FIRST FINANCIAL BANCORP /OH/
Form 10-Q
August 08, 2008

FORM 10-Q
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

þ **QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2008

OR

o **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission file number 0-12379

FIRST FINANCIAL BANCORP.

(Exact name of registrant as specified in its charter)

Ohio	**31-1042001**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
4000 Smith Road, Cincinnati, Ohio	**45209**
(Address of principal executive offices)	**(Zip Code)**

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

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 þ **No** o

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 þ **Accelerated filer o** **Non-accelerated filer o** **Smaller reporting company o**
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of Exchange Act).

Yes o **No** þ

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Class	**Outstanding at August 6, 2008**
Common stock, No par value	**37,482,343**

FIRST FINANCIAL BANCORP.
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PART I FINANCIAL INFORMATION
ITEM I FINANCIAL STATEMENTS
FIRST FINANCIAL BANCORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	June 30, 2008 (Unaudited)	December 31, 2007
ASSETS		
Cash and due from banks	$ 106,248	$ 106,224
Federal funds sold	4,005	106,990
Investment securities trading	3,598	0
Investment securities available-for-sale, at market value (cost $423,186 at June 30, 2008 and $306,412 at December 31, 2007)	421,697	306,928
Investment securities held-to-maturity (market value $5,490 at June 30, 2008 and $5,814 at December 31, 2007)	5,316	5,639
Other investments	34,632	33,969
Loans held for sale	2,228	1,515
Loans:		
Commercial	814,779	785,143
Real estate construction	186,178	151,432
Real estate commercial	769,555	706,409
Real estate residential	499,002	539,332
Installment	115,575	138,895
Home equity	263,063	250,888
Credit card	26,399	26,610
Lease financing	111	378
Total loans	2,674,662	2,599,087
Less:		
Allowance for loan and lease losses	29,580	29,057
Net loans	2,645,082	2,570,030
Premises and equipment, net	79,380	78,994
Goodwill	28,261	28,261
Other intangibles	641	698
Accrued interest and other assets	128,874	130,068
TOTAL ASSETS	$ 3,459,962	$ 3,369,316
LIABILITIES		
Deposits:		
Interest-bearing	$ 575,236	$ 603,870
Savings	615,613	596,636
Time	1,167,024	1,227,954
Total interest-bearing deposits	2,357,873	2,428,460

Noninterest-bearing	419,045	465,731
Total deposits	2,776,918	2,894,191
Short-term borrowings:		
Federal funds purchased and securities sold under agreements to repurchase	25,932	26,289
Federal Home Loan Bank	237,900	0
Other	54,000	72,000
Total short-term borrowings	317,832	98,289
Federal Home Loan Bank long-term debt	41,263	45,896
Other long-term debt	20,620	20,620
Accrued interest and other liabilities	28,039	33,737
TOTAL LIABILITIES	3,184,672	3,092,733
SHAREHOLDERS EQUITY		
Common stock no par value Authorized - 160,000,000 shares Issued - 48,558,614 shares in 2008 and 2007	390,545	391,962
Retained earnings	81,263	82,093
Accumulated comprehensive loss	(8,236)	(7,127)
Treasury Stock, at cost 11,075,230 shares in 2008 and 11,190,806 shares in 2007	(188,282)	(190,345)
TOTAL SHAREHOLDERS EQUITY	275,290	276,583
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 3,459,962	$ 3,369,316

See notes to consolidated financial statements.

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FIRST FINANCIAL BANCORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Dollars in thousands, except per share data)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Interest income				
Loans, including fees	$ 39,646	$ 45,291	$ 82,367	$ 90,355
Investment securities				
Taxable	4,387	3,762	7,908	7,653
Tax-exempt	792	911	1,583	1,820
Total investment securities interest	5,179	4,673	9,491	9,473
Federal funds sold	40	1,241	605	2,997
Total interest income	44,865	51,205	92,463	102,825
Interest expense				
Deposits	14,635	19,409	32,374	38,418
Short-term borrowings	1,130	984	1,922	1,980
Long-term borrowings	384	542	790	1,101
Subordinated debentures and capital securities	302	669	714	1,322
Total interest expense	16,451	21,604	35,800	42,821
Net interest income	28,414	29,601	56,663	60,004
Provision for loan and lease losses	2,493	2,098	5,716	3,454
Net interest income after provision for loan and lease losses	25,921	27,503	50,947	56,550
Noninterest income				
Service charges on deposit accounts	4,951	5,296	9,558	10,040
Trust and wealth management fees	4,654	4,526	9,276	8,686
Bankcard income	1,493	1,424	2,791	2,664
Net gains from sales of loans	188	184	407	346
Gain on sale of mortgage servicing rights	0	0	0	1,061
Gains on sales of investment securities	0	0	1,585	0
Other	2,462	2,702	5,006	6,079
Total noninterest income	13,748	14,132	28,623	28,876
Noninterest expenses				
Salaries and employee benefits	15,895	17,134	32,968	36,095
Net occupancy	2,510	2,484	5,462	5,291
Furniture and equipment	1,617	1,708	3,270	3,335
Data processing	814	818	1,607	1,663
Marketing	474	642	991	1,511
Communication	749	798	1,554	1,663

Professional services	1,061	1,063	1,822	2,069
Other	4,849	4,793	9,315	9,023
Total noninterest expenses	27,969	29,440	56,989	60,650
Income before income taxes	11,700	12,195	22,581	24,776
Income tax expense	3,892	4,023	7,435	8,169
Net income	$ 7,808	$ 8,172	$ 15,146	$ 16,607
Earnings per share basic	$ 0.21	$ 0.21	$ 0.41	$ 0.43
Earnings per share diluted	$ 0.21	$ 0.21	$ 0.40	$ 0.43
Cash dividends declared per share	$ 0.17	$ 0.16	$ 0.34	$ 0.32
Average basic shares outstanding	37,114,451	38,965,409	37,090,603	39,042,827
Average diluted shares outstanding	37,524,789	38,967,061	37,478,353	39,050,919

See notes to consolidated financial statements.

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FIRST FINANCIAL BANCORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, dollars in thousands)

	Six months ended June 30,	
	2008	2007
Operating activities		
Net income	$ 15,146	$ 16,607
Adjustments to reconcile net cash provided by operating activities		
Provision for loan and lease losses	5,716	3,454
Depreciation and amortization	3,398	4,100
Stock-based compensation expense	837	194
Pension expense	605	1,397
Net amortization of premiums and accretion of discounts on investment securities	92	69
Gains on sales of investment securities	(1,585)	0
Originations of loans held for sale	(50,469)	(44,641)
Net gains from sales of loans held for sale	(407)	(346)
Proceeds from sales of loans held for sale	50,187	54,572
Deferred income taxes	(288)	(2,471)
Decrease (increase) in interest receivable	3,614	(1,445)
Decrease (increase) in cash surrender value of life insurance	390	(550)
Increase in prepaid expenses	(876)	(1,469)
(Decrease) increase in accrued expenses	(4,010)	1,230
(Decrease) increase in interest payable	(1,502)	163
Other	(1,925)	3,657
Net cash provided by operating activities	18,923	34,521
Investing activities		
Proceeds from sales of securities available for sale	1,124	0
Proceeds from calls, paydowns and maturities of securities available-for-sale	51,205	27,132
Purchases of securities available-for-sale	(173,052)	(21,374)
Proceeds from calls, paydowns and maturities of securities held-to-maturity	323	2,918
Purchases of securities held-to-maturity	0	(634)
Purchases of FHLB stock	(663)	0
Net decrease in federal funds sold	102,985	47,000
Net increase in loans and leases	(82,596)	(77,642)
Proceeds from disposal of other real estate owned	701	1,095
Purchases of premises and equipment	(3,801)	(2,709)
Net cash used in investing activities	(103,774)	(24,214)
Financing activities		
Net decrease in total deposits	(117,273)	(4,499)
Net increase (decrease) in short-term borrowings	219,543	(12,501)
Payments on long-term borrowings	(4,633)	(4,741)
Cash dividends paid	(12,717)	(12,540)
Purchase of common stock	0	(7,728)

Proceeds from exercise of stock options	0	80
Excess tax benefit on share-based compensation	(45)	23
Net cash provided by (used in) financing activities	84,875	(41,906)
Cash and cash equivalents:		
Net increase (decrease) in cash and cash equivalents	24	(31,599)
Cash and cash equivalents at beginning of period	106,224	119,407
Cash and cash equivalents at end of period	$ 106,248	$ 87,808

See notes to consolidated financial statements.

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FIRST FINANCIAL BANCORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY
(Unaudited, dollars in thousands except per share data)

	Common stock shares	Common stock amount	Retained earnings	Accumulated comprehensive income (loss) Unrealized gain (loss) on AFS securities	Pension obligation	Treasury stock Shares	Treasury stock Amount	Total
Balances at December 31, 2006	48,558,614	$392,736	$ 71,320	$ (420)	$(12,955)	(9,313,207)	$(165,202)	$285,479
Net income			16,607					16,607
Unrealized holding gains on securities available-for-sale arising during the period				(3,079)				(3,079)
Changes in accumulated unrealized losses for pension and other postretirement obligations					286			286
Total comprehensive income								13,814
Cash dividends declared ($0.32 per share)			(12,483)					(12,483)
Purchase of common stock						(496,000)	(7,728)	(7,728)
Tax benefit on stock option exercise		23						23
Exercise of stock options, net of shares purchased		(58)				8,474	138	80
Restricted stock awards, net		(2,350)				125,202	2,197	(153)
Share-based compensation expense		194						194

Balances at June 30, 2007	48,558,614	390,545	75,444	(3,499)	(12,669)	(9,675,531)	(170,595)	279,226
Balances at December 31, 2007	48,558,614	391,962	82,093	328	(7,455)	(11,190,806)	(190,345)	276,583
Cumulative adjustment for adoption of new accounting principles on January 1, 2008:								
Fair value option (SFAS No. 159)			(750)	750				0
Cost of split-dollar life insurance for retirees (EITF Issue No. 06-4)			(2,499)					(2,499)
Net income			15,146					15,146
Unrealized holding gains on securities available-for-sale arising during the period				(2,024)				(2,024)
Changes in accumulated unrealized losses for pension and other postretirement obligations					165			165
Total comprehensive income								13,287
Cash dividends declared ($0.34 per share)			(12,727)					(12,727)
Tax liability on stock option exercise		(45)						(45)
Restricted stock awards, net		(2,209)				115,576	2,063	(146)
Share-based compensation expense		837						837
	48,558,614	$390,545	$ 81,263	$ (946)	$ (7,290)	(11,075,230)	$(188,282)	$275,290

Balances at
June 30, 2008

See notes to consolidated financial statements.

