

FIRST FINANCIAL BANCORP /OH/

Form 10-Q

August 06, 2013

Table of Contents

FORM 10-Q

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

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

For the quarterly period ended

June 30, 2013

OR

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

(State or other jurisdiction of
incorporation or organization)

31-1042001

(I.R.S. Employer
Identification No.)

255 East Fifth Street, Suite 700

Cincinnati, Ohio

(Address of principal executive offices)

45202

(Zip Code)

Registrant's telephone number, including area code (877) 322-9530

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Edgar Filing: FIRST FINANCIAL BANCORP /OH/ - Form 10-Q

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

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 5, 2013
Common stock, No par value	57,707,718

Table of Contents

FIRST FINANCIAL BANCORP.

INDEX

Page No.

Part I - FINANCIAL INFORMATION

Item 1 - Financial Statements

Consolidated Balance Sheets - June 30, 2013 (unaudited) and December 31, 2012 1

Consolidated Statements of Income - Three and Six Months Ended June 30, 2013 and 2012 (unaudited) 2

Consolidated Statements of Comprehensive Income - Three and Six Months Ended June 30, 2013 and 2012 (unaudited) 3

Consolidated Statements of Changes in Shareholders' Equity - Six Months Ended June 30, 2013 and 2012 (unaudited) 4

Consolidated Statements of Cash Flows - Six Months Ended June 30, 2013 and 2012 (unaudited) 5

Notes to Consolidated Financial Statements (unaudited) 6

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations 39

Item 3 - Quantitative and Qualitative Disclosures about Market Risk 57

Item 4 - Controls and Procedures 58

Part II - OTHER INFORMATION

Item 1 - Legal Proceedings 59

Item 1A - Risk Factors 59

Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds 60

Item 6 - Exhibits 61

Signatures 62

Table of Contents

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

	June 30, 2013 (Unaudited)	December 31, 2012
Assets		
Cash and due from banks	\$114,745	\$134,502
Interest-bearing deposits with other banks	2,671	24,341
Investment securities available-for-sale, at market value (cost \$900,068 at June 30, 2013 and \$1,017,104 at December 31, 2012)	884,694	1,032,096
Investment securities held-to-maturity (market value \$664,398 at June 30, 2013 and \$778,474 at December 31, 2012)	670,246	770,755
Other investments	75,645	71,492
Loans held for sale	18,650	16,256
Loans		
Commercial	940,420	861,033
Real estate-construction	97,246	73,517
Real estate-commercial	1,477,226	1,417,008
Real estate-residential	343,016	318,210
Installment	50,781	56,810
Home equity	370,206	367,500
Credit card	33,222	34,198
Lease financing	70,011	50,788
Total loans - excluding covered loans	3,382,128	3,179,064
Less: Allowance for loan and lease losses - uncovered	47,047	47,777
Net loans - excluding covered loans	3,335,081	3,131,287
Covered loans	622,265	748,116
Less: Allowance for loan and lease losses - covered	32,961	45,190
Net loans – covered	589,304	702,926
Net loans	3,924,385	3,834,213
Premises and equipment	142,675	146,716
Goodwill	95,050	95,050
Other intangibles	6,620	7,648
FDIC indemnification asset	88,966	119,607
Accrued interest and other assets	250,228	244,372
Total assets	\$6,274,575	\$6,497,048
Liabilities		
Deposits		
Interest-bearing	\$1,131,466	\$1,160,815
Savings	1,601,122	1,623,614
Time	978,680	1,068,637
Total interest-bearing deposits	3,711,268	3,853,066
Noninterest-bearing	1,059,368	1,102,774
Total deposits	4,770,636	4,955,840

Edgar Filing: FIRST FINANCIAL BANCORP /OH/ - Form 10-Q

Federal funds purchased and securities sold under agreements to repurchase	114,030	122,570
Federal Home Loan Bank short-term borrowings	505,900	502,000
Total short-term borrowings	619,930	624,570
Long-term debt	73,957	75,202
Total borrowed funds	693,887	699,772
Accrued interest and other liabilities	114,600	131,011
Total liabilities	5,579,123	5,786,623
Shareholders' equity		
Common stock - no par value		
Authorized - 160,000,000 shares; Issued - 68,730,731 shares in 2013 and 2012	576,641	579,293
Retained earnings	329,633	330,004
Accumulated other comprehensive loss	(25,645	) (18,677)
Treasury stock, at cost, 11,032,387 shares in 2013 and 10,684,496 shares in 2012	(185,177	) (180,195)
Total shareholders' equity	695,452	710,425
Total liabilities and shareholders' equity	\$6,274,575	\$6,497,048

See Notes to Consolidated Financial Statements.

