

FIRST COMMONWEALTH FINANCIAL CORP /PA/
Form 10-Q
November 08, 2012
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2012

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 001-11138

First Commonwealth Financial Corporation

(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of
incorporation or organization)

25-1428528
(I.R.S. Employer
Identification No.)

22 North Sixth Street, Indiana, PA
(Address of principal executive offices)

15701
(Zip Code)

724-349-7220

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by a 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

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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, 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.

Large accelerated filer Accelerated filer Smaller reporting company Non-accelerated filer

(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 the Exchange Act). Yes No

The number of shares outstanding of issuer's common stock, \$1.00 par value, as of November 5, 2012, was 102,614,177.

Table of Contents

FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES

FORM 10-Q

INDEX

	PAGE	
<u>PART I.</u>	<u>Financial Information</u>	
<u>ITEM 1.</u>	<u>Financial Statements and Supplementary Data</u>	
	<u>Included in Part I of this report:</u>	
	<u>First Commonwealth Financial Corporation and Subsidiaries</u>	
	<u>Condensed Consolidated Statements of Financial Condition (Unaudited)</u>	3
	<u>Condensed Consolidated Statements of Income (Unaudited)</u>	4
	<u>Condensed Consolidated Statements of Comprehensive Income (Unaudited)</u>	5
	<u>Condensed Consolidated Statements of Changes in Shareholders' Equity (Unaudited)</u>	6
	<u>Condensed Consolidated Statements of Cash Flows (Unaudited)</u>	7
	<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	8
<u>ITEM 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	43
<u>ITEM 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	68
<u>ITEM 4.</u>	<u>Controls and Procedures</u>	68
<u>PART II.</u>	<u>Other Information</u>	
<u>ITEM 1.</u>	<u>Legal Proceedings</u>	69
<u>ITEM 1A.</u>	<u>Risk Factors</u>	69
<u>ITEM 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	70
<u>ITEM 3.</u>	<u>Defaults Upon Senior Securities</u>	70
<u>ITEM 4.</u>	<u>Mine Safety Disclosures</u>	70
<u>ITEM 5.</u>	<u>Other Information</u>	70
<u>ITEM 6.</u>	<u>Exhibits</u>	71
	<u>Signatures</u>	72

Table of Contents

FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES

ITEM 1. *Financial Statements and Supplementary Data*

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (Unaudited)

	September 30, 2012	December 31, 2011
	(dollars in thousands, except share data)	
Assets		
Cash and due from banks	\$ 85,183	\$ 74,967
Interest-bearing bank deposits	3,881	3,511
Securities available for sale, at fair value	1,130,822	1,142,776
Other investments	32,479	39,796
Loans held for sale	0	13,412
Loans:		
Portfolio loans	4,214,299	4,043,643
Allowance for credit losses	(64,114)	(61,234)
Net loans	4,150,185	3,982,409
Premises and equipment, net	67,229	66,755
Other real estate owned	16,016	30,035
Goodwill	159,956	159,956
Amortizing intangibles, net	2,734	3,843
Other assets	315,153	323,662
Total assets	\$ 5,963,638	\$ 5,841,122
Liabilities		
Deposits (all domestic):		
Noninterest-bearing	\$ 858,003	\$ 780,377
Interest-bearing	3,636,431	3,724,307
Total deposits	4,494,434	4,504,684
Short-term borrowings	461,770	312,777
Subordinated debentures	105,750	105,750
Other long-term debt	74,721	101,664
Total long-term debt	180,471	207,414
Other liabilities	53,072	57,704
Total liabilities	5,189,747	5,082,579
Shareholders Equity		
Preferred stock, \$1 par value per share, 3,000,000 shares authorized, none issued	0	0
Common stock, \$1 par value per share, 200,000,000 shares authorized; 105,563,455 shares issued at September 30, 2012 and December 31, 2011 and 103,890,029 and 104,916,994 shares outstanding at September 30, 2012 and December 31, 2011, respectively	105,563	105,563
Additional paid-in capital	365,394	365,868
Retained earnings	312,049	294,056

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Accumulated other comprehensive income, net	4,967	2,001
Treasury stock (1,673,426 and 646,461 shares at September 30, 2012 and December 31, 2011, respectively)	(13,982)	(7,345)
Unearned ESOP shares	(100)	(1,600)
Total shareholders equity	773,891	758,543
Total liabilities and shareholders equity	\$ 5,963,638	\$ 5,841,122