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FIRST FINANCIAL BANCORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2008
(Unaudited)

The consolidated financial statements for interim periods are unaudited; however, in the opinion of the management of First Financial Bancorp. (First Financial), all material adjustments (consisting of only normal recurring adjustments) necessary for a fair presentation have been included.

NOTE 1: BASIS OF PRESENTATION

The consolidated financial statements of First Financial, a bank holding company, include the accounts of First Financial and its wholly-owned subsidiaries First Financial Bank, N.A. and First Financial Capital Advisors LLC, a registered investment advisor. All intercompany transactions and accounts have been eliminated in consolidation.

The preparation of 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 financial statements and accompanying notes. Actual realized amounts could differ materially from those estimates. These interim financial statements have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X and serve to update the First Financial Bancorp. Annual Report on Form 10-K (Form 10-K) for the year ended December 31, 2007. These financial statements may not include all information and notes necessary to constitute a complete set of financial statements under U.S. generally accepted accounting principles applicable to annual periods and accordingly should be read in conjunction with the financial information contained in the Form 10-K. Management believes these unaudited consolidated financial statements reflect all adjustments of a normal recurring nature which are necessary for a fair presentation of the results for the interim periods presented. The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the full year or any other interim period. The Consolidated Balance Sheet as of December 31, 2007, has been derived from the audited financial statements in the company s 2007 Form 10-K.

NOTE 2: RECENTLY ADOPTED AND ISSUED ACCOUNTING STANDARDS

Effective January 1, 2008, First Financial adopted FASB Statement No. 157 (SFAS No. 157), Fair Value Measurements. This statement defines fair value, establishes a framework for measuring fair value in U.S. generally accepted accounting principles, and expands disclosures about fair value measurements. Fair value is defined under SFAS No. 157, from the point of view of the transferor, as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability at the measurement date. For further detail on SFAS No. 157, see Note 10 Fair Value Disclosures.

Effective January 1, 2008, First Financial adopted FASB 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 applied the fair value option to its equity securities of government sponsored entities, specifically 200,000 Federal Home Loan Mortgage Corporation perpetual preferred series V shares, and these securities are classified as trading investment securities at June 30, 2008, in the Consolidated Balance Sheets. In connection with First Financial s adoption of SFAS No. 159 effective January 1, 2008, a $0.8 million unrealized loss, net of related deferred taxes, was reclassified from accumulated other comprehensive income (loss) to beginning retained earnings as part of a cumulative-effect adjustment. There was no impact on total shareholders equity upon adoption. For further detail on SFAS No. 159, see Note 10 Fair Value Disclosures.

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Effective January 1, 2008, First Financial adopted EITF Issue No 06-4, Accounting for Deferred Compensation and Postretirement Benefit Aspects of Split-Dollar Life Insurance Arrangements. EITF Issue No. 06-4 applies to split-dollar life insurance arrangements whose benefits continue into the employees retirement. First Financial recorded the $2.5 million transition impact of this EITF as a reduction of opening retained earnings as part of a cumulative-effect adjustment and an increase in accrued interest and other liabilities in the Consolidated Balance Sheets, reflective of the ongoing cost of insurance for the pool of retirees.

Effective January 1, 2008, First Financial adopted EITF Issue No. 06-11, Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards. EITF Issue No. 06-11 requires companies to recognize in shareholders equity the tax benefit of dividends paid on unvested share-based payments, consistent with First Financial s historical accounting. When the related award is forfeited or is no longer expected to vest (i.e. due to a performance condition not anticipated to be met), Issue No. 06-11 requires companies to record the dividend payment as salary and benefits expense and the related tax impact as a tax benefit in the income statement. The adoption of EITF Issue No. 06-11 did not have a material impact on First Financial.

Effective January 1, 2008, First Financial adopted FSP 39-1, Amendment of FASB Interpretation No. 39, Offsetting of Amounts Related to Certain Contracts. FSP 39-1 permits entities to offset fair value amounts recognized for multiple derivative instruments executed with the same counterparty under a master netting agreement. FSP 39-1 clarifies that the fair value amounts recognized for the right to reclaim cash collateral, or the obligation to return cash collateral, arising from the same master netting arrangement, should also be offset against the fair value of the related derivative instruments. First Financial adopted a net presentation for derivative positions and related collateral pursuant entered into under master netting agreements to the guidance in FSP 39-1. The adoption of FSP 39-1 resulted in balance sheet reclassifications of certain cash collateral-based short-term investments against the related derivative liabilities. The effects of these reclassifications will fluctuate in the future based on the fair values of the derivative contracts, but overall are not expected to have a material impact on either total assets or total liabilities.

In December of 2007, the FASB issued SFAS No. 141(R), Business Combinations. This statement will significantly change how business acquisitions are accounted for, continuing the transition to fair value measurement, and will impact financial statements both on the acquisition date and in subsequent periods. This statement requires the acquirer to recognize assets acquired, liabilities assumed, and any noncontrolling interest in the acquiree at their respective fair values as of the acquisition date. SFAS No. 141(R) changes the treatment of acquisition-related costs, restructuring costs related to an acquisition that the acquirer expects but is not obligated to incur, contingent consideration associated with the purchase price, and preacquisition contingencies associated with acquired assets and liabilities. In addition, SFAS No. 141(R) requires enhanced disclosures to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141(R) is effective for years beginning after December 15, 2008, and is required to be applied prospectively to future business combinations. Early adoption is not permitted.

In December of 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Financial Statements. This statement will change the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests and classified as a component of shareholders equity. SFAS No. 160 is effective for years beginning after December 15, 2008, and requires retroactive adoption of the presentation and disclosure requirements for existing consolidated minority interests. All other requirements of SFAS No. 160 are required to be applied prospectively, with early adoption not permitted. First Financial has no existing consolidated minority interests and management does not anticipate this will occur in the future; therefore, SFAS No. 160 is not anticipated to have an impact on First Financial.

In March of 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities. The new standard is intended to help investors better understand how derivative instruments and hedging activities impact an entity s financial condition, financial performance, and cash flows through enhanced disclosure requirements. SFAS No. 161 is effective for financial statements issued for years and interim periods beginning after November 15, 2008, with early application

encouraged. First Financial is currently evaluating the enhanced disclosure requirements and their impact on the Consolidated Financial Statements.

NOTE 3: 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 from commitments outstanding to extend credit, and in the event of nonperformance by the other party to the financial instrument for standby letters of 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.

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 $726.4 million and $728.5 million at June 30, 2008, and December 31, 2007, respectively. Management does not anticipate any material losses as a result of these commitments.

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 $23.5 million and $25,2 million at June 30, 2008, and December 31, 2007, 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.

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NOTE 4: INVESTMENTS

The following is a summary of held-to-maturity and available-for-sale investment securities as of June 30, 2008 (dollars in $000 s):

	Held-to-Maturity				Available-for-Sale			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
Securities of U.S. government agencies and corporations	$ 0	$ 0	$ 0	$ 0	$ 65,106	$ 964	$ 0	$ 66,070
Mortgage-backed securities	221	0	(1)	220	305,505	976	(3,566)	302,915
Obligations of state and other political subdivisions	5,095	179	(4)	5,270	47,768	581	(79)	48,270
Other securities	0	0	0	0	4,807	118	(483)	4,442
Total	$5,316	$179	$ (5)	$5,490	$423,186	$2,639	$(4,128)	$421,697

The following is a summary of held-to-maturity and available-for-sale investment securities as of December 31, 2007 (dollars in $000 s):

	Held-to-Maturity				Available-for-Sale			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
Securities of U.S. government agencies and corporations	$ 0	$ 0	$ 0	$ 0	$ 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

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.

First Financial had trading securities with a fair value of $3.6 million at June 30, 2008, $0 at December 31, 2007, and June 30, 2007. For further detail on the fair value of investment securities, see Note 10 Fair Value Disclosures.

NOTE 5: 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 are also 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

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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 (dollars in $000 s):

	June 30, 2008			December 31, 2007			June 30, 2007		
	Notional Amount	Estimated Fair Value Gain	(Loss)	Notional Amount	Estimated Fair Value Gain	(Loss)	Notional Amount	Estimated Fair Value Gain	(Loss)
Fair Value Hedges									
Pay fixed interest rate swaps	$ 26,515	$ 36	$ (876)	$ 28,903	$ 79	$ (866)	$29,431	$ 968	$ (27)
Matched Client Hedges									
Client interest rate swaps with bank	87,031	3,233	(70)	51,480	2,702	0	29,095	195	(48)
Bank interest rate swaps with counterparty	87,031	70	(3,233)	51,480	0	(2,702)	29,095	48	(195)
Total	$200,577	$3,339	$(4,179)	$131,863	$2,781	$(3,568)	$87,621	$1,211	$(270)

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 $910, $936, and $0 at June 30, 2008, December 31, 2007, and June 30, 2007, respectively. First Financial classifies the derivative cash collateral outstanding with its counterparties as an adjustment to the fair value of the derivative contracts within accrued interest and other liabilities in the Consolidated Balance Sheets.

