



Annual Report 2022

Dear Fellow Shareholders,

It is with great pride that I write this 2022 letter to update you on the performance of First Commonwealth Financial Corporation and share our plans for the future.

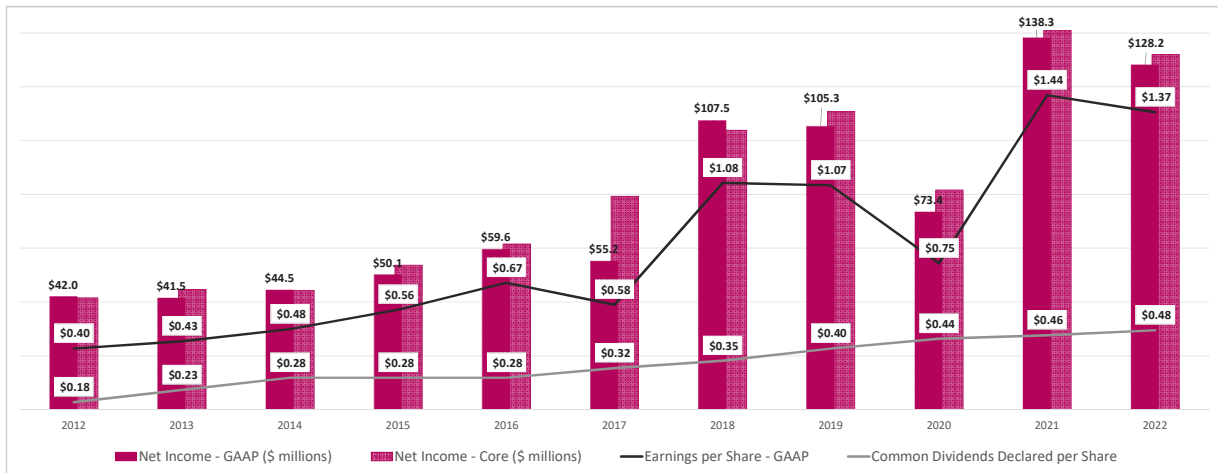
Through our growth strategies, dedicated employees and prudent risk management, we have achieved outstanding results. It has been a privilege to lead our company over the past decade. I am proud of all we accomplished together as we deliver on our commitment to create long-term value for our shareholders while living our mission of improving the financial lives of our neighbors and their businesses.

Financial Performance

I am pleased to report that 2022 was a year of solid financial performance for our company, with net income of \$128.2 million and earnings per share of \$1.37. The chart at the bottom of the page shows the remarkable progression of our earnings which more than tripled in the last ten years.

And in 2022, we continued to build on this momentum from previous years. The combination of the improved earnings power of our company and a rising interest rate environment, helped to propel our core pre-tax pre-provision net revenue (“PTPP net revenue”) to a record \$183.0 million for the year, an increase of \$11.3 million over the previous year. It’s important to remember that our performance in 2021 was bolstered by the recognition of \$23.2 million in interest and fees from Paycheck Protection Program (“PPP”) loans. This was a one-time, non-recurring event related to the Pandemic. These loans were nearly all forgiven by year-end 2021 and as a result, PPP loans made a negligible contribution to our revenue in 2022. In other words, after adjusting both 2021 and 2022 for the non-recurring PPP revenue, our core PTPP net revenue grew by \$31.8 million.

Our earnings in 2022 were fueled by a 32 basis point expansion in our net interest margin (“NIM”). We believe our balance sheet is positioned to respond favorably to rising rates due to a combination of variable rate commercial loans and a strong core depository base. As a result, our earnings benefitted from the Federal Reserve’s decisions to raise interest rates by a total of 4.25% in the second half of 2022.



We had a very successful year in terms of the organic growth of our loan portfolio, increasing by \$863 million, or 13%. We executed on our strategy to generate broad-based loan growth across loan types and our footprint. While Ohio has typically been the driver of our loan growth in the past couple of years, our legacy markets in Pennsylvania also contributed meaningfully to this growth in 2022.

As expected, our fee income was down from last year with the slowdown in mortgage originations and the decrease in Small Business Administration (“SBA”) loan premiums. However, we generated an increase in swap activity which mitigated those lower fees. Our SBA business continues to perform well with the momentum in originations building through the end of the year. Although we cannot predict the timing, we also expect the housing market to rebound.

On the expense side, our core noninterest expense increased approximately \$14.7 million due mainly to inflationary pressures. However, this was more than offset by \$27.6 million in revenue growth, which resulted in positive operating leverage and an improvement in our efficiency ratio.

A Decade of Progress

Over the past ten years, the earnings power and growth trajectory of our company have undergone remarkable improvement, driven by a balance of organic growth and strategic acquisitions. We have improved our financial performance; enhanced our customer experience and product offerings; and expanded our lines of business and our presence in key markets. As shown in the tables below, we have consistently delivered strong results, outpacing our peers and delivering value for our shareholders.

Financial Highlights (\$ millions)	2012	2022	10yr CAGR
Net Income (GAAP)	\$ 42.0	\$ 128.2	+11.8%
Total Assets	5,995	9,806	+5.0%
Total Loans	4,205	7,654	+6.2%
Total Deposits	4,558	8,005	+5.8%
Total Noninterest-bearing deposits	883	2,671	+11.7%
Total Shareholders' Equity	746	1,052	+3.5%
FTE Employees (#)	1,395	1,424	+0.2%

Per share data	2012	2022	10yr CAGR
Earnings per share (GAAP)	\$ 0.40	\$ 1.37	+13.1%
Tangible book value per share	5.86	7.92	+3.1%
Tangible book value per share (excl. AOCI)	5.85	9.39	+4.8%
Dividends per share	0.18	0.48	+10.2%
Stock Price	6.82	13.97	+7.4%

Performance Metrics	2012	2022	Change
ROAA (GAAP)	0.71%	1.34%	+63 bp
ROATCE	5.46%	11.99%	+653 bp
Efficiency Ratio	66.52%	54.59%	(1,193) bp
Net Interest Margin	3.61%	3.58%	(3) bp
Nonperforming Loans/ Total Loans	2.56%	0.46%	(210) bp

Investments Aligned with Long-term Value

One of the noteworthy highlights of 2022 was our announced acquisition of Centric Financial Corporation (“Centric”), which we completed on January 31, 2023. Centric is a well-led, commercially-focused bank with approximately \$1.0 billion in total assets. This acquisition extends our Pennsylvania footprint into the attractive Central and Southeastern Pennsylvania markets.

More importantly, First Commonwealth and Centric share a very complementary culture and vision. Former Centric CEO Patti Husic led the organization since its inception in 2007, growing Centric Bank and developing close ties within its communities and customers. We believe Centric’s strong commercial focus, talented team and similar culture make it an excellent fit for First Commonwealth in what we now proudly call our Capital Region.

Furthermore, we believe that our acquisition of Centric will be a key source of earnings to offset the cost of crossing \$10 billion, which we anticipate will reduce our interchange fee income by approximately \$14 million beginning on July 1, 2024.

In addition to these developments, I am also excited to update our shareholders on the progress of our new Equipment Finance business, which we started to build from the ground up in 2021 with the lift-out of a number of employees from a competing bank. This new business line will allow us to provide financing solutions to small and mid-sized businesses nationwide and augment our existing commercial relationships within our market. In 2022, we originated nearly \$80 million of loans and leases as this business continues to build scale. We expect equipment financing to be an important driver of loan growth in 2023.

We also believe a strong regional leadership model has and will continue to be an important competitive advantage for our organization. This structure allows us to have a deep, local understanding of the markets we serve, and to build strong relationships with our customers and communities. Leaders are empowered to make decisions locally, allowing us to be responsive to our customers’ needs and to quickly adapt to changes in the local market.

Our regional leaders are also accountable for the success of their markets, which opens lines of communication cross functionally and encourages deeper cross-selling.

Digital Trends

The financial industry is rapidly changing, and the adoption of digital solutions are at the forefront of this transformation. Today’s customers expect the availability of digital technologies to conduct their banking business quickly, easily and securely. While we continue to support a strong branch office network, we are proud of the digital evolution at First Commonwealth and are committed to providing solutions that meet our customers’ preferences.

Our goal has been to make First Commonwealth the hub of the best digital financial service choices for our customers. Our near-term strategy focuses on four key elements:

- Improve consumer digital account acquisition sales and marketing capabilities to drive a higher percentage of new account volume over digital channels
- Improve and promote digital platform positioning and integrations to create an exceptional consumer user experience
- Improve business customer digital experience
- Improve payments capabilities for consumer and business customers through our product offerings.

2022 Highlights

- Digital platform active users increased 5.5% and engagement increased significantly to 1.1 average logins per user per day versus 0.95 in 2021
- Mobile app growth continued with a 12.3% increase in active users – 84.4% of logins came through mobile
- Zelle® adoption grew 38.8% with a 68.2% increase in transactions
- New deposit accounts originated through digital channels increased by 6.3%

We made significant investments in our digital capabilities as well. In 2022, we launched:

- A new credit card that provides an integrated view within the digital platform
- An online tool on our public website to help customers self-serve loan payments
- Ability for customers to access their tax forms within the digital platform
- Refer-a-friend link within digital platform to reward customers for referrals

As customer needs and expectations around digital solutions continue to accelerate, so will our focus and investment in this dynamic space. Combined with our existing digital foundation and culture, we are positioned to maintain and improve our digital relevance in 2023 and beyond.

Looking Ahead

I am confident in our ability to continue to deliver strong results and to drive profitable growth. Our management team has aligned with our Board of Directors and communicated to our employees our strategic priorities for the upcoming year, to include:

1. Integrate the Centric Bank acquisition: We will bring the entire bank together to deliver our resources and products to clients and prospects. Our lines of business will fully capitalize on the opportunities within the region by choosing the right entry points and right personnel to lead the buildouts of mortgage, wealth, and insurance.
2. Grow our customer base: We will strive to grow and retain deposits, both consumer and business, across all regions with a particular emphasis on checking households. We must also

profitably grow and expand all lending businesses with continued strong credit risk and capital management.

3. Invest in technology: We will continue to invest in digital technologies and platforms to enhance the customer experience, improve efficiency and drive growth.
4. Maintain operating leverage: We will continue to exert strong noninterest expense management to ensure positive operating leverage, to include employing technology to improve workflows and efficiency while also enabling higher levels of productivity across the workforce, and to enable continued transformation of our branch network in line with digital delivery preferences.
5. Leverage strong culture: We will leverage our culture across all businesses and geographies to strengthen leadership disciplines, talent management and retention processes as a source of competitive advantage for our Company, including our Diversity and Inclusion practices.
6. Enhance our brand: We will drive higher levels of brand awareness and consideration by aligning marketing spend with the Regional Business Model, establishing First Commonwealth as the “Best Bank for Business”, and evolving the marketing mix to prioritize digitally relevant tactics.

I am optimistic about the opportunities for First Commonwealth in 2023, despite some looming fears that the United States economy could tip into a recession. We have built a resilient business model that we believe can withstand any challenges we may face.

We are entering this time of economic uncertainty from a position of strength. Our asset quality metrics are at or near historical lows. And we have taken significant steps in recent years to create a more granular commercial loan portfolio with strict concentration limits within our footprint. I believe these decisions were prudent measures to ensure the long-term success of our business.

As we move forward, it will be critical that we capitalize on organic growth opportunities in our existing markets with a keen focus on gathering deposits to support our loan growth. I am confident in our team of talented bankers and their ability to profitably grow our business.

In closing, I am proud of what we have accomplished over the past ten years and I am confident in our ability to continue to deliver strong results. Let me express my gratitude to our employees, customers and shareholders for their ongoing support of First Commonwealth.

On behalf of the entire management team and Board of Directors, I would like to thank you for your interest and investment in our company.

Sincerely,



T. Michael Price

President and Chief Executive Officer

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K**

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

For the fiscal year ended December 31, 2022

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.)

601 PHILADELPHIA STREET

15701

INDIANA, PA

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (724) 349-7220

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
COMMON STOCK, \$1 PAR VALUE	FCF	NEW YORK STOCK EXCHANGE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Note—Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

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 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 such files). Yes No

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

The aggregate market value of the voting and non-voting common stock, par value \$1 per share, held by non-affiliates of the registrant (based upon the closing sale price on June 30, 2022) was approximately \$1,235,063,508.

The number of shares outstanding of the registrant's common stock, \$1.00 Par Value as of February 24, 2023, was 103,069,202.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement to be filed with the Securities and Exchange Commission in connection with the annual meeting of shareholders to be held April 25, 2023 are incorporated by reference into Part III.

FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES
FORM 10-K
INDEX

<u>PART I</u>	<u>PAGE</u>
ITEM 1. <u>Business</u>	<u>4</u>
ITEM 1A. <u>Risk Factors</u>	<u>16</u>
ITEM 1B. <u>Unresolved Staff Comments</u>	<u>24</u>
ITEM 2. <u>Properties</u>	<u>24</u>
ITEM 3. <u>Legal Proceedings</u>	<u>24</u>
ITEM 4. <u>Mine Safety Disclosures</u>	<u>24</u>
<u>Executive Officers of First Commonwealth Financial Corporation</u>	<u>25</u>
 <u>PART II</u>	
ITEM 5. <u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchase of Equity Securities</u>	<u>26</u>
ITEM 6. <u>[Reserved]</u>	<u>27</u>
ITEM 7. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>28</u>
ITEM 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>51</u>
ITEM 8. <u>Financial Statements and Supplementary Data</u>	<u>52</u>
ITEM 9. <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	<u>121</u>
ITEM 9A. <u>Controls and Procedures</u>	<u>121</u>
ITEM 9B. <u>Other Information</u>	<u>123</u>
ITEM 9C. <u>Disclosure Regarding Foreign Jurisdictions that Prevent Inspections</u>	<u>123</u>
 <u>PART III</u>	
ITEM 10. <u>Directors, Executive Officers and Corporate Governance</u>	<u>124</u>
ITEM 11. <u>Executive Compensation</u>	<u>124</u>
ITEM 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>124</u>
ITEM 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	<u>125</u>
ITEM 14. <u>Principal Accountant Fees and Services</u>	<u>125</u>
 <u>PART IV</u>	
ITEM 15. <u>Exhibits, Financial Statements and Schedules</u>	<u>126</u>
ITEM 16. <u>Form 10-K Summary</u>	<u>127</u>
<u>Signatures</u>	<u>128</u>

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Report on Form 10-K that are not statements of historical fact constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the “Reform Act”), notwithstanding that such statements are not specifically identified as such. In addition, certain statements may be contained in our future filings with the Securities and Exchange Commission, in press releases, and in oral and written statements made by us or with our approval that are not statements of historical fact and constitute forward-looking statements within the meaning of the Reform Act. Examples of forward-looking statements include, but are not limited to: (i) projections of revenues, expenses, income or loss, earnings or loss per share, the payment or nonpayment of dividends, capital structure and other financial items; (ii) statements of plans, objectives and expectations of First Commonwealth or its management or Board of Directors, including those relating to products, services or operations; (iii) statements of future economic performance; and (iv) statements of assumptions underlying such statements. Words such as “believe,” “anticipate,” “expect,” “intend,” “plan,” “estimate,” or words of similar meaning, or future or conditional verbs such as “will,” “would,” “should,” “could” or “may,” are intended to identify forward-looking 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:

- Local, regional, national and international economic conditions and the impact they may have on us and our customers and our assessment of that impact.
- Volatility and disruption in national and international financial markets.
- Government intervention in the U.S. financial system.
- Changes in the mix of loan geographies, sectors and types or the level of non-performing assets and charge-offs.
- Changes in estimates of future reserve requirements based upon the periodic review thereof under relevant regulatory and accounting requirements.
- The effects of and changes in trade and monetary and fiscal policies and laws, including the interest rate policies of the Federal Reserve Board.
- Inflation, interest rate, securities market and monetary fluctuations.
- The effect of changes in laws and regulations (including laws and regulations concerning taxes, banking, securities and insurance) with which we and our subsidiaries must comply.
- The soundness of other financial institutions.
- Political instability.
- Impairment of our goodwill or other intangible assets.
- Acts of God or of war or terrorism.
- The timely development and acceptance of new products and services and perceived overall value of these products and services by users.
- Changes in consumer spending, borrowings and savings habits.
- Changes in the financial performance and/or condition of our borrowers.
- Technological changes.
- The cost and effects of cyber incidents or other failures, interruption or security breaches of our systems or those of third-party providers.
- Acquisitions and integration of acquired businesses.
- Our ability to increase market share and control expenses.
- Our ability to attract and retain qualified employees.
- Changes in the competitive environment in our markets and among banking organizations and other financial service providers.
- The effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Public Company Accounting Oversight Board, the Financial Accounting Standards Board and other accounting standard setters.
- Changes in the reliability of our vendors, internal control systems or information systems.
- Changes in our liquidity position.
- Changes in our organization, compensation and benefit plans.
- The costs and effects of legal and regulatory developments, the resolution of legal proceedings or regulatory or other governmental inquiries, the results of regulatory examinations or reviews and the ability to obtain required regulatory approvals.
- Greater than expected costs or difficulties related to the integration of new products and lines of business.
- Our success at managing the risks involved in the foregoing items.

Forward-looking statements speak only as of the date on which such statements are made. We do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events.

PART I

ITEM 1. Business

Overview

First Commonwealth Financial Corporation (“First Commonwealth,” the “Company” or “we”) is a financial holding company headquartered in Indiana, Pennsylvania. First Commonwealth's subsidiaries include First Commonwealth Bank (“FCB” or the “Bank”), First Commonwealth Insurance Agency, Inc. (“FCIA”), FRAMAL and First Commonwealth Financial Advisors, (“FCFA”). We provide a diversified array of consumer and commercial banking services through our bank subsidiary, FCB. We also provide trust and wealth management services and offer insurance products through FCB and our other operating subsidiaries. At December 31, 2022, we had total assets of \$9.8 billion, total loans of \$7.7 billion, total deposits of \$8.0 billion and shareholders’ equity of \$1.1 billion. Our principal executive office is located at 601 Philadelphia Street, Indiana, Pennsylvania 15701, and our telephone number is (724) 349-7220.

FCB is a Pennsylvania bank and trust company. At December 31, 2022, the Bank operated 119 community banking offices throughout western and central Pennsylvania, and northeastern, central and southwestern Ohio, as well as corporate banking centers in Pittsburgh, Pennsylvania, and Columbus, Canton and Cleveland, Ohio, and mortgage banking offices in Wexford, Pennsylvania, and Hudson, Westlake and Lewis Center, Ohio. The Bank also operates a network of 132 automated teller machines, or ATMs, at various branch offices and offsite locations. All of our ATMs are part of the NYCE and MasterCard/Cirrus networks, both of which operate nationwide. The Bank is a member of the Allpoint ATM network, which allows surcharge-free access to over 55,000 ATMs. The Bank is also a member of the “Freedom ATM Alliance,” which affords cardholders surcharge-free access to a network of over 350 ATMs in over 50 counties in Pennsylvania, Maryland, New York, and Ohio.

