FFBC 10-K 12/31/2007

Section 1: 10-K (FIRST FINANCIAL BANCORP. 10-K)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2007

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES ACT OF 1934**

Commission File Number 0-12379

FIRST FINANCIAL BANCORP.

(Exact name of registrant as specified in its charter)

Ohio (State or other jurisdiction of incorporation or organization)	31-1042001 (I.R.S. Employer Identification No.)
300 High Street Hamilton, Ohio (Address of principal executive offices)	45011 (Zip Code)

Registrant's telephone number, including area code: (513) 979-5782

Securities registered pursuant to Section 12(b) of the Act:
Common Shares, 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. ☐Yes ☑No

Indicated by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐Yes ☑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. ☑Yes ☐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. ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑	Accelerated filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). ☐Yes ☑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, 2007, was $558,521,000. (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 20, 2008, there were issued and outstanding 37,363,698 common shares of the registrant.

Documents Incorporated by Reference:

Portions of the registrant's Annual Report to Shareholders for the year ended December 31, 2007 are incorporated by reference into Parts I, II and IV.

Portions of the registrant's definitive Proxy Statement for the Annual Meeting of Shareholders to be held on April 29, 2008 are incorporated by reference into Part III.

FORM 10-K CROSS REFERENCE INDEX

PART I

Item 1. Business.

First Financial Bancorp.

First Financial Bancorp., an Ohio corporation (First Financial), was formed in 1982. First Financial is a bank holding company headquartered in Hamilton, Ohio.

First Financial engages in the business of commercial banking and other banking and banking-related activities through its wholly owned subsidiary, First Financial Bank, National Association (First Financial Bank), a national banking association. First Financial Capital Advisors LLC (FFCA) is First Financial's registered investment advisory company and serves as investment advisor to The First Funds Group, First Financial's proprietary mutual funds first introduced in May 2002 as The Legacy Funds Group and changed to The First Funds Group in May of 2007. FFCA also assists First Financial with the investment management of trust assets. Another subsidiary of First Financial is First Financial (OH) Statutory Trust II (Statutory Trust II) which was established to facilitate raising Tier I capital in the form of corporation-obligated mandatorily redeemable capital securities of subsidiary trust—commonly referred to as Trust Preferred Securities. This subsidiary was deconsolidated effective January 1, 2004, in accordance with FASB Interpretation No. 46 "Consolidation of Variable Interest Entities." First Financial provides management and similar services for its subsidiary financial institution. Since it does not itself conduct any operating businesses, First Financial must depend largely upon its subsidiaries for funds with which to pay the expenses of its operation and, to the extent applicable, any dividends on its outstanding shares of common stock. For further information see Note 4 of the Notes to Consolidated Financial Statements appearing on page 42 of First Financial's Annual Report to Shareholders, which is incorporated by reference in response to this item. First Financial's oldest subsidiary was founded in 1863.

The range of banking services provided by First Financial to its customers includes commercial lending, real estate lending, consumer credit, credit card, and other personal loan financing. In addition, First Financial offers deposit products that include interest-bearing and noninterest-bearing deposit accounts, including time deposits, and cash management services for commercial customers. A full range of trust and asset management services is provided by First Financial's Wealth Resource Group.

First Financial makes a variety of loans to individuals and businesses. The principal types of lending in which First Financial engages are commercial, real estate, and consumer. 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 investor income producing real estate, such as apartments, shopping centers, office buildings).

Commercial loans are made to all types of businesses for a variety of purposes. First Financial works with businesses to meet their working capital needs while also providing long-term financing for their plans. Credit risk 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 review of historical and projected cash flows, historical financial performance, financial strength of the principals and guarantors, and collateral values, where applicable.

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 involves detailed market analysis, historical and projected cash flow analysis, appropriate equity margins, assessment of lessees and lessors, type of real estate and other analysis. Risk of loss is managed by adherence to standard loan policies that establish certain levels of performance prior to the extension of a loan to the borrower. Market diversification within First Financial's service area, as well as a diversification by industry, are other means by which the risk of loss is managed by First Financial. First Financial does not have a significant exposure to residential builders and developers.

The majority of residential real estate loans originated by First Financial Bank conform to secondary market underwriting standards and are sold within a short timeframe to our strategic partner. The credit underwriting standards adhere to a certain 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 help in the management of the credit risk elements and increase the marketability of the loans. First Financial has not engaged nor currently engages in subprime lending.

Consumer loans are primarily loans made to individuals. 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 borrowers cash flow and credit history, key indicators of the ability to repay. Some 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. Both factors help provide diversification of 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 evaluates its performance based on two primary activities: banking and wealth management. First Financial has minimal foreign currency transactions or exposure to foreign currencies. Information regarding statistical disclosure required by the Securities and Exchange Commission's Industry Guide 3 is included in First Financial's Annual Report to Shareholders for the year ended December 31, 2007, and is incorporated herein by reference.

At December 31, 2007, First Financial and its subsidiaries employed 1,159 employees.

First Financial's executive office is located at 300 High Street, Hamilton, Ohio 45011, and the telephone number is (513) 979-5782. First Financial makes available, free of charge, 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, as soon as reasonably practicable after filing with the Securities and Exchange Commission (SEC), through its website, www.bankatfirst.com under the "Investor Information" link, under "SEC Filings." Copies of such reports also can be found on the SEC's website at www.sec.gov.

Subsidiaries

The lists of each of First Financial's subsidiaries can be found at Exhibit 21 of this Form 10-K.

Historically, First Financial has operated under a community banking philosophy. In the past, this philosophy was implemented by multiple, small banking subsidiaries. In January 2001, First Financial began a process of regionalization and market expansion, the purpose of which was to reduce the number of banking subsidiaries to four and to convert each banking subsidiary to a common data processing system. First Financial initiated this plan to gain efficiencies through consolidation, to provide a structure with a smaller number of subsidiaries that could more easily be managed, and to better position the company for growth; for instance, by reducing operational burdens and increasing its focus on customer sales and service.

- In November 2001, First Financial completed the first consolidation by merging four of its wholly owned subsidiaries, Union Bank & Trust Company, Peoples Bank and Trust Company, Farmers State Bank, and Vevay Deposit Bank, to form Heritage Community Bank, which was headquartered in Columbus, Indiana.
- In July 2002, First Financial formed its second regional financial institution by merging two of its wholly owned subsidiaries, First National Bank of Southwestern Ohio and Hebron Deposit Bank, to form First Financial Bank, N.A., which is headquartered in Hamilton, Ohio.
- First Financial merged three of its wholly owned subsidiaries, Bright National Bank, National Bank of Hastings, and Sand Ridge Bank, in November 2002. Sand Ridge Bank, which was headquartered in Schererville, Indiana, was the surviving subsidiary and became First Financial's third regional financial institution.
- In the third quarter of 2004, First Financial's subsidiaries, The Clyde Savings Bank Company and Indiana Lawrence Bank merged into Community First Bank & Trust, which at that time began the process of forming First Financial's fourth and final regional financial institution which was headquartered Celina, Ohio.
- In March 2005, First Financial merged Citizens First State Bank into Community First Bank & Trust and merged Heritage Community Bank into First Financial Bank, N.A.

Furthermore, in March of 2005, First Financial adopted a new Strategic Plan, which provided for further consolidation of First Financial's organization structure, whereby its remaining subsidiary banks would be merged into a single bank charter: First Financial Bank, N.A. On August 19, 2005, that consolidation was completed.

During 2005, First Financial also organized its trust, investment, brokerage, and private banking into the Wealth Resource Group. This included First Financial's family of proprietary mutual funds, The Legacy Funds Group, introduced in May of 2002. Management changed the name of its insurance business from Flagstone Insurance and Financial Services to First Financial Insurance. Non-client support functions were aligned to support the combined company.

On September 16, 2005, First Financial completed both the sale of substantially all of the assets of its wholly-owned subsidiary, Fidelity Federal Savings Bank and the consolidation of its operations center.

First Financial's goal in this consolidation process was to achieve efficiencies of size and standardization, while maintaining each division's customer relationships.

Market and Competitive Information

First Financial, through its regionalization efforts and Strategic Plan, has focused its subsidiary bank around eight distinct markets to deliver the community banking philosophy to its clients. First Financial serves a combination of metropolitan and non-metropolitan markets in Indiana, Ohio, and Kentucky through its full-service banking centers. 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 and helping them reach greater levels of financial success.

The company's markets support many different types of business activities, such as manufacturing, agriculture, education, healthcare, and service-based companies. 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 within key segments. The Midwest markets that First Financial serves typically do not experience the level of economic highs and lows seen in other sections of the country. Its markets are generally marked by stable growth and business activity, although moderate fluctuations may occur. Late in 2007, the overall national economy was negatively impacted by the deterioration of the subprime lending market, which quickly developed into a credit and liquidity crisis in certain sectors of the financial services industry. However, First Financial's strong liquidity and capital position combined with conservative lending practices should allow the company to mitigate significant macro-economic risk.

First Financial, as a mid-sized regional bank holding company, believes that it is well positioned to compete in these 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 decision-making network of local management. First Financial believes that it is better positioned to compete for business than other smaller banks that may have size or geographic limitations. First Financial's strategy is to differentiate itself by providing superior customer service and delivering innovative products in its markets. First Financial's targeted customers include individuals and small to medium sized businesses within the geographic region of its subsidiary bank's banking center network. Through the delivery systems of banking centers, ATMs, internet banking, and telephone-based transactions, First Financial meets 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, and other services similar to those offered by First Financial. Major 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.

Regulation

First Financial Bank, as a national banking association, is subject to supervision and regular examination by the Office of the Comptroller of the Currency. All depository institutions and its deposits are insured up to the legal limits by the Bank Insurance Fund which is administered by the Federal Deposit Insurance Corporation and is subject to the provisions of the Federal Deposit Insurance Act.

As a bank holding company, First Financial is subject to the provisions of the Bank Holding Company Act of 1956, as amended (the Act). The Act requires bank holding companies to register under the Act and to be subject to supervision and examination by the Federal Reserve Board. First Financial is required to file with the Federal Reserve Board an annual report and such additional information as the Federal Reserve Board may require pursuant to the Act. The Act 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. Following the passage of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, bank holding companies may acquire thrift institutions subject to approval by the Federal Reserve Board and the Office of Thrift Supervision. As a bank holding company located in the State of Ohio, First Financial is not permitted to acquire a bank located in another state unless such acquisition is specifically authorized by the statutes of such state, as is the case in Indiana, Michigan, and Kentucky. The Act further provides that the Federal Reserve Board shall not approve any such acquisition that would result in a monopoly or would be in furtherance of any combination or conspiracy to monopolize or attempt to monopolize the business of banking in any part of the United States, or the effect of which may be to substantially lessen competition or to create a monopoly in any section of the country, or that in any other manner would be in restraint of trade, unless the anti-competitive effects of the proposed transaction are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served.

The Act 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. The Act 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 Act was amended by the Gramm-Leach-Bliley Act of 1999 (GLBA), which was enacted on November 12, 1999. The GLBA also repealed portions of the Glass-Steagall Act, a piece of depression-era legislation intended to separate banking and commerce. Under the GLBA, bank holding companies that satisfy certain requirements may elect to become financial holding companies. The GLBA allows financial holding companies to engage in certain activities that are "financial in nature" and that are not permitted for bank holding companies. First Financial’s current strategic plans do not include utilizing theses expanded activities and as a result it has not elected to become a financial holding company.

The earnings of banks, and, therefore, the earnings of First Financial (and its subsidiaries), are affected by the policies of regulatory authorities, 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 procedures are used in varying combinations to influence overall growth and distribution of bank loans, investments and deposits, and their use also may affect interest rates charged on loans or paid for deposits.

Monetary policies of the Federal Reserve Board have had a significant effect on the operating results of commercial banks in the past and are expected to continue to do so in the future.

Item 1A. Risk Factors.

Investments in First Financial common shares involve risk. The market price of First Financial common shares may fluctuate significantly in response to a number of factors, including:

- management's ability to effectively execute its business plan;
- the strength of the local economies in which operations are conducted;
- the effects of and changes in policies and laws of regulatory agencies;
- inflation, interest rates, market and monetary fluctuations;
- acts of terrorism and any governmental response to such acts;
- technological changes;
- mergers and acquisitions;
- the ability to increase market share and control expenses;
- the effect of changes in accounting policies and practices that may be adopted by the regulatory agencies as well as the Financial Accounting Standards Board and the Securities and Exchange Commission;
- the costs and effects of litigation and of unexpected or adverse outcomes in such litigation;
- the success of First Financial at managing the risks involved in the foregoing.

First Financial's management has developed a business plan dependent upon its ability to increase its customer base, improve its efficiency, and increase earnings. First Financial may not perform consistently with its peers and the investment community may change their estimates of the company's financial performance, potentially decreasing the company's stock price.

If First Financial does not adjust to possible future changes in the financial services industry, its financial performance may suffer. First Financial's ability to maintain its history of strong financial performance and return on investment to shareholders will depend in part on its ability to expand its scope of available financial services to its customers. In addition to other banks, competitors include securities dealers, brokers, mortgage bankers, investment advisors, credit unions, and finance and insurance companies. The increasingly competitive environment is, in part, a result of changes in regulation, changes in technology and product delivery systems, and the accelerating pace of consolidation among financial service providers.

Future governmental regulation and legislation could limit growth. First Financial and its subsidiaries are subject to extensive state and federal regulation, supervision and legislation that govern nearly every aspect of operations. Changes to these laws could affect First Financial's ability to deliver or expand its services and diminish the value of its business.

Changes in interest rates could reduce income and cash flow. First Financial's income and cash flow depend to a great extent on the difference between the interest earned on loans and investment securities, and the interest paid on deposits and other borrowings. Market interest rates are beyond First Financial's control, and fluctuate in response to general economic conditions and the policies of various governmental and regulatory agencies, in particular, the Federal Reserve Board. Changes in monetary policy, including changes in target interest rates, may influence the origination of loans, the purchase of investments, the generation of deposits and the rates received on loans and investment securities and paid on deposits.

Additional factors, risks, and uncertainties could have a negative effect on the financial performance of First Financial. Some of these factors are general economic and financial market conditions, competition, continuing consolidation in the financial services industry, new litigation or changes in existing litigation, regulatory actions, and losses.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

The registrant and its subsidiaries operate from 82 banking centers: 49 banking centers are located in Ohio, including First Financial's executive office in Hamilton, Ohio; 29 banking centers are located in Indiana; and 4 banking centers are located in Kentucky.

Item 3. Legal Proceedings.

Except for routine litigation incident to their business, the registrant and its subsidiaries are not a party to any material pending legal proceedings, and none of their property is the subject of any such proceedings.

Item 4. Submission of Matters to a Vote of Security Holders.

No matters were submitted to the shareholders during the fourth quarter of 2007.

Additional Item — Executive Officers.

Shown in the table below are the executive officers of First Financial Bancorp as of December 31, 2007. The executive officers are either officers of First Financial or officers of a subsidiary of First Financial 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.

Name	Age	Position
Claude E. Davis	47	President & Chief Executive Officer
C. Douglas Lefferson	43	Executive Vice President & Chief Operating Officer
J. Franklin Hall	39	Executive Vice President & Chief Financial Officer
Samuel J. Munafo	57	Executive Vice President, Banking Markets
Richard Barbercheck	49	Senior Vice President, Chief Credit Officer
Gregory A. Gehlman	46	Senior Vice President, General Counsel, & Chief Risk Officer
Anthony M. Stollings	53	Senior Vice President, Chief Accounting Officer, and Controller

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

Claude E. Davis joined First Financial as president, chief executive officer, and a member of the board of directors on October 1, 2004. Beginning August 23, 2005, Mr. Davis became the president, CEO, and chairman of the board of First Financial Bank. At the time he joined First Financial, Mr. Davis was senior vice president at Irwin Financial Corporation and chairman of Irwin Union Bank and Trust (the company's lead bank), positions he had held since May 2003. Prior to that, Mr. Davis served as president of Irwin Union Bank and Trust for seven years. Mr. Davis originally joined Irwin Financial Corporation and Irwin Union Bank and Trust in 1987 as vice president and controller.

C. Douglas Lefferson became executive vice president and chief operating officer of First Financial effective April 1, 2005. Prior to that, he had been executive vice president and chief financial officer, since December 13, 2004, after having served as its senior vice president and chief financial officer since January 11, 2002. He has spent his entire banking career in various positions within First Financial and First Financial Bank.

J. Franklin Hall became executive vice president and chief financial officer of First Financial effective April of 2007. Also effective April of 2007, he became president of First Financial Capital Advisors, LLC. Effective December 31, 2006, Mr. Hall became president of the First Funds family of proprietary mutual funds. Mr. Hall had served as senior vice president and chief financial officer of First Financial since April 1, 2005, and as first vice president, controller, and director of finance for First Financial since December 13, 2004. He served as its vice president and controller since January 11, 2002. Mr. Hall joined First Financial in June of 1999. Prior to joining First Financial, Mr. Hall was a senior financial analyst at Firstar Bank, N.A. (now known as US Bancorp) in Cincinnati, Ohio.

Sam Munafo serves as executive vice president with responsibility for all banking markets beginning in January of 2006. In March of 2005, Mr. Munafo became president of First Financial Bank. From 2001 until March of 2005, he had served as president and chief executive officer of Community First Bank & Trust. From 1998 to 2001, Mr. Munafo served as president and chief executive officer of Indiana Lawrence Bank. He has spent his entire banking career with various First Financial companies.

Richard Barbercheck became senior vice president and chief credit officer in June of 2006. He joined First Financial in November of 2005 as senior vice president and chief risk officer. Before joining First Financial, he was with Irwin Financial Corporation in Columbus, Indiana, where he most recently had managed their credit risk evaluation group. He has a total of 25 years of banking experience, including bank management, commercial lending and credit administration. He previously served as president of a small bank in Indiana from 1993 until 1998.

Gregory A. Gehlmann joined First Financial in June of 2005 as senior vice president and general counsel. In July of 2006, he assumed the additional responsibility of chief risk officer. Prior to joining First Financial, Mr. Gehlmann practiced law for 16 years in Washington, D.C. From March 2000 to June 2005, he served as partner/counsel at Manatt, Phelps & Phillips, LLP, Washington, D.C. where he served as counsel to public and private companies, as well as investors, underwriters, directors, officers, and principals regarding corporate securities, banking, and general business and transactional matters.

Anthony M. Stollings joined First Financial in December of 2006 as senior vice president, chief accounting officer, and controller. Prior to joining First Financial, Mr. Stollings was most recently the chief financial officer of Midwest Financial Holdings, Inc. He previously spent 13 years with Provident Financial Group, Inc., a commercial banking and financial services company in Cincinnati, Ohio, where he was most recently the senior vice president, chief accounting officer, and controller from 2002 to 2004 and senior vice president and controller from 1998 to 2002.

PART II

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

(a) First Financial had 3,513 shareholders of record of its outstanding common shares as of February 20, 2008. First Financial's common stock is listed on The Nasdaq Stock Market®. The information contained on page 59 of the Notes to Consolidated Financial Statements in First Financial's Annual Report to Shareholders for the year ended December 31, 2007, is incorporated herein by reference in response to this item.

EQUITY COMPENSATION PLAN INFORMATION

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b) (1)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c) (1)
Equity compensation plans approved by security holders	2,129,782	$16.49	4,350,213
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 First Financial's 1999 Stock Option Plan for Non-Employee Directors (Director Plan) and its 1999 Stock Incentive Plan for Officers and Employees (Incentive Plan). Both the Director Plan and the Incentive Plan include provisions regarding adjustments to the number of securities available for future issuance under the respective plans 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 Director Plan permits the Board of Directors and the Incentive Plan permits the Board of Directors or the Compensation Committee 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, in the case of the Incentive Plan, the Compensation Committee) may determine to be appropriate in its sole discretion. Of the securities reported in column (c) 402,791 are available for future issuance under the Director Plan and 3,947,422 are available under the Incentive Plan.

The stock performance graph contained in "Financial Performance" on page 60 of First Financial Bancorp's Annual Report to Shareholders for the year ended December 31, 2007, is incorporated herein by reference in response to this item.

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(c) The following table shows the total number of shares repurchased in the fourth quarter of 2007.

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares Purchased (1)	(b) Average Price Paid Per Share(1)	(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 through October 31, 2007	36,260	$ 13.53	34,300	4,969,105
November 1 through November 30, 2007	0	0.00	0	4,969,105
December 1 through December 31, 2007	0	0.00	0	4,969,105
Total	36,260	$ 13.53	34,300	4,969,105

(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 Thrift Plan, Director Fee Stock Plan, 1999 Stock Option Plan for Non-Employee Directors and 1999 Stock Incentive Plan for Officers and Employees. (The last two plans are referred to hereafter as the Stock Option Plans.) The following tables show the number of shares purchased pursuant to those plans and the average price paid per share. The purchases for the Thrift Plan and the Director Fee Stock Plan were made in open-market transactions. Under the Stock Option Plans, shares were purchased from plan participants at the then current market value in satisfaction of stock option exercise prices.

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share
First Financial Bancorp Thrift Plan		
October 1 through October 31, 2007	0	$ 0.00
November 1 through November 30, 2007	0	0.00
December 1 through December 31, 2007	0	0.00
Total	0	$ 0.00

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share
Director Fee Stock Plan		
October 1 through October 31, 2007	1,960	$ 13.77
November 1 through November 30, 2007	0	0.00
December 1 through December 31, 2007	0	0.00
Total	1,960	$ 13.77
Stock Option Plans		
October 1 through October 31, 2007	0	$ 0.00
November 1 through November 30, 2007	0	0.00
December 1 through December 31, 2007	0	0.00
Total	0	$ 0.00

(2) First Financial has two publicly announced stock repurchase plans under which it is currently authorized to purchase shares of its common stock. Neither of the plans expired during this quarter. However, as of September 30, 2007, all shares under the 2003 plan have been repurchased. The table that follows provides additional information regarding those plans.

Announcement Date	Total Shares Approved for Repurchase	Total Shares Repurchased Under The Plan	Expiration Date
01/25/2000	7,507,500	2,538,395	None
02/25/2003	2,243,715	2,243,715	Completed

Item 6. Selected Financial Data.

The information contained in Table 1 on page 21 of the Management’s Discussion and Analysis section of First Financial’s Annual Report to Shareholders for the year ended December 31, 2007, is incorporated herein by reference in response to this item.

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, (pages 19 through 59) of First Financial’s Annual Report to Shareholders for the year ended December 31, 2007 is incorporated herein by reference in response to this item.

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 (the "Act"). In addition, certain statements in future filings by First Financial with the Securities and Exchange Commission, in press releases, and in oral and written statements made by or with the approval of First Financial which are not statements of historical fact constitute forward-looking statements within the meaning of the Act. Examples of forward-looking statements include, but are not limited to, projections of revenues, income or loss, earnings or loss per share, the payment or non-payment of dividends, capital structure and other financial items; statements of plans and objectives of First Financial or its management or Board of Directors; and statements of future economic performance and statements of assumptions underlying such statements. Words such as "believes," "anticipates," "intends," and other similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

Forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from those in such statements. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to, management's ability to effectively execute its business plan; the risk that the strength of the United States economy in general and the strength of the local economies in which First Financial conducts operations may be different than expected resulting in, among other things, a deterioration in credit quality or a reduced demand for credit, including the resultant effect on First Financial's loan portfolio and allowance for loan and lease losses; the effects of and changes in policies and laws of regulatory agencies; inflation, interest rates, market and monetary fluctuations; technological changes; mergers and acquisitions; the ability to increase market share and control expenses; the effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies as well as the Financial Accounting Standards Board and the Securities and Exchange Commission; the costs and effects of litigation and of unexpected or adverse outcomes in such litigation; and the success of First Financial at managing the risks involved in the foregoing.

Such forward-looking statements are meaningful only on the date when such statements are made, and First Financial undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such a statement is made to reflect the occurrence of unanticipated events.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk

The information contained on pages 30 and 31 of the Management's Discussion and Analysis section of First Financial's Annual Report to Shareholders for the year ended December 31, 2007, 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 independent registered public accounting firm included on pages 34 through 58 of the Consolidated Financial Statements and the Notes to Consolidated Financial Statements in First Financial's Annual Report to Shareholders for the year ended December 31, 2007, are incorporated herein by reference.

The Quarterly Financial and Common Stock Data on page 59 of the Notes to Consolidated Financial Statements in First Financial's Annual Report to Shareholders for the year ended December 31, 2007, 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

First Financial has established controls and other procedures designed to ensure that the information required to be disclosed in this report is recorded, processed, summarized, and reported within the required time periods (the "disclosure controls and procedures"). First Financial's chief executive officer and chief financial officer, together with other members of senior management, have evaluated the 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 the 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.

Changes in Internal Controls

First Financial maintains a system of internal accounting 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. There were no other 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.

Management's Report on Internal Control Over Financial Reporting

First Financial's management is responsible for establishing and maintaining adequate internal control over financial reporting. First Financial's internal control over financial reporting is a process designed under the supervision of First Financial's chief executive officer and chief financial officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Any system of internal control, no matter how well designed, has inherent limitations, including the possibility that a control can be circumvented or overridden and misstatements due to error or fraud may occur and not be detected. Also, because of changes in conditions, internal control effectiveness may vary over time. Accordingly, even an effective system of internal control will provide only reasonable assurance with respect to financial statement preparation. As of December 31, 2007, First Financial's management, including the chief executive officer and the chief financial officer, evaluated the effectiveness of First Financial's internal controls over financial reporting, using as its framework for that evaluation the Internal Control—Integrated Framework published by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. Based upon that evaluation, management believes that First Financial's internal control over financial reporting is effective based on those criteria.

Ernst & Young LLP, the independent registered public accounting firm that audited the consolidated financial statements included in this Form 10-K, has issued an attestation report on First Financial's internal control over financial reporting as of December 31, 2007. The report, which expresses an unqualified opinion on First Financial's internal control over financial reporting as of December 31, 2007, is included in this Item under the heading "Report on Internal Control Over Financial Reporting."

/s/ Claude E. Davis
Claude E. Davis
President & CEO
February 26, 2008

/s/ J. Franklin Hall
J. Franklin Hall
Executive Vice President & CFO
February 26, 2008

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Report on Effectiveness of Internal Control Over Financial Reporting

The Board of Directors and Shareholders of First Financial Bancorp

We have audited Internal Control Over Financial Reporting as of December 31, 2007, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). First Financial Bancorp's management is responsible for maintaining effective internal control over financial reporting and for its assessment about the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are
subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, First Financial Bancorp maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of First Financial Bancorp as of December 31, 2007 and 2006, and the related consolidated statements of earnings, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2007 and our report dated February 26, 2008, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Cincinnati, Ohio
February 26, 2008

Item 9B. Other Information.

On February 26, 2008, the Board of Directors of First Financial amended the Articles of Incorporation to change its principal office location from Hamilton, Butler County, to Cincinnati, Hamilton County. The Amended and Restated Articles of Incorporation are included as Exhbit 3.1 to this Form 10-K.

PART III

Item 10. Directors and Executive Officers of the Registrant.

Information appearing under "Election of Directors," "Meetings of the Board of Directors and Committees of the Board," and "Section 16 (a) Beneficial Ownership Reporting Compliance" of First Financial’s Proxy Statement with respect to the Annual Meeting of Shareholders to be held on April 29, 2008, and which is expected to be filed with the SEC on or about March 14, 2008, pursuant to Regulation 14A of the Securities Exchange Act of 1934 (First Financial’s 2008 Proxy Statement), is incorporated herein by reference in response to this item.

Reference is also made to "Additional Item — Executive Officers" included in Part I of this Form 10-K in partial response to Item 10.

First Financial has adopted a code of ethics, the First Financial Bancorp. Code of Business Conduct and Ethics (the Code), which applies to First Financial’s directors, officers and employees, including its chief executive officer. The Code is available through First Financial’s website, www.bankatfirst.com under the "Investor Information" link, under "Corporate Governance."

Item 11. Executive Compensation.

The information appearing under "Meetings of the Board of Directors and Committees of the Board," "Executive Compensation," and "Compensation Committee Report" First Financial’s 2008 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 "Shareholdings of Directors, Executive Officers, and Nominees for Director" of First Financial’s 2008 Proxy Statement is incorporated herein by reference in response to this item.

Item 13. Certain Relationships and Related Transactions.

The information appearing in Note 17 of the Notes to Consolidated Financial Statements included on page 54 of First Financial’s Annual Report to Shareholders is incorporated herein by reference in response to this item. Reference is also made to information appearing under "Transactions with Related Parties" of First Financial’s 2008 Proxy Statement in response to this item.

Item 14. Principal Accounting Fees and Services.

Information appearing under "Independent Registered Public Accounting Firm, Fees, and Engagement" of First Financial’s 2008 Proxy Statement is incorporated herein by reference in response to this item.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) Documents filed as a part of the Report:

* The page numbers indicated refer to pages of the registrant's Annual Report to Shareholders for the fiscal year ended December 31, 2007 which are incorporated herein by reference.

(3) Exhibits:

Exhibit Number	
3.1	Articles of Incorporation, as amended as of February 26, 2008.
3.2	Amended and Restated Regulations, as amended as of May 1, 2007, and incorporated herein by reference to Exhibit 3.2 to the Form10-Q for the quarter ended June 30, 2007. File No. 000-12379.
4.1	Rights Agreement between First Financial Bancorp and First National Bank of Southwestern Ohio dated as of November 23, 1993, and incorporated herein by reference to Exhibit 4 to the Form 10-K for year ended December 31, 1998. File No. 000-12379.
4.2	First Amendment to Rights Agreement dated as of May 1, 1998, and incorporated herein by reference to Exhibit 4.1 to the Form 10-Q for the quarter ended March 31, 1998. File No. 000-12379.
4.3	Second Amendment to Rights Agreement dated as of December 5, 2003, and incorporated herein by reference to Exhibit 4.1 to First Financial's Form 8-K filed on December 5, 2003. File No. 000-12379.
4.4	No instruments defining the rights of holders of long-term debt of First Financial are filed herewith. Pursuant to (b)(4)(iii) of Item 601 of Regulation S-K, First Financial agrees to furnish a copy of any such agreements to the Securities and Exchange Commission upon request.
10.1	Agreement between Charles D. Lefferson and First Financial Bancorp. dated August 4, 2000, and incorporated herein by reference to Exhibit 10.5 to the Form 10-K for the year ended December 31, 2002. File No. 000-12379.
10.2	Amendment to Employment Agreement between Charles D. Lefferson and First Financial Bancorp. dated May 23, 2003, and incorporated herein by reference to Exhibit 10.5 to the Form 10-Q for the quarter ended June 30, 2003. File No. 000-12379.
10.3	First Financial Bancorp. 1991 Stock Incentive Plan, dated September 24, 1991, and incorporated herein by reference to a Registration Statement on Form S-8, Registration No. 33-46819.
10.4	First Financial Bancorp. Dividend Reinvestment and Share Purchase Plan, dated April 24, 1997, and incorporated herein by reference to a Registration Statement on Form S-3, Registration No. 333-25745.
10.5	First Financial Bancorp. 1999 Stock Incentive Plan for Officers and Employees, dated April 27, 1999, and incorporated herein by reference to a Registration Statement on Form S-3, Registration No. 333-86781.

Exhibit Number	
10.6	First Financial Bancorp. 1999 Non-Employee Director Stock Plan, as dated April 27, 1999 and amended and restated as of April 26, 2005, and incorporated herein by reference to Exhibit 10.11 to the Form 10-Q for the quarter ended March 31, 2006. File No. 000-12379.
10.7	First Financial Bancorp. Director Fee Stock Plan amended and restated effective April 20, 2004, and incorporated herein by reference to Exhibit 10.12 to the Form10-Q for the quarter ended June 30, 2004. File No. 000-12379.
10.8	Form of Executive Supplemental Retirement Agreement, incorporated herein by reference to Exhibit 10.11 to the Form 10-K for the year ended December 31, 2002. File No. 000-12379.
10.9	Form of Endorsement Method Split Dollar Agreement, incorporated herein by reference to Exhibit 10.12 to the Form 10-K for the year ended December 31, 2002. File No. 000-12379.
10.10	First Financial Bancorp. Deferred Compensation Plan, effective June 1, 2003, incorporated herein by reference to Exhibit 10.1 to the Form 10-Q for the quarter ended June 30, 2003. File No. 000-12379.
10.11	Form of Stock Option Agreement for Incentive Stock Options, incorporated herein by reference to Exhibit 10.1 to the Form 8-K filed on January 27, 2005. File No. 000-12379.
10.12	Form of Stock Option Agreement for Nonqualified Stock Options, incorporated herein by reference to Exhibit 10.2 of the Form 8-K filed on January 27, 2005. File No. 000-12379.
10.13	Form of First Financial Bancorp. 1999 Stock Incentive Plan for Officers and Employees Agreement for Restricted Stock Award, incorporated herein by reference to Exhibit 10.3 to the Form 8-K filed on January 27, 2005. File No. 000-12379.
10.14	Form of Stock Option Agreement for Incentive Stock Options, incorporated herein by reference to Exhibit 10.1 to the Form 8-K filed on April 22, 2005. File No. 000-12379.
10.15	Form of Stock Option Agreement for Non-Qualified Stock Options, incorporated herein by reference to Exhibit 10.2 to the Form 8-K filed on April 22, 2005. File No. 000-12379.
10.16	Form of Stock Option Agreement for Restricted Stock Awards, incorporated herein by reference to Exhibit 10.3 to the Form 8-K filed on April 22, 2005. File No. 000-12379.
10.17	Form of Agreement for Restricted Stock Award for Non-Employee Directors dated April 25, 2006, incorporate herein by reference to the Form 10-Q for the quarter ended June 30, 2006. File No. 000-12379.

Exhibit Number	
10.18	Amended and Restated Employment and Non-Competition Agreement between Claude E. Davis and First Financial Bancorp. dated August 22, 2006, and incorporated herein by reference to Exhibit 10.1 to First Financial Bancorp's Form 8-K filed on August 28, 2006. File No. 000-12379.
10.19	First Financial Bancorp. Severance Pay Plan as approved January 1, 2007, incorporated by reference to the Form 10-K filed on February 27, 2007. File No. 000-12379.
10.20	Terms of First Financial Bancorp. Short-Term Incentive Plan, incorporated herein by reference to the Form 8-K filed on May 5, 2007. File No. 000-12379.
10.21	First Financial Bancorp. Key Manager Severance Plan as approved February 26, 2008.
13	Registrant's annual report to shareholders for the year ended December 31, 2007.
14	First Financial Bancorp. Code of Business Conduct and Ethics, as approved January 23, 2007, incorporated herein by reference to Exhibit 14 to the Form 10-K for the year ended December 31, 2006. File No. 000-12379.
21	First Financial Bancorp. Subsidiaries.
23	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.
31.1	Certification by Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Periodic Financial Report by Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Periodic Financial Report by Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

The Company will furnish, without charge, to a security holder upon request a copy of the documents, portions of which are incorporated by reference (Annual Report to Shareholders and Proxy Statement), and will furnish any other Exhibit upon payment of reproductions costs.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FIRST FINANCIAL BANCORP.