NOTE 6: OTHER LONG-TERM DEBT

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 of 2007, with a final maturity in 2032. In September of 2007, 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 are eligible for early redemption by First Financial in September of 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 are the sole assets 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 debentures qualify as Tier I capital under Federal Reserve Board guidelines, but are limited to 25% of qualifying Tier I capital.

(dollars in $000 s)	Amount	Rate	Maturity Date	Call Date
First Financial (OH) Statutory Trust II	$20,000	5.80%	9/30/33	9/30/08

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NOTE 7: ALLOWANCE FOR LOAN AND LEASE LOSSES

Changes in the allowance for loan and lease losses for the previous five quarters are presented in the table that follows (dollars in $000 s):

	Three Months Ended					Six Months Ended	
	2008		2007			June 30,	
	June 30	Mar. 31	Dec. 31	Sep. 30	June 30	2008	2007
Balance at beginning of period	$29,718	$29,057	$29,136	$28,060	$27,407	$29,057	$27,386
Provision for loan losses	2,493	3,223	1,640	2,558	2,098	5,716	3,454
Loans charged off	(3,195)	(3,103)	(3,042)	(2,097)	(2,130)	(6,298)	(4,283)
Recoveries	564	541	1,323	615	685	1,105	1,503
Balance at end of period	$29,580	$29,718	$29,057	$29,136	$28,060	$29,580	$28,060
Allowance for loan and lease losses to total ending loans	1.11%	1.14%	1.12%	1.12%	1.10%	1.11%	1.10%

The allowance for loan and lease losses related to loans that are identified as impaired is 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 $000 s):

	As of and for the Quarter Ended				
	2008		2007		
	June 30	Mar. 31	Dec. 31	Sep. 30	June 30
Impaired loans requiring a valuation	$ 5,279	$ 4,721	$ 4,822	$ 5,325	$ 7,309
Valuation allowance	$ 2,106	$ 2,125	$ 2,705	$ 2,756	$ 3,477
Average impaired loans year-to-date	$ 8,469	$ 6,137	$ 9,755	$ 8,921	$ 8,435

For all periods presented above, there were no impaired loans that did not require a valuation allowance. First Financial recognized interest income on impaired loans for the sixth months and quarter ended June 30, 2008, of $0.22 million and $0.1 million, compared to $0.2 million and $0.1 million for the respective periods in 2007. Interest income is recorded on a cash basis during the period the loan is considered impaired after recovery of principal is reasonably assured.

NOTE 8: INCOME TAXES

First Financial s effective tax rate for the second quarter of 2008 was 33.3%, compared to 33.0% for the second quarter of 2007. The 2008 year-to-date effective tax rate was 32.9% compared to 33.0% for 2007.

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 June 30, 2008, 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 reviewed and 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.

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NOTE 9: 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. 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 table sets forth information concerning amounts recognized in First Financial s Consolidated Balance Sheets and Consolidated Statements of Earnings (dollars in $000 s).

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Service cost	$ 527	$ 851	$ 1,117	$ 1,701
Interest cost	642	742	1,285	1,485
Expected return on plan assets	(1,025)	(1,122)	(2,049)	(2,243)
Amortization of transition asset	(8)	(12)	(17)	(24)
Amortization of prior service cost	(106)	12	(212)	25
Amortization of actuarial loss	239	227	481	453
Net periodic benefit cost	$ 269	$ 698	$ 605	$ 1,397

Amounts recognized in accumulated other comprehensive income (loss):

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Net actuarial loss	$ 239	$ 227	$ 481	$ 453
Net prior service (credit) cost	(106)	12	(212)	25
Net transition asset	(8)	(12)	(17)	(24)
Deferred tax assets	(46)	(83)	(92)	(166)
Net amount recognized	$ 79	$ 144	$ 160	$ 288

First Financial maintained health care for certain retired employees. The health care plan was unfunded and paid medically necessary expenses incurred by retirees, after subtracting payments by Medicare or other providers and after deductibles had been met. First Financial had reserved the right to change or eliminate this benefit plan. In the second quarter of 2008, First Financial communicated to the pool of covered retirees that it was changing its postretirement health care plan. Effective August 1, 2008, First Financial will begin offering retiree health care coverage to the existing pool of covered retirees under a fully insured plan. Covered retirees will pay a monthly premium equal to 50% of the total premium for their health care coverage, and First Financial will pay a per participant monthly gross premium equal to 50% of the total premium. A third party will administer the plan, directly paying all covered retiree medical expenses after co-payments and deductibles are met.

The change in the postretirement health care plan is considered a plan settlement per FASB Statement No. 106, Employers Accounting for Postretirement Benefits Other Than Pensions and as such the fully insured plan eliminates the need for the FAS 106 postretirement benefit liability recorded on the balance sheet. As there is no transition asset or prior service cost for the plan recorded within accumulated other comprehensive income, in the second quarter of 2008 First Financial reversed $1.3 million of the postretirement benefit liability as a reduction of salaries and benefits

expense. First Financial s portion of the future monthly payment of third party premiums will be expensed as paid.

NOTE 10: FAIR VALUE DISCLOSURES

First Financial adopted SFAS No. 157 effective January 1, 2008. This statement defines fair value, establishes a framework for measuring fair value in U.S. generally accepted accounting principles, and expands disclosures about fair value measurements.

First Financial also adopted SFAS No. 159 effective January 1, 2008. This statement permits the initial and subsequent measurement of many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument, irrevocable basis.

Fair Value Option

The following table summarizes the impact on First Financial s Consolidated Balance Sheets of adopting the fair value option (FVO) for equity securities of government sponsored entities, specifically 200,000 Federal Home Loan Mortgage Corporation perpetual preferred series V shares with an original cost basis of $5.0 million. Amounts shown represent the carrying value of the affected investment security categories before and after the change in accounting resulting from the adoption of SFAS No. 159 (dollars in $000 s).

	Jan. 1, 2008 Balance Sheet Prior to Adoption	Adoption Impact	Jan. 1, 2008 Balance Sheet After Adoption
Trading investment securities	$ 0	$ 3,799	$ 3,799
Available-for-sale investment securities	306,928	(3,799)	303,129
Accumulated comprehensive income (loss)	(7,127)	750	(6,377)
Cumulative effect of adoption of the FVO charge to retained earnings [(1)]		$ 750	
Retained earnings	$ 82,093	($750)	$ 81,343

(1) The adoption of SFAS No. 159 had no overall tax impact due to the transfer of the unrealized loss from accumulated other comprehensive income (loss) to retained earnings, within shareholders equity.

Prior to the election of the FVO effective January 1, 2008, First Financial s equity securities of government sponsored entities totaled $3.8 million and were classified as investment securities available-for-sale. An unrealized loss of $0.8 million, net of taxes of $0.4 million, as of December 31, 2007, was included as a component of accumulated

other comprehensive income (loss). In connection with First Financial s adoption of SFAS No. 159 effective January 1, 2008, the $0.8 million unrealized loss was reclassified from accumulated other comprehensive income (loss) to beginning retained earnings as part of a cumulative-effect adjustment. There was no impact on total shareholders equity upon adoption. The equity securities of government sponsored entities are included as trading investment securities on First Financial s Consolidated Balance Sheets effective January 1, 2008.

At June 30, 2008, the fair value of the equity securities of government sponsored entities for which the FVO was elected was $3.6 million, a decrease of approximately $0.2 million from the fair value of the equity securities at January 1, 2008, included as investment securities available-for-sale. Since January 1, 2008, changes in market value for the equity securities of government sponsored entities for which the FVO was elected have been recorded in other noninterest income.

Future changes will be recorded similarly. Dividends received on these securities are included in tax-exempt investment security interest income. There were no purchases or sales of similar investment securities in the first or second quarter of 2008.

Fair Value Measurement

The SFAS No. 157 fair value framework includes a hierarchy which focuses on prioritizing the inputs used in valuation techniques. The fair value hierarchy gives the highest priority to quoted prices in active

markets for identical assets or liabilities (Level 1), a lower priority to observable inputs other than quoted prices in active markets for identical assets and liabilities (Level 2), and the lowest priority to unobservable inputs (Level 3). When determining the fair value measurements for assets and liabilities, First Financial looks to active markets to price identical assets or liabilities whenever possible and classifies such items in Level 1. When identical assets and liabilities are not traded in active markets, First Financial looks to market observable data for similar assets and liabilities and classifies such items as Level 2. Certain assets and liabilities are not actively traded in observable markets and First Financial must use alternative techniques, based on unobservable inputs, to determine the fair value and classifies such items as Level 3. The level within the fair value hierarchy is based on the lowest level of input that is significant in the fair value measurement.

The following describes the valuation techniques used by First Financial to measure different financial assets and liabilities at fair value in the financial statements.

Investment securities - Investment securities classified as trading and available-for-sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted market prices, when available (Level 1). If quoted market prices are not available, fair values are measured utilizing independent valuation techniques of identical or similar investment securities. Third party vendors compile prices from various sources and may apply such techniques as matrix pricing to determine the value of identical or similar investment securities (Level 2). Matrix pricing is a mathematical technique widely used in the banking industry to value investment securities without relying exclusively on quoted prices for the specific investment securities but rather relying on the investment securities relationship to other benchmark quoted investment securities. Any investment securities not valued based upon the methods above are considered Level 3.

Loans held for sale Loans held for sale are carried at the lower of cost or market value. These loans currently consist of one-to-four family residential real estate loans originated for sale to a strategic partner. Fair value is based on the contractual price to be received from our strategic partner, which is not materially different than cost due to the short duration between origination and sale (Level 2). As such, First Financial records any fair value adjustments on a nonrecurring basis. Gains and losses on the sale of loans are recorded as net gains from sales of loans within noninterest income in the Consolidated Statements of Income.