Historical and Recent Developments

FCB began in 1934 as First National Bank of Indiana. First National Bank of Indiana changed its name to National Bank of the Commonwealth in 1971 and became a subsidiary of First Commonwealth in 1983.

Since the formation of the holding company in 1983, we have grown steadily through the acquisition of smaller banks and thrifts in our market area, including Deposit Bank in 1984, Dale National Bank and First National Bank of Leechburg in 1985, Citizens National Bank of Windber in 1986, Peoples Bank and Trust Company in 1990, Central Bank in 1992, Peoples Bank of Western Pennsylvania in 1993, and Unitas National Bank and Reliable Savings Bank in 1994. In 1995, we merged all of our banking subsidiaries (other than Reliable Savings Bank) into Deposit Bank and renamed the resulting institution “First Commonwealth Bank.” We then merged Reliable Savings Bank into FCB in 1997. We acquired Southwest Bank in 1998 and merged it into FCB in 2002.

We expanded our presence in the Pittsburgh market through the acquisitions of Pittsburgh Savings Bank (dba BankPittsburgh) in 2003, Great American Federal in 2004 and Laurel Savings Bank in 2006. These acquisitions added 27 branches in Allegheny and Butler Counties.

In 2015, we expanded into central Ohio through the acquisition of First Community Bank with four branches in the Columbus area. In 2016, we acquired 13 branches from FirstMerit Bank, National Association, in Canton-Massillon and Ashtabula, Ohio and in 2017, we acquired DCB Financial Corp, (“DCB”) and its banking subsidiary The Delaware County Bank and Trust Company with nine full-service banking offices in the Columbus, Ohio MSA. In 2018, we acquired Garfield Acquisition Corp., and its banking subsidiary Foundation Bank with five full-service banking offices in the Cincinnati, Ohio area. Additionally, since 2014, we have expanded our presence in the Ohio market by opening a corporate loan production office in Columbus, Canton and Cleveland, Ohio, and mortgage loan offices in Hudson, Canfield and Lewis Center, Ohio.

In 2019, we expanded our Pennsylvania markets into State College, Lock Haven, Williamsport and Lewisburg through the acquisition of 14 branches from Santander Bank, N.A.

On August 30, 2022, we entered into an agreement and plan of merger to acquire Centric Financial Corporation (“Centric”) and its banking subsidiary Centric Bank, which operates branches located in Harrisburg, Hershey, Mechanicsburg, Camp Hill, Doylestown, Devon, and Lancaster, Pennsylvania, and loan production offices in Lancaster and Devon, Pennsylvania. We completed the acquisition of Centric on January 31, 2023.

We have also focused on organic growth, improving the reach of our franchise and the breadth of our product offering. As part of this strategy, we have opened fourteen de novo branches since 2005, all of which are in the greater Pittsburgh area. As a result of our prior acquisitions and de novo strategy, FCB operates 47 branches and a corporate banking center in the Pittsburgh metropolitan statistical area (“MSA”) and currently ranks tenth in deposit market share in the Pittsburgh MSA. In the first quarter of 2022, we entered the equipment leasing and finance business with a division based in the suburban Philadelphia area.

Our operating objectives include expansion, diversification within our markets, growth of our fee-based income, and growth internally and through acquisitions of financial institutions, branches, and financial services businesses. We generally seek merger or acquisition partners that are culturally similar, have experienced management and possess either significant market presence or have potential for improved profitability through financial management, economies of scale and expanded services. We regularly evaluate merger and acquisition opportunities and, from time to time, conduct due diligence activities related to possible transactions with other financial institutions and financial services companies. As a result, merger or acquisition discussions and, in some cases, negotiations, may take place and future merger acquisitions involving cash, debt or equity securities may occur. Acquisitions typically involve the payment of a premium over book and market values, and, therefore, some dilution of First Commonwealth's tangible book value and net income per common share may occur in connection with any future transaction. Our ability to engage in certain merger or acquisition transactions, whether or not any regulatory approval is required, will be dependent upon our bank regulators' views at the time as to our capital levels, quality of management and our overall condition and their assessment of a variety of other factors. Certain merger or acquisition transactions, including those involving the acquisition of a depository institution or the assumption of the deposits of any depository institution, require formal approval from various bank regulatory authorities, which will be subject to a variety of factors and considerations.

Loan Portfolio

The Company's loan portfolio includes several categories of loans that are discussed in detail below.

Commercial, Financial, Agricultural and Other

Commercial, financial, agricultural and other loans represent term loans used to acquire business assets or revolving lines of credit used to finance working capital. These loans are generally secured by a first lien position on the borrower's business assets as a secondary source of repayment. The type and amount of the collateral varies depending on the amount and terms of the loan, but generally may include accounts receivable, inventory, equipment or other assets. Loans also may be supported by personal guarantees from the principals of the commercial loan borrowers.

Commercial loans are underwritten for credit-worthiness based on the borrowers' financial information, cash flow, net worth, prior loan performance, existing debt levels, type of business and the industry in which it operates. Advance rates on commercial loans are generally collateral-dependent and are determined based on the type of equipment, the mix of inventory and the quality of receivables.

Credit risk for commercial loans can arise from a borrower's inability or unwillingness to repay the loan, and in the case of secured loans, from a shortfall in the collateral value in relation to the outstanding loan balance in the event of a default and subsequent liquidation of collateral. The Company's Credit Policy establishes loan concentration limits by borrower, geography and industry.

Commercial Real Estate

Commercial real estate loans represent term loans secured by owner-occupied and non-owner occupied properties. Commercial real estate loans are underwritten based on an evaluation of each borrower's cash flow as the principal source of loan repayment, and are generally secured by a first lien on the property as a secondary source of repayment. Our underwriting process for non-owner occupied properties evaluates the history of occupancy, quality of tenants, lease terms, operating expenses and cash flow. Commercial real estate loans are subject to the same credit evaluation as previously described for commercial loans. Approximately 20%, by principal amount, of our commercial real estate loans involve owner-occupied properties.

For loans secured by commercial real estate, at origination the Company obtains current and independent appraisals from licensed or certified appraisers to assess the value of the underlying collateral. The Company's general policy for commercial real estate loans is to limit the terms of the loans to not more than 10 years with loan-to-value ratios not exceeding 80% on owner-occupied and income producing properties. For non-owner occupied commercial real estate loans, the loan terms are generally aligned with the property's lease terms and are generally underwritten with a loan-to-value ratio not exceeding 75%.

Credit risk for commercial real estate loans can arise from economic conditions that could impact market demand, rental rates and property vacancy rates and declines in the collateral value in relation to the outstanding loan balance in the event of a default and subsequent liquidation of collateral.

Real Estate Construction

Real estate construction represents financing for real estate development. The underwriting process for these loans is designed to confirm that the project will be economically feasible and financially viable upon completion and is generally conducted as

though the Company would be providing permanent financing for the project. Development and construction loans are secured by the properties under development or construction, and personal guarantees are typically obtained as a secondary repayment source. The Company considers the financial condition and reputation of the borrower and any guarantors and generally requires a global cash flow analysis in order to assess the overall financial position of the developer.

Construction loans to residential builders are generally made for the construction of residential homes for which a binding sales contract exists and for which the prospective buyers have been pre-qualified for permanent mortgage financing by either third-party lenders or the Company. These loans are generally for a period of time sufficient to complete construction.

Residential construction loans to individuals generally provide for the payment of interest only during the construction phase. At the end of the construction phase, substantially all of our loans automatically convert to permanent mortgage loans and can either be retained in our loan portfolio or sold on the secondary market.

Credit risk for real estate construction loans can arise from construction delays, cost overruns, failure of the contractor to complete the project to specifications and economic conditions that could impact demand for or supply of the property being constructed.

Residential Real Estate

Residential real estate loans include first lien mortgages used by the borrower to purchase or refinance a principal residence and home equity loans and lines of credit secured by residential real estate. The Company's underwriting process for these loans determines credit-worthiness based upon debt-to-income ratios, collateral values and other relevant factors.

Credit risk for residential real estate loans can arise from a borrower's inability or unwillingness to repay the loan or a shortfall in the value of the residential real estate in relation to the outstanding loan balance in the event of a default and subsequent liquidation of the real estate collateral.

The residential real estate portfolio includes both conforming and non-conforming mortgage loans. Conforming mortgage loans represent loans originated in accordance with underwriting standards set forth by the government-sponsored entities, including the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and the Government National Mortgage Association, which serve as the primary purchasers of loans sold in the secondary mortgage market by mortgage lenders. These loans are generally collateralized by one-to-four-family residential real estate, have loan-to-collateral value ratios of 80% or less (or have mortgage insurance to insure down to 80%), and are made to borrowers in good credit standing. Non-conforming mortgage loans represent loans that generally are not saleable in the secondary market to the government-sponsored entities due to factors such as the credit characteristics of the borrower, the underlying documentation, the loan-to-value ratio, or the size of the loan. The Company does not offer "subprime," "interest-only" or "negative amortization" mortgages.

Home equity lines of credit and other home equity loans are originated by the Company for typically up to 90% of the appraised value, less the amount of any existing prior liens on the property. Additionally, the Company's credit policy requires borrower FICO scores of not less than 661 and a debt-to-income ratio of not more than 43%.

Loans to Individuals

The loans to individuals category includes consumer installment loans, personal lines of credit, consumer credit cards and indirect automobile and recreational vehicle loans. Credit risk for consumer loans can arise from a borrower's inability or unwillingness to repay the loan, and in the case of secured loans, by a shortfall in the value of the collateral in relation to the outstanding loan balance in the event of a default and subsequent liquidation of collateral.

The underwriting criteria for automobile loans generally allows for such loans to be made for up to 100% of the purchase price or the retail value of the vehicle as listed by the National Automobile Dealers Association. The terms of the loan are determined by the age and condition of the collateral, and range from 36 to 84 months. Collision insurance policies are required on all automobile loans. The Company also makes other consumer loans, which may or may not be secured. The terms of secured consumer loans generally depend upon the nature of the underlying collateral. Unsecured consumer loans and consumer credit cards usually do not exceed \$35 thousand. Unsecured consumer loans usually have a term of no longer than 36 months.

Deposits

Deposits are our primary source of funds to support our revenue-generating assets. We offer traditional deposit products to businesses and other customers with a variety of rates and terms. Deposits at our bank are insured by the FDIC up to statutory limits. We price our deposit products with a view to maximizing our share of each customer's financial services business and prudently managing our cost of funds. At December 31, 2022, we held \$8.0 billion of total deposits, which consisted of \$2.7

billion, or 33%, in non-interest bearing checking accounts, \$4.9 billion, or 62%, in interest-bearing checking accounts, money market and savings accounts, and \$0.4 billion, or 5%, in CDs and IRAs.

Competition

The banking and financial services industry is extremely competitive in our market area. We face vigorous competition for customers, loans and deposits from many companies, including commercial banks, savings and loan associations, finance companies, credit unions, trust companies, mortgage companies, money market mutual funds, insurance companies, and brokerage and investment firms. Many of these competitors are significantly larger than us, have greater resources, higher lending limits and larger branch systems and offer a wider array of financial services than us. In addition, some of these competitors, such as credit unions, are subject to a lesser degree of regulation or taxation than banks.

Human Capital Resources

Workforce Composition and Demographics

At December 31, 2022, First Commonwealth and its subsidiaries employed 1,403 full-time employees and 74 part-time employees with 636 exempt and 841 non-exempt employees. The average age of the workforce is 43.6 years and the average tenure is 7.9 years. Our workforce is 66% female.

Diversity & Inclusion

We continue to accelerate our focus on and action towards Diversity & Inclusion ("D&I") in several key ways. Vicki L. Fox, Senior Vice President/Diversity & Inclusion Officer, has overall responsibility for identifying and mentoring diverse talent, keeping management apprised of emerging D&I issues, and evolving our D&I practices. Ms. Fox works closely with our Regional Community Reinvestment Act Officers and Community Engagement Manager to deepen the connections with our company and communities, especially our Pittsburgh and Central Ohio markets.

Ms. Fox serves as the co-chair of our Diversity & Inclusion Committee, along with T. Michael Price, CEO. The Committee is comprised of executive, senior leadership and diverse employees and is actively involved in developing and overseeing efforts to support our D&I initiatives.

The following is a summary of D&I initiatives in 2022:

- We distributed regional and line of business diversity scorecards in each of our five regions and to our executive officers for their units to increase accountability for diversity in our workforce.
- In addition to our already established African American employee resource group, we created groups to include our Hispanic Heritage and LGBTQ employee base. The groups' purpose is to provide support in personal and career development, offer diverse perspectives into the workplace and create a safe space where employees can bring their authentic selves to the table.
- Our strong partnership with BankWork\$ continued in our Pittsburgh market. Through a structured training program, BankWork\$ prepares people from underserved communities for entry-level, branch roles in banking. First Commonwealth actively participates by engaging in classroom discussions with students, attending job fairs and hiring graduates.
- We connected with the Ohio Banker's League Summer Bank Institute. This program is designed to recruit diverse interns for the banking industry, which resulted in hiring two summer interns at First Commonwealth.
- First Commonwealth served as a corporate sponsor for EmployHER Pittsburgh, a new program dedicated to providing marginalized women looking to enter or re-enter the workforce with resources and support.

Our focus on D&I has produced meaningful progress in several scorecard categories. As of December 31, 2022, racial minorities comprised 7% of the workforce. Racial minorities and women comprised 5% and 50.8%, respectively of those in leadership positions (defined by corporate title Assistant Vice President and higher). Women, including one racial minority, hold three seats on our Board of Directors.

Several of our employees were recognized for their work advancing D&I, including Jane Grebenc, Chief Revenue Officer and Bank President, who was recognized by PA Business Central Top Women CEO's. T. Michael Price, CEO, received the PA Bankers Association Diversity, Equity & Inclusion Changemaker Award. Other employees received external recognitions, including, PA Bankers Association Young Professional Champion, and PA Business Central Top 100 People recognition.

Talent Attraction and Retention

Our employees are key to the success of delivering our mission as an organization and achieving our financial targets. We are committed to attracting, retaining and promoting top quality talent regardless of race, color, religion, gender, sexual orientation, national origin, age, disability, marital status, military status, genetic information or any other category protected by federal, state and local laws. We strive to identify and select the best candidates for all open positions based on qualifying factors for each job. We are dedicated to providing a workplace environment and culture for our employees that is inclusive, supportive, and free of any form of discrimination or harassment; rewarding and recognizing our employees based on their individual results and performance; and recognizing and respecting all of the characteristics and differences that make each of our employees unique.

Talent Development

Guided by executive leadership, our Strategic and Inspired Leadership ("SAIL") program is in place to strengthen our senior leadership. Over 150 of our leaders are involved in quarterly forums and regional "musters" (or meetings) that focus on relevant topics, such as our strategic and operating plans, D&I, leadership development, employee engagement and learning & growth opportunities. The sessions are informative and collaborative and valued by the participants.

Since 2009, we've supported a mentorship program, open to all employees. The program provides 1:1 mentorship pairings, group development sessions and volunteer opportunities. In 2022, there were a total of 136 participants, including 80 women and 17 racial minorities.

Within our retail unit, we provide a career development program for entry level employees to help them achieve positions of increased opportunity. Leaders are given industry-specific training as well as development opportunities to understand their strengths and improve coaching and execution skills. Lastly, we invest in an established, industry-specific and developmental training course library from which all employees benefit.

Our talent acquisition priority is to foster the development of internal talent and to provide career advancement opportunities to our employees. In 2022, we promoted 200 employees, of whom 65% were female and 6% were self-identified minorities.

We leveraged the lessons learned as a result of remote work through the pandemic to effectively structure and deliver a permanent telecommuting policy and program with approximately 28% of our workforce permanently telecommuting as of December 31, 2022. We believe that flexible work location opportunities will allow us to broaden our candidate pool and retain employees whose jobs can be performed remotely.

We listen to our employees through market visits, executive forums and our annual employee engagement survey. In 2022, 75.6% of our employees completed the annual survey. Our overall rating exceeded that of the financial services industry and all companies that utilize our survey provider. The survey reflected that employees have fulfillment in working for a community bank and making a difference. They are satisfied with their jobs and First Commonwealth as a whole.

Our employment turnover for 2022 was calculated at 28.1%, which is generally aligned with industry benchmarks.

Compensation and Benefits

We strive to provide a competitive and fair total compensation package to our employees. We price positions against recent industry benchmark reports and salary surveys to establish salary ranges. In 2022, we made significant steps to attract and retain employees in our retail and operations units by increasing the base pay in several positions to align with career advancement opportunities and to address market competition and wage compression.

Employee benefits plans support employees with insurance, retirement and work/life plans. Our health plan is structured with a tiered premium approach in which 35% of plan participants are in the lowest tier and pay a lower monthly premium than the other two higher paying tiers. Our 401k plan offers an employer match on employee contributions of up to 4% of eligible earnings. We offer a variety of other benefits, including life insurance and disability plans, a generous paid-time off policy, and a wide array of voluntary plan options.

Health and Safety

We continue to prioritize the safety and well-being of our employees, customers, partners and communities through healthy workplace practices and consistent communication reminders and updates.

We also support our employees by offering several resources. An employee assistance program connects employees with resources to help them in certain life situations, such as personal counselling, legal services, and adoption.

We also partner with a wellness vendor to provide our healthcare members personal access to their own Health Advisor to coordinate care, and to have free access to nutrition counseling, fitness and financial coaching, mental and emotional health

specialists, and condition management services. They receive healthy living emails and resources with helpful wellness tips, success stories, and inspirations to guide them on their own wellness journeys. A Concierge Care program is available to help healthcare members navigate the complexities of healthcare. They work to coordinate care needs with doctors, caregivers and pharmacists. We also offer an interest-free advance up to the healthcare member's deductible and out-of-pocket limits with payroll deduction payback options.

In 2022, we introduced our paid maternity leave benefit that provides ten weeks and our paid parental leave that provides three weeks of fully paid leave for full time employees with more than one year of service. We also provide a structure for employees with less tenure and for part time employees. In addition to providing the paid maternity leave for birth mothers, the parental leave is extended to biological, foster, or adoptive mothers or fathers; legal spouses or domestic partners of the birth, foster, or adoptive parent; or appointed legal guardians.

Lastly, our employees support each other through Hearts2Hands, an employee-funded program that provides financial assistance to employees who experience hardships.

Culture and Engagement

Our culture is rooted in our core values of accountability, customer focus, integrity, excellence and inclusion, and in our mission to improve the financial lives of our neighbors and their businesses. We practice a Customer Service Promise of five critical behaviors that we encourage every one of our employees to demonstrate at every customer interaction – internal or external – with the intent of creating an extraordinary customer experience, which is measured by our customer satisfaction scores. The five behaviors are to put customers first, be relentless, inspire confidence, champion simplicity and obsess with yes.