By: /s/ Claude E. Davis
Claude E. Davis, Director
President & Chief Executive Officer

Date 2/26/08

Pursuant to the requirements of the Securities Exchange Act of 1934, the report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Claude E. Davis	/s/ J. Franklin Hall
Claude E. Davis, Director President & Chief Executive Officer	J. Franklin Hall, Executive Vice President & Chief Financial Officer
Date 2/26/08	Date 2/26/08
/s/ Barry S. Porter	/s/ Anthony M. Stollings
Barry S. Porter, Director Chairman of the Board	Anthony M. Stollings, Senior Vice President, Chief Accounting Officer, & Controller
Date 2/26/08	Date 2/26/08
/s/ J. Wickliffe Ach	/s/ Donald M. Cisle
J. Wickliffe Ach, Director	Donald M. Cisle, Director
Date 2/26/08	Date 2/26/08
/s/ Corinne R. Finnerty	/s/ Murph Knapke
Corinne R. Finnerty, Director	Murph Knapke, Director
Date 2/26/08	Date 2/26/08

SIGNATURES (CONT'D)

/s/ Susan L. Knust
Susan L. Knust, Director

Date 2/26/08

/s/ William J. Kramer
William J. Kramer, Director

Date 2/26/08

/s/ Richard E. Olszewski
Richard E. Olszewski, Director

Date 2/26/08

Section 2: EX-3.1 (EX-3.1)

EXHIBIT 3.1

Revised April 30, 1987
Revised April 30, 1990
Revised May 7, 1991
Revised April 27, 1993
Revised April 26, 1994
Revised April 22, 1997
Revised April 28, 1998
Revised April 27, 1999
Revised February 26, 2008

AMENDED AND RESTATED ARTICLES OF INCORPORATION OF FIRST FINANCIAL BANCORP.

The undersigned, a majority of whom are citizens of the United States, desiring to form a corporation, for profit, under Sections 1701.01 et seq. of the Revised Code of Ohio, do hereby certify:

FIRST. The name of said corporation shall be First Financial Bancorp.

SECOND. The place in Ohio where its principal office is to be located is Cincinnati, Hamilton County.

THIRD. The purposes for which it is formed are: to organize, purchase, acquire, own, invest in, or control banks and other companies, and the shares and securities of the same, in accordance with, and to the full extent permitted by, the Bank Holding Company Act of 1956 and other applicable laws of the United States, or of this State, as now or hereafter amended, and to carry on the business of a bank holding company in accordance with such laws; and to engage in any lawful act or activity for which corporations may be formed under Sections 1701.01 to 1701.98, inclusive, of the Ohio Revised Code.

FOURTH. The total number of shares of stock which the corporation shall have authority to issue is One Hundred Sixty Million (160,000,000) shares of common stock, without par value.

(a) Dividends. The holders of shares of common stock shall be entitled to receive dividends, if and when declared payable from time to time by the Board of Directors, from any funds legally available therefor.

(b) Voting. Each outstanding share of the common stock of the corporation shall entitle the holder thereof to one vote and the exclusive voting power for all purposes shall be vested in the holders of common stock.

(c) Preemptive Rights. No holder of shares of the common stock of the corporation shall have preemptive rights to subscribe for or to purchase any shares of the common stock of the corporation or any other securities of the corporation, whether such share or shares are now or hereafter authorized.

(d) Purchase of Own Securities. The corporation shall be authorized to purchase or otherwise acquire, and to hold, own, pledge, transfer or otherwise dispose of, shares of its own common stock and other securities, subject, however, to the laws of the State of Ohio and to federal statutes, and without limitation to the Bank Holding Company Act of 1956 as amended and as hereinafter may be amended or supplemented.

(e) The shareholders shall not have the right to vote cumulatively in the election of directors effective for the Annual Meeting occurring in 1988 and thereafter.

FIFTH. The number and qualification of directors of the corporation shall be fixed from time to time by its Code of Regulations. The number of directors may be increased or decreased as therein provided but the number thereof shall in no event be less than nine. The Board of Directors shall be divided into three classes as nearly equal in number as the then total number of directors constituting the whole board permits, with the term of office of one class expiring each year. At the first annual meeting of stockholders, directors of Class I shall be elected to hold office for a term expiring at the next succeeding annual meeting, directors of Class II shall be elected to hold office for a term expiring at the second succeeding annual meeting, and directors of Class III shall be elected to hold office for a term expiring at the third succeeding annual meeting. In no event shall there be less than three directors per class. Subject to the foregoing, at each annual meeting of stockholders the successors to the class of directors whose terms shall then expire shall be elected to hold office for a term expiring at the third succeeding annual meeting. In the event of any increase in the number of directors of the corporation, the additional directors shall be so classified that all classes of directors shall be increased equally as nearly as may be possible. In the event of any decrease in the number of directors of the corporation, all classes of directors shall be decreased as equal as possible. No reduction in number of directors shall of itself have the effect of shortening the term of an incumbent director.

SIXTH. Each person who is or was a director, officer, employee or agent of the corporation shall be indemnified by the corporation to the full extent permitted by the Revised Code of Ohio against any liability, cost or expense incurred by him in his capacity as a director, officer, employee or agent, or arising out of his status as a director, officer, employee or agent. The corporation may, but shall not be obligated to, maintain insurance, at its expense, to protect itself and any such person against any such liability, cost or expense.

SEVENTH. The corporation reserves the right to amend, alter, change or repeal any provision contained in these Articles of Incorporation in the manner now or hereafter prescribed by the laws of Ohio, and all rights and powers conferred herein upon stockholders and directors are granted subject to this reservation.

IN WITNESS WHEREOF, I have hereunto subscribed my name, this 26th day of February, 2008.

FIRST FINANCIAL BANCORP

By: /s/ Claude E. Davis
Claude E. Davis
President and Chief Executive Officer

Section 3: EX-10.21 (EX-10.21)

EXHIBIT 10.21

FIRST FINANCIAL BANCORP.
AMENDED AND RESTATED KEY MANAGEMENT SEVERANCE PLAN

I. Preamble and Statement of Purpose .

The purpose of this Plan is to assure First Financial Bancorp. ("First Financial") and its subsidiaries (First Financial, together with its subsidiaries, the "Corporation") of the continued dedication, loyalty, and service of, and the availability of objective advice and counsel from, key employees of the Corporation notwithstanding the possibility, threat or occurrence of a bid or other action to take over control of the Corporation.

In the event First Financial receives any proposals from a third party concerning a possible business combination with First Financial, or acquisition of First Financial's equity securities or a substantial portion of its assets, the Board of Directors of First Financial (the "Board") believes that it would be imperative that the Board, the Corporation and its senior management be able to rely on the Corporation's key employees to continue in their positions and be available for advice, if requested, without concern that those individuals might be distracted by the personal uncertainties and risks created by such a proposal, or be influenced to consider other employment opportunities or prospects because of such uncertainties or risks.

Should First Financial receive any such proposals, in addition to their regular duties, such key employees, in light of their experience and knowledge gained within that portion of the business in which they are principally engaged, may be called upon to assist in the assessment of proposals, advise senior management and the Board as to whether such proposals would be in the best interest of First Financial and its shareholders, and take such other actions as the Board might determine to be appropriate.

This Plan amends and supersedes the First Financial Bancorp Key Management Severance Plan that was first effective on March 23, 2006.

II. Eligible Executives .

Eligible employees are those key employees of the Corporation who are from time to time designated by the Chief Executive Officer of First Financial (the "CEO") as eligible to participate in this Plan. The CEO shall provide the Compensation Committee of the Board (the "Compensation Committee") a list of those individuals designated as eligible as updated from time-to-time.

Each eligible employee shall become a Participant in the Plan upon his or her execution of a letter agreement in the form, or substantially in the form, of Exhibit A, attached to and incorporated in this Plan (the "Letter Agreement"). The executed Letter Agreement shall constitute the Participant's agreement to the terms and conditions of participation in this Plan and shall set forth the amount of the Lump Sum Cash Payment under Section 3.2.2, the length of the Coverage Period for welfare benefit continuation under Section 3.2.3, and such other terms and conditions as the Compensation Committee may determine applicable to the Participant.

A Participant who is no longer employed by the Corporation shall cease to be a Participant in the Plan, unless the Participant's employment ceases (i) within twelve (12) months after the Effective Date (as defined in Section 3.1.3) or (ii) during any period of time when the Board has knowledge that any third person has taken steps reasonably calculated to effect a Change of Control (as defined in Section 3.1.2) until, in the opinion of the Board, the third party has abandoned or terminated its efforts to effect a Change of Control. Any decision by the Board that, in its opinion, a third party has or has not taken steps reasonably calculated to effect a Change of Control, or that, in its opinion, the third person has abandoned or terminated its efforts to effect a Change of Control, shall be conclusive and binding on the Participants.

III. Plan Provisions .

3.1 Definitions. The following terms, as used in this Plan with capitalized first letters, shall have the meanings as provided in this Section 3.1:

3.1.1. "Cause". "Cause" means (i) the Participant's willful and continued failure substantially to perform the duties of his or her position (other than as a result of disability, as defined in Section 72(m)(7) of the Internal Revenue Code of 1986, as amended (the "Code"), or as a result of termination by the Participant for Good Reason) after written notice to the Participant by the CEO or his/her designate specifying such failure, provided that such "Cause" shall have been found by the CEO in consultation with legal counsel after at least ten (10) days' written notice to the Participant specifying the failure on the part of the Participant and after an opportunity for the Participant to be heard at a meeting with the CEO or his/her designate; (ii) any willful act or omission by the Participant constituting dishonesty, fraud or other malfeasance, and any act or omission by the Participant constituting immoral conduct, which in any such case is injurious to the financial condition or business reputation of the Corporation; or (iii) the Participant's indictment of a felony under the laws of the United States or any state thereof or any other jurisdiction in which the Corporation conducts business. For purposes of this definition, no act or failure to act shall be deemed "willful" unless effected by the Participant not in good faith and without a reasonable belief that such action or failure to act was in or not opposed to the best interests of the Corporation.

3.1.2. "Change of Control". "Change of Control" means the earliest to occur of any of the following events, construed in accordance with Code section 409A:

(i) Any one person or more than one person acting as a group acquires, or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or group, beneficial ownership of more than fifty percent (50%) of the total voting power of First Financial's then outstanding voting securities;

(ii) A majority of the members of the Board is replaced during any twelve (12) month period by directors whose appointment or election is not endorsed or approved by a majority of the members of the Board who were members of the Board prior to the initiation of the replacement; or

(iii) Any one person or more than one person acting as a group acquires, or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or group, assets of First Financial that have a total gross fair market value of fifty percent (50%) or more of the total gross fair market value of all of the assets of First Financial immediately prior to the initiation of the acquisition.

3.1.3. "Effective Date". "Effective Date" means the date on which a Change of Control occurs. In the event of a Change of Control occurring within twelve (12) months after a prior Change of Control, "Effective Date" shall mean, for a Participant whose employment terminates prior to the subsequent Change of Control, the date on which the prior Change of Control occurs, and for all other Participants, the date on which the subsequent Change of Control occurs. Notwithstanding anything in this Plan to the contrary, if a Participant’s employment with the Corporation had terminated prior to the date on which the Change of Control occurred, and if it is reasonably demonstrated by the Participant to the Board that such termination of employment either was at the request of a third party who had taken steps reasonably calculated to effect the Change of Control or otherwise arose in connection with or in anticipation of the Change of Control, then, for all purposes of this Plan, "Effective Date" shall mean, with respect to such Participant only, the date immediately prior to the date of such termination of employment.

3.1.4. "Good Reason". "Good Reason" means, without the Participant’s consent, (i) removal from, or failure to be reappointed or reelected to, the Participant’s principal positions immediately prior to the Change of Control (other than as a result of a promotion); (ii) a material diminution in the Participant’s title, position, duties or responsibilities, or the assignment to the Participant of duties that are inconsistent, in a material respect, with the scope of duties and responsibilities associated with the Participant’s position immediately prior to the Change of Control; (iii) a material reduction in the Participant’s base compensation, as in effect immediately preceding the Effective Date, or target bonus opportunity; (iv) relocation of the Participant’s principal workplace to a location which is more than fifty (50) miles from the Participant’s principal workplace on the Effective Date; or (v) any material failure by First Financial to comply with and satisfy the requirements of Section 3.5.6, provided that the successor shall have received at least ten (10) days’ prior written notice from First Financial or the Participant of the requirements of Section 3.5.6, and shall have failed to remedy such material failure within thirty (30) days after receipt of such notice. For purposes of clauses (i), (ii) or (iii) of the preceding sentence, an isolated and inadvertent action not taken in bad faith and which is remedied by First Financial promptly after receipt of notice thereof given by the Participant shall be excluded. For purposes of clause (ii), no material diminution of title, position, duties or responsibilities shall be deemed to occur solely because First Financial becomes a subsidiary of another corporation or change in the reporting hierarchy incident thereto. For the purposes of clauses (i), (ii), (iii), and (iv), Good Reason shall not exist unless the Participant notifies the Corporation of the existence of the condition specified under the applicable clause no later than ninety (90) days after the initial existence of any such condition, and the Corporation fails to remedy such condition within thirty (30) days after receipt of such notice. Notwithstanding the foregoing, Good Reason shall not exist unless the termination of employment from the Corporation occurs no later than one year following the initial existence of any of the conditions provided under this Section 3.1.4.

3.2 Benefits.

3.2.1. Triggering Event. In the event the Participant's employment with the Corporation is terminated without Cause by the Corporation, or for Good Reason by the Participant, on or within twelve (12) months after the Effective Date, First Financial shall (in addition to any compensation or benefits to which the Participant may otherwise be entitled under any other agreement, plan or arrangement with the Corporation, other than amounts excluded by Section 3.5.2) make the payments and provide the benefits to the Participant as specified under Sections 3.2.2 through 3.2.6, subject to Section 3.4 and 3.5.2. Solely for purposes of this Section 3.2.1, a Participant's employment with the Corporation will be deemed to have terminated on the earlier of the date the Participant's employment with the Corporation ceases or the date that written notice of any such termination is received by the Participant or by the Corporation, as the case may be, even though the parties may agree in connection therewith that the Participant's employment with the Corporation will continue for a specified period thereafter. The failure by the Participant or the Corporation to set forth in any such notice sufficient facts or circumstances showing Good Reason or Cause, as the case may be, shall not waive any right of the Participant or the Corporation or preclude either party from asserting such facts or circumstances in the enforcement of any such right.

3.2.2. Lump Sum Cash Payment. On or within 30 days after the Participant's termination of employment from the Corporation, First Financial shall pay to the Participant as compensation for services rendered to the Corporation a Lump Sum Cash Payment (subject to any applicable payroll or other taxes required to be withheld) equal to the sum of (a) six (6) to twelve (12) months (such period to be determined by the CEO) of the Participant's then current annual base salary; and (b) accrued but unused vacation allotment for the current year, such amount determined in accordance with the Letter Agreement.

3.2.3. COBRA Coverage. The Participant may elect to continue the Participant's (and, where applicable, the Participant's dependents') health benefits pursuant to COBRA. If the Participant elects to do so, the Corporation will pay the portion of the COBRA premiums which it paid for the Participant's insurance premiums which it did while Participant was an employee of the Corporation for up to twelve (12) months, and the Participant's portion will be deducted from the Lump Sum Cash Benefit.

3.2.4. Accelerated Vesting of Stock Awards. If Participant's employment is terminated within twelve (12) months of the Effective Date of a Change of Control as defined in Section 3.1.2, any unvested stock options and restricted stock will vest subject to the terms of the applicable stock benefit plan. The preceding sentence shall not apply with respect to any stock award if: (i) in connection with the Change of Control, another entity (a) shall have assumed or will assume the obligations of First Financial with respect to such stock award, or (b) shall have issued or will issue one or more stock awards of equivalent economic value with equivalent vesting conditions to replace such stock award; and (ii) the assumed or replacement option as set forth in clause (i), pursuant to its terms, shall vest as of the date the Participant's employment with the Corporation is terminated without Cause by the Corporation, or for Good Reason by the Participant, on or within eighteen (18) months after the Effective Date. The Board shall have sole discretion in the determination of whether a replacement option is of equivalent economic value to the replaced option.

3.2.5. Outplacement Assistance. Participant shall be entitled to outplacement assistance with an agency selected by First Financial with the fee paid by First Financial in an amount not to exceed two (2) to five (5) percent of the Participant's annual base salary as determined by the CEO, such amount determined in accordance with the Letter Agreement.

3.2.6. Target Bonus Payment. Participant shall be entitled to his/her target bonus ("Target Bonus") as defined in the Short Term Bonus Plan for the year of the Effective Date. The Target Bonus will be paid on the date when annual bonuses for other key management employees are normally paid. In no event shall the Target Bonus be paid later than March 15 in the year following the Effective Date.

3.3 Adjustment of Lump Sum Cash Payment.

3.3.1. Adjustment. Notwithstanding anything in this Plan or any Letter Agreement to the contrary, in the event the Law or Accounting Firm (as defined in Section 3.3.2) shall determine that the Lump Sum Cash Payment and any other payment or distribution in the nature of compensation by the Corporation to or for the benefit of the Participant, whether paid or payable or distributed or distributable pursuant to the terms of this Plan or otherwise (the Lump Sum Cash Payment, together with such other payments and distributions, the "Payments"), would cause any portion of such Payments to be subject to the excise tax imposed by Section 4999 (or any successor provision) of the Code (the "Parachute Payments"), the Participant's Lump Sum Cash Payment shall be reduced to the extent necessary (but not below zero) so that no portion of the Payments shall be subject to the excise tax imposed by Section 4999 of the Code, provided that no such reduction shall be made if the Participant's Payments, after the reduction and after the application of Federal income tax at the highest rate applicable to individual taxpayers, would not be greater than the present value (determined in accordance with Section 280G of the Code) of the Payments before the reduction but after the application of (i) excise tax under Section 4999 of the Code and (ii) Federal income tax at the highest rate applicable to individual taxpayers.

3.3.2. Determination. All determinations required to be made under this Section 3.3, including the assumptions to be utilized in arriving at such determination, shall be made by a nationally recognized law or accounting firm (the "Law or Accounting Firm"), which shall provide detailed supporting calculations both to First Financial and the

the Participant (i) within fifteen (15) business days after the receipt of a notice from the Participant that he or she may have a Parachute Payment, or (ii) at such earlier time as may be requested by First Financial. The Law or Accounting Firm may employ and rely upon the opinions of actuarial or accounting professionals to the extent it deems necessary or advisable. In the event that the Law or Accounting Firm determines, for any reason, that it is unable to perform such services, or declines to do so, First Financial shall select another nationally recognized law or accounting firm to make the determinations required under this Section (which law or accounting firm shall then be referred to as the Law or Accounting Firm hereunder). All fees and expenses of the Law or Accounting Firm shall be borne solely by First Financial. Any determination by the Law or Accounting Firm shall be binding upon First Financial and the Participant.

3.4 Terms and Conditions of Participation

3.4.1. Conditions of Participation. As a condition to being covered by the Plan, each Participant, by executing the Letter Agreement, shall acknowledge and agree that (i) except as may otherwise be expressly provided under any other executed agreement between the Participant and the Corporation, nothing contained in this Plan (including, but not limited to, using the term "Cause" to determine benefits under this Plan) is intended to change the fact that the employment of the Participant by the Corporation is "at will" and, prior to the Effective Date, may be terminated by either the Participant or the Corporation at any time, (ii) the Participant shall be bound by, and comply with, the requirements of Sections 3.5.3 and 3.5.4, and (iii) the Participant consents to the modifications to the options as provided in Section 3.2.4. Moreover, except as provided in Section 3.1.3, if prior to the Effective Date, the Participant's employment with the Corporation terminates, then the Participant shall have no further rights under this Plan.

3.4.2. Non-Duplication. As a condition to being covered by this Plan, and notwithstanding any other prior agreement to the contrary, each Participant, by executing the Letter Agreement, shall agree that the payments under this Plan shall be in lieu of any severance or similar payments that otherwise might be payable under any plan, program, policy or agreement.

3.4.3. Amendment and Termination. The Plan may not be amended or terminated after the Effective Date. Prior to the Effective Date, the Compensation Committee of the Board (the "Compensation Committee") may, in its sole discretion, modify or amend this Plan in any respect, or terminate the Plan (including with respect to individuals then participating in the Plan), provided such action is taken and becomes effective at least one (1) year prior to the Effective Date and such action is communicated to the Participants prior to the Effective Date. First Financial may amend the Plan to provide greater or lesser benefits to particular employees by sending the affected employees a letter setting forth the applicable benefit modification. Notwithstanding the foregoing provisions of this Section 3.4.3, the Plan may be amended by the Compensation Committee at any time, retroactively if required, if found necessary, in the opinion of the Compensation Committee, in order to conform the Plan to the provisions of section 409A of the Code and the Treasury Regulations or other authoritative guidance issued thereunder and to conform the Plan to the provisions and other requirements of any applicable law. No such amendment shall be considered prejudicial to any interest of a Participant under the Plan or require the Participant's written consent. The Corporation shall promptly notify affected Participants of any such amendment adopted by the Compensation Committee.

3.5 General

3.5.1. Indemnification. If litigation or arbitration shall be brought to enforce or interpret any provision of this Plan which relates to First Financial's obligation to make payments hereunder, then First Financial, to the extent permitted by applicable law and First Financial's Articles of Incorporation, shall indemnify the Participant for his or her reasonable attorneys' fees and disbursements incurred in such proceedings, and shall pay pre-judgment interest on any money judgment obtained by the Participant calculated at the prime rate of interest published from time to time by *The Wall Street Journal* , northeast edition ("Prime Rate") from the date that payment(s) to him or her should have been made under this Plan.

3.5.2. Payment Obligations; Overdue Payments . The Corporation's obligations to make the payments and provide the benefits to the Participant under this Plan shall be absolute and unconditional and shall not be affected in any way by any circumstances, including, without limitation, any offset, counterclaim, recoupment, defense or other right which First Financial may have against the Participant or anyone else, provided, however, that as a condition to payment of amounts under this Plan, the Participant shall execute by no later than the scheduled payment date a general release and waiver (the "Waiver"), in form and substance reasonably satisfactory to First Financial, of all claims relating to the Participant's employment by the Corporation and the termination of such employment, including, but not limited to, discrimination claims, employment-related tort claims, contract claims and claims under this Plan (other than claims with respect to benefits under the Corporation's tax-qualified retirement plans, continuation of coverage or benefits solely as required by Part 6 of Title I of the Employee Retirement Income Security Act of 1974, or any obligation of First Financial to provide future performance under Section 3.2.3). All amounts payable by First Financial hereunder shall be paid without notice or demand, except as may be required with respect to the Waiver. Each and every payment made hereunder by First Financial shall be final. The Corporation shall not seek to recover all or any part of such payment from the Participant or from whosoever may be entitled thereto, for any reason whatsoever. The Participant shall not be obligated to seek other employment in mitigation of the amounts payable or arrangements made under any provision of this Plan, and the obtaining of any such other employment shall in no event effect any reduction of First Financial's obligations to pay the Lump Sum Cash Payment. The Participant shall be entitled to receive interest at the Prime Rate on any payments under this Plan that are overdue, provided, however, that no payments shall be deemed to be overdue until the Participant executes the Waiver and any rescission period with respect to such Waiver has expired or to the extent that payments are delayed pursuant to the requirements of Section 409A of the Code.

3.5.3. Confidential Information. The Participant shall at all times hold in a fiduciary capacity for the benefit of the Corporation all secret, confidential or proprietary information, knowledge or data relating to the Corporation, and its respective businesses, which shall have been obtained by the Participant during the Participant's employment by the Corporation and which shall not be or become public knowledge (other than by acts by the Participant or representatives of the Participant in violation of this Plan) including, but not limited to, the following: (i) performance characteristics of the Corporation's products; (ii) marketing plans, business plans, strategies, forecasts, budgets, projections and costs; (iii) personnel information; (iv) customer, vendor and supplier lists; (v) customer, vendor and supplier needs, transaction histories, contacts, volumes, characteristics, agreements and prices; (vi) promotions, operations, sales, marketing, and research and development; (vii) business operations, internal structures, and financial affairs; (viii) systems and procedures; (ix) pricing structure of the Corporation's services and products; (x) proposed services and products; (xi) contracts with other parties; and (xii) any other information that the Corporation is obligated by law, rule or regulation to maintain as confidential (the "Confidential Information"). During the Participant's employment with the Corporation and after termination of such employment at any time or for any reason, and regardless of whether any payments are made to the Participant under this Plan as a result of such termination, the Participant shall not, without the prior written consent of the Corporation or as may otherwise be required by law or legal process, communicate or divulge any Confidential Information to any person other than the Corporation, its employees and those designated by it or use any Confidential Information except for the benefit of the Corporation. Immediately upon termination of the Participant's employment with the Corporation at any time or for any reason, the Participant shall return to the Corporation all Confidential Information, including, but not limited to, any and all copies, reproductions, notes or extracts of Confidential Information. "Confidential Information" shall not include (v) Confidential Information which at the time of disclosure is already in the public domain; (w) Confidential Information which the Participant can demonstrate by written evidence was in his possession or known to him prior to his employment with the Corporation which is not subject to an obligation of confidentiality to the Corporation; (x) Confidential Information which subsequently becomes part of the public domain through no fault of the Participant; (y) Confidential Information which becomes known to the Participant through a third party who is under no obligation of confidentiality to the Corporation; and (z) Confidential Information which is required to be disclosed by law or by judicial administrative proceedings. Upon service to the Participant, or anyone acting on the Participant's behalf, of any subpoena, court order, or other legal process requiring the Participant to disclose information that would be Confidential Information but for the preceding sentence, the Participant shall immediately provide written notice to the Corporation of such service and of the content of any testimony or information to be disclosed.

3.5.4. Solicitation of Employees and Customers. (a) During the Participant's employment with the Corporation and for a period of six (6) to twelve (12) months after termination of such employment at any time and for any reason, and regardless of whether any payments are made to the Participant under this Plan as a result of such termination, the Participant shall not solicit, participate in or promote the solicitation of any person who was employed by the Corporation at the time of the Participant's termination of employment with the Corporation to leave the employ of the Corporation, or, on behalf of himself or any other person, hire, employ or engage any such person. The Participant further agrees that, during such time, if an employee of the Corporation contacts the Participant about prospective employment, the Participant will inform such employee that he or she cannot discuss the matter further without informing the Corporation.

(b) During the Participant's employment with the Corporation, and for a period of six (6) to twelve 12) months after termination of such employment and at any time and for any reason, and regardless of whether any payments are made to the Participant under this Plan as a result of such termination, the Participant will not, directly or indirectly, on behalf of himself or herself or on behalf of any other individual, association or entity, as an agent or otherwise:

(i) contact any of the customers of Corporation for whom the Participant directly performed any services or had any direct business contact for the purpose of soliciting business or inducing such customer to acquire any product or service that currently is provided or under development by the Corporation; or

(ii) contact any of the customers or prospective customers of the Corporation whose identity or other customer specific information the Participant discovered or gained access to as a result of his/her access to the Confidential Information for the purpose of soliciting or inducing any of such customers or prospective customers to acquire any product or service that currently is provided or under development by the Corporation; or

(iii) utilize the Confidential Information to solicit, influence, or encourage any customers or prospective customers of the Corporation to divert or direct their business to me or any other person, association or entity by or with whom the Participant is employed, associated, engaged as agent or otherwise affiliated.

(c) The six (6) to twelve (12) month period described in Sections 3.5.4(a) and (b) above shall correlate with the number of months set forth pursuant to Section 3.2.2(a).

3.5.5. Application of Restrictions Respecting Confidential Information and Solicitation of Employees. The requirements and obligations of the Participant under Sections 3.5.3 and 3.5.4 shall be in addition to, and not a limitation under, any other requirements and obligations of the Participant, at law or otherwise. The term "person" for purposes of Sections 3.5.3 and 3.5.4 shall include any individual or entity, including any corporation, trust or partnership.

3.5.6. Successors. All right under this Plan are personal to the Participant and without the prior written consent of First Financial shall not be assignable by the

Participant otherwise than by will or the laws of descent and distribution. This Plan shall inure to the benefit of and be enforceable by the Participant's legal representative. This Plan shall inure to the benefit of and be binding upon First Financial and its successors and assigns. First Financial will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of First Financial to assume expressly and agree to perform this Plan in the same manner and to the same extent that First Financial would be required to perform it.

3.5.7. Controlling Law; Jurisdiction. This Plan shall in all respects be governed by, and construed in accordance with, the laws of the State of Ohio (without regard to the principles of conflicts of laws). The Corporation and the Participants irrevocably consent and submit to the jurisdiction of the Common Please Court for the county in the State of Oho in which the Corporation's principal place of business is located, or in any Federal court sitting in the State of Ohio, for the purposes of any controversy, claim, dispute or action arising out of or related to this Plan, and hereby waive any defense of an inconvenient forum and any right of jurisdiction on account of the parties' place of residence or domicile.

3.5.8. Severability. Any provision in this Plan which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective only to the extent of such prohibition or unenforceability without invalidating or affecting the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

3.5.9. 409A Compliance.

(i) This Plan is intended to comply with, or otherwise be exempt from, Section 409A of the Code and any regulations and Treasury guidance promulgated thereunder.

(ii) The Corporation and Participant agree that they will execute any and all amendments to this Plan as they mutually agree in good faith may be necessary to ensure compliance with the provisions of Section 409A of the Code.

(iii) The preceding provisions, however, shall not be construed as a guarantee by the Corporation of any particular tax effect to Participant under this Plan. The Corporation shall not be liable to Participant for any payment made under this Plan, at the direction or with the consent of Participant, which is determined to result in an additional tax, penalty, or interest under Section 409A of the Code, nor for reporting in good faith any payment made under this Plan as an amount includible in gross income under Section 409A of the Code.

(iv) For purposes of Section 409A of the Code, the right to a series of installment payments under this Plan shall be treated as a right to a series of separate payments.

(v) With respect to any reimbursement of expenses of, or any provision of in-kind benefits to, Participant, as specified under this Plan, such reimbursement of expenses or provision of in-kind benefits shall be subject to the following conditions: (1) the expenses eligible for reimbursement or the amount of in-kind benefits provided in one taxable year shall not affect the expenses eligible for reimbursement or the amount of in-kind benefits provided in any other taxable year, except for any medical reimbursement arrangement providing for the reimbursement of expenses referred to in Section 105(b) of the Code; (2) the reimbursement of an eligible expense shall be made no later than the end of the year after the year in which such expense was incurred; and (3) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit.

(vi) For purposes of Section 409A of the Code, the date as of which the Corporation and the Participant reasonably anticipate that no further services would be performed by the Participant shall be construed as the date that the Participant first incurs a "separation from service" as defined under Section 409A of the Code.

(vii) If a payment obligation under this Plan arises on account of Participant’s termination of employment while he is a "specified employee" (as defined under Section 409A of the Code and determined in good faith by the Compensation Committee), any payment of "deferred compensation" (as defined under Treasury Regulation Section 1.409A-1(b)(1), after giving effect to the exemptions in Treasury Regulation Sections 1.409A-1(b)(3) through (b)(12)) shall accrue at the Prime Rate of interest and shall be made within 15 days after the end of the six-month period beginning on the date of such termination of employment or, if earlier, within 15 days after appointment of the personal representative or executor of Participant’s estate following his death.

Date: February 26, 2008

EXHIBIT A

AMENDED AND RESTATED KEY MANAGEMENT SEVERANCE PLAN

[DATE]

[name]
[address]

Dear _______________:

[***For new Participants:***] You are eligible to participate in the Amended and Restated First Financial Bancorp Key Management Severance Plan ("Amended and Restated KMSP") and will become a Participant therein upon signing this letter agreement. As used in this letter agreement, each capitalized term, if not defined herein, has the meaning ascribed to it under the Amended and Restated KMSP.

[***For existing Participants:***]You were a Participant in the First Financial Bancorp. Key Management Severance Plan ("KMSP"). This letter is being provided to you in accordance with section 10 of the KMSP. On [_____________], 2008, the Corporation amended and restated the Key Executive Severance Plan (as amended and restated, the "Amended and Restated KMSP"), enclosed, in order to conform the KMSP to changes made under the Internal Revenue Code of 1986, as amended, and to incorporate other revisions to the KMSP that the Compensation Committee of the Board of Directors determined to be desirable and in the best interests of the Corporation. The KMSP has been amended and restated to provide for certain benefits only in the event of a change in control not as previously provided for termination for other than "cause", as such was defined in the KMSP. Your participation in the Amended and Restated KMSP is conditioned upon your signing this letter agreement, and your signing of this letter agreement will signify your consent to the amendments made to the KMSP. As used in this letter agreement, each capitalized term, if not defined herein, has the meaning ascribed to it under the Amended and Restated KMSP.

[*For all Participants:]* For purposes of Section 3.2.2 of the Amended and Restated KMSP, the amount of the Lump Sum Cash Payment, in the event you become entitled to benefits under the Amended and Restated KMSP, will be equal to the sum of (i) **[xx]** times your actual annual rate of base salary as in effect immediately prior to either the date of your separation from service with the Corporation, as determined under Section 3.2.1, or the Effective Date, whichever is higher, and (ii) accrued but unused vacation allotment for the current year. With respect to any Target Bonus, such amount will be paid out in accordance with the Plan. In addition you will be eligible for outplacement assistance with an agency selected by First Financial with the fee paid by First Financial in an amount not to exceed **[xx]** times your annual base salary

For purposes of the Amended and Restated KMSP, your base salary will include (i) your cash allowances reportable as wages in Form W-2, and (ii) the dollar value of any compensation that would have been paid to you but was deferred or excluded for Federal income tax purposes under a deferred compensation plan, program or arrangement, including amounts deferred under the Corporation's 401(k) retirement savings plan.

For purposes of Section 3.2.3, the Coverage Period, in the event you become entitled to benefits under the Amended and Restated KMSP, will begin on the date immediately following your separation from service with the Corporation and shall end on the date **[six (6) / twelve (12)]** months thereafter.

Please review the provisions of the Amended and Restated KMSP and its stated purposes carefully, including particularly the terms and conditions stated in Sections 3.4 (Terms and Conditions of Participation), 3.5.3 (Confidential Information), and 3.5.4 (Solicitation of Employees and Customers), to which you will agree by executing this letter agreement. In order to be entitled to the benefits and agree to your obligations provided in the Amended and Restated KMSP, please execute the enclosed copy of this letter and return it to ________________, whereupon the Amended and Restated KMSP and this letter will become a legally binding agreement between you and First Financial.

