, regional or national markets. Loan terms for equipment are generally up to 84 months fully amortizing and up to 180 months on real estate-related requests.

First Financial also offers secured financing throughout the U.S. to the insurance industry through a wholly-owned subsidiary of the Bank, Oak Street Funding LLC (Oak Street Funding). Insurance industry lending activities are driven by agency acquisitions, agency ownership transitions and the purchase by agencies of books of business, in addition to financing general working capital needs. The underwriting of these loans involves analyses of collateral (through use of Oak Street Funding's proprietary system) that consists of insurance commissions revenue, which is then monitored by Oak Street Funding throughout the life of the loans.

Commercial real estate loans are secured by a mortgage lien on the real property. The credit underwriting for both owner-occupied and investor income producing real estate loans includes detailed market analysis, historical and projected cash flow analysis, appropriate equity margins, assessment of lessees and lessors, type of real estate and other analyses. Market diversification within First Financial's service area and industry diversification are other means by which First Financial manages the risk. First Financial does not have a significant exposure to residential builders and developers.

The majority of residential real estate loans originated by the Bank conform to secondary market underwriting standards and are sold within a short timeframe to unaffiliated third parties. The Bank sells the loans with both servicing retained and servicing released, depending on pricing and other market conditions. The credit underwriting standards adhere to a required level of documentation, verifications, valuation, and overall credit performance of the borrower. The underwriting of these loans includes an evaluation of these and other pertinent factors prior to the extension of credit. These underwriting standards increase the marketability and address the credit risk associated with the loans.

Consumer loans are primarily loans made to individuals. These types of loans include new and used vehicle loans, second mortgages on residential real estate, and unsecured loans. Risk elements in the consumer loan portfolio are primarily focused on the borrower's cash flow and credit history, which are key indicators of the ability to repay. A level of security is provided through liens on automobile titles and second mortgage liens, where applicable. Consumer loans are generally smaller dollar amounts than other types of lending and are made to a large number of customers, increasing diversification within the portfolio. Economic conditions that affect consumers in First Financial's markets have a direct impact on the credit quality of these loans. Higher levels of unemployment, lower levels of income growth and weaker economic growth are factors that may adversely impact consumer loan credit quality.

Home equity lines of credit consist mainly of revolving lines of credit secured by residential real estate. Home equity lines of credit are generally governed by the same lending policies and subject to the same credit risk as described previously for residential real estate loans.

First Financial has a limited number of foreign currency transactions and, in general, does not have significant exposure to loss from foreign currencies. Foreign currency activities are generally related to services provided to commercial customers.

Information regarding statistical disclosure required by the Securities and Exchange Commission's Industry Guide 3 is included on the "Statistical Information" page in First Financial's Annual Report to Shareholders for the year ended December 31, 2017, and is incorporated herein by reference.

First Financial's executive office is located at 255 East Fifth Street, Suite 700, Cincinnati, Ohio 45202, and the telephone number is (877) 322-9530. First Financial makes available its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports, free of charge, as soon as reasonably practicable after filing with the Securities and Exchange Commission (SEC), through its website, www.bankatfirst.com under the "Investor Relations" link, under "Financial Reporting." Copies of such reports also can be found on the SEC's website at www.sec.gov.

Employees

At December 31, 2017, First Financial and its subsidiaries had 1,366 full-time and part-time employees.

Subsidiaries

A listing of each of First Financial's subsidiaries can be found in Exhibit 21 to this Form 10-K.

Business Combinations

In August 2015, First Financial acquired Oak Street Funding. Founded in 2003 and headquartered in Carmel, Indiana, Oak Street Funding primarily finances insurance agencies for the purposes of agency acquisitions, agency ownership transitions, the purchase by agencies of books of business, as well as financing general working capital needs. First Financial acquired Oak Street Holdings Corporation, the parent of Oak Street Funding, in an all-cash transaction which resulted in Oak Street Holdings Corporation becoming a subsidiary of the Bank. The Company also paid off certain indebtedness due under financing facilities at the time of the merger.

In July 2017, First Financial Bancorp and MainSource Financial Group, Inc. entered into a definitive merger agreement under which MainSource will merge into First Financial in a stock-for-stock transaction and MainSource

Bank, a wholly owned subsidiary of MainSource, will merge into First Financial Bank. Under the terms of the merger agreement, shareholders of MainSource will receive 1.3875 common shares of First Financial common stock for each share of MainSource common stock. Including outstanding options and warrants on MainSource common stock, the transaction is valued at approximately $1.0 billion. Upon closing, First Financial shareholders will own approximately 65% of the combined company and MainSource shareholders will own approximately 35%, on a fully diluted basis. The merger was approved by the FRB of Cleveland and the ODFI during the first quarter of 2018 and is expected to close on April 1, 2018. Once completed, the merger will position the combined company to better serve the complimentary geographies of Ohio, Indiana and Kentucky, and create a higher performing bank with greater scale and capabilities.

Market and Competitive Information

First Financial utilizes a community banking business model and serves a combination of metropolitan and non-metropolitan markets through its full-service banking centers primarily in Indiana, Ohio, and Kentucky. Market selection is based upon a number of factors, but markets are primarily chosen for their potential for growth, long-term profitability, and customer reach. First Financial's goal is to develop a competitive advantage through a local market focus, building long-term relationships with clients to help them reach greater levels of financial success.

We also compete on a nationwide basis with respect to franchisee lending through our franchise finance subsidiary and the insurance industry through Oak Street Funding.

The Company's markets support many different types of business activities, such as manufacturing, agriculture, education, healthcare, and professional services. Within these markets, growth is projected to continue in key demographic groups and populations. First Financial's market evaluation includes demographic measures such as income levels, median household income and population growth. The Midwestern markets that First Financial serves have historically not experienced the level of economic volatility experienced in other areas of the country, although material fluctuations may occur.

First Financial believes that it is well positioned to compete in its markets. Smaller than super-regional and multi-national bank holding companies, First Financial believes that it can meet the needs of its markets through a local decision-making process and that it is better positioned to compete for business than smaller community banks that may have size or geographic limitations. First Financial's targeted customers include individuals and small to medium sized businesses within the Bank's geographic footprint. Through its diversified delivery systems of banking centers, ATMs, internet banking, and telephone-based transactions, First Financial is able to meet the needs of its customers in an ever-changing marketplace.

First Financial faces strong competition from financial institutions and other non-financial organizations. Its competitors include local and regional financial institutions, savings and loans, and bank holding companies, as well as some of the largest banking organizations in the United States. In addition, other types of financial institutions, such as credit unions, offer a wide range of loan and deposit services that are competitive with those offered by First Financial. The consumer is also served by brokerage firms and mutual funds that provide checking services, credit cards, margin loans, and other services similar to those offered by First Financial. Online lenders also create additional competition, particularly in the mortgage and consumer lending areas. Major consumer retail stores compete for loans by offering credit cards and retail installment contracts. It is anticipated that competition from other financial and non-financial services entities will continue and, for certain products and services, intensify.

Supervision and Regulation

First Financial and its subsidiaries are subject to an extensive system of laws and regulations that are intended primarily for the protection of customers, the Deposit Insurance Fund (DIF), and the banking system in general and not for the protection of shareholders. These laws and regulations govern such areas as capital, permissible activities, allowance for loan and lease losses, loans and investments, interest rates that can be charged on loans and consumer protection communications and disclosures. Certain elements of selected laws and regulations are described in more detail in the sections that follow. These descriptions are not intended to be complete and are qualified in their entirety by reference to the full text of the statutes and regulations described.

Bank Holding Company Regulation

We are subject to the provisions of the Bank Holding Company Act of 1956, as amended (the BHCA) and subject to supervision and examination by the Federal Reserve Board. The BHCA requires prior approval by the Federal Reserve Board of the acquisition of 5% or more of the voting stock or substantially all the assets of any bank within the United States. In addition, First Financial's acquisition of a savings and loan association would require Federal Reserve Board approval. Acquisitions are also subject to certain anti-competitive limitations.

The BHCA and the regulations of the Federal Reserve Board prohibit a bank holding company and its subsidiaries from engaging in certain tie-in arrangements in connection with any extension of credit, lease or sale of property, or furnishing of services. A tie-in arrangement is when a bank uses its ability to offer banking products in a coercive manner to gain a competitive advantage for non-banking products or services. The BHCA also imposes certain restrictions upon dealings by affiliated banks with the holding company and among themselves, including restrictions on inter-bank borrowing and upon dealings in the securities or obligations of the holding company or other affiliates.

The Federal Reserve Board also has extensive enforcement authority over bank holding companies, including, among other things, the ability to assess civil monetary penalties, issue cease and desist or removal orders, and require that a bank holding company divest subsidiaries (including a subsidiary bank). In general, the Federal Reserve Board may initiate enforcement actions for violations of laws and regulations and unsafe or unsound practices. A bank holding company is required by law and

TABLE OF CONTENTS

Federal Reserve Board policy to act as a source of financial strength to each subsidiary bank and to commit resources to support such subsidiary bank. The Federal Reserve Board may require a bank holding company to contribute additional capital to an undercapitalized subsidiary bank and may disapprove of the payment of dividends to its shareholders if the Federal Reserve Board believes the payment of such dividends would be an unsafe or unsound practice.

Depository Institution Regulation

The Bank, as a bank chartered under the laws of the State of Ohio and a member of the Federal Reserve Bank of Cleveland (Federal Reserve Bank), is subject to supervision and examination by the Federal Reserve Board and the Ohio Division of Financial Institutions (ODFI). The Bank's deposits are insured up to the legal limits by the DIF, which is administered by the FDIC and is subject to the provisions of the Federal Deposit Insurance Act (FDIA). The Bank is also subject to regulations of the Consumer Financial Protection Bureau (CFPB), which was established by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) and has broad powers to adopt and enforce consumer protection regulations.

Regulatory Capital

Financial institutions and their holding companies are required to maintain capital as a way of absorbing losses that can and cannot be predicted. The Federal Reserve Board has adopted risk-based capital guidelines for bank holding companies as well as state banks that are members of a Federal Reserve Bank. The Office of the Comptroller of the Currency (OCC) and the FDIC have adopted risk-based capital guidelines for national banks and state non-member banks, respectively. The guidelines provide a systematic analytical framework that makes regulatory capital requirements sensitive to differences in risk profiles among banking organizations, takes off-balance sheet exposures expressly into account in evaluating capital adequacy and minimizes disincentives to holding liquid, low-risk assets. Capital levels as measured by these standards are also used to categorize financial institutions for purposes of prompt corrective action regulatory provisions.

In July 2013, the United States banking regulators issued new capital rules applicable to smaller banking organizations such as First Financial. These new capital rules implement certain of the provisions of the Dodd-Frank Act (the Basel III Capital Rules). Community banking organizations, including First Financial and the Bank, began transitioning to the new rules when the new minimum capital requirements became effective on January 1, 2015. A capital conservation buffer (i.e. common equity) and additional deductions from common equity capital phase in from January 1, 2016, through January 1, 2019, and most deductions from common equity tier 1 capital phase in from January 1, 2015, through January 1, 2019.

The capital rules include (a) a minimum common equity tier 1 capital ratio of at least 4.5%, (b) a minimum Tier 1 capital ratio of at least 6.0%, (c) a minimum total capital ratio of 8.0% and (d) a minimum leverage ratio (tier 1 capital to average assets) of 4.0%.

Common equity for the common equity tier 1 capital ratio includes common stock (plus related surplus) and retained earnings, plus limited amounts of minority interests in the form of common stock, less the majority of certain regulatory deductions.

Tier 1 capital includes common equity as defined for the common equity tier 1 capital ratio, plus certain non-cumulative preferred stock and related surplus, cumulative preferred stock and related surplus and trust preferred securities that have been grandfathered (but which are not permitted going forward), and limited amounts of minority interests in the form of additional Tier 1 capital instruments, less certain deductions.

Tier 2 capital, which can be included in the total capital ratio, includes certain capital instruments (such as subordinated debt) and limited amounts of the allowance for loan and lease losses, subject to new eligibility criteria, less applicable deductions.