We are proud that we were selected as a Forbes World's Best Bank in 2022 for the fourth consecutive year and earned the #1 SBA lender ranking in the Pittsburgh district for the second consecutive year. We were the #2 SBA lender across all of Pennsylvania and a top SBA lender in our Ohio markets. Based on employee feedback, First Commonwealth was named a Top Workplace in the Pittsburgh area in 2022 for the fourth consecutive year.

In 2022, First Commonwealth supported our communities with more than \$1,900,000 in community giving reaching nearly 700 different organizations. More than 50% of that giving is CRA eligible meaning that it's directed into low to moderate income communities where we anticipate it's needed the most. That percentage in 2021 was 35%. Our employees provided 12,000 volunteer hours including about 600 hours of financial education reaching more than 7,000 participants with topics ranging from financial literacy for elementary age children, to preparing for retirement and fraud awareness for retired individuals. To recognize employees who go above and beyond in their volunteerism and community engagement, we present a quarterly "Golden Tower" award which includes \$1,000 for the recipient to give to a charitable organization of their choice. We provide corporate support for the United Way, including an employee campaign which exceeded our 2022 goal with employee contributions of \$92,000, a 13.9% increase over 2021. With the company match, that meant \$184,000 donated to United Way chapters throughout our footprint.

Supervision and Regulation

The following discussion sets forth the material elements of the regulatory framework applicable to financial holding companies, such as First Commonwealth, and their subsidiaries. The regulatory framework is intended primarily for the protection of depositors, other customers and the federal deposit insurance fund and not for the protection of security holders. The rules governing the regulation of financial institutions and their holding companies are very detailed and technical. Accordingly, the following discussion is general in nature and is not intended to be complete or to describe all the laws and regulations that apply to First Commonwealth and its subsidiaries. A change in applicable statutes, regulations or regulatory policy may have a material adverse effect on our business, financial condition or results of operations.

Bank Holding Company Regulation

First Commonwealth is registered as a financial holding company under the Bank Holding Company Act of 1956, as amended ("BHC Act"), and is subject to supervision and regulation by the Board of Governors of the Federal Reserve System ("FRB").

Acquisitions. Under the BHC Act, First Commonwealth is required to obtain the prior approval of the FRB before it can merge or consolidate with any other bank holding company or acquire all or substantially all of the assets of any bank that is not already majority owned by it, or acquire direct or indirect ownership, or control of, any voting shares of any bank that is not already majority owned by it, if after such acquisition it would directly or indirectly own or control more than 5% of the voting shares of such bank. In reviewing applications seeking approval of merger and acquisition transactions, the bank regulatory authorities will consider, among other things, the competitive effect and public benefits of the transactions, the financial, (including capital) position of the combined organization, the risks to the stability of the U.S. banking or financial system, the applicant's performance record under the Community Reinvestment Act ("CRA") and its compliance with fair housing and other consumer protection laws and the effectiveness of the subject organizations in combating money laundering activities.

Banking Holding Company Activities. In general, the BHC Act limits the business of bank holding companies to banking, managing or controlling banks and other activities that the FRB has determined to be so closely related to banking as to be a proper incident thereto. In addition, bank holding companies that qualify and elect to be financial holding companies such as First Commonwealth may engage in any activity, or acquire and retain the shares of a company engaged in any activity, that is either (i) financial in nature or incidental to such financial activity or (ii) complementary to a financial activity and does not pose a substantial risk to the safety and soundness of depository institutions or the financial system generally, without in either case the prior approval of the FRB. Activities that are financial in nature include securities underwriting and dealing, insurance agency activities and making merchant banking investments.

To maintain financial holding company status, a financial holding company and all of its depository institution subsidiaries must be well capitalized and well managed. A depository institution subsidiary is considered to be well capitalized if it satisfies the requirements for this status discussed in the section below captioned "Prompt Corrective Action." A depository institution subsidiary is considered well managed if it received a composite rating and management rating of at least satisfactory in its most recent examination. A financial holding company's status will also depend upon maintaining its status as well capitalized and well managed under applicable FRB regulations. If a financial holding company ceases to meet these capital and management requirements, the FRB's regulations provide that the financial holding company must enter into an agreement with the FRB to comply with all applicable capital and management requirements. Until the financial holding company returns to compliance, the FRB may impose limitations or conditions on the conduct of its activities, and the company may not commence any of the broader financial activities permissible for financial holding companies or acquire a company engaged in such financial activities without prior approval of the FRB. If the company does not return to compliance within 180 days, the FRB may require divestiture of the holding company's depository institutions.

In order for a financial holding company to commence any new activity permitted by the BHC Act or to acquire a company engaged in any new activity permitted by the BHC Act, each insured depository institution subsidiary of the financial holding company must have received a rating of at least satisfactory in its most recent examination under the CRA.

The FRB has the power to order any bank holding company or its subsidiaries to terminate any activity or to terminate its ownership or control of any subsidiary when the FRB has reasonable grounds to believe that continuation of such activity or such ownership or control constitutes a serious risk to the financial soundness, safety or stability of any bank subsidiary of the bank holding company.

Reporting. Under the BHC Act, First Commonwealth is subject to examination by the FRB and is required to file periodic reports and other information of its operations with the FRB.

Source of Strength Doctrine. FRB policy and federal law require bank holding companies to act as a source of financial and managerial strength to their subsidiary banks. First Commonwealth is expected to commit resources to support FCB, including at times when First Commonwealth may not be in a financial position to provide such resources. Any capital loans by a bank holding company to any of its subsidiary banks are subordinate in right of payment to deposits and to certain other indebtedness of such subsidiary banks. In the event of a bank holding company's bankruptcy, any commitment by the bank holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank will be assumed by the bankruptcy trustee and entitled to priority of payment.

Affiliate Transactions. Transactions between FCB, on the one hand, and First Commonwealth Financial Corporation and its other subsidiaries, on the other hand, are regulated under federal banking laws. The Federal Reserve Act imposes quantitative and qualitative requirements and collateral requirements on covered transactions by FCB with, or for the benefit of, its affiliates, and generally requires those transactions to be on terms at least as favorable to FCB as if the transaction were conducted with an unaffiliated third party. Covered transactions are defined by statute to include a loan or extension of credit, as well as a purchase of securities issued by an affiliate, a purchase of assets (unless otherwise exempted by the FRB) from the affiliate, certain derivative transactions that create a credit exposure to an affiliate, the acceptance of securities issued by the affiliate as collateral for a loan, and the issuance of a guarantee, acceptance or letter of credit on behalf of an affiliate. In general, any such transaction by FCB (or its subsidiaries) must be limited to certain thresholds on an individual and aggregate basis and, for credit transactions with any affiliate, must be secured by designated amounts of specified collateral.

SEC Regulations. First Commonwealth is also under the jurisdiction of the Securities and Exchange Commission ("SEC") and various state securities commissions for matters relating to the offer and sale of its securities and is subject to the SEC rules and regulations relating to periodic reporting, proxy solicitation and insider trading.

Bank Regulation

FCB is a state bank chartered under the Pennsylvania Banking Code and is not a member of the FRB. As such, FCB is subject to the supervision of, and is regularly examined by, both the Federal Deposit Insurance Corporation ("FDIC") and the Pennsylvania Department of Banking and Securities and is required to furnish quarterly reports to both agencies. The approval of the Pennsylvania Department of Banking and Securities and FDIC is also required for FCB to establish additional branch offices or merge with or acquire another banking institution.

Dividends. First Commonwealth is a legal entity separate and distinct from its banking and other subsidiaries. As a bank holding company, First Commonwealth is subject to certain restrictions on its ability to pay dividends under applicable banking laws and regulations. Federal bank regulators are authorized to determine under certain circumstances relating to the financial condition of a bank holding company or a bank that the payment of dividends would be an unsafe or unsound practice and to prohibit payment thereof. In particular, federal bank regulators have stated that paying dividends that deplete a banking organization's capital base to an inadequate level would be an unsafe and unsound banking practice and that banking organizations should generally pay dividends only out of current operating earnings.

A significant portion of our income comes from dividends from our bank, which is also the primary source of our liquidity. In addition to the restrictions discussed above, our bank is subject to limitations under Pennsylvania law regarding the level of dividends that it may pay to us. In general, dividends may be declared and paid only out of accumulated net earnings and may not be declared or paid unless surplus is at least equal to capital. Dividends may not reduce surplus without the prior consent of the Pennsylvania Department of Banking and Securities. FCB has not reduced its surplus through the payment of dividends. As of December 31, 2022, FCB could pay dividends to First Commonwealth of \$294.3 million without reducing its capital levels below "well capitalized" levels and without the approval of the Pennsylvania Department of Banking and Securities.

Community Reinvestment. Under the Community Reinvestment Act ("CRA") a bank has a continuing and affirmative obligation, consistent with its safe and sound operation, to help meet the credit needs of its entire community, including low and moderate income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions nor does it limit an institution's discretion to develop the types of products and services that it believes are best suited to its particular community, consistent with the CRA. The CRA requires the applicable regulatory agency to assess an institution's record of meeting the credit needs of its community. The CRA requires public disclosure of an institution's CRA rating and requires that the applicable regulatory agency provide a written evaluation of an institution's CRA performance utilizing a four-tiered descriptive rating system. An institution's CRA rating is considered in determining whether to grant charters, branches and other deposit facilities, relocations, mergers, consolidations and acquisitions. Performance less than satisfactory may be the basis for denying an application. For its most recent examination, FCB received a "satisfactory" rating.

In May 2022, the Federal Reserve Board, the FDIC and the Office of the Comptroller of the Currency ("OCC") issued a joint proposal that would, among other things (i) expand access to credit, investment and basic banking services in low- and moderate-income communities, (ii) adapt to changes in the banking industry, including internet and mobile banking, (iii) provide greater clarity, consistency and transparency in the application of the regulations and (iv) tailor performance standards to account for differences in bank size, business model, and local conditions. We will continue to evaluate the impact of any changes to the regulations implementing the CRA and their impact to our financial condition, results of operations, and/or liquidity, which cannot be predicted at this time.

Consumer Financial Protection. We are subject to a number of federal and state consumer protection laws that extensively govern our relationship with our customers. These laws include the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Truth in Lending Act, the Truth in Savings Act, the Electronic Fund Transfer Act, the Expedited Funds Availability Act, the Home Mortgage Disclosure Act, the Fair Housing Act, the Real Estate Settlement Procedures Act, the Fair Debt Collection Practices Act, the Service Members Civil Relief Act and these laws' respective state-law counterparts, as well as state usury laws and laws regarding unfair and deceptive acts and practices. These and other federal laws, among other things, require disclosures of the cost of credit and terms of deposit accounts, provide substantive consumer rights, prohibit discrimination in credit transactions, regulate the use of credit report information, provide financial privacy protections, prohibit unfair, deceptive and abusive practices, restrict our ability to raise interest rates and subject us to substantial regulatory oversight. Violations of applicable consumer protection laws can result in significant potential liability from litigation brought by customers, including actual damages, restitution and attorneys' fees. Federal bank regulators, state attorneys general and state and local consumer protection agencies may also seek to enforce consumer protection requirements and obtain these and other remedies, including regulatory sanctions, customer rescission rights, action by the state and local attorneys general in each jurisdiction in which we operate and civil money penalties. Failure to comply with consumer protection requirements may also result in our failure to obtain any required bank regulatory approval for merger or acquisition transactions we may wish to pursue or our prohibition from engaging in such transactions even if approval is not required.

The Consumer Financial Protection Bureau ("CFPB") has broad rulemaking, supervisory and enforcement powers under various federal consumer financial protection laws. Although all institutions are subject to rules adopted by the CFPB and

examination by the CFPB in conjunction with examinations by the institution's primary federal regulator, the CFPB has primary examination and enforcement authority over institutions with assets of \$10 billion or more. Because First Commonwealth exceeded the \$10 billion asset threshold with the acquisition of Centric, the Bank will become subject to the CFPB's supervision and enforcement with respect to federal consumer protection laws. State authorities are responsible for monitoring our compliance with all state consumer laws.

Deposit Insurance. Deposits of FCB are insured up to applicable limits by the FDIC and are subject to deposit insurance assessments to maintain the Deposit Insurance Fund ("DIF"). Deposit insurance assessments are based upon average total assets minus average total equity. The insurance assessments are based upon a matrix that takes into account a bank's capital level and supervisory rating. The FDIC may terminate deposit insurance upon a finding that the institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC. As an institution with less than \$10 billion in assets, FCB's assessment rates for 2022 were based on its risk classification (i.e., the level of risk it poses to the FDIC's deposit insurance fund). Having crossed the \$10 billion asset threshold in 2023, assessment rates for future periods will be calculated using a scorecard that combines the supervisory risk ratings of the institution with certain forward-looking financial measures. These assessment rates are subject to adjustments based upon the insured depository institution's ratio of long-term unsecured debt to the assessment base, long-term unsecured debt issued by other insured depository institutions to the assessment base, and brokered deposits to the assessment base. However, the adjustments based on brokered deposits to the assessment base will not apply so long as the institution is well capitalized and has a composite CAMELS rating of 1 or 2. The CAMELS rating system is a bank rating system where bank supervisory authorities rate institutions according to six factors: capital adequacy, asset quality, management quality, earnings, liquidity and sensitivity to market risk. The FDIC may make additional discretionary assessment rate adjustments.

In October 2022, the FDIC adopted a final rule to increase the initial base deposit insurance assessment rate schedules uniformly by 2 basis points beginning with the first quarterly assessment period of 2023. The increased assessment is expected to improve the likelihood that the DIF reserve ratio would reach the statutory minimum of 1.35% by the statutory deadline prescribed under the FDIC's amended restoration plan.

Capital Requirements

First Commonwealth and FCB are each required to comply with applicable capital adequacy standards established by the FRB.

In July 2013, the federal bank regulators approved final rules (the "Basel III Capital Rules") implementing the Basel III framework as well as certain provisions of the Dodd-Frank Act. Since fully phased in on January 1, 2019, the Basel III Capital Rules require First Commonwealth and FCB to maintain the following:

- A minimum ratio of Common Equity Tier 1 ("CET1") to risk-weighted assets of at least 4.5%, plus a 2.5% "capital conservation buffer" (resulting in a minimum ratio of CET1 to risk-weighted assets of 7.0%);
- A minimum ratio of Tier 1 capital to risk-weighted assets of at least 6.0%, plus the capital conservation buffer (resulting in a minimum Tier 1 capital ratio of 8.5%);
- A minimum ratio of total capital (Tier 1 capital plus Tier 2 capital) to risk-weighted assets of at least 8.0%, plus the capital conservation buffer (resulting in a minimum total capital ratio of 10.5%); and
- A minimum leverage ratio of 4.0%, calculated as the ratio of Tier 1 capital to average consolidated assets as reported on consolidated financial statements (known as the "leverage ratio").

Banking institutions that fail to meet the effective minimum ratios once the capital conservation buffer is taken into account, as detailed above, will be subject to constraints on capital distributions, including dividends and share repurchases, and certain discretionary executive compensation. The severity of the constraints depends on the amount of the shortfall and the institution's "eligible retained income" (that is, four quarter trailing net income, net of distributions and tax effects not reflected in net income).

The Basel III Capital Rules provide for a number of deductions from and adjustments to CET1. These include, for example, the requirement that mortgage servicing rights, deferred tax assets arising from temporary differences that could not be realized through net operating loss carrybacks and significant investments in non-consolidated financial entities be deducted from CET1 to the extent that any one such category exceeds 10% of CET1 or all such categories in the aggregate exceed 15% of CET1. During 2015, First Commonwealth and FCB made a one-time permanent election, as permitted under Basel III Capital Rules, to exclude the effects of accumulated other comprehensive income items for the purposes of determining regulatory capital ratios.

With respect to FCB, the Basel III Capital Rules also revise the "prompt corrective action" regulations pursuant to Section 38 of the Federal Deposit Insurance Act, as discussed below under "Prompt Corrective Action." The Basel III Capital Rules prescribe a standardized approach for risk weightings that expand the risk-weighting categories from the general risk-based capital rules

to a much larger and more risk-sensitive number of categories, depending on the nature of the assets, generally ranging from 0% for U.S. government and agency securities, to 600% for certain equity exposures, and resulting in higher risk weights for a variety of asset categories.

In August 2022, the Inflation Reduction Act of 2022 (the “IRA”) was enacted. Among other things, the IRA imposes a new 1% excise tax on the fair market value of stock repurchased after December 31, 2022 by publicly traded U.S. corporations. With certain exceptions, the value of stock repurchased is determined net of stock issued in the year, including shares issued pursuant to compensatory arrangements.

Liquidity Requirements

The Basel III liquidity framework requires banks and bank holding companies to measure their liquidity against specific liquidity tests. One test, referred to as the liquidity coverage ratio (“LCR”), is designed to ensure that the banking entity maintains an adequate level of unencumbered high-quality liquid assets equal to the entity’s expected net cash outflow for a 30-day time horizon (or, if greater, 25% of its expected total cash outflow) under an acute liquidity stress scenario. The other test, referred to as the net stable funding ratio (“NSFR”), is designed to promote more medium- and long-term funding of the assets and activities of banking entities over a one-year time horizon. Rules applicable to certain large banking organizations have been implemented for LCR and proposed for NSFR; however, based on our asset size, these rules do not currently apply to First Commonwealth and FCB.

Prompt Corrective Action

The Federal Deposit Insurance Act, as amended (“FDIA”), requires, among other things, the federal banking agencies to take “prompt corrective action” in respect of depository institutions that do not meet minimum capital requirements. The FDIA includes the following five capital tiers: “well capitalized,” “adequately capitalized,” “undercapitalized,” “significantly undercapitalized” and “critically undercapitalized.” A depository institution’s capital tier will depend upon how its capital levels compare with various relevant capital measures and certain other factors, as established by regulation. The relevant capital measures are the total capital ratio, the CET1 capital ratio (a new ratio requirement under the Basel III Capital Rules), the Tier 1 capital ratio and the leverage ratio.

A bank will be (i) “well capitalized” if the institution has a total risk-based capital ratio of 10.0% or greater, a CET1 capital ratio of 6.5% or greater, a Tier 1 risk-based capital ratio of 8.0% or greater, and a leverage ratio of 5.0% or greater, and is not subject to any order or written directive by any such regulatory authority to meet and maintain a specific capital level for any capital measure; (ii) “adequately capitalized” if the institution has a total risk-based capital ratio of 8.0% or greater, a CET1 capital ratio of 4.5% or greater, a Tier 1 risk-based capital ratio of 6.0% or greater, and a leverage ratio of 4.0% or greater and is not “well capitalized”; (iii) “undercapitalized” if the institution has a total risk-based capital ratio that is less than 8.0%, a CET1 capital ratio less than 4.5%, a Tier 1 risk-based capital ratio of less than 6.0% or a leverage ratio of less than 4.0%; (iv) “significantly undercapitalized” if the institution has a total risk-based capital ratio of less than 6.0%, a CET1 capital ratio less than 3%, a Tier 1 risk-based capital ratio of less than 4.0% or a leverage ratio of less than 3.0%; and (v) “critically undercapitalized” if the institution’s tangible equity is equal to or less than 2.0% of average quarterly tangible assets. An institution may be downgraded to, or deemed to be in, a capital category that is lower than indicated by its capital ratios if it is determined to be in an unsafe or unsound condition or if it receives an unsatisfactory examination rating with respect to certain matters. A bank’s capital category is determined solely for the purpose of applying prompt corrective action regulations, and the capital category may not constitute an accurate representation of the bank’s overall financial condition or prospects for other purposes.