Very Truly Yours,

FIRST FINANCIAL BANCORP.

By:

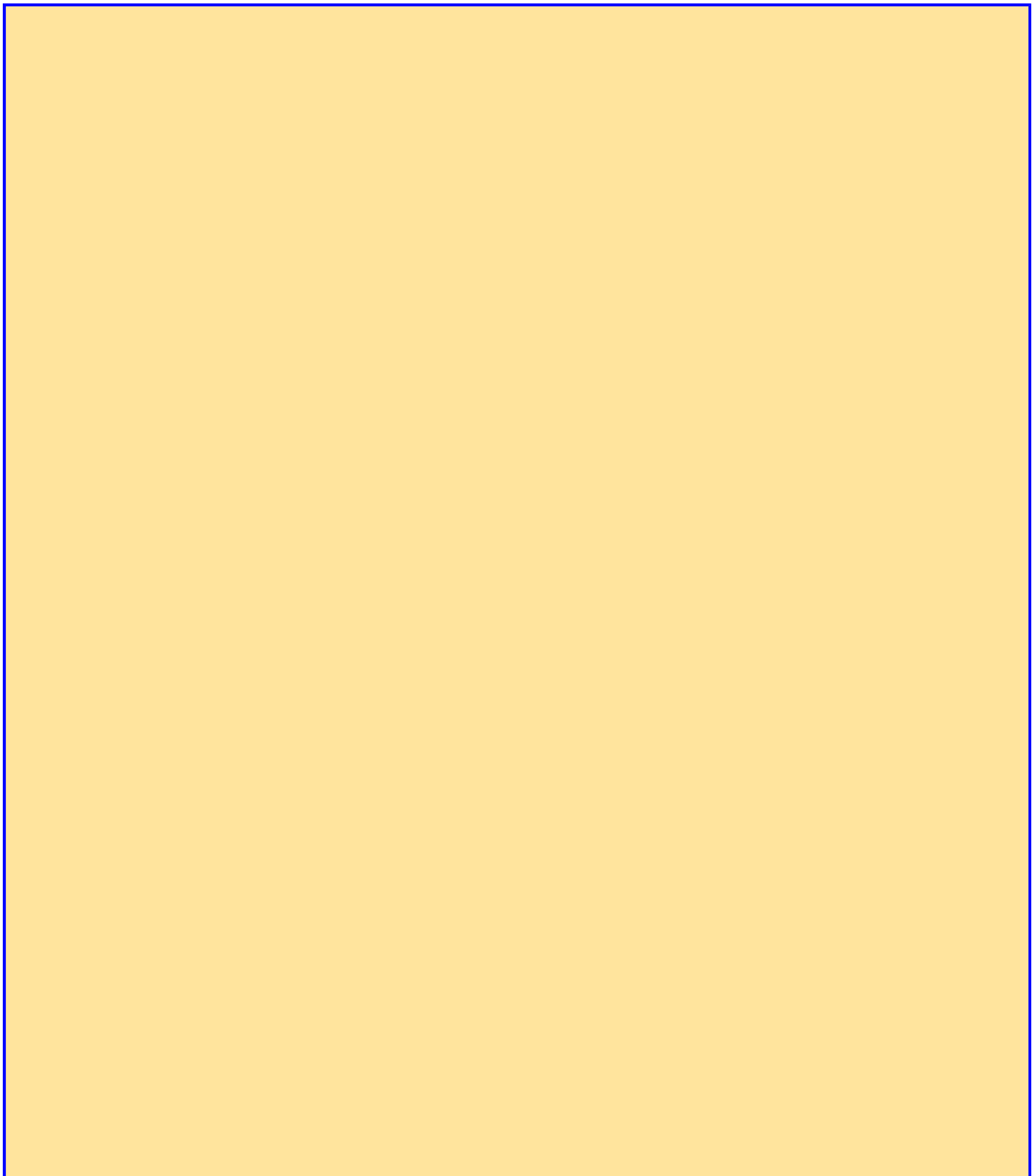
I hereby confirm my agreement with the forgoing:

____

Date: ______________________________

Section 4: EX-13 (EX-13)

Exhibit 13



What is success?

Each of us defines success differently.
Our needs and goals are different.

For some people success is
a lofty, distant future.

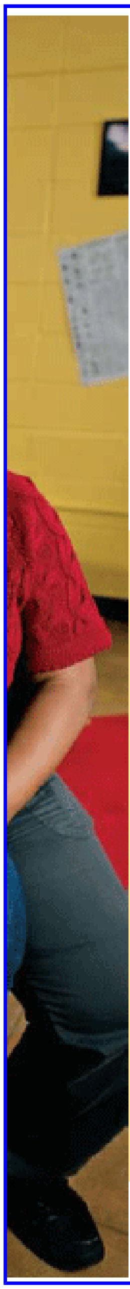
For others,
it is immediate and reachable.

Success for us at First Financial Bank
is helping our clients, associates,
shareholders and communities
achieve their individual success.

$645,000

At First Financial Bank, much care and thought was given in determining the best allocation of $645,000 in charitable contributions during 2007. *We have chosen three target areas – economic development, education, and neighborhood development. These are segments in which our expertise is high, resulting in more impact from both our financial support and our employees' significant volunteer activities.*

Alexis Acoff, Martasha Colvin (center) and Kayla Wilson



"Success for me would be teaching kids that they must never give up."

Martasha Colvin is the teen center advisor at the LeBlond Club of the Boys & Girls Clubs of Greater Cincinnati. Growing up, she heard about the Club from her cousins and friends who were members. Today, she is passionate about helping young girls at the club to recognize their gifts, set goals, strive for their dreams, stay in school, and reach their full potential.

Martasha teaches a course in money management, helps kids with computer skills, and works with them to develop job readiness. But her special gift is empathy — listening when young people are troubled and helping them find a way to persevere and not give up.

In 2007, First Financial pledged $100,000 over four years in a new partnership with the Boys & Girls Clubs of Greater Cincinnati which serves over 11,000 young people in disadvantaged areas. The teens under Martasha's guidance do homework every day before they go swimming, play basketball, exercise, and enjoy a hot dinner together. In the summer, they volunteer in the neighborhood, go on field trips, mentor younger Club members, and job shadow with local professionals.

The bank's hope is to help an already strong organization create even more success for its members. One aspect of the new partnership with the organization is recruiting bank associates to inspire these young people to learn about managing money and encourage them to pursue educational opportunities.

First Financial can't guarantee that Martasha's influence will be just what every teen at the Club needs, but we can be part of the support system that keeps her efforts going.

"Success for me would be
making our guests
feel at home."

When Tim Dora's wife asks him why he keeps on pursuing new hotel partnerships, he has an easy answer: "Because it's fun!"

Fifty years ago, Tim's late father opened the Covered Wagon Lodge in Vincennes, Indiana. He probably didn't realize that event would become the cornerstone of a rich tradition of Dora family participation in the hospitality industry.

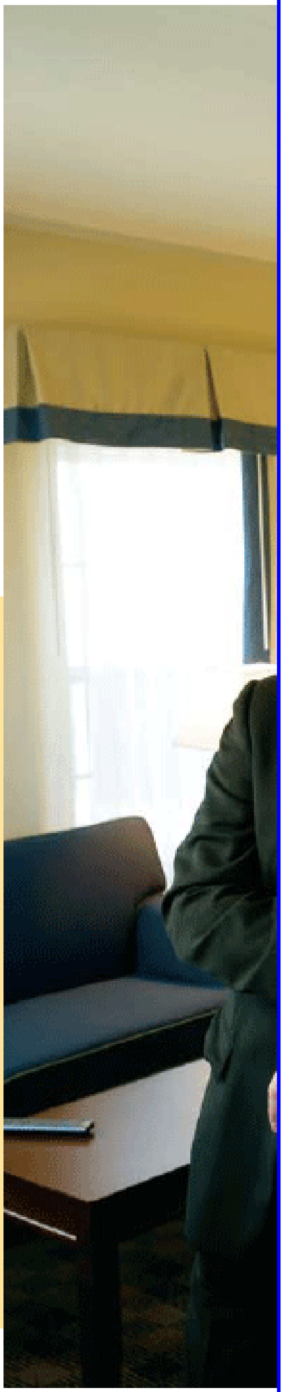
Today, Tim is involved in 25 hotels and is the general partner in Dora Brothers Hospitality Corporation. His company has hotels operating under such premier names as Hotel Indigo, Staybridge Suites, and Holiday Inn Express.

One of his recent efforts was the re-construction of an apartment complex into Charwood Corporate Lodging, an extended-stay hotel in Columbus, Indiana. Financed by First Financial Bank, Charwood offers corporate travelers all the comfort, convenience, and privacy of home.

By designing treasury-management services just for this client, First Financial Bank has become an integral part of the hotel owner's success. Every morning, First Financial provides a customized report with certain account data that helps Tim's company with its accounting.

Tim likes that First Financial is big enough to meet his capital needs as well as offer the sophisticated services his complex holdings demand. But he also appreciates that the bank is small enough to allow him to develop strong relationships with bank associates like Steve Gochenour and Renee Gorbett. They know Tim and his business so well that it doesn't take much time to get things done when he approaches them with a new venture.

We can't be sure that Tim will still be having fun a year from now, but we can anticipate that First Financial will still be a partner in his success.

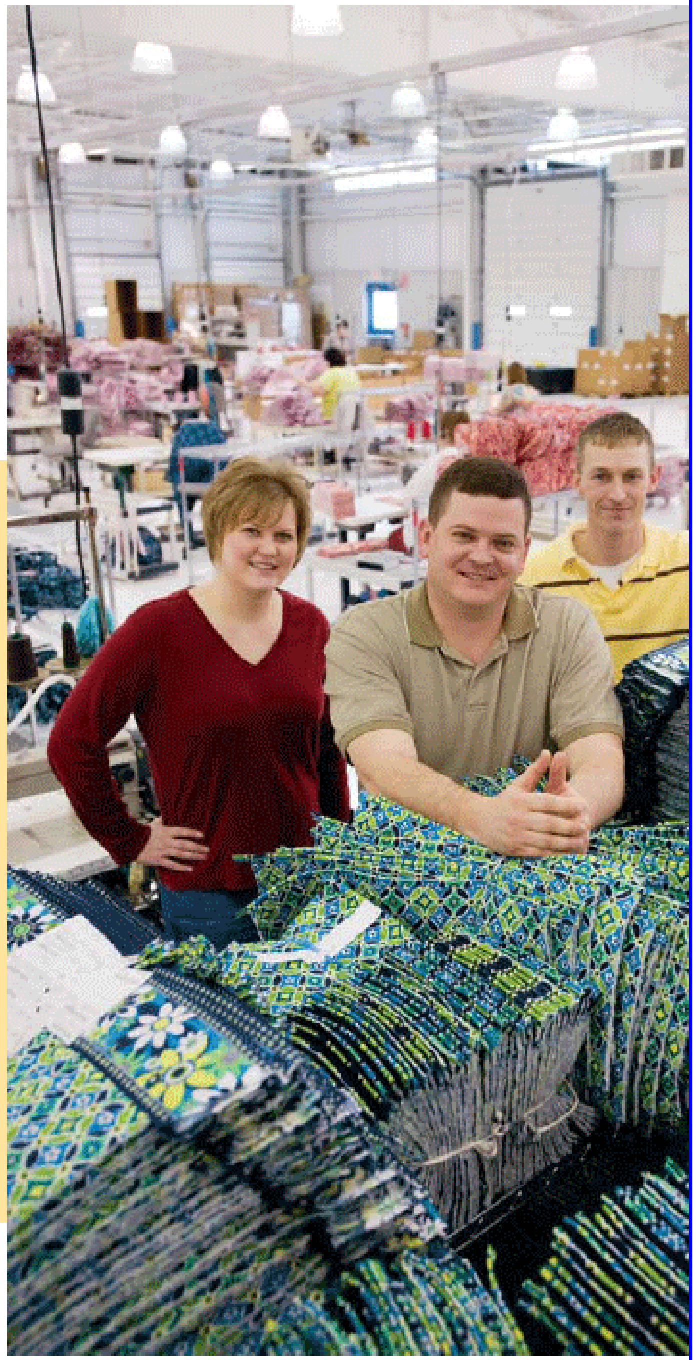


17.5%

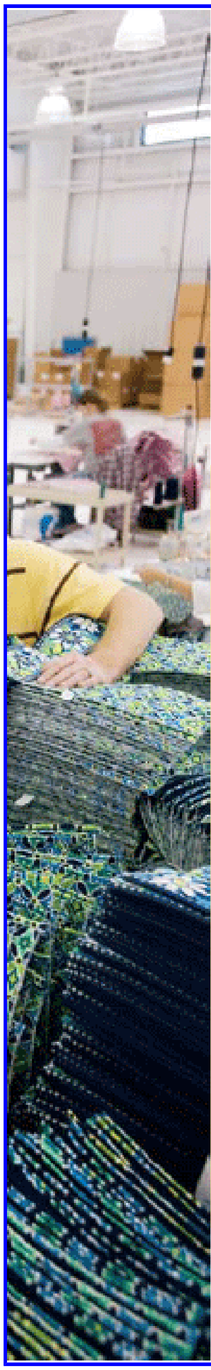
First Financial experienced growth in commercial, commercial real estate, and construction loans of 17.5 percent in 2007. *This growth was primarily driven by continued efforts to expand the bank's commercial lending sales force and deepen its market presence. Our future growth is likely to come from a combination of metropolitan and non-metropolitan markets.*

21,752

In addition to basic services, First Financial Bank also offers its 21,752 commercial clients a host of contemporary and sophisticated products. *Because it can be done anywhere at anytime, Internet banking is very popular with clients. Statements are available online or on CD-ROM, and automated account reconciliation helps reduce expenses and increase efficiency. Remote capture, lockbox collection services, as well as Positive Pay service are all available to our clients to help mitigate risk.*



Stacia Coplin, Ollie Adams (center), and Wyatt Young



"Success for me would be

to keep our company strong

so we can help the community

for a long time."

On November 10, 2002, Ollie Adams seriously wondered whether KAM Manufacturing would ever be able to put the pieces back together. A savage tornado had torn through the Van Wert, Ohio area, laying waste to KAM's 20,000 square-foot facility and the vast majority of its equipment. Only half of the company's 126 sewing machines were found and of those, exactly six were salvageable.

Ollie's mother Kim had started the company in the family's garage in 1983, sewing for a prominent national handbag company. In 1988, our bank helped her with financing to move the company to Van Wert. After the tornado, the bank was an important partner in putting the pieces back together.

Most bank records had literally been blown away. For security purposes, Ollie immediately had the bank close all the company's accounts. That same day, a bank officer brought documents to Ollie's home to open new accounts so that KAM would experience minimal financial disruption.

"The bank helped us find state assistance programs to secure low-rate financing for replacement equipment," said Ollie. "Amazingly, we were back to limited production in two weeks and to full production in a month."

Today, KAM is a growing company with 160 employees, 125 sewing machines, and an output of 6300 handbags daily. Ollie is a strong player in the Van Wert community, and KAM was recently named Small Business of the Year by the local chamber of commerce.

It takes tremendous effort to remain competitive in today's business environment, but Ollie knows that his banking relationship manager, Linda Cooper, is local and will respond quickly with whatever financial solutions his growing business needs.

We can't guarantee that Ollie's company won't be affected by another natural disaster. But we can promise quick response when help is needed.

95 associates

First Financial Bank retains a talented team of 95 financial professionals in the Wealth Resource Group. They design, tailor and coordinate trust services, investment management services, brokerage services, and private banking services for the particular needs of each client. In addition to having depth of experience, the team represents a broad base of disciplines — attorneys, CPAs, chartered financial analysts, certified retirement planning specialists, and other key credentialed professionals to help clients plan a secure and successful financial future.

"Success for us would be
to continue making charitable
gifts while preserving assets
for future generations."

When Pat and Donna Carruthers look at their twin grandchildren, Rogue and Elizabeth, they are pleased to know there's a plan in place which not only preserves assets for the children but also allows for the continuation of their charitable giving.

Since 1995, the Carruthers family – Pat, Donna, and their daughter Sara – have been relying on Denny Walsh and Sue Cribbs of First Financial Bank's Wealth Resource Group to manage their assets. By creating charitable trusts, the bank has helped the family to increase their income while expanding their financial support for many causes in Hamilton, Ohio. With the bank's assistance in wealth management, estate planning, and tax strategies for each generation of this family, Pat and Donna know that their assets will be passed on with as little tax and probate cost as possible.

The Carruthers have substantially supported the expansion and remodeling projects of the emergency room, the intensive care wing and the catheter lab at Fort Hamilton Hospital. They established the Carruthers Center for Arts and Technology at the Fitton Center for Creative Arts, and they support many other worthy causes that touch the community in a positive way.

There will always be new projects in the Hamilton community that need the largess of the Carruthers family. And they can rely on First Financial for the knowledge, coaching, and guidance that will help them grow and protect the assets that fund their philanthropy.

"Success for me would be
having faith, family, friends, freedom, and fun."

Tillie Hidalgo Lima has received dozens of awards since she rebuilt Best Upon Request concierge services, and her acceptance speeches always include her gratitude toward her parents who escaped with her from Cuba when she was a child.

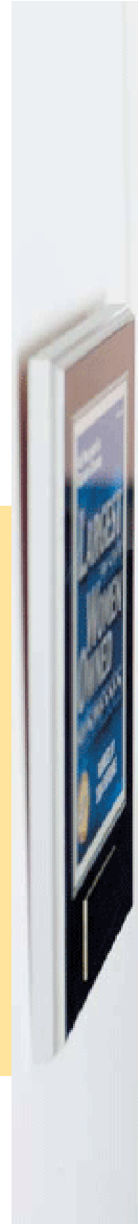
Arriving with only one suitcase and 10 Cuban pesos, Tillie's parents taught her to have faith, to never give up, to be resourceful, to strive to be the best she can be, and to appreciate that freedom is a privilege and a responsibility.

Tillie also appreciates First Financial Bank for the support she received when her family's business nearly failed after September 11, 2001. Since then, Best Upon Request has had a 447 percent revenue growth. For corporate and health care clients, the company provides on-site concierge services as an employee benefit. Services include errand running, event and travel planning, information research, home-based help and more.

Both Tillie and her company have won numerous civic and professional awards. She was named one of Deloitte's *One Hundred Wise Women* in both 2005 and 2007, and she was honored as a YWCA *Career Woman of Achievement* this past year. For three consecutive years, her company was named to the *Fast 55* list in Cincinnati and was cited in the Business Courier as one of *Greater Cincinnati's Largest 250 Companies*.

Today, Tillie maintains a busy schedule with growing her business, but she is also faithful to serving the community and making time to have fun with family and friends.

We can't assure Tillie that she will receive more external validation, although we think she will. But we can promise to bring her the right solutions for continued success.



45209

This is the Cincinnati, Ohio, ZIP Code that will be the new home for the headquarters of First Financial Bancorp. *Relocating to Cincinnati positions our corporate headquarters in a metropolitan market which is more consistent with our growth strategy. In addition, this move will enable us to attract and retain the talent needed to successfully lead and grow the company.*

Our banking subsidiary, First Financial Bank, will continue to be headquartered in Hamilton, Ohio, an important growth market for the company. Hamilton is in Butler County where we have our largest base of banking assets.

to live on an island to become a U.S.
to become a ballerina to never be
to feel at home to start my own

How does First Financial Bancorp define success?
associates. When they are successful in their jobs,
achieve their goals, our company grows and prospers

to be able to leave a legacy to move
to ride in a hot air balloon to go to
to pay for my daughter's wedding to be
to know my children are safe to own my
to be able to care for my parents to
to own my own home to cure a
to send my child to private school to
to add on to the house to not have to
to work for a good company to have my

citizen to pay for braces for the kids
hungry to go on vacation in Hawaii
business to help the homeless

By the success of all stakeholders. It begins with our our clients benefit. By helping our clients succeed and to the benefit of our shareholders and our communities.

to the coast to be financially secure
Disney World to put in a pool
healthy again to be able to retire
own restaurant to graduate from college
travel the world to buy a horse
terrible disease to buy a new tractor
become a millionaire to enjoy my job
worry about the future to be a good parent
stock portfolio grow to get a big promotion

Claude E. Davis, President and CEO, First Financial Bancorp

Financial Highlights

(Dollars in thousands, except per share data)	2007	2006	% Change
Per Share			
Net earnings–basic	**$ 0.93**	$ 0.54	72.22%
Net earnings–diluted	**0.93**	0.54	72.22%
Cash dividends declared	**0.65**	0.64	1.56%
Book value (end of year)	**7.40**	7.27	1.79%
Market price (end of year)	**11.40**	16.61	(31.37%)
Average			
Total assets	**$ 3,310,040**	$ 3,432,661	(3.57%)
Deposits	**2,828,904**	2,877,125	(1.68%)
Loans	**2,546,898**	2,571,935	(0.97%)
Investment securities	**357,803**	407,116	(12.11%)
Shareholders' equity	**280,275**	298,227	(6.02%)
Ratios			
Return on average assets	**1.08%**	0.62%	74.19%
Return on average shareholders' equity	**12.73%**	7.13%	78.54%

"Success for me would be

____."

Every day we help our clients and associates fill in this blank line. And every day we ask this question of ourselves. We evaluate our progress and measure our clients' satisfaction to understand what we need to do to achieve greater success.

We are pleased with and encouraged by our performance in 2007. It is strong evidence that the hard work of our associates in the implementation of our strategic initiatives is producing positive results. Even in a difficult environment for the banking industry, our performance is at or above peer performance for most financial metrics.

A Look Back. We are seeing the results of some good decisions and actions that have taken place during the last two years of rebuilding and reorganization which is now complete. In 2007, we chose two new strategic partners: one to service our residential real estate portfolio and provide new mortgage origination support and the other to take on our merchant payment processing portfolio.

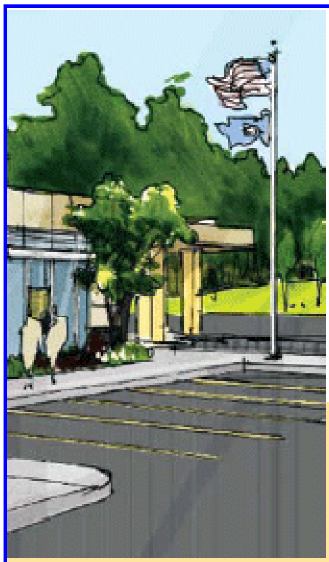
In addition, we re-tooled the investment management area of our Wealth Resource Group, recruited quality commercial lenders to improve our sales performance, closed seven banking centers, and implemented a new model to reduce our staffing levels.

Here are some highlights of our improved 2007 performance:

- Solid commercial loan growth of 17% over the last 12 months
- Stable credit quality
- Decreasing noninterest expense
- Strong net interest margin
- Sales growth and culture development

As we expand and live our brand, we want our client's experience to be positive and meaningful. To take our clients on this journey, we've developed an exciting prototype for new banking centers that will stand out in the industry. The client's journey focuses on their path to success with simple, smart financial solutions presented by our financial coaches. Visual merchandising as well as engaging retail graphics and design will make our banking center environment come to life. Clients will see and feel the consistency of our branded First Financial banking experience. New banking centers will follow this prototype, and our current facilities will be remodeled and refreshed over the next three years.

A major initiative begins in 2008 with the construction and renovation of banking centers using a new prototype design.



A Look Forward. In early 2008, we will move our corporate headquarters to Cincinnati, Ohio, a location that is consistent with our plans to expand in metropolitan markets and enhances our opportunity to retain and attract talent to help us manage and grow the company.

Our capital position is strong, and we have a diversified portfolio of earning assets. While economic conditions in 2008 may put stress on both commercial and consumer borrowers, we remain optimistic that our strong credit processes will allow us to manage our risk effectively and capitalize on the opportunities that are sure to present themselves in these unique times. We will continue to work hard to improve and to achieve our long-term goal of being a top-quartile performer in the industry.

Benchmarks On The Path To Success. We knew that 2007 would be a crucial year for First Financial, and we feel that our company finished the year strong and has excellent momentum for the future.

The headwinds of further interest rate cuts and a broad economic downturn will provide new challenges for 2008. However, we are confident about our market position and our long-term prospects for growth.

Our success in 2008 will revolve around:

- Managing our risks effectively
- Strengthening our brand
- Focusing on improving service quality for clients
- Client retention and relationship expansion
- Prudent management of expenses

Our growth strategy for 2008 also includes the remodeling of existing banking centers and the construction of several new banking centers. Groundbreaking will soon take place in Kettering, Ohio, and in Crown Point, Indiana.

We will continue to engage in self assessment to discover areas in our company where we needed to break out of old patterns and forge ahead with new methods, ideas, and tools.

Our company is market and people driven. We carry out our mission, live our brand, and apply our values as we help our clients on their path to success.

Claude E. Davis, *President and CEO*

Board of Directors:

Barry S. Porter,
Chairman of the Board,
First Financial Bancorp;
Retired Chief Financial Officer,
The Ohio Casualty Group

J. Wickliffe Ach,
Chairman, President, and
Chief Executive Officer,
Hixson, Inc.

Donald M. Cisle Sr.,
President,
Don S. Cisle Contractor, Inc.

Claude E. Davis,
President and Chief Executive Officer,
First Financial Bancorp;
Chairman of the Board, President,
and Chief Executive Officer
First Financial Bank, N.A.

Corinne R. Finnerty,
Partner,
McConnell Finnerty Waggoner PC

Murph Knapke,
Owner,
Knapke Law Office, Attorney-at-Law

Susan L. Knust,
Managing Partner,
K.P. Properties and Omega
Warehouse Services

William J. Kramer,
Vice President and General Manager,
Val-Co Pax, Inc.

Richard E. Olszewski,
Owner,
7 Eleven Food Stores

Steven C. Posey,
President,
Posey Property Company

Directors Emeriti:

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Thomas C. Blake
Merle F. Brady
Carl R. Fiora
Vaden Fitton
F. Elden Houts
Robert M. Jones
Bruce E. Leep
Joseph L. Marcum
Robert Q. Millan
Frank C. Neal
Joel H. Schmidt
Perry D. Thatcher

Senior Management:

Claude E. Davis, President and
Chief Executive Officer

C. Douglas Lefferson, Executive Vice
President and Chief Operating Officer

J. Franklin Hall, Executive Vice President
and Chief Financial Officer

Samuel J. Munafo, Executive Vice
President, Banking Markets

Richard Barbercheck, Senior Vice
President and Chief Credit Officer

Gregory A. Gehlmann, Senior Vice
President, General Counsel, and
Chief Risk Officer

Anthony M. Stollings, Senior Vice
President, Controller, and Chief
Accounting Officer

Wealth Resource Group

Michael J. Cassani, Senior Vice President
and Chief Administrative Officer

Terry Monahan, Senior Vice President
and Chief Investment Officer

Dennis G. Walsh, Senior Vice President

Insurance Services

Mark Willis, President,
First Financial Insurance

Internal Audit

James W. Manning, Senior Vice President
and Chief Internal Auditor

Market Presidents:

Adrian O. Breen
Butler-Warren

George M. Brooks
Northern Ohio

Roger S. Furrer
Dayton-Middletown

Steven L Gochenour
South Central Indiana

David S. Harvey
Northwest Indiana

Bradley W. Marley
North Central Indiana

John M. Marrocco
Cincinnati

Thomas R. Saelinger
Northern Kentucky

2007 Financial Report

Management's Discussion And Analysis Of Financial Condition And Results Of Operations

This annual report contains forward-looking statements. See Page 32 for further information on the risks and uncertainties associated with forward-looking statements.

The following discussion and analysis is presented to facilitate the understanding of the financial position and results of operations of First Financial Bancorp (First Financial or the Company). It identifies trends and material changes that occurred during the reporting periods and should be read in conjunction with the statistical data, Consolidated Financial Statements, and accompanying Notes on Pages 33 through 59.

Executive Summary

First Financial is a bank holding company headquartered in Hamilton, Ohio. As of December 31, 2007, First Financial, through its subsidiaries, operated in western Ohio, Indiana, and northern Kentucky. These subsidiaries include a commercial bank, First Financial Bank, N.A. (Bank), with 82 banking centers and 99 ATMs, and a registered investment advisory company, First Financial Capital Advisors LLC (Capital Advisors). Within these two subsidiaries, First Financial conducts two primary activities: banking and wealth management. The Bank operates in eight distinct markets under the First Financial Bank name and provides lending products, deposit accounts, cash management, and other services to commercial and retail clients. The wealth management activities include a full range of services, including trust services, brokerage, private banking, investments, and other related services.

In the first quarter of 2008, First Financial's corporate headquarters was relocated to its existing Cincinnati market offices in Cincinnati, Ohio. The bank subsidiary remains headquartered in Hamilton, Ohio.

During 2005 and 2006, First Financial executed and completed a number of strategic initiatives. These initiatives significantly contributed to First Financial's 2007 success and included the following:

- Completing the corporate reorganization started in 2005
- The continued evaluation of its banking center footprint, including expansion and consolidation to promote growth and efficiency
- Focusing on core banking competencies, which resulted in the decision to exit certain business activities and led to the sale of the mortgage servicing rights in the first quarter of 2007 and the merchant payment processing portfolio in the fourth quarter of 2007
- Further developing consistent credit and risk management processes

First Financial's return on average shareholders' equity for 2007 was 12.73%, which compares to 7.13% and 10.40% for 2006 and 2005, respectively. First Financial's return on average assets for 2007 was 1.08%. This compares to return on average assets of 0.62% and 1.00% for 2006 and 2005, respectively.

The major components of First Financial's operating results for the past five years are summarized in Table 1 — Financial Summary and discussed in greater detail on subsequent pages.

Recent Expansions, Consolidations, And Dispositions

First Financial serves a combination of metropolitan and non-metropolitan markets in Ohio, Indiana, and Kentucky through its full-service banking centers. Market selection is based upon a number of factors, but markets are primarily chosen for their potential for growth and long-term profitability. First Financial's goal is to develop a competitive advantage through a local market focus; building long-term relationships with clients and helping them reach greater levels of success in their financial life. To help achieve its goals of superior service to an increasing number of clients, First Financial opened two new banking centers in its metropolitan markets in 2007. First Financial has future expansion opportunities in Ohio, Indiana, and Kentucky, including expansion opportunities with properties previously acquired. First Financial announced in December of 2007 its plans to open a new market headquarters in the third quarter of 2008 for its Dayton-Middletown metropolitan market. First Financial intends to concentrate future growth plans and capital investments in its metropolitan markets. Smaller markets have historically provided stable, low-cost funding sources to First Financial and they remain an important part of First Financial's funding base. First Financial believes its historical strength in these markets should enable it to retain or improve its market share.

In October of 2007, First Financial announced the formation of a long-term exclusive marketing agreement and the sale of its merchant payment processing portfolio to its historical merchant processing technology provider. Under the terms of the agreement, the buyer will continue to provide merchant processing services to existing clients of First Financial, and First Financial will jointly market with them merchant processing services to prospective clients. In exchange for approximately 1,700 merchant accounts in the portfolio, First Financial recorded in the fourth quarter of 2007 a gain of $5.5 million or $0.09 per diluted share.

In March of 2007, First Financial consolidated seven banking centers due to their proximity to existing or newly built locations.

In the first quarter of 2007, First Financial sold its mortgage servicing rights for $1.1 million or $0.02 per diluted share. The sale of the mortgage servicing rights is consistent with First Financial's residential real estate loan originate-and-sell strategy. First Financial's residential real estate loan strategy includes partnering with a third party that provides loan processing and related services prior to its purchase and servicing of the residential real estate loan.

Also in the first quarter of 2007, First Financial sold $14.9 million in commercial, commercial real estate, residential real estate, and related consumer loans. This portfolio was comprised of credits that were in or were soon to be in foreclosure. These loans were transferred to loans held for sale at December 31, 2006, at the lower of cost or estimated fair value of $8.8 million. The final sale proceeds were materially consistent with the recorded estimated fair value reported in the fourth quarter of 2006.

In February of 2006, First Financial made the strategic decision to restructure a portion of its balance sheet. As a result, $179.0 million in investment securities were sold and $184.0 million in Federal Home Loan Bank (FHLB) borrowings were paid down. First Financial in the first quarter of 2006 recognized a loss on the sale of securities of $0.5 million or $0.01 per diluted share and incurred penalties associated with the prepayment of the borrowings of $4.3 million or $0.07 per diluted share. In the fourth quarter of 2005, First Financial recognized a $6.5 million or $0.10 per diluted share charge for these investment securities that were deemed to be other than temporarily impaired, as First Financial no longer had the intent to hold these investment securities whose market values were below carrying amount.

The sale of ten and closure of seven banking centers was completed in August of 2006. The sale of the ten was completed in three separate transactions with total net gains on the sales of $12.5 million or $0.20 per diluted share. Total deposits of $108.6 million were assumed and total loans of $101.4 million were sold to the acquirers. The deposits and loans of the closed banking centers were transferred to other existing First Financial banking centers.

Also in the third quarter of 2006 and as part of its strategy to reduce overall credit risk in the loan portfolio, First Financial completed the sale of $38.1 million in primarily substandard commercial, commercial real estate, and residential real estate loans. These loans had been previously transferred in the second quarter of 2006 to loans held for sale after being marked to the lower of cost or estimated fair value of $28.3 million. The loans were subsequently purchased by five independent parties for a combined price of $31.2 million. The third quarter of 2006 gain from the problem loan sale was $2.2 million or approximately $0.04 per diluted share and resulted from the final sale price being higher than the recorded estimated fair value reported in the second quarter.

Overview Of Operations

The primary source of First Financial's revenue is net interest income, the excess of interest received from earning assets over interest paid on interest-bearing liabilities, and the fees for financial services provided to clients. First Financial's business results tend to be influenced by overall economic factors, including market interest rates, business spending, and consumer confidence, as well as competitive conditions within the marketplace.

Net interest income in 2007 declined 5.3% from 2006, compared to a 5.9% decline from 2005 to 2006. The decline in 2007 was primarily due to a 3.6% net decline in the level of average earning assets, resulting from the third quarter of 2006 sale of ten banking centers and their $101.4 million of loans and $108.6 million of deposits. The net interest margin was 3.94% for 2007, compared with 4.01% in 2006, and 3.87% in 2005. The lower net interest margin in 2007 compared to 2006 is due to the effect of competitive increases in deposit rates and account migration to higher cost deposit products, somewhat offset by increased yields due to the mix shift of earning assets.