Derivatives First Financial utilizes interest rate swaps as a means to offer commercial borrowers products that meet their needs, but are also designed to achieve First Financial s desired interest rate risk profile at the time. The net interest receivable or payable is accrued and recognized as an adjustment to the interest income or interest expense of the hedged item. First Financial utilizes third-party vendors for derivative valuation purposes. These vendors determine the appropriate fair value based on a net present value calculation of the cash flows related to the interest rate swaps using primarily observable market inputs such as interest rate yield curves. The discounted net present value calculated represents the cost to terminate the swap if First Financial should choose to do so on the applicable measurement date (Level 2).

Allowance for loan and lease losses Loans are designated as impaired when, in the judgment of management based on current information and events, it is probable that all amounts due according to the contractual terms of the loan agreement will not be collected. Impaired loans are valued at the lower of cost or market for purposes of determining the appropriate amount of impairment to be allocated to the allowance for loan and lease losses. Market value is measured based on the value of the collateral securing the loans. Collateral may be in the form of real estate or business assets including equipment, inventory, and accounts receivable. The vast majority of the collateral is real estate. The value of real estate collateral is determined utilizing an income or market valuation approach based on an appraisal conducted by an independent, licensed appraiser outside of the company (Level 2). The value of business equipment is based upon an outside appraisal if deemed significant, or the net book value on the applicable borrower financial statements if not considered significant. Likewise, values for inventory and accounts receivable collateral are based on borrower financial statement balances or aging reports (Level 3). Impaired loans allocated to the allowance for loan and lease losses are measured at fair value on a nonrecurring basis. Any fair value adjustments are recorded in the period incurred as provision for loan and lease losses on the Consolidated Statements of Income.

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The following table summarizes the financial assets and liabilities measured at fair value on a recurring basis at June 30, 2008 (dollars in $000 s):

	Fair Value Measurements Using			Netting Adjustments [1]	Assets/Liabilities at Fair Value
	Level 1	Level 2	Level 3		
Assets					
Trading investment securities [2]	$ 3,598	$ 0	$ 0	$ 0	$ 3,598
Derivatives	0	3,339	0	(3,303)	36
Available-for-sale investment securities	174	421,523	0	0	421,697
Total	$ 3,772	$ 424,862	$ 0	($3,303)	$ 425,331
Liabilities					
Derivatives	$ 0	$ 4,179	$ 0	($3,303)	$ 876

(1) Amounts represent the impact of legally enforceable master netting arrangements that allow First Financial to settle positive and negative positions and also cash collateral held with the same counterparties.

(2) Amount represents an item for which First Financial elected the fair value option under SFAS No. 159.

Certain financial assets and liabilities are measured at fair value on a nonrecurring basis. Adjustments to the fair market value of these assets usually result from the application of lower-of-cost-or-market accounting or write-downs of individual assets. The following table summarizes financial assets and liabilities measured at fair value on a nonrecurring basis at June 30, 2008 (dollars in $000 s):

	Fair Value Measurements Using			Year-to-Date
	Level 1	Level 2	Level 3	Gains (Losses)
Assets				
Loans held for sale	$0	$2,228	$ 0	$ 0
Impaired loans [(1)]	0	3,068	35	0

(1) Amounts represent the fair value of collateral for impaired loans allocated to the allowance for loan and lease losses.

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ITEM 2-MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FIRST FINANCIAL BANCORP. AND SUBSIDIARIES (Unaudited)

SUMMARY

MARKET STRATEGY

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 and began construction on that location during the first quarter of 2008. First Financial intends to concentrate future growth plans and capital investments in its metropolitan markets and during the second quarter of 2008 began construction on a new location in Crown Point, Indiana, with plans to start construction on a new location in Cincinnati, Ohio during the third quarter of 2008. 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.

As a key component to executing its market strategy, in the first quarter of 2008, First Financial s corporate headquarters was relocated to its existing Cincinnati market offices. The bank subsidiary remains headquartered in Hamilton, Ohio.

First Financial continues to focus on the execution of its strategic initiatives, including the identification of core businesses. Some examples of these efforts include the fourth quarter of 2007 formation of a long-term exclusive marketing agreement and the sale of the merchant payment processing portfolio, as well as the first quarter of 2007 consolidation of seven banking centers and sale of mortgage servicing rights and problem loans.

First Financial has 80 offices serving eight distinct markets with an average banking center deposit size of approximately $35 million. The operating model employed to execute its strategic plan includes a structure where market presidents manage these distinct markets, with the authority to make decisions at the point of client contact.

OVERVIEW OF OPERATIONS

Net income for the second quarter of 2008 was $7.8 million or $0.21 in diluted earnings per share versus $8.2 million or $0.21 in diluted earnings per share for the second quarter of 2007. The $0.4 million decrease in net income was due to lower net interest income of $1.2 million, increased provision expense for loan and lease losses of $0.4 million, and decreased noninterest income of $0.4 million, partially offset by decreased noninterest expense of $1.5 million, and decreased income tax expense of $0.1 million. Compared to the first quarter of 2008 net income of $7.3 million or $0.20 in diluted earnings per share, second quarter of 2008 net income increased $0.5 million primarily due to decreased provision for loan and lease losses of $0.7 million and decreased noninterest expense of $1.1 million, partially offset by decreased noninterest income of $1.1 million and increased income tax expense of $0.3 million.

Net income for the first six months of 2008 was $15.1 million or $0.40 in diluted earnings per share versus $16.6 million or $0.43 for the first six months of 2007. The $1.5 million decrease in net income was due to decreased net interest income of $3.3 million, increased provision expense for loan and lease losses of $2.3

million, and decreased noninterest income of $0.3 million, partially offset by decreased noninterest expense of $3.7 million and decreased income tax expense of $0.7 million.

Return on average assets for the second quarter of 2008 was 0.93% compared to 1.00% for the comparable period in 2007 and 0.89% for the linked-quarter (second quarter of 2008 compared to the first quarter of 2008). Return on average shareholders equity for the second quarter of 2008 was 11.26% compared to 11.61% for the comparable period in 2007 and 10.66% for the linked-quarter.

Return on average assets for the first six months of 2008 was 0.91% compared to 1.02% for the comparable period in 2007. Return on average shareholders equity was 10.96% for the first six months of 2008, versus 11.78% for the comparable period in 2007.

A detailed discussion of the first six months and second quarter of 2008 results of operations follows.

NET INTEREST INCOME

Net interest income, First Financial s principal source of income, is the excess of interest received from earning assets over interest paid on interest-bearing liabilities. For analytical purposes, net interest income is also presented in the table that follows, adjusted to a tax equivalent basis assuming a 35% marginal tax rate for interest earned on tax-exempt assets such as municipal loans and investments. This is to recognize the income tax savings that facilitates a comparison between taxable and tax-exempt assets. Management believes that it is a standard practice in the banking industry to present net interest margin and net interest income on a fully tax equivalent basis. Therefore, management believes these measures provide useful information for both management and investors by allowing them to make peer comparisons.

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in $000 s)	2008	2007	2008	2007
Net interest income	$ 28,414	$ 29,601	$ 56,663	$ 60,004
Tax equivalent adjustment	510	580	1,024	1,156
Net interest income tax equivalent	$ 28,924	$ 30,181	$ 57,687	$ 61,160
Average earning assets	$ 3,074,885	$ 2,988,674	$ 3,041,235	$ 2,990,474
Net interest margin *	3.72%	3.97%	3.75%	4.05%
Net interest margin (fully tax equivalent) *	3.78%	4.05%	3.81%	4.12%

* Margins are calculated using net interest income annualized divided by average earning assets.

Net interest income in the second quarter of 2008 was $28.4 million compared to $29.6 million in the second quarter of 2007, a decrease of $1.2 million or 4.0%. Second quarter of 2008 net interest margin of 3.72% decreased 25 basis points from 3.97% for the second quarter of 2007. The decline in net interest income and margin is primarily a result of actions by the Federal Reserve to address the current economic conditions, including the consumer mortgage crisis, by lowering the federal funds rate by 325 basis points since September 2007, and the resulting impact on our asset sensitive balance sheet. Earning asset growth in the commercial, commercial real estate, and construction loan portfolios, as well as in the investment securities portfolio, partially offset the effects of the decline in market interest rates.

On a tax equivalent basis, the second quarter of 2008 net interest margin of 3.78% decreased 27 basis points from 4.05% for the second quarter of 2007.

Net interest income on a linked-quarter basis increased from $28.2 million in the first quarter of 2008 to $28.4 million in the second quarter of 2008, a $0.2 million or 2.3% annualized increase. The increase in net interest income is primarily due to the growth in the investment portfolio combined with disciplined

pricing on deposits, substantially offsetting the impact on loan yields from the decline in market interest rates. Linked-quarter net interest margin decreased 6 basis points from 3.78% to 3.72% reflecting the impact of the 225 basis point reduction in the federal funds rate during the first half of 2008 and a 3 basis point negative impact from the increase in earnings assets related to the investment portfolio. On a tax-equivalent basis, the second quarter of 2008 net interest margin was 3.78% as compared to 3.85% for the first quarter of 2008. The pace and magnitude of the recent changes to the federal funds target rate has created a more significant impact on the liability costs for the current reporting period.

Year-to-date net interest income was $56.7 million compared to $60.0 million in 2007, a $3.3 million or 5.6% decrease. Approximately 5 basis points of the year-to-date 2007 net interest margin was due to the impact of an accrual of income to convert certain consumer loans from a cycle-date basis of income recognition to a calendar-month basis. The year-to-date 2007 adjusted net interest margin, excluding the impact of this accrual, was 4.00%. The remaining decline in net interest income and margin is primarily a result of the previously mentioned decline in market interest rates, partially offset by a slight increase in overall earning asset levels and the continued mix shift in their composition. Year-to-date, the cost of the approximate $512 million of time deposit originations relative to the approximate $598 million in maturities has been approximately 125 basis points lower with a 135 basis point reduction in the marginal funding cost after accounting for the net runoff of the time deposit portfolio.

Year-to-date net interest margin was 3.75% in 2008, compared to 4.00% in 2007 when adjusted for the year-to-date impact of the interest accrual noted earlier.