The FDIA generally prohibits a depository institution from making any capital distributions (including payment of a dividend) or paying any management fee to its parent holding company if the depository institution would thereafter be “undercapitalized.” “Undercapitalized” institutions are subject to growth limitations and are required to submit a capital restoration plan. The agencies may not accept such a plan without determining, among other things, that the plan is based on realistic assumptions and is likely to succeed in restoring the depository institution’s capital. In addition, for a capital restoration plan to be acceptable, the depository institution’s parent holding company must guarantee that the institution will comply with such capital restoration plan and must also provide appropriate assurances of performance. The aggregate liability of the parent holding company is limited to the lesser of (i) an amount equal to 5.0% of the depository institution’s total assets at the time it became undercapitalized and (ii) the amount which is necessary (or would have been necessary) to bring the institution into compliance with all capital standards applicable with respect to such institution as of the time it fails to comply with the plan. If a depository institution fails to submit an acceptable plan, it is treated as if it is “significantly undercapitalized.”

In addition, the FDIA prohibits an insured depository institution from accepting brokered deposits or offering interest rates on any deposits significantly higher than the prevailing rate in the bank’s normal market area or nationally (depending upon where the deposits are solicited), unless it is well capitalized or is adequately capitalized and receives a waiver from the FDIC. A

depository institution that is adequately capitalized and accepts brokered deposits under a waiver from the FDIC may not pay an interest rate on any deposit in excess of 75 basis points over certain prevailing market rates.

“Significantly undercapitalized” depository institutions may be subject to a number of requirements and restrictions, including orders to sell sufficient voting stock to become “adequately capitalized,” requirements to reduce total assets, and cessation of receipt of deposits from correspondent banks. “Critically undercapitalized” institutions are subject to the appointment of a receiver or conservator.

The appropriate federal banking agency may, under certain circumstances, reclassify a well-capitalized insured depository institution as adequately capitalized. The FDIA provides that an institution may be reclassified if the appropriate federal banking agency determines (after notice and opportunity for hearing) that the institution is in an unsafe or unsound condition or deems the institution to be engaging in an unsafe or unsound practice.

The appropriate agency is also permitted to require an adequately capitalized or undercapitalized institution to comply with the supervisory provisions as if the institution were in the next lower category (but not treat a significantly undercapitalized institution as critically undercapitalized) based on supervisory information other than the capital levels of the institution.

First Commonwealth believes that, as of December 31, 2022, FCB was a “well-capitalized” bank as defined by the FDIA. See Note 24 “Regulatory Restrictions and Capital Adequacy” of Notes to the Consolidated Financial Statements, contained in Item 8, for a table that provides a comparison of First Commonwealth’s and FCB’s risk-based capital ratios and the leverage ratio to minimum regulatory requirements.

The Volcker Rule

The Dodd-Frank Act prohibits banks and their affiliates from engaging in proprietary trading and investing in and sponsoring hedge funds and private equity funds (so called “covered funds”). The statutory provision is commonly called the “Volcker Rule.” Banks with less than \$10 billion in total consolidated assets, such as FCB, are exempt from the Volcker Rule. However, with the acquisition of Centric in January 2023, we will be over \$10 billion and subject to the Volcker Rule.

Depositor Preference

Under federal law, depositors (including the FDIC with respect to the subrogated claims of insured depositors) and certain claims for administrative expenses of the FDIC as receiver would be afforded a priority over other general unsecured claims against such an institution in the liquidation or other resolution of such an institution by any receiver.

Interchange Fees

Under the Durbin Amendment to the Dodd-Frank Act, the FRB adopted rules establishing standards for assessing whether the interchange fees that may be charged with respect to certain electronic debit transactions are “reasonable and proportional” to the costs incurred by issuers for processing such transactions. Interchange fees, or “swipe” fees, are charges that merchants pay to us and other card-issuing banks for processing electronic payment transactions. Under the final rules, the maximum permissible interchange fee is equal to no more than 21 cents plus 5 basis points of the transaction value for many types of debit interchange transactions. The FRB also adopted a rule to allow a debit card issuer to recover 1 cent per transaction for fraud prevention purposes if the issuer complies with certain fraud-related requirements required by the FRB. The FRB also has rules governing routing and exclusivity that require issuers to offer two unaffiliated networks for routing transactions on each debit or prepaid product.

The Dodd-Frank Act contained an exemption from the interchange fee cap for any debit card issuer that, together with its affiliates, has total assets of less than \$10 billion as of the end of the previous calendar year. As of December 31, 2022, we qualified for this exemption. We earned approximately \$27.6 million in card related interchange income during the 2022 fiscal year. If we had not qualified for this exemption, we estimate that our interchange income would decrease by \$14.1 million. First Commonwealth's total assets are expected to exceed \$10 billion as of December 31, 2023, and as such, we expect to become subject to the interchange fee cap beginning July 1, 2024.

Financial Privacy

The federal banking regulators adopted rules that limit the ability of banks and other financial institutions to disclose non-public information about consumers to nonaffiliated third parties. These limitations require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to a nonaffiliated third party. These regulations affect how consumer information is transmitted through diversified financial companies and conveyed to outside vendors.

Anti-Money Laundering and the USA Patriot Act

A major focus of governmental policy on financial institutions in recent years has been aimed at combating money laundering and terrorist financing. The USA PATRIOT Act of 2001 (the "USA Patriot Act") substantially broadened the scope of United States anti-money laundering laws and regulations by imposing significant new compliance and due diligence obligations, creating new crimes and penalties and expanding the extra-territorial jurisdiction of the United States. Financial institutions are also prohibited from entering into specified financial transactions and account relationships and must use enhanced due diligence procedures in their dealings with certain types of high-risk customers and implement a written customer identification program. Financial institutions must take certain steps to assist government agencies in detecting and preventing money laundering and report certain types of suspicious transactions. Regulatory authorities routinely examine financial institutions for compliance with these obligations, and failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing, or to comply with all of the relevant laws or regulations, could have serious legal and reputational consequences for the institution, including causing applicable bank regulatory authorities not to approve merger or acquisition transactions when regulatory approval is required or to prohibit such transactions even if approval is not required. Regulatory authorities have imposed cease and desist orders and civil money penalties against institutions found to be violating these obligations.

Office of Foreign Assets Control Regulation

The U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") administers and enforces economic and trade sanctions against targeted foreign countries and regimes, under authority of various laws, including designated foreign countries, nationals and others. OFAC publishes lists of specially designated targets and countries. First Commonwealth is responsible for, among other things, blocking accounts of, and transactions with, such targets and countries, prohibiting unlicensed trade and financial transactions with them and reporting blocked transactions after their occurrence. Failure to comply with these sanctions could have serious legal and reputational consequences, including causing applicable bank regulatory authorities not to approve merger or acquisition transactions when regulatory approval is required or to prohibit such transactions even if approval is not required.

Cybersecurity

In March 2015, federal regulators issued two related statements regarding cybersecurity. One statement indicates that financial institutions should design multiple layers of security controls to establish lines of defense and to ensure that their risk management processes also address the risk posed by compromised customer credentials, including security measures to reliably authenticate customers accessing internet-based services of the financial institution. The other statement indicates that a financial institution's management is expected to maintain sufficient business continuity planning processes to ensure the rapid recovery, resumption and maintenance of the institution's operations after a cyber-attack involving destructive malware. A financial institution is also expected to develop appropriate processes to enable recovery of data and business operations and address rebuilding network capabilities and restoring data if the institution or its critical service providers fall victim to this type of cyber-attack. If we fail to observe the regulatory guidance, we could be subject to various regulatory sanctions, including financial penalties.

State regulators have also been increasingly active in implementing privacy and cybersecurity standards and regulations. Recently, several states have adopted regulations requiring certain financial institutions to implement cybersecurity programs and providing detailed requirements with respect to these programs, including data encryption requirements. Many states have also recently implemented or modified their data breach notification and data privacy requirements. We expect this trend of state-level activity in those areas to continue, and are continually monitoring developments in the states in which our customers are located.

In the ordinary course of business, we rely on electronic communications and information systems to conduct our operations and to store sensitive data. We employ an in-depth, layered, defensive approach that leverages people, processes and technology to manage and maintain cybersecurity controls. We employ a variety of preventative and detective tools to monitor, block, and provide alerts regarding suspicious activity, as well as to report on any suspected advanced persistent threats. Notwithstanding the strength of our defensive measures, the threat from cyber-attacks is severe, attacks are sophisticated and increasing in volume, and attackers respond rapidly to changes in defensive measures. While to date we have not experienced a significant compromise, significant data loss or any material financial losses related to cybersecurity attacks, our systems and those of our customers and third-party service providers are under constant threat and it is possible that we could experience a significant event in the future. Risks and exposures related to cybersecurity attacks are expected to remain high for the foreseeable future due to the rapidly evolving nature and sophistication of these threats, as well as due to the expanding use of internet banking, mobile banking and other technology-based products and services by us and our customers. See Item 1A. Risk Factors for a further discussion of risks related to cybersecurity.

Future Legislation and Regulation

Congress may enact legislation from time to time that affects the regulation of the financial services industry, and state legislatures may enact legislation from time to time affecting the regulation of financial institutions chartered by or operating in those states. Federal and state regulatory agencies also periodically propose and adopt changes to their regulations or change the manner in which existing regulations are applied. The substance or impact of pending or future legislation or regulation, or the application thereof, cannot be predicted, although enactment of the proposed legislation could impact the regulatory structure under which we operate and may significantly increase our costs, impede the efficiency of our internal business processes, require us to increase our regulatory capital and modify our business strategy, and limit our ability to pursue business opportunities in an efficient manner. Our business, financial condition, results of operations or prospects may be adversely affected, perhaps materially, as a result.

Availability of Financial Information

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document we file at the Securities and Exchange Commission's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Our SEC filings are also available to the public on the SEC website at www.sec.gov and on our website at www.fcbanking.com.

We also make available on our website, www.fcbanking.com, and in print to any shareholder who requests them, our Corporate Governance Guidelines, the charters for our Audit, Risk, Compensation and Human Resources, and Governance Committees, and the Code of Conduct and Ethics that applies to all of our directors, officers and employees.

Our Chief Executive Officer has certified to the New York Stock Exchange ("NYSE") that, as of the date of the certification, he was not aware of any violation by First Commonwealth of NYSE's corporate governance listing standards. In addition, our Chief Executive Officer and Chief Financial Officer have made certain certifications concerning the information contained in this report pursuant to Section 302 of the Sarbanes-Oxley Act. The Section 302 certifications appear as Exhibits 31.1 and 31.2 to this annual report on Form 10-K.

ITEM 1A. Risk Factors

An investment in our common stock is subject to risks inherent to our business. The material risks and uncertainties that management believes affect us are described below. Before making an investment decision, you should carefully consider the risks and uncertainties described below together with all of the other information included or incorporated by reference in this report. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties that management is not aware of or focused on or that management currently deems immaterial may also impair our business operations. This report is qualified in its entirety by these risk factors. If any of the following risks actually occur, our business, financial condition and results of operations could be materially and adversely affected. If this were to happen, the market price of our common stock could decline significantly, and you could lose all or part of your investment.

Risks Related To Our Business

Interest Rate Risks

We Are Subject to Interest Rate Risk

Our earnings and cash flows are largely dependent upon our net interest income. Net interest income is the difference between interest income earned on interest-earning assets such as loans and securities and interest expense paid on interest-bearing liabilities such as deposits and borrowed funds. Interest rates are highly sensitive to many factors that are beyond our control, including general economic conditions and policies of various governmental and regulatory agencies and, in particular, the Federal Open Market Committee. Changes in monetary policy, including changes in interest rates, could influence not only the interest we receive on loans and securities and the amount of interest we pay on deposits and borrowings, but such changes could also affect (i) our ability to originate loans and obtain deposits, (ii) the fair value of our financial assets and liabilities, and (iii) the average duration of our mortgage-backed securities portfolio. If the interest rates paid on deposits and other borrowings increase at a faster rate than the interest rates received on loans and other investments, our net interest income, and therefore earnings, could be adversely affected. Earnings could also be adversely affected if the interest rates received on loans and other investments fall more quickly than the interest rates paid on deposits and other borrowings. Any substantial, unexpected, or prolonged change in market interest rates could have a material adverse effect on our business, financial condition and results of operations. See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations under the section captioned "Net Interest Income" and Item 7A. Quantitative and Qualitative Disclosures About Market Risk elsewhere in this report for further discussion related to interest rate sensitivity and our management of interest rate risk.

We May Be Adversely Impacted by the Transition from LIBOR as a Reference Rate

In 2017, the United Kingdom's Financial Conduct Authority ("FCA") announced that after 2021 it would no longer compel banks to submit the rates required to calculate the London Interbank Offered Rate ("LIBOR"). In November 2020, the administrator of LIBOR announced it would consult on its intention to extend the retirement date of certain offered rates, whereby the publication of the one-week and two-month U.S. Dollar LIBOR settings would cease after December 31, 2021, but the publication of the remaining U.S. Dollar LIBOR settings would continue until June 30, 2023. Given consumer protection, litigation, and reputation risks, in November 2020, following the administrator's consultation announcement, the bank regulatory agencies indicated that entering into new contracts that use LIBOR as a reference rate after December 31, 2021 would create safety and soundness risks and that they would examine bank practices accordingly. Therefore, the agencies encouraged banks to cease entering into new contracts that use LIBOR as a reference rate as soon as practicable and in any event by December 31, 2021. On March 5, 2021, the FCA and the administrator of LIBOR confirmed that immediately after December 31, 2021, publication of the one-week and two-month U.S. Dollar LIBOR settings would cease and immediately after June 30, 2023 (the "Transition Date"), any remaining U.S. dollar LIBOR settings would either cease to be published or no longer be representative.

Accordingly, we ceased entering into new contracts that use LIBOR as a reference rate prior to December 31, 2021 and have been diligently working to transition our remaining LIBOR exposure to alternative index rates. Depending on the particular circumstances and customer preference, we have offered several alternative index rates to replace LIBOR in our affected contracts with customers desiring to enter into proactive modifications prior to the Transition Date, including the Secured Overnight Financing Rate ("SOFR"), the Bloomberg Short Term Bank Yield Index ("BSBY"), and the Prime Rate (as published in the Wall Street Journal), each with appropriate spread adjustments. After diligently analyzing the options available to us under applicable legal documents and monitoring market acceptance, and in accordance with guidance from the Alternative Reference Rates Committee of the New York Fed ("ARRC"), the federal bank regulatory agencies, and the Federal Adjustable Interest Rate (LIBOR) Act of 2021 (the "LIBOR Act") and its implementing regulations, we have developed a transition plan to replace the LIBOR index in all affected contracts that remain outstanding as of June 30, 2023 to the appropriate version of the SOFR Rate, with appropriate Board-recommended spread adjustments as described in the LIBOR Act, which we have determined to be appropriate for our funding model and customer needs.

The transition from LIBOR has resulted in and could continue to result in added costs and employee efforts and could present additional risk. Since proposed alternative rates are calculated differently, payments under contracts referencing new rates will differ from those referencing LIBOR. The transition will change our market risk profiles, requiring changes to risk and pricing models, valuation tools, product design and hedging strategies. Furthermore, failure to adequately manage this transition process with our customers could adversely impact our reputation. Although we are currently unable to assess what the ultimate impact of the transition from LIBOR will be, failure to adequately manage the transition could have a material adverse effect on our business, financial condition and results of operations.

Credit and Lending Risks

We Are Subject to Lending Risk

There are inherent risks associated with our lending activities. These risks include, among other things, the impact of changes in interest rates and changes in the economic conditions in the markets where we operate as well as those across the United States. Increases in interest rates and/or weakening economic conditions could adversely impact the ability of borrowers to repay outstanding loans or the value of the collateral securing these loans.

We Are Subject to Risk Arising from Conditions in the Commercial Real Estate Market

As of December 31, 2022, commercial real estate mortgage loans comprised approximately 31% of our loan portfolio. Commercial real estate mortgage loans generally involve a greater degree of credit risk than residential real estate mortgage loans because they typically have larger balances and are more affected by adverse conditions in the economy. Because payments on loans secured by commercial real estate often depend upon the successful operation and management of the properties and the businesses which operate from within them, repayment of such loans may be affected by factors outside the borrower's control, such as adverse conditions in the real estate market or the economy or changes in government regulations. In recent years, commercial real estate markets have been experiencing substantial growth, and increased competitive pressures have contributed significantly to historically low capitalization rates and rising property values. Failures in our risk management policies, procedures and controls could adversely affect our ability to manage this portfolio going forward and could result in an increased rate of delinquencies in, and increased losses from, this portfolio, which, accordingly, could have a material adverse effect on our business, financial condition and results of operations.

Our Allowance for Credit Losses may be Insufficient

All borrowers carry the potential to default and our remedies to recover may not fully satisfy money previously loaned. We maintain an allowance for credit losses, which represents management's best estimate of credit losses within the existing portfolio of loans. The allowance, in the judgment of management, is appropriate to reserve for estimated loan losses and risks inherent in the loan portfolio. The level of the allowance for credit losses reflects management's continuing evaluation of

industry concentrations, specific credit risks, loan loss experience, current loan portfolio quality, present economic conditions and unidentified losses in the current loan portfolio. The determination of the appropriate level of the allowance for credit losses inherently involves a high degree of subjectivity and requires us to make significant estimates of current credit risks using existing qualitative and quantitative information, all of which may undergo material changes. Changes in economic conditions or forecasts, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of our control, may require an increase in the allowance for credit losses. In addition, bank regulatory agencies periodically review our allowance for credit losses and may require an increase in the provision for credit losses or the recognition of additional loan charge-offs, based on judgments different than those of management. An increase in the allowance for credit losses results in a decrease in net income or losses, and possibly risk-based capital, and may have a material adverse effect on our financial condition and results of operations.

Liquidity Risk

We Are Subject to Liquidity Risk

We require liquidity to meet our deposit and debt obligations as they come due. Our access to funding sources in amounts adequate to finance our activities or on terms that are acceptable to us could be impaired by factors that affect us specifically or the financial services industry or economy generally. Factors that could reduce our access to liquidity sources include a downturn in the economy, difficult credit markets or adverse regulatory actions against us. Our access to deposits may also be affected by the liquidity needs of our depositors. In particular, a substantial majority of our liabilities are demand, savings, interest checking and money market deposits, which are payable on demand or upon several days' notice, while by comparison, a substantial portion of our assets are loans, which cannot be called or sold in the same time frame. Our access to deposits may be negatively impacted by, among other factors, higher interest rates which could promote increased competition for deposits, including from new financial technology competitors, or provide customers with alternative investment options. We may not be able to replace maturing deposits and advances as necessary in the future, especially if a large number of our depositors sought to withdraw their accounts, regardless of the reason. A failure to maintain adequate liquidity could have a material adverse effect on our business, financial condition and results of operations.