The deductions from common equity tier 1 capital include goodwill and other intangibles, certain deferred tax assets, mortgage-servicing assets above certain levels, gains on sale in connection with a securitization, investments in a banking organization’s own capital instruments and investments in the capital of unconsolidated financial institutions (above certain levels). The deductions phase in from 2015 through 2019.

The rules also place restrictions on the payment of capital distributions, including dividends, and certain discretionary bonus payments to executive officers if the Company does not hold a capital conservation buffer greater than 2.5% composed of common equity tier 1 capital compared to its minimum risk-based capital requirements, or if its eligible retained income is negative in that quarter and its capital conservation buffer ratio was less than 2.5% at the beginning of the quarter. The capital conservation buffer requirement phases in starting on January 1, 2016, and is currently 1.875%.

TABLE OF CONTENTS

Federal banking regulators have established regulations governing prompt corrective action to resolve capital deficient banks. Under these regulations, institutions that become undercapitalized become subject to mandatory regulatory scrutiny and limitations, which increase as capital continues to decrease. Each such institution is also required to file a capital plan with its primary federal regulator, and its holding company must guarantee the capital shortfall up to 5% of the assets of the capital deficient institution at the time it becomes undercapitalized.

In accordance with the Basel III Capital Rules, in order to be “well-capitalized” under the prompt corrective action guidelines, a bank must have a common equity tier 1 capital ratio of at least 6.5%, a total risk-based capital ratio of at least 10.0%, a Tier 1 risk-based capital ratio of at least 8.0% and a leverage ratio of at least 5.0%, and the bank must not be subject to any written agreement, order, capital directive or prompt corrective action directive to meet and maintain a specific capital level or any capital measure. At December 31, 2017, the Bank met the capital ratio requirements to be deemed “well-capitalized” according to the guidelines previously described.

A bank with a capital level that might qualify for well capitalized or adequately capitalized status may nevertheless be treated as though the bank is in the next lower capital category if the bank’s primary federal banking supervisory authority determines that an unsafe or unsound condition or practice warrants that treatment. A bank’s operations can be significantly affected by its capital classification under the prompt corrective action rules. For example, a bank that is not well capitalized generally is prohibited from accepting brokered deposits and offering interest rates on deposits higher than the prevailing rate in its market without advance regulatory approval. These deposit-funding limitations can have an adverse effect on the bank’s liquidity. At each successively lower capital category, an insured depository institution is subject to additional restrictions. Undercapitalized banks are required to take specified actions to increase their capital or otherwise decrease the risks to the federal deposit insurance fund. Bank regulatory agencies generally are required to appoint a receiver or conservator within 90 days after a bank becomes critically undercapitalized with a leverage ratio of less than 2%. The Federal Deposit Insurance Act provides that a federal bank regulatory authority may require a bank holding company to divest itself of an undercapitalized bank subsidiary if the agency determines that divestiture will improve the bank’s financial condition and prospects.

In September 2017, the Federal Reserve Board, along with other bank regulatory agencies, proposed amendments to its capital requirements to simplify various aspects of the capital rules and thereby reduce regulatory burden for “non-advanced approaches” banking organizations. The Bank is a non-advanced approach bank because it has total consolidated assets of less than $250 billion and balance sheet foreign exposures of less than the maximum amount for a non-advanced approach bank. Because the amendments were proposed with a request for comments and have not been finalized, we do not yet know what effect the final rules will have on the Bank’s capital calculations. In November 2017, the federal banking agencies extended, for such non-advanced approaches banks, the existing capital requirements for certain items that were scheduled to change effective January 1, 2018, in light of the simplification amendments being considered.

Limitations on Dividends and Other Payments

There are various legal limitations on the extent to which a subsidiary bank may finance or otherwise supply funds to its parent holding company. Under applicable federal and state laws, the Bank may not, subject to certain limited exceptions, make loans or extensions of credit to, or investments in the securities of, First Financial. A subsidiary bank is also subject to collateral security requirements for any loan or extension of credit permitted by such exceptions.

The Bank may not pay dividends out of its surplus if, after paying these dividends, it would fail to meet the required minimum capital levels established by the Federal Reserve Board. The amount of dividends payable by the Bank is also restricted if the Bank does not hold a capital conservation buffer as described above. In addition, the Bank must have the approval of the Federal Reserve Board and the ODFI if a dividend in any year would cause the total dividends for that year to exceed the sum of the Bank’s current year’s net income and the retained net income for the preceding two years, less required transfers to surplus. Under Ohio law, the Bank may pay a dividend from surplus only with the approval of First Financial (as the sole shareholder of the Bank) and the approval of the ODFI. Payment of dividends by the Bank may be restricted at any time at the discretion of its regulatory authorities, if such regulatory authorities deem such dividends to constitute unsafe and/or unsound banking practices or if necessary to maintain adequate capital.

The ability of First Financial to obtain funds for the payment of dividends, for the servicing of indebtedness and for other cash requirements is largely dependent on the amount of dividends that may be declared by the Bank. However, because the Federal Reserve Board expects us to serve as a source of strength to the Bank, as discussed above, payment of dividends by the Bank may be restricted at any time at the discretion of the Federal Reserve Board if the Federal Reserve Board deems such dividends to constitute an unsafe and/or unsound banking practice.

TABLE OF CONTENTS

The Federal Reserve Board has issued a policy statement with regard to the payment of cash dividends by bank holding companies. The policy statement provides that, as a matter of prudent banking, a bank holding company should not maintain a rate of cash dividends unless its net income available to common shareholders has been sufficient to fully fund the dividends, and the prospective rate of earnings retention appears to be consistent with the bank holding company's capital needs, asset quality, and overall financial condition. Accordingly, a bank holding company generally should not pay cash dividends that exceed its net income or can only be funded in ways that weaken the bank holding company's financial health, such as by borrowing. Under certain circumstances, a bank holding company must provide notice to the Federal Reserve Board of an intended dividend payment, to which the Federal Reserve Board might object if it determines the payment would be an unsafe or unsound practice.

Insurance of Accounts

The FDIC maintains the DIF, which insures the deposit accounts of the Bank to the maximum amount provided by law. The general insurance limit is $250,000 per separately insured depositor. This insurance is backed by the full faith and credit of the United States government.

The FDIC assesses deposit insurance premiums on each insured institution quarterly based on risk characteristics of the institution. The FDIC may also impose a special assessment in an emergency situation.

Pursuant to the Dodd-Frank Act, the FDIC has established 2.0% as the designated reserve ratio (DRR), which is the ratio of the DIF to insured deposits of the total industry. In March 2016, the FDIC adopted final rules designed to meet the statutory minimum DRR of 1.35% by September 30, 2020, the deadline imposed by the Dodd-Frank Act. The Dodd-Frank Act requires the FDIC to offset the effect on institutions with assets of less than $10 billion of the increase in the statutory minimum DRR to 1.35% from the former statutory minimum of 1.15%. The FDIC's rules reduced assessment rates on all banks but imposed a surcharge on banks with assets of $10 billion or more until the DRR reaches 1.35% and provide assessment credits to banks with assets of less than $10 billion for the portion of their assessments that contribute to the increase of the DRR to 1.35%. The rules also changed the method to determine risk-based assessment rates for established banks with less than $10 billion in assets to better ensure that banks taking on greater risks pay more for deposit insurance than less risky banks.

In addition, all institutions with deposits insured by the FDIC are required to pay assessments to fund interest payments on bonds issued by the Financing Corporation, a mixed-ownership government corporation established to recapitalize a predecessor to the DIF. These assessments will continue until the Financing Corporation bonds mature in 2019.

As insurer, the FDIC is authorized to conduct examinations of and to require reporting by DIF-insured institutions. Insurance of deposits may be terminated by the FDIC upon a finding that the institution has engaged or is engaging in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC or written agreement entered into with the FDIC.

Consumer Protection Laws and Regulations

Banks are subject to regular examination to ensure compliance with federal statutes and regulations applicable to their business, including consumer protection statutes and implementing regulations. Potential penalties under these laws include, but are not limited to, fines. The Dodd-Frank Act established the CFPB, which has extensive regulatory and enforcement powers over consumer financial products and services. The CFPB has adopted numerous rules with respect to consumer protection laws, amending some existing regulations and adopting new ones, and has commenced enforcement actions. The following are just some of the consumer protection laws applicable to the Bank:

- Community Reinvestment Act of 1977: imposes a continuing and affirmative obligation to fulfill the credit needs of its entire community, including low- and moderate-income neighborhoods.

- Equal Credit Opportunity Act: prohibits discrimination in any credit transaction on the basis of any of various criteria.

- Truth in Lending Act: requires that credit terms are disclosed in a manner that permits a consumer to understand and compare credit terms more readily and knowledgeably.

- Fair Housing Act: makes it unlawful for a lender to discriminate in its housing-related lending activities against any person on the basis of any of certain criteria.

TABLE OF CONTENTS

- Home Mortgage Disclosure Act: requires financial institutions to collect data that enables regulatory agencies to determine whether the financial institutions are serving the housing credit needs of the communities in which they are located.

- Real Estate Settlement Procedures Act: requires that lenders provide borrowers with disclosures regarding the nature and cost of real estate settlements and prohibits abusive practices that increase borrowers' costs.

- Privacy provisions of the Gramm-Leach-Bliley Act: requires financial institutions to establish policies and procedures to restrict the sharing of non-public customer data with non-affiliated parties and to protect customer information from unauthorized access.

The banking regulators also use their authority under the Federal Trade Commission Act to take supervisory or enforcement action with respect to unfair or deceptive acts or practices by banks that may not necessarily fall within the scope of specific banking or consumer finance law.

In October 2017, the CFPB issued a final rule, referred to as the "Payday Rule," that addresses commercial lending practices with respect to certain consumer loans. The Payday Rule was effective on January 16, 2018, although compliance with most of its provisions will not be required until August 19, 2019. The first major part of the rule makes it an unfair and abusive practice for a lender to make short-term and longer-term loans with balloon payments (with certain exceptions) without reasonably determining that the borrower has the ability to repay the loan. The second major part of the rule applies to the same types of loans as well as longer-term loans with an annual percentage rate greater than 36% that are repaid directly from the borrower's account. The rule states that it is an unfair and abusive practice for the lender to withdraw payment from the borrower's account after two consecutive payment attempts have failed, unless the lender obtains the consumer's new and specific authorization to make further withdrawals from the account. The rule also requires lenders to provide certain notices to the borrower before attempting to withdraw payment on a covered loan from the borrower's account.

On January 16, 2018, the CFPB issued a press release stating that it "intends to engage in a rulemaking process so that the Bureau may reconsider the Payday Rule."

The Company does not currently expect the new rules to have a material effect on the Company's financial condition or results of operations.

Community Reinvestment Act

Under the Community Reinvestment Act (CRA), every FDIC-insured institution is obligated, consistent with safe and sound banking practices, to help meet the credit needs of its entire community, including low and moderate income neighborhoods. The CRA requires the appropriate federal banking regulator, in connection with the examination of an insured institution, to assess the institution's record of meeting the credit needs of its community and to consider this record in its evaluation of certain applications to banking regulators, such as an application for approval of a merger or the establishment of a branch. An unsatisfactory rating may be used as the basis for the denial of an application and will prevent a bank holding company of the institution from making an election to become a financial holding company. As of its last examination, the Bank received a CRA rating of "satisfactory."

Privacy Rules

Federal banking regulators, as required under the Gramm-Leach-Bliley Act, have adopted rules limiting the ability of banks and other financial institutions to disclose nonpublic information about consumers to non-affiliated third parties. The rules require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to non-affiliated third parties. The privacy provisions of the Gramm-Leach-Bliley Act affect how consumer information is transmitted through diversified financial services companies and conveyed to outside vendors.

TABLE OF CONTENTS

Fiscal and Monetary Policies

The earnings of banks, and, therefore, the earnings of First Financial (and its subsidiaries), are affected by the fiscal and monetary policies of the United States government and its agencies, including the Federal Reserve Board. An important function of the Federal Reserve Board is to regulate the national supply of bank credit in an effort to prevent recession and to restrain inflation. Among the procedures used to implement these objectives are open market operations in U.S. government securities, changes in the discount rate on member bank borrowings, and changes in reserve requirements on member bank deposits. These policies are used in varying degrees and combinations to directly affect the availability of bank loans and deposits, as well as the interest rates charged on loans and paid on deposits.