On a tax-equivalent year-to-date basis, net interest margin was 3.81% in 2008 compared to an adjusted 4.08% in 2007.

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The Consolidated Average Balance Sheets and Net Interest Income Analysis that follows are presented on a GAAP basis (dollars in $000 s).

QUARTERLY CONSOLIDATED AVERAGE BALANCE SHEETS AND NET INTEREST INCOME ANALYSIS

	June 30, 2008			March 31, 2008			June 30, 2007		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Earning Assets									
Investments:									
Federal funds sold	$ 4,095	$ 40	3.93%	$ 65,799	$ 565	3.45%	$ 93,986	$ 1,241	5.30%
Investment securities	422,463	5,179	4.93%	343,553	4,312	5.05%	364,050	4,673	5.15%
Loans [(1)]:									
Commercial loans	805,122	11,302	5.65%	781,358	12,945	6.66%	733,972	14,832	8.11%
Real estate construction	179,078	2,287	5.14%	162,008	2,474	6.14%	118,425	2,268	7.68%
Real estate commercial	747,077	12,059	6.49%	708,779	11,975	6.80%	658,021	11,423	6.96%
Real estate residential	511,871	7,221	5.67%	533,689	7,577	5.71%	592,862	8,334	5.64%
Installment	121,000	2,012	6.69%	132,876	2,222	6.73%	170,750	2,616	6.15%
Home equity	257,954	3,725	5.81%	251,706	4,308	6.88%	231,993	4,674	8.08%
Credit card	26,043	657	10.15%	25,745	712	11.12%	23,944	694	11.63%
Lease financing	182	3	6.63%	322	7	8.74%	671	12	7.17%
Loan fees		380			501			438	
Total loans	2,648,327	39,646	6.02%	2,596,483	42,721	6.62%	2,530,638	45,291	7.18%
Total earning assets	3,074,885	44,865	5.87%	3,005,835	47,598	6.37%	2,988,674	51,205	6.87%
Nonearning Assets									
Cash and due from banks	81,329			86,879			94,541		
Allowance for loan and lease losses	(29,248)			(28,860)			(27,482)		
Premises and equipment	78,933			78,969			79,491		
Other assets	155,750			155,840			156,532		
Total assets	$ 3,361,649			$ 3,298,663			$ 3,291,756		
Interest-bearing liabilities									
Deposits:									
Interest-bearing	$ 590,464	1,089	0.74%	$ 623,206	2,066	1.33%	$ 606,320	2,945	1.95%
Savings	617,029	1,321	0.86%	610,449	2,208	1.45%	578,357	2,751	1.91%
Time	1,193,447	12,225	4.12%	1,219,373	13,465	4.44%	1,219,242	13,713	4.51%

Short-term borrowings	194,183	1,130	2.34%	93,029	792	3.42%	87,129	984	4.53%
Long-term borrowings	62,226	686	4.43%	64,870	818	5.07%	90,343	1,211	5.38%
Total interest-bearing liabilities	2,657,349	16,451	2.49%	2,610,927	19,349	2.98%	2,581,391	21,604	3.36%
Noninterest-bearing liabilities and shareholders equity									
Noninterest-bearing demand	394,352			379,240			405,179		
Other liabilities	31,145			31,681			22,832		
Shareholders equity	278,803			276,815			282,354		
Total liabilities and shareholders equity	$ 3,361,649			$ 3,298,663			$ 3,291,756		
Net interest income		$ 28,414			$ 28,249			$ 29,601	
Net interest spread			3.38%			3.39%			3.51%
Contribution of noninterest-bearing sources of funds			0.34%			0.39%			0.46%
Net interest margin [2]			3.72%			3.78%			3.97%

(1) Nonaccrual loans and loans held for sale are included in average balances for each applicable loan category.

(2) Because noninterest-bearing funding sources, demand deposits, other liabilities, and shareholders equity also support earning assets, the net interest margin exceeds the interest spread.

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RATE/VOLUME ANALYSIS

The impact of changes in the volume of interest-earning assets and interest-bearing liabilities and interest rates on net interest income is illustrated in the following tables (dollars in $000 s).

	Changes for the Three Months Ended June 30					
	Linked Qtr. Income Variance			Comparable Qtr. Income Variance		
	Rate	Volume	Total	Rate	Volume	Total
Earning assets						
Investment securities	$ (100)	$ 967	$ 867	$ (210)	$ 716	$ 506
Federal funds sold	78	(603)	(525)	(323)	(878)	(1,201)
Gross loans [(1)]	(3,851)	776	(3,075)	(7,407)	1,762	(5,645)
Total earning assets	(3,873)	1,140	(2,733)	(7,940)	1,600	(6,340)
Interest-bearing liabilities						
Total interest-bearing deposits	$ (2,786)	$ (318)	$ (3,104)	$ (4,756)	$ (18)	$ (4,774)
Borrowed funds						
Short-term borrowings	(251)	589	338	(477)	623	146
Federal Home Loan Bank long-term debt	2	(24)	(22)	6	(164)	(158)
Other long-term debt	(110)	0	(110)	(216)	(151)	(367)
Total borrowed funds	(359)	565	206	(687)	308	(379)
Total interest-bearing liabilities	(3,145)	247	(2,898)	(5,443)	290	(5,153)
Net interest income [(2)]	$ (728)	$ 893	$ 165	$ (2,497)	$ 1,310	$ (1,187)

(1) Loans held for sale and nonaccrual loans are both included in gross loans.

(2) Not tax equivalent.

	Changes for the Six Months Ended June 30		
	Year-to-Date Income Variance		
	Rate	Volume	Total
Earning assets			
Investment securities	$ (431)	$ 449	$ 18
Federal funds sold	(1,020)	(1,372)	(2,392)
Gross loans [(1)]	(11,501)	3,513	(7,988)
Total earning assets	(12,952)	2,590	(10,362)

Interest-bearing liabilities			
Total interest-bearing deposits	$ (6,332)	$ 288	$ (6,044)
Borrowed funds			
Short-term borrowings	(805)	747	(58)
Federal Home Loan Bank long-term debt	17	(328)	(311)
Other long-term debt	(251)	(357)	(608)
Total borrowed funds	(1,039)	62	(977)
Total interest-bearing liabilities	(7,371)	350	(7,021)
Net interest income [2]	$ (5,581)	$ 2,240	$ (3,341)

(1) Loans held for sale and nonaccrual loans are both included in gross loans.

(2) Not tax equivalent.

NONINTEREST INCOME

Second quarter of 2008 noninterest income of $13.7 million declined 2.7% compared to the second quarter of 2007, with increases in wealth management fees more than offset by the $0.3 million decline in service charges on deposits and the $0.2 million decrease in other income due to valuation adjustments on assets carried at market value. The decline in deposit service charges is primarily a result of lower fee income on overdraft and non-sufficient funds.

On a linked-quarter basis, total noninterest income decreased $1.1 million or 7.6%. Noninterest income in the first quarter of 2008 included a $1.6 million gain associated with the partial redemption of Visa Inc.

common shares. Excluding this item, second quarter 2008 noninterest income increased $0.5 million or 3.5% from the first quarter of 2008 primarily due to increases in service charge income on deposit accounts and bankcard related activity, offset by both lower gains on the sale of mortgage loans and lower other income due to valuation adjustments on assets carried at market value.

Year-to-date noninterest income was $28.6 million in 2008 compared to $28.9 million in 2007, a $0.3 million or 0.9% decrease. Noninterest income in the first quarter 2008 included a $1.6 million gain associated with the partial redemption of Visa Inc. common shares. Noninterest income in the first quarter 2007 included a $1.1 million gain on the sale of mortgage services rights. Excluding these items, year-to-date 2008 noninterest income decreased $0.8 million or 2.9% from the prior year comparable period primarily due to lower earnings from bank-owned life insurance and service charges on deposits, offset by increases in wealth management fees and bankcard income.

NONINTEREST EXPENSE

Noninterest expense was $28.0 million in the second quarter 2008 compared to $29.4 million in the second quarter 2007, a decrease of $1.4 million or 5.0% primarily due to a $1.3 million reduction in the liability for retiree medical benefits, which is not expected to be recurring. Excluding the $1.3 million, the decrease was $0.2 million or 0.6%.

On a linked-quarter basis, noninterest expense decreased $1.0 million or 3.6% to $28.0 million in the second quarter 2008 from $29.0 million in the first quarter 2008 primarily as a result of a $1.3 million reduction in the liability for retiree medical benefits offset by an increase in professional services and seasonal travel costs. Excluding the effects of the retiree medical benefit liability, noninterest expense increased approximately $0.2 million or 0.6%.

Year-to-date noninterest expense was $57.0 million in 2008 compared to $60.7 million in 2007, a $3.7 million or 6.0% decrease. This reduction is primarily the result of a $3.1 million decrease in salary and benefits, with an approximate $1.2 million reduction in base salary expense and $1.9 million reduction in associated pension and retiree costs. The remainder of the decrease is a result of lower marketing related expenses as compared to 2007.

INCOME TAXES

Income tax expense was $3.9 million and $4.0 million for the second quarters of 2008 and 2007, respectively. The effective taxes rates for the second quarters of 2008 and 2007 were 33.3% and 33.0%, respectively.

Income tax expense was $7.4 million and $8.2 million for the six months ended June 30, 2008, and 2007, respectively, with a tax benefit related to securities transactions of $0.6 million and $0.2 million for the six months ended June 30, 2008 and 2007, respectively. The effective tax rate for the six months ended June 30, 2008, and 2007, was 32.9% and 33.0%, respectively.

ASSETS

Loan growth continues to be driven by First Financial s efforts to deepen its market presence, primarily in its metropolitan markets. The company continues to shift its lending from lower yielding consumer loans to higher yielding commercial loans. Average total loans during the second quarter of 2008 increased $114.8 million or 4.5% from the comparable period a year ago. Average commercial, commercial real estate, and construction loans increased $221.0 million or 14.6% from the second quarter of 2007.