Operational Risks

Labor shortages and constraints in the supply chain could adversely affect our customers' operations as well as our operations.

Many sectors in the United States and around the world are experiencing a shortage of workers. The shortage of workers is exacerbating supply chain disruptions around the world, causing certain industries to struggle to regain momentum due to a lack of workers or materials. Our commercial customers may be impacted by the shortage of workers and constraints in the supply chain, which could adversely impact our customers' operations. Customers may experience disruptions in their operations, which could lead to reduced cash flow and difficulty in making loan repayments. The financial services industry has also been affected by the shortage of workers, and First Commonwealth has experienced the intense competition for talent that is currently underway in the financial services industry. This may lead to open positions remaining unfilled for longer periods of time or a need to increase wages to attract workers. We have had to recently increase wages in certain positions to attract talent, particularly in entry-level type positions and certain specialty areas.

Our Accounting Estimates and Risk Management Processes Rely On Analytical and Forecasting Models

The processes we use to estimate our expected credit losses and to measure the fair value of financial instruments, as well as the processes used to estimate the effects of changing interest rates and other market measures on our financial condition and results of operations, depends upon the use of analytical and forecasting models. These models reflect assumptions that may not be accurate, particularly in times of market stress or other unforeseen circumstances. Even if these assumptions are adequate, the models may prove to be inadequate or inaccurate because of other flaws in their design or their implementation. If the models we use for interest rate risk and asset-liability management are inadequate, we may incur increased or unexpected losses upon changes in market interest rates or other market measures. If the models we use for estimating our expected credit losses are inadequate, the allowance for credit losses may not be sufficient to support future charge-offs. If the models we use to measure the fair value of financial instruments are inadequate, the fair value of such financial instruments may fluctuate unexpectedly or may not accurately reflect what we could realize upon sale or settlement of such financial instruments. Any such failure in our analytical or forecasting models could have a material adverse effect on our business, financial condition and results of operations.

The Value of Our Goodwill and Other Intangible Assets May Decline in the Future

As of December 31, 2022, we had \$312.5 million of goodwill and other intangible assets. A significant decline in our expected future cash flows, a significant adverse change in the business climate, slower growth rates or a significant and sustained decline in the price of the Company's common stock may necessitate taking charges in the future related to the impairment of our goodwill and other intangible assets which could have a material adverse effect on our business, financial condition and results of operations.

We Are Subject to Risk Arising from Failure or Circumvention of Our Controls and Procedures

Our internal controls, disclosure controls and procedures, and corporate governance policies and procedures are based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. Any failure or circumvention of our controls and procedures; failure to comply with regulations related to controls and procedures; or failure to comply with our corporate governance policies and procedures could have a material adverse effect on our reputation, business, financial condition and results of operations. Furthermore, notwithstanding the proliferation of technology and technology-based risk and control systems, our businesses ultimately rely on people as our greatest resource, and, from time-to-time, they make mistakes or engage in violations of applicable policies, laws, rules or procedures that are not always caught immediately by our technological processes or by our controls and other procedures, which are intended to prevent and detect such errors or violations. Human errors, malfeasance and other misconduct, including the intentional misuse of client information in connection with insider trading or for other purposes, even if promptly discovered and remediated, can result in reputational damage or legal risk and have a material adverse effect on our business, financial condition and results of operations.

New Lines of Business, Products or Services and Technological Advancements May Subject Us to Additional Risks

From time to time, we implement new lines of business or offer new products and services within existing lines of business. There are substantial risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed. In developing and marketing new lines of business and/or new products and services we invest significant time and resources. Initial timetables for the introduction and development of new lines of business and/or new products or services may not be achieved and price and profitability targets may not prove feasible. External factors, such as compliance with regulations, competitive alternatives, and shifting market preferences, may also impact the successful implementation of a new line of business or a new product or service.

The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology-driven products and services. Our future success depends, in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in our operations. Many of our competitors have substantially greater resources to invest in technological improvements. We may not be able to effectively implement new technology driven products and services or be successful in marketing these products and services to our customers. In addition, our implementation of certain new technologies, such as those related to artificial intelligence and algorithms, in our business processes may have unintended consequences due to their limitations or our failure to use them effectively. In addition, cloud technologies are also critical to the operation of our systems, and our reliance on cloud technologies is growing. Failure to successfully keep pace with technological change affecting the financial services industry could have a material adverse effect on our business, financial condition and results of operations.

Furthermore, any new line of business, new product or service and/or new technology could have a significant impact on the effectiveness of our system of internal controls. Failure to successfully manage these risks in the development and implementation of new lines of business, new products or services and/or new technologies could have a material adverse effect on our business, financial condition and results of operations.

Our Reputation and our Business Are Subject to Negative Publicity Risk

Reputation risk, or the risk to our earnings and capital from negative public opinion, is inherent in our business. Negative public opinion could adversely affect our ability to keep and attract customers and expose us to adverse legal and regulatory consequences. Negative public opinion could result from our actual or alleged conduct in any number of activities, including lending practices, corporate governance, regulatory compliance, mergers and acquisitions, and disclosure, sharing or inadequate protection of customer information, and from actions taken by government regulators and community organizations in response to that conduct. Negative public opinion could also result from adverse news or publicity that impairs the reputation of the financial services industry generally. In addition, our reputation or prospects may be significantly damaged by adverse publicity or negative information regarding us, whether or not true, that may be posted on social media, non-mainstream news services or other parts of the internet, and this risk is magnified by the speed and pervasiveness with which information is disseminated through those channels.

Our Business, Financial Condition and Results of Operations Are Subject to Risk from Changes in Customer Behavior

Individual, economic, political, industry-specific conditions and other factors outside of our control, such as fuel prices, energy costs, real estate values or other factors that affect customer income levels, could alter anticipated customer behavior, including borrowing, repayment, investment and deposit practices. Such a change in these practices could materially adversely affect our ability to anticipate business needs and meet regulatory requirements. Further, difficult economic conditions may negatively affect consumer confidence levels. A decrease in consumer confidence levels would likely aggravate the adverse effects of these difficult market conditions on us, our customers and others in the financial institutions industry.

First Commonwealth Relies on Dividends from its Subsidiary Bank for Most of Its Revenue

First Commonwealth is a separate and distinct legal entity from its subsidiaries. It receives substantially all of its revenues from dividends from its subsidiaries. These dividends are the principal source of funds to pay dividends on First Commonwealth's common stock and interest and principal on First Commonwealth's debt. Various federal and/or state laws and regulations limit the amount of dividends that FCB and certain non-bank subsidiaries may pay to First Commonwealth. In the event FCB is unable to pay dividends to First Commonwealth, First Commonwealth may not be able to service debt, pay obligations or pay dividends on its common stock. The inability to receive dividends from FCB could have a material adverse effect on First Commonwealth's business, financial condition and results of operations.

Acts of Cyber-Crime May Compromise Client and Company Information, Disrupt Access to Our Systems or Result in Loss of Client or Company Assets.

Our business is dependent upon the availability of technology, the Internet and telecommunication systems to enable financial transactions by clients, record and monitor transactions and transmit and receive data to and from clients and third parties. Information security risks have increased significantly due to the use of online, telephone and mobile banking channels by clients and the increased sophistication and activities of organized crime, hackers, terrorists and other external parties. Our technologies, systems, networks and our clients' devices have been subject to, and are likely to continue to be the target of, cyber-attacks, computer viruses, malicious code, phishing attacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of our or our clients' confidential, proprietary and other information, the theft of client assets through fraudulent transactions or disruption of our or our clients' or other third parties' business operations.

Even the most well protected information, networks, systems and facilities remain potentially vulnerable to attempted security breaches or disruptions because the techniques used in such attempts are constantly evolving and generally are not recognized until launched against a target, and in some cases are designed not to be detected and, in fact, may not be detected. Accordingly, we may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures, and thus it is virtually impossible for us to entirely mitigate this risk. While we maintain specific "cyber" insurance coverage, which would apply in the event of various breach scenarios, the amount of coverage may not be adequate in any particular case. Furthermore, because cyber threat scenarios are inherently difficult to predict and can take many forms, some breaches may not be covered under our cyber insurance coverage. A security breach or other significant disruption of our information systems or those related to our customers, merchants or our third party vendors, including as a result of cyber attacks, could (i) disrupt the proper functioning of our networks and systems and therefore our operations and/or those of certain of our customers; (ii) result in the unauthorized access to, and destruction, loss, theft, misappropriation or release of confidential, sensitive or otherwise valuable information of ours or our customers; (iii) result in a violation of applicable privacy, data breach and other laws, subjecting us to additional regulatory scrutiny and exposing us to civil litigation, governmental fines and possible financial liability; (iv) require significant management attention and resources to remedy the damages that result; or (v) harm our reputation or cause a decrease in the number of customers that choose to do business with us. The occurrence of any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

Our Operations Rely On Certain External Vendors

We rely on certain vendors to provide products and services necessary to maintain the day-to-day operations of First Commonwealth and FCB. In particular, we contracted with an external vendor for our core processing system used to maintain customer and account records, reflect account transactions and activity, and support our customer relationship management systems for substantially all of our deposit and loan customers. Accordingly, our operations are exposed to the risk that these vendors will not perform in accordance with the contracted arrangements under service level agreements. The failure of an external vendor to perform in accordance with the contracted arrangements under service level agreements, because of changes in the vendor's organizational structure, financial condition, support for existing products and services or strategic focus or for any other reason, could be disruptive to First Commonwealth's operations and financial reporting, which could have a material adverse effect on First Commonwealth's business and, in turn, First Commonwealth's financial condition and results of operations.

We Depend on the Accuracy and Completeness of Information About Customers and Counterparties

In deciding whether to extend credit or enter into other transactions, we rely on information furnished by or on behalf of customers and counterparties, including financial statements, credit reports and other financial information. We also rely on representations of those customers, counterparties or other third parties, such as independent auditors, as to the accuracy and completeness of that information. Reliance on inaccurate or misleading financial statements, credit reports or other financial information could have a material adverse impact on our business, financial condition and results of operations.

External and Market-Related Risks

We are Subject to Risk Arising from The Soundness of Other Financial Institutions and Counterparties

Financial services institutions are interrelated as a result of trading, clearing, counterparty, or other relationships. We have exposure to many different industries and counterparties, and routinely execute transactions with counterparties in the financial services industry, including commercial banks, brokers and dealers, investment banks, and other institutional clients. Many of these transactions expose us to credit risk in the event of a default by a counterparty or client. In addition, our credit risk may be exacerbated when the collateral held by us cannot be realized or is liquidated at prices not sufficient to recover the full amount of the credit or derivative exposure due to us. Any such losses could have a material adverse effect on our business, financial condition and results of operations.

Competition from Other Financial Institutions in Originating Loans, Attracting Deposits and Providing Various Financial Services May Adversely Affect Our Profitability.

We face substantial competition in originating loans and attracting deposits. This competition comes principally from other banks, savings institutions, mortgage banking companies and credit unions, as well as institutions offering uninsured investment alternatives, including money market funds. Many of our competitors enjoy advantages, including greater financial resources and higher lending limits, better brand recognition, a wider geographic presence, more accessible branch office locations, the ability to offer a wider array of services or more favorable pricing alternatives, as well as lower origination and operating costs. These competitors may offer more favorable pricing through lower interest rates on loans or higher interest rates on deposits, which could force us to match competitive rates and thereby reduce our net interest income.

Compliance and Regulatory Risks

We are Subject to Extensive Government Regulation and Supervision

Banking regulations are primarily intended to protect depositors' funds, federal deposit insurance funds and the banking system as a whole, not security holders. These regulations affect our lending practices, capital structure, investment practices, dividend policy and growth, among other things. Congress and federal regulatory agencies continually review banking laws, regulations and policies for possible changes. Changes to statutes, regulations or regulatory policies, including changes in interpretation or implementation of statutes, regulations or policies, could affect us in substantial and unpredictable ways. Such changes could subject us to additional costs, limit the types of financial services and products we may offer and/or increase the ability of non-banks to offer competing financial services and products, among other things. Failure to comply with laws, regulations, policies or supervisory guidance could result in enforcement and other legal actions by Federal or state authorities, including criminal and civil penalties, the loss of FDIC insurance, the revocation of a banking charter, other sanctions by regulatory agencies, civil money penalties and/or reputational damage. In this regard, government authorities, including the bank regulatory agencies, are pursuing aggressive enforcement actions with respect to compliance and other legal matters involving financial activities, which heightens the risks associated with actual and perceived compliance failures. See "Supervision and Regulation" included in Item 1. Business for a more detailed description of the regulatory requirements applicable to First Commonwealth.

Risks Related to Acquisition Activity

Potential Acquisitions May Disrupt Our Business and Dilute Stockholder Value

We generally seek merger or acquisition partners that are culturally similar and have experienced management and possess either significant market presence or have potential for improved profitability through financial management, economies of scale or expanded services. Acquiring other banks, businesses, or branches involves various risks commonly associated with acquisitions, including, among other things, (i) potential exposure to unknown or contingent liabilities of the target company; (ii) exposure to potential asset quality issues of the target company; (iii) potential disruption to our business; (iv) potential diversion of our management's time and attention; (v) the possible loss of key employees and customers of the target company; (vi) difficulty in estimating the value of the target company; and (vii) potential changes in banking or tax laws or regulations that may affect the target company.

Acquisitions typically involve the payment of a premium over book and market values, and, therefore, some dilution of our tangible book value and net income per common share may occur in connection with any future transaction. Furthermore, failure to realize the expected revenue increases, cost savings, increases in geographic or product presence, and/or other projected benefits from an acquisition could have a material adverse effect on our business, financial condition and results of operations.

Acquisitions May Be Delayed, Impeded, or Prohibited Due to Regulatory Issues

Acquisitions by financial institutions, including us, are subject to approval by a variety of federal and state regulatory agencies (collectively, "regulatory approvals"). The process for obtaining these required regulatory approvals has become substantially more difficult since the global financial crisis, and our ability to engage in certain merger or acquisition transactions depends on the bank regulators' views at the time as to our capital levels, quality of management, and overall condition, in addition to their assessment of a variety of other factors, including our compliance with law. Regulatory approvals could be delayed, impeded,

restrictively conditioned or denied due to existing or new regulatory issues we have, or may have, with regulatory agencies, including, without limitation, issues related to Bank Secrecy Act compliance, Community Reinvestment Act issues, fair lending laws, fair housing laws, consumer protection laws, unfair, deceptive, or abusive acts or practices regulations and other laws and regulations. We may fail to pursue, evaluate or complete strategic and competitively significant acquisition opportunities as a result of our inability, or perceived or anticipated inability, to obtain regulatory approvals in a timely manner, under reasonable conditions or at all. Difficulties associated with potential acquisitions that may result from these factors could have a material adverse effect on our business, financial condition and results of operations.

Risks Associated with Our Common Stock

The Trading Volume in Our Common Stock Is Less Than That of Other Larger Financial Services Companies

Although First Commonwealth's common stock is listed for trading on the NYSE, the trading volume in its common stock is less than that of other, larger financial services companies. A public trading market having the desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace of willing buyers and sellers of First Commonwealth's common stock at any given time. This presence depends on the individual decisions of investors and general economic and market conditions over which we have no control. Given the lower trading volume of First Commonwealth's common stock, significant sales of First Commonwealth's common stock, or the expectation of these sales, could cause First Commonwealth's stock price to fall.

First Commonwealth May Not Continue to Pay Dividends on Its Common Stock in The Future

Holders of First Commonwealth common stock are only entitled to receive such dividends as its board of directors may declare out of funds legally available for such payments. Although First Commonwealth has historically declared cash dividends on its common stock, it is not required to do so and may reduce or eliminate its common stock dividend in the future. This could adversely affect the market price of First Commonwealth's common stock. Also, First Commonwealth is a bank holding company, and its ability to declare and pay dividends is dependent on certain federal regulatory considerations, including the guidelines of the FRB regarding capital adequacy and dividends.

As more fully discussed in Part II, Item 8, Financial Statements and Supplementary Data-Note 24, Regulatory Restrictions and Capital Adequacy, which is located elsewhere in this report, the ability of First Commonwealth to declare or pay dividends on its common stock may also be subject to certain restrictions in the event that First Commonwealth elects to defer the payment of interest on its junior subordinated debt securities.

An Investment in Our Common Stock Is Not an Insured Deposit

Our common stock is not a bank deposit and, therefore, is not insured against loss by the Federal Deposit Insurance Corporation (FDIC), any other deposit insurance fund or by any other public or private entity. Investment in our common stock is inherently risky for the reasons described in this "Risk Factors" section and elsewhere in this report and is subject to the same market forces that affect the price of common stock in any company. As a result, if you acquire our common stock, you could lose some or all of your investment.

Provisions of Our Articles of Incorporation, Bylaws and Pennsylvania Law, as Well as State and Federal Banking Regulations, Could Delay or Prevent a Takeover of Us by a Third Party.

Provisions in our articles of incorporation and bylaws, the corporate law of the Commonwealth of Pennsylvania, and state and federal regulations could delay, defer or prevent a third party from acquiring us, despite the possible benefit to our shareholders, or otherwise adversely affect the price of our common stock. These provisions include, among other things, advance notice requirements for proposing matters that shareholders may act on at shareholder meetings. In addition, under Pennsylvania law, we are prohibited from engaging in a business combination with any interested shareholder for a period of five years from the date the person became an interested shareholder unless certain conditions are met. These provisions may discourage potential takeover attempts, discourage bids for our common stock at a premium over market price or adversely affect the market price of, and the voting and other rights of the holders of, our common stock.

General Risk Factors

We are Subject to Risk from Fluctuating Conditions in the Financial Markets and Economic and Political Conditions Generally

Our success depends, to a certain extent, upon local, national and global economic and political conditions, as well as governmental monetary policies. Our financial performance generally, and in particular the ability of borrowers to pay interest on and repay principal of outstanding loans and the value of collateral securing those loans, as well as demand for loans and other products and services we offer, is highly dependent upon the business environment in the markets where we operate and in the United States as a whole. A favorable business environment is generally characterized by, among other factors, economic growth, efficient capital markets, low inflation, low unemployment, high business and investor confidence, and strong business earnings. Unfavorable or uncertain economic and market conditions can be caused by a decline in economic growth both in the U.S. and internationally; declines in business activity or investor or business confidence; limitations on the availability of or increases in the cost of credit and capital; increases in inflation or interest rates; high unemployment; oil price volatility; natural

disasters; trade policies and tariffs; or a combination of these or other factors. In addition, financial markets and global supply chains may be adversely affected by the current or anticipated impact of military conflict, including the current Russian invasion of the Ukraine, terrorism or other geopolitical events. Current economic conditions are being heavily impacted by elevated levels of inflation and rising interest rates. A prolonged period of inflation may impact our profitability by negatively impacting our fixed costs and expenses. Economic and inflationary pressure on consumers and uncertainty regarding economic improvement could result in changes in consumer and business spending, borrowing and saving habits. Such conditions could have a material adverse effect on the credit quality of our loans and our business, financial condition and results of operations.