Volcker Rule

In December 2013, five federal agencies adopted a final regulation implementing the so-called Volcker Rule provision of the Dodd-Frank Act (the Volcker Rule). The Volcker Rule places limits on the trading activity of insured depository institutions and entities affiliated with a depository institution, subject to certain exceptions. The trading activity includes a purchase or sale as principal of a security or a derivative, commodity future or option on a security in order to benefit from short-term price movements or to realize short-term profits. The Volcker Rule exempts specified U.S. government, agency and/or municipal obligations, and it excludes trading conducted in certain capacities, including as a broker or other agent, through a deferred compensation or pension plan, as a fiduciary on behalf of customers, to satisfy a debt previously contracted, repurchase and securities lending agreements and risk-mitigating hedging activities. The Volcker Rule also prohibits a banking entity from having an ownership interest in, or certain relationships with, a hedge fund or private equity fund, with a number of various exceptions. The Bank from time to time may engage in trading activities or own the types of funds regulated by the Volcker Rule.

Transactions with Affiliates, Directors, Executive Officers and Shareholders

Sections 23A and 23B of the Federal Reserve Act and Federal Reserve Board Regulation W generally:

- limit the extent to which a bank or its subsidiaries may engage in “covered transactions” with any one affiliate;
- limit the extent to which a bank or its subsidiaries may engage in “covered transactions” with all affiliates; and
- require that all such transactions be on terms substantially the same, or at least as favorable to the bank or subsidiary, as those provided to a non-affiliate.

An affiliate of a bank is any company or entity which controls, is controlled by, or is under common control with the bank. The term “covered transaction” includes the making of loans to the affiliate, the purchase of assets from the affiliate, the issuance of a guarantee on behalf of the affiliate, the purchase of securities issued by the affiliate, and other similar types of transactions.

A bank’s authority to extend credit to executive officers, directors and greater than 10% shareholders, as well as entities such persons control, is subject to Sections 22(g) and 22(h) of the Federal Reserve Act and Regulation O promulgated thereunder by the Federal Reserve Board. Among other things, these loans must be made on terms (including interest rates charged and collateral required) substantially the same as those offered to unaffiliated individuals or be made as part of a benefit or compensation program and on terms widely available to employees and must not involve a greater than normal risk of repayment. In addition, the amount of loans a bank may make to these persons is based, in part, on the bank’s capital position, and specified approval procedures must be followed in making loans which exceed specified amounts.

Executive and Incentive Compensation

In June 2010, the Federal Reserve Board, the OCC and the FDIC issued joint interagency guidance on incentive compensation policies (the Joint Guidance) intended to ensure that the incentive compensation policies of banking organizations do not undermine the safety and soundness of such organizations by encouraging excessive risk-taking. This principles-based guidance, which covers all employees that have the ability to materially affect the risk profile of an organization, either individually or as part of a group, is based upon the key principles that a banking organization's incentive compensation arrangements should: (i) provide incentives that do not encourage risk-taking beyond the organization's ability to effectively identify and manage risks; (ii) be compatible with effective internal controls and risk management; and (iii) be supported by strong corporate governance, including active and effective oversight by the organization's board of directors. The Joint Guidance made incentive compensation part of the regulatory agencies' examination process, with the findings of the supervisory initiatives included in reports of examination and enforcement actions possible.

TABLE OF CONTENTS

In May 2016, the federal bank regulatory agencies approved a joint notice of proposed rules (the Proposed Joint Rules) designed to prohibit incentive-based compensation arrangements that encourage inappropriate risks at financial institutions. The Proposed Joint Rules apply to covered financial institutions with total assets of $1 billion or more. For all covered institutions, including Level 3 institutions like us, the proposed rule:

- prohibits incentive-based compensation arrangements that are “excessive” or “could lead to material financial loss;”
- requires incentive based compensation that is consistent with a balance of risk and reward, effective management and control of risk, and effective governance; and
- requires board oversight, recordkeeping and disclosure to the appropriate regulatory agency.

Further, as stock exchanges impose additional listing requirements under the Dodd-Frank Act, public companies are required to implement “clawback” procedures for incentive compensation payments and to disclose the details of the procedures, which allow recovery of incentive compensation that was paid on the basis of erroneous financial information necessitating a restatement due to material noncompliance with financial reporting requirements. This clawback policy is intended to apply to compensation paid within a three-year look-back window of the restatement and would cover all executives who received incentive awards.

Patriot Act

In response to the terrorist events of September 11, 2001, the Uniting and Strengthening of America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the Patriot Act) was signed into law in October 2001. The Patriot Act gives the United States government powers to address terrorist threats through enhanced domestic security measures, expanded surveillance powers, increased information sharing and broadened anti-money laundering requirements. Title III of the Patriot Act takes measures intended to encourage information sharing among bank regulatory agencies and law enforcement bodies. Further, certain provisions of Title III impose affirmative obligations on a broad range of financial institutions. Among other requirements, Title III and related regulations require regulated financial institutions to establish a program specifying procedures for obtaining identifying information from customers seeking to open new accounts and establish enhanced due diligence policies, procedures and controls designed to detect and report suspicious activity. The Bank has established policies and procedures that it considers to be in compliance with the requirements of the Patriot Act.

State Law

As an Ohio-chartered bank, the Bank is subject to regular examination by the ODFI. State banking regulation affects the Bank’s internal organization and corporate governance, capital distributions, activities, acquisitions of other institutions and branching. State banking regulation may contain limitations on an institution’s activities that are in addition to limitations imposed under federal banking law. The ODFI may initiate supervisory measures or formal enforcement actions, and under certain circumstances, it may take control of an Ohio-chartered bank.

In 2017, the State of Ohio completed a substantial re-writing of Ohio’s banking laws that became effective on January 1, 2018. One of the primary purposes of the revision of the law was to adopt one universal bank charter for depository institutions chartered by the state, rather than having separate types of state depository institution charters with different powers and limitations for banks, savings banks and savings and loan associations. The result is that all Ohio-chartered depository institutions are now considered to have full commercial bank powers, unless an institution elects to continue to be governed by federal restrictions applicable to federal savings and loan associations and federal savings banks. While the most substantial changes in the law affect institutions chartered by Ohio as savings banks or savings and loan associations prior to the effectiveness of the new law, some changes also apply to institutions, like the Bank, that were chartered as commercial banks prior to the change in the law. The changes for all Ohio-chartered banks include provisions allowing Ohio-chartered banks to exercise the same powers, perform all acts, and provide all services that are permitted for federally chartered depository institutions, with the exception of laws and regulations dealing with interest rates, thereby enhancing opportunities for Ohio-chartered banks to compete with other financial institutions. Other provisions clarify previous laws addressing, or allow more flexibility with respect to, corporate governance matters, mergers and acquisitions and additional reliance on Ohio corporate law generally.

In addition, in October 2017, Ohio-chartered banks received notices of required assessments to be paid to the ODFI. For two years, the ODFI was funded by State of Ohio excess unclaimed funds allocated to the ODFI by the State of Ohio. That funding source has ceased to be available, and assessments are once again required, as before the funding by unclaimed funds.

TABLE OF CONTENTS

Regulations to Become Applicable upon the Merger with MainSource Financial Group, Inc.

Upon completion of First Financial’s merger with MainSource Financial Group, Inc. (MainSource), and the merger of the Bank with MainSource Bank, the Bank’s total assets will exceed $10 billion, and First Financial and the Bank will therefore become subject to increased regulatory requirements. The Dodd-Frank Act and its implementing regulations impose various additional requirements on bank holding companies with $10 billion or more in total assets, including compliance with portions of the Federal Reserve Board’s enhanced prudential oversight requirements and annual stress testing requirements. Failure to meet the enhanced prudential standards and stress testing requirements could limit, among other things, First Financial’s ability to engage in expansionary activities or make dividend payments to its shareholders. In addition, banks with $10 billion or more in total assets are primarily examined by the CFPB with respect to various federal consumer financial protection laws and regulations. Currently, the Bank is subject to regulations adopted by the CFPB, but the Federal Reserve Board is primarily responsible for examining the Bank’s compliance with federal consumer financial protection laws and those CFPB regulations. As a relatively new agency with evolving regulations and practices, and with a recent change in leadership at the CFPB, there is uncertainty as to how the CFPB’s examination and regulatory authority might impact First Financial’s business.

With respect to deposit-taking activities, banks with assets in excess of $10 billion are subject to two changes. First, these institutions are subject to a deposit assessment based on a new scorecard issued by the FDIC. This scorecard considers, among other things, the bank’s examination ratings, results of asset-related stress testing and funding-related stress, as well as the holding company’s use of core deposits, among other things. Depending on the results of the bank’s performance under that scorecard, the total base assessment rate is between 2.5 to 45 basis points. Any increase in the Bank’s deposit insurance assessments may result in an increased expense related to its use of deposits as a funding source.

Additionally, banks with over $10 billion in total assets are no longer exempt from the requirements of the Federal Reserve Board’s rules on interchange transaction fees for debit cards. As a result, beginning on July 1 following the Bank’s crossing the $10 billion threshold at the end of a calendar year, the Bank will be limited to receiving only a “reasonable” interchange transaction fee for any debit card transactions processed using debit cards issued to its customers. The Federal Reserve Board has determined that it is unreasonable for a bank with more than $10 billion in total assets to receive more than $0.21 plus 5 basis points of the transaction plus a $0.01 fraud adjustment for an interchange transaction fee for debit card transactions. A reduction in the amount of interchange fees the Bank receives for electronic debit interchange will reduce its revenues. During 2017, the Bank collected $12.9 million in debit card interchange fees. First Financial estimates that had it been subject to this limitation during 2017, its interchange fee revenue would have been reduced by approximately $6.6 million.

First Financial will become a financial holding company following the merger with MainSource. With some exceptions, the Bank Holding Company Act prohibits a bank holding company from acquiring or retaining direct or indirect ownership or control of more than 5% of the voting shares of any company that is not a bank or bank holding company or from engaging directly or indirectly in activities other than those of banking, managing or controlling banks, or providing services for its subsidiaries. The principal exceptions to these prohibitions involve non-bank activities that, by statute or by Federal Reserve Board regulation or order, are held to be closely related to the business of banking or of managing or controlling banks. A bank holding company that elects to be a financial holding company may, however, engage in additional non-bank activities that are financial in nature or incidental to activities that are financial in nature.

Activities that are considered by the Federal Reserve Board to be “financial in nature” include:

- securities underwriting, dealing and market making;
- sponsoring mutual funds and investment companies;

- insurance underwriting and agency;
- merchant banking; and
- activities that the Federal Reserve Board has determined to be closely related to banking.

A financial holding company must be well-capitalized and well-managed, and each subsidiary bank must be well-capitalized and well-managed and have a CRA rating of at least satisfactory. If a financial holding company or a subsidiary bank fails to meet all requirements for the holding company to maintain financial holding company status, material restrictions may be placed on the activities of the holding company and on the ability of the holding company to enter into certain transactions or obtain regulatory approvals. The holding company could also lose its financial holding company status and be required to divest ownership or control of all banks owned by the financial holding company. If restrictions are imposed on the activities of a financial holding company, such restrictions may not be made publicly available pursuant to confidentiality regulations of the banking regulators.

TABLE OF CONTENTS

Internet Website
We maintain a website with the address www.bankatfirst.com. The information contained on our website is not included as a part of, or incorporated by reference into, this Annual Report on Form 10-K. Other than an investor's own Internet access charges, we make available free of charge through our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and amendments to these reports, as soon as reasonably practicable after we have electronically filed such material with, or furnished such material to, the SEC.

Item 1A. Risk Factors.

The risks listed here are not the only risks we face. Additional risks that are not presently known, or that we presently deem to be immaterial, also could have a material adverse effect on our financial condition, results of operations, business, and prospects. (See also “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” for certain forward looking statements.)

