First Commonwealth

# *Retail Shareholders Update – May 29, 2014*

First Commonwealth®

# Retail Shareholders Update

**Mike Price -** *President & CEO*

**Jim Reske –** *Executive Vice President / CFO*

**Dave Dahlmann –** *Chairman*

May 29, 2014

# Forward-looking Statements

This presentation contains forward-looking statements that describe our future plans, strategies and expectations. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include words such as “believe,” “expect,” “anticipate,” “intend,” “plan,” “estimate” or words of similar meaning, or future or conditional verbs such as “will,” “would,” “should,” “could” or “may.” All forward-looking statements are based on assumptions and involve risks and uncertainties, many of which are beyond our control and which may cause our actual results, performance or achievements to differ materially from the results, performance or achievements contemplated by the forward-looking statements. These risks and uncertainties include, among other things:

- *Continued weakness in economic and business conditions, nationally and in our market areas, which could increase credit- related losses and expenses and/or limit growth.*
- *Further declines in the market value of investment securities that are considered to be other-than-temporary, which would negatively impact our earnings and capital levels.*
- *Increases in defaults by borrowers and other delinquencies could result in increases in our provision for credit losses and related expenses.*
- *Changes in legislative or regulatory requirements applicable to us and our subsidiaries could increase costs, limit certain operations and adversely affect results of operations.*
- *Fluctuations in interest rates and market prices could reduce our net interest margin and asset valuations and increase our expenses.*
- *Reduced wholesale funding capacity or higher borrowing costs which would reduce our liquidity and negatively impact earnings and net interest margin.*
- *Competitive pressures among depository and other financial institutions nationally and in our market areas may increase significantly.*
- *The inability to successfully execute our strategic growth initiatives, which could limit further revenue and earnings growth.*
- *Changes in tax requirements, including tax rate changes, new tax laws and revised tax law interpretations may increase our tax expense or adversely affect our customers’ businesses.*
- *The consequences of continued bank acquisitions and mergers in our market areas, resulting in fewer but much larger and financially stronger competitors, could increase competition for financial services to our detriment.*
- *Other risks and uncertainties described in this presentation and the other reports that First Commonwealth files with the Securities and Exchange Commission, including its most recent Annual Report on Form 10-K.*

In light of these risks, uncertainties and assumptions, you should not place undue reliance on any forward-looking statements in this presentation. We undertake no obligation to publicly update or otherwise revise any forward-looking statements, whether as a result of new information, future events or otherwise.

# Purpose of the Retail Shareholders Update

1. Continuity for former Advisory Board members who remain interested in First Commonwealth's corporate performance.
2. Commitment to ongoing interaction with institutional and retail shareholders.
3. We care about what's on your minds.
4. Opportunity to share progress and performance.
5. Hopefully . . . you can advocate for First Commonwealth.

# Stock Price Performance (%)

As of end of 1Q2014
Excludes dividends

| 3-month | | 1-year | | 3-year | |
|---|---|---|---|---|---|
| FNB | +6.2 | WesBanco | +32.9 | Metro | +71.2 |
| **FCF** | **+2.5** | Community | +31.7 | Community | +60.8 |
| WesBanco | -0.5 | Metro | +27.8 | WesBanco | +53.7 |
| Univest | -0.8 | S&T | +27.8 | National Penn | +35.0 |
| Northwest | -1.2 | **FCF** | **+21.2** | **FCF** | **+32.0** |
| Community | -1.7 | Univest | +17.8 | FNB | +27.1 |
| Metro | -1.9 | Northwest | +15.1 | Susquehanna | +21.6 |
| Fulton | -3.9 | FNB | +10.7 | Northwest | +16.4 |
| NBT | -5.6 | NBT | +10.4 | Univest | +15.8 |
| S&T | -6.4 | Fulton | +7.5 | Fulton | +13.2 |
| National Penn | -7.8 | National Penn | -2.2 | S&T | +9.9 |
| Susquehanna | -11.4 | Susquehanna | -8.5 | NBT | +7.3 |