Changes in The Federal, State or Local Tax Laws May Negatively Impact Our Financial Performance and We Are Subject to Examinations and Challenges by Tax Authorities

We are subject to federal and applicable state tax laws and regulations. Changes in these tax laws and regulations, some of which may be retroactive to previous periods, could increase our effective tax rates and, as a result, could negatively affect our current and future financial performance. Furthermore, tax laws and regulations are often complex and require interpretation. In the normal course of business, we are routinely subject to examinations and challenges from federal and applicable state tax authorities regarding the amount of taxes due in connection with investments we have made and the businesses in which we have engaged. Recently, federal and state taxing authorities have become increasingly aggressive in challenging tax positions taken by financial institutions. These tax positions may relate to tax compliance, sales and use, franchise, gross receipts, payroll, property and income tax issues, including tax base, apportionment and tax credit planning. The challenges made by tax authorities may result in adjustments to the timing or amount of taxable income or deductions or the allocation of income among tax jurisdictions. If any such challenges are made and are not resolved in our favor, they could have a material adverse effect on our business, financial condition and results of operations.

We May Need to Raise Additional Capital in The Future, and Such Capital May Not Be Available When Needed or at All

We may need to raise additional capital in the future to provide us with sufficient capital resources and liquidity to meet our commitments and business needs, particularly if our asset quality or earnings were to deteriorate significantly. Our ability to raise additional capital, if needed, will depend on, among other things, conditions in the capital markets at that time, which are outside of our control, and our financial condition. Economic conditions and the loss of confidence in financial institutions may increase our cost of funding and limit access to certain customary sources of capital, including inter-bank borrowings, repurchase agreements and borrowings from the discount window of the Federal Reserve.

We cannot assure that such capital will be available on acceptable terms or at all. Any occurrence that may limit our access to the capital markets, such as a decline in the confidence of debt purchasers, depositors of FCB or counterparties participating in the capital markets, or a downgrade of First Commonwealth's or FCB's debt ratings, may adversely affect our capital costs and our ability to raise capital and, in turn, our liquidity. Moreover, if we need to raise capital in the future, we may have to do so when many other financial institutions are also seeking to raise capital and would have to compete with those institutions for investors. An inability to raise additional capital on acceptable terms when needed could have a materially adverse effect on our business, financial condition and results of operations.

Our Stock Price Can Be Volatile

Stock price volatility may make it more difficult for you to resell your common stock when you want and at prices you find attractive. Our stock price can fluctuate significantly in response to a variety of factors including, among other things, (i) actual or anticipated variations in quarterly results of operations; (ii) recommendations by securities analysts; (iii) operating and stock price performance of other companies that investors deem comparable to us; (iv) news reports relating to trends, concerns and other issues in the financial services industry; (v) perceptions in the marketplace regarding us and/or our competitors; (vi) new technology used, or services offered, by competitors; (vii) the issuance by us of additional securities, including common stock and securities that are convertible into or exchangeable for, or that represent the right to receive, common stock; (viii) sales of a large block of shares of our common stock or similar securities in the market after an equity offering, or the perception that such sales could occur; (ix) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors; (x) failure to integrate acquisitions or realize anticipated benefits from acquisitions; (xi) changes in government regulations; and (xii) geopolitical conditions such as acts or threats of terrorism or military conflicts.

General market fluctuations, including real or anticipated changes in the strength of the economy; industry factors and general economic and political conditions and events, such as economic slowdowns or recessions; and interest rate changes, oil price volatility or credit loss trends could also cause our stock price to decrease regardless of operating results.

Changes in Accounting Standards Could Materially Impact Our Financial Statements

From time to time accounting standards setters change the financial accounting and reporting standards that govern the preparation of our financial statements. These changes can be difficult to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in changes to previously reported financial results or a cumulative charge to retained earnings. See New

Accounting Pronouncements at the end of Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations elsewhere in this report for further information regarding pending accounting standards updates.

We May Not Be Able to Attract and Retain Skilled People

Our success depends, in large part, on our ability to attract and retain key people. Competition for the best people in many activities engaged in by us is intense and we may not be able to hire people or to retain them. We do not currently have employment agreements or non-competition agreements with any of our senior officers. The unexpected loss of services of key personnel could have a material adverse impact on our business, financial condition and results of operations because of their customer relationships, skills, knowledge of our market, years of industry experience and the difficulty of promptly finding qualified replacement personnel. In addition, the scope and content of U.S. banking regulators' policies on incentive compensation, as well as changes to these policies, could adversely affect our ability to hire, retain and motivate our key employees.

ITEM 1B. Unresolved Staff Comments

None.

ITEM 2. Properties

Our principal office is located in the old Indiana County courthouse complex, consisting of the former courthouse building and the former sheriff's residence and jail building for Indiana County. This certified Pennsylvania and national historic landmark was built in 1870 and restored by us in the early 1970s. We lease the complex from Indiana County pursuant to a lease agreement that was originally signed in 1973 and has a current term that expires in 2048.

The majority of our administrative personnel are also located in two owned buildings in Indiana, Pennsylvania, each of which is in close proximity to our principal office.

First Commonwealth Bank has 119 community banking offices, of which 44 are leased and 75 are owned. We also lease two mortgage loan production offices, four corporate loan production offices and an office for our equipment finance business.

While these facilities are adequate to meet our current needs, available space is limited and additional facilities may be required to support future expansion. However, we have no significant plans to lease, purchase or construct additional administrative facilities.

ITEM 3. Legal Proceedings

The information required by this Item is set forth in Part II, Item 8, Note 21, "Contingent Liabilities," which is incorporated herein by reference in response to this item.

ITEM 4. Mine Safety Disclosures

Not applicable.

Executive Officers of First Commonwealth Financial Corporation

The name, age and principal occupation for each of the executive officers of First Commonwealth Financial Corporation as of December 31, 2022 is set forth below:

Jane Grebenc, age 64, has served as Executive Vice President and Chief Revenue Officer of First Commonwealth Financial Corporation and President of First Commonwealth Bank since May 31, 2013. Ms. Grebenc's financial services career includes executive leadership roles at a variety of institutions, including Park View Federal Savings Bank, Key Bank, and National City Bank. She was formerly the Executive Vice President in charge of the retail, marketing, IT and operations and the mortgage segments at Park View Federal Savings Bank from 2009 until 2012, the Executive Vice President in charge of the Wealth Segment at Key Bank from 2007 until 2009 and the Executive Vice President / Branch Network at National City Bank prior to 2007.

Brian Karrip, age 62, has served as Executive Vice President and Chief Credit Officer of First Commonwealth Bank since September 2016. Prior to joining First Commonwealth, Mr. Karrip served as Executive Vice President, Specialized Lending for FirstMerit Bank. Prior to joining FirstMerit Bank, Mr. Karrip served as Managing Director and Group Head of Loan Syndications and Sales at KeyBanc Capital Markets. Mr. Karrip's financial services career also includes 16 years with National City Bank where he held a variety of roles in the commercial lending division and served as Regional President of Michigan and Illinois.

Leonard V. Lombardi, age 63, has served as Executive Vice President and Chief Audit Executive of First Commonwealth Financial Corporation since January 1, 2009. He was formerly Senior Vice President / Loan Review and Audit Manager.

Norman J. Montgomery, age 55, has served as the Executive Vice President of Business Integration of First Commonwealth Bank since May 2011. He oversees First Commonwealth's product development and assumed oversight of First Commonwealth's technology and operations functions in July 2012. He served as Senior Vice President/Business Integration of First Commonwealth Bank from September 2007 until May 2011 and previously held positions in the technology, operations, audit and marketing areas.

T. Michael Price, age 60, has served as President and Chief Executive Officer of First Commonwealth Financial Corporation and Chief Executive Officer of First Commonwealth Bank since March 2012. Mr. Price served as President of First Commonwealth Bank from November 2007 to May 2013. From January 1, 2012 to March 7, 2012, he served as Interim President and Chief Executive Officer of First Commonwealth Financial Corporation. He was formerly Chief Executive Officer of the Cincinnati and Northern Kentucky Region of National City Bank from July 2004 to November 2007 and Executive Vice President and Head of Small Business Banking of National City Bank prior to July 2004.

James R. Reske, age 59, joined First Commonwealth Financial Corporation as Executive Vice President, Chief Financial Officer and Treasurer on April 28, 2014. Prior to joining First Commonwealth, Mr. Reske served as Executive Vice President, Chief Financial Officer, and Treasurer at United Community Financial Corporation in Youngstown, Ohio from 2008 until April 2014. Mr. Reske's financial services career includes investment banking roles within the Financial Institutions Groups at Keybank Capital Markets, Inc. in Cleveland, Ohio and at Morgan Stanley & Company in New York. Mr. Reske also provided expertise and counsel to financial institutions and other organizations on mergers and acquisitions and capital markets activities as an attorney at Wachtell, Lipton, Rosen & Katz, as well as at Sullivan & Cromwell. Earlier in his career, Mr. Reske worked at the Board of Governors of the Federal Reserve System in Washington, DC and at the Federal Reserve Bank of Boston.

Carrie L. Riggle, age 53, has served as Executive Vice President / Human Resources since March 1, 2013. Ms. Riggle has been with First Commonwealth since 1991. Over the course of her tenure, Ms. Riggle has been responsible for the daily operations of the Human Resources function and was actively involved in the establishment and development of a centralized corporate human resources function within the Company.

Matthew C. Tomb, age 46, has served as Executive Vice President, Chief Risk Officer and General Counsel of First Commonwealth Financial Corporation since November 2010. He previously served as Senior Vice President / Legal and Compliance since September 2007. Before joining First Commonwealth, Mr. Tomb practiced law with Sherman & Howard L.L.C. in Denver, Colorado.

PART II

ITEM 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchase of Equity Securities

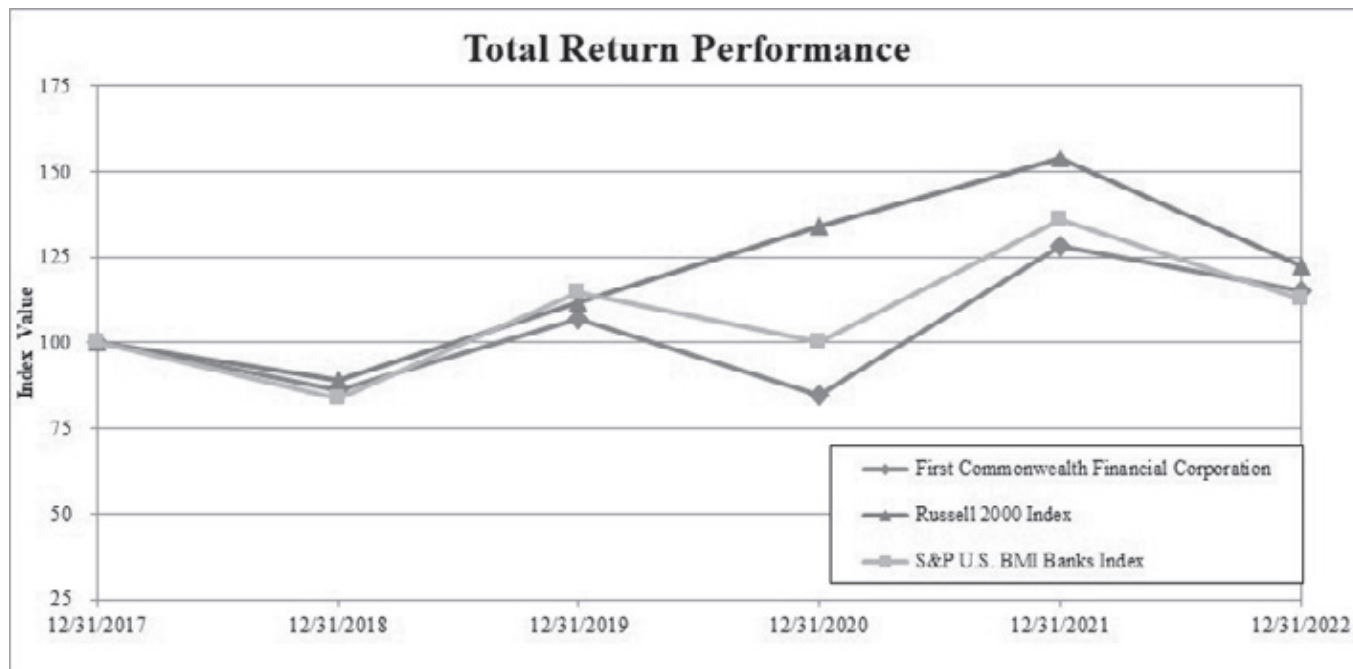
First Commonwealth is listed on the NYSE under the symbol “FCF.” As of December 31, 2022, there were approximately 5,263 holders of record of First Commonwealth’s common stock. The table below sets forth the high and low sales prices per share and cash dividends declared per share for common stock of First Commonwealth for each quarter during the last two fiscal years.

<u>Period</u>	<u>High Sale</u>	<u>Low Sale</u>	<u>Cash Dividends Per Share</u>
2022			
First Quarter	\$ 17.55	\$ 15.12	\$ 0.115
Second Quarter	15.23	13.01	0.120
Third Quarter	15.39	12.84	0.120
Fourth Quarter	14.92	12.99	0.120

<u>Period</u>	<u>High Sale</u>	<u>Low Sale</u>	<u>Cash Dividends Per Share</u>
2021			
First Quarter	\$ 15.51	\$ 10.88	\$ 0.110
Second Quarter	15.54	13.77	0.115
Third Quarter	14.08	12.45	0.115
Fourth Quarter	16.16	13.99	0.115

Federal and state regulations contain restrictions on the ability of First Commonwealth to pay dividends. For information regarding restrictions on dividends, see Part I, Item 1 “Business—Supervision and Regulation—Dividends” and Part II, Item 8, “Financial Statements and Supplementary Data—Note 24, Regulatory Restrictions and Capital Adequacy.” In addition, under the terms of the capital securities issued by First Commonwealth Capital Trust II and III, First Commonwealth could not pay dividends on its common stock if First Commonwealth deferred payments on the junior subordinated debt securities that provide the cash flow for the payments on the capital securities.

The following five-year performance graph compares the cumulative total shareholder return (assuming reinvestment of dividends) on First Commonwealth’s common stock to the S&P U.S. BMI Banks Index and the Russell 2000 Index. The stock performance graph assumes \$100 was invested on December 31, 2017, and the cumulative return is measured as of each subsequent fiscal year end.



Index	Period Ending					
	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022
First Commonwealth Financial Corporation	100.00	86.36	106.79	84.49	128.36	115.13
Russell 2000 Index	100.00	88.99	111.70	134.00	153.85	122.41
S&P U.S. BMI Banks Index	100.00	83.54	114.74	100.10	136.10	112.89

Unregistered Sales of Equity Securities and Use of Proceeds

For additional information, please see Part III, Item 12, "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters." Information called for by this item concerning security ownership of certain beneficial owners and security ownership of management will be included in the Proxy Statement under the headings "Stock Ownership of Certain Beneficial Owners" and "Stock Ownership of Directors and Management," and is incorporated herein by reference.

ITEM 6. [Reserved]

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis represents an overview of the financial condition and the results of operations of First Commonwealth, and its subsidiaries, as of and for the years ended December 31, 2022, and 2021. The purpose of this discussion is to focus on information concerning our financial condition and results of operations that is not readily apparent from the Consolidated Financial Statements. In order to obtain a more thorough understanding of this discussion, you should refer to the Consolidated Financial Statements, the notes thereto and other financial information presented in this Annual Report. Refer to Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K filed with the SEC on March 1, 2022 for a discussion and analysis of the factors that affected periods prior to 2022.

Company Overview

First Commonwealth provides a diversified array of consumer and commercial banking services through our bank subsidiary, FCB. We also provide trust and wealth management services through FCB and insurance products through FCIA. At December 31, 2022, FCB operated 119 community banking offices throughout Pennsylvania and Ohio, as well as loan production offices in Pittsburgh, Pennsylvania, and Cleveland, Columbus, Canton, Lewis Center and Hudson, Ohio.

Our consumer services include Internet, mobile and telephone banking, an automated teller machine network, personal checking accounts, interest-earning checking accounts, savings accounts, health savings accounts, insured money market accounts, debit cards, investment certificates, fixed and variable rate certificates of deposit, mortgage loans, secured and unsecured installment loans, construction and real estate loans, safe deposit facilities, credit cards, credit lines with overdraft checking protection and IRA accounts. Commercial banking services include commercial lending, small and high-volume business checking accounts, on-line account management services, ACH origination, payroll direct deposit, commercial cash management services and repurchase agreements. We also provide a variety of trust and asset management services and a full complement of auto, home and business insurance as well as term life insurance. We offer annuities, mutual funds and stock and bond brokerage services through an arrangement with a broker-dealer and insurance brokers. Most of our commercial customers are small and mid-sized businesses in Pennsylvania and Ohio.

As a financial institution with a focus on traditional banking activities, we earn the majority of our revenue through net interest income, which is the difference between interest earned on loans and investments and interest paid on deposits and borrowings. Growth in net interest income is dependent upon balance sheet growth and maintaining or increasing our net interest margin, which is net interest income (on a fully taxable-equivalent basis) as a percentage of our average interest-earning assets. We also generate revenue through fees earned on various services and products that we offer to our customers and, less frequently, through sales of assets, such as loans, investments or properties. These revenue sources are offset by provisions for credit losses on loans, operating expenses, income taxes and, less frequently, loss on sale or other-than-temporary impairments on investment securities.

General economic conditions also affect our business by impacting our customers' need for financing, thus affecting loan growth, as well as impacting the credit strength of existing and potential borrowers.

Critical Accounting Policies and Significant Accounting Estimates

First Commonwealth's accounting and reporting policies conform to accounting principles generally accepted in the United States of America ("GAAP") and predominant practice in the banking industry. The preparation of financial statements in accordance with GAAP requires management to make estimates, assumptions and judgments that affect the amounts reported in the financial statements and accompanying notes. Over time, these estimates, assumptions and judgments may prove to be inaccurate or vary from actual results and may significantly affect our reported results and financial position for the period presented or in future periods. We currently view the determination of the allowance for credit losses to be critical because it is highly dependent on subjective or complex judgments, assumptions and estimates made by management.

Allowance for Credit Losses

We account for the credit risk associated with our lending activities through the allowance and provision for credit losses. The allowance represents management's best estimate of expected losses in our existing loan and lease portfolio as of the balance sheet date. The provision is a periodic charge to earnings in an amount necessary to maintain the allowance at a level that is appropriate based on management's assessment of expected losses. Management determines and reviews with the Board of Directors the appropriateness of the allowance on a quarterly basis in accordance with the methodology described below.