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Table of Contents

FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES

ITEM 1. *Financial Statements and Supplementary Data (Continued)*

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

	For the Three-Months Ended September 30,		For the Nine-Months Ended September 30,	
	2012	2011	2012	2011
	(dollars in thousands, except share data)			
Interest Income				
Interest and fees on loans	\$ 46,339	\$ 49,109	\$ 140,787	\$ 149,371
Interest and dividends on investments:				
Taxable interest	7,520	8,444	24,348	25,376
Interest exempt from federal income taxes	1	9	11	208
Dividends	18	11	58	40
Interest on bank deposits	2	27	4	63
Total interest income	53,880	57,600	165,208	175,058
Interest Expense				
Interest on deposits	5,054	8,097	16,944	26,726
Interest on short-term borrowings	311	188	817	551
Interest on subordinated debentures	1,424	1,387	4,279	4,156
Interest on other long-term debt	441	448	1,430	1,391
Total interest on long-term debt	1,865	1,835	5,709	5,547
Total interest expense	7,230	10,120	23,470	32,824
Net Interest Income	46,650	47,480	141,738	142,234
Provision for credit losses	6,754	6,975	14,838	29,904
Net Interest Income after Provision for Credit Losses	39,896	40,505	126,900	112,330
Noninterest Income				
Changes in fair value on impaired securities	1,374	(2,535)	1,549	(218)
Non-credit related (gains) losses on securities not expected to be sold (recognized in other comprehensive income)	(1,374)	2,535	(1,549)	218
Net impairment losses	0	0	0	0
Net securities gains	163	0	163	2,185
Trust income	1,631	1,603	4,780	5,085
Service charges on deposit accounts	3,736	3,836	10,975	11,010
Insurance and retail brokerage commissions	1,844	1,698	4,938	4,876
Income from bank owned life insurance	1,465	1,411	4,369	4,158
Gain on sale of assets	757	790	4,316	2,272
Card related interchange income	3,260	3,053	9,659	8,895
Joint venture termination fee	1,909	0	1,909	0
Other income	3,090	(1,592)	10,222	3,710
Total noninterest income	17,855	10,799	51,331	42,191
Noninterest Expense				
Salaries and employee benefits	21,280	20,418	65,401	63,092
Net occupancy expense	3,235	3,506	9,942	10,733
Furniture and equipment expense	3,118	3,092	9,326	9,407
Data processing expense	1,987	1,533	5,346	4,482
Pennsylvania shares tax expense	1,510	1,434	4,203	4,046
Intangible amortization	367	384	1,109	1,163
Collection and repossession expense	1,281	1,961	4,650	5,003

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Other professional fees and services	1,028	1,706	3,167	3,930
FDIC insurance	1,258	1,177	3,757	4,260
Loss on sale or write-down of assets	426	159	4,215	4,674
Operational losses	3,657	186	4,033	408
Other operating expenses	5,618	5,565	18,216	17,052
Total noninterest expense	44,765	41,121	133,365	128,250
Income Before Income Taxes	12,986	10,183	44,866	26,271
Income tax provision	3,139	1,857	11,647	5,280
Net Income	\$ 9,847	\$ 8,326	\$ 33,219	\$ 20,991
Average Shares Outstanding	104,080,025	104,728,915	104,593,125	104,678,233
Average Shares Outstanding Assuming Dilution	104,098,383	104,728,915	104,595,396	104,678,436
Per Share Data:				
Basic Earnings per Share	\$ 0.09	\$ 0.08	\$ 0.32	\$ 0.20
Diluted Earnings per Share	\$ 0.09	\$ 0.08	\$ 0.32	\$ 0.20
Cash Dividends Declared per Common Share	\$ 0.05	\$ 0.03	\$ 0.13	\$ 0.09