Loan growth during 2007 was primarily driven by First Financial's continued efforts to expand its commercial lending sales force and deepen its market presence, primarily in metropolitan markets. The mix shift from certain lower yielding consumer loans to higher yielding commercial loans continues, as period-end commercial, commercial real estate, and construction loans increased from $1.40 billion in the fourth quarter of 2006 to $1.64 billion in the fourth quarter of 2007, an increase of $244.2 million or 17.5%.

Table 1 • Financial Summary

(Dollars in thousands, except per share data)	**2007**	2006	December 31, 2005	2004	2003
Summary of operations					
Interest income	**$ 206,442**	$ 205,525	$ 200,697	$ 196,472	$ 200,686
Tax equivalent adjustment (1)	**2,281**	2,655	2,983	3,230	3,642
Interest income tax — equivalent (1)	**208,723**	208,180	203,680	199,702	204,328
Interest expense	**87,942**	80,452	67,730	56,290	60,007
Net interest income tax — equivalent (1)	**$ 120,781**	$ 127,728	$ 135,950	$ 143,412	$ 144,321
Interest income	**$ 206,442**	$ 205,525	$ 200,697	$ 196,472	$ 200,686
Interest expense	**87,942**	80,452	67,730	56,290	60,007
Net interest income	**118,500**	125,073	132,967	140,182	140,679
Provision for loan and lease losses	**7,652**	9,822	5,571	5,978	18,287
Noninterest income	**63,588**	67,984	46,191	53,511	60,909
Noninterest expenses	**120,747**	152,515	130,165	127,319	129,473
Income from continuing operations before income taxes	**53,689**	30,720	43,422	60,396	53,828
Income tax expense	**18,008**	9,449	12,614	19,295	16,889
Income from continuing operations	**35,681**	21,271	30,808	41,101	36,939
Discontinued operations					
Other operating income (loss)	**0**	0	583	(21)	1,528
Gain on sale of discontinued operations	**0**	0	10,366	0	0
Income (loss) from discontinued operations before income taxes	**0**	0	10,949	(21)	1,528
Income tax expense (benefit)	**0**	0	3,824	(38)	561
Income from discontinued operations	**0**	0	7,125	17	967
Net income	**$ 35,681**	$ 21,271	$ 37,933	$ 41,118	$ 37,906
Per share data					
Earnings per share from continuing operations:					
Basic	**$ 0.93**	$ 0.54	$ 0.72	$ 0.94	$ 0.83
Diluted	**$ 0.93**	$ 0.54	$ 0.71	$ 0.94	$ 0.83
Earnings per share from discontinued operations:					
Basic	**$ 0.00**	$ 0.00	$ 0.17	$ 0.00	$ 0.02
Diluted	**$ 0.00**	$ 0.00	$ 0.17	$ 0.00	$ 0.02
Earnings per share					
Basic	**$ 0.93**	$ 0.54	$ 0.89	$ 0.94	$ 0.85
Diluted	**$ 0.93**	$ 0.54	$ 0.88	$ 0.94	$ 0.85
Cash dividends declared	**$ 0.65**	$ 0.64	$ 0.64	$ 0.60	$ 0.60
Average common shares outstanding—basic (in thousands)	**38,455**	39,539	43,084	43,819	44,371
Average common shares outstanding—diluted (in thousands)	**38,459**	39,562	43,173	43,880	44,423
Selected year-end balances					
Total assets	**$3,369,316**	$3,301,599	$3,690,808	$3,916,671	$3,956,062
Earning assets	**3,054,128**	2,956,881	3,333,406	3,488,519	3,512,721
Investment securities (2)	**346,536**	366,223	607,983	667,938	799,599
Loans, net of unearned income	**2,599,087**	2,479,834	2,627,423	2,808,037	2,708,626
Interest-bearing demand deposits	**603,870**	667,305	733,880	653,084	633,214
Savings deposits	**596,636**	526,663	503,297	564,067	570,687
Time deposits	**1,227,954**	1,179,852	1,247,274	1,250,347	1,249,924
Noninterest-bearing demand deposits	**465,731**	424,138	440,988	438,367	409,660
Total deposits	**2,894,191**	2,797,958	2,925,439	2,905,865	2,863,485
Federal Home Loan Bank long-term debt	**45,896**	63,762	286,655	330,356	296,979

Other long-term debt	**20,620**	30,930	30,930	30,930	30,000
Shareholders' equity	**276,583**	285,479	299,881	371,455	366,483
Ratios based on average balances					
Loans to deposits	**90.03%**	89.39%	94.81%	97.91%	94.84%
Net charge-offs to loans	**0.24%**	0.97%	0.30%	0.26%	0.69%
Shareholders' equity to total assets	**8.47%**	8.69%	9.57%	9.40%	9.62%
Return on assets	**1.08%**	0.62%	1.00%	1.05%	0.99%
Return on equity	**12.73%**	7.13%	10.40%	11.21%	10.27%
Net interest margin	**3.94%**	4.01%	3.87%	3.97%	4.07%
Net interest margin (tax equivalent basis) (1)	**4.01%**	4.09%	3.96%	4.07%	4.18%
Dividend payout	**69.89%**	118.52%	71.91%	63.83%	70.59%

(1) Tax equivalent basis was calculated using a 35.00% tax rate in all years presented.

(2) Includes investment securities held-to-maturity, investment securities available-for-sale, and other investments.

Deposit growth during 2007 was modest, with the competitive landscape remaining intense and made even more difficult by the increased liquidity pressure being exhibited by a number of banks in our markets. The consumer's preference for higher-yielding money market accounts and time deposits, rather than more traditional transaction accounts, remains and continues to result in deposit mix shift. This is also the primary driver of behavior-based margin compression.

Noninterest income was positively impacted by higher trust and wealth management fees and bankcard income in 2007 as compared to 2006. Noninterest income in 2007 included a $5.5 million gain on the sale of the merchant payment processing portfolio, a $1.1 million gain on the sale of mortgage servicing rights, and a $0.4 million gain on the sales of investment securities. Noninterest income in 2006 included a $12.5 million gain on the sales of banking centers, a $2.2 million gain on the sale of problem loans, and a $0.5 million loss on the sale of investment securities. Excluding these items, noninterest income grew $2.8 million or 5.5% in 2007 from 2006.

Noninterest expense has improved significantly as a direct result of the successful execution of the previously mentioned strategic initiatives, resulting in a reduction in noninterest expense of $31.8 million or 20.8% for 2007 compared to 2006. The pension charges recorded in both 2006 and 2007 were a result of First Financial's staff reductions, and are an acceleration of costs that were previously deferred under pension accounting rules and would have been recognized in future periods. First Financial continues to evaluate its staffing levels based on its business needs and requirements; and as a result, salary expense excluding severance costs have decreased $5.0 million or 9.3% in 2007 from 2006.

Credit quality remained stable in 2007, as evidenced by the low level of net charge-offs and nonperforming assets. Net charge-offs, as a percent of average loans, were 0.24% in 2007 compared to 0.97% in 2006. While there is some anticipation of decay in certain consumer-based lending products due to a broad economic downturn, First Financial's total loan portfolio has, and continues to shift away from most consumer-based lending. Additionally, the mix of the total loan portfolio has shifted not only in product type, but in the risk profile of the borrowers due to the improvements in both underwriting and in the resolution strategies used for problem credits.

Nonperforming asset levels remained relatively stable during 2007, reflective of First Financial's strong credit management policies and practices, particularly in the current economic environment. Nonperforming loans, as a percent of total loans, were 0.56% at December 31, 2007, compared to 0.44% at December 31, 2006. First Financial's December 31, 2007 allowance for loan and lease losses to period-end loans ratio was 1.12%, an increase of 2 basis points compared to December 31, 2006.

Capital management efforts through share repurchases resulted in 2,000,000 shares being repurchased in 2007 at a cost of $27.3 million and a weighted average share repurchase price of $13.65, significantly higher than the 2006 share repurchase level of 404,000 shares at a cost of $6.6 million and a weighted average repurchase price of $16.24. First Financial's regulatory capital ratios at December 31, 2007, significantly exceeded the levels necessary to be classified as "well capitalized."

For a more detailed discussion of the above topics, please refer to the sections that follow.

2007 vs. 2006. First Financial's net income increased $14.4 million or 67.7% to $35.7 million in 2007, compared to net income of $21.3 million in 2006. The 2007 income included $5.5 million from the gain on the sale of the merchant payment processing portfolio, $1.1 million from the gain on the sale of mortgage servicing rights, and $0.4 million from the gain on sale of investment securities, offset by $2.2 million in pension settlement charges and $1.6 million in severance costs. First Financial's 2006 income included $12.5 million from the gain on the sale of the banking centers and $2.2 million from the gain on the problem loan sale, offset by $19.0 million in costs and other charges related to the implementation of strategic initiatives and $0.5 million in losses on the sale of securities in conjunction with the balance sheet restructure. Net interest income decreased $6.6 million or 5.3% in 2007 from 2006 primarily due to a 3.6% net decline in the level of average earning assets, resulting from the third quarter of 2006 sale of ten banking centers and their related loans and deposits. For more detail, refer to Table 2 —Volume/Rate Analysis and the Net Interest Income section.

2006 vs. 2005. First Financial's net income decreased $16.7 million or 43.9% to $21.3 million in 2006, compared to net income of $37.9 million in 2005. Income from continuing operations was $21.3 million, a decrease of $9.5 million or 31.0% from 2005. There was no income from discontinued operations in 2006. Income from discontinued operations was $7.1 million in 2005 as a result of the sale of the First Financial subsidiary, Fidelity Federal Savings Bank.

The 2006 income included $12.5 million from the gain on the sale of the banking centers and $2.2 million from the gain on the problem loan sale, offset by $19.0 million in costs and other charges related to the implementation of strategic initiatives and $0.5 million in losses on the sale of securities in conjunction with the balance sheet restructure. The income from discontinued operations in 2005 included a pre-tax gain of $10.4 million, or a net gain of $6.7 million, from the sale of the Fidelity Federal Savings Bank. Net interest income decreased $7.9 million or 5.9% in 2006 from 2005 primarily due to a planned reduction in total earning assets compounded by an increase in deposit costs, including existing account migration to higher yielding deposit products. For more detail, refer to Table 2 —Volume/ Rate Analysis and the Net Interest Income section.

Table 2 • Volume/Rate Analysis — Tax Equivalent Basis(1)

	2007 change from 2006 due to			2006 change from 2005 due to		
(Dollars in thousands)	**VOLUME**	**RATE**	**TOTAL**	VOLUME	RATE	TOTAL
Interest income						
Loans (2)	**$(1,799)**	**$ 6,720**	**$ 4,921**	$(12,733)	$17,865	$ 5,132

Investment securities [3]						
Taxable	**(1,699)**	**68**	**(1,631)**	(10,977)	6,072	(4,905)
Tax-exempt	**(1,274)**	**350**	**(924)**	(1,194)	76	(1,118)
Total investment securities interest [3]	**(2,973)**	**418**	**(2,555)**	(12,171)	6,148	(6,023)
Federal funds sold	**(1,881)**	**58**	**(1,823)**	4,773	618	5,391
Total	**(6,653)**	**7,196**	**543**	(20,131)	24,631	4,500
Interest expense						
Interest-bearing demand deposits	**(1,653)**	**(1,144)**	**(2,797)**	798	7,364	8,162
Savings deposits	**920**	**2,795**	**3,715**	(158)	4,178	4,020
Time deposits	**140**	**8,114**	**8,254**	(1,544)	10,720	9,176
Short-term borrowings	**(27)**	**491**	**464**	94	1,713	1,807
Federal Home Loan Bank long-term debt	**(1,660)**	**(303)**	**(1,963)**	(8,635)	(2,381)	(11,016)
Other long-term debt	**(236)**	**53**	**(183)**	0	573	573
Total	**(2,516)**	**10,006**	**7,490**	(9,445)	22,167	12,722
Net interest income	**$(4,137)**	**$ (2,810)**	**$(6,947)**	$(10,686)	$ 2,464	$ (8,222)

(1) Tax equivalent basis was calculated using a 35.00% tax rate.

(2) Includes loans held-for-sale.

(3) Includes investment securities held-to-maturity, investment securities available-for-sale, and other investments.

N/M = Not meaningful

Net Interest Income

First Financial's net interest income for the years 2003 through 2007 is shown in Table 1 — Financial Summary. The amount of net interest income is determined by the volume and mix of earning assets, the rates earned on such earning assets, and the volume, mix, and rates paid for the deposits and borrowed money that support the earning assets. Table 2 —Volume/Rate Analysis describes the extent to which changes in interest rates and changes in volume of earning assets and interest-bearing liabilities have affected First Financial's net interest income on a tax equivalent basis during the years indicated. Table 2 — Volume/Rate Analysis should be read in conjunction with the Statistical Information shown on Page 33.

Interest income on a tax equivalent basis is presented in Table 1 — Financial Summary. The tax equivalent adjustment recognizes the income tax savings when comparing taxable and tax-exempt assets and assumes a 35.0% tax rate for all years presented. The tax equivalent net interest margin was 4.01%, 4.09%, and 3.96% for the years 2007, 2006, and 2005, respectively.

Nonaccruing loans and loans held for sale were included in the daily average loan balances used in determining the yields in Table 2 — Volume/Rate Analysis.

Interest foregone on nonaccruing loans is disclosed in Note 8 of the Notes to Consolidated Financial Statements and is not considered to have a material effect on these presentations. In addition, the amount of loan fees included in the interest income computation for 2007, 2006, and 2005 was $1.8 million, $3.6 million, and $4.4 million, respectively. The decline in loan fees in 2007 is primarily due to the sale of the mortgage servicing portfolio in the first quarter of 2007, including the decision to sell future residential real estate loan originations to its strategic partner, resulting in all future loan fees associated with residential real estate loans being owned by the new servicer.

2007 vs. 2006. Interest income was $206.4 million in 2007, an increase of $0.9 million or 0.4% from 2006. The yield on earning assets increased 27 basis points from 6.59% in 2006 to 6.86% in 2007, as First Financial continued to grow its higher yielding commercial loan portfolio. Interest expense was $87.9 million in 2007, an increase of $7.5 million or 9.3% from 2006. The total cost of funds increased 38 basis points to 3.37% in 2007, from 2.99% in 2006, primarily due to the impact of competitive increases in deposit rates and account migration to higher cost deposit products.

Net interest income decreased $6.6 million or 5.3% primarily due to a 3.6% net decline in the level of average earning assets, resulting from the third quarter of 2006 sale of ten banking centers and their related loans and deposits. In a series of actions beginning in September of 2007, the Federal Reserve lowered the federal funds rate a total of 100 basis points by December 31, 2007. These actions have resulted in the decline of other market interest rates, specifically the prime rate, but have created a disproportionate and timing-related impact on asset yields as compared to deposit costs.

2006 vs. 2005. Interest income was $205.5 million in 2006, an increase of $4.8 million or 2.4% from 2005. The increase in interest income was primarily a result of increased interest rates on earning assets, particularly as First Financial's loan portfolio shifted from lower yielding consumer loans to higher yielding commercial loans. The yield on earning assets increased 75 basis points from 5.84% in 2005 to 6.59% in 2006. Interest expense was $80.5 million in 2006, an increase of $12.7 million or 18.8% from 2005. This increase was a result of the intense competition for deposits, as well as the consumer's preference for higher-yielding money market and time deposits, rather than more traditional transaction accounts. The total cost of funds increased 67 basis points to 2.99% in 2006, from 2.32% in 2005.

Net interest income decreased $7.9 million or 5.9% due to a reduction in total earning assets through targeted loan sales, the decision to exit the indirect installment loan line of business, and the strategic decision to sell residential real estate loan production into the secondary market; compounded by the increase in deposit costs, including account migration to higher yielding products.

Noninterest Income And Noninterest Expenses

Noninterest income and noninterest expenses for 2007, 2006, and 2005 are shown in Table 3 — Noninterest Income and Noninterest Expenses.

Table 3 • Noninterest Income And Noninterest Expenses

	2007		2006		2005	
(Dollars in thousands)	**TOTAL**	**% CHANGE INCREASE (DECREASE)**	TOTAL	% CHANGE INCREASE (DECREASE)	TOTAL	% CHANGE INCREASE (DECREASE)
Noninterest income						
Service charges on deposit accounts	**$ 20,766**	**(5.43%)**	$ 21,958	15.71%	$ 18,976	2.00%
Trust and wealth management fees	**18,396**	**13.11%**	16,264	(2.27%)	16,641	(4.79%)
Bankcard income	**5,251**	**18.35%**	4,437	11.15%	3,992	6.45%
Net gains from sales of loans	**844**	**(73.67%)**	3,206	255.04%	903	(42.15%)
Gain on sale of merchant payment processing portfolio	**5,501**	**N/M**	0	N/M	0	N/M

Gain on sale of mortgage servicing rights	**1,061**	**N/M**	0	N/M	0	N/M
Gain on sales of branches	**0**	**N/M**	12,545	N/M	0	N/M
Other	**11,402**	**13.45%**	10,050	(17.61%)	12,198	0.68%
Subtotal	**63,221**	**(7.65%)**	68,460	29.88%	52,710	(1.49%)
Gains (losses) on sales and impairment of investment securities	**367**	**N/M**	(476)	N/M	(6,519)	N/M
Total	**$ 63,588**	**(6.47%)**	$ 67,984	47.18%	$ 46,191	(13.68%)
Noninterest expenses						
Salaries and employee benefits	**$ 69,891**	**(14.31%)**	$ 81,560	4.98%	$ 77,690	2.93%
Pension settlement charges	**2,222**	**(25.16%)**	2,969	N/M	0	N/M
Net occupancy	**10,861**	**(1.60%)**	11,038	14.86%	9,610	14.61%
Furniture and equipment	**6,761**	**20.58%**	5,607	(10.66%)	6,276	(12.51%)
Data processing	**3,498**	**(64.91%)**	9,969	45.17%	6,867	(4.81%)
Marketing	**2,441**	**(30.06%)**	3,490	41.64%	2,464	(7.02%)
Communication	**3,230**	**(3.12%)**	3,334	8.07%	3,085	10.38%
Professional services	**4,142**	**(47.13%)**	7,835	2.00%	7,681	21.82%
Debt extinguishment	**0**	**N/M**	4,295	N/M	0	N/M
Other	**17,701**	**(21.04%)**	22,418	35.93%	16,492	(4.79%)
Total	**$120,747**	**(20.83%)**	$152,515	17.17%	$130,165	2.24%

N/M = Not meaningful

Noninterest Income

2007 vs. 2006. Noninterest income decreased $4.4 million or 6.5% from 2006. Net of the 2007 and 2006 transactions described below, overall noninterest income increased $2.8 million or 5.5% primarily due to higher trust and wealth management fees and bankcard income in 2007 as compared to 2006. The year 2007 included the gain on the sale of the merchant payment processing portfolio of $5.5 million in the fourth quarter of 2007, the gain on the sales of investment securities of $0.4 million in the third quarter of 2007, and the gain on the sale of mortgage servicing rights of $1.1 million in the first quarter of 2007. The year 2006 included the gain on the sales of banking centers of $12.5 million and the gain on the sale of problem loans of $2.2 million, both in the third quarter of 2006, offset by the loss on sale of investment securities of $0.5 million in the first quarter of 2006.

2006 vs. 2005. Noninterest income increased $21.8 million or 47.2% from 2005. Net of the 2006 and 2005 transactions described below, overall noninterest income remained relatively flat. The year 2006 included the gain on the sales of banking centers of $12.5 million and the gain on the sale of problem loans of $2.2 million, both in the third quarter of 2006, offset by the loss on sale of investment securities of $0.5 million in the first quarter of 2006 in conjunction with the balance sheet restructure. The year 2005 included an impairment loss on the sale of investment securities of $6.5 million in the fourth quarter of 2005, as well as a net loss on the sale of loans of $0.9 million resulting from the gain on the sale of $64.0 million in residential real estate loans in the fourth quarter of 2005 more than offset by the loss on the sale of $42.0 million in indirect installment loans in the third quarter of 2005.

Noninterest Expenses

2007 vs. 2006. Noninterest expenses decreased $31.8 million or 20.8% for 2007 compared to 2006, reflecting the successful execution of the previously mentioned strategic initiatives. Salaries and employee benefits decreased $11.7 million or 14.3% from 2006 primarily due to the $5.3 million reduction in salaries and other performance and incentive-based compensation as a result of an overall reduction in staffing levels, the $3.2 million reduction in pension and other retirement-related expense, as well as decreased severance charges of $2.6 million. Data processing decreased $6.5 million or 64.9% primarily due to the impact of First Financial's prior year technology upgrade in which the company moved from an out-sourced to an in-house data processing environment, including $2.0 million in technology contract early termination costs incurred in 2006. Professional services decreased $3.7 million or 47.1% primarily due to 2006 costs associated with the corporate reorganization, branding initiative, banking center staffing, and recruiting fees, combined with an overall reduction in consulting usage. Debt extinguishment costs incurred in 2006 related to the balance sheet restructure were $4.3 million. Property and fixed asset disposal losses decreased $2.6 million in 2007 from 2006 primarily due to the 2006 disposal of obsolete banking center signage and related assets associated with the branding initiative and computer and technology equipment disposals associated with the technology upgrade and data processing conversion.

Noninterest expense in the fourth quarter of 2007 included $0.5 million associated with First Financial's proportionate share of the announced Visa Inc. member bank settlement charges and pending litigation. It is anticipated that Visa will use a portion of the proceeds of their planned initial public offering (IPO) to satisfy such litigation judgments and settlements. In the event this IPO occurs, First Financial expects that its proportionate share of proceeds from the offering will more than offset its current liability for this litigation.

2006 vs. 2005. Noninterest expenses increased $22.4 million or 17.2% from 2005, of which $19.0 million was due to costs and other charges related to the implementation of strategic initiatives. The $22.4 million increase in noninterest expense in 2006 from 2005 is largely due to the previously discussed $4.3 million prepayment penalty, as well as increased salaries and benefits of $3.9 million primarily due to increased severance charges of $1.6 million, pension and other retirement-related expenses of $0.7 million, as well as $0.6 million in incentive compensation and healthcare costs. Pension settlement and curtailment charges incurred in 2006 totaled $3.0 million resulting from First Financial's staffing reductions. Net occupancy expense increased $1.4 million or 14.9% due to increased maintenance costs, utilities, and new building rent consistent with First Financial's facilities and banking center expansion plans. Data processing expenses increased $3.1 million or 45.2% primarily due to fees and charges associated with the early termination of technology contracts, as well as increased software license amortization of $0.5 million. Marketing expenses increased $1.0 million or 41.6% primarily associated with the new branding initiative. Other noninterest expenses increased $5.9 million or 35.9% primarily due to losses on the disposition of fixed assets and various real estate owned and other property of $2.0 million, relocation and travel-related expenses of $1.0 million, credit and collection expense of $0.6 million, and state intangible tax of $0.6 million.

Income Taxes

First Financial's tax expense in 2007 totaled $18.0 million compared to $9.4 million in 2006 and $16.4 million in 2005, resulting in effective tax rates of 33.5%, 30.8%, and 30.2%, in 2007, 2006, and 2005, respectively. The increase in 2007's effective tax rate as compared to 2006 is primarily due to the fourth quarter of 2006 loss before income taxes and related $1.4 million income tax benefit. The increase in 2006's effective tax rate as compared to 2005 is primarily due to the third quarter of 2006 increase of $1.0 million associated with the completion of an Internal Revenue Service audit of two prior years, offset by increased tax-exempt income as a percentage of total income and the reversal of certain tax reserves related to several tax positions that were no longer considered necessary.

Tax expense relating to income from continuing operations totaled $18.0 million, $9.4 million, and $12.6 million for 2007, 2006, and 2005, respectively. The respective effective tax rates were 33.5%, 30.8%, and 29.0%.

Further analysis of income taxes is presented in Note 11 of the Notes to Consolidated Financial Statements

Loans

First Financial, primarily through its banking subsidiary, is dedicated to meeting the financial needs of individuals and businesses through its high touch, high service business model. The loan portfolio is comprised of a broad range of borrowers primarily in the western Ohio, northern Kentucky, and Indiana markets. First Financial's loan portfolio is primarily composed of commercial, commercial real estate, real estate construction, residential real estate, and other consumer financing loans.

Subject to First Financial's credit policy and guidelines, credit underwriting and approval occur within the market originating the loan. First Financial has delegated to each market president a lending limit sufficient to handle the majority of client requests in a timely manner. Loan requests for amounts greater than the market limit require the approval of the regional credit officer. The required additional approvals for greater loan amounts include the approval(s) of the chief credit officer, the chief executive officer, and the board of directors as necessary. This allows First Financial to manage the initial credit risk exposure through a standardized, disciplined, and strategically focused loan approval process, but with an increasingly higher level of authority. Plans to purchase or sell a participation in a loan or a group of loans require the approval of certain senior lending and administrative officers, and in some cases could include the board of directors.

Enhanced processes have improved management's understanding of the risk characteristics of the loan portfolios. Active use of a Special Assets Division allows First Financial to ensure appropriate oversight, improved communication, and timely resolution of issues throughout the loan portfolio. Additionally, Commercial Credit Risk provides objective oversight and assessment of commercial credit quality and credit processes using an independent, market-based credit risk review approach. Retail/Small Business Credit Risk performs product-level reviews of portfolio performance, assessment of credit quality, and compliance with underwriting and loan administration guidelines. First Financial's analytical and reporting capability provides timely and valuable portfolio information to aid in credit management.

2007 vs. 2006. Loans increased $119.3 million or 4.8% during 2007, excluding loans held for sale, with average balances remaining relatively flat, decreasing $19.8 million or 0.8%, excluding loans held for sale. The overall period-end increase in the loan portfolio as compared to 2006 was primarily due to the continued mix shift from certain lower yielding consumer loans to higher yielding commercial loans. Period-end commercial, commercial real estate, and real estate construction loans increased from $1.40 billion at December 31, 2006, to $1.64 billion, an increase of $244.2 million or 17.5%.

Table 4 • Loan Portfolio

(Dollars in thousands)	2007	2006	December 31, 2005	2004	2003
Commercial	**$ 785,143**	$ 673,445	$ 582,594	$ 635,489	$ 658,331
Real estate — construction	**151,432**	101,688	86,022	86,345	68,700
Real estate — mortgage	**1,245,741**	1,252,182	1,418,413	1,478,930	1,403,805
Installment	**389,783**	427,009	515,200	580,150	543,870
Credit card	**26,610**	24,587	22,936	21,894	21,679
Lease financing	**378**	923	2,258	5,229	12,241
Total	**$2,599,087**	$2,479,834	$2,627,423	$2,808,037	$2,708,626

Table 5 • Loan Maturity/Rate Sensitivity

	December 31, 2007 Maturity			
(Dollars in thousands)	Within one year	After one but within five years	After five years	Total
Commercial	$459,109	$259,010	$67,024	$785,143
Realestate — construction	62,018	84,242	5,172	151,432
Total	$521,127	$343,252	$72,196	$936,575

	Sensitivity to changes in interest rates	
(Dollars in thousands)	Predetermined rate	Variable rate
Due after one year but within five years	$126,504	$216,748
Due after five years	15,701	56,495
Total	$142,205	$273,243

At December 31, 2007, commercial, commercial real estate, and real estate construction loans composed 63.2% of First Financial's total loan portfolio. Residential real estate loans at 20.7%, home equity loans at 9.7%, and installment, credit card lending, and lease financing at 6.4% composed the remainder of the portfolio.

During late 2005 and early 2006, management made a number of strategic decisions to realign its balance sheet and change its lending focus. These decisions included exiting indirect installment lending, no longer holding its residential real estate loan originations on the balance sheet, and utilizing the sale of loans to strategically manage the company's asset mix, risk profile, and credit quality. This has resulted in a cumulative reduction in loan balances of $631.6 million consisting of $196.9 million of indirect installment loan runoff, $174.3 million of residential real estate loan runoff, and $260.4 million associated with strategic loan sales.

Table 5 — Loan Maturity/Rate Sensitivity indicates the contractual maturity of commercial loans and real estate construction loans outstanding at December 31, 2007. Loans due after one year are classified according to their sensitivity to changes in interest rates.

Asset Quality

First Financial records a provision for loan and lease losses (provision) in the Consolidated Statements of Income to provide for expected credit losses. Actual losses on loans and leases are charged against the allowance for loan and lease losses (allowance), which is a reserve accumulated on the Consolidated Balance Sheets through the provision. The recorded values of the loans and leases actually removed from the Consolidated Balance Sheets due to credit deterioration are referred to as charge-offs. Any subsequent recovery of a previously charged off loan is credited back to the allowance. First Financial's policy is to charge-off loans when, in management's opinion, full collectiblity of principal and interest based upon the contractual terms of the loan is unlikely. All loans charged-off are subject to continuous review and concerted efforts are made to maximize any recovery. In most cases, the borrower's debt obligation is not cancelled even though the balance may have been charged off.

Management maintains the allowance at a level that is considered sufficient to absorb inherent risks in the loan portfolio. Management's evaluation in establishing the adequacy of the allowance includes evaluation of the loan and lease portfolios, past loan and lease loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay (including the timing of future payments), the estimated value of any underlying collateral, composition of the loan portfolio, economic conditions, and other pertinent factors, such as periodic internal and external evaluations of delinquent, nonaccrual, and classified loans. The evaluation is inherently subjective as it requires utilizing material estimates, including the amounts and timing of future cash flows expected to be received on impaired loans. The evaluation of these factors is the responsibility of the Allowance for Loan and Lease Losses Committee, which is comprised of senior officers from the risk management, credit administration, finance, and lending areas.

The allowance for commercial loans, including time and demand notes, tax-exempt loans, and commercial real estate loans begins with a process of estimating the probable losses inherent in the portfolio. The loss estimates for these commercial loans are established by category and based on First Financial's internal system of credit risk ratings and historical loss data.

The estimate of losses inherent in the commercial portfolio may be adjusted for management's estimate of probable losses on specific exposures dependent upon the values of the underlying collateral and/or the present value of expected future cash flows, as well as trends in delinquent and nonaccrual loans, prevailing economic conditions, changes in lending strategies, and other influencing factors as discussed earlier in the Asset Quality section.

In the commercial portfolio, certain loans, typically larger-balance non-homogeneous exposures, may have a specific allowance established based on the borrower's overall financial condition, resources and payment record, support from guarantors, and the realizable value of any collateral.

The allowance for consumer loans which includes residential real estate, installment, home equity, and credit card loans, as well as consumer leasing and overdrafts, is established for each of the categories by estimating losses inherent

Table 6 • Nonperforming Assets

	December 31,				
(Dollars in thousands)	**2007**	2006	2005	2004	2003
Nonaccrual loans	**$14,113**	$10,236	$24,961	$17,472	$23,466
Restructured loans	**567**	596	3,408	2,110	2,642
Other real estate owned (OREO)	**2,636**	2,334	3,162	1,481	2,729
Total nonperforming assets	**$17,316**	$13,166	$31,531	$21,063	$28,837
Nonperforming assets as a percent of total loans plus OREO	**0.67%**	0.53%	1.20%	0.75%	1.06%
Accruing loans past due 90 days or more	**$ 313**	$ 185	$ 1,359	$ 1,784	$ 1,872

Table 7 • Summary Of Allowance For Loan And Lease Losses And Selected Statistics

(Dollars in thousands)	**2007**	2006	2005	2004	2003
Transactions in the allowance for loan and lease losses:					
Balance at January 1	**$27,386**	$42,485	$45,076	$46,436	$46,873
Loans charged-off:					
Commercial	**4,107**	11,950	4,677	3,324	10,810
Real estate — construction	**0**	0	0	0	0
Real estate — mortgage	**1,118**	12,264	1,646	2,205	4,823
Installment and other consumer financing	**4,094**	4,063	5,191	6,145	6,610
Lease financing	**103**	72	76	168	397
Total loans charged-off	**9,422**	28,349	11,590	11,842	22,640
Recoveries of loans previously charged-off:					
Commercial	**1,002**	1,328	1,148	1,553	1,522
Real estate — construction	**0**	0	0	0	0
Real estate — mortgage	**918**	478	258	529	309
Installment and other consumer financing	**1,471**	1,596	1,997	2,360	1,981
Lease financing	**50**	26	25	62	104
Total recoveries	**3,441**	3,428	3,428	4,504	3,916
Net charge-offs	**5,981**	24,921	8,162	7,338	18,724
Provision for loan and lease losses	**7,652**	9,822	5,571	5,978	18,287
Balance at December 31	**$29,057**	$27,386	$42,485	$45,076	$46,436
Credit quality ratios:					
As a percent of year-end loans, net of unearned income:					
Allowance for loan and lease losses	**1.12%**	1.10%	1.62%	1.61%	1.71%
Nonperforming loans (1)	**0.56%**	0.44%	1.08%	0.70%	0.96%
Nonperforming assets(2)	**0.67%**	0.53%	1.20%	0.75%	1.06%
As a percent of average loans, net of unearned income:					
Net charge-offs	**0.24%**	0.97%	0.30%	0.26%	0.69%
Allowance for loan and lease losses to nonperforming loans	**197.94%**	252.82%	149.76%	230.19%	177.86%

(1) Includes nonaccrual and restructured loans.

(2) Includes nonaccrual and restructured loans, as well as OREO.

Table 8 • Allocation Of The Allowance For Loan And Lease Losses

	December 31,									
	2007		2006		2005		2004		2003	
(Dollars in thousands)	**Allowance**	**Percent of Loans to Total Loans**	Allowance	Percent of Loans to Total Loans	Allowance	Percent of Loans to Total Loans	Allowance	Percent of Loans to Total Loans	Allowance	Percent of Loans to Total Loans
Balance at End of Period Applicable to:										
Commercial	**$10,166**	**30%**	$10,415	27%	$17,667	23%	$11,660	23%	$ 9,415	24%
Real estate — construction	**955**	**6%**	1,142	4%	411	3%	265	3%	0	3%
Real estate — mortgage	**12,181**	**48%**	9,917	51%	19,187	54%	16,771	53%	14,949	52%
Installment, home equity & credit card	**5,747**	**16%**	5,830	18%	4,788	20%	12,769	21%	10,228	21%
Lease financing	**8**	**0%**	82	0%	432	0%	252	0%	269	0%
Unallocated	**0**	**N/A**	0	N/A	0	N/A	3,359	N/A	11,575	N/A
Total	**$29,057**	**100%**	$27,386	100%	$42,485	100%	$45,076	100%	$46,436	100%

in that particular category of consumer loans. The estimate of losses is primarily based on historical loss rates for the category, as well as trends in delinquent and nonaccrual loans, prevailing economic conditions, and other influencing factors as discussed earlier in the Asset Quality section. Consumer loans are evaluated as an asset type within a category (i.e., residential real estate, installment, etc.), as these loans are smaller with more homogeneous characteristics.