- Loans are segmented into groups with similar characteristics and risks and an allowance for credit losses is calculated for each segment based on the estimate of credit losses.
- The allowance for credit losses is calculated by pooling loans of similar credit risk characteristics and applying a discounted cash flow methodology after incorporating probability of default and loss given default estimates. Probability of default represents an estimate of the likelihood of default and loss given default measures the expected loss upon default. Inputs impacting the expected losses includes a forecast of macroeconomic factors, using a weighted forecast from a nationally recognized firm.
- Loans that do not have the same risks and characteristics of the loan pools are individually reviewed. These are generally large balance commercial loans and commercial mortgages that are rated less than “satisfactory” based on our internal credit-rating process.
- We assess whether the loans identified for review are “nonperforming”. This means it is expected that all amounts will not be collected according to the contractual terms of the loan agreement, which generally represents loans that management has placed on nonaccrual status and accruing troubled debt restructurings.
- For individually analyzed loans we calculate the estimated fair value of the loans that are selected for review based on observable market prices, discounted cash flows or the value of the underlying collateral and record an allowance if needed.
- We then review the results to determine the appropriate balance of the allowance for credit losses. This review includes consideration of additional factors, such as the mix of loans in the portfolio, the balance of the allowance relative to total loans and nonperforming assets, trends in the overall risk profile in the portfolio, trends in delinquencies and nonaccrual loans, and local and national economic information and industry data, including trends in the industries we believe are higher risk.

There are many factors affecting the allowance for credit losses; some are quantitative, while others require qualitative judgment. These factors require the use of estimates related to the amount and timing of expected future cash flows, appraised values on nonperforming loans, estimated losses for each loan category based on historical loss experience, forecasts of economic trends and conditions, all of which may be susceptible to significant judgment and change. To the extent that actual outcomes differ from estimates, additional provisions for credit losses could be required that could adversely affect our earnings or financial position in future periods.

As noted above, the allowance for credit losses is estimated using a number of inputs and assumptions. Management's sensitivity analysis of the allowance identified that the model has the highest degree of sensitivity around values used in the economic forecast, specifically national unemployment and gross domestic product. Additionally, there is also a high degree of sensitivity related to estimated prepayment speeds as it is a major driver for the life of loan expectations. The sensitivity of estimated prepayment speeds had the largest impact on the residential first lien loan pool.

Selected Financial Information

The following table provides selected financial information for the periods ended December 31,

	2022	2021	2020	2019	2018
	(dollars in thousands, except share data)				
Interest income	\$ 329,953	\$ 293,838	\$ 301,209	\$ 325,264	\$ 292,257
Interest expense	17,732	15,297	32,938	55,402	40,035
Net interest income	312,221	278,541	268,271	269,862	252,222
Provision for credit losses	21,106	(1,376)	56,718	14,533	12,531
Net interest income after provision for credit losses	291,115	279,917	211,553	255,329	239,691
Net securities gains (losses)	2	16	70	22	8,102
Other income	98,706	106,741	94,406	85,463	80,535
Other expenses	229,638	213,857	215,826	209,965	195,556
Income before income taxes	160,185	172,817	90,203	130,849	132,772
Income tax provision	32,004	34,560	16,756	25,516	25,274
Net Income	<u>\$ 128,181</u>	<u>\$ 138,257</u>	<u>\$ 73,447</u>	<u>\$ 105,333</u>	<u>\$ 107,498</u>
Per Share Data—Basic					
Net Income	\$ 1.37	\$ 1.45	\$ 0.75	\$ 1.07	\$ 1.09
Dividends declared	\$ 0.475	\$ 0.455	\$ 0.440	\$ 0.400	\$ 0.350
Average shares outstanding	93,612,043	95,583,890	97,499,586	98,317,787	99,036,163
Per Share Data—Diluted					
Net Income	\$ 1.37	\$ 1.44	\$ 0.75	\$ 1.07	\$ 1.08
Average shares outstanding	93,887,447	95,840,285	97,758,965	98,588,164	99,223,513
At End of Period					
Total assets	\$ 9,805,666	\$ 9,545,093	\$ 9,068,104	\$ 8,308,773	\$ 7,828,255
Investment securities	1,250,237	1,595,529	1,205,294	1,256,176	1,335,228
Loans and leases, net of unearned income	7,642,143	6,839,230	6,761,183	6,189,148	5,774,139
Allowance for credit losses	102,906	92,522	101,309	51,637	47,764
Deposits	8,005,469	7,982,498	7,438,666	6,677,615	5,897,992
Short-term borrowings	372,694	138,315	117,373	201,853	721,823
Subordinated debentures	170,937	170,775	170,612	170,450	170,288
Other long-term debt	4,862	5,573	56,258	56,917	7,551
Shareholders' equity	1,052,074	1,109,372	1,068,617	1,055,665	975,389
Key Ratios					
Return on average assets	1.34 %	1.47 %	0.82 %	1.31 %	1.42 %
Return on average equity	11.99	12.55	6.82	10.32	11.41
Net loans to deposits ratio	94.18	84.52	89.53	91.91	97.09
Dividends per share as a percent of net income per share	34.67	31.38	58.67	37.38	32.11
Average equity to average assets ratio	11.16	11.72	12.00	12.71	12.47

Results for 2020 through 2022 reflect accounting for the allowance for credit losses under the current expected credit loss methodology, while results prior to 2020 reflect accounting under the incurred methodology.

Results of Operations—2022 Compared to 2021

Net Income

Net income for 2022 was \$128.2 million, or \$1.37 per diluted share, as compared to net income of \$138.3 million, or \$1.44 per diluted share in 2021. The decrease in net income was the result of a \$22.5 million increase in provision for credit losses, an

increase of \$15.8 million in noninterest expense and a decrease of \$8.0 million in noninterest income offset by an increase of \$33.7 million in net interest income.

Our return on average equity was 12.0% and our return on average assets was 1.34% for 2022, compared to 12.6% and 1.47%, respectively, for 2021.

Average diluted shares for the year 2022 were 2% less than the comparable period in 2021 primarily due to \$15.6 million of common stock buybacks completed during 2022.

Net Interest Income

Net interest income, which is our primary source of revenue, is the difference between interest income from earning assets (loans and securities) and interest expense paid on liabilities (deposits, short-term borrowings and long-term debt). The amount of net interest income is affected by both changes in the level of interest rates and the amount and composition of interest-earning assets and interest-bearing liabilities. The net interest margin is expressed as the percentage of net interest income, on a fully taxable equivalent basis, to average interest-earning assets. To compare the tax exempt asset yields to taxable yields, amounts are adjusted to the pretax equivalent amounts based on the marginal corporate federal income tax rate of 21%. The taxable equivalent adjustment to net interest income for 2022 was \$1.0 million compared to \$1.1 million in 2021. Net interest income comprises a majority of our operating revenue (net interest income before provision expense plus noninterest income) at 76% and 72% for the years ended December 31, 2022 and 2021, respectively.

Net interest income, on a fully taxable equivalent basis, was \$313.3 million for the year-ended December 31, 2022, a \$33.6 million, or 12%, increase compared to \$279.6 million for the same period in 2021. The net interest margin, on a fully taxable equivalent basis, increased 32 basis points to 3.58% in 2022 from 3.26% in 2021. The net interest margin is affected by both changes in the level of interest rates and the amount and composition of interest-earning assets and interest-bearing liabilities.

The impact of growth in interest-earning assets in 2022 was further impacted by the effect of the mix of the asset growth and higher interest rates, resulting in an increase in the net interest margin for the year ended December 31, 2022. Average earning assets for the year ended December 31, 2022 increased \$153.3 million, or 2%, compared to the year ended December 31, 2021. The change in the volume of interest-earning assets and interest-bearing liabilities positively increased net interest income by \$14.8 million in the year ended December 31, 2022 compared to the same period in 2021, and changes in rates positively impacted net interest income by \$18.9 million. Interest-sensitive assets totaling \$4.3 billion will either reprice or mature over the next twelve months.

The taxable equivalent yield on interest-earning assets was 3.79% for the year ended December 31, 2022, an increase of 36 basis points from the 3.43% yield for the same period in 2021. This change is primarily due to an increase in the yield on our adjustable and variable rate commercial loan portfolios, which increased by 89 basis points largely due to loans repricing in a rising interest rate environment. During 2022, the Federal Reserve increased short-term interest rates by 425 basis points. Also contributing to the increase in yield on interest-earning assets was the yield on the investment portfolio, which increased by 15 basis points compared to the prior year, primarily due to the increased rate environment.

As of December 31, 2022, 43% of our loan portfolio had variable or adjustable interest rates and 57% had fixed interest rates. These percentages incorporate the impact of our cash flow hedges that convert the interest rate on \$500.0 million of our 1-month LIBOR based loans to fixed rates. Without these cash flow hedges, the variable and adjustable interest rates would account for 49% of our loan portfolio and include approximately 32% tied to the prime interest rate, 18% tied to SOFR, 14% tied to LIBOR, 10% tied to Federal Home Loan Bank rates, 10% tied to Treasury rates, 9% tied to swap rates and 7% tied to BSBY. As of September 30, 2021, we discontinued originating loans tied to LIBOR and instead have used our preferred replacement rate of SOFR as well as BSBY. All LIBOR based loans are expected to be transitioned to a new index by June 30, 2023.

The loan yield for the year ended December 31, 2022 increased 27 basis points compared to December 31, 2021. This increase is a result of the previously mentioned increase in interest rates as well as growth in the loan portfolio. Average loans increased by \$395.4 million during the period, despite a decrease of \$292.1 million in average Paycheck Protection Program ("PPP") loans outstanding during the period. These loans were originated under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") and had a stated loan rate of 1% and a yield of 12.9% and 7.4% for the years ended December 31, 2022 and December 31, 2021, respectively. The yield on PPP loans includes the recognition of PPP loan deferred processing fees, net of deferred origination costs, of \$2.3 million for the year ended December 31, 2022 and \$19.9 million for the year ended December 31, 2021. These amounts are recognized in interest income as a yield adjustment over the life of the loan with accelerated recognition when a loan is forgiven or paid off. At December 31, 2022, the balance of PPP loans outstanding totaled \$4.3 million. PPP loans generated \$2.7 million in income during the year ended December 31, 2022 and increased the yield on total loans and the net interest margin by 3 basis points and 2 basis points, respectively. During the year ended

December 31, 2021, PPP loans generated \$23.2 million in income increasing both the loan portfolio yield and net interest margin by 16 basis points.

The investment portfolio yield increased 15 basis points in comparison to the prior year as new volume rates were higher than the portfolio yields. The average investment portfolio balance decreased \$113.0 million as maturities and runoff funded loan growth. Additionally, the average balance of interest-bearing deposits with banks has decreased from \$317.5 million in 2021 to \$188.4 million in 2022 as this liquidity was used to fund loan growth. The impact of the level and rate earned on interest-bearing deposits with banks increased the yield on interest-earning assets by 6 basis points for the year ended December 31, 2022.

Increases in the cost of interest-bearing liabilities partially offset the positive impact of higher yields on interest-earning assets. The cost of interest-bearing liabilities was 0.31% for the year-ended December 31, 2022, compared to 0.27% for the same period in 2021. Higher market interest rates resulted in the cost of interest-bearing deposits increasing 2 basis points and short-term borrowings increasing 130 basis points in comparison to the same period in the prior year. Average short-term borrowings increased by \$25.0 million for the year ended December 31, 2022 compared to the same period in 2021. Average long-term debt decreased \$19.2 million, while the cost of long-term debt increased by 26 basis points due to the maturity of lower costing borrowings and increasing rates on the variable rate portion of the subordinated debentures.

Comparing the year ended December 31, 2022 with the same period in 2021, changes in rates positively impacted net interest income by \$18.9 million. The higher yield on interest-earning assets increased net interest income by \$22.6 million, while the change in the cost of interest-bearing liabilities negatively impacted net interest income by \$3.7 million.

Changes in the volume of interest-earning assets and interest-bearing liabilities positively increased net interest income by \$14.8 million in the year ended December 31, 2022 compared to the same period in 2021. Higher levels of interest-earning assets resulted in an increase of \$13.5 million in interest income, and changes in the volume and mix of interest-bearing liabilities decreased interest expense by \$1.3 million, primarily due to decreases in long-term borrowings and time deposits.

Positively affecting net interest income was a \$85.5 million increase in average net free funds at December 31, 2022 as compared to December 31, 2021. Average net free funds are the excess of noninterest-bearing demand deposits, other noninterest-bearing liabilities and shareholders' equity over noninterest-earning assets. The largest component of the increase in net free funds was a \$128.1 million increase in average noninterest-bearing demand deposits. Average time deposits for the year ended December 31, 2022 decreased \$96.8 million, or 22%, compared to the comparable period in 2021, while the average rate paid on time deposits decreased 15 basis points. Over the next twelve months, \$230.6 million in certificates of deposits are scheduled to mature.

The following table reconciles interest income in the Consolidated Statements of Income to net interest income adjusted to a fully taxable equivalent basis for the periods presented:

	For the Years Ended December 31,		
	2022	2021	2020
	(dollars in thousands)		
Interest income per Consolidated Statements of Income	\$ 329,953	\$ 293,838	\$ 301,209
Adjustment to fully taxable equivalent basis	1,049	1,100	1,462
Interest income adjusted to fully taxable equivalent basis (non-GAAP)	331,002	294,938	302,671
Interest expense	17,732	15,297	32,938
Net interest income adjusted to fully taxable equivalent basis (non-GAAP)	<u>\$ 313,270</u>	<u>\$ 279,641</u>	<u>\$ 269,733</u>

The following table provides information regarding the average balances and yields or rates on interest-earning assets and interest-bearing liabilities for the periods ended December 31:

Average Balance Sheets and Net Interest Analysis									
(dollars in thousands)									
	2022			2021			2020		
	Average Balance	Income / Expense (a)	Yield or Rate	Average Balance	Income / Expense (a)	Yield or Rate	Average Balance	Income / Expense (a)	Yield or Rate
Assets									
Interest-earning assets:									
Interest-bearing deposits with banks	\$ 188,370	\$ 1,722	0.91 %	\$ 317,493	\$ 400	0.13 %	\$ 179,180	\$ 218	0.12 %
Tax-free investment securities	23,060	606	2.63	28,139	753	2.68	44,308	1,333	3.01
Taxable investment securities	1,355,836	25,545	1.88	1,463,785	25,244	1.72	1,167,316	24,749	2.12
Loans and leases, net of unearned income (b)(c)(e)	7,172,624	303,129	4.23	6,777,192	268,541	3.96	6,737,339	276,371	4.10
Total interest-earning assets	8,739,890	331,002	3.79	8,586,609	294,938	3.43	8,128,143	302,671	3.72
Noninterest-earning assets:									
Cash	111,554			94,949			97,632		
Allowance for credit losses	(94,912)			(101,399)			(76,705)		
Other assets	818,701			813,905			825,510		
Total noninterest-earning assets	835,343			807,455			846,437		
Total Assets	\$ 9,575,233			\$ 9,394,064			\$ 8,974,580		
Liabilities and Shareholders' Equity									
Interest-bearing liabilities:									
Interest-bearing demand deposits (d)	\$ 1,596,197	\$ 1,376	0.09 %	\$ 1,529,697	\$ 434	0.03 %	\$ 1,525,195	\$ 1,843	0.12 %
Savings deposits (d)	3,374,638	4,145	0.12	3,282,307	3,111	0.09	3,027,016	9,966	0.33
Time deposits	352,622	1,193	0.34	449,452	2,204	0.49	726,702	10,163	1.40
Short-term borrowings	144,834	1,999	1.38	119,801	99	0.08	142,634	704	0.49
Long-term debt	181,724	9,019	4.96	200,961	9,449	4.70	233,701	10,262	4.39
Total interest-bearing liabilities	5,650,015	17,732	0.31	5,582,218	15,297	0.27	5,655,248	32,938	0.58
Noninterest-bearing liabilities and shareholders' equity:									
Noninterest-bearing demand deposits (d)	2,708,580			2,580,460			2,101,412		
Other liabilities	147,871			130,007			140,612		
Shareholders' equity	1,068,767			1,101,379			1,077,308		
Total noninterest-bearing funding sources	3,925,218			3,811,846			3,319,332		
Total Liabilities and Shareholders' Equity	\$ 9,575,233			\$ 9,394,064			\$ 8,974,580		
Net Interest Income and Net Yield on Interest-Earning Assets									
		\$ 313,270	3.58 %		\$ 279,641	3.26 %		\$ 269,733	3.32 %

(a) Income on interest-earning assets has been computed on a fully taxable equivalent basis using the federal income tax statutory rate of 21%.

(b) Income on nonaccrual loans is accounted for on the cash basis, and the loan balances are included in interest-earning assets.

(c) Loan income includes loan fees.

(d) Average balances do not include reallocations from noninterest-bearing demand deposits and interest-bearing demand deposits into savings deposits which were made for regulatory purposes.

(e) Includes held for sale loans.

The following table sets forth certain information regarding changes in net interest income attributable to changes in the volume of interest-earning assets and interest-bearing liabilities and changes in the rates for the periods indicated:

	Analysis of Year-to-Year Changes in Net Interest Income					
	2022 Change from 2021			2021 Change from 2020		
	Total Change	Change Due To Volume	Change Due To Rate (a)	Total Change	Change Due To Volume	Change Due To Rate (a)
	(dollars in thousands)					
Interest-earning assets:						
Interest-bearing deposits with banks	\$ 1,322	\$ (168)	\$ 1,490	\$ 182	\$ 166	\$ 16
Tax-free investment securities	(147)	(136)	(11)	(580)	(487)	(93)
Taxable investment securities	301	(1,857)	2,158	495	6,285	(5,790)
Loans and leases	34,588	15,659	18,929	(7,830)	1,634	(9,464)
Total interest income (b)	36,064	13,498	22,566	(7,733)	7,598	(15,331)
Interest-bearing liabilities:						
Interest-bearing demand deposits	942	20	922	(1,409)	5	(1,414)
Savings deposits	1,034	83	951	(6,855)	842	(7,697)
Time deposits	(1,011)	(474)	(537)	(7,959)	(3,882)	(4,077)
Short-term borrowings	1,900	20	1,880	(605)	(112)	(493)
Long-term debt	(430)	(904)	474	(813)	(1,437)	624
Total interest expense	2,435	(1,255)	3,690	(17,641)	(4,584)	(13,057)
Net interest income	\$ 33,629	\$ 14,753	\$ 18,876	\$ 9,908	\$ 12,182	\$ (2,274)

(a) Changes in interest income or expense not arising solely as a result of volume or rate variances are allocated to rate variances.

(b) Changes in interest income have been computed on a fully taxable equivalent basis using the 21% federal income tax statutory rate.