Risks Related to Economic and Market Conditions

Weakness in the economy and in the real estate market, including specific weakness within our geographic footprint, may adversely affect us, including requiring us to record additional loan loss provisions or to write down loans.
First Financial’s success depends, in part, on economic and political conditions, local and national, as well as governmental fiscal and monetary policies. Conditions such as inflation, recession, unemployment, changes in interest rates, fiscal and monetary policy and other factors beyond First Financial’s control may adversely affect its deposit levels and composition, demand for loans, the ability of borrowers to repay their loans and the value of the collateral securing the loans it makes. Economic turmoil in different regions of the world affect the economy and stock prices in the United States, which can affect First Financial’s earnings and capital and the ability of its customers to repay loans. Due to First Financial's volume of real estate loans, declining real estate values could adversely affect the value of property used as collateral as well as First Financial’s ability to sell the collateral upon foreclosure.
If the strength of the U.S. economy in general and the strength of the local economies in which we conduct operations decline, this could result in, among other things, a deterioration of credit quality or a reduced demand for credit, including a resultant effect on our loan portfolio and allowance for loan and lease losses. These factors could also result in higher delinquencies and greater charge-offs in future periods, which would materially and adversely affect our financial condition and results of operations.
There is no assurance that our non-impaired loans will not become impaired or that our impaired loans will not suffer further deterioration in value. The fluctuations in national, regional and local economic conditions, including those related to local residential, commercial real estate and construction markets, may result in increased charge-offs and, consequently, reduce our net income. These fluctuations are not predictable, cannot be controlled and may have a material adverse impact on our operations and financial condition even if other favorable events occur.
Weakness in the real estate market, including the secondary residential mortgage loan markets, could adversely affect us.
Disruptions in the secondary market for residential mortgage loans limit the market for and liquidity of many mortgage loans. The effects of mortgage market challenges, combined with reductions in residential real estate market prices and reduced levels of home sales, could adversely affect the value of collateral securing mortgage loans that we hold, mortgage loan originations, and profits on sales of mortgage loans. Such conditions could result in higher losses, write downs, and impairment charges in our mortgage and other lines of business. Declines in real estate values, home sale volumes, financial stress on borrowers as a result of job losses, interest rate resets on adjustable rate mortgage loans or other factors could have further adverse effects on borrowers that could result in higher delinquencies and greater charge-offs in future periods, which would adversely affect our financial condition or results of operations. Additionally, decreases in real estate values might adversely affect the creditworthiness of state and local governments, resulting in decreased profitability or credit losses from loans made to such governments. A decline in home values or overall economic weakness could also have an adverse impact upon the value of real estate or other

assets which we own upon foreclosing a loan and our ability to realize value on such assets.

Changes in market interest rates or capital markets could adversely affect our revenues and expenses, the value of assets and obligations, and the availability and cost of capital or liquidity.

Given our business mix, and the fact that most of our assets and liabilities are financial in nature, we tend to be sensitive to market interest rate movements and the performance of the financial markets. Our primary source of income is net interest

TABLE OF CONTENTS

income, which is the difference between the interest income generated by our interest-earning assets (consisting primarily of loans and, to a lesser extent, securities) and the interest expense generated by our interest-bearing liabilities (consisting primarily of deposits and wholesale borrowings). Prevailing economic conditions, fiscal and monetary policies and the policies of various regulatory agencies all affect market rates of interest and the availability and cost of credit, which, in turn, significantly affect financial institutions' net interest income. If the interest we pay on deposits and other borrowings increases at a faster rate than increases in the interest we receive on loans and investments, net interest income, and, therefore, our earnings, could be adversely affected. Earnings could also be adversely affected if the interest we receive on loans and other investments falls more quickly than the interest we pay on deposits and other borrowings.

In addition to the impact of the general economy, changes in interest rates or in valuations in the debt or equity markets could directly impact us in one or more of the following ways:

- the yield on earning assets and rates paid on interest bearing liabilities may change in disproportionate ways;
- the value of certain balance sheet and off-balance sheet financial instruments or the value of equity investments that we hold could decline;
- the value of assets for which we provide processing services could decline;
- the demand for loans and refinancings may decline, which could negatively impact income related to loan originations; or
- to the extent we access capital markets to raise funds to support our business, such changes could affect the cost of such funds or the ability to raise such funds.

Although we have implemented procedures we believe will reduce the potential effects of changes in interest rates on our results of operations, these procedures may not always be successful. In addition, any substantial or prolonged change in market interest rates could adversely affect our financial condition, results of operations and liquidity.

Declining values of real estate, increases in unemployment, insurance market disruptions, and the related effects on local economies may increase our credit losses, which would negatively affect our financial results.

We offer a variety of secured loans, including commercial lines of credit, commercial term loans, real estate, construction, home equity, consumer and other loans. Many of our loans are secured by real estate (both residential and commercial) within our market area. A major change in the real estate market, such as deterioration in the value of this collateral, or in the local or national economy, could adversely affect our customers' ability to pay these loans, which in turn could adversely impact our results of operations and financial condition. Additionally, increases in unemployment also may adversely affect the ability of certain clients to repay loans and the financial results of commercial clients in localities with higher unemployment, may result in loan defaults and foreclosures and may impair the value of our collateral. Loan defaults and foreclosures are unavoidable in the banking industry, and we try to limit our exposure to this risk by monitoring carefully our extensions of credit.

Additionally, a concentration of natural disasters or a significant disruption in the insurance market could adversely impact the risk relating to our insurance lending business. We cannot fully eliminate credit risk, and as a result, credit losses may increase in the future.

Our financial instruments carried at fair value expose us to certain market risks.

We maintain an available-for-sale investment securities portfolio, which includes assets with various types of instruments and maturities. At times, we also maintain certain assets that are classified and accounted for as trading assets. The changes in fair value of the available-for-sale securities are recognized in shareholders' equity as a component of other comprehensive income. The changes in fair value of financial instruments classified as trading assets are carried at fair value with changes in fair value recognized in earnings. The fair value of financial instruments carried at fair value is exposed to market risks related to changes in interest rates and market liquidity. We manage the market risks associated with these instruments through broad asset/liability management strategies. Changes in the market values of these financial instruments could have a material adverse impact on our financial condition or results of operations. We may classify additional financial assets or financial liabilities at fair value in the future.

TABLE OF CONTENTS

Risks Related to Our Business
When we loan money, commit to loan money or enter into a letter of credit or other contract with a counterparty, we incur credit risk, or the risk of losses if our borrowers do not repay their loans or our counterparties fail to perform according to the terms of their contracts.
As lending is one of our primary business activities, the credit quality of our portfolio can have a significant impact on our earnings. We estimate and establish reserves for credit risks and probable incurred credit losses inherent in our loan portfolio. This process, which is critical to our financial results and condition, requires difficult, subjective and complex judgments, including forecasts of economic conditions and how these economic predictions might impair the ability of our borrowers to repay their loans. As is the case with any such assessments, there is always the chance that we will fail to identify the proper factors or that we will fail to accurately estimate the impacts of factors that we identify. In addition, large loans, letters of credit and contracts with individual counterparties in our portfolio magnify the credit risk that we face, as the impact of large borrowers and counterparties not repaying their loans or performing according to the terms of their contracts has a disproportionately significant impact on our credit losses and reserves.
The information that we use in managing our credit risk may be inaccurate or incomplete, which may result in an increased risk of default and otherwise have an adverse effect on our business, results of operations and financial condition.
In deciding whether to extend credit or enter into other transactions with clients and counterparties, we may rely on information furnished by or on behalf of clients and counterparties, including financial statements and other financial information. We also may rely on representations of clients and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. Although we regularly review our credit exposure to specific clients and counterparties and to specific industries that we believe may present credit concerns, default risk may arise from events or circumstances that are difficult to detect, such as fraud. Moreover, such circumstances, including fraud, may become more likely to occur or be detected in periods of general economic uncertainty. We may also fail to receive full information with respect to the risks of a counterparty. In addition, in cases where we have extended credit against collateral, we may find that we are under-secured, for example, as a result of sudden declines in market values that reduce the value of collateral or due to fraud with respect to such collateral. If such events or circumstances were to occur, it could result in a potential loss of revenue and have an adverse effect on our business, results of operations and financial condition.
Our allowance for loan and lease losses may prove to be insufficient to absorb losses in our loan portfolio.
Like all financial institutions, we maintain an allowance for loan and lease losses to provide for loans in our portfolio that may not be repaid in their entirety. We believe that our allowance for loan and lease losses is maintained at a level adequate to absorb probable incurred losses inherent in our loan portfolio as of the corresponding balance sheet date. However, our allowance for loan and lease losses may not be sufficient to cover actual loan losses, and future provisions for loan losses could materially and adversely affect our operating results. The accounting measurements related to impairment and the allowance for loan and lease losses require significant estimates which are subject to uncertainty and change related to new information and changing circumstances. Our estimates of the risk of loss and amount of loss on any loan are complicated by the significant uncertainties surrounding our borrowers' abilities to successfully execute their business models through changing economic environments, competitive challenges and other factors. Because of the degree of uncertainty and susceptibility of these factors to change, our actual losses may vary from our current estimates.
Our regulators, as an integral part of their examination process, periodically review our allowance for loan and lease losses and may require us to increase our allowance for loan and lease losses by recognizing additional provisions for losses charged to expense, or to decrease our allowance for loan and lease losses by recognizing loan charge-offs, net of recoveries. Any such additional provisions for loan losses or charge-offs, as required by these regulatory agencies, could have a material adverse effect on our financial condition and results of operations.
Projections for new business initiatives and strategies may prove inaccurate.
The introduction, implementation, withdrawal, success and timing of business initiatives and strategies, including, but not limited to, the opening of new banking centers or entering into new product lines, may be less successful or may be different than anticipated, which could adversely affect our business.

The Bank makes certain projections and develops plans and strategies for its banking and financial products. If we do not accurately determine demand for our banking and financial products, it could result in us incurring significant expenses without the anticipated increases in revenue, which could result in a material adverse effect on the Bank's business.

TABLE OF CONTENTS

We may be required to repurchase mortgage loans or indemnify mortgage loan purchasers as a result of breaches of representations and warranties, borrower fraud, or certain borrower defaults, which could harm our liquidity, results of operations, and financial condition.

When we sell mortgage loans, whether as whole loans or pursuant to a securitization, we are required to make customary representations and warranties to the purchaser about the mortgage loans and the manner in which they were originated. Our whole loan sale agreements require us to repurchase or substitute mortgage loans in the event we breach any of these representations or warranties. In addition, we may be required to repurchase mortgage loans as a result of borrower fraud. While we have taken steps to enhance our underwriting policies and procedures, there can be no assurance that these steps will be effective or reduce risk associated with loans sold in the past. If the level of repurchase and indemnity activity becomes material, our liquidity, results of operations and financial condition may be adversely affected.

Competition in the financial services industry is intense and could result in our losing business or experiencing reduced margins.

We operate in a highly competitive industry that could become even more competitive as a result of legislative, regulatory and technological changes, and continued consolidation. We face aggressive competition from other domestic and foreign lending institutions as well as from numerous other providers of financial services. The ability of non-banking financial institutions to provide services previously limited to commercial banks has intensified competition. Because non-banking financial institutions are not subject to the same regulatory restrictions as banks and bank holding companies, they can often operate with greater flexibility and lower cost structures. Securities firms and insurance companies that elect to become financial holding companies may acquire banks and other financial institutions. This may significantly change the competitive environment in which we conduct business. Some of our competitors have greater financial resources and/or face fewer regulatory constraints. Credit unions that compete with us have advantages that allow them to price products and services more competitively. As a result of these various sources of competition, we could lose business to competitors or be forced to price products and services on less advantageous terms to retain or attract clients, either of which would adversely affect our profitability.

Clients could pursue alternatives to bank deposits, causing us to lose a relatively inexpensive source of funding.

Checking and savings account balances and other forms of client deposits could decrease if clients perceive alternative investments as providing superior expected returns. When clients move money out of bank deposits in favor of alternative investments, we can lose a relatively inexpensive source of funds, increasing our funding costs.

Consumers may decide not to use banks to complete their financial transactions, or deposit funds electronically with banks having no branches within our market area, which could affect net income.