In periods prior to 2005, the unallocated portion of the allowance consisted of dollar amounts specifically set aside for certain general factors influencing the level of the allowance. These factors, such as ratio trends, were not specifically allocated to each category. Establishing percentages for these factors was largely subjective, but was supported by economic data, changes made in lending functions, and other support where appropriate. In 2004, the unallocated portion decreased significantly, as a more comprehensive and refined model was adopted. In 2005, the model was further refined whereby the impact of national and economic factors, concentrations in market segments, loan documentation and analysis, and portfolio performance are now considered in the allowance allocation process and no unallocated allowance exists.

Nonperforming assets consist of nonaccrual loans, restructured loans, and other real estate owned (OREO). The level of nonaccrual and restructured loans is an important element in assessing asset quality. Loans are classified as nonaccrual when, in the opinion of management, collection of principal or interest is doubtful. The accrual of interest income is discontinued when the collection of a loan or interest, in whole or in part, is doubtful. Loans are classified as restructured when management, to protect its investment, grants concessions to the debtor that it would not otherwise consider. See Table 6 — Nonperforming Assets for a summary of First Financial's nonaccrual loans, restructured loans, and OREO properties.

2007 vs. 2006. Total nonperforming assets, as shown in Table 6 — Nonperforming Assets, increased $4.1 million to $17.3 million at December 31, 2007, from $13.2 million at December 31, 2006. Nonaccrual loans increased $3.9 million from 2006, while restructured loans remained relatively flat and OREO increased $0.3 million. The increase in nonaccrual loans was primarily due to increased commercial real estate, residential real estate, and home equity nonaccrual loans, offset with decreased installment nonaccrual loans. Nonperforming loans, as a percent of total loans, were 0.56% at December 31, 2007, compared to 0.44% at December 31, 2006. The allowance to nonperforming loans ratio was 197.9% at December 31, 2007, compared to 252.8% at December 31, 2006. Accruing loans past due 90 days or more increased to $0.3 million at December 31, 2007, from $0.2 million at December 31, 2006. A large percentage of underperforming assets are secured by real estate, and this collateral has been appropriately considered in establishing the allowance.

Net charge-offs in 2007 were $6.0 million, a decrease of $18.9 million from 2006, with the ratio of net charge-offs as a percent of average loans outstanding decreasing from 0.97% to 0.24% as shown in Table 7 — Summary of Allowance for Loan and Lease Losses and Selected Statistics. Excluding the impact of the transfer of $53.0 million of loans to loans held for sale, net charge-offs as a percent of average loans outstanding were 0.48% in 2006.

In the second quarter of 2005, First Financial made the strategic decision to discontinue the origination of residential real estate loans for retention on its balance sheet. As a result, the residential real estate portfolio has declined $174.3 million, excluding the impact of the loan sales, since that time. Earlier in 2007, First Financial sold the servicing of its remaining residential real estate portfolio and established an agreement to sell future originations to a strategic partner. Prior to this decision, First Financial was not a sub-prime lender, and the company does not originate sub-prime residential real estate loans in the current originate-and-sell model.

At December 31, 2007, the commercial real estate and real estate construction loan portfolio totaled $857.8 million, or 33.0% of total loans, including $91.9 million or 3.5% of total loans for commercial real estate construction, and $46.6 million or 1.8% of total loans, for residential construction and land acquisition and development. First Financial's internal lending policies are key to limiting credit exposure from both the residential construction and land acquisition and development segments in any particular project. Most of the residential construction and land acquisition and development loans are in areas of relatively strong housing demand or with borrowers who have undergone an extensive underwriting process.

First Financial continually evaluates the commercial real estate and real estate construction portfolio for geographic and borrower concentrations, as well as loan-to-value coverage, and believes its credit underwriting processes are producing a prudent and acceptable level of credit exposure.

In 2007, First Financial experienced growth of 10.0% in the home equity loan portfolio. First Financial believes its underwriting criteria are rigid, and management monitors the portfolio by a number of metrics including credit scores, loan-to-value ratios, line size, and usage. More than 60% of the portfolio home equity loans have a FICO score greater than 740. During 2007, First Financial's home equity loan portfolio experienced an increased level of nonaccrual loans, consistent with the industry and weaknesses in the consumer sector.

The allowance at December 31, 2007, was $29.1 million or 1.12% of loans, an increase of 2 basis points from 1.10% of loans at December 31, 2006. Provision for loan and lease loss expense of $7.7 million was $2.2 million lower in 2007 than in 2006. It is management's belief that the allowance for loan and lease losses is adequate to absorb estimated credit losses in the loan and lease portfolio.

Investment Securities

First Financial's investment securities at December 31, 2007, were $312.6 million, a $19.7 million or 5.9% decrease from the $332.3 million balance at December 31, 2006. The 2007 decrease was primarily a result of decreased mortgage-backed securities (MBSs) and obligations of state and other political subdivisions, somewhat offset by increases in securities of U.S. government agencies and corporations.

In February of 2006, First Financial restructured its balance sheet including the sale of $179.0 million in investment securities, the proceeds of which were used to pay down $184.0 million of FHLB borrowings. The investment securities sold were primarily fixed-rate government agency and MBSs with book yields below 4.0%. The effect of the February of 2006 balance sheet restructure included a write-down in the value of investment securities of approximately $6.5 million at December 31, 2005, a prepayment penalty for the early payoff of FHLB advances recorded in the first quarter of 2006 of $4.3 million, and $0.5 million in additional losses on sales of investment securities in the first quarter of 2006.

Table 9 • Investment Securities As Of December 31, 2007

	Maturing							
	Within one year		After one but within five years		After five but within ten years		After ten years	
(Dollars in thousands)	Amount	Yield (1)	Amount	Yield (1)	Amount	Yield (1)	Amount	Yield (1)
Held-to-Maturity								
Mortgage-backed securities	$ 22	6.51%	$ 75	12.59%	$ 86	6.28%	$ 91	5.88%
Obligations of state and other political subdivisions	382	6.38%	1,492	6.32%	2,456	7.35%	1,035	7.83%
Total	$ 404	6.39%	$ 1,567	6.62%	$ 2,542	7.31%	$ 1,126	7.67%
Available-for-Sale								
Securities of other U.S. government agencies and corporations	$14,992	4.69%	$20,049	5.09%	$ 50,713	5.57%	$ 35	5.71%
Mortgage-backed securities	1,349	6.58%	11,813	4.56%	49,056	4.88%	89,557	5.29%
Obligations of state and other political subdivisions	6,144	7.10%	16,469	7.43%	36,089	7.30%	1,659	7.62%
Other securities	0	0.00%	218	6.35%	0	0.00%	8,785	7.56%
Total	$22,485	5.46%	$48,549	5.75%	$135,858	5.78%	$100,036	5.55%

(1) Tax equivalent basis was calculated using a 35.00% tax rate and yields were based on amortized cost.

Securities issued by U.S. government agencies and corporations, primarily the FHLB, Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association (FNMA), and Federal Farm Credit Bank represented 27.4% and 19.0% of the investment portfolio at December 31, 2007, and 2006, respectively. All U.S. government agencies and corporations' securities were classified as available-for-sale at December 31, 2007, and 2006. Due to the government guarantees, either expressed or implied, U.S. government agency and corporation obligations are considered to have a low credit risk and high liquidity profile.

Investments in MBSs, including collateralized mortgage obligations (CMOs), represented 48.6% and 55.0% of the investment portfolio at December 31, 2007, and 2006, respectively. MBSs represent participations in pools of residential real estate loans, the principal and interest payments of which are passed through to the security investors. Among other factors, several of the portfolio criteria have been to avoid securities backed by sub-prime assets and also those containing assets that would give rise to material geographic concentrations. MBSs are subject to prepayment risk, especially during periods of falling interest rates. Prepayments of the underlying residential real estate loans may shorten the lives of the securities, thereby affecting yields to maturity and market values. First Financial invests primarily in MBSs issued by U.S. government agencies and corporations, such as Government National Mortgage Association (GNMA), FHLMC, and FNMA. Such securities, because of government agency guarantees, are considered to have a low credit risk and high liquidity profile. Accordingly, 99.8% of First Financial's MBSs are classified as available-for-sale at both December 31, 2007, and 2006.

CMOs totaled $2.1 million at December 31, 2007, and $3.8 million at December 31, 2006, all of which were classified as available-for-sale. The decrease in CMOs was due to prepayment activity. All CMOs held by First Financial are AAA rated by Standard & Poor's Corporation or similar rating agencies, and First Financial does not own any interest-only securities, principal-only securities, or inverse floaters.

Securities of state and other political subdivisions comprised 21.0% and 24.1% of the investment portfolio at December 31, 2007, and 2006, respectively. The securities are diversified as to states and issuing authorities within states, thereby decreasing portfolio risk. At December 31, 2007, and 2006, 91.8% and 90.6%, respectively, of such investments were classified as available-for-sale.

Other securities, 3.0% and 1.9% of First Financial's investment portfolio at December 31, 2007, and 2006, respectively, were primarily composed of equity securities of government sponsored entities, taxable obligations of state and other political subdivisions, Community Reinvestment Act qualified mutual funds, and a small private equity fund.

The estimated maturities and weighted-average yields of the held-to-maturity and available-for-sale investment securities as of December 31, 2007, are shown in Table 9 — Investment Securities as of December 31, 2007. Tax-equivalent adjustments, using a 35.0% rate, have been made in calculating yields on tax-exempt obligations of state and other political subdivisions.

At December 31, 2007, the market value of First Financial's held-to-maturity investment securities portfolio exceeded the carrying value by $0.2 million. The available-for-sale investment securities are reported at their market value of $306.9 million, as required by SFAS

No. 115. At December 31, 2006, the market value of First Financial's held-to-maturity investment securities portfolio exceeded the carrying value by $0.2 million. The available-for-sale investment securities are reported at their market value of $324.3 million. See Note 7 of the Notes to Consolidated Financial Statements for additional information.

The other investments category in the Consolidated Balance Sheets reflects First Financial's investment in the stock of the Federal Reserve Bank and the FHLB.

First Financial's federal funds sold increased slightly from $102.0 million at December 31, 2006, to $107.0 million at December 31, 2007. First Financial monitors this position as part of its asset/liability and liquidity management process.

Derivatives

The use of derivative instruments allows First Financial to meet the needs of its clients while managing the interest-rate risk associated with certain transactions. First Financial's board of directors has authorized the use of certain derivative products, including interest rate caps, floors, and swaps. Currently, First Financial utilizes interest rate swaps as a means to offer commercial borrowers products that meet their needs, but also are designed to achieve First Financial's desired interest-rate risk profile at the time.

The net interest receivable or payable on the interest rate swaps is accrued and recognized as an adjustment to the interest income or interest expense of the hedged item. The fair value of the interest rate swaps is included within accrued interest and other assets on the Consolidated Balance Sheets. The corresponding fair-value adjustment is also included on the Consolidated Balance Sheets in the carrying value of the hedged item. Derivative gains and losses not considered effective in hedging the change in fair value of the hedged item are recognized immediately in income.

The swap agreements generally involve the net receipt by First Financial of floating-rate amounts in exchange for net payments by First Financial, through its loan clients, of fixed-rate amounts over the life of the agreements without an exchange of the underlying principal or notional amount. This results in First Financial's loan clients receiving fixed rate funding, while providing First Financial with a floating rate asset. The notional amount only establishes the basis on which interest payments are exchanged with counterparties. As only interest rate payments are exchanged, cash requirements and credit risk are significantly less than the notional amounts. First Financial's credit risk exposure is limited to the market value of the instrument. First Financial manages the credit risk through counterparty credit policies and at December 31, 2007, had bilateral collateral agreements in place with its counterparties.

As of December 31, 2007, there were no delinquent amounts due and First Financial had never experienced a credit loss related to these agreements. First Financial had $0.9 million and $0 deposited as cash collateral with its counterparties as of December 31, 2007, and 2006, respectively. This cash collateral is held at commercial banks and earns a rate of interest generally equal to the overnight Federal Funds interest rate.

As of December 31, 2007, First Financial had interest rate swaps with a notional value of $131.9 million, compared to a notional value of $80.8 million at December 31, 2006.

Deposits

First Financial solicits deposits by offering a wide variety of savings and transaction accounts, including checking, regular savings, money-market deposit, and time deposits of various maturities and rates.

2007 vs. 2006. Total deposits at December 31, 2007, were $2.89 billion as compared to December 31, 2006 at $2.80 billion, a $96.2 million or 3.4% increase. Increases in savings deposits of $70.0 million, time deposits of $48.1 million, and noninterest-bearing deposits of $41.6 million were somewhat offset by a decrease in interest-bearing demand deposits of $63.5 million.

The consumer's preference for higher-yielding money market and time deposits, rather than more traditional transaction accounts, remains and continues to result in shifts in deposit mix. Total average deposits for 2007 decreased $48.2 million or 1.7% from 2006. Increases in average savings deposits of $48.3 million and average time deposits of $3.1 million were more than offset by decreases in average interest-bearing demand deposits of $82.3 million and average noninterest-bearing deposits of $17.3 million. Overall average deposits decreased primarily due to the impact of the third quarter of 2006 banking center sales. Excluding the $74.6 million of average deposit balances included with the banking center sales in the third quarter of 2006, 2007 average deposits increased $26.4 million from 2006.

Table 10— Maturities of Time Deposits Greater Than or Equal to $0.1 million shows the contractual maturity of time deposits of $0.1 million and over that were outstanding at December 31, 2007. These deposits represented 10.1% of total deposits.

Table 10 • Maturities Of Time Deposits Greater Than Or Equal To $0.1 Million

(Dollars in thousands)	December 31, 2007
Certificates of Deposit	
Maturing in	
3 months or less	$ **82,662**
3 months to 6 months	**49,517**
6 months to 12 months	**77,621**
over 12 months	**42,395**
Total	**$ 252,195**
IRAs	
Maturing in	
3 months or less	$ **1,466**
3 months to 6 months	**2,172**
6 months to 12 months	**9,226**
over 12 months	**26,319**
Total	**$ 39,183**

Borrowings

2007 vs. 2006. Short-term borrowings increased slightly to $98.3 million at December 31, 2007, from $96.7 million at December 31, 2006. Long-term borrowings decreased $28.2 million to $66.5 million at December 31, 2007, from $94.7 million at December 31, 2006.

Other long-term debt which appears on the Consolidated Balance Sheets consists of junior subordinated debentures owed to unconsolidated subsidiary trusts. Capital securities were issued in the third quarters of 2003 and 2002 by statutory business trusts — First Financial (OH) Statutory Trust II and First Financial (OH) Statutory Trust I, respectively. The debentures issued in 2002, with a final maturity of 2032, were first eligible for early redemption by First Financial in September of 2007. At the date of early redemption, First Financial redeemed all the underlying capital securities relating to Trust I. The total outstanding capital securities redeemed were $10.0 million. The debentures issued in 2003, with a final maturity of 2033, are first eligible for early redemption by First Financial in September of 2008.

First Financial owns 100% of the common equity of the remaining trust , Trust II. The trust was formed with the sole purpose of issuing the capital securities and investing the proceeds from the sale of such capital securities in the debentures. The debentures held by the trust are the sole asset of the trust. Distributions on the capital securities are payable quarterly at a variable rate of interest, which is equal to the interest rate being earned by the trust on the debentures, and are recorded as interest expense of First Financial. The capital securities are subject to mandatory redemption, in whole or in part, upon repayment of the debentures. First Financial has entered into agreements which, taken collectively, fully or unconditionally guarantee the capital securities subject to the terms of the guarantees. The debenture currently qualifies as Tier I capital under Federal Reserve Board guidelines, but is limited to 25% of qualifying tier 1 capital.

The amount outstanding, net of offering costs, as of December 31, 2007, is $20.0 million. These funds were used to repurchase First Financial stock, for other general corporate purposes, and as a means to diversify funding sources at the parent company level. See Note 10 of the Notes to Consolidated Financial Statements for additional information on borrowings and Note 12 for additional information on capital.

Pension Plan

First Financial sponsors a non-contributory defined-benefit pension plan covering substantially all employees. Plan assets are administered by the Wealth Resource Group and primarily consist of equity and debt mutual funds, as well as money market funds. Approximately 50.2% of plan assets at December 31, 2006 were invested in various funds operated by the Legacy Funds for which Capital Advisors serves as investment advisor. During 2007, the Legacy Funds were renamed to First Funds. At December 31, 2007, 86.2% of plan assets were invested in the First Funds for which Capital Advisors also serves as investment advisor. The 2007 percentage increase is due to the $22.0 million First Financial contributed to its pension plan in December of 2006, which was initially invested in money market funds at year-end, but was subsequently invested in Legacy Funds in the first quarter of 2007. The pension plan does not own any shares of First Financial common stock, directly or through an equity fund.

Effective in the third quarter of 2007, First Financial amended the defined benefit pension plan formula to change the determination of participant benefits from a final average earnings plan to a cash balance plan. Pension plan participants prior to July 1, 2007, transitioned to the amended plan on January 1, 2008. After July 1, 2007, newly eligible participants entered the amended plan upon their eligibility date.

The significant assumptions used in the pension plan include the discount rate, expected return on plan assets, and the rate of compensation increase. The discount rate assumption was determined using published December 31, 2007, Corporate Bond Indices, projected cash flows of the pension plan, and comparisons to external industry surveys for reasonableness. The basis used to determine the overall expected long-term return on plan assets was based on the composition of plan assets and a consensus of estimates from similarly managed portfolios of expected future returns. The expected return on plan assets was 8.5% in both 2007 and 2006. First Financial will continue to monitor the return on plan assets and the investment vehicle used to fund the plan. The rate of compensation increase is compared to historical increases for plan participants.

In accordance with FASB Statement No. 88 (SFAS No. 88), "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits," First Financial recorded a pension settlement charge of $2.2 million in 2007 and a pension settlement and curtailment charge of $3.0 million in 2006. These charges were a result of First Financial's staff reductions in 2006 and 2007, and are an acceleration of costs that were previously deferred under pension accounting rules and would have been recognized in future periods. First Financial recorded pension expense in the Consolidated Statements of Income of $4.5 million, $7.9 million, and $5.3 million for 2007, 2006, and 2005, respectively, inclusive of the pension settlement and curtailment charges discussed above. Cash contributions to fund the pension plan were $0, $28.6 million, and $5.6 million for 2007, 2006, and 2005, respectively. The plan assets were 114.6% of the plan obligations at December 31, 2007, and due to the funded status of the plan, First Financial does not expect to make any contribution to its pension plan in 2008.

Liquidity

Liquidity management is the process by which First Financial manages the continuing flow of funds necessary to meet its financial commitments on a timely basis and at a reasonable cost. These funding commitments include withdrawals by depositors, credit commitments to borrowers, shareholder dividends, expenses of its operations, and capital expenditures. Liquidity is is closely monitored and managed by First Financial's Asset and Liability Committee (ALCO), a group of senior officers from the lending, deposit gathering, finance, risk management, and treasury areas. It is ALCO's responsibility to ensure First Financial has the necessary level of funds available for normal operations as well as maintain a contingency funding policy to ensure that liquidity stress events are quickly identified, and management plans are in place to respond. This is accomplished through the use of policies which establish limits and require measurements to monitor liquidity trends, including management reporting that identifies the amounts and costs of all available funding sources.

Liquidity is derived primarily from deposit growth, principal and interest payments on loans and investment securities, maturing loans and investment securities, access to wholesale funding sources, and collateralized borrowings. First Financial's most stable source of liability-funded liquidity for both the long and short-term needs is deposit growth and retention of the core deposit base. The deposit base is diversified among individuals, partnerships, corporations, public entities, and geographic markets. This diversification helps First Financial minimize dependence on large concentrations of funding sources.

Capital expenditures, such as banking center expansions and technology investments, were $7.6 million for 2007, $15.6 million for 2006, and $12.4 million for 2005. Management believes that First Financial has sufficient liquidity to fund its future capital expenditure commitments.

In addition, from time to time, First Financial utilizes advances from the FHLB as a funding source. At December 31, 2007, and 2006, total long-term borrowings from the FHLB were $45.9 million and $63.8 million, respectively. The total available remaining borrowing capacity from the FHLB at December 31, 2007, was $369.2 million.

As of December 31, 2007, First Financial has pledged certain residential real estate loans totaling $565.5 million as collateral for borrowings to the FHLB. For ease of borrowing execution, First Financial utilizes a blanket collateral agreement with the FHLB.

The principal source of asset-funded liquidity is marketable investment securities, particularly those with shorter maturities. The market value of investment securities classified as available-for-sale totaled $306.9 million at December 31, 2007. Securities classified as held-to-maturity that are maturing within a short period of time are also a source of liquidity. Securities classified as held-to-maturity that are maturing in one year or less totaled $0.4 million at December 31, 2007. In addition, other types of assets such as cash and due from banks, federal funds sold and securities purchased under agreements to resell, as well as loans and interest-bearing deposits with other banks maturing within one year, are sources of liquidity. Overnight federal funds sold totaled $107.0 million at December 31, 2007.

Certain restrictions exist regarding the ability of First Financial's subsidiaries to transfer funds to First Financial in the form of cash dividends, loans, or advances. The approval of the subsidiaries' respective primary federal regulators is required for First Financial's subsidiaries to pay dividends in excess of regulatory limitations. Dividends paid to First Financial from its subsidiaries totaled $31.7 million, $40.8 million, and $41.8 million for the years 2007, 2006, and 2005, respectively. As of December 31, 2007, First Financial's subsidiaries had retained earnings of $136.0 million of which $1.5 million was available for distribution to First Financial without prior regulatory approval. Management is not aware of any other events or regulatory requirements that, if implemented, are likely to have a material effect on First Financial's liquidity.

First Financial Bancorp maintains a short-term revolving credit facility with an unaffiliated bank. This facility provides First Financial additional liquidity for various corporate activities, including the repurchase of First Financial shares and the payment of dividends to shareholders. As of December 31, 2007, the outstanding balance was $72.0 million compared to an outstanding balance of $39.5 million as of December 31, 2006. The outstanding balance of this line varies throughout the year depending on First Financial's cash needs. The average outstanding balance was $58.0 million for 2007 and $39.7 million for 2006. First Financial entered into the credit facility for $75.0 million during the first quarter of 2007 for a period of one year, and in the third quarter of 2007 increased the line to $85.0 million until February 1, 2008, at which time it was reduced back to $75.0 million. The credit agreement requires First Financial to maintain certain covenants including those related to asset quality and capital levels. First Financial was in full compliance with all covenants as of December 31, 2007, and 2006.

First Financial Bancorp makes quarterly interest payments on its junior subordinated debentures owed to unconsolidated subsidiary trusts. Interest expense related to this other long-term debt totaled $2.4 million, $2.6 million, and $2.0 million in the years 2007, 2006, and 2005, respectively.

Interest-Rate Sensitivity

Market risk is the risk of loss arising from adverse changes in the fair value of financial instruments due to changes in interest rates, foreign exchange rates, and equity prices. The primary source of market risk for First Financial is interest-rate risk. Interest-rate risk arises in the normal course of business to the extent that there is a divergence between the amount of First Financial's interest-earning assets and the amount of interest-bearing liabilities that are prepaid/withdrawn, re-price, or mature in specified periods. First Financial seeks to achieve consistent growth in net interest income and capital while managing volatility arising from shifts in market interest rates. The ALCO oversees market risk management, establishing risk measures, limits, and policy guidelines for managing the amount of interest-rate risk and its effect on net interest income and capital.

Interest-rate risk for First Financial's Consolidated Balance Sheets consists of repricing, option, and basis risks. Repricing risk results from differences in the maturity, or repricing, of interest-bearing assets and liabilities. Option risk in financial instruments arises from embedded options such as loan prepayments, early withdrawal of Certificates of Deposits, and calls on investments and debt instruments that are primarily driven by third party or client behavior. Basis risk refers to the potential for changes in the underlying relationship between market rates or indices, which subsequently result in a narrowing of the net interest margin. Basis risk is also present in managed rate liabilities, such as interest-bearing checking accounts and savings accounts, where historical pricing relationships to market rates may change due to the level or directional change in market interest rates, or competitive pressures.

Table 11 — Market Risk Disclosure projects the principal maturities and yields of First Financial interest-bearing financial instruments at December 31, 2007, for the next five years and thereafter. Also included with each category is the fair value of the instruments. For loans, securities, and liabilities with contractual maturities, the table presents principal cash flows and related weighted-average interest rates by contractual maturities. For loan instruments without contractual maturities, such as credit card loans, principal payments are allocated based on historical trends of payment activity. Maturities for interest-bearing liability accounts with no set maturity are estimated according to historical experience of cash flows and current expectations of client behaviors. For interest rate swaps, the table includes notional amounts and weighted-average interest rates by contractual maturity dates. The variable receiving rates are indexed to the one-month London Inter-Bank Offered Rate (LIBOR) plus a spread.

Table 11 • Market Risk Disclosure

(Dollars in thousands)	2008	2009	2010	2011	2012	THEREAFTER	TOTAL	FAIR VALUE December 31, 2007
	Principal Amount Maturing In:							
Rate sensitive assets								
Fixed interest rate loans[1]	137,300	116,188	90,305	105,794	100,730	264,525	814,842	**826,689**
Average interest rate	6.72%	6.79%	7.71%	6.92%	6.83%	6.07%	6.67%	
Variable interest rate loans[1]	610,705	251,130	417,437	114,791	108,716	282,981	1,785,760	**1,778,831**
Average interest rate	6.91%	6.37%	7.32%	6.82%	6.92%	6.85%	6.92%	
Fixed interest rate securities	21,671	6,138	10,676	10,153	23,035	239,847	311,520	**311,695**
Average interest rate	5.41%	7.37%	5.17%	6.18%	5.49%	5.62%	5.63%	
Variable interest rate securities	1,218	60	35	6	13	33,684	35,016	**35,016**
Average interest rate	6.63%	4.63%	5.71%	5.86%	5.75%	6.51%	6.51%	
Other earning assets	106,990	0	0	0	0	0	106,990	**106,990**
Average interest rate	4.33%	0.00%	0.00%	0.00%	0.00%	0.00%	4.33%	
Rate sensitive liabilities								
Noninterest-bearing checking	465,731	0	0	0	0	0	465,731	**465,731**
Savings and interest-bearing checking	120,051	1,080,455	0	0	0	0	1,200,506	**1,200,506**
Average interest rate	1.77%	1.77%	0.00%	0.00%	0.00%	0.00%	1.77%	
Time deposits	807,351	266,061	51,050	41,518	42,202	19,772	1,227,954	**1,239,278**
Average interest rate	4.56%	4.71%	4.11%	4.48%	4.75%	3.64%	4.56%	
Fixed interest rate borrowings	9,493	15,000	0	0	0	21,403	45,896	**43,380**
Average interest rate	3.66%	3.49%	0.00%	0.00%	0.00%	3.79%	3.67%	
Variable interest rate borrowings	98,289	0	0	0	0	20,620	118,909	**118,909**
Average interest rate	4.58%	0.00%	0.00%	0.00%	0.00%	7.93%	5.16%	
Interest rate derivatives								
Interest rate swaps								
Fixed to variable	1,597	1,645	1,446	4,254	1,515	18,446	28,903	**(787)**
Average pay rate (fixed)	6.60%	6.60%	6.83%	7.12%	6.76%	6.83%	6.84%	
Average receive rate (variable)	7.46%	7.46%	7.47%	7.34%	7.47%	7.23%	7.31%	

(1) Includes loans held for sale

The interest-rate risk position is measured and monitored using income simulation models and economic value of equity sensitivity analysis that capture both short-term and long-term interest-rate risk exposure. Income simulation involves forecasting net interest income under a variety of interest rate scenarios including instantaneous shocks.

Presented below is the estimated impact on First Financial's net interest income as of December 31, 2007, assuming immediate, parallel shifts in interest rates:

	-200 basis points	-100 basis points	+100 basis points	+200 basis points
December 31, 2007	(10.84%)	(3.61%)	2.37%	4.26%

Modeling the sensitivity of net interest income to changes in market interest rates is highly dependent on numerous assumptions incorporated into the modeling process. Market based prepayment speeds are factored into the analysis for loan and securities portfolios. Rate sensitivity for transactional deposit accounts is modeled based on both historical experience and external industry studies.

First Financial uses economic value of equity sensitivity analysis to understand the impact of interest rate changes on long-term cash flows, income, and capital. Economic value of equity is based on discounting the cash flows for all balance sheet instruments under different interest rate scenarios. Deposit premiums are based on external industry studies and utilizing historical experience.

Presented below is the change in First Financial's economic value of equity position as of December 31, 2007, assuming immediate, parallel shifts in interest rates:

	-200 basis points	-100 basis points	+100 basis points	+200 basis points
December 31, 2007	(23.35%)	(8.88%)	3.58%	4.55%

First Financial, utilizing interest rates primarily based upon external industry studies, models additional scenarios covering the next twelve months. Based on these scenarios, First Financial has a relatively neutral rate risk position of a negative 0.51% when compared to a base-case scenario with interest rates held constant.

Capital

Total shareholders' equity at December 31, 2007, was $276.6 million compared to total shareholders' equity at December 31, 2006, of $285.5 million. This $8.9 million or 3.1% decrease was primarily due to First Financial's repurchase of its common stock totaling $27.3 million and cash dividends declared of $24.9 million, offset by current year income of $35.7 million and the SFAS No. 158 net pension and other postretirement benefit plans adjustment of $5.5 million. For further detail, see the Consolidated Statements of Changes in Shareholders' Equity.

On January 25, 2000, the board of directors authorized First Financial to repurchase the number of common shares necessary to satisfy any restricted stock awards or stock options that are granted from time to time under the 1999 Stock Incentive Option Plan for Officers and Employees and the 1999 Stock Option Plan for Non-Employee Directors. In 2007, the plan was amended to allow for the purchase of shares for general corporate purposes. Under this plan, First Financial repurchased 1,612,285 shares in 2007, 276,000 shares in 2001, and 650,110 shares in 2000. The total number of shares that can be repurchased over the life of the ten-year plan may not exceed 7,507,500 shares. At December 31, 2007, 4,969,105 shares remained available for purchase under this program.

On February 26, 2002, the board of directors authorized a stock repurchase program for up to 5% of First Financial's common shares outstanding. This program was intended to provide shares for general corporate purposes including the payment of future stock dividends. Repurchase activity under this plan was 1,053,699 shares in 2003 and 1,272,205 shares in 2002. The shares repurchased in 2003 completed this program.

Table 12 • Contractual Obligations

(Dollars in thousands)	Total	Payments due by period: Less than one year	One to three years	Three to five years	More than five years
Contractual Obligations					
Long-term debt obligations (including interest)					
Federal Home Loan Bank borrowings	**$ 59,303**	$ 6,949	$21,016	$1,623	$29,715
Junior subordinated debentures owed to unconsolidated subsidiary trusts	**41,439**	1,613	3,216	3,220	33,390
Operating lease obligations	**9,751**	1,649	2,616	2,063	3,423
Total	**$110,493**	$10,211	$26,848	$6,906	$66,528

On February 25, 2003, First Financial's board of directors authorized an additional stock repurchase program to repurchase up to 5% of its shares outstanding upon the completion of the February 26, 2002, program. Under this plan, First Financial repurchased 387,715 shares in 2007, 404,000 shares in 2006, 916,000 shares in 2005, 358,999 shares in 2004, and 177,001 shares in 2003. The shares repurchased in 2007 completed this program.

On December 9, 2005, the final results for the modified Dutch Auction tender offer were announced. First Financial repurchased 3,250,000 shares at a price of $19.00 per share. The modified Dutch Auction tender offer was approved by First Financial's board of directors on August 23, 2005. The Modified Dutch Auction tender procedure allowed shareholders to select the price within the specified range at which each shareholder was willing to sell all or a portion of his or her shares to First Financial. Based on the number of shares tendered and the prices specified by the tendering shareholders, First Financial determined the single per share price within the range that would allow it to repurchase the 3,250,000 shares. The tender offer allowed First Financial to maintain a strong capital position and preserve financial flexibility, while enhancing shareholder value.

At this time, First Financial does not plan on repurchasing any of its shares in 2008.

The dividend payout ratio was 69.9%, 118.5%, and 71.9% for the years 2007, 2006, and 2005, respectively. The dividend payout ratio is continually reviewed by management and the board of directors for consistency with First Financial's overall capital plan and compliance with applicable regulatory limitations.

First Financial has consistently maintained regulatory capital ratios at or above the level that results in its classification as "well-capitalized." For further detail on capital ratios, see Note 12 of the Notes to Consolidated Financial Statements.

Critical Accounting Policies

First Financial's Consolidated Financial Statements are prepared based on the application of accounting policies, the most significant of which are described in Note 1 of the Notes to Consolidated Financial Statements. These policies require the reliance on estimates and assumptions. Changes in underlying factors, assumptions, or estimates in any of these areas could have a material impact on First Financial's future financial condition and results of operations. In management's opinion, some of these areas have a more significant impact than others on First Financial's financial reporting. For First Financial, these areas currently include accounting for the allowance for loan and lease losses, income taxes, pension, and goodwill and other intangible assets. Pages 25 through 27 of this annual report provide management's analysis of the allowance for loan and lease losses, page 24 of this annual report provides management's analysis of income taxes, and pages 29 through 30 of this annual report provide management's analysis of the pension plan.

Forward-Looking Statements

Certain statements contained in this report that are not statements of historical fact constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act (the Act). In addition, certain statements in future filings by First Financial with the Securities and Exchange Commission, in press releases, and in oral and written statements made by or with the approval of First Financial which are not statements of historical fact constitute forward-looking statements within the meaning of the Act.

Examples of forward-looking statements include, but are not limited to, projections of revenues, income or loss, earnings or loss per share, the payment or non-payment of dividends, capital structure and other financial items, statements of plans and objectives of First Financial or its management or board of directors, and statements of future economic performances and statements of assumptions underlying such statements. Words such as "believes," "anticipates," "intends," and other similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

Forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from those in such statements. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to, management's ability to effectively execute its business plan; the risk that the strength of the United States economy in general and the strength of the local economies in which First Financial conducts operations may be different than expected resulting in, among other things, a deterioration in credit quality or a reduced demand for credit, including the resultant effect on First Financial's loan portfolio and allowance for loan and lease losses; the effects of and changes in policies and laws of regulatory agencies; inflation, interest rates, market and monetary fluctuations; technological changes; mergers and acquisitions; the ability to increase market share and control expenses; the effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies as well as the Financial Accounting Standards Board and the Securities and Exchange Commission; the costs and effects of litigation and of unexpected or adverse outcomes in such litigation; and the success of First Financial at managing the risks involved in the foregoing.

Such forward-looking statements speak only as of the date on which such statements are made, and First Financial undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made to reflect the occurrence of unanticipated events.