Table of Contents

FIRST FINANCIAL BANCORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Dollars in thousands, except per share data)

(Unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Interest income				
Loans, including fees	\$55,022	\$63,390	\$111,047	\$129,826
Investment securities				
Taxable	8,295	10,379	16,671	20,896
Tax-exempt	560	121	1,140	255
Total interest on investment securities	8,855	10,500	17,811	21,151
Other earning assets	(1,556)	) (1,967)	) (3,028)	) (3,957)
Total interest income	62,321	71,923	125,830	147,020
Interest expense				
Deposits	3,284	6,381	7,144	14,097
Short-term borrowings	305	37	634	49
Long-term borrowings	654	675	1,308	1,355
Total interest expense	4,243	7,093	9,086	15,501
Net interest income	58,078	64,830	116,744	131,519
Provision for loan and lease losses - uncovered	2,409	8,364	5,450	11,622
Provision for loan and lease losses - covered	(8,283)	) 6,047	759	18,998
Net interest income after provision for loan and lease losses	63,952	50,419	110,535	100,899
Noninterest income				
Service charges on deposit accounts	5,205	5,376	9,922	10,285
Trust and wealth management fees	3,497	3,377	7,447	7,168
Bankcard income	3,145	2,579	5,578	5,115
Net gains from sales of loans	1,089	1,132	1,795	2,072
Gains on sales of investment securities	188	0	1,724	0
FDIC loss sharing income	(7,384)	) 8,280	1,550	21,096
Accelerated discount on covered loans	1,935	3,764	3,870	7,409
Other	3,940	9,037	6,427	12,325
Total noninterest income	11,615	33,545	38,313	65,470
Noninterest expenses				
Salaries and employee benefits	26,216	29,048	53,545	57,909
Pension settlement charges	4,316	0	4,316	0
Net occupancy	5,384	5,025	11,549	10,407
Furniture and equipment	2,250	2,323	4,621	4,567
Data processing	2,559	2,076	5,028	3,977
Marketing	1,182	1,238	2,079	2,392
Communication	781	913	1,614	1,807
Professional services	1,764	2,151	3,567	4,298
State intangible tax	1,004	970	2,018	1,996
FDIC assessments	1,148	1,270	2,273	2,433

Edgar Filing: FIRST FINANCIAL BANCORP /OH/ - Form 10-Q

Loss (gain) - other real estate owned	216	313	718	1,309
Loss (gain) - covered other real estate owned	(2,212	) 1,233	(2,369	) 2,525
Loss sharing expense	1,578	3,085	3,864	4,836
Other	7,097	7,814	13,566	14,781
Total noninterest expenses	53,283	57,459	106,389	113,237
Income before income taxes	22,284	26,505	42,459	53,132
Income tax expense	6,455	8,703	12,806	18,336
Net income	\$15,829	\$17,802	\$29,653	\$34,796
Net earnings per common share - basic	\$0.28	\$0.31	\$0.52	\$0.60
Net earnings per common share - diluted	\$0.27	\$0.30	\$0.51	\$0.59
Cash dividends declared per share	\$0.24	\$0.29	\$0.52	\$0.60
Average common shares outstanding - basic	57,291,994	57,933,281	57,365,105	57,864,269
Average common shares outstanding - diluted	58,128,349	58,958,279	58,206,503	58,921,689

See Notes to Consolidated Financial Statements.

Table of ContentsFIRST FINANCIAL BANCORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands)

(Unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Net income	\$15,829	\$17,802	\$29,653	\$34,796
Other comprehensive (loss) income, net of tax:				
Unrealized (losses) gains on investment securities arising during the period	(15,210	) 157	(18,567	) 2,596
Change in retirement obligation	10,365	355	10,810	710
Unrealized gain (loss) on derivatives	690	0	816	0
Unrealized (loss) gain on foreign currency exchange	(15	) 3	(27	) 12
Other comprehensive (loss) income	(4,170	) 515	(6,968	) 3,318
Comprehensive income	\$11,659	\$18,317	\$22,685	\$38,114

See Notes to Consolidated Financial Statements.

Table of ContentsFIRST FINANCIAL BANCORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Dollars in thousands except per share data)

(Unaudited)

	Common	Common	Retained	Accumulated	Treasury stock		Total
	Stock	Stock	Earnings	other	Shares	Amount	
	Shares	Amount		comprehensive			
				income (loss)			
Balance at January 1, 2012	68,730,731	\$579,871	\$331,351	\$ (21,490)	(10,463,677)	\$(177,511)	\$712,221
Net income			34,796				34,796
Other comprehensive income				3,318			3,318
Cash dividends declared:							
Common stock at \$0.60 per share			(34,832)				(34,832)
Excess tax benefit on share-based compensation		348					348
Exercise of stock options, net of shares purchased		(914)			57,604	977	63
Restricted stock awards, net of forfeitures		(4,318)			188,735	3,250	(1,068)
Share-based compensation expense		1,942					1,942
Balance at June 30, 2012	68,730,731	\$576,929	\$331,315	\$ (18,172)	(10,217,338)	\$(173,284)	\$716,788
Balance at January 1, 2013	68,730,731	\$579,293	\$330,004	\$ (18,677)	(10,684,496)	\$(180,195)	\$710,425
Net income			29,653				29,653
Other comprehensive loss				(6,968)			(6,968)
Cash dividends declared:							
Common stock at \$0.52 per share			(30,024)				(30,024)
Purchase of common stock					(540,400)	(8,339)	(8,339)
Excess tax benefit on share-based compensation		30					30
Exercise of stock options, net of shares purchased		(503)			21,526	362	(141)
		(4,316)			170,983		

Restricted stock awards,
net of forfeitures