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 and no longer holding its residential real estate loan originations on the balance sheet. This has resulted in the cumulative reduction in indirect installment and residential real estate loan balances of $214 million and $215 million, respectively, since that time.

Average total loans for the second quarter of 2008 increased $51.9 million or 8.0% on an annualized basis from the first quarter of 2008; however, average commercial, commercial real estate, and construction loans increased $79.1 million or 19.2% on an annualized basis from the first quarter of 2008.

Year-to-date 2008 average total loans increased $112.2 million or 4.5% from the comparable period in 2007. However, average commercial, commercial real estate, and construction loans increased $224.6 million or 15.3% from the comparable period in 2007.

Securities available-for-sale were $421.7 million at June 30, 2008, compared to $313.6 million at June 30, 2007, and $345.1 million at March 31, 2008. The combined investment portfolio was 13.4% and 10.8% of total assets at June 30, 2008, and 2007, respectively, and 11.7% of total assets at March 31, 2008. At December 31, 2007, securities available-for-sale were $306.9 million, and the combined investment portfolio was 10.3% of total assets. The investment portfolio, as a percentage of total assets, remains low relative to our peers; however, First Financial is reviewing various portfolio strategies and expects to increase this percentage as opportunities present themselves. At June 30, 2008, First Financial held approximately 65% of its available-for-sale securities in mortgage related instruments, substantially all of which are held in highly rated agency pass-through residential mortgage instruments. Among other factors, portfolio selection criteria avoid securities backed by sub-prime assets and also those containing assets that would give rise to material geographic concentrations.

In the first quarter of 2008, First Financial adopted FASB Statement No. 159 (SFAS No. 159), The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115. First Financial applied the fair value option to its equity securities of government sponsored entities (GSE), specifically 200,000 Federal Home Loan Mortgage Corporation perpetual preferred series V shares; and these securities are classified as trading investment securities. During the first quarter, there was minimal change in the carrying and market value of those securities as compared to year end 2007 and therefore no material income statement effect was recognized. During the second quarter of 2008, there was significant volatility in the market value of this GSE and while First Financial still holds the securities, it recorded a loss in market value, through the income statement, of $0.2 million. Since the end of the second quarter, there remains uncertainty surrounding the government s plans for the GSE which has had an effect on the post-second quarter market value of these securities. The fair value accounting treatment discussed above will require First Financial to recognize in its income statement both the market value increases and decreases in future periods.

DEPOSITS AND FUNDING

Total deposit balances, both average and period-end, declined on both a comparative quarter and on a linked-quarter basis. Much of the decline has been the result of the overall level of deposit rates in our markets and the decision not to be a price leader when, in our view, it is not profitable to do so. While First Financial has experienced balance outflow in the time and wholesale categories due to this decision, net inflows in period end noninterest-bearing deposits on a year-over-year and linked-quarter basis have occurred.

Average transaction account balances increased approximately $22.8 million or 1.9% from the second quarter 2007. Average total interest-bearing deposits for the second quarter 2008 decreased $3.0 million or 0.1%, and average noninterest-bearing deposits decreased $10.8 million or 2.7%, both from the second quarter 2007. Average deposits for the second quarter 2008 decreased $13.8 million or 0.5% from the comparable period a year ago.

Period-end and average noninterest-bearing deposits increased $14.0 million and $15.1 million, respectively from the first quarter 2008. Average total deposits for the second quarter 2008 decreased $37.0 million or 5.2% on an annualized basis from the first quarter 2008. Average total interest-bearing deposits decreased $52.1 million or 8.5%, and average noninterest-bearing deposits increased $15.1 million or 15.9%, both on an annualized basis from the first quarter 2008. Average transaction account balances decreased approximately $26.2 million or 8.5%, on an annualized basis from the first quarter 2008.

Year-to-date 2008 average total deposits increased $4.9 million or 0.4%, on an annualized basis, from the comparable period in 2007. Growth in transaction accounts has been offset by the runoff of time and wholesale deposits as a result of our decision to maintain rational deposit pricing in a very competitive landscape.

With the recent increase in the size of the investment portfolio, continued strong loan demand and the net deposit outflows First Financial has experienced, several wholesale funding strategies are being evaluated. The execution of any specific strategy would be consistent with our overall interest rate risk and balance sheet management processes.

ALLOWANCE FOR LOAN AND LEASE LOSSES

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.

First Financial s credit quality metrics continue to be favorably impacted by its consistent focus on strong underwriting and the 2005 strategic decision to shift away from certain consumer-based lending. While the performance of certain real estate and consumer-based lending products has continued to decline as a result of the broad economic downturn, First Financial s overall credit quality remains stable. As the composition of the total loan portfolio migrates from consumer-based lending, the expected effects on First Financial from such economic conditions, relative to the industry, should be less severe. 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. However, there always remains the possibility of an unexpected event or a further deterioration in the economy which could lead to higher credit costs.

Total nonperforming asset levels have remained relatively consistent over the past five quarters with the ratio of nonperforming assets to total assets ranging from a low of 51 basis points to a high of 55 basis points. At the end of the second quarter of 2008, total nonperforming assets were $19.1 million, an increase of $1.5 million from the end of the first quarter of 2008. Compared to the end of the first quarter of 2008, the ratio of nonperforming loans to total loans decreased 1 basis point to 57 basis points at the end of the second quarter of 2008, and the ratio of nonperforming assets to period-end loans, plus other real estate owned, increased 4 basis points to 71 basis points at the end of the second quarter of 2008. Other real estate owned increased $1.4 million during the second quarter 2008 and was equally spilt between commercial and residential categories. A number of the properties are under sale contract and lengthy holding periods are not anticipated.

Delinquency trends have remained relatively stable over the past five quarters with total loans 30-89 days past due, at June 30, 2008, of $22.1 million or 0.83% of period end loans. Since the end of the second quarter of 2008, approximately $3.9 million of these deliquencies have either been paid down or resolved. Management closely monitors these trends and ratios and considers the current level of delinquent loans consistent with our expectations of the total loan portfolio s behavior.

First Financial s allowance for loan and lease losses was $29.6 million at June 30, 2008 compared to $29.7 million at March 31, 2008, and $28.1 million at June 30, 2007. The allowance for loan and lease losses at June 30, 2008, was 2.8 times the second quarter annualized net charge-offs, consistent with the 2.9 times at March 31, 2008. The allowance for loan and lease losses to period-end loans ratio was 1.11% as of June 30, 2008, compared to the June 30, 2007, and March 31, 2008, ratios of 1.10% and 1.14%, respectively. Overall credit coverage ratios remain strong at June 30, 2008, with the allowance for

loan and lease losses as a percent of nonaccrual loans and as a percent of nonperforming loans at 199.7% and 192.5%, respectively. The allowance for loan and lease losses to period-end loans ratio is based on our estimate of potential losses inherent in the loan portfolio in today s economic environment. A large percentage of nonperforming assets are secured by real estate, and this collateral has been appropriately considered in establishing the allowance for loan and lease losses.

At June 30, 2008, the commercial real estate and real estate construction loan portfolio totaled $955.7 million, or 35.7% of total loans, including $136.0 million or 5.1% of total loans for commercial real estate construction, and $50.2 million or 1.9% of total loans, for residential construction, land acquisition, and development. In this challenging environment, lenders are closely monitoring the status of all residential construction and land development projects and First Financial is no different. At June 30, 2008, First Financial had one construction and development loan totaling $0.5 million reported as a nonperforming loan. First Financial believes its internal lending policies, comprehensive underwriting standards and aggressive monitoring and frequent communication with borrowers are key to limiting credit exposure from both the residential construction and land acquisition and development segments in any particular project.

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.

Shared national credit exposure for First Financial is approximately $37 million or 1.4% of total loans, and is dispersed among 40 credits. These loans were acquired over the past 18 months and have no single credit exposure greater than $2 million. These loans are held in the loan portfolio and each has been subjected to the customary commercial loan underwriting process and is routinely monitored for credit deterioration. As of the June 30, 2008, the values and reserves for these loans were deemed appropriate.

Since the first quarter of 2007, First Financial has experienced 11.2% growth in its total home equity loan portfolio average balances. While this category of loans has proven problematic for some in our industry, First Financial believes its current underwriting criteria coupled with the monitoring of a number of metrics including credit scores, loan-to-value ratios, line size, and usage, provides adequate oversight for the growth. The origination methods for our home equity lending also keep both the credit decision and the documentation under the control of First Financial associates. Our recent spike in credit losses for home equity is attributable to a few large credits that were originated several years ago, prior to the standardization of our underwriting guidelines. The remaining portfolio of loans that have a similar profile have been reviewed and have been appropriately accounted for in the second quarter. At June 30, 2008, approximately 98% of the outstanding home equity loans had a credit line size of less than $250 thousand and had an average outstanding balance of $24 thousand. First Financial maintains a strong pricing discipline for its home equity loan product and does not sacrifice loan quality for growth.

In the second quarter of 2005, First Financial made the strategic decisions to discontinue the origination of residential real estate loans for retention on its balance sheet and to exit its indirect installment lending. As a result, the residential real estate and indirect installment portfolios have declined $215 million excluding the impact of the loan sales, since that time. In the first quarter of 2007, First Financial sold the servicing of its remaining residential real estate portfolio and established an agreement to sell substantially all its 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.

Second quarter of 2008 net charge-offs were $2.6 million, an annualized 40 basis points of average loans, compared to second quarter of 2007 net charge-offs of $1.4 million, an annualized 23 basis points of average loans, and first quarter of 2008 net charge-offs of $2.6 million, an annualized 40 basis points of average loans. Year-to-date 2008 net charge-offs were $5.2 million, an annualized 40 basis points of average loans, compared to year-to-date 2007 net charge-offs of $2.8 million, an annualized 22 basis points of average loans. Both the first and second quarters of 2008 were adversely impacted by a few large home equity loan charge-offs totaling approximately 8 basis points and 7 basis points, respectively. Based on our current knowledge, First Financial believes this two quarter volatility, in terms of individual loan charge-off size, is unusual and expects that overall charge-off levels for home equity should return to historical levels.