Technology and other changes allow parties to complete financial transactions without banks. For example, consumers can pay bills and transfer funds directly without banks. Consumers can also shop for higher deposit interest rates at banks across the country, which may offer higher rates because they have few or no physical branches and open deposit accounts electronically. This process could result in the loss of fee income, as well as the loss of client deposits and the income generated from those deposits, in addition to increasing our funding costs.

Our wealth management business subjects us to a variety of investment and market risks.

At December 31, 2017, we had $2.7 billion in assets under management. A sharp decline in the stock market could negatively impact the amount of assets under management and thus subject our earnings to additional risks and uncertainties.

Negative public opinion could damage our reputation and adversely impact business operations and revenues.

As a financial institution, our earnings and capital are subject to risks associated with negative public opinion. Negative public opinion could result from our actual or alleged conduct in any number of activities, including lending practices, the failure of any product or service sold by us to meet our clients' expectations or applicable regulatory requirements, corporate governance and acquisitions, or from actions taken by government regulators and community organizations in response to those activities. Negative public opinion can adversely affect our ability to attract and/or retain clients and can expose us to litigation and regulatory action. Actual or alleged misconduct by one of our businesses can result in negative public opinion about our other businesses. Negative public opinion could also affect our ability to borrow funds in the unsecured wholesale debt markets.

14

TABLE OF CONTENTS

We rely on other companies to provide key components of our business infrastructure.
Third parties provide key components of our business infrastructure, such as banking services, processing, and Internet connections and network access. Any disruption in such services provided by these third parties or any failure of these third parties to handle current or higher volumes of use could adversely affect our ability to deliver products and services to clients and otherwise to conduct business. Technological or financial difficulties of a third-party service provider could adversely affect our business to the extent those difficulties result in the interruption or discontinuation of services provided by that party. These vendors provide services that support our operations, including the storage and processing of sensitive consumer and business customer data, as well as our sales efforts. A cybersecurity breach of a vendor's system may result in theft of our data or disruption of business processes. A material breach of customer data security at a service provider's site may negatively impact our business reputation and cause a loss of customers, result in increased expense to contain the event and/or require that we provide credit monitoring services for affected customers, result in regulatory fines and sanctions, and may result in litigation. In most cases, we will remain primarily liable to our customers for losses arising from a breach of a vendor's data security system. We rely on our outsourced service providers to implement and maintain prudent cybersecurity controls. Furthermore, we may not be insured against all types of losses as a result of third-party failures, and our insurance coverage may be inadequate to cover all losses resulting from system failures or other disruptions. Failures in our business infrastructure could interrupt the operations or increase the costs of doing business.
We rely on our systems, employees, and certain counterparties, and certain failures, such as a security breach, could adversely affect our operations.

We are exposed to many types of operational risk, including the risk of fraud by employees and outsiders, clerical and record-keeping errors, and computer/telecommunications systems malfunctions. Our businesses are dependent on our ability to process a large number of increasingly complex transactions. If any of our financial, accounting, or other data processing systems fail or have other significant shortcomings, we could be adversely affected. We depend on internal systems and outsourced technology to support these data storage and processing operations. Our inability to use or access these information systems at critical points in time could unfavorably impact the timeliness and efficiency of our business operations. In recent years, some banks have experienced denial of service attacks in which individuals or organizations flood the bank's website with extraordinarily high volumes of traffic, with the goal and effect of disrupting the ability of the bank to process transactions. We could be adversely affected if one of our employees causes a significant operational break-down or failure, either as a result of human error or where an individual purposefully sabotages or fraudulently manipulates our operations or systems.
We are also at risk of the impact of natural disasters, terrorism and international hostilities on our systems or for the effects of outages or other failures involving power or communications systems operated by others.

Misconduct by employees could include fraudulent, improper or unauthorized activities on behalf of clients or improper use of confidential information. We may not be able to prevent employee errors or misconduct, and the precautions we take to detect this type of activity might not be effective in all cases. Employee errors or misconduct could subject us to civil claims for negligence or regulatory enforcement actions, including fines and restrictions on our business.

In addition, there have been instances where financial institutions have been victims of fraudulent activity in which criminals pose as customers to initiate wire and automated clearinghouse transactions out of customer accounts. The recent massive breach of the systems of a credit bureau presents additional threats as criminals now have more information about a larger portion of our country's population than past breaches have involved, which could be used by criminals to pose as customers initiating transfers of money from customer accounts. Although we have policies and procedures in place to verify the authenticity of our customers, we cannot assure that such policies and procedures will prevent all fraudulent transfers. Such activity can result in financial liability and harm to our reputation.

Unauthorized disclosure of sensitive or confidential client or customer information, whether through a breach of our computer systems or otherwise, or other breaches in the security of our systems could severely harm our business.

As part of our business, we collect, process and retain sensitive and confidential client and customer information on behalf of our subsidiaries and other third parties. Despite the security measures we have in place, our facilities and systems, and those of our third-party service providers, may be vulnerable to security breaches, acts of vandalism, computer viruses, theft of information, misplaced or lost data, programming and/or human errors, or other similar events. If information security is breached, information can be lost or misappropriated, resulting in financial loss or costs to us or damages to others. Our systems can be rendered inoperable, resulting in our inability to provide service to our customers. Any security breach involving the misappropriation, loss, destruction or unauthorized disclosure of confidential customer information, whether by

TABLE OF CONTENTS

us or by our vendors, could severely damage our reputation, expose us to the risk of litigation and liability, disrupt our operations and have a material adverse effect on our business.

Cyber security risk management programs are expensive to maintain and will not protect us from all risks associated with maintaining the security of customer data and our proprietary data from external and internal intrusions, disaster recovery and failures in the controls used by our vendors. Employee error or misconduct may result in failure to implement policies and procedures designed to avoid risks. Moreover, as technology and cyberattacks change over time, we must continually monitor and change systems to guard against new threats. We may not know of and be able to guard against a new threat until after an attack has occurred. In addition, the recent massive breach of the systems of a credit bureau presents additional threats. Congress and the legislatures of states in which we operate regularly consider legislation that would impose more stringent data privacy requirements.

Any of these occurrences could result in our diminished ability to operate one or more of our businesses, potential liability to clients, reputational damage and regulatory intervention in the form of requirements, restrictions and penalties, which could adversely affect us.

Weaknesses of other financial institutions could adversely affect us.

Our ability to engage in routine funding transactions could be adversely affected by the actions and lack of commercial soundness of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, counterparty, or other relationships. As a result, defaults by, or even rumors or questions about, one or more financial services institutions, or the financial services industry generally, have led in the past to market-wide liquidity problems and could lead to losses or defaults by us or by other institutions in the future. A default, or threatened default, of a large institution could negatively impact the entire financial system, and could expose us to credit risk in the event of default of our counterparty or client. In addition, our credit risk may be exacerbated when the collateral held by us cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the financial instrument exposure due us. There is no assurance that any such losses would not materially and adversely affect our financial condition or results of operations.

Maintaining or increasing market share depends on market acceptance and regulatory approval of new products and services.

Our success depends, in part, on our ability to adapt products and services to evolving industry standards. There is increasing pressure to provide products and services at lower prices, which can reduce net interest income and noninterest income from fee-based products and services. In addition, the widespread adoption of new technologies could require us to make substantial capital expenditures to modify or adapt existing products and services or develop new products and services. We may not be successful in introducing new products and services in response to industry trends or developments in technology or those new products may not achieve market acceptance. As a result, we could lose business, be forced to price products and services on less advantageous terms to retain or attract clients, or be subject to increased costs.

We may not pay dividends on our common shares.

Holders of our common shares are only entitled to receive such dividends as our Board of Directors may declare out of funds legally available for such payments. Although we have historically declared cash dividends on our common shares, we are not required to do so and may reduce or eliminate our common share dividend in the future. Additionally, our funds to pay dividends on common shares are dependent upon dividends paid to us by the Bank, which are subject to regulatory restrictions in certain circumstances. A reduction in our dividend rate could adversely affect the market price of our common shares.

Our liquidity is dependent upon our ability to receive dividends from our subsidiaries, which accounts for most of our revenue and could affect our ability to pay dividends, and we may be unable to enhance liquidity from other sources.

We are a separate and distinct legal entity from our subsidiaries, notably First Financial Bank. We receive substantially all of our revenue from dividends from our subsidiaries. These dividends are the principal source of funds to pay dividends on our common shares and interest and principal on outstanding debt. Various federal and/or state laws and regulations limit or restrict the amount of dividends that the Bank and certain of our non-bank subsidiaries may pay us. Additionally, if our subsidiaries' earnings are not sufficient to make dividend payments to us while maintaining adequate capital levels, we may not be able to make dividend payments to our common shareholders. As of the close of business on December 31, 2017, the Bank had $163.1 million available to pay dividends to First Financial without prior regulatory approval.

TABLE OF CONTENTS

To enhance liquidity, we may from time to time borrow under credit facilities or other indebtedness. Turbulence in the capital and credit markets may cause many lenders and institutional investors to reduce or cease to provide funding to borrowers and, as a result, we may not be able to further increase liquidity through additional borrowings.
Limitations on our ability to receive dividends from our subsidiaries or an inability to increase liquidity through additional borrowings, or inability to maintain, renew or replace existing credit facilities, could have a material adverse effect on our liquidity and on our ability to pay dividends on our common shares and interest and principal on our debt.
As of December 31, 2017, we had indebtedness of $934.2 million.
Disruptions in our ability to access capital markets may negatively affect our capital resources, liquidity and business.

We depend on wholesale capital markets to provide us with sufficient capital resources and liquidity to meet our commitments and business needs, and to accommodate the transaction and cash management needs of our clients. Other sources of funding available to us, and upon which we rely as regular components of our liquidity risk management strategy, include inter-bank borrowings, repurchase agreements, and borrowings from the Federal Home Loan Bank system. Any occurrence that may limit our access to these sources, such as a decline in the confidence of debt purchasers, a downgrade in our credit rating, or our depositors or counterparties participating in the capital markets, may adversely affect our capital costs and our ability to raise capital and, in turn, our liquidity.
Numerous facts and circumstances are considered when evaluating the carrying value of our goodwill. One of those considerations is our market capitalization, evaluated over a reasonable period of time, in relation to the aggregate estimated fair value of the reporting unit. While this comparison provides some relative market information regarding the estimated fair value of our reporting unit, it is not determinative and needs to be evaluated in the context of the current economic and political environment. However, significant and/or sustained declines in First Financial's market capitalization, especially in relation to First Financial's book value, could be an indication of potential impairment of goodwill.
A reduction in our credit rating could adversely affect us or the holders of our securities.
The credit rating agencies rating our creditworthiness regularly evaluate the Company, and credit ratings are based on a number of factors, including our financial strength and ability to generate earnings, as well as factors not entirely within our control, including conditions affecting the financial services industry and the economy and changes in rating methodologies. There can be no assurance that we will maintain our current credit rating. A downgrade of the credit rating of the Company could adversely affect our access to liquidity and capital, and could significantly increase our cost of funds, trigger additional collateral or funding requirements and decrease the number of investors and counterparties willing to lend to us or purchase our securities. This could affect our growth, profitability and financial condition, including liquidity.

Our ability to retain key officers and employees may change.
Our future operating results depend substantially upon the continued service of our executive officers and key personnel. Our future operating results also depend in significant part upon our ability to attract and retain qualified management, lending, financial, technical, marketing, sales, and support personnel. Competition for qualified personnel is intense and we cannot ensure success in attracting or retaining qualified personnel. There may be only a limited number of persons with the requisite skills to serve in these positions, and it may be increasingly difficult for us to hire personnel over time.
Our ability to retain key officers and employees may be further impacted by legislation and regulation affecting the financial services industry. For example, legislation and bank regulatory action that places restrictions on executive compensation at, and the pay practices of, financial institutions may further impact our ability to compete for talent with other industries that are not subject to the same limitations as financial institutions.
Our business, financial condition, or results of operations could be materially adversely affected by the loss of any of our key employees, or our inability to attract and retain skilled employees.
Potential acquisitions may disrupt our business and dilute shareholder value, and we may not be able to successfully consummate or integrate such acquisitions.