# Dividend Yield (%)

As of end of 1Q2014

| | |
|---|---|
| Univest | 3.9 |
| National Penn | 3.8 |
| FNB | 3.6 |
| Northwest | 3.6 |
| NBT | 3.4 |
| **FCF** | **3.1** |
| Community | 2.9 |
| Susquehanna | 2.8 |
| S&T | 2.7 |
| Fulton | 2.5 |
| WesBanco | 2.5 |
| Metro | 0.0 |

# Earnings Per Share

| | 1Q | 2Q | 3Q | 4Q | Reported | Dividend | Stock Price |
|---|---|---|---|---|---|---|---|
| **2011** | $0.05 | $0.07 | $0.08 | $(0.05) | $0.15 | $0.12 | $5.26 |
| **2012** | $0.11 | $0.12 | $0.09 | $0.09 | $0.40 | $0.18 | $6.82 |
| **2013** | $0.11 | $0.06 | $0.16 | $0.10 | $0.43 | $0.23 | $8.82 |
| **1Q14** | $0.13 | ---- | ---- | ---- | ---- | $0.07 | $9.04 |

# Quarterly Performance Highlights

($ millions, except per share data)

| | 1Q 14 | 1Q 13 | Favorable/ (Unfavorable) |
|---|---|---|---|
| Net Income | $12.3 | $10.6 | $1.7 |
| Earnings per Share | $0.13 | $0.11 | $0.02 |
| Dividends per Share | $0.07 | $0.05 | $0.02 |
| Return on Average Assets | 0.80% | 0.71% | 0.09% |

# YTD Income Statement

($ millions, except per share data)

| | March 31, | | Fav / (Unfav) |
|---|---|---|---|
| | 2014 | 2013 | 2013 |
| Net Interest Income - FTE | $46.5 | $46.4 | $0.1 |
| Provision for Loan Losses | 3.2 | 4.5 | 1.3 |
| Net Security Gains | 0.0 | 0.0 | 0.0 |
| Noninterest Income | 14.9 | 14.9 | 0.0 |
| Conversion-related Expense | 2.4 | 0.0 | (2.4) |
| Noninterest Expense | 37.5 | 41.4 | 3.9 |
| Taxes | 6.0 | 4.8 | (1.2) |
| **Net Income** | **$12.3** | **$10.6** | **$1.7** |
| Earnings per Share | $0.13 | $0.11 | $0.02 |

# Balance Sheet

($ millions)

| | March 31, | | |
|---|---|---|---|
| | **2014** | **2013** | ***Change*** |
| **Assets** | | | |
| Cash | $82 | $54 | *$28* |
| Securities | 1,394 | 1,327 | *67* |
| Loans, net | 4,198 | 4,156 | *42* |
| Other | 535 | 562 | *(27)* |
| **Total Assets** | **$6,209** | **$6,099** | ***$110*** |
| **Liabilities & Equity** | | | |
| Savings and DDA | $3,533 | $3,484 | *$49* |
| Time Deposits | 1,115 | 1,227 | *(112)* |
| Borrowings | 789 | 588 | *201* |
| Other | 55 | 52 | *3* |
| Equity | 717 | 748 | *(31)* |
| **Total Liabilities & Equity** | **$6,209** | **$6,099** | ***$110*** |

# Strategic Planning

**Mission**

To help our neighbors and the businesses within our communities realize their financial goals as a trusted partner and friend.