Statistical Information (Unaudited)

	2007 Balance	2007 Interest	2007 Yield	2006 Balance	2006 Interest	2006 Yield	2005 Balance	2005 Interest	2005 Yield
Earning assets	**Daily average balances and interest rates** (Tax equivalent basis; dollars in thousands):								
Loans (1), (4)									
Commercial (2)	**$ 739,884**	**$ 69,101**	**9.34%**	$ 630,658	$ 57,242	9.08%	604,058	$ 44,391	7.35%
Real estate	**1,379,342**	**79,662**	**5.78%**	1,444,831	83,719	5.79%	1,560,118	88,655	5.68%
Installment and other consumer	**427,051**	**34,215**	**8.01%**	494,946	36,980	7.47%	588,001	39,476	6.71%
Lease financing (2)	**621**	**66**	**10.63%**	1,500	182	12.13%	3,616	469	12.97%
Total loans	**2,546,898**	**183,044**	**7.19%**	2,571,935	178,123	6.93%	2,755,793	172,991	6.28%
Investment securities (3)									
Taxable	**285,645**	**14,961**	**5.24%**	318,090	16,592	5.22%	528,528	21,497	4.07%
Tax-exempt (2)	**72,158**	**5,449**	**7.55%**	89,026	6,373	7.16%	105,699	7,491	7.09%
Total investment securities (3)	**357,803**	**20,410**	**5.70%**	407,116	22,965	5.64%	634,227	28,988	4.57%
Federal funds sold	**104,165**	**5,269**	**5.06%**	141,347	7,092	5.02%	46,224	1,701	3.68%
Total earning assets	**3,008,866**	**208,723**	**6.94%**	3,120,398	208,180	6.67%	3,436,244	203,680	5.93%
Nonearning assets									
Allowance for loan and lease losses	**(28,263)**			(35,959)			(43,287)		
Cash and due from banks	**89,780**			113,553			123,874		
Accrued interest and other assets	**239,657**			234,669			294,392		
Total assets	**$3,310,040**			$3,432,661			$3,811,223		
Interest-bearing liabilities									
Deposits									
Interest-bearing demand	**$ 623,110**	**12,513**	**2.01%**	$ 705,435	15,310	2.17%	$ 668,655	7,148	1.07%
Savings	**578,579**	**11,016**	**1.90%**	530,274	7,301	1.38%	541,758	3,281	0.61%
Time	**1,229,297**	**55,655**	**4.53%**	1,226,205	47,401	3.87%	1,266,139	38,225	3.02%
Total interest-bearing deposits	**2,430,986**	**79,184**	**3.26%**	2,461,914	70,012	2.84%	2,476,552	48,654	1.96%
Borrowed funds									
Short-term borrowings	**92,709**	**4,232**	**4.56%**	93,306	3,768	4.04%	90,969	1,961	2.16%
Federal Home Loan Bank long-term debt	**57,458**	**2,099**	**3.65%**	102,910	4,062	3.95%	321,676	15,078	4.69%
Other long-term debt	**28,190**	**2,427**	**8.61%**	30,930	2,610	8.44%	30,930	2,037	6.59%
Total borrowed funds	**178,357**	**8,758**	**4.91%**	227,146	10,440	4.60%	443,575	19,076	4.30%
Total interest-bearing liabilities	**2,609,343**	**87,942**	**3.37%**	2,689,060	80,452	2.99%	2,920,127	67,730	2.32%
Noninterest-bearing liabilities									
Noninterest-bearing demand deposits	**397,918**			415,211			430,231		
Other liabilities	**22,504**			30,163			96,234		
Shareholders' equity	**280,275**			298,227			364,631		

Total liabilities and shareholders' equity	**$3,310,040**			$3,432,661			$3,811,223		
Net interest income and interest rate spread (fully tax equivalent)		**$120,781**	**3.57%**		$127,728	3.68%		$135,950	3.61%
Net interest margin (fully tax equivalent)			**4.01%**			4.09%			3.96%
Interest income and yield		**$206,442**	**6.86%**		$205,525	6.59%		$200,697	5.84%
Interest expense and rate		**87,942**	**3.37%**		80,452	2.99%		67,730	2.32%
Net interest income and spread		**$118,500**	**3.49%**		$125,073	3.60%		$132,967	3.52%
Net interest margin			**3.94%**			4.01%			3.87%

(1) Nonaccrual loans are included in average loan balance and loan fees are included in interest income.

(2) Interest income on tax-exempt investments and on certain tax-exempt loans and leases has been adjusted to a tax equivalent basis using a 35.00% tax rate.

(3) Includes investment securities held-to-maturity, investment securities available-for-sale, and other investments.

(4) Includes loans held-for-sale.

N/M = Not meaningful

Management’s Report On Internal Control Over Financial Reporting

First Financial’s management is responsible for establishing and maintaining adequate internal control over financial reporting. First Financial’s internal control over financial reporting is a process designed under the supervision of First Financial’s chief executive officer and chief financial officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Any system of internal control, no matter how well designed, has inherent limitations, including the possibility that a control can be circumvented or overridden and misstatements due to error or fraud may occur and not be detected. Also, because of changes in conditions, internal control effectiveness may vary over time. Accordingly, even an effective system of internal control will provide only reasonable assurance with respect to financial statement preparation. As of December 31, 2007, First Financial’s management, including the chief executive officer and the chief financial officer, evaluated the effectiveness of First Financial’s internal controls over financial reporting, using as its framework for that evaluation the Internal Control — Integrated Framework published by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. Based upon that evaluation, management believes that First Financial’s internal control over financial reporting is effective based on those criteria.

Ernst & Young LLP, the independent registered public accounting firm that audited the consolidated financial statements included in this Form 10-K, has issued an attestation report on First Financial’s internal control over financial reporting as of December 31, 2007. The report, which expresses an unqualified opinion on First Financial’s internal control overfinancial reporting as of December 31, 2007, is included in the information that follows under the heading "Report on Internal Control Over Financial Reporting."

Claude E. Davis
President & CEO
February 26, 2008

J. Franklin Hall
Executive Vice President & CFO
February 26, 2008

Report Of Independent Registered Public Accounting Firm

Report On Internal Control Over Financial Reporting

The Board of Directors and Shareholders of First Financial Bancorp

We have audited First Financial Bancorp's Internal Control Over Financial Reporting, as of December 31, 2007, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). First Financial Bancorp's management is responsible for maintaining effective internal control over financial reporting and for its assessment about the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, First Financial Bancorp maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of First Financial Bancorp as of December 31, 2007, and 2006, and the related consolidated statements of earnings, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2007, of First Financial Bancorp and our report dated February 26, 2008 expressed an unqualified opinion thereon.

Ernst & Young LLP
Cincinnati, Ohio
February 26, 2008

Ernst + Young LLP

Report Of Independent Registered Public Accounting Firm

Report On Consolidated Financial Statements

The Board of Directors and Shareholders of First Financial Bancorp

We have audited the accompanying consolidated balance sheets of First Financial Bancorp and subsidiaries (the Company) as of December 31, 2007, and 2006, and the related consolidated statements of earnings, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2007. These financial statements are the responsibility of First Financial Bancorp's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of First Financial Bancorp and subsidiaries at December 31, 2007, and 2006, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 17, the Company adopted the provisions of Statement of Financial Accounting Standards No. 123(R), *Share-*

Based Payment, effective January 1, 2007. As discussed in Note 14, the Company adopted the provisions of Statement Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R),* effective December 31, 2007.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), First Financial Bancorp's internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 26, 2008 expressed an unqualified opinion thereon.

Ernst + Young LLP

Ernst & Young LLP
Cincinnati, Ohio
February 26, 2008

Consolidated Balance Sheets

(Dollars in thousands)	December 31, 2007	2006
Assets		
Cash and due from banks	**$ 106,224**	$ 119,407
Federal funds sold	**106,990**	102,000
Investment securities held-to-maturity (market value of $5,814 at December 31, 2007; $8,154 at December 31, 2006)	**5,639**	7,995
Investment securities available-for-sale, at market value (cost of $306,412 at December 31, 2007; $324,922 at December 31, 2006)	**306,928**	324,259
Other investments	**33,969**	33,969
Loans held for sale	**1,515**	8,824
Loans		
Commercial	**785,143**	673,445
Real estate — construction	**151,432**	101,688
Real estate — commercial	**706,409**	623,603
Real estate — residential	**539,332**	628,579
Installment	**138,895**	198,881
Home equity	**250,888**	228,128
Credit card	**26,610**	24,587
Lease financing	**378**	923
Total loans	**2,599,087**	2,479,834
Less		
Allowance for loan and lease losses	**29,057**	27,386
Net loans	**2,570,030**	2,452,448
Premises and equipment	**78,994**	79,609
Goodwill	**28,261**	28,261
Other intangibles	**698**	5,842
Accrued interest and other assets	**130,068**	138,985
Total assets	**$3,369,316**	$3,301,599
Liabilities		
Deposits		
Interest-bearing	**$ 603,870**	$ 667,305
Savings	**596,636**	526,663
Time	**1,227,954**	1,179,852
Total interest-bearing deposits	**2,428,460**	2,373,820
Noninterest-bearing	**465,731**	424,138
Total deposits	**2,894,191**	2,797,958
Short-term borrowings		
Federal funds purchased and securities sold under agreements to repurchase	**26,289**	57,201
Other	**72,000**	39,500
Total short-term borrowings	**98,289**	96,701
Federal Home Loan Bank long-term debt	**45,896**	63,762
Other long-term debt	**20,620**	30,930
Accrued interest and other liabilities	**33,737**	26,769
Total liabilities	**3,092,733**	3,016,120
Shareholders' equity		
Common stock — no par value Authorized - 160,000,000 shares Issued — 48,558,614 shares in 2007 and 2006	**391,962**	392,736
Retained earnings	**82,093**	71,320
Accumulated comprehensive income	**(7,127)**	(13,375)
Treasury stock, at cost, 11,190,806 shares in 2007 and 9,313,207 shares in 2006	**(190,345)**	(165,202)
Total shareholders' equity	**276,583**	285,479
Total liabilities and shareholders' equity	**$3,369,316**	$3,301,599

See Notes to Consolidated Financial Statements.

Consolidated Statements Of Earnings

(Dollars in thousands except per share data)	Year ended December 31, 2007	2006	2005
Interest income			
Loans, including fees	**$ 182,670**	$ 177,699	$ 172,636
Investment securities			
Taxable	**14,961**	16,592	21,497
Tax- exempt	**3,542**	4,142	4,863
Total investment securities interest	**18,503**	20,734	26,360
Federal funds sold	**5,269**	7,092	1,701
Total interest income	**206,442**	205,525	200,697
Interest expense			
Deposits	**79,184**	70,012	48,654
Short-term borrowings	**4,232**	3,768	1,961
Long-term borrowings	**2,099**	4,062	15,078
Subordinated debentures and capital securities	**2,427**	2,610	2,037
Total interest expense	**87,942**	80,452	67,730
Net interest income	**118,500**	125,073	132,967
Provision for loan and lease losses	**7,652**	9,822	5,571
Net interest income after provision for loan and lease losses	**110,848**	115,251	127,396
Noninterest income			
Service charges on deposit accounts	**20,766**	21,958	18,976
Trust and wealth management fees	**18,396**	16,264	16,641
Bankcard income	**5,251**	4,437	3,992
Net gains from sales of loans	**844**	3,206	903
Gain on sale of merchant payment processing portfolio	**5,501**	0	0
Gain on sale of mortgage servicing rights	**1,061**	0	0
Gains on sales of branches	**0**	12,545	0
Gains (losses) on sales and impairment of investment securities	**367**	(476)	(6,519)
Other	**11,402**	10,050	12,198
Total noninterest income	**63,588**	67,984	46,191
Noninterest expenses			
Salaries and employee benefits	**69,891**	81,560	77,690
Pension settlement charges	**2,222**	2,969	0
Net occupancy	**10,861**	11,038	9,610
Furniture and equipment	**6,761**	5,607	6,276
Data processing	**3,498**	9,969	6,867
Marketing	**2,441**	3,490	2,464
Communication	**3,230**	3,334	3,085
Professional services	**4,142**	7,835	7,681
Debt extinguishment	**0**	4,295	0
Other	**17,701**	22,418	16,492
Total noninterest expenses	**120,747**	152,515	130,165
Income from continuing operations before income taxes	**53,689**	30,720	43,422
Income tax expense	**18,008**	9,449	12,614
Income from continuing operations	**35,681**	21,271	30,808
Discontinued operations			
Other operating income	**0**	0	583
Gain on sale of discontinued operations	**0**	0	10,366
Income from discontinued operations before income taxes	**0**	0	10,949
Income tax expense	**0**	0	3,824
Income from discontinued operations	**0**	0	7,125
Net income	**$ 35,681**	$ 21,271	$ 37,933

Earnings per share from continuing operations:			
Basic	**$ 0.93**	$ 0.54	$ 0.72
Diluted	**$ 0.93**	$ 0.54	$ 0.71
Earnings per share from discontinued operations:			
Basic	**$ 0.00**	$ 0.00	$ 0.17
Diluted	**$ 0.00**	$ 0.00	$ 0.17
Earnings per share:			
Basic	**$ 0.93**	$ 0.54	$ 0.89
Diluted	**$ 0.93**	$ 0.54	$ 0.88
Average shares outstanding — basic	**38,455,084**	39,539,114	43,084,378
Average shares outstanding — diluted	**38,459,138**	39,562,010	43,172,750

See Notes to Consolidated Financial Statements.

Consolidated Statements Of Cash Flows

(Dollars in thousands)	Year ended December 31, 2007	2006	2005
Operating activities			
Net income	**$ 35,681**	$ 21,271	$ 37,933
Adjustments to reconcile net income to net cash provided by operating activities			
Provision for loan and lease losses	**7,652**	9,822	5,571
Provision for depreciation and amortization	**7,949**	8,588	7,430
Stock-based compensation expense	**1,384**	1,728	1,671
Pension expense	**4,541**	7,926	5,202
Net amortization of premiums and accretion of discounts on investment securities	**131**	(111)	1,488
Deferred income taxes	**(3,338)**	14,360	(778)
(Gains) losses on impairment and sales of investment securities	**(367)**	476	6,519
Originations of loans held for sale	**(68,027)**	(83,365)	(199,086)
Net gains from sales of loans held for sale	**(844)**	(3,206)	(903)
Proceeds from sale of loans held for sale	**76,564**	85,696	198,148
Increase in cash surrender value of life insurance	**(4,105)**	(2,151)	(10,530)
(Increase) decrease in interest receivable	**(869)**	793	(419)
(Increase) decrease in prepaid expenses	**(435)**	(4,051)	211
Increase (decrease) in accrued expenses	**706**	(1,259)	2,429
Increase in interest payable	**1,920**	883	1,176
Contribution to pension plan	**0**	(28,583)	(5,605)
Other	**14,861**	(11,535)	(2,695)
Net decrease from discontinued operations	**0**	0	12,751
Net cash provided by operating activities	**73,404**	17,282	60,513
Investing activities			
Proceeds from sales of investment securities available-for-sale	**392**	184,935	15
Proceeds from calls, paydowns, and maturities of investment securities available-for-sale	**59,657**	85,178	144,310
Purchases of investment securities available-for-sale	**(41,303)**	(33,459)	(96,862)
Proceeds from calls, paydowns, and maturities of investment securities held-to-maturity	**3,290**	4,561	10,830
Purchases of investment securities held-to-maturity	**(934)**	0	(10,565)
Net decrease in interest-bearing deposits with other banks	**0**	0	495
Net increase in federal funds sold	**(4,990)**	(4,000)	(85,951)
Net (increase) decrease in loans and leases	**(127,988)**	111,556	169,294
Proceeds from surrender of life insurance	**12,941**	0	0
Proceeds from disposal of other real estate owned	**1,962**	3,117	2,135
Purchases of premises and equipment	**(7,578)**	(15,647)	(12,421)
Net decrease from discontinued operations	**0**	0	91,962
Net cash (used in) provided by investing activities	**(104,551)**	336,241	213,242
Financing activities			
Net increase (decrease) in total deposits	**96,233**	(127,481)	19,574
Net increase (decrease) in short-term borrowings	**1,588**	(14,933)	(36,560)
Payments on long-term borrowings	**(17,866)**	(222,893)	(43,701)
Redemption of other long-term debt	**(10,000)**	0	0
Cash dividends paid	**(24,845)**	(25,870)	(27,375)
Treasury stock purchases	**(27,297)**	(6,561)	(78,344)
Proceeds from exercise of stock options	**82**	254	201
Excess tax benefit on share-based compensation	**69**	87	0
Net decrease from discontinued operations	**0**	0	(99,622)
Net cash provided by (used in) financing activities	**17,964**	(397,397)	(265,827)
Cash and cash equivalents:			
Net (decrease) increase in cash and cash equivalents	**(13,183)**	(43,874)	7,928
Cash and cash equivalents at beginning of year	**119,407**	163,281	155,353
Cash and cash equivalents at end of year	**$ 106,224**	$ 119,407	$ 163,281

Cash and cash equivalents consist of the following:

Cash and cash equivalents from continuing operations	**$ 106,224**	$ 119,407	$ 163,281
Cash and cash equivalents from discontinued operations	**0**	0	0
Cash and cash equivalents at end of year	**$ 106,224**	$ 119,407	$ 163,281
Supplemental disclosures			
Interest paid	**$ 86,022**	$ 79,569	$ 68,642
Income taxes paid	**$ 14,445**	$ 3,829	$ 16,145
Acquisition of other real estate owned through foreclosure	**$ 2,264**	$ 2,288	$ 3,898
Issuance of restricted stock awards	**$ 2,254**	$ 1,654	$ 1,578
Transfer of loans to loans held for sale	**$ 0**	$ 39,571	$ 0

See Notes to Consolidated Financial Statements.

Consolidated Statements Of Changes In Shareholders' Equity

(Dollars in thousands, except share amounts)	Common stock shares	Common stock amount	Retained earnings	Accumulated other comprehensive income (loss): Unrealized gain (loss) on AFS securities	Accumulated other comprehensive income (loss): Pension obligation	Treasury stock: Shares	Treasury stock: Amount	Total
Balances at January 1, 2005	48,558,614	$392,448	$ 65,095	$ 2,197	$ (5,320)	(4,881,378)	$ (82,965)	$371,455
Net income			37,933					37,933
Unrealized holding losses on securities available for sale arising during the period				(2,511)				(2,511)
Unfunded pension losses, net of tax					(2,242)			(2,242)
Total comprehensive income								33,180
Cash dividends declared ($0.64 per share)			(27,671)					(27,671)
Purchase of common stock						(4,166,000)	(78,344)	(78,344)
Exercise of stock options, net of shares purchased		(528)				33,327	729	201
Restricted stock awards, net of forfeitures		(984)				18,917	373	(611)
Amortization of restricted stock awards		1,671						1,671
Balances at December 31, 2005	48,558,614	392,607	75,357	(314)	(7,562)	(8,995,134)	(160,207)	299,881
Net income			21,271					21,271
Unrealized holding losses on securities available for sale arising during the period				(106)				(106)
Total comprehensive income								21,165
Net adjustment to initially apply SFAS No. 158, net of tax					(5,393)			(5,393)
Cash dividends declared ($0.64 per share)			(25,308)					(25,308)
Purchase of common stock						(404,000)	(6,561)	(6,561)
Tax benefit on stock option purchase		87						87
Exercise of stock options, net of shares purchased		(213)				24,598	452	239
Restricted stock awards, net of forfeitures		(1,473)				61,329	1,114	(359)
Share-based compensation expense		1,728						1,728
Balances at December 31, 2006	48,558,614	392,736	71,320	(420)	(12,955)	(9,313,207)	(165,202)	285,479
Net income			**35,681**					**35,681**
Unrealized holding gains on securities available for sale arising during the period				**748**				**748**
Changes in accumulated unrealized losses for pension and other postretirement obligations					**5,500**			**5,500**
Total comprehensive income								**41,929**
Cash dividends declared ($0.65 per share)			**(24,908)**					**(24,908)**
Purchase of common stock						**(2,000,000)**	**(27,297)**	**(27,297)**
Tax benefit on stock option exercise		**69**						**69**
Exercise of stock options, net of shares purchased		**(57)**				**8,474**	**139**	**82**
Restricted stock awards, net of forfeitures		**(2,170)**				**113,927**	**2,015**	**(155)**
Share-based compensation expense		**1,384**						**1,384**
Balances at December 31, 2007	**48,558,614**	**$391,962**	**$ 82,093**	**$ 328**	**$ (7,455)**	**(11,190,806)**	**$(190,345)**	**$276,583**

See Notes to Consolidated Financial Statements.

Notes To Consolidated Financial Statements

1. Summary Of Significant Accounting Policies

Basis of presentation: The Consolidated Financial Statements of First Financial Bancorp. (First Financial), a bank holding company, principally serving western Ohio, Indiana, and northern Kentucky, include the accounts and operations of First Financial and its wholly owned subsidiaries — First Financial Bank, N.A. and First Financial Capital Advisors LLC, a registered investment advisor. All significant intercompany transactions and accounts have been eliminated in consolidation. Certain reclassifications of prior years' amounts have been made to conform to current year presentation. Such reclassifications had no effect on net earnings.

First Financial's business activities are currently confined to one reportable segment, community banking. As a full service community banking company, First Financial offers a full range of products and services to its clients.

The preparation of Consolidated Financial Statements in conformity with U.S. generally accepted accounting principles requires management to make estimates, assumptions, and judgments that affect the amounts reported in the Consolidated Financial Statements and accompanying Notes. Actual realized amounts could differ materially from those estimates.

On September 16, 2005, First Financial sold substantially all the assets and certain liabilities of its Fidelity Federal Savings Bank subsidiary. Fidelity Federal is reported in the Consolidated Financial Statements and related Notes as discontinued operations in 2005.

All dollar amounts, except per share data, are expressed in thousands of dollars.

Investment securities: First Financial can classify debt and equity securities in three categories: trading, held-to-maturity, and available-for-sale. First Financial has no trading securities.

Management determines the appropriate classification of debt securities at the time of purchase and reevaluates such designation as of each balance sheet date. Debt securities are classified as held-to-maturity when First Financial has the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are stated at amortized cost. Debt securities not classified as held-to-maturity are classified as available-for-sale. Available-for-sale securities are stated at aggregate fair value, with the unrealized gains and losses, net of tax, reported as a separate component of accumulated other comprehensive income (loss) in shareholders' equity.

The amortized cost of debt securities classified as held-to-maturity or available-for-sale is adjusted for amortization of premiums and accretion of discounts to maturity, or in the case of mortgage-backed securities, over the estimated life of the security. Such amortization is included in interest income from investments. Interest and dividends are included in interest income from investments. Realized gains and losses are based on amortized cost of the security sold using the specific identification method. Available-for-sale and held-to-maturity securities are reviewed quarterly for impairment in value. In performing this review, management considers the length of time and extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, and the ability and intent to hold the security for a period sufficient to allow for any anticipated recovery in fair value. If the fair value of a security is less than the amortized cost and the impairment is determined to be other-than-temporary, the security is written down, establishing a reduced cost basis. The related charge is recorded in the Consolidated Statements of Earnings as an impairment on investment securities.

Other investments include Federal Reserve Bank (FRB) stock and Federal Home Loan Bank (FHLB) stock. FRB and FHLB stock is carried at cost.

Loans and leases: Loan origination and commitment fees and certain direct loan origination costs are deferred, and the net amount amortized as an adjustment to the related loan's yield. The accrual of interest income is discontinued when the collection of a loan or interest, in whole or in part, is doubtful. This applies to all loans, including impaired loans. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Loans are included in the loan portfolio when management has the intent and ability to hold the loan for the foreseeable future, or until maturity or payoff. The foreseeable future is based upon the loan characteristics, business strategy, current market condiitions, and liquidity needs.

Loans held for sale may come from two sources: residential real estate loans originated with commitments to sell to our strategic partner and in certain circumstances, previously originated loans that have been specifically identified by management for sale based on predetermined criteria. Loans originated for sale are placed immediately into that category upon origination and are considered to be at fair market value due to the commitment to sell in a short timeframe. Loans transferred to held for sale status are done at the lower of cost or fair value with any difference charged to the allowance for loan and lease losses. Any subsequent change in carrying value, not to exceed original cost, is recorded in the Consolidated Statements of Earnings.

First Financial principally uses the finance method of accounting for direct lease contracts. Under this method of accounting, a receivable is recorded for the total amount of lease payments due and estimated residual values. Lease income, represented by the excess of the total contract receivable plus estimated equipment residual value over the cost of the related equipment, is recorded over the term of the leases at a level rate of return on the unrecovered net investment. First Financial does not have a material amount of lease assets.

Allowance for loan and lease losses: The level of the allowance for loan and lease losses (allowance) is based upon management's evaluation of the loan and lease portfolios, past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay (including the timing of future payments), the estimated value of any underlying collateral, composition of the loan portfolio, economic conditions, and other pertinent factors. This evaluation is inherently subjective as it requires material estimates including the amounts and timing of future cash flows expected to be received on impaired loans that may be susceptible to significant change. Loans are charged off when management believes that the ultimate collectibility of the loan is unlikely. Allocation of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management’s judgment, is deemed to be uncollectible.

Management’s determination of the adequacy of the allowance is based on an assessment of the inherent loss given the conditions at the time. The allowance is increased by provisions charged to expense and decreased by charge-offs, net of recoveries of amounts previously charged-off. The allowance for commercial loans, including time and demand notes, tax-exempt loans, commercial real estate, and commercial capital leases begins with a process of estimating the probable losses inherent in the portfolio. The estimates for these commercial loans are established by category and based on First Financial’s internal system of credit risk ratings and historical loss data.

The estimate of losses inherent in the commercial portfolio may then be adjusted for management’s estimate of probable losses on specific exposures as well as trends in delinquent and nonaccrual loans and other factors such as prevailing economic conditions, lending strategies, and other influencing factors. In the commercial portfolio, certain loans, typically larger-balance non-homogeneous exposures, may have a specific allowance established based on the borrower’s overall financial condition, resources and payment record, support from guarantors, and the realizable value of any collateral.

The allowance for consumer loans which includes residential real estate, installment, home equity, credit card, consumer leasing, and overdrafts is established for each of the categories by estimating losses inherent in that particular category of consumer loans. The estimate of losses is primarily based on historical loss rates. Consumer loans are evaluated as an asset type within a category (i.e., residential real estate, installment, etc.), as these loans are smaller and more homogeneous.

Larger balance commercial and commercial real estate loans are impaired when, based on current information and events, it is probable that First Financial will be unable to collect all principal and interest amounts due according to the contractual terms of the loan agreement.

Loans that are impaired are recorded at the present value of expected future cash flows discounted at the loan’s effective interest rate or if the loan is collateral dependent, impairment measurement is based on the fair value of the collateral. Income on impaired loans is recorded on the cash basis.

Premises and equipment: Premises and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are computed principally on the straight-line method over the estimated useful lives of the assets. Useful lives generally range from ten to 40 years for building and building improvement; three to ten years for furnitures, fixtures, and equipment; and three to five years for software, hardware, and data handling equipment. Land improvements are depreciated over 20 years and leasehold improvements are depreciated over the lesser of the base term of the respective lease or the asset useful life. Maintenance and repairs are charged to operations as incurred.

Other real estate owned: Other real estate owned represents properties primarily acquired by First Financial's bank subsidiary through loan defaults by clients. The property is recorded at the lower of cost or fair value minus estimated costs to sell at the date acquired. Subsequently, the property is valued at the lower of the amount recorded when the property was placed into other real estate owned or fair value minus estimated costs to sell based on periodic valuations performed by management. Any gains or losses realized at the time of disposal are reflected in income.

Income taxes: The calculation of First Financial's income tax provision is complex and requires the use of estimates and judgments in its determination. First Financial estimates income tax expense based on amounts expected to be owed to various tax jurisdictions. Accrued taxes represent the net estimated amount due or to be received from taxing jurisdictions either currently or in the future and are reported as a component of other assets or other liabilities in the Consolidated Balance Sheets. In estimating accrued taxes, First Financial assesses the appropriate tax treatment considering statutory, judicial, and regulatory guidance, including consideration of any reserve required for potential examination issues. Changes in the estimate of accrued taxes occur periodically due to changes in tax rates, interpretations of tax laws, the status of examinations being conducted by taxing authorities, and newly enacted statutory, judicial, and regulatory guidance. These changes, when they occur, affect accrued taxes and can be significant to the operating results of First Financial. The potential impact to First Financial's operating results for any of the changes cannot be reasonably estimated. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

First Financial and its subsidiaries file a consolidated federal income tax return. Each subsidiary provides for income taxes on a separate return basis, and remits to First Financial amounts determined to be currently payable.

First Financial adopted the provisions of FASB Interpretation Number ("FIN") 48, "Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109," effective January 1, 2007. The adoption of FIN 48 did not have a material impact on the Consolidated Financial Statements of First Financial.

Earnings per share: Basic earnings per common share is computed by dividing net income applicable to common stock by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per common share is computed by dividing net income applicable to common stock by the weighted average number of shares, increased by dilutive common stock equivalents and restricted stock awards outstanding during the period. Common stock equivalents consist of common stock issuable under the assumed exercise of stock options granted under First Financial's stock plans, using the treasury stock method.

Cash flow information: For purposes of the Consolidated Statements of Cash Flows, First Financial considers cash and due from banks as cash and cash equivalents.

Pension: First Financial sponsors a non-contributory defined benefit pension plan covering substantially all employees. The measurement of the accrued benefit liability and the annual pension expense involves actuarial and economic assumptions. The assumptions used in pension accounting relate to the discount rates, the expected return on plan assets, and the rate of compensation increase. First Financial adopted the recognition and disclosure provisions of FASB Statement No. 158 (SFAS No. 158), "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132 (R)," effective December 31, 2006.

Reporting comprehensive income (loss): Comprehensive income (loss) is defined as the change in equity of a business enterprise during the period from transactions and other events and circumstances from nonowner sources. Accumulated other comprehensive income (loss) includes the unrealized holding gains and losses from available-for-sale securities arising during the period, and changes in accumulated unrealized losses for pension and other postretirement obligations. First Financial previously reflected the transition adjustment for the adoption of SFAS No. 158 as a component of other comprehensive income in 2006 rather than a component of ending accumulated other comprehensive income at December 31, 2006. Reporting of the transition adjustment as an adjustment to ending accumulated other comprehensive income at December 31, 2006, did not materially impact First Financial's Consolidated Financial Statements for 2006.

First Financial recorded an unrealized holding gain of $328 at December 31, 2007 and an unrealized holding loss of $420 at December 31, 2006. While there was no income tax expense or benefit, there was a deferred tax liability associated with available-for-sale securities of $188 at December 31, 2007 and a deferred tax asset of $243 at December 31, 2006.

There was a net deferred tax asset recorded to reflect the funded status of the postretirement benefit plans of $4,283 and $7,480 as of December 31, 2007 and 2006, respectively.

Derivative instruments: First Financial reports all derivative instruments at fair value on the balance sheet. First Financial usually designates derivative instruments used to manage interest-rate risk as hedge relationships with certain assets or liabilities being hedged.

First Financial has entered into derivative transactions, primarily interest rate swaps, to mitigate exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk. These derivatives are considered to be fair value hedges.

Because the critical terms of the hedged financial instruments and the derivative instruments match, the changes in the fair value of the hedged financial instruments and the derivative instruments offset and the hedges are considered to be highly effective. For a fair value hedge, the fair value of the interest rate swap is recognized on the Consolidated Balance Sheets as either a freestanding asset or liability with a corresponding adjustment to the hedged financial instrument. Subsequent adjustments due to changes in the fair value of a derivative that qualifies as a fair value hedge are offset in current period earnings. Under the fair value method, any derivative gains or losses not effective in hedging the change in fair value of the hedged item would be recognized in the Consolidated Statements of Earnings.

Goodwill and other intangible assets: Goodwill and intangible assets deemed to have indefinite lives, if any, are not amortized, but are subject to annual impairment tests. Core deposit intangibles are amortized on a straight-line basis over their useful lives. Core deposit intangibles are being amortized over varying periods, none of which exceeds 10 years.

Mortgage servicing assets (MSRs): In the first quarter of 2007, First Financial entered into an agreement to sell the right to service its conforming, conventional mortgage servicing portfolio and upon settlement of the sale, First Financial no longer carried an asset for its MSRs. No MSRs were recognized after that date.

In 2006, MSRs were recognized as separate assets when loans were sold into the secondary market, servicing retained. Upon sale, the mortgage servicing right was established, which represented the then current market value of future net cash flows expected to be realized for performing the servicing activities. Capitalized mortgage servicing rights are reported in other assets in 2006 and amortized against noninterest income offsetting the actual servicing income of the underlying mortgage loans.

Stock based compensation: First Financial adopted the provisions of FASB Statement No. 123(R) (SFAS No. 123(R)), "Share-Based Payment," effective January 1, 2006, using the modified-prospective transition method which requires measurement of compensation cost for all stock-based awards at fair value on date of grant and recognition of compensation expense over the service period for awards expected to vest. SFAS 123(R) applies to all awards granted after January 1, 2006, and to awards modified, repurchased, or cancelled after that date. Prior to January 1, 2006, First Financial accounted for its stock options under the intrinsic value method of APB Opinion No. 25, "Accounting for Stock Issued To Employees" and related Interpretations, and applied the disclosure-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation." First Financial’s employee stock options have fixed terms and the exercise price of the stock options equals the market price on the date of grant. Therefore, no compensation cost was recognized for stock options prior to January 1, 2006.

Notes To Consolidated Financial Statements

2. Restrictions On Cash And Due From Bank Accounts

First Financial's bank subsidiary is required to maintain average reserve balances either in the form of vault cash or reserves held on deposit with the Federal Reserve Bank, Federal Home Loan Bank, or in pass-through reserve accounts with correspondent banks. The average amounts of these required reserve balances, based upon the average level of First Financial's transaction accounts, for 2007 and 2006 were approximately $25,462 and $45,980, respectively.

In connection with its use of derivative instruments, First Financial from time to time is required to post cash collateral with its counterparties to offset its market position. Derivative collateral balances were $936 and $0 at December 31, 2007, and 2006, respectively.

3. Mortgage-Servicing Rights

Changes in capitalized mortgage-servicing rights are summarized as follows:

(Dollars in thousands)	**2007**	2006	2005
Balance at beginning of year	**$ 4,448**	$ 5,527	$ 4,505
Rights capitalized	**121**	729	1,841
Amortization	**(308)**	(1,808)	(1,684)
Rights sold	**(4,261)**	0	0
Change in valuation	**0**	0	865
Balance at end of year	**$ 0**	$ 4,448	$ 5,527

In the first quarter of 2007, First Financial entered into an agreement to sell the right to service its conforming, conventional mortgage servicing portfolio of $591,895. First Financial recorded a gain of $1,061 associated with the sale.