Acquiring other banks, businesses, or branches involves various risks commonly associated with acquisitions, including, among other things:

TABLE OF CONTENTS

•potential exposure to unknown or contingent liabilities of the target company;
•exposure to potential asset quality issues of the target company;
•difficulty and expense of integrating the operations and personnel of the target company;
•difficulty or added costs in the wind-down of non-strategic operations;
•potential disruption to our business;
•potential diversion of our management's time and attention;
•the possible loss of key employees and customers of the target company;
•difficulty in estimating the value (including goodwill) of the target company;
•difficulty in receiving appropriate regulatory approval for any proposed transaction;
•difficulty in estimating the fair value of acquired assets, liabilities and derivatives of the target company; and
•potential changes in banking, or tax laws or regulations or accounting rules that may affect the target company.

We regularly evaluate merger and acquisition opportunities and conduct due diligence activities related to possible transactions with other financial institutions and financial services companies. As a result, merger or acquisition discussions and, in some cases negotiations, may take place and future mergers or acquisitions involving cash, debt or equity securities may occur at any time. Acquisitions could involve the payment of a premium over book and market values, and, therefore, some dilution of our tangible book value and net income per common share may occur in connection with any future transaction. Furthermore, any difficulty integrating businesses acquired as a result of a merger or acquisition and the failure to realize the expected revenue increases, cost savings, increases in geographic or product presence, and/or other projected benefits from an acquisition could have an adverse impact on our liquidity, results of operations, and financial condition and any such integration could divert management's time and attention from managing our company in an effective manner.

Any merger or acquisition opportunity that we decide to pursue will ultimately be subject to regulatory approval or other closing conditions. We may expend substantial time and resources pursuing potential acquisitions which may not be consummated because regulatory approval or other closing requirements are not satisfied. Additionally, the banking regulators and applicable laws and regulations may restrict our ability to engage in acquisitions under certain circumstances.

Our accounting policies and processes are critical to how we report our financial condition and results of operations. They require management to make estimates about matters that are uncertain.

Accounting policies and processes are fundamental to how we record and report our financial condition and results of operations. Management must exercise judgment in selecting and applying many of these accounting policies and processes so they comply with Generally Accepted Accounting Principles in the United States (GAAP).

Management has identified certain accounting policies as being critical because they require management's judgment to ascertain the valuations of assets, liabilities, commitments and contingencies. A variety of factors could affect the ultimate valuation that is made when recording income, recognizing an expense, recovering an asset, valuing an asset or liability, or reducing a liability. We have established detailed policies and control procedures that are intended to ensure these critical accounting estimates and judgments are well controlled and applied consistently. In addition, our policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. Because of the uncertainty surrounding our judgments and the estimates pertaining to these matters, we cannot guarantee that we will not be required to adjust accounting policies or restate prior period financial statements. See the "Critical Accounting Policies" in the MD&A and Note 1, "Summary of Significant Accounting Policies," to the Consolidated Financial Statements, in our Annual Report on Form 10-K for the year ended December 31, 2017 for more information.

Changes in our accounting policies or in accounting standards could materially affect how we report our financial results and condition.

From time to time, the Financial Accounting Standards Board (FASB) and SEC change the financial accounting and reporting standards that govern the preparation of our financial statements. These changes can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in us restating prior period financial statements.

Our disclosure controls and procedures may not prevent or detect all errors or acts of fraud.

Our disclosure controls and procedures are designed to reasonably assure that information required to be disclosed by us in reports we file or submit under the Securities Exchange Act of 1934 (Exchange Act) is accurately accumulated and

TABLE OF CONTENTS

communicated to management, and recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. We believe that any disclosure controls and procedures or internal controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

These inherent limitations include the realities that judgments in decision making can be faulty, that alternative reasoned judgments can be drawn, or that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by an unauthorized override of the controls. Accordingly, because of the inherent limitations in our system of control, misstatements due to error or fraud may occur and not be detected.

Our revenues derived from investment securities may be volatile and subject to a variety of risks.

We generally maintain investment securities and trading positions in the fixed income markets. Unrealized gains and losses associated with our investment portfolio and mark to market gains and losses associated with our investment portfolio are affected by many factors, including our credit position, interest rate volatility and volatility in capital markets, among other economic factors. Our return on such investments could experience volatility, and such volatility may materially adversely affect our financial condition and results of operations. Additionally, accounting regulations may require us to record a charge prior to the actual realization of a loss when market valuations of such securities are impaired and such impairment is considered to be other than temporary.

Risks Related to the Legal and Regulatory Environment

If our regulators deem it appropriate, they can take regulatory actions that could impact our ability to compete for new business, constrain our ability to fund our liquidity needs, and increase the cost of our services.

First Financial and its subsidiaries are subject to the supervision and regulation of various state and federal regulators, including the OCC, the Federal Reserve Board, the FDIC, the SEC, the Financial Industry Regulatory Authority (FINRA), the Ohio Division of Financial Institutions, and various other state regulatory agencies. As such, we are subject to a wide variety of laws and regulations. As part of their supervisory process, which includes periodic examinations and continuous monitoring, the regulators have the authority to impose restrictions or conditions on our activities and the manner in which we manage the organization. These actions could impact the organization in a variety of ways, including subjecting us to monetary fines, restricting our ability to pay dividends, precluding mergers or acquisitions, limiting our ability to offer certain products or services, or imposing additional capital, operating, or oversight requirements.

The fiscal and monetary policies of the U.S. government and its agencies could have a material adverse effect on our earnings.

The Federal Reserve Board regulates the supply of money and credit in the United States. Its policies determine in large part the cost of funds for lending and investing and the returns earned on those loans and investments, both of which affect the net interest margin. The resultant changes in interest rates can also materially decrease the value of certain financial assets we hold, such as debt securities. The policies of the Federal Reserve Board can also adversely affect borrowers, potentially increasing the risk that they may fail to repay their loans. Changes in Federal Reserve Board policies are beyond our control and difficult to predict; consequently, the impact of these changes on our activities and results of operations is difficult to predict.

We are subject to ongoing tax examinations in various jurisdictions. The Internal Revenue Service and other taxing jurisdictions may propose various adjustments to our previously filed tax returns. It is possible that the ultimate resolution of such proposed adjustments, if unfavorable, may be material to the results of operations in the period it occurs.

In the ordinary course of business, we operate in various taxing jurisdictions and are subject to income and non-income taxes. The effective tax rate is based in part on our interpretation of the relevant current tax laws. We believe the aggregate liabilities related to taxes are appropriately reflected in our consolidated financial statements. We review the appropriate tax treatment of all transactions taking into consideration statutory, judicial and regulatory guidance in the context of our tax positions. In addition, we rely on various tax opinions, recent tax audits, and historical experience.

From time to time, we engage in business transactions that may have an effect on our tax liabilities. Where appropriate, we have obtained opinions of outside experts and have assessed the relative merits and risks of the appropriate tax treatment of business transactions taking into account statutory, judicial, and regulatory guidance in the context of the tax position. However, changes to our estimates of accrued taxes can occur due to changes in tax rates, implementation of new business

TABLE OF CONTENTS

strategies, resolution of issues with taxing authorities regarding previously taken tax positions prior to acquisition and newly enacted statutory, judicial and regulatory guidance. Such changes could affect the amount of our accrued taxes and could be material to our financial position and/or results of operations.

In the event the Internal Revenue Service, State of Ohio, or other state tax officials propose adjustments to our previously filed tax returns (or those of our subsidiaries), it is possible that the ultimate resolution of the proposed adjustments, if unfavorable, may be material to the results of operations in the period it occurs.

Changes in tax laws could adversely affect our performance.

We are subject to extensive federal, state and local taxes, including income, excise, sales/use, payroll, property, franchise, withholding and ad valorem taxes. Changes to our taxes could have a material adverse effect on our results of operations. In addition, our customers are subject to a wide variety of federal, state and local taxes. Changes in taxes paid by our customers may adversely affect their ability to purchase homes or consumer products, which could adversely affect their demand for our loans and deposit products. In addition, such negative effects on our customers could result in defaults on the loans we have made and decrease the value of mortgage-backed securities in which we have invested.

On December 22, 2017, H.R.1, formally known as the “Tax Cuts and Jobs Act,” was enacted into law. This new tax legislation, among other changes, limits the amount of state, federal and local taxes that taxpayers are permitted to deduct on their individual tax returns and eliminates other deductions in their entirety. Such limits and eliminations may result in customer defaults on loans we have made and decrease the value of mortgage-backed securities in which we have invested.

Risks Related to the Merger with MainSource and our Business upon Completion of the Merger

MainSource and First Financial will be subject to business uncertainties and contractual restrictions while the merger is pending.

Uncertainty about the effect of the merger on employees and customers may have an adverse effect on MainSource or First Financial. These uncertainties may impair MainSource's or First Financial's ability to attract, retain and motivate key personnel until the merger is completed and could cause customers and others that deal with MainSource or First Financial to alter existing business relationships with MainSource of First Financial. Retention of certain employees by MainSource or First Financial may be challenging while the merger is pending, as certain employees may experience uncertainty about their future roles with the combined company. If key employees depart because of issues relating to the uncertainty and difficulty of integration, or a desire not to remain with MainSource or First Financial, MainSource's business or First Financial's business could be harmed. In addition, subject to certain exceptions, each of First Financial and MainSource has agreed to operate its business in the ordinary course prior to closing the merger.

The market price of our common stock after the merger is completed may be affected by factors different from those affecting the stock of MainSource or First Financial currently.

Upon completion of the merger, holders of MainSource common stock will become holders of our common stock. Our business differs in important respects from that of MainSource, and, accordingly, the results of operations of the combined company and the market price of our common stock after the completion of the merger may be affected by factors different from those currently affecting the independent results of operations of each of First Financial and MainSource.

The success of the merger and integration of First Financial and MainSource will depend on a number of uncertain factors.

The success of the merger will depend on a number of factors, including, without limitation:

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- our ability to integrate the branches acquired from MainSource Bank in the merger (which we refer to as the “acquired branches”) into First Financial Bank’s current operations;
- our ability to limit the outflow of deposits held by our new customers and our existing customers in the acquired branches and to successfully retain and manage interest-earning assets (i.e., loans) acquired in the merger;
- our ability to control the incremental noninterest expense from the acquired branches in a manner that enables it to maintain a favorable overall efficiency ratio;
- our ability to retain and attract the appropriate personnel to staff the acquired branches; and
- our ability to earn acceptable levels of interest and noninterest income, including fee income, from the acquired branches.

Integrating the acquired branches will be an operation of substantial size and expense and may be affected by general market and economic conditions or government actions generally affecting the financial industry. Integration efforts will also likely divert management's attention and resources. No assurance can be given that we will be able to integrate the acquired branches successfully, and the integration process could result in the loss of key employees, the disruption of ongoing business, or inconsistencies in standards, controls, procedures, and policies that adversely affect our ability to maintain relationships with clients, customers, depositors and employees or to achieve the anticipated benefits of the merger. We may also encounter unexpected difficulties or costs during the integration that could adversely affect our earnings and financial condition, perhaps materially. Additionally, no assurance can be given that the operation of the acquired branches will not adversely affect our existing profitability, that we will be able to achieve results in the future similar to those achieved by our existing banking business, or that we will be able to manage any growth resulting from the merger effectively.

Combining First Financial and MainSource may be more difficult, costly, or time consuming than expected and the anticipated benefits and cost savings of the merger may not be realized.

First Financial and MainSource have operated and, until the completion of the merger, will continue to operate, independently. The success of the merger, including anticipated benefits and cost savings, will depend, in part, on our ability to successfully combine and integrate the businesses of First Financial and MainSource in a manner that permits growth opportunities and does not materially disrupt the existing customer relations nor result in decreased revenues due to loss of customers. It is possible that the integration process could result in the loss of key employees, the disruption of either company's ongoing businesses, or inconsistencies in standards, controls, procedures and policies that adversely affect the combined company's ability to maintain relationships with clients, customers, depositors and employees, or to achieve the anticipated benefits and cost savings of the merger. The loss of key employees could adversely affect our ability to successfully conduct our business, which could have an adverse effect on our financial results and the value of our common stock. If we experience difficulties with the integration process, the anticipated benefits of the merger may not be realized fully or at all, or may take longer to realize than expected. As with any merger of financial institutions, there also may be business disruptions that cause First Financial and/or MainSource to lose customers or cause customers to remove their accounts from First Financial and/or MainSource and move their business to competing financial institutions. Integration efforts between the two companies will also divert management attention and resources. These integration matters could have an adverse effect on each of MainSource and First Financial during this transition period and for an undetermined period after completion of the merger on the combined company. In addition, the actual cost savings of the merger could be less than anticipated.