- Objective retail and corporate banking measures of customer satisfaction and brand awareness are at or near all-time highs
- Named to Forbes' "50 Most Trustworthy Financial Companies" in 2014
- Among most improved (from 10th to 6th ranking) in J.D. Power's 2013 Retail Banking Customer Satisfaction Survey for Mid-Atlantic region; maintained #6 rank out of 31 banks in 2014

# Brand & Advertising Awareness Study – 2014 (Campos Research)

- This was our 3rd year (2011, 2012, 2014) of the study
- Study allows us to gauge brand & advertising awareness, key attribute trends, tagline awareness and importance of mobile banking services
- Surveyed current customers (20%) and non-customers (80%) within our market area; results compiled by county; survey conducted via telephone or internet
- Results are used primarily as a way to identify "trends" and high-level results; it is not to be interpreted as a definitive conclusion

# Summary of Research Observations…

- Overall brand awareness, advertising awareness and key attribute/perceptions remain positive
- PNC continues to be the ONLY bank that produces higher awareness than FCB within our overall market footprint
- Perception ratings vs. our peer banks were the highest scores for FCB since inception and continue to trend positively
- Counties that have shown very positive overall study trending include Allegheny, Bedford, Cambria, Indiana, Lawrence, Somerset and Westmoreland

# Current Areas of Strategic Focus

1. Develop the most talented community bank team
2. Deliver a differentiated and authentic community bank experience
3. Build an enduring credit culture
4. Migrate to a culture of operating excellence
5. Thoughtfully manage capital

# Talent

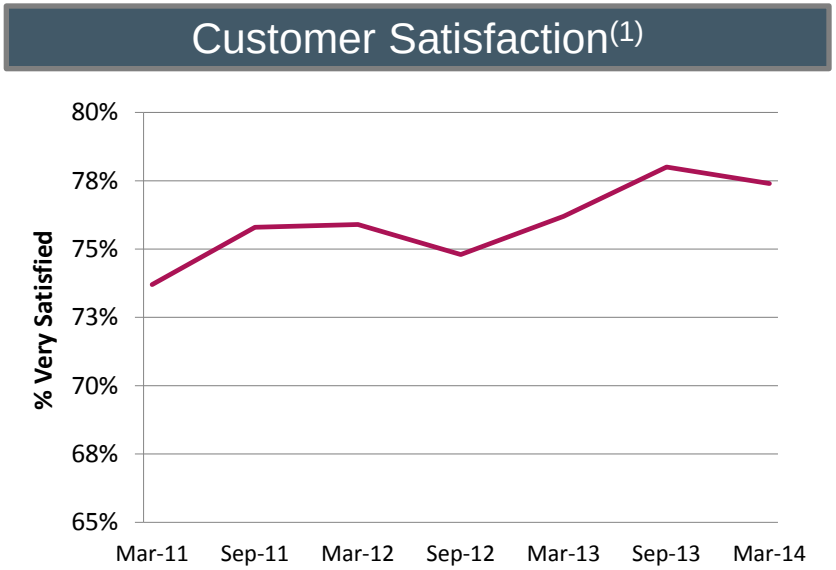
1. Acquire, retain and develop the most talented community bank teams in the markets where we compete

   - ➔ Industry disruptions create recruiting opportunities
   - ➔ Relatively new executive leadership team averages nearly 30 years of banking experience in Western Pennsylvania and Ohio
   - ➔ Develop a clear sense of excellence and accountability

# Fundamental Community Banking

## 2. Deliver a differentiated and authentic community bank experience and become the best choice for businesses and their employees

- Evolution of distribution is critical
- Safely improving core performance
  - Good organic growth in loans and DDAs
  - Very low customer attrition rate
- Cultural commitment to community banking
- Commercial business is a differentiator




(1) Raddon customer satisfaction survey data represents 6-month rolling averages for First Commonwealth Bank