The estimated fair value of capitalized mortgage servicing rights was $0, $6,516, and $8,011 at December 31, 2007, 2006, and 2005, respectively.

Mortgage loans serviced for others are not included in the accompanying Consolidated Balance Sheets. The unpaid principal balances of these loans totaled $0, $617,086, and $601,187 at December 31, 2007, 2006, and 2005, respectively.

Custodial escrow balances maintained at First Financial in connection with these mortgage loans serviced were approximately $0, $4,250, and $4,209 at December 31, 2007, 2006, and 2005, respectively.

4. Restrictions On Subsidiary Dividends, Loans, Or Advances

Dividends paid by First Financial to its shareholders are principally funded through dividends paid to First Financial by its subsidiaries. However, certain restrictions exist regarding the ability of bank subsidiaries to transfer funds to First Financial in the form of cash dividends, loans, or advances. The approval of the bank subsidiary's respective primary federal regulators is required for First Financial's subsidiaries to pay dividends in excess of regulatory limitations, which is equal to the net income of the current year through the dividend date, combined with its retained net income of the preceding two years. As of December 31, 2007, First Financial's subsidiaries had retained earnings of $135,996 of which $1,531 was available for distribution to First Financial without prior regulatory approval.

5. Financial Instruments with Off-Balance-Sheet Risk

In the normal course of business, First Financial offers a variety of financial instruments with off-balance-sheet risk to its clients to aid them in meeting their requirements for liquidity and credit enhancement. These financial instruments include standby letters of credit and commitments outstanding to extend credit. U.S. generally accepted accounting principles do not require these financial instruments to be recorded in the Consolidated Balance Sheets, Consolidated Statements of Earnings, Consolidated Statements of Changes in Shareholders' Equity, and Consolidated Statements of Cash Flows. Following is a discussion of these transactions.

First Financial's exposure to credit loss, in the event of nonperformance by the other party to the financial instrument for standby letters of credit, and commitments outstanding to extend credit, is represented by the contractual amounts of those instruments. First Financial uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

Standby letters of credit — These transactions are conditional commitments issued by First Financial to guarantee the performance of a client to a third party. First Financial's portfolio of standby letters of credit consists primarily of performance assurances made on behalf of clients who have a contractual commitment to produce or deliver goods or services. The risk to First Financial arises from its obligation to make payment in the event of the clients' contractual default to produce the contracted good or service to a third party. First Financial has issued standby letters of credit aggregating $25,227 and $24,709 at December 31, 2007, and 2006, respectively.

Management conducts regular reviews of these instruments on an individual client basis. Management does not anticipate any material losses as a result of these letters of credit.

Loan commitments — Commitments to extend credit are agreements to lend to a client as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. First Financial evaluates each client's creditworthiness on an individual basis. The amount of collateral obtained, if deemed necessary by First Financial upon extension of credit, is based on management's credit evaluation of the counterparty. The collateral held varies, but may include securities, real estate, inventory, plant, or equipment. First Financial had commitments outstanding to extend credit totaling $728,472 and $633,104 at December 31, 2007, and 2006, respectively. Management does not anticipate any material losses as a result of these commitments.

6. Derivatives

The use of derivative instruments allows First Financial to meet the needs of its clients while managing the interest-rate risk associated with certain transactions. First Financial's board of directors has authorized the use of certain derivative products, including interest rate caps, floors, and swaps. Currently, First Financial utilizes interest rate swaps as a means to offer commercial borrowers products that meet their needs, but also are designed to achieve First Financial's desired interest rate risk profile at the time.

The net interest receivable or payable on the interest rate swaps is accrued and recognized as an adjustment to the interest income or interest expense of the hedged item. The fair value of the interest rate swaps is included within accrued interest and other assets on the Consolidated Balance Sheets. The corresponding fair-value adjustment is also included on the Consolidated Balance Sheets in the carrying value of the hedged item. Derivative gains and losses not considered effective in hedging the change in fair value of the hedged item are recognized immediately in income. The following table summarizes the derivative financial instruments utilized by First Financial and their balances at December 31, 2007, and 2006:

	December 31, 2007			December 31, 2006		
	Notional	**Estimated Fair Value**		Notional	Estimated Fair Value	
(Dollars in thousands)	**Amount**	**Gain**	**(Loss)**	Amount	Gain	(Loss)
Fair value hedges						
Pay fixed interest rate swaps	**$ 28,903**	**$ 79**	**$ (866)**	$31,155	$ 557	$(200)
Matched customer hedges						
Client interest rate swaps with bank	**51,480**	**2,702**	**0**	24,821	631	0
Bank interest rate swaps with counterparty	**51,480**	**0**	**(2,702)**	24,821	0	(631)
Total	**$131,863**	**$2,781**	**$(3,568)**	$80,797	$1,188	$(831)

7. Investment Securities

The following is a summary of investment securities as of December 31, 2007:

	Held-to-Maturity				**Available-for-Sale**			
(Dollars in thousands)	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Market Value**	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Market Value**
Securities of U.S. government agencies and corporations					**$ 85,124**	**$ 705**	**$ (39)**	**$ 85,790**
Mortgage-backed securities	**$ 274**	**$ 2**	**$ (1)**	**$ 275**	**151,753**	**1,219**	**(1,198)**	**151,774**
Obligations of state and other political subdivisions	**5,365**	**183**	**(9)**	**5,539**	**59,475**	**925**	**(39)**	**60,361**
Other securities	**0**	**0**	**0**	**0**	**10,060**	**222**	**(1,279)**	**9,003**
Total	**$5,639**	**$185**	**$(10)**	**$5,814**	**$306,412**	**$3,071**	**$(2,555)**	**$306,928**

The following is a summary of investment securities as of December 31, 2006:

	Held-to-Maturity				Available-for-Sale			
(Dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
Securities of U.S. government agencies and corporations					$ 63,118	$ 223	$ (205)	$ 63,136
Mortgage-backed securities	$ 427	$ 5	$ 0	$ 432	184,787	815	(3,227)	182,375
Obligations of state and other political subdivisions	7,568	175	(21)	7,722	71,280	1,377	(90)	72,567
Other securities	0	0	0	0	5,737	459	(15)	6,181
Total	$7,995	$180	$(21)	$8,154	$324,922	$2,874	$(3,537)	$324,259

During the year ended December 31, 2007, available-for-sale securities with a fair value at the date of sale of $367 were sold with a $367 gross realized gain recorded. There was a net investment gain after taxes of $233 for the year ended December 31, 2007. The applicable income tax effect was an expense of $134 for 2007.

During the year ended December 31, 2006, available-for-sale securities with a fair value at the date of sale of $178,177 were sold with a $498 gross realized loss recorded. There was a net investment loss after taxes of $301 and an associated tax benefit of $175 recorded for 2006.

During the year ended December 31, 2005, available-for-sale securities with a fair value at the date of sale of $4 were sold with a $12 gross realized gain recorded. There was no gain or loss or associated tax recorded for the year ended December 31, 2005.

The carrying value of investment securities pledged as collateral to secure public deposits, repurchase agreements, and for other purposes as required by law totaled $234,002 at December 31, 2007, and $238,996 at December 31, 2006.

In February of 2006, First Financial made the strategic decision to restructure a portion of its balance sheet, which included the sale of $179,000 in investment securities. Due to the anticipated restructuring and intent to sell certain investment securities whose market values were below carrying amount, a write-down of the investment securities portfolio of $6,519 was recorded in 2005. Upon the completion of the sale of the investment securities in the the first quarter of 2006, an additional $498 loss was recorded.

The amortized cost and market value of investment securities, including mortgage-backed securities at December 31, 2007, by estimated maturity, are shown in the table that follows.

Estimated maturities on mortgage-backed securities may differ from contractual maturities as issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

(Dollars in thousands)	Held-to-Maturity Amortized Cost	Held-to-Maturity Market Value	Available-for-Sale Amortized Cost	Available-for-Sale Market Value
Due in one year or less	**$ 404**	**$ 405**	**$ 22,470**	**$ 22,485**
Due after one year through five years	**1,567**	**1,575**	**48,237**	**48,549**
Due after five years through ten years	**2,542**	**2,645**	**134,242**	**135,858**
Due after ten years	**1,126**	**1,189**	**101,463**	**100,036**
Total	**$5,639**	**$5,814**	**$306,412**	**$306,928**

The following tables present the age of gross unrealized losses and associated fair value by investment category.

	December 31, 2007					
	Less than 12 Months		**12 Months or More**		**Total**	
(Dollars in thousands)	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**
Securities of U.S. government agencies and corporations	**$ 4,983**	**$ 17**	**$ 5,186**	**$ 22**	**$ 10,169**	**$ 39**
Mortgage-backed securities	**553**	**2**	**78,684**	**1,197**	**79,237**	**1,199**
Obligations of state and other political subdivisions	**1,814**	**1**	**2,965**	**47**	**4,779**	**48**
Other securities	**7,405**	**1,279**	**0**	**0**	**7,405**	**1,279**
Total	**$14,755**	**$1,299**	**$86,835**	**$1,266**	**$101,590**	**$2,565**

	December 31, 2006					
	Less than 12 Months		12 Months or More		Total	
(Dollars in thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Securities of U.S. government agencies and corporations	$ 9,887	$ 40	$ 20,047	$ 165	$ 29,934	$ 205
Mortgage-backed securities	7,551	48	126,310	3,179	133,861	3,227
Obligations of state and other political subdivisions	2,527	8	3,923	103	6,450	111
Other securities	1,610	15	0	0	1,610	15
Total	$21,575	$111	$150,280	$3,447	$171,855	$3,558

Unrealized losses on debt securities are generally due to higher current market yields relative to the yields of the debt securities at their amortized cost. Unrealized losses due to credit risk of the underlying collateral of the debt security, if any, are not material. First Financial has the intent and ability to hold all debt security issues temporarily impaired until maturity or recovery of book value. All securities with unrealized losses are reviewed quarterly to determine if any impairment is other than temporary, requiring a write-down to fair market value.

8. Loans

Information as to nonaccrual and restructured loans at December 31 was as follows:

(Dollars in thousands)	**2007**	2006	2005
Principal balance			
Nonaccrual loans	**$14,113**	$10,236	$24,961
Restructured loans	**567**	596	3,408
Total	**$14,680**	$10,832	$28,369
Interest income effect			
Gross amount of interest that would have been recorded under original terms	**$ 1,334**	$ 989	$ 2,667
Interest included in income	**581**	521	1,551
Net impact on interest income	**$ 753**	$ 468	$ 1,116

At December 31, 2007, there were no commitments outstanding to lend additional funds to borrowers with nonaccrual or restructured loans.

The balances of other real estate acquired through loan foreclosures, repossessions, or other workout situations totaled $2,636, $2,334, and $3,162 at December 31, 2007, 2006, and 2005, respectively, and are carried at net realized value.

Changes in the allowance for loan and lease losses for the three years ended December 31 were as follows:

(Dollars in thousands)	**2007**	2006	2005
Balance at beginning of year	**$27,386**	$ 42,485	$ 45,076
Provision for loan and lease losses	**7,652**	9,822	5,571
Loans charged-off	**(9,422)**	(15,618)	(11,590)
Loans held for sale write-down	**0**	(12,731)	0
Recoveries	**3,441**	3,428	3,428
Balance at end of year	**$29,057**	$ 27,386	$ 42,485

The allowances for loan and lease losses related to loans that are identified as impaired, as defined by SFAS No. 114 and amended by SFAS No. 118, are based on discounted cash flows using the loan's initial effective interest rate or the fair value of the collateral for certain collateral dependent loans.

First Financial's investment in impaired loans is as follows:

(Dollars in thousands)	**2007**	2006	2005
Impaired loans requiring a valuation allowance of $2,705 in 2007, $1,523 in 2006, and $2,265 in 2005	**$4,822**	$2,639	$6,364
Impaired loans not requiring a valuation allowance	**0**	0	0
Total impaired loans	**$4,822**	$2,639	$6,364
Average impaired loans for the year	**$9,755**	$8,791	$6,238

For the years ended December 31, 2007, 2006, and 2005, First Financial recognized interest income on those impaired loans of $496, $396, and $389, respectively. First Financial recognizes income on impaired loans on a cash basis.

9. Premises and Equipment

Premises and equipment at December 31 were summarized as follows:

(Dollars in thousands)	**2007**	2006
Land and land improvements	**$ 25,619**	$ 23,325
Buildings	**65,168**	63,198
Furniture and fixtures	**41,900**	41,389
Leasehold improvements	**8,737**	8,188
Construction in progress	**566**	6,045
	141,990	142,145
Less accumulated depreciation and amortization	**62,996**	62,536
Total	**$ 78,994**	$ 79,609

Rental expense recorded under operating leases in 2007, 2006, and 2005, was $2,289, $2,130, and $2,333, respectively.

Capital lease agreements for land and buildings at December 31, 2007, were immaterial.

Future minimum lease payments for operating leases are as follows:

(Dollars in thousands)	**December 31, 2007**
2008	**$ 1,649**
2009	**1,378**
2010	**1,238**
2011	**1,029**
2012	**1,034**
Thereafter	**3,423**
Total	**$ 9,751**

Notes To Consolidated Financial Statements

10. Borrowings

The following is a summary of short-term borrowings for the last three years:

	2007		2006		2005	
(Dollars in thousands)	**Amount**	**Rate**	Amount	Rate	Amount	Rate
At year end						
Federal funds purchased and securities sold under agreements to repurchase	**$26,289**	**2.56%**	$57,201	2.79%	$ 66,634	2.57%
Federal Home Loan Bank borrowings	**0**	**N/A**	0	N/A	0	N/A
Other short-term borrowings	**72,000**	**5.32%**	39,500	5.92%	45,000	5.07%
Total	**$98,289**	**4.58%**	$96,701	4.07%	$111,634	3.57%
Average for the year						
Federal funds purchased and securities sold under agreements to repurchase	**$34,691**	**2.60%**	$53,599	2.45%	$ 65,747	1.58%
Federal Home Loan Bank borrowings	**0**	**N/A**	0	N/A	16,194	2.77%
Other short-term borrowings	**58,018**	**5.74%**	39,707	6.18%	9,028	5.26%
Total	**$92,709**	**4.56%**	$93,306	4.04%	$ 90,969	2.16%
Maximum month-end balances						
Federal funds purchased and securities sold under agreements to repurchase	**$49,928**		$59,941		$ 77,481	
Federal Home Loan Bank borrowings	**0**		0		68,300	
Other short-term borrowings	**78,500**		39,500		45,000	

Repurchase Agreements are utilized for corporate sweep accounts, on which Cash Management Account Agreements are in place. All are subject to the terms and conditions of Repurchase/Security Agreements between the bank and client. To secure the bank's liability to the client, First Financial Bank is authorized to sell or repurchase U.S. Treasury, government agencies, and mortgage-backed securities.

First Financial maintains a short-term revolving credit facility with an unaffiliated bank. This facility provides First Financial additional liquidity for various corporate activities, including the repurchase of First Financial shares and the payment of dividends to shareholders. As of December 31, 2007, the outstanding balance was $72,000. First Financial entered into the credit facility for $75,000 during the first quarter of 2007 for a period of one year. In the third quarter of 2007, First Financial increased the line to $85,000 until February 1, 2008, at which time it will be reduced back to $75,000. The outstanding balance on the line was below $75,000 at the time of the line reduction. The variable interest rate on this line of credit is the overnight London Inter-Bank Offered Rate (LIBOR) plus a spread. The credit agreement requires First Financial to maintain certain covenants including those related to asset quality and capital levels. First Financial was in compliance with all covenants associated with this line of credit as of December 31, 2007.

FHLB advances, both short-term and long-term, were secured by certain residential mortgage loans, as well as certain government and agency securities, with a book value of $565,521 at December 31, 2007. For ease of borrowing execution, First Financial utilizes a blanket collateral agreement with the FHLB.

The following is a summary of FHLB long-term debt:

(Dollars in thousands)	**December 31, 2007**	
	Amount	**Average Rate**
Federal Home Loan Bank	**$45,896**	**3.68%**

FHLB long-term advances mature as follows:

(Dollars in thousands)	**December 31, 2007**
2008	**$ 9,493**
2009	**15,000**
2010	**1,423**
2011	**0**

2012	**0**
Thereafter	**19,980**
Total	$ **45,896**

Other long-term debt on the Consolidated Balance Sheets consists of junior subordinated debentures owed to unconsolidated subsidiary trusts. Capital securities were issued in the third quarter of 2003 by a statutory business trust, First Financial (OH) Statutory Trust II (Trust II), and in the third quarter of 2002 by First Financial (OH) Statutory Trust I (Trust I).

The debentures issued in 2002 were eligible for early redemption by First Financial in September 2007, with a final maturity in 2032. In September 2007, First Financial redeemed all the underlying capital securities relating to Trust I. The total outstanding capital securities redeemed were $10,000. The debentures issued in 2003 are eligible for early redemption by First Financial in September 2008, with a final maturity in 2033.

First Financial owns 100% of the common equity of the remaining trust, Trust II. The trust was formed with the sole purpose of issuing the capital securities and investing the proceeds from the sale of such capital securities in the debentures. The debentures held by the trust is the sole asset of the trust. Distributions on the capital securities are payable quarterly at a variable rate of interest, which is equal to the interest rate being earned by the trust on the debentures and are recorded as interest expense of First Financial. The interest rate is subject to change every three months, indexed to the three-month LIBOR. First Financial has the option to defer interest for up to five years on the debentures. However, the covenants prevent the payment of dividends on First Financial’s common stock if the interest is deferred. The capital securities are subject to mandatory redemption, in whole or in part, upon repayment of the debentures. First Financial has entered into agreements which, taken collectively, fully or unconditionally guarantee the capital securities subject to the terms of the guarantees. The debenture currently qualifies as Tier I capital under Federal Reserve Board guidelines, but is limited to 25% of qualifying Tier I capital.

The following is a summary of other long-term debt:

	December 31, 2007			
(Dollars in thousands)	Amount	Rate	Maturity Date	Call Date
First Financial (OH) Statutory Trust II	**$20,000**	**7.93%**	**9/30/2033**	**9/30/2008**

11. Income Taxes

Income tax expense consisted of the following components:

(Dollars in thousands)	**2007**	2006	2005
Current expense (benefit)			
Federal	**$19,820**	$ (4,593)	$13,439
State	**1,526**	(318)	(47)
Total	**21,346**	(4,911)	13,392
Deferred (benefit) expense			
Federal	**(3,207)**	13,747	(746)
State	**(131)**	613	(32)
Total	**(3,338)**	14,360	(778)
Income tax expense	**$18,008**	$ 9,449	$12,614

The difference between the federal income tax rates, applied to income before income taxes, and the effective rates was due to the following:

(Dollars in thousands)	**2007**	2006	2005
Income taxes computed at federal statutory rate (35%) on income before income taxes and before discontinued operations	**$18,791**	$10,752	$15,197
Tax-exempt income	**(1,238)**	(1,519)	(1,744)
Bank-owned life insurance	**(763)**	(763)	(1,067)
State income taxes, net of federal tax benefit	**907**	192	(52)
Other	**311**	787	280
Income tax expense	**$18,008**	$ 9,449	$12,614

The major components of the temporary differences that give rise to deferred tax assets and liabilities at December 31, 2007, and 2006, were as follows:

(Dollars in thousands)	**2007**	2006
Deferred tax assets		
Allowance for loan and lease losses	**$ 10,170**	$ 9,585
Deferred compensation	**238**	185
Unrealized loss on securities available-for-sale	**351**	403
Postretirement benefits other than pension liability	**738**	812
Accrued stock-based compensation	**618**	533
Accrued severance payments	**339**	812
Deferred loan fees and costs	**51**	134
Other	**373**	196
Total deferred tax assets	**12,878**	12,660
Deferred tax liabilities		
Tax depreciation greater than book depreciation	**(2,385)**	(2,613)
FHLB stock dividends	**(4,091)**	(4,091)
Mortgage-servicing rights	**0**	(1,530)
Leasing activities	**(108)**	(319)
Prepaid pension	**(6,309)**	(7,898)
Intangible assets	**(3,279)**	(2,721)
Prepaid expenses	**(607)**	(532)
Fair value adjustments on acquisitions	**(604)**	(663)
Other	**(1,627)**	(1,763)
Total deferred tax liabilities	**(19,010)**	(22,130)
Net deferred tax liability recognized through the Consolidated Statements of Earnings	**(6,132)**	(9,470)

Net deferred tax asset related to accumulated other comprehensive income items, recognized in equity section of the Consolidated Balance Sheets	**4,094**	7,722
Total net deferred tax liability	**$ (2,038)**	$ (1,748)

First Financial adopted the provisions of FIN 48, "Accounting for Uncertainty in Income Taxes -an interpretation of FASB Statement No. 109," effective January 1, 2007. The adoption of FIN 48 had no impact on First Financial’s financial statements. At January 1, 2007, and December 31, 2007, First Financial had no FIN 48 unrecognized tax benefits recorded. First Financial does not expect the total amount of unrecognized tax benefits to significantly increase within the next twelve months.

First Financial recognizes interest and penalties on income tax assessments or income tax refunds in the Consolidated Financial Statements as a component of noninterest expense.

First Financial and its subsidiaries are subject to U.S. federal income tax as well as income tax of the state of Indiana. First Financial’s income tax returns are subject to review and examination by federal, state, and local government authorities. The calendar years through 2004 have been closed by the Internal Revenue Service. The years open to examination by state and local government authorities vary by jurisdiction and First Financial is not aware of any material outstanding examination matters.

12. Risk-Based Capital

First Financial and its subsidiary, First Financial Bank, are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations involve quantitative measures of assets, liabilities, and certain off-balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet minimum capital requirements can initiate regulatory action.

Quantitative measures established by regulation to ensure capital adequacy require First Financial to maintain minimum amounts and ratios (set forth in the table below) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets and of Tier 1 capital to average assets. Management believes, as of December 31, 2007, that First Financial meets all capital adequacy requirements to which it is subject. At December 31, 2007, and 2006, the most recent regulatory notifications categorized First Financial as well-capitalized under the regulatory framework for prompt corrective action. To be categorized as well-capitalized, First Financial must maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the institution’s category.

First Financial’s Tier 1 capital is comprised of total shareholders’ equity plus junior subordinated debentures, less unrealized gains and losses within accumulated other comprehensive income, intangible assets, and any valuation related to mortgage servicing rights. Total risk-based capital consists of Tier 1 capital plus qualifying allowance for loan and lease losses and gross unrealized gains on equity securities.

For purposes of computing the leverage ratio, average assets represents year-to-date average assets less assets not qualifying for total risk-based capital including intangibles and non-qualifying mortgage servicing assets and allowance for loan and lease losses.

Actual and required capital amounts and ratios are presented below at year-end.

	Actual		**For Capital Adequacy Purposes**		**To Be Well Capitalized Under Prompt Corrective Action Provisions**	
(Dollars in thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
December 31, 2007						
Total capital to risk-weighted assets						
Consolidated	**$303,103**	**11.38%**	**$213,041**	**8.00%**	**N/A**	**N/A**
First Financial Bank	**341,702**	**12.92%**	**211,604**	**8.00%**	**$264,505**	**10.00%**
Tier 1 capital to risk-weighted assets						
Consolidated	**274,046**	**10.29%**	**106,520**	**4.00%**	**N/A**	**N/A**
First Financial Bank	**305,394**	**11.55%**	**105,802**	**4.00%**	**158,703**	**6.00%**
Tier 1 capital to average assets						
Consolidated	**274,046**	**8.33%**	**131,243**	**4.00%**	**N/A**	**N/A**
First Financial Bank	**305,394**	**9.39%**	**129,885**	**4.00%**	**162,356**	**5.00%**

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2006						
Total capital to risk-weighted assets						
Consolidated	$326,779	12.81%	$204,120	8.00%	N/A	N/A
First Financial Bank	330,128	13.14%	200,921	8.00%	$251,151	10.00%

Tier 1 capital to risk-weighted assets						
Consolidated	299,199	11.73%	102,060	4.00%	N/A	N/A
First Financial Bank	295,595	11.77%	100,460	4.00%	150,690	6.00%
Tier 1 capital to average assets						
Consolidated	299,199	8.76%	136,120	4.00%	N/A	N/A
First Financial Bank	295,595	8.76%	134,457	4.00%	168,072	5.00%

13. Employee Benefit Plans

First Financial sponsors a non-contributory defined benefit pension plan covering substantially all employees. First Financial uses a December 31 measurement date for its defined benefit pension plan. Effective in the third quarter of 2007, First Financial amended the defined benefit pension plan formula to change the determination of participant benefits from a final average earnings plan to a cash balance plan. Pension plan participants prior to July 1, 2007, transitioned to the amended plan on January 1, 2008. After July 1, 2007, newly eligible participants entered the amended plan upon their eligibility date.

The following tables set forth information concerning amounts recognized in First Financial's Consolidated Balance Sheets and Consolidated Statements of Earnings:

	December 31,	
(Dollars in thousands)	**2007**	2006
Change in benefit obligation		
Benefit obligation at beginning of year	**$50,448**	$54,828
Service cost	**3,254**	3,630
Interest cost	**2,744**	3,025
Curtailment	**0**	(1,346)
Settlement	**(6,494)**	(6,131)
Amendments	**(6,484)**	0
Actuarial loss (gain)	**826**	(2,841)
Benefits paid, excluding settlement	**(773)**	(717)
Benefit obligation at end of year	**43,521**	50,448
Change in plan assets		
Fair value of plan assets at beginning of year	**52,500**	28,823
Actual return on plan assets	**4,633**	3,100
Employer contributions	**0**	28,583
Settlement	**(6,494)**	(7,289)
Benefits paid, excluding settlement	**(773)**	(717)
Fair value of plan assets at end of year	**49,866**	52,500
Amounts recognized in the Consolidated Balance Sheets		
Assets	**6,345**	2,052
Liabilities	**0**	0
Net amount recognized	**$ 6,345**	$ 2,052
Amounts recognized in accumulated other comprehensive income (loss)		
Net actuarial loss	**$17,999**	$20,589
Net prior service cost	**(6,234)**	63
Net transition amount	**(35)**	(88)
Deferred tax assets	**(4,280)**	(7,527)
Net amount recognized	**$ 7,450**	$13,037
Change in accumulated other comprehensive income (loss)	**$ (5,587)**	$13,037
Accumulated benefit obligation	**$39,694**	$37,195

Notes To Consolidated Financial Statements

Components of net periodic benefit cost

(Dollars in thousands)	December 31, 2007	2006	2005
Service cost	**$ 3,254**	$ 3,630	$ 3,839
Interest cost	**2,744**	3,025	3,071
Expected return on assets	**(4,341)**	(2,890)	(2,711)
Amortization of transition asset	**(47)**	(54)	(64)
Amortization of prior service cost	**(187)**	55	59
Recognized net actuarial loss	**896**	1,182	1,064
Curtailment loss	**0**	7	0
Settlement loss	**2,222**	2,962	0
Net periodic benefit cost	**4,541**	7,917	5,258
Other changes recognized in accumulated other comprehensive income (loss)			
Net actuarial loss (gain)	**534**	(4,411)	N/A
Prior service credit	**(6,484)**	0	N/A
Amortization of prior service cost (credit)	**187**	(62)	N/A
Amortization of gain	**(896)**	(2,998)	N/A
Amortization of transition asset	**47**	0	N/A
Settlements	**(2,222)**	0	N/A
Total recognized in accumulated other comprehensive income (loss)	**(8,834)**	(7,471)	N/A
Total recognized in net periodic benefit cost and other comprehensive income (loss)	**$(4,293)**	$ 446	$ 5,258
Amount expected to be recognized in net periodic pension expense in the coming year			
Amortization of loss	**$ 958**	$ 906	
Amortization of prior service (credit) cost	**(423)**	50	
Amortization of transition asset	**(35)**	(47)	

Weighted-average assumptions to determine:

	December 31, 2007	2006
Benefit obligations		
Discount rate	**6.12%**	5.98%
Rate of compensation increase	**3.50%**	3.50%
Net periodic benefit cost		
Discount rate	**5.98%**	5.86%
Expected return on plan assets	**8.50%**	8.50%
Rate of compensation increase	**3.50%**	3.50%

The basis used to determine the overall expected long-term return on plan assets was based on the composition of plan assets and a consensus of estimates from similarly managed portfolios of expected future returns.

	Plan Assets at December 31, 2007	2006
Asset Category		
Equity securities	**82.37%**	44.28%
Bond securities	**16.99%**	13.15%
Other	**0.64%**	42.57%*
Total	**100.00%**	100.00%

* Includes $22,000 contribution made in December of 2006.

Plan assets are administered by the Wealth Resource Group of First Financial Bank, N.A. and primarily consist of equity and debt mutual funds, as well as money market funds. Approximately 50.25% of plan assets at December 31, 2006, were invested in various options of the Legacy Funds for which First Financial Capital Advisors, LLC, a wholly-owned subsidiary of First Financial, serves as investment advisor. During 2007, the Legacy Funds were converted to the First Funds. Therefore, at December 31, 2007, 86.24% of plan assets were invested in the First Funds for which First Financial Capital Advisors, LLC, also serves as investment advisor. The 2007 percentage increase is due to the $22,000 First Financial contributed to the pension plan in December of 2006, which was initially invested in money market funds at year-end, but was subsequently invested in Legacy Funds in the first quarter of 2007. The pension plan does not own any shares of First Financial common stock, directly or through any equity fund.

Each fund’s policy provides an investment range that allows the fund’s investment advisor the latitude to manage the account within certain pre-established parameters. First Financial, through its retirement committee, has chosen the Trust-Growth-Balanced Funding Policy which allows an asset mix of 45% to 75% in equity securities and 25% to 55% in fixed income or bond securities.

The plan held 4,136,242 shares of the First Funds Calibur Equity fund at December 31, 2007, with a fair value of $34,538. During 2007, the Legacy Multi-Cap Core Equity fund purchased 1,263,268 shares and sold no shares. During 2007, the First Funds Calibur Equity fund purchased 943,000 shares and sold 63,419 shares of the fund. The plan received dividends of $64 from the Legacy Fund and $7,988 from the First Funds. The plan also held a total of 142,155 shares in other funds at December 31, 2007, with a fair value of $6,537. Dividends received from these funds were $4.

The plan held assets of the First Funds Sterling Income fund with a cost basis of $3,133 and a fair value of $8,469 at December 31, 2007. During 2007, this fund purchased debt securities with a cost basis of $3,442 and sold debt securities with a cost basis of $578. The Legacy Core Bond fund had no purchases, but sold debt securities with a cost basis of $1,294. The plan received interest income of $170 from the Legacy Core Bond fund and $272 from the First Funds.

Due to the funded status of the pension plan, First Financial does not expect to make any contributions to its pension plan in 2008.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

(Dollars in thousands)	Retirement Benefits
2008	$ 3,113
2009	2,896
2010	3,105
2011	4,082
2012	5,509
Thereafter	27,283

First Financial also sponsors a defined contribution 401(k) thrift plan which covers substantially all employees. Employees may contribute up to 50.0% of their base salaries into the plan, not to exceed applicable limitations prescribed by the Internal Revenue Service. During 2007 and 2006, First Financial contributed $0.50 for each $1.00 an employee contributed, up to a maximum First Financial contribution of 3.00% of the employee's base salary. All First Financial matching contributions vest immediately. First Financial contributions to the 401 (k) plan are at the discretion of the board of directors. Total First Financial contributions to the 401 (k) plan were $1,142 during 2007, $1,198 during 2006, and $967 during 2005.

First Financial has purchased bank-owned life insurance on certain of its employees. The cash surrender value of these policies is carried as an asset on the Consolidated Balance Sheets in accrued interest and other assets. The carrying value was $74,135 and $82,971 at December 31, 2007, and 2006, respectively.

First Financial adopted EITF 06-5, "Accounting for Purchases of Life Insurance -Determining the Amount That Could Be Realized in Accordance with FASB Technical Bulletin No. 85-4," effective January 1, 2007. The adoption of EITF 06-5 did not have a material impact on the financial statements of First Financial.

First Financial will adopt EITF 06-4, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements," in the first quarter of 2008, effective January 1. First Financial is currently evaluating the effect the implementation of EITF 06-4 will have on its Consolidated Financial Statements.

First Financial will adopt EITF 06-11, "Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards," in the first quarter of 2008, effective January 1. First Financial is currently evaluating the effect the implementation of EITF 06-11 will have on its Consolidated Financial Statements.

14. Postretirement Benefits Other Than Pensions

First Financial subsidiaries maintain health care and, in limited instances, life insurance plans for certain retired employees. Under the current policy, the health care plans are unfunded and pay medically necessary expenses incurred by retirees after subtracting payments by Medicare or other providers and after deductibles have been met. First Financial has reserved the right to change or eliminate these benefit plans. First Financial uses a December 31 measurement date for its other postretirement benefit plans.

The following table sets forth the funded status and amounts recognized in First Financial's Consolidated Balance Sheets:

	December 31,	
(Dollars in thousands)	**2007**	2006
Change in benefit obligation	**$1,442**	$1,514
Benefit obligation at beginning of year	**80**	84
Interest cost	**57**	50
Plan participants' contributions	**133**	73
Actuarial loss	**(254)**	(279)
Benefits paid		
Benefit obligation at end of year	**1,458**	1,442
Change in plan assets		
Employer contributions	**197**	229
Plan participants' contributions	**57**	50
Disbursements	**(254)**	(279)
Fair value of plan assets at beginning and end of year	**0**	0
Amounts recognized in Consolidated Balance Sheets	**0**	0
Assets Liabilities	**1,458**	1,442

Net amount recognized	**$1,458**	$1,442
Amounts recognized in accumulated other comprehensive income (loss)		
Net actuarial loss (gain)	**$ 8**	$ (125)
Net prior service cost	**0**	(4)
Net transition (asset) obligation	**0**	0
Deferred tax liabilities	**(3)**	47
Net amount recognized	**$ 5**	$ (82)
Change in accumulated other comprehensive income (loss)	**$ 87**	$ (82)
Information for plans with an accumulated benefit obligation in excess of plan assets		
Accumulated benefit obligation	**$1,458**	$1,442
Weighted-average assumptions used to determine obligations at year end		
Discount rate	**6.12%**	5.86%

Components of net periodic benefit cost	2007	2006
Interest cost	**$ 80**	$ 84
Amortization of prior service cost	**(4)**	(4)
Amortization of net actuarial gain	**0**	(3)
Net periodic benefit cost	**$ 76**	$ 77
Other changes in Plan Assets and Obligations recognized in accumulated other comprehensive income		
Net actuarial loss	**133**	73
Amortization of prior service cost	**4**	4
Amortization of loss	**0**	3
Total recognized in accumulated other comprehensive loss	**137**	80
Total recognized in net periodic benefit cost and accumulated other comprehensive income	**$213**	$157
Amount expected to be recognized in net periodic pension expense in the coming year		
Amortization of prior service cost	**$ 0**	$ (4)

	2007	2006
Weighted-average assumptions used to determine accumulated postretirement benefit obligation		
Discount rate	**5.86%**	5.86%
Assumed health care cost trend rates at December 31,		
Health care cost trend rate assumed for next year	**10.00%**	9.00%
Ultimate trend rate	**5.00%**	5.00%
Year that the rate reaches the ultimate trend rate	**2013**	2011

Assumed health care trend rates have a significant effect on the amounts reported for health care plans. Since there are no new entrants to the health care plan, there is no effect on service cost. However, a one-percentage-point change in assumed health care trend rates would have the following effects:

	2007	2006
Effect of 1-Percent Point Increase		
Interest cost	**$ 6**	N/A
Accumulated postretirement benefit obligation	**$ 110**	$109
Effect of 1-Percent Point Decrease		
Interest cost	**$ (6)**	N/A
Accumulated postretirement benefit obligation	**$(100)**	$ (99)

First Financial’s other postretirement benefit plan weighted average asset allocation at December 31, 2007, and 2006, by asset category was 100% invested in a federal money fund.