The combined company may be unable to retain personnel successfully after the merger is completed.

The success of the merger will depend in part on the combined company's ability to retain the talents and dedication of key employees currently employed by First Financial and MainSource. It is possible that these employees may decide not to remain with the combined company after the merger is consummated. If key employees terminate their employment, or if an insufficient number of employees is retained to maintain effective operations, the combined company's business activities may be adversely affected and management's attention may be diverted from successfully integrating MainSource to hiring suitable replacements, all of which may cause the combined company's business to suffer. In addition, we may not be able to locate suitable replacements for any key employees who leave either company, or to offer employment to potential replacements on reasonable terms.

Holders of MainSource and First Financial common stock will have a reduced ownership and voting interest in the combined company after the merger and will exercise less influence over management.

Holders of MainSource and First Financial common stock currently have the right to vote in the election of the board of directors and on other matters affecting MainSource and First Financial, respectively. Upon completion of the merger, each MainSource shareholder who receives shares of First Financial common stock will become a shareholder of First Financial, with a percentage ownership of First Financial that is smaller than the shareholder's percentage ownership of MainSource. Based on the number of shares outstanding on July 25, 2017 and the shares expected to be issued in the merger, the former shareholders of MainSource as a group will receive shares in the merger constituting approximately one-third of the outstanding shares of First Financial common stock immediately after the merger. As a result, current shareholders of First Financial as a group will own approximately two-thirds of the outstanding shares of First Financial common stock immediately after the merger. Because of this, MainSource shareholders may have less influence on the management and policies of First Financial than they now have on the management and policies of MainSource, and current First Financial shareholders may have less influence than they now have on the management and policies of First Financial.

TABLE OF CONTENTS

Upon completion of the merger, First Financial's assets will exceed $10 billion, and, as a result, we will become subject to increased regulatory requirements, which could materially and adversely affect us.

Upon completion of the merger, the Bank's total assets will exceed $10 billion, and we will therefore become subject to increased regulatory requirements. The Dodd-Frank Act and its implementing regulations impose various additional requirements on bank holding companies with $10 billion or more in total assets, including compliance with portions of the Federal Reserve Board’s enhanced prudential oversight requirements and annual stress testing requirements. Failure to meet the enhanced prudential standards and stress testing requirements could limit, among other things, our ability to engage in expansionary activities or make dividend payments to our shareholders. In addition, banks with $10 billion or more in total assets are primarily examined by the CFPB with respect to various federal consumer financial protection laws and regulations. Currently, the Bank is subject to regulations adopted by the CFPB, but the Federal Reserve Board is primarily responsible for examining the Bank’s compliance with federal consumer financial protection laws and those CFPB regulations. As a relatively new agency with evolving regulations and practices, there is uncertainty as to how the CFPB’s examination and regulatory authority might impact our business.

With respect to deposit-taking activities, banks with assets in excess of $10 billion are subject to two changes. First, these institutions are subject to a deposit assessment based on a new scorecard issued by the FDIC. This scorecard considers, among other things, the Bank’s CAMELS rating, results of asset-related stress testing and funding-related stress, as well as our use of core deposits, among other things. Depending on the results of the Bank’s performance under that scorecard, the total base assessment rate is between 2.5 and 45 basis points. Any increase in the Bank’s deposit insurance assessments may result in an increased expense related to its use of deposits as a funding source. Additionally, banks with over $10 billion in total assets are no longer exempt from the requirements of the Federal Reserve Board’s rules on interchange transaction fees for debit cards. This means that, beginning on July 1 following the Bank’s crossing the $10 billion threshold at the end of a calendar year, the Bank will be limited to receiving only a “reasonable” interchange transaction fee for any debit card transactions processed using debit cards issued to its customers. The Federal Reserve Board has determined that it is unreasonable for a bank with more than $10 billion in total assets to receive more than $0.21 plus 5 basis points of the transaction plus a $0.01 fraud adjustment for an interchange transaction fee for debit card transactions. A reduction in the amount of interchange fees the Bank receives for electronic debit interchange will reduce its revenues. During 2017, the Bank collected $12.9 million in debit card interchange fees. We estimate that had we been subject to this limitation during 2017, our interchange fee revenue would have been reduced by approximately $6.6 million.

In anticipation of becoming subject to the heightened regulatory requirements, we have begun to reorganize our compliance and risk personnel and implement various initiatives to address these regulatory requirements. However, compliance with these requirements may necessitate that we hire additional compliance or other personnel, design and implement additional internal controls and/or incur other significant expenses, any of which could have a material adverse effect on our business, financial condition or results of operations. Compliance with the annual stress testing requirements, part of which must be publicly disclosed, may also be generally misinterpreted by the market or our customers and, as a result, may adversely affect our stock price or ability to retain customers and effectively compete for new business opportunities. To ensure compliance with these heightened requirements when effective, our regulators may require us to take actions to prepare for compliance even before our total assets equal or exceed $10 billion at the end of four consecutive quarters. As a result, we have incurred and expect to continue to incur compliance-related costs before it is otherwise required. Our regulators may also consider our preparation for compliance with these regulatory requirements when examining our operations generally or considering any request for regulatory approval we may make, even requests for approvals on unrelated matters.

Item 1B. Unresolved Staff Comments.
None.

Item 2. Properties.

At December 31, 2017, the Company operated 94 banking centers, 19 of which are leased facilities. Our core banking operating markets are located within the three state region of Ohio, Indiana and Kentucky. First Financial's executive office is a leased facility located in Cincinnati, Ohio and we operate 57 banking centers in Ohio, 34 banking centers in Indiana and three banking centers in Kentucky. In addition, we operate our Commercial Finance division, responsible for our insurance lending business and franchise lending business, from a non-banking center location in Indiana.

Item 3. Legal Proceedings.

We are from time to time engaged in various litigation matters including the defense of claims of improper or fraudulent loan practices or lending violations, and other matters, and we have a number of unresolved claims pending. In addition, as part of the ordinary course of business, we are parties to litigation involving claims to the ownership of funds in particular accounts,

TABLE OF CONTENTS

the collection of delinquent accounts, challenges to security interests in collateral, and foreclosure interests, that are incidental to our regular business activities. While the ultimate liability with respect to these other litigation matters and claims cannot be determined at this time, we believe that damages, if any, and other amounts relating to pending matters are not likely to be material to our consolidated financial position or results of operations, except as described above. Reserves are established for these various matters of litigation, when appropriate under FASB ASC Topic 450, Contingencies, based in part upon the advice of legal counsel.

On at least a quarterly basis, First Financial assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. For those matters where it is probable that First Financial will incur a loss and the amount of the loss can be reasonably estimated, First Financial records a liability in its consolidated financial statements. These legal reserves may be adjusted to reflect any relevant developments on a quarterly basis. For other matters, where a loss is not probable or the amount of the loss is not estimable, First Financial has not accrued legal reserves. While the outcome of legal proceedings is inherently uncertain, based on information currently available, advice of counsel and available insurance coverage, First Financial's management believes that its established legal reserves are currently adequate. However, in the event of unexpected future developments, it is possible that the ultimate resolution of these matters, if unfavorable, may be material to First Financial's consolidated financial position, consolidated results of operations or consolidated cash flows.

Item 4. Mine Safety Disclosures.
Not applicable.

Supplemental Item. Executive Officers of the Registrant.

The following table sets forth information concerning the executive officers of First Financial as of February 15, 2018. The executive officers are either officers of First Financial or officers of a subsidiary of First Financial, as indicated in the below table, who perform policy-making functions for First Financial. The officers are elected annually at the organizational meetings of the boards of directors of their respective affiliates and serve until the next organizational meeting, or until their successors are elected and duly qualified.

	Position with First Financial Bancorp	Position with First Financial Bank or a Subsidiary	Age
Claude E. Davis	Chief Executive Officer	Chief Executive Officer	57
Anthony M. Stollings	President, Chief Banking Officer	President, Chief Banking Officer	63
John M. Gavigan	Chief Financial Officer	Chief Financial Officer	39
Scott T. Crawley	Corporate Controller and Principal Accounting Officer	Corporate Controller and Principal Accounting Officer	37
Matthew B. Burgess	Chief Internal Auditor	Chief Internal Auditor	58
Shannon M. Kuhl	Chief Legal Officer, Chief Risk Officer and Corporate Secretary	Chief Legal Officer, Chief Risk Officer and Corporate Secretary	47
Richard S. Dennen		President, Commercial Finance	51

Bradley J. Ringwald	President, Community Banking	44

The following is a brief description of the business experience over the past five years of the individuals named above.

Claude E. Davis - Claude Davis is the Chief Executive Officer of both First Financial Bancorp and First Financial Bank, positions he has held since October 1, 2004. He has served on the board of directors of each of First Financial Bancorp and First Financial Bank since October 1, 2004 and also has been Chairman of the Board of Directors of First Financial Bank since October 1, 2004. From October 1, 2004 until December 1, 2014, Mr. Davis held the title of President First Financial Bancorp.

TABLE OF CONTENTS

From October 1, 2004 until August 20, 2013, Mr. Davis held the title of President of First Financial Bank. Mr. Davis has over 29 years of experience in the financial services industry.

Anthony M. Stollings - Anthony Stollings is presently the President, Chief Banking Officer of both First Financial Bancorp and First Financial Bank following his appointment to this role in April 2017. From January 2017 to April 2017, he served as the President of Consumer Banking of First Financial Bank. Mr. Stollings previously served as the President and Chief Operating Officer of First Financial Bancorp and Chief Operating Officer of First Financial Bank from December 2014 to January 2017. He served as the Chief Financial Officer of both First Financial Bancorp and First Financial Bank from January 2013 through November 2014. Mr. Stollings also serviced as the Chief Risk Officer of both First Financial Bancorp and First Financial Bank from September 2011 through January 2013. He served as the Chief Accounting Officer of both First Financial Bancorp and First Financial Bank from his hire in December 2006 until September 2011.

John M. Gavigan - John Gavigan is the Chief Financial Officer of both First Financial Bancorp and First Financial Bank where he is responsible for the Company’s Finance, Accounting, Treasury and Investor Relations areas. In 2017, Mr. Gavigan's role expanded to include Operations, Information Technology, Talent Management and Facilities. He was appointed to his current role in December 2014, having previously served as Corporate Controller from 2011 through 2014 and as Assistant Controller from 2008 through 2011. Mr. Gavigan is a certified public accountant (inactive).

Scott T. Crawley - Scott Crawley is the Corporate Controller and Principal Accounting Officer of both First Financial Bancorp and First Financial Bank where he is responsible for the Company’s Accounting department. He was appointed to these roles in December 2014, and January 2017, respectively. He joined First Financial in January 2012 as the Assistant Controller, a position he held until December 2014. Mr. Crawley is a certified public accountant.

Matthew B. Burgess - Matt Burgess is the Chief Internal Auditor of both First Financial Bancorp and First Financial Bank, a role he has held since joining First Financial in October 2011. Before joining First Financial, he held audit department leadership and general audit positions in several financial institutions and external auditor consultants. Mr. Burgess is a certified public accountant, certified internal auditor (CIA), and certified information systems auditor (CISA).

Shannon M. Kuhl - Shannon Kuhl is the Chief Legal Officer and Chief Risk Officer of both First Financial Bancorp and First Financial Bank. She has held the position of Chief Risk Officer since November 2017 and the position of Chief Legal Officer since November 2013. From September 2016 through October 2017, she also served as Chief Compliance Officer. She served as Chief Bank Counsel from August 2013 until November 2013. Ms. Kuhl served as Associate General Counsel from her hire in 2006 until August 2013.