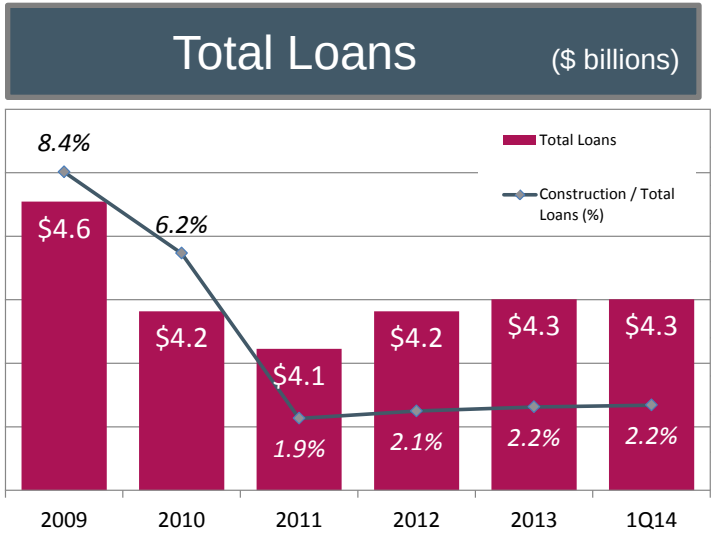


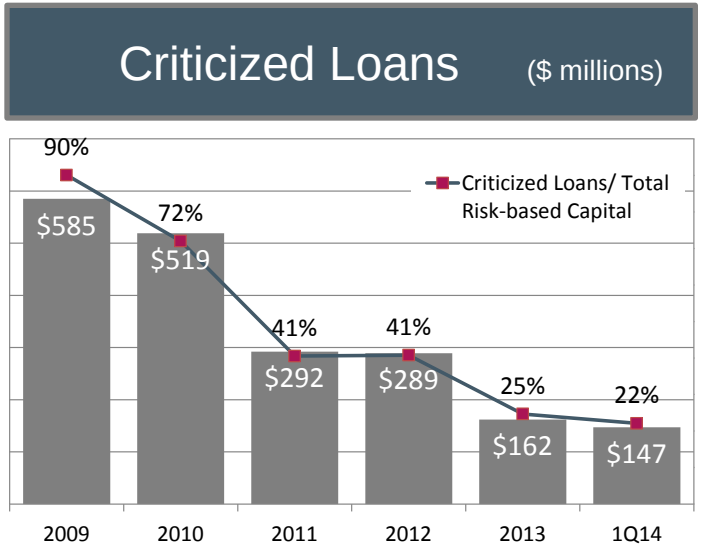
Time to be first.™

# Credit Infrastructure

## 3. Build an enduring credit culture that outperforms peers and is simultaneously "open for business"

- ➔ Realigned and strengthened credit function since 2009, including several key hires
- ➔ Improved risk profile within commercial loan portfolio
  - › Significantly reduced out-of-market CRE and construction exposures
  - › Managed down large individual exposures (>$15 million) to create a more granular portfolio
  - › Adopted tighter concentration, geographic and single-borrower exposure limits






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# Changing Corporate Culture

## 4. Enthusiastically migrate to a culture of operating excellence – Efficiency, ROA, NIM and Regulatory Compliance

- ➔ Effective use of Technology
  - › Evolving our technology systems and processes will be the catalyst for improving our operating environment going forward
- ➔ Operational savings
  - › Reduced FTEs by 288, or 18%, since December 2009
  - › Reduced management layers
  - › Renegotiated third-party contracts
  - › Changed marketing mix
- ➔ Opportunities
  - › Develop a culture of horizontal process management
  - › Create accountability for unit cost management at every line of business and business unit
  - › Understand the necessity of operating leverage in decision making
  - › Changing consumer behavior as it relates to brick and mortar

# Capital Position

## 5. Thoughtfully manage capital to ensure stability and benefit shareholders

- Recent capital management activities include:
  - Increased quarterly dividend from $0.06 to $0.07 in 1Q 2014
  - Repurchased 11.2 million (or approximately 11%) of shares outstanding since June 2012
  - Retired $32.5 million of high cost fixed-rate trust preferred debt on April 1, 2013
  - Currently executing $25 million share repurchase authorization


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# Questions for Our Retail Shareholders

1. What are the most important issues to you regarding First Commonwealth and its performance?

2. How would you describe the customer service you receive from First Commonwealth?

3. Is First Commonwealth active and visible in your community?

4. Does this meeting meet your needs?

**OTHER QUESTIONS?**

# Thank You!

Retail Shareholders Update

May 29, 2014