The following is an estimate of future benefit payments, net of retirees contributions, expected to be paid:

(Dollars in thousands)	Retirement Benefits
2008	$171
2009	170
2010	167
2011	161
2012	153
Thereafter	666

On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act (the Act) of 2003 was enacted. FASB Staff Position No. 106-2 provides guidance on the accounting effects of the Act of 2003 for employers that sponsor postretirement health care plans that provide prescription drug benefits. As stated above, there are no new entrants into the health care plan. Therefore, any measures of the net periodic postretirement benefit cost in the Consolidated Financial Statements or the accompanying Notes do not reflect the effects of the Act on the plan.

15. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

(Dollars in thousands, except per share data)	**2007**	2006	2005
Numerator for basic and diluted earnings per share — income available to common shareholders:			
Income from continued operations	**$ 35,681**	$ 21,271	$ 30,808
Income from discontinued operations	**0**	0	7,125
Net income	**$ 35,681**	$ 21,271	$ 37,933
Denominator for basic earnings per share — weighted average shares	**38,455,084**	39,539,114	43,084,378
Effect of dilutive securities — employee stock options	**4,054**	22,896	88,372
Denominator for diluted earnings per share — adjusted weighted average shares	**38,459,138**	39,562,010	43,172,750
Earnings per share from continued operations			
Basic	**$ 0.93**	$ 0.54	$ 0.72
Diluted	**$ 0.93**	$ 0.54	$ 0.71
Earnings per share from discontinued operations			
Basic	**$ 0.00**	$ 0.00	$ 0.17
Diluted	**$ 0.00**	$ 0.00	$ 0.17
Earnings per share			
Basic	**$ 0.93**	$ 0.54	$ 0.89
Diluted	**$ 0.93**	$ 0.54	$ 0.88

Options to purchase 2,127,782 shares, 1,062,332 shares, and 239,826 shares were outstanding at December 31, 2007, 2006, and 2005, respectively. These options were not included in the computation of net income per diluted share because the exercise price of these options was greater than the average market price of the common shares. Therefore, the effect would be antidilutive.

16. Stock Options And Awards

First Financial adopted the provisions of SFAS No. 123(R) effective January 1, 2006, using the modified-prospective transition method, which requires measurement of compensation cost for all stock-based awards at fair value on the date of grant and recognition of compensation expense over the service period for all awards expected to vest. Share-based compensation expense for stock options and restricted stock awards included in salaries and employee benefits expensed for the year ended December 31, 2007, and 2006, was $1,384 and $1,728, respectively. Total unrecognized compensation cost related to nonvested share-based compensation was $5,042 at December 31, 2007 and is expected to be recognized over a weighted average period of 2.6 years.

Under the intrinsic method of accounting, compensation expense for years prior to 2006 had not been recognized in the Consolidated Statements of Earnings for stock-based compensation plans, other than for restricted stock awards. The following table illustrates the effect on net earnings and earnings per share if First Financial had applied the fair value recognition provisions of SFAS No. 123 to stock-based compensation for the year ended December 31, 2005:

(Dollars in thousands, except per share data)	**2005**
Net income, as reported	**$37,933**
Add: restricted stock expense, net of taxes, included in net income	**1,086**
Deduct: total stock-based employee compensation expense determined under the fair value based method for all awards, net of related tax effects	**1,374**
Pro forma net income	**$37,645**
Earnings per share	
Basic — as reported	**$ 0.88**
Basic — pro forma	**$ 0.87**
Diluted — as reported	**$ 0.88**
Diluted — pro forma	**$ 0.87**

As of December 31, 2007, First Financial had two stock-based compensation plans. The 1991 Stock Incentive Plan provides incentive stock options and stock awards to certain key employees and non-qualified stock options to non-employee directors of First Financial for up to 1,691,036 common shares of First Financial. The options are not exercisable for at least one year from the date of grant and are thereafter exercisable for such periods (which may not exceed 10 years) as the board of directors, or a committee thereof, specifies, provided that the optionee has remained in the employment of First Financial and its subsidiaries. All options expire at the end of the exercise period, and forfeited or expired options become available for re-issuance. On April 27, 1999, the shareholders approved the 1999 Stock Incentive Plan that provides for 7,507,500 shares for similar awards and options.

First Financial utilized the Black-Scholes valuation model to determine the fair value of its stock options. As well as the stock option strike price, the Black-Scholes valuation model requires the use of the following assumptions: the expected dividend yield based on historical dividend payouts; the expected stock price volatility based on historical volatilities of company stock for a period approximating the expected life of the options; the risk-free rate based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected life of the option; and the expected option life represented by the period of time the options are expected to be outstanding and is based on historical trends. The estimated fair value of the options granted as well as, the weighted average assumptions used in the computations are as follows:

	2007	2006	2005
Fair value of options granted	**$ 2.17**	$ 2.88	$ 2.72
Expected dividend yield	**4.30%**	3.99%	3.63%
Expected volatility	**0.188**	0.210	0.204
Risk-free interest rate	**4.56%**	4.94%	3.92%
Expected life	**6.93 years**	6.88 years	5.23 years

Activity in the stock option plan for the year ended December 31, 2007, is summarized as follows:

	Number of shares	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life**	**Aggregate Intrinsic Value**
Outstanding at beginning of year	**1,895,699**	**$17.07**		
Granted	**596,800**	**14.90**		
Exercised	**(13,426)**	**12.06**		
Forfeited or expired	**(349,291)**	**17.09**		

Outstanding at end of year	**2,129,782**	**$16.49**	**6.72 years**	**$ 0**
Exercisable at end of year	**1,032,521**	**$17.35**	**4.61 years**	**$ 0**

Intrinsic value for stock options is defined as the difference between the current market value and the grant price. First Financial uses treasury shares purchased under the company's share repurchase program to satisfy share-based exercises.

	2007	2006
Total intrinsic value of options exercised	**$ 56**	$188
Cash received from exercises	**$ 82**	$254
Tax benefit from exercises	**$341**	$517

Restricted stock awards have historically been recorded as deferred compensation, a component of shareholders' equity at the fair value of these awards at the grant date and amortized on a straight-line basis to salaries and benefits expense over the specified vesting periods, which is currently four years. For all awards granted prior to 2005 and for awards granted to non-employee directors in 2006 and 2007, the vesting of the awards only required a service period to be met. Therefore, 25.00% of each grant vested in each of the four years. For restricted stock awards granted to employees in 2005, 2006 and 2007, First Financial must meet a minimum performance goal of 12.00% annual return on average equity. As the annual return on average equity goal was not met in 2005 or 2006, but was met in 2007, the annual vesting of 25.00% of the awards granted in 2005 and 2006 did not occur. However, the annual vesting of 25.00% of the 2005, 2006, and 2007 awards associated with 2007, will vest. If the cumulative period return on average equity (grant date through next measurement date of December 2008) is 12.00% or higher, the remaining 75.00% of the 2005 awards and 50% of the 2006 awards would cumulatively vest, as well as the 25.00% of the 2007 and 2008 awards.

The following is a summary of activity in restricted stock for the year ended December 31, 2007:

	Number of shares	Weighted Average Grant Date Fair Value
Nonvested at beginning of year	**225,709**	**$16.76**
Granted	**151,440**	**14.88**
Vested	**(41,104)**	**16.81**
Forfeited	**(27,938)**	**16.37**
Nonvested at end of year	**308,107**	**$15.86**

The fair value of restricted stock is determined based on the number of shares granted and the quoted price of First Financial's common stock. The total fair value of restricted stock vested was $691 and $1,261 during 2007 and 2006, respectively.

17. Loans to Related Parties

Activity of loans to directors, executive officers, principal holders of First Financial's common stock, and certain related persons was as follows:

(Dollars in thousands)	**2007**	2006	2005
Beginning balance	**$16,388**	$18,719	$28,691
Additions	**6,960**	5,912	8,346
Collected	**1,912**	8,243	18,318
Ending balance	**$21,436**	$16,388	$18,719
Loans 90 days past due	**$ 0**	$ 0	$ 0

Related parties of First Financial, as defined above, were clients of and had transactions with subsidiaries of First Financial in the ordinary course of business during the periods noted above. Additional transactions may be expected in the ordinary course of business in the future. All outstanding loans, commitments, financing leases, transactions in money market instruments and deposit relationships included in such transactions were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others, and did not involve more than a normal risk of collectibility or present other unfavorable features.

18. Shareholder Rights Plan

First Financial has a "shareholder rights plan" under which the holders of First Financial's common stock are entitled to receive one "right" per share held.

Under the plan, each "right" would be distributed only on the 20th business day after any one of the following events occurs: 1) A public announcement that a person or group has acquired 20 percent or more (an "acquiring person") of First Financial's outstanding common shares, 2) The beginning of a tender offer or exchange offer that would result in a person or group owning 30 percent or more of the corporation's outstanding common shares, or 3) A declaration by the board of directors of a shareholder as an "adverse person." (An adverse person is a person who owns at least 10 percent of the common shares and attempts "greenmail," or is likely to cause a material adverse impact on First Financial — such as impairing client relationships, harming the company's competitive position or hindering the board's ability to effect a transaction it deems to be in the shareholders' best interest.)

In the event of such a distribution, each "right" would entitle the holder to purchase, at an exercise price of $38.96, one share of common stock of the corporation. Subject to the "exchange option" described below, if a person or group acquires 30 percent or more of First Financial's outstanding common shares or is declared an "adverse person" by the board of directors of the corporation, each "right" would entitle the holder to purchase, at an exercise price of $38.96, a number (to be determined under the plan) of shares of common stock of the corporation at a price equal to 50 percent of its then current market price. However, any "rights" held by an "acquiring person" or an "adverse person" could not be exercised.

Additionally, each "right" holder would be entitled to receive common stock of any acquiring company worth two times the exercise price of the "right," should either of the following happen after a person becomes an "acquiring person": 1) First Financial is acquired in a merger or other transaction — other than a merger which the independent directors determine to be in the best interest of First Financial and its shareholders, or 2) 50 percent or more of First Financial's assets or earning power is sold or transferred.

At any time after any person becomes an "acquiring person" or an "adverse person," the plan gives First Financial's board of directors the option (the "exchange option") to exchange all or part of the outstanding "rights" (except "rights" held by an "acquiring person" or an "adverse person") for shares of First Financial's common stock at an exchange ratio of 0.8 shares of common stock per "right." In the event that First Financial's board of directors adopts the "exchange option," each "right" would entitle the holder there of to receive 0.8 shares of common stock per "right." Any partial exchange would be effected pro rata based on the number of "rights" held by each holder of "rights" included in the exchange.

First Financial may redeem "rights" for $0.01 per "right" at any time prior to the 20th business day following the date when a person acquires 20 percent of the outstanding shares. First Financial may not redeem the "rights" when a holder has become an "adverse person."

The board's adoption of this "rights" plan has no financial effect on First Financial, is not dilutive to First Financial shareholders, is not taxable to the corporation or its shareholders, and will not change the way in which First Financial common shares are traded. "Rights" are not exercisable until distributed; and all "rights" will expire at the close of business on December 6, 2008, unless earlier redeemed by First Financial.

19. Disclosures about Fair Value of Financial Instruments

The following methods and assumptions were used by First Financial in estimating its fair value disclosures for financial instruments:

Cash and short-term investments — The carrying amounts reported in the Consolidated Balance Sheets for cash and short-term investments, such as federal funds sold, approximated the fair value of those instruments.

Investment securities (including mortgage-backed securities) — Fair values for investment securities were based on quoted market prices, where available. If quoted market prices were not available, fair values were based on quoted market prices of comparable instruments. (Refer to Note 7 for further disclosure.)

Loans — The fair values of loans and leases, such as commercial real estate and consumer loans were estimated by discounting the future cash flows using the current rates at which similar loans and leases would be made to borrowers with similar credit ratings and for the same remaining maturities or repricing frequency. The carrying amount of accrued interest approximated its fair value.

Mortgage-servicing rights — The fair value of mortgage-servicing rights in 2006 was determined through modeling the expected future cash flows. The modeling included stratification by maturity and coupon rates on the underlying mortgage loans. Certain assumptions were used in the valuation regarding prepayment speeds, discount rates, servicing costs, delinquency, cash balances, and foreclosure costs which were arrived at from third-party sources and internal records.

Deposit liabilities — The fair value of demand deposits, savings accounts, and certain money-market deposits was the amount payable on demand at the reporting date. The carrying amounts for variable-rate certificates of deposit approximated their fair values at the reporting date. The fair value of fixed-rate certificates of deposit was estimated using a discounted cash flow calculation which applies the interest rates currently offered for deposits of similar remaining maturities. The carrying amount of accrued interest approximated its fair value.

Borrowings — The carrying amounts of federal funds purchased and securities sold under agreements to repurchase and other short-term borrowings approximated their fair values. The fair value of long-term debt was estimated using a discounted cash flow calculation which utilizes the interest rates currently offered for borrowings of similar remaining maturities. Third-party valuations were used for long-term debt with embedded options, such as call features. The carrying amount of the other long-term borrowings, or trust preferred securities, approximate its fair value.

Commitments to extend credit and standby letters of credit — Pricing of these financial instruments is based on the credit quality and relationship fees, interest rates, probability of funding and compensating balance and other covenants or requirements. Loan commitments generally have fixed expiration dates, are variable rate and contain termination and other clauses which provide for relief from funding in the event that there is a significant deterioration in the credit quality of the client. Many loan commitments are expected to expire without being drawn upon. The rates and terms of the commitments to extend credit and the standby letters of credit are competitive with those in First Financial's market area. The carrying amounts are reasonable estimates of the fair value of these financial instruments. Carrying amounts which are comprised of the unamortized fee income and, where necessary, reserves for any expected credit losses from these financial instruments, are immaterial. (Refer to Note 5 for additional information.)

Derivative financial instruments — Fair values for derivative financial instruments specifically interest rate swaps, were determined using market quotes for those instruments.

First Financial does not carry financial instruments which are held or issued for trading purposes.

In September of 2006, the FASB issued Statement No. 157 (SFAS No. 157), "Fair Value Measurements." This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. First Financial will adopt SFAS No. 157 in the first quarter of 2008 effective January 1, and is currently evaluating the effect the implementation of SFAS No. 157 will have on its Consolidated Financial Statements.

In February of 2007, the FASB issued Statement No. 159 (SFAS No. 159), "The Fair Value Option for Financial Assets and Financial Liabilities— Including an amendment of FASB Statement No. 115." This statement permits the measurement of many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument, irrevocable basis. First Financial will adopt SFAS No. 159 in the first quarter of 2008 effective January 1, and is currently evaluating the effect the implementation of SFAS No. 159 will have on its Consolidated Financial Statements.

The estimated fair values of First Financial's financial instruments at December 31 were as follows:

	2007		2006	
(Dollars in thousands)	**Carrying value**	**Fair value**	Carrying value	Fair value
Financial assets				
Cash and short-term investments	**$ 213,214**	**$ 213,214**	$ 221,407	$ 221,407
Investment securities held-to-maturity	**5,639**	**5,814**	7,995	8,154
Investment securities available-for-sale	**306,928**	**306,928**	324,259	324,259
Other investments	**33,969**	**33,969**	33,969	33,969
Loans				
Commercial	**785,143**	**788,985**	673,445	671,024
Real estate — construction	**151,432**	**152,208**	101,688	102,883

Real estate — mortgage	**1,245,741**	**1,242,350**	1,252,182	1,247,303
Installment	**389,783**	**393,331**	427,009	421,840
Credit card	**26,610**	**26,750**	24,587	24,868
Leasing	**378**	**381**	923	850
Less allowance for loan and lease losses	**29,057**		27,386	
Net loans	**2,570,030**	**2,604,005**	2,452,448	2,468,768
Loans held for sale	**1,515**	**1,515**	8,824	8,824
Mortgage-servicing rights	**0**	**0**	4,448	6,516
Accrued interest receivable	**19,520**	**19,520**	18,651	18,651
Derivative financial instruments	**N/A**	**N/A**	357	357
Financial liabilities				
Deposits				
Noninterest-bearing	**465,731**	**465,731**	424,138	424,138
Interest-bearing demand	**603,870**	**603,870**	667,305	667,305
Savings	**596,636**	**596,636**	526,663	526,663
Time	**1,227,954**	**1,239,278**	1,179,852	1,174,832
Total deposits	**2,894,191**	**2,905,515**	2,797,958	2,792,938
Short-term borrowings	**98,289**	**98,289**	96,701	96,701
Federal Home Loan Bank long-term debt	**45,896**	**43,380**	63,762	58,619
Other long-term debt	**20,620**	**20,620**	30,930	30,930
Accrued interest payable	**8,675**	**8,675**	6,755	6,755
Derivative financial instruments	**787**	**787**	N/A	N/A

Notes To Consolidated Financial Statements

20. First Financial Bancorp. (Parent Company Only) Financial Information

Balance Sheets

(Dollars in thousands)	December 31, 2007	2006
Assets		
Cash	**$ 7,184**	$ 4,457
Investment securities, available for sale	**2,202**	2,412
Subordinated notes from subsidiaries	**7,500**	7,500
Investment in subsidiaries		
Commercial banks	**302,288**	286,485
Nonbanks	**19,865**	19,760
Total investment in subsidiaries	**322,153**	306,245
Loans		
Commercial	0	192
Real estate	4,097	4,205
Total loans	**4,097**	4,397
Allowance for loan and lease losses	**249**	398
Net loans	**3,848**	3,999
Bank premises and equipment	**934**	990
Other assets	**33,716**	39,090
Total assets	**$377,537**	$364,693
Liabilities		
Short-term borrowings	**$ 72,000**	$ 39,500
Long-term debt	**20,620**	30,930
Dividends payable	**6,352**	6,290
Other liabilities	**1,982**	2,494
Total liabilities	**100,954**	79,214
Shareholders' equity	**276,583**	285,479
Total liabilities and shareholders' equity	**$377,537**	$364,693

Statements of Earnings

(Dollars in thousands)	**2007**	Year ended December 31, 2006	2005
Income			
Interest income	**$ 320**	$ 713	$ 716
Noninterest income	**260**	875	691
Investment securities losses	**0**	0	(3)
Dividends from subsidiaries	**31,700**	40,831	41,818
Total income	**32,280**	42,419	43,222
Expenses			2,495
Interest expense	**5,758**	5,061	0
Provision for (recovery of) loan and lease losses	**43**	(1,083)	9,517
Salaries and employee benefits	**1,997**	7,364	3,271
Miscellaneous professional services	**464**	1,156	1,189
Other	**1,732**	2,198	
Total expenses	**9,994**	14,696	16,472
Income before income taxes and equity in undistributed net income of (excess dividends from) subsidiaries	**22,286**	27,723	26,750
Income tax benefit	(**3,229**)	(3,973)	(4,825)
Equity in undistributed net income of (excess dividends from) subsidiaries	**10,166**	(10,425)	(767)
Income from continuing operations	**35,681**	21,271	30,808
Income from discontinued operations	**0**	0	7,125
Net income	**$35,681**	$ 21,271	$37,933

Statements of Cash Flows

(Dollars in thousands)	**2007**	Year ended December 31, 2006	2005
Operating activities			
Net income	**$ 35,681**	$ 21,271	$ 37,933
Adjustments to reconcile net income to net cash provided by operating activities			
(Equity in undistributed net income of) excess dividends from subsidiaries	**(10,166)**	10,425	767
Provision for loan and lease losses	**43**	(1,083)	0
Depreciation and amortization	**79**	125	230
Stock-based compensation expense	**1,384**	1,728	1,671
Pension expense	**270**	815	336
Deferred income taxes	**122**	1,445	(1,349)
Increase (decrease) in dividends payable	**62**	(562)	296
(Decrease) increase in accrued expenses	**(508)**	(1,411)	474
Decrease (increase) in other assets	**5,319**	(3,771)	259
Contribution to pension plan	**0**	(2,125)	(441)
Net decrease from discontinued operations	**0**	0	9,515
Net cash provided by operating activities	**32,286**	26,857	49,691
Investing activities			
Capital contributions to subsidiaries	**0**	(462)	0
Proceeds from calls and maturities of investment securities	**0**	3,000	2
Purchases of investment securities, available-for-sale	**(77)**	(2,013)	0
Net decrease in loans	**108**	2,570	609
Purchases of premises and equipment	**(15)**	0	(207)
Other	**(84)**	(261)	(564)
Net cash (used in) provided by investing activities	**(68)**	2,834	(160)
Financing activities			
Increase (decrease) in short-term borrowings	**32,500**	(5,500)	43,000
Redemption of long-term debt	**(10,000)**	0	0
Cash dividends	**(24,845)**	(25,308)	(27,671)
Treasury stock purchases	**(27,297)**	(6,561)	(78,344)
Proceeds from exercise of stock options, net of shares purchased	**82**	254	201
Excess tax benefit on share-based compensation	**69**	87	0
Net cash used in financing activities	**(29,491)**	(37,028)	(62,814)
Increase (decrease) in cash	**2,727**	(7,337)	(13,283)
Cash at beginning of year	**4,457**	11,794	25,077
Cash at end of year	**$ 7,184**	$ 4,457	$ 11,794

21. Discontinued Operations

On September 16, 2005, First Financial completed the sale of substantially all of the assets and certain liabilities of its Fidelity Federal Savings Bank subsidiary. Fidelity Federal is reported as a discontinued operation for financial reporting purposes for 2005. The results of its operations and its cash flows have been removed from First Financial's results of continuing operations for 2005.

The results of Fidelity Federal are presented as discontinued operations in a separate category on the Consolidated Statements of Earnings following the results from continuing operations. There were no earnings from discontinued operations in 2007 and 2006. The earnings from discontinued operations for the year ended December 31, 2005 is as follows:

(Dollars in thousands)	Year ended December 31, 2005
Interest income	
Loans, including fees	$ 4,034
Investment securities	354
Interest-bearing deposits with other banks	55
Federal funds sold and securities purchased under agreements to resell	109
Total interest income	4,552
Interest expense	
Deposits	1,197
Long-term borrowings	865
Total interest expense	2,062
Net interest income	2,490
Provision for loan and lease losses	50
Net interest income after provision for loan and lease losses	2,440
Noninterest income	
Service charges on deposit accounts	154
Gain on sale of discontinued operations	10,366
Other	(87)
Total noninterest income	10,433
Noninterest expenses	
Salaries and employee benefits	1,032
Net occupancy	67
Furniture and equipment	45
Data processing	369
Other	411
Total noninterest expenses	1,924
Income from discontinued operations before income taxes	10,949
Income tax expense	3,824
Income from discontinued operations	$ 7,125

Quarterly Financial And Common Stock Data (Unaudited)

(Dollars in thousands, except per share data)	Three months ended March 31	June 30	September 30	December 31
2007				
Interest income	**$51,620**	**$51,205**	**$52,184**	**$51,433**
Interest expense	**21,217**	**21,604**	**22,767**	**22,354**
Net interest income	**30,403**	**29,601**	**29,417**	**29,079**
Provision for loan and lease losses	**1,356**	**2,098**	**2,558**	**1,640**
Noninterest income				
Gain on sale of merchant processing portfolio	**0**	**0**	**0**	**5,501**
Gain on sale of mortgage servicing rights	**1,061**	**0**	**0**	**0**
Gains on sales of investment securities	**0**	**0**	**367**	**0**
All other	**13,683**	**14,132**	**14,083**	**14,761**
Noninterest expenses	**31,210**	**29,440**	**28,725**	**31,372**
Income before income taxes	**12,581**	**12,195**	**12,584**	**16,329**
Income tax expense	**4,146**	**4,023**	**4,211**	**5,628**
Net income	**$ 8,435**	**$ 8,172**	**$ 8,373**	**$10,701**
Earnings per share				
Basic	**$ 0.22**	**$ 0.21**	**$ 0.22**	**$ 0.29**
Diluted	**$ 0.22**	**$ 0.21**	**$ 0.22**	**$ 0.29**
Cash dividends paid	**$ 0.16**	**$ 0.16**	**$ 0.16**	**$ 0.16**
Market price				
High	**$ 16.76**	**$ 15.72**	**$ 15.12**	**$ 13.89**
Low	**$ 14.83**	**$ 14.43**	**$ 10.76**	**$ 10.12**
2006				
Interest income	$50,684	$50,741	$52,324	$51,776
Interest expense	18,485	18,794	21,501	21,672
Net interest income	32,199	31,947	30,823	30,104
Provision for loan and lease losses	752	360	2,888	5,822
Noninterest income				
Gain on sales of branches	0	0	12,545	0
Losses on sales of investment securities	(476)	0	0	0
All other	13,447	13,829	15,735	12,904
Noninterest expenses	38,877	38,684	37,185	37,769
Income before income taxes	5,541	6,732	19,030	(583)
Income tax expense	1,574	2,374	6,911	(1,410)
Net income	$ 3,967	$ 4,358	$12,119	$ 827
Earnings per share				
Basic	$ 0.10	$ 0.11	$ 0.31	$ 0.02
Diluted	$ 0.10	$ 0.11	$ 0.31	$ 0.02
Cash dividends paid	$ 0.16	$ 0.16	$ 0.16	$ 0.16
Market price				
High	$ 18.32	$ 16.68	$ 16.04	$ 17.50
Low	$ 15.88	$ 14.63	$ 14.20	$ 15.52

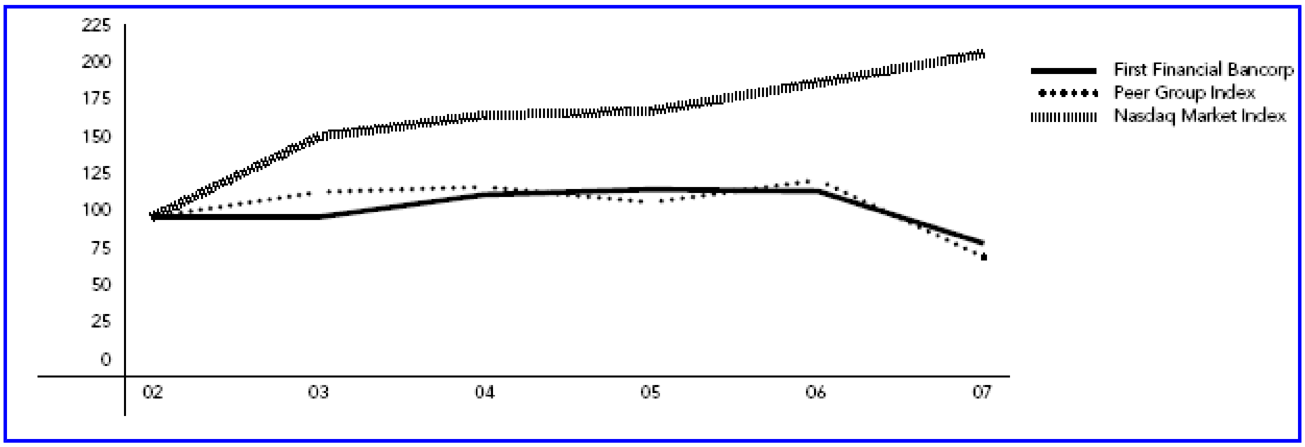
First Financial Bancorp. common stock trades on The Nasdaq Stock Market under the symbol FFBC.

Financial Performance (Unaudited)

The following graph compares the five-year cumulative total return of the Corporation with that of companies that comprise the Nasdaq Market Index and a peer group comprised of all actively traded bank holding companies in Ohio and Indiana and one actively traded bank holding company in Illinois (the "Peer Group").

The following table assumes $100 invested on January 1, 2002 in the Corporation, the Nasdaq Market Index and equally in the Peer Group and assumes that dividends are reinvested. The returns of the issuers comprising the Peer Group have been weighted according to their respective stock market capitalization.

COMPARISON OF FIVE—YEAR CUMULATIVE TOTAL RETURN AMONG
FIRST FINANCIAL BANCORP, NASDAQ MARKET INDEX AND PEER GROUP INDEX



	2002	2003	2004	2005	2006	**2007**
First Financial Bancorp	100.00	100.08	113.53	117.66	116.05	**83.61**
Peer group index	100.00	115.88	119.04	109.33	122.85	**75.09**
Nasdaq market index	100.00	150.36	163.00	166.58	183.68	**201.91**

The Peer Group is comprised of 1st Source Corporation, Amcore Financial, Inc, Community Bank Shares of Indiana, Inc., Fifth Third Bancorp, First Citizens Banc Corp, First Financial Bancorp., First Financial Corporation, First Indiana Corporation, First Merchants Corporation, FirstMerit Corporation, German American Bancorp, Home Federal Bancorp, Horizon Bancorp, Huntington Bancshares Incorporated, Integra Bank Corporation, Irwin Financial Corporation, Keycorp, Lakeland Financial Corporation, LNB Bancorp, Inc., Mainsource Financial Group, Monroe Bancorp, National City Corporation, NB&T Financial Group, Inc., Ohio Legacy Corp, Ohio Valley Banc Corp, Old National Bancorp, Park National Corporation, Peoples Bancorp Inc., Rurban Financial Corp., Tower Financial Corporation, United Bancorp, Inc., and United Bancshares, Inc. The following entities have been removed from the Peer Group due to their merger or acquisition in 2007: Oak Hill Financial, Inc., Sky Financial Group and St. Joseph Capital Corporation.

Shareholder Information

Annual Meeting

The Annual Meeting of Shareholders
will be held at
The Queen City Club
331 E. Fourth Street
Cincinnati, Ohio 45202
Tuesday, April 29, 2008, 10:00 a.m. (Local Time)

Form 10-K

For copies of First Financial Bancorp's
Form 10-K, write to:
J. Franklin Hall
Executive Vice President, Chief Financial Officer
First Financial Bancorp
4000 Smith Road
Cincinnati, Ohio 45209
1-513-979-5770
1-513-979-5780 (fax)
frank.hall@bankatfirst.com

Transfer Agent and Registrar

Registrar and Transfer Company
10 Commerce Drive
Cranford, New Jersey 07016
1-800-368-5948
1-908-497-2312 (fax)

Listed on

The Nasdaq Stock Market®
Common Stock Symbol: FFBC

bankatfirst.com

Section 5: EX-21 (EX-21)

EXHIBIT 21

FIRST FINANCIAL BANCORP. SUBSIDIARIES

First Financial Bank, National Association, organized as a national banking association under the laws of the United States

First Financial Capital Advisors, LLC, organized as a limited liability company under the laws of the state of Ohio

First Financial (OH) Statutory Trust II, created under the laws of the state of Delaware

FFBC Capco Inc., incorporated in the state of Indiana

MXG, Inc., incorporated in the state of Ohio

Section 6: EX-23 (EX-23)

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in this Annual Report (Form 10-K) of First Financial Bancorp. of our report dated February 26, 2008, with respect to the consolidated financial statements of First Financial Bancorp., included in the 2007 Annual Report to Shareholders of First Financial Bancorp.

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 33-46819) pertaining to the First Financial Bancorp. 1991 Stock Incentive Plan and in the related Prospectus,

(2) Registration Statement (Form S-8 No. 333-86781) pertaining to the First Financial Bancorp. 1999 Stock Incentive Plan for Officers and Employees and in the related Prospectus,

(3) Registration Statement (Form S-8 No. 333-86781) pertaining to the First Financial Bancorp. 1999 Stock Incentive Plan for Non-Employee Directors and in the related Prospectus, and

(4) Registration Statement (Form S-3 No. 333-35745) pertaining to the First Financial Bancorp. Dividend Reinvestment and Share Purchase Plan and in the related Prospectus;

of our report dated February 26, 2008, with respect to the consolidated financial statements of First Financial Bancorp. incorporated herein by reference, and our report dated February 26, 2008, with respect to the effectiveness of internal control over financial reporting of First Financial Bancorp., included herein.

/s/ Ernst & Young LLP

Cincinnati, Ohio
February 26, 2008

Section 7: EX-31.1 (EX-31.1)

EXHIBIT 31.1

CERTIFICATIONS

I, Claude E. Davis, President and Chief Executive Officer of First Financial Bancorp, certify that:

1. I have reviewed this annual report on Form 10-K of First Financial Bancorp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: 2/26/08

/s/ Claude E. Davis
Claude E. Davis
President & Chief Executive Officer

Section 8: EX-31.2 (EX-31.2)

EXHIBIT 31.2

CERTIFICATIONS

I, J. Franklin Hall, Executive Vice President and Chief Financial Officer of First Financial Bancorp certify that:

1. I have reviewed this annual report on Form 10-K of First Financial Bancorp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: 2/26/08

/s/ J. Franklin Hall
J. Franklin Hall
Executive Vice President & Chief Financial Officer

Section 9: EX-32.1 (EX-32.1)

EXHIBIT 32.1

CERTIFICATION OF PERIODIC FINANCIAL REPORT BY CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Form 10-K for the annual period ended December 31, 2007, of First Financial Bancorp. (the "Company"), to be filed with the Securities and Exchange Commission on February 27, 2008 (the "Report"), I, Claude E. Davis, President and Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Claude E. Davis

Claude E. Davis
President and Chief Executive Officer

February 26, 2008

Section 10: EX-32.2 (EX-32.2)

EXHIBIT 32.2

CERTIFICATION OF PERIODIC FINANCIAL REPORT BY CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Form 10-K for the annual period ended December 31, 2007, of First Financial Bancorp. (the "Company"), to be filed with the Securities and Exchange Commission on February 27, 2008 (the "Report"), I, J. Franklin Hall, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(3) The report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(4) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ J. Franklin Hall
J. Franklin Hall
Executive Vice President and Chief Financial Officer

February 26, 2008