From an industry perspective, home equity lending may continue to experience stress, as borrowers come under continued pressure in the current economic environment. First Financial s overall credit quality metrics for its home equity loan portfolio continue to remain stable, as over the past eight quarters both the home equity net charge-off ratio and ratio of nonaccrual home equity loans to total home equity loans have consistently been below 50 basis points, when the previously mentioned first half of 2008 home equity loan charge-offs are excluded. First Financial has underwritten all home equity loans held in its portfolio and has not utilized the much publicized brokerage channel for originations. First Financial continues to actively monitor its home equity loan portfolio but may experience similar volatility in upcoming quarters.

The provision for loan and lease losses for the second quarter of 2008 was $2.5 million compared to $2.1 million for the same period in 2007 and $3.2 million for the linked-quarter. Year-to-date provision for loan and lease losses was $5.7 million for 2008 and $3.5 million for 2007. The increase in provision expense from these periods is primarily due to our current estimate of potential losses inherent in the loan portfolio, primarily driven by changes in consumer-based credit.

It is management s belief that the $29.6 million allowance for loan and lease losses at June 30, 2008, is adequate to absorb probable credit losses inherent in the portfolio, and the changes in the allowance and the resultant provision are consistent with the internal assessment of the risk in the loan portfolios.

The table that follows indicates the activity in the allowance for loan losses for the quarterly and year-to-date periods presented (dollars in $000 s).

	Three Months Ended					Six Months Ended	
	2008		2007			June 30,	
	June 30	Mar. 31	Dec. 31	Sep. 30	June 30	2008	2007
ALLOWANCE FOR LOAN AND LEASE LOSS ACTIVITY							
Balance at beginning of period	$29,718	$29,057	$29,136	$28,060	$27,407	$29,057	$27,386
Provision for loan losses	2,493	3,223	1,640	2,558	2,098	5,716	3,454
Gross charge-offs							
Commercial	946	545	1,433	1,008	920	1,491	1,666
Commercial real estate	589	806	465	76	176	1,395	322
Retail real estate	227	39	33	49	57	266	173
Installment	482	564	522	471	604	1,046	1,345
Home equity	525	651	285	189	149	1,176	288
All other	426	498	304	304	224	924	489
Total gross charge-offs [1]	3,195	3,103	3,042	2,097	2,130	6,298	4,283
Recoveries							
Commercial	166	144	342	145	246	310	515
Commercial real estate	19	3	632	124	48	22	106
Retail real estate	5	11	3	25	10	16	28
Installment	246	315	242	263	288	561	634
Home equity	30	0	19	12	25	30	101

All other	98	68	85	46	68	166	119
Total recoveries	564	541	1,323	615	685	1,105	1,503
Total net charge-offs	2,631	2,562	1,719	1,482	1,445	5,193	2,780
Ending allowance for loan losses	$29,580	$29,718	$29,057	$29,136	$28,060	$29,580	$28,060
NET CHARGE-OFFS TO AVERAGE LOANS AND LEASES (ANNUALIZED) (1)							
Commercial	0.39%	0.21%	0.56%	0.45%	0.37%	0.30%	0.33%
Commercial real estate	0.31%	0.46%	(0.10%)	(0.03%)	0.08%	0.38%	0.07%
Retail real estate	0.18%	0.02%	0.02%	0.02%	0.03%	0.10%	0.05%
Installment	0.78%	0.75%	0.76%	0.53%	0.74%	0.77%	0.80%
Home equity	0.77%	1.04%	0.43%	0.29%	0.21%	0.90%	0.16%
All other	0.64%	0.92%	0.48%	0.62%	0.44%	0.77%	0.56%
Total net charge-offs(1)	0.40%	0.40%	0.26%	0.23%	0.23%	0.40%	0.22%

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NONPERFORMING/UNDERPERFORMING ASSETS

The ratio of nonperforming loans to total loans decreased from 59 basis points at the end of the second quarter of 2007 to 57 basis points at the end of the second quarter of 2008. Total nonperforming assets at the end of the second quarter of 2008 were $19.1 million, an increase of $2.1 million from the end of the second quarter of 2007 primarily due to a higher level of nonaccrual residential loans and other real estate owned, offset by a decline in both commercial and commercial real estate loans.

The ratio of nonperforming loans to total loans decreased from 58 basis points at the end of the first quarter of 2008 to 57 basis points at the end of the second quarter of 2008, and the ratio of nonperforming assets to period-end loans, plus other real estate owned, increased from 67 basis points at the end of the first quarter of 2008 to 71 basis points at the end of the second quarter of 2008. Total nonperforming assets on a linked-quarter basis increased $1.5 million from the end of the first quarter of 2008.

Accruing loans, including impaired loans, are transferred to nonaccrual status when, in the opinion of management, the collection of principal or interest is doubtful. This generally occurs when a loan becomes 90 days past due as to principal or interest unless the loan is both well secured and in the process of collection.

The table that follows shows the categories that are included in nonperforming and underperforming assets as of June 30, 2008, and the four previous quarters, as well as related credit quality ratios (dollars in $000 s).

	Quarter Ended				
	2008		2007		
	June 30	Mar. 31	Dec. 31	Sep. 30	June 30
Nonaccrual loans					
Commercial	$ 5,447	$ 3,952	$ 2,677	$ 3,782	$ 6,812
Real estate commercial	3,592	4,415	5,965	5,343	4,140
Real estate residential	4,461	4,529	3,063	2,147	1,694
Installment	438	544	734	745	681
Home equity	866	1,221	1,662	1,117	1,048
All other	8	30	12	8	21
Total nonaccrual loans	14,812	14,691	14,113	13,142	14,396
Restructured loans	554	562	567	574	581
Total nonperforming loans	15,366	15,253	14,680	13,716	14,977
Other real estate owned (OREO)	3,763	2,368	2,636	3,124	2,023
Total nonperforming assets	19,129	17,621	17,316	16,840	17,000
Accruing loans past due 90 days or more	245	372	313	222	165
Total underperforming assets	$ 19,374	$ 17,993	$ 17,629	$ 17,062	$ 17,165
Allowance for loan and lease losses to					
Nonaccrual loans	199.70%	202.29%	205.89%	221.70%	194.92%
Nonperforming assets	192.50%	194.83%	197.94%	212.42%	187.35%
Total ending loans	1.11%	1.14%	1.12%	1.12%	1.10%
Nonaccrual loans to total loans	0.57%	0.58%	0.56%	0.53%	0.59%
Nonperforming assets to Ending loans, plus OREO	0.71%	0.67%	0.67%	0.65%	0.67%

Total assets	0.55%	0.53%	0.51%	0.51%	0.52%

LIQUIDITY AND CAPITAL RESOURCES

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 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 $3.8 million and $2.7 million for the first six months of 2008 and 2007, respectively. Management believes that First Financial has sufficient liquidity to fund its future capital expenditure commitments.

From time to time, First Financial utilizes its short-term line of credit and longer-term advances from the Federal Home Loan Bank (FHLB) as funding sources. At June 30, 2008 and December 31, 2007, total short-term borrowings from the FHLB were $237.9 million and $0, respectively. At June 30, 2008, and December 31, 2007, total long-term borrowings from the FHLB were $41.3 million and $45.9 million, respectively. The total available remaining borrowing capacity from the FHLB at June 30, 2008, was $108.9 million.

As of June 30, 2008, First Financial has pledged certain residential real estate loans totaling $528.7 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 of shorter maturities. The market value of investment securities classified as available-for-sale totaled $421.7 million at June 30, 2008. 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 $0.5 million at June 30, 2008. The market value of securities classified as trading totaled $3.6 million at June 30, 2008. 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 $4.0 million at June 30, 2008.

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 $14.6 million for the first half of 2008. As of June 30, 2008, First Financial s subsidiaries had retained earnings of $135.7 million of which $2.2 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 June 30, 2008, the outstanding balance was $54.0 million compared to an outstanding balance of $72.0 million at December 31, 2007. The outstanding balance of this line varies throughout the year depending on First Financial s cash needs. First Financial renewed the $75.0 million credit facility during the first quarter of 2008 for a period of one year. 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 June 30, 2008.

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 $0.3 million and $0.7 million for the three months ending June 30, 2008, and 2007, respectively. Year-to-date interest expense totaled $0.7 million and $1.3 million for the six months ending June 30, 2008, and 2007, respectively. In September of 2007, First Financial redeemed all the underlying capital securities relating

to First Financial (OH) Statutory Trust I. The total outstanding capital securities redeemed were $10 million. Therefore, there will be no future interest payments on that debenture. The $20 million of debentures issued in 2003 remains outstanding.

First Financial had no share repurchase activity under publicly announced plans in the first half of 2008, and at this time, First Financial does not plan to repurchase any of its shares the remainder of 2008. In the first half of 2007, First Financial repurchased 496,000 common shares at a cost of $7.7 million and a weighted average share repurchase price of $15.58.

In connection with First Financial s adoption of SFAS No. 159 effective January 1, 2008, a $0.8 million unrealized loss was reclassified from accumulated other comprehensive income (loss) to beginning retained earnings as part of a cumulative-effect adjustment. There was no impact on total shareholders equity upon adoption.

First Financial also adopted EITF Issue No. 06-4 effective January 1, 2008. Issue No. 06-4 applies to split-dollar life insurance arrangements whose benefits continue into the employees retirement. First Financial recorded a transition adjustment in the amount of $2.5 million for the impact of this EITF effective January 1, 2008, as a reduction of opening retained earnings and an increase in accrued interest and other liabilities in the Consolidated Balance Sheets.