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Table of Contents

FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES

ITEM 1. *Financial Statements and Supplementary Data (Continued)*

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

	For the Three-Months Ended September 30,		For the Nine-Months Ended September 30,	
	2012	2011	2012	2011
	(dollars in thousands)			
Net Income	\$ 9,847	\$ 8,326	\$ 33,219	\$ 20,991
Other comprehensive income, before tax expense:				
Unrealized holding gains on securities arising during the period	2,068	4,696	3,165	12,205
Non-credit related gains (losses) on securities not expected to be sold	1,374	(2,535)	1,549	(218)
Less: reclassification adjustment for gains on securities included in net income	(163)	0	(163)	(2,185)
Total other comprehensive income, before tax expense	3,279	2,161	4,551	9,802
Income tax expense related to items of other comprehensive income	1,146	757	1,585	3,431
Comprehensive Income	\$ 11,980	\$ 9,730	\$ 36,185	\$ 27,362

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Table of Contents

FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES

ITEM 1. *Financial Statements and Supplementary Data (Continued)*

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)

	Shares Outstanding	Common Stock	Additional Paid-in- Capital (dollars in thousands, except per share data)	Retained Earnings	Accumulated Other Comprehensive Income (Loss), net	Treasury Stock	Unearned ESOP Shares	Total Shareholders' Equity
Balance at December 31, 2011	104,916,994	\$ 105,563	\$ 365,868	\$ 294,056	\$ 2,001	\$ (7,345)	\$ (1,600)	\$ 758,543
Net income				33,219				33,219
Other comprehensive income					2,966			2,966
Cash dividends declared (\$0.13 per share)				(13,633)				(13,633)
Net decrease in unearned ESOP shares							1,500	1,500
ESOP market value adjustment (\$685, net of \$240 tax benefit)			(445)					(445)
Discount on dividend reinvestment plan purchases			(67)					(67)
Tax benefit of stock options exercised			1					1
Treasury stock acquired	(1,342,517)					(9,112)		(9,112)
Treasury stock reissued	95,552		0	(329)		946		617
Restricted stock	220,000		37	(1,264)		1,529		302
Balance at September 30, 2012	103,890,029	\$ 105,563	\$ 365,394	\$ 312,049	\$ 4,967	\$ (13,982)	\$ (100)	\$ 773,891
	Shares Outstanding	Common Stock	Additional Paid-in- Capital (dollars in thousands, except per share data)	Retained Earnings	Accumulated Other Comprehensive Income (Loss), net	Treasury Stock	Unearned ESOP Shares	Total Shareholders' Equity
Balance at December 31, 2010	104,846,194	\$ 105,515	\$ 366,488	\$ 291,492	\$ (2,458)	\$ (7,660)	\$ (3,600)	\$ 749,777
Net income				20,991				20,991
Other comprehensive income					6,371			6,371
Cash dividends declared (\$0.09 per share)				(9,418)				(9,418)
Net decrease in unearned ESOP shares							1,500	1,500
ESOP market value adjustment (\$762, net of \$267 tax benefit)			(495)					(495)
Discount on dividend reinvestment plan purchases			(48)					(48)
Tax benefit of stock options exercised			6					6
Treasury stock acquired	(1,336)					(9)		(9)
Treasury stock reissued	13,760			(83)		155		72
Restricted stock	25,000	25	(2)	0		78		101
Common stock issuance	23,376	23	121			0		144
Balance at September 30, 2011	104,906,994	\$ 105,563	\$ 366,070	\$ 302,982	\$ 3,913	\$ (7,436)	\$ (2,100)	\$ 768,992

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Table of Contents

FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES

ITEM 1. *Financial Statements and Supplementary Data (Continued)*

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	For the Nine-Months Ended September 30,	
	2012	2011
	(dollars in thousands)	
Operating Activities		
Net income	\$ 33,219	\$ 20,991
Adjustment to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	14,838	29,904
Deferred tax expense	2,507	1,387
Depreciation and amortization	5,736	7,058
Net (gains) losses on securities and other assets	(1,392)	5,861
Net amortization of premiums and discounts on securities	1,075	794
Net accretion of premiums and discounts on long-term debt	(84)	(96)
Income from increase in cash surrender value of bank owned life insurance	(4,369)	(4,158)
Decrease in interest receivable	1,426	1,063
Decrease in interest payable	(2,087)	(1,921)
Increase (decrease) in income taxes payable	6,294	(718)
Other-net	(2,567)	(1,222)
Net cash provided by operating activities	54,596	58,943
Investing Activities		
Transactions with securities available for sale:		