Richard S. Dennen - Rick Dennen is the President of Commercial Finance, a position he has held since September 2016. He previously served as the President of First Financial Bank’s wholly owned subsidiary, Oak Street Funding, LLC. Mr. Dennen founded Oak Street Funding in 2003 and served as its President and Chief Executive Officer through the purchase of the company by the Bank in August 2015. Mr. Dennen is a certified public accountant.

Bradley J. Ringwald - Brad Ringwald is the President of Community Banking, a position he has held since September 2016. He oversees the bank’s development efforts for Commercial, Mortgage, and Wealth Management teams and works closely with local market leadership. He previously served as the President of Corporate and Specialty Banking of First Financial Bank from February 2016 to September 2016. Mr. Ringwald also served as the President of Specialty Banking from July 2014 until February 2016, the President of Corporate Banking from September 2013 until July 2014, the Commercial and Industrial Lending Product Manager from July 2011 to September 2013, and the Senior Vice President of Commercial and Industrial Lending from February 2010 to July 2011. Mr. Ringwald first joined First Financial in 2006. Mr. Ringwald has over 20 years of commercial banking experience and is a certified public accountant (inactive).

TABLE OF CONTENTS

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

(a) Market information, holders, dividends
First Financial's common shares are listed on The NASDAQ Global Select Stock Market® under the symbol "FFBC." The information contained in the “Quarterly Financial And Common Stock Data” in First Financial’s Annual Report to Shareholders for the year ended December 31, 2017 with respect to our stock price and dividends, is incorporated herein by reference in response to this item.

As of February 23, 2018, our common shares were held by approximately 2,281 shareholders of record, a number that does not include beneficial owners who hold shares in “street name,” or shareholders from previously acquired companies that have not exchanged their stock. At December 31, 2017, a total of 11,800 stock options and 468,372 shares of restricted stock were outstanding. Additional information about stock options, restricted stock and restricted stock units is included in Note 18 - Stock Options and Awards in the Notes to Consolidated Financial Statements in First Financial’s 2017 Annual Report and in Item 12 below.
The payment of future cash dividends is at the discretion of our Board of Directors and subject to a number of factors, including results of operations, general business conditions, growth, financial condition, regulatory limitation and other factors deemed relevant by the Board. Further, our ability to pay future cash dividends is subject to certain regulatory requirements and restrictions discussed in the Supervision and Regulation section in Item 1 above. For further information see Note 3 - Restrictions on Cash and Dividends in the Notes to Consolidated Financial Statements of First Financial's 2017 Annual Report (included as Exhibit 13 of this report), which is incorporated by reference in response to this item.

Equity Compensation Plan Information

The following table sets forth information as of December 31, 2017 with respect to compensation plans under which our common shares may be issued:

Securities authorized for issuance under equity compensation plans

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Plan category	(a)	(b)	(c) (1)
Equity compensation plans approved by security holders	11,800	$ 11.64	2,154,251
Equity compensation plans not approved by security holders	N/A	N/A	N/A

(1) The securities included in this column are available for issuance under the First Financial Bancorp. Amended and Restated 2012 Stock Plan. The Amended and Restated 2012 Plan includes provisions regarding adjustments to the number of securities available for future issuance under the Amended and Restated 2012 Plan in the event of a merger, reorganization, consolidation, recapitalization, reclassification, split-up, spin-off, separation, liquidation, stock dividend, stock split, reverse stock split, property dividend, share repurchase, share combination, share exchange, issuance of warrants, rights or debentures or other change in corporate structure of First Financial affecting First Financial’s common shares. In any of the foregoing events, the Amended and Restated 2012 Plan permits the Board of Directors or the Compensation Committee of the board to make such substitution or adjustments in the aggregate number and kind of shares available for issuance under the respective plans as the Board of Directors or the Compensation Committee, as the case may be, determine to be appropriate in its sole discretion. All of the securities reported in column (c) are available under the Amended and Restated 2012 Plan.

N/A - Not applicable.

TABLE OF CONTENTS

Stock Performance Graph

The stock performance graph contained in "Total Return to Shareholders" of First Financial's 2017 Annual Report (included as Exhibit 13 of this report), is incorporated herein by reference in response to this item.

(b) Unregistered Sales of Equity Securities and Use of Proceeds
Not applicable.

(c) The following table shows the total number of shares repurchased in the fourth quarter of 2017.

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares Purchased (1)	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans (2)	(d) Maximum Number of Shares that may yet be purchased Under the Plans
October 1 to October 31, 2017				
Share repurchase program	0	$ 0.00	0	3,509,133
Stock Plans	0	0.00	N/A	N/A
November 1 to November 30, 2017				
Share repurchase program	0	$ 0.00	0	3,509,133
Stock Plans	0	0.00	N/A	N/A
December 1 to December 31, 2017				
Share repurchase program	0	$ 0.00	0	3,509,133
Stock Plans	4,909	28.02	N/A	N/A
Total				
Share repurchase program	0	$ 0.00	0	
Stock Plans	4,909	$ 28.02	N/A	

(1) The number of shares purchased in column (a) and the average price paid per share in column (b) include the purchase of shares other than through publicly announced plans. The shares purchased other than through publicly announced plans were purchased pursuant to First Financial's 1999 Stock Incentive Plan for Officers and Employees, Amended and Restated 2009 Non-Employee Director Stock Plan, 2012 Stock Plan, and Amended and Restated 2012 Stock Plan (collectively referred to hereafter as the Stock Plans). The table shows the number of shares purchased pursuant to the Stock Plans and the average price paid per share. Under the Stock Plans, shares were purchased from plan participants at the then current market value in satisfaction of stock option exercise prices.

(2) First Financial has one remaining previously announced stock repurchase plan under which it is currently authorized to purchase shares of its common stock. The plan has no expiration date. The table that follows provides additional information regarding this plan.

Announcement Date	Total Shares Approved for Repurchase	Total Shares Repurchased Under The Plan	Expiration Date
10/25/2012	5,000,000	1,490,867	None

Item 6. Selected Financial Data.

The information contained in Table 1 of the Management’s Discussion and Analysis section of First Financial's 2017 Annual Report (included as Exhibit 13 of this report), is incorporated herein by reference in response to this item.

TABLE OF CONTENTS

Item 7. Management's Discussion and Analysis of Financial Condition and Results Of Operations.
The information contained in the Management’s Discussion and Analysis section (including certain forward looking statements) of First Financial’s 2017 Annual Report (included as Exhibit 13 of this report) is incorporated herein by reference in response to this item.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk.
The information contained in the Market Risk section and in Table 15 - Market Risk Disclosure of the Management’s Discussion and Analysis section in First Financial's 2017 Annual Report (included as Exhibit 13 of this report), is incorporated herein by reference in response to this item.

Item 8. Financial Statements and Supplementary Data.
The consolidated financial statements and the reports of our independent registered public accounting firm included in the Consolidated Financial Statements and the Notes to Consolidated Financial Statements in First Financial’s 2017 Annual Report (included as Exhibit 13 of this report), are incorporated herein by reference.

The Quarterly Financial and Common Stock Data at the end of the Notes to Consolidated Financial Statements in First Financial’s 2017 Annual Report (included as Exhibit 13 of this report), is incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.
None.

Item 9A. Controls and Procedures.
Evaluation of Disclosure Controls and Procedures
Management is responsible for establishing and maintaining effective disclosure controls and procedures, as defined under Rule 13a-15 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") that are designed to ensure that information required to be disclosed by First Financial in the reports it files or submits under the Exchange Act is recorded, processed, summarized, and reported to the extent applicable within the time periods required by the Securities and Exchange Commission’s rules and forms (the disclosure controls and procedures). In designing and evaluating the disclosure controls and procedures, management recognizes that a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

First Financial’s chief executive officer and chief financial officer, together with other members of senior management, have evaluated First Financial’s disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, First Financial’s chief executive officer and chief financial officer have concluded that such disclosure controls and procedures are effective (i) to ensure that material information relating to First Financial, including its consolidated subsidiaries, is communicated to them on a timely basis, and (ii) to accomplish the purposes for which they were designed.

Internal Control Over Financial Reporting
Management's Report On Internal Control Over Financial Reporting and the Report Of Independent Registered Public Accounting Firm included in First Financial’s 2017 Annual Report (included as Exhibit 13 of this report), are incorporated herein by reference.

Changes in Internal Controls
First Financial maintains a system of internal controls, which includes internal control over financial reporting, that is designed to provide reasonable assurance that First Financial’s financial records can be relied upon for preparation of its financial statements and that its assets are safeguarded against loss from unauthorized use or disposition that could

have a material effect on the financial statements. There were no changes in First Financial's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, First Financial's internal control over financial reporting during the year ended December 31, 2017.

Item 9B. Other Information.
None.

TABLE OF CONTENTS

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Certain information concerning executive officers of First Financial has been supplied in the “Supplemental Item. Executive Officers of the Registrant” of this Form 10-K. Information appearing under “Election of Directors,” “Corporate Governance - Board Committees,” and “Shareholder Nominations for Election to the Board” of First Financial's Definitive Proxy Statement with respect to the Annual Meeting of Shareholders to be held on May 22, 2018, and which is expected to be filed with the SEC, pursuant to Regulation 14A of the Exchange Act (First Financial’s Proxy Statement) within 120 days of the close of our fiscal year, is incorporated herein by reference in response to this item.

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Securities Exchange Act of 1934 requires officers, directors and persons who own more than 10 percent of a registered class of First Financial’s equity securities to file reports of ownership and changes in ownership on Forms 3, 4 and 5 with the SEC. Officers, directors and greater than 10 percent shareholders are required by SEC regulations to furnish First Financial with copies of all Forms 3, 4 and 5 they file.

Based solely on a review of the copies of these forms received by First Financial and written representations from certain reporting persons that they were not required to file a Form 5 for the specified fiscal year, First Financial believes that all of its officers, directors and greater than 10 percent shareholders complied with all filing requirements applicable to them with respect to transactions completed in 2017, except that Ms. Finnerty filed a late Form 4 on February 2, 2018 reporting one transaction from April 2011.

As of December 31, 2017, there have been no material changes to the procedures by which shareholders may recommend nominees to the First Financial Board of Directors.

First Financial has adopted a code of ethics, the First Financial Bancorp. Code of Conduct, which applies to First Financial’s directors, officers and employees. In addition, the Company maintains a Code of Ethics for the CEO and Senior Financial Officers. Both documents are available through First Financial’s website, www.bankatfirst.com under the “Investor Relations” link, at the bottom of the main page.

Item 11. Executive Compensation.

The information appearing under the headings “Meetings of the Board of Directors and Committees of the Board,” “Compensation Discussion and Analysis,” “Executive Compensation,” “Compensation Committee Interlocks and Insider Participation,” and “Compensation Committee Report” in First Financial’s Proxy Statement is incorporated herein by reference in response to this item.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information appearing under the headings “Securities Authorized for Issuance Under Equity Compensation Plans” set forth in Part II, Item 5 and “Shareholdings of Directors, Executive Officers, and Nominees for Director” of First Financial’s Proxy Statement is incorporated herein by reference in response to this item.

Item 13. Certain Relationships and Related Transactions.

The information appearing in Note 13 - Loans to Related Parties in the Notes to Consolidated Financial Statements included in First Financial’s 2017 Annual Report (included as Exhibit 13 of this report) is incorporated herein by reference in response to this item. Reference is also made to information appearing under the heading “Corporate Governance-Transactions with Related Parties” in First Financial’s Proxy Statement in response to this item.

Item 14. Principal Accounting Fees and Services.

Information appearing under the heading “Independent Registered Public Accounting Firm Fees” in First Financial’s Proxy Statement is incorporated herein by reference in response to this item.

28

TABLE OF CONTENTS

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a)(1) The consolidated financial statements (and report thereon) listed below are incorporated herein by reference from First Financial's 2016 Annual Report (included as Exhibit 13 of this report) as noted:

Reports of Independent Registered Public Accounting Firm - Incorporated by reference from First Financial's 2016 Annual Report

Consolidated Balance Sheets as of December 31, 2017 and 2016 - Incorporated by reference from First Financial's 2017 Annual Report