CAPITAL ADEQUACY

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. Consolidated regulatory capital ratios at June 30, 2008, included the leverage ratio of 8.21%, Tier 1 ratio of 9.99%, and total capital ratio of 11.06%. All regulatory capital ratios exceeded the amounts necessary to be classified as well capitalized, and total regulatory capital exceeded the minimum requirement by approximately $84.1 million, on a consolidated basis. The tangible capital ratio decreased from 7.55% at March 31, 2008, to 7.18% at June 30, 2008, primarily as a result of loan and investment portfolio growth.

Quantitative measures established by regulation to ensure capital adequacy require First Financial to maintain minimum amounts and ratios (set forth in the following table) of Total and Tier 1 capital (as defined by the regulations) to risk-weighted assets and of Tier 1 capital to average assets. Management believes, as of June 30, 2008, that First Financial met all capital adequacy requirements to which it was subject. At June 30, 2008, and December 31, 2007, 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 have been no conditions or events since those notifications that management believes has changed the institution s category.

First Financial s Tier I capital is comprised of total shareholders equity plus junior subordinated debentures, less unrealized gains and losses and any amounts resulting from the application of SFAS No. 158 Employers Accounting for Defined Benefit Pension and other Postretirement Plans, that is recorded within accumulated other comprehensive income (loss), intangible assets, and any valuation related to mortgage servicing rights. Total risk-based capital consists of Tier I capital plus qualifying allowance for loan and lease losses and gross unrealized gains on equity securities.

For purposes of calculating the leverage ratio, average assets represents quarterly average assets less assets not qualifying for Total risk-based capital including intangibles and non-qualifying mortgage servicing rights and allowance for loan and lease losses.

Forecasted growth in certain earning asset classes is expected to continue while risk-based capital relief is expected from other balance sheet strategies under consideration for execution in the third and fourth quarters including asset securitizations and non-strategic asset sales, which would likely generate non-

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recurring gains. First Financial remains vigilant in the management of its capital adequacy and has evaluated its proforma capital under certain stress case scenarios. First Financial believes it has sufficient capital to manage through extreme and extended periods of stress. It is important to note, however, First Financial does not expect to experience these extreme levels of stress and remains comfortable with charge-off estimates of approximately 30 to 40 basis points.

The following table illustrates the actual and required capital amounts and ratios as of June 30, 2008, and the year ended December 31, 2007 (dollars in $000 s).

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
June 30, 2008						
Total capital to risk-weighted assets						
Consolidated	$ 303,952	11.06%	$ 219,805	8.00%	N/A	10.00%
First Financial Bank	342,722	12.53%	218,754	8.00%	$ 273,443	10.00%
Tier 1 capital to risk-weighted assets						
Consolidated	274,372	9.99%	109,902	4.00%	N/A	6.00%
First Financial Bank	305,738	11.18%	109,377	4.00%	164,066	6.00%
Tier 1 capital to average assets						
Consolidated	274,372	8.21%	133,310	4.00%	N/A	5.00%
First Financial Bank	305,738	9.19%	132,813	4.00%	166,016	5.00%
December 31, 2007						
Total capital to risk-weighted assets						
Consolidated	$ 303,103	11.38%	$ 213,041	8.00%	N/A	10.00%
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	6.00%
First Financial Bank	305,394	11.55%	105,802	4.00%	158,703	6.00%
Tier 1 capital to average assets						
Consolidated	274,046	8.26%	132,395	4.00%	N/A	5.00%
First Financial Bank	305,394	9.30%	131,121	4.00%	163,901	5.00%

CRITICAL ACCOUNTING POLICIES

The accounting and financial reporting policies of First Financial comply with U.S. generally accepted accounting principles and conform to general practices within the banking industry. These policies require 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, pension costs, goodwill, and income taxes.

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 ultimate collectiblity 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.

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.

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 were amortized on a straight-line basis over their useful lives, none of which exceeded 10 years. Core deposit intangibles were fully amortized by the end of the first quarter of 2008.

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.

ACCOUNTING AND REGULATORY MATTERS

Note 2 to the Consolidated Financial Statements discusses new accounting standards adopted by First Financial during 2008 and the expected impact of accounting standards recently issued but not yet required to be adopted. To the extent the adoption of new accounting standards materially affects financial condition, results of operations, or liquidity, the impacts are discussed in the applicable section(s) the Management s Discussion and Analysis and Notes to the Consolidated Financial Statements.

FORWARD LOOKING INFORMATION

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 from 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.

In addition, please refer to our Annual Report on Form 10-K for the year ended December 31, 2007, as well as our other filings with the Commission, for a more detailed discussion of these risks and uncertainties and other factors. 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.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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 earning 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 Asset and Liability Committee (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.

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 June 30, 2008, assuming immediate, parallel shifts in interest rates:

	-200 basis points	-100 basis points	+100 basis points	+200 basis points
June 30, 2008	(5.82%)	(1.40%)	0.48%	0.89%

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.

Additional interest rate scenarios are modeled utilizing most-likely interest rates over the next twelve months. Based on this scenario, First Financial has a relatively neutral rate risk position of a negative 0.41% when compared to a base-case scenario with interest rates held constant.

First Financial uses economic value of equity sensitivity analysis to understand the impact of 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 June 30, 2008, assuming immediate, parallel shifts in interest rates:

	-200 basis points	-100 basis points	+100 basis points	+200 basis points
June 30, 2008	(21.80%)	(7.06%)	1.84%	(0.43%)

See also Item 2-Management s Discussion and Analysis of Financial Condition and Results of Operations Net Interest Income.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

As of the end of the period covered by this report, First Financial performed an evaluation under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures pursuant to Rule 13a-15 of the Securities Exchange Act of 1934. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

No changes were made to the Corporation s internal control over financial reporting (as defined in Rule 13a-15 under the Securities Exchange Act of 1934) during the last fiscal quarter that materially affected, or are reasonably likely to materially affect, the Corporation s internal control over financial reporting.

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PART II-OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) The following table shows the total number of shares repurchased in the second quarter of 2008.

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares Purchased (1)	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans (2)	(d) Maximum Number of Shares that may yet be purchased Under the Plans
April 1 through April 30, 2008	2,648	$ 13.45	0	4,969,105
May 1 through May 31, 2008	0	0	0	4,969,105
June 1 through June 30, 2008	0	0	0	4,969,105
Total	2,648	$ 13.45	0	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		
April 1 through April 30, 2008	0	$ 0.00
May 1 through May 31, 2008	0	0.00
June 1 through June 30, 2008	0	0.00
Total	0	$ 0.00
Director Fee Stock Plan		
April 1 through April 30, 2008	2,648	$ 13.45
May 1 through May 31, 2008	0	0.00
June 1 through June 30, 2008	0	0.00
Total	2,648	$ 13.45
Stock Option Plans		
April 1 through April 30, 2008	0	$ 0.00
May 1 through May 31, 2008	0	0.00
June 1 through June 30, 2008	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 June 30, 2008, 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
1/25/2000	7,507,500	2,538,395	None
2/25/2003	2,243,715	2,243,715	Complete

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

On April 29, 2008, First Financial held its annual meeting of shareholders, the results of which follow:

1) Election of two directors:

Name	Term	Votes For	% of Total Shares Voted	Votes Withheld
Claude E. Davis	3 years	30,123,425	98.2%	539,501
Susan L. Knust	3 years	30,171,361	98.4%	491,565

Directors whose terms continue beyond the 2008 Annual Meeting:

Class II expiring in 2009:

Murph Knapke

William J. Kramer

Barry S. Porter

Class III expiring in 2010:

J. Wickliffe Ach

Donald M. Cisle, Sr.

Corinne R. Finnerty

Richard E. Olszewski

2) Proposal to ratify the appointment of Ernst & Young as the Corporation s independent registered accounting firm for the year ending December 31, 2008:

	Votes For	% of Total Shares Outstanding	Votes Against	Votes Abstained
Ratify appointment of Ernst & Young	30,577,688	99.2%	49,641	35,596

No other matters were brought before the meeting for a vote.

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Item 6. Exhibits

(a) Exhibits:

3.1 Articles of Incorporation, as amended as of February 26, 2008, and incorporated herein by reference to Exhibit 3.1 to the Form 10-K for the year ended December 31, 2007. File No. 000-12379.

3.2 Amended and Restated Regulations, as amended as of May 1, 2007, and incorporated herein by reference to Exhibit 3.2 to the Form 10-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 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.

10.6 First Financial Bancorp. 1999 Non-Employee Director Stock Plan, as dated April 27, 1999 and amended and restated as of April 25, 2006, and incorporated herein by reference to Exhibit 10.11 to the Form 10-Q for the quarter ended March 31, 2006. File No. 001-12379.

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 Form 10-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 of 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, incorporated herein by reference to the Form 10-Q for the quarter ended June 30, 2006. File No. 000-12379.

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. Amended and Restated Severance Pay Plan as approved April 28, 2008, incorporated by reference to the Form 10-Q filed on May 9, 2008. 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. Amended and Restated Key Management Severance Plan as approved February 26, 2008, incorporated herein by reference to the Form 10-Q filed on May 9, 2008. File No. 000-12379.

10.22 Form of Agreement for Restricted Stock Award dated February 14, 2008, incorporated herein by reference to the Form 10-Q filed on May 9, 2008. File No. 000-12379.

10.23 Long-Term Incentive Plan Grant Design (2008), incorporated herein by reference to the Form 10-Q filed on May 9, 2008. File No. 000-12379.

10.24 Short-Term Incentive Plan Design (2008), incorporated herein by reference to the Form 10-Q filed on May 9, 2008. File No. 000-12379.

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.

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.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

FIRST FINANCIAL BANCORP.
(Registrant)

/s/ J. Franklin Hall	/s/ Anthony M. Stollings
J. Franklin Hall Executive Vice President and Chief Financial Officer	Anthony M. Stollings Senior Vice President, Chief Accounting Officer, and Controller
Date 8/8/08	Date 8/8/08