Provision for Credit Losses

The provision for credit losses is determined based on management's estimates of the appropriate level of the allowance for credit losses needed to provide for expected losses inherent in the loan and lease portfolio and on off-balance sheet commitments. The provision for credit losses is an amount added to the allowance against which credit losses are charged.

The provision is a result of management's estimate of credit losses over the contractual life of the loan and lease portfolio. The change in the allowance for credit is impacted by estimated expected losses in the portfolio determined by a discounted cash flow analysis considering inputs such as contractual payment schedules, prepayment estimates, historical loss experience, calculated probability of default and loss given default estimates and forecasts for certain macroeconomic variables, such as unemployment, gross domestic product and the housing price index as well as other macroeconomic variables.

The provision for credit losses on loans and leases for 2022 totaled \$17.5 million, an increase of \$17.9 million compared to the \$0.4 million negative provision recognized in 2021. The level of provision expense for the year ended December 31, 2022 is primarily a result of loan growth and changes in the economic forecast. The provision for credit losses was also impacted by a decrease of \$0.3 million in reserves on individually analyzed loans. Contributing to the increase in provision for credit losses was a \$4.6 million increase in expense related to higher reserves for off-balance sheet commitments.

Provision expense for the commercial, financial, agricultural and other category was impacted by net charge-offs of \$2.0 million, as well as an increase of \$38.3 million in outstanding balances. Provision expense for the commercial real estate category was impacted by \$1.7 million in net charge-offs offset by an increase in general reserves due to \$173.9 million in loan growth. Contributing to the negative provision for commercial real estate is the release of the remaining COVID-19 qualitative reserves which were established at the beginning of the pandemic. These reserves have been released as the risk of the COVID-19 pandemic on the loan portfolio declined. Increase in the residential real estate category is due primarily to \$274.4 million in loan growth, slowing prepayment speeds and an annual review of loss history data used in the allowance for credit loss model. Net charge-offs related to loans to individuals were \$3.3 million for the year ended December 31, 2022, including \$1.9 million for indirect auto loans and \$1.0 million related to other consumer loans. The provision expense for loans to individuals was also impacted by growth in the portfolio of \$297.7 million and the impact of the annual review of loss history data used in the allowance model.

The table below provides a breakout of the provision for credit losses by loan category for the years ended December 31:

	2022		2021	
	Dollars	Percentage	Dollars	Percentage
	(dollars in thousands)			
Commercial, financial, agricultural and other	\$ 6,524	37 %	\$ 5,496	(1,458)%
Time and demand	5,265	30	5,441	(1,443)
Commercial credit cards	234	1	55	(15)
Equipment Finance	1,086	6		
Time and demand other	(61)	—		
Real estate construction	4,593	26	(3,892)	1,032
Construction other	3,073	17		
Construction residential	1,520	9		
Residential real estate	8,939	51	(1,892)	502
Residential first liens	7,396	42	(737)	196
Residential junior liens/home equity	1,543	9	(1,155)	306
Commercial real estate	(2,854)	(16)	(7,053)	1,871
Multifamily	1,165	7	(2,678)	710
Nonowner occupied	(6,918)	(40)	(2,145)	569
Owner occupied	2,899	17	(2,230)	592
Loans to individuals	319	2	6,964	(1,847)
Automobile and recreational vehicles	(721)	(4)	6,035	(1,601)
Consumer credit cards	327	2	215	(57)
Consumer other	713	4	714	(189)
Provision for credit losses on loans and leases	\$ 17,521	100 %	\$ (377)	100 %
Provision for off-balance sheet credit exposure	3,585		(999)	
Total provision for credit losses	\$ 21,106		\$ (1,376)	

The provision expense for the year ended December 31, 2021 totaled a \$0.4 million negative provision and primarily was a result of \$8.4 million in net charge-offs offset by a decrease in the allowance for credit losses due to improvement in the economic forecast as compared to the prior year which included a higher level of uncertainty and risks related to the COVID-19 pandemic. Also impacting provision expense in 2021 was a decrease of \$4.5 million on individually analyzed loans.

The allowance for credit losses was \$102.9 million, or 1.35%, of total loans outstanding at December 31, 2022, compared to \$92.5 million, or 1.35%, at December 31, 2021. Nonperforming loans as a percentage of total loans decreased to 0.46% at December 31, 2022 from 0.81% at December 31, 2021. The allowance to nonperforming loan ratio was 290.0% as of December 31, 2022 and 167.7% at December 31, 2021. Net charge-offs were \$7.1 million for the year-ended December 31, 2022 compared to \$8.4 million for the same period in 2021.

Upon adoption of CECL at January 1, 2020, the provision for credit losses on off-balance sheet credit exposures are recorded as part of the provision for credit losses instead of a component of non-interest expense as it previously was recorded. The provision for credit losses recorded for off-balance sheet credit exposures totaled \$3.6 million for the year ended December 31, 2022 compared to a negative provision of \$1.0 million for the year ended December 31, 2021.

Management believes that the allowance for credit losses is at a level deemed appropriate to absorb expected losses inherent in the loan portfolio at December 31, 2022.

A detailed analysis of our credit loss experience for the previous five years is shown below:

	2022	2021	2020	2019	2018
	(dollars in thousands)				
Loans and leases outstanding at end of year	\$ 7,642,143	\$ 6,839,230	\$ 6,761,183	\$ 6,189,148	\$ 5,774,139
Average loans outstanding	\$ 7,172,624	\$ 6,777,192	\$ 6,737,339	\$ 5,987,398	\$ 5,582,651
Balance, beginning of year	\$ 92,522	\$ 101,309	\$ 51,637	\$ 47,764	\$ 48,298
Adoption of accounting standard - ASU 2016-13	—	—	13,393	—	—
Loans charged off:					
Commercial, financial, agricultural and other	2,361	7,020	6,318	3,393	5,294
Real estate construction	—	9	—	—	—
Residential real estate	339	309	1,040	1,042	1,313
Commercial real estate	2,487	1,659	4,939	2,008	3,930
Loans to individuals	4,658	4,061	6,953	5,831	4,576
Total loans charged off	9,845	13,058	19,250	12,274	15,113
Recoveries of loans previously charged off:					
Commercial, financial, agricultural and other	394	2,430	314	326	788
Real estate construction	9	155	26	158	141
Residential real estate	187	468	414	315	361
Commercial real estate	769	135	312	189	153
Loans to individuals	1,349	1,460	991	626	605
Total recoveries	2,708	4,648	2,057	1,614	2,048
Net charge-offs	7,137	8,410	17,193	10,660	13,065
Provision charged to expense	17,521	(377)	53,472	14,533	12,531
Balance, end of year	\$ 102,906	\$ 92,522	\$ 101,309	\$ 51,637	\$ 47,764
Ratios:					
Net charge-offs as a percentage of average loans and leases outstanding	0.10 %	0.12 %	0.26 %	0.18 %	0.23 %
Allowance for credit losses as a percentage of end-of-period loans and leases outstanding	1.35 %	1.35 %	1.50 %	0.83 %	0.83 %
Allowance for credit losses as a percentage of end-of-period loans and leases outstanding, excluding PPP loans	1.35 %	1.37 %	1.61 %	0.83 %	0.83 %

Noninterest Income

The components of noninterest income for each year in the three-year period ended December 31 are as follows:

	2022	2021	2020	2022 compared to 2021	
				\$ Change	% Change
(dollars in thousands)					
Noninterest Income:					
Trust income	\$ 10,518	\$ 11,111	\$ 9,101	\$ (593)	(5)%
Service charges on deposit accounts	19,641	17,984	16,387	1,657	9
Insurance and retail brokerage commissions	8,857	8,502	7,850	355	4
Income from bank owned life insurance	5,459	6,433	6,552	(974)	(15)
Card related interchange income	27,603	27,954	23,966	(351)	(1)
Swap fee income	4,685	2,543	1,588	2,142	84
Other income	10,263	8,185	7,892	2,078	25
Subtotal	87,026	82,712	73,336	4,314	5
Net securities gains	2	16	70	(14)	(88)
Gain on sale of mortgage loans	5,276	13,555	18,764	(8,279)	(61)
Gain on sale of other loans and assets	6,036	8,130	4,827	(2,094)	(26)
Derivative mark to market	368	2,344	(2,521)	(1,976)	(84)
Total noninterest income	<u>\$ 98,708</u>	<u>\$ 106,757</u>	<u>\$ 94,476</u>	<u>\$ (8,049)</u>	<u>(8)%</u>

Noninterest income, excluding net securities gains, gain on sale of mortgage loans, gain on sale of other loans and assets and the derivatives mark to market, increased \$4.3 million, or 5%, in 2022. Swap fee income increased \$2.1 million due to an increase in interest rate swaps entered into for our commercial customers. Other income increased \$2.1 million primarily due to income related to limited partnership investments. Service charges on deposit accounts increased \$1.7 million as customer activity began to return to pre-COVID levels. Income from bank owned life insurance decreased \$1.0 million due to the recognition of benefits during 2021 with no similar benefits in 2022, card related interchange income decreased \$0.4 million due to a decline in transactions, and trust income decreased \$0.6 million due to declines in the values of assets under management, all of which offset the aforementioned growth.

Total noninterest income decreased \$8.0 million, or 8%, in comparison to the year ended December 31, 2021. The most significant change, other than the changes noted above, includes a decrease of \$8.3 million in gain on sale of mortgage loans due to a decline in volume and spread received on mortgage loans sold. The mark to market adjustment on interest rate swaps entered into for our commercial loan customers decreased \$2.0 million. This adjustment does not reflect a realized gain or loss on the swaps, but rather relates to a change in fair value due to movements in corporate bond spreads and swap rates as well as changes in counterparty credit risk. Gain on sale of other loans and assets decreased \$2.1 million due to a decrease in the sale of other loans, primarily SBA loans, in comparison to the prior year.

If the Company's total assets would equal or exceed \$10 billion, as of the end of the previous calendar year, we would no longer qualify for exemption from the interchange fee cap included in the Dodd-Frank Act. We estimate the application of the interchange fee cap would have decreased interchange income by approximately \$14.1 million in 2022. First Commonwealth's total assets are expected to exceed \$10 billion as of December 31, 2023, and as such, we expect to become subject to the interchange fee cap beginning July 1, 2024.

Noninterest Expense

The components of noninterest expense for each year in the three-year period ended December 31 are as follows:

	2022	2021	2020	2022 compared to 2021	
				\$ Change	% Change
(dollars in thousands)					
Noninterest Expense:					
Salaries and employee benefits	\$ 126,031	\$ 119,506	\$ 118,961	\$ 6,525	5 %
Net occupancy	18,037	16,586	17,647	1,451	9
Furniture and equipment	15,582	15,642	15,393	(60)	0
Data processing	13,922	12,373	10,543	1,549	13
Advertising and promotion	5,031	4,983	4,679	48	1
Pennsylvania shares tax	4,447	4,604	4,500	(157)	(3)
Intangible amortization	3,196	3,497	3,689	(301)	(9)
Other professional fees and services	4,894	4,501	3,886	393	9
FDIC insurance	2,871	2,529	2,699	342	14
Other operating expenses	30,701	26,663	24,770	4,038	15
Subtotal	224,712	210,884	206,767	13,828	7
Loss on sale or write-down of assets	343	303	680	40	13
Litigation and operational losses	2,834	2,324	1,411	510	22
Merger and acquisition related	1,702	—	—	1,702	—
COVID-19 expense	151	449	874	(298)	(66)
Early retirement	—	—	3,422	—	100
Branch consolidation	(104)	(103)	2,672	(1)	1
Total noninterest expense	<u>\$ 229,638</u>	<u>\$ 213,857</u>	<u>\$ 215,826</u>	<u>\$ 15,781</u>	<u>7 %</u>

Total noninterest expense increased \$15.8 million, or 7%, compared to the year ended December 31, 2021. Contributing to the change is the recognition of \$1.7 million in merger and acquisition related expenses for the acquisition of Centric. Also contributing to the increase in noninterest expense is a \$6.5 million increase in salaries and employee benefits due to annual merit increases and salary adjustments. Net occupancy increased \$1.5 million due to higher building repairs and maintenance costs. Data processing costs increased \$1.5 million due to continued investment in our digital banking and other product offerings. Contributing to the \$4.0 million increase in other operating expenses were several expense categories, including travel, interview and placement, subscriptions and credit reporting expenses, none of which were individually significant.

Income Tax

The provision for income taxes of \$32.0 million in 2022 reflects a decrease of \$2.6 million compared to the provision for income taxes in 2021, as a result of a \$12.6 million decrease in the level of income before taxes.

The effective tax rate was 20.0% for tax expense in both 2022 and 2021. We ordinarily generate an annual effective tax rate that is less than the statutory rate due to benefits resulting from tax-exempt interest, income from bank owned life insurance, and tax benefits associated with low income housing tax credits, all of which are relatively consistent regardless of the level of pretax income.

Financial Condition

First Commonwealth's total assets increased \$260.6 million as of December 31, 2022 compared to December 31, 2021. Loans, including loans held for sale, increased \$796.2 million, or 12%. Loan growth in 2022 was experienced in all loan categories, with loans to individuals and residential real estate loans accounting for a majority of the growth. Investment securities decreased \$358.9 million, or 23% and cash and interest-bearing balances with banks decreased \$241.1 million, or 61%, as these funds provided liquidity necessary to fund the strong loan growth.

First Commonwealth's total liabilities increased \$317.9 million, or 4%, in 2022. Deposits increased \$23.0 million and short-term borrowings increased \$234.4 million, or 169%. The increase in short-term borrowings provided the liquidity necessary to fund loan growth. Also impacting total liabilities in 2022, was a \$55.1 million increase in the fair value of interest rate swaps due to changes in the interest rate environment.

Total shareholders' equity decreased \$57.3 million in 2022. The decline in shareholders' equity was the result of net income of \$128.2 million, offset by a \$128.9 million decrease in accumulated other comprehensive income, \$44.6 million in dividends declared and \$15.6 million in stock repurchases.

Loan and Lease Portfolio

Following is a summary of our loan and lease portfolio as of December 31:

	2022		2021		2020		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
(dollars in thousands)										
Commercial, financial, agricultural and other	\$ 1,211,706	16 %	\$ 1,173,452	17 %	\$ 1,555,986	23 %	\$ 1,241,853	20 %	\$ 1,138,473	20 %
Real estate construction	513,101	7	494,456	7	427,221	6	449,039	7	358,978	6
Residential real estate	2,194,669	29	1,920,250	28	1,750,592	26	1,681,362	27	1,562,405	27
Commercial real estate	2,425,012	31	2,251,097	33	2,211,569	33	2,117,519	34	2,123,544	37
Loans to individuals	1,297,655	17	999,975	15	815,815	12	699,375	12	590,739	10
Total loans and leases	<u>\$ 7,642,143</u>	<u>100 %</u>	<u>\$ 6,839,230</u>	<u>100 %</u>	<u>\$ 6,761,183</u>	<u>100 %</u>	<u>\$ 6,189,148</u>	<u>100 %</u>	<u>\$ 5,774,139</u>	<u>100 %</u>

The loan and lease portfolio totaled \$7.6 billion as of December 31, 2022, reflecting growth of \$802.9 million, or 12%, compared to December 31, 2021. All categories experienced loan growth.

Commercial, financial, agricultural and other loans increased \$38.3 million, or 3%, as a result of growth in this category exceeding runoff of \$67.0 million in PPP loans. As of December 31, 2022, PPP loans totaled \$4.3 million compared to \$71.3 million at December 31, 2021. In the first quarter of 2022, we entered the equipment leasing and finance business, which accounted for \$79.7 million of the growth in this category

Residential real estate loans increased \$274.4 million, or 14%, primarily due to originations of first lien closed-end 1-4 family mortgage loans.

Growth in the loans to individuals category of \$297.7 million, or 30%, was the result of growth in indirect auto and recreational vehicle loans.

Commercial real estate loans increased \$173.9 million, or 7%, primarily due to growth in owner occupied properties.

The majority of our loan and lease portfolio is with borrowers located in the states of Pennsylvania and Ohio. As of December 31, 2022 and 2021, there were no concentrations of loans relating to any industry in excess of 10% of total loans.

Final loan maturities and rate sensitivities of the loan portfolio excluding consumer installment and mortgage loans at December 31, 2022 were as follows:

	Within One Year	One to 5 Years	After 5 Years	Total
(dollars in thousands)				
Commercial, financial, agricultural and other	\$ 200,868	\$ 579,709	\$ 350,753	\$ 1,131,330
Real estate construction (a)	120,788	202,883	72,535	396,206
Commercial real estate	300,109	847,448	1,277,500	2,425,057
Other	5,772	24,161	119,361	149,294
Totals	<u>\$ 627,537</u>	<u>\$ 1,654,201</u>	<u>\$ 1,820,149</u>	<u>\$ 4,101,887</u>
Loans at fixed interest rates		317,863	301,166	
Loans at variable interest rates		1,336,338	1,518,983	
Totals		<u>\$ 1,654,201</u>	<u>\$ 1,820,149</u>	

- (a) The maturities of real estate construction loans include term commitments that follow the construction period. Loans with these term commitments will be moved to the commercial real estate category when the construction phase of the project is completed.

First Commonwealth has a legal lending limit of \$165.1 million to any one borrower or closely related group of borrowers, but has established lower thresholds for credit risk management.

Nonperforming Loans

Nonperforming loans include nonaccrual loans and restructured loans. Nonaccrual loans represent loans on which interest accruals have been discontinued. Restructured loans are those loans whose terms have been renegotiated to provide a reduction or deferral of principal or interest as a result of the deteriorating financial position of the borrower under terms not available in the market.

We discontinue interest accruals on a loan when, based on current information and events, it is probable that we will be unable to fully collect principal or interest due according to the contractual terms of the loan. Consumer loans are placed in nonaccrual status at 150 days past due. Other types of loans are typically placed in nonaccrual status when there is evidence of a significantly weakened financial condition or principal and interest is 90 days or more delinquent. Interest received on a nonaccrual loan is normally applied as a reduction to loan principal rather than interest income utilizing the cost recovery methodology of revenue recognition.

Nonperforming loans are closely monitored on an ongoing basis as part of our loan review and work-out process. The estimated credit loss on these loans is evaluated by comparing the loan balance to the fair value of any underlying collateral and the present value of projected future cash flows. Losses are recognized when a loss is expected and the amount is reasonably estimable.

The following is a comparison of nonperforming assets and the effects on interest due to nonaccrual loans for the period ended December 31:

	2022	2021	2020	2019	2018
	(dollars in thousands)				
Nonperforming Loans:					
Loans on nonaccrual basis	\$ 20,193	\$ 34,926	\$ 30,801	\$ 18,638	\$ 11,509
Loans held for sale on nonaccrual basis	—	—	13	—	—
Troubled debt restructured loans on nonaccrual basis	8,852	13,134	14,740	6,037	11,761
Troubled debt restructured loans on accrual basis	6,442	7,120	8,512	7,542	8,757
Total nonperforming loans	<u>\$ 35,487</u>	<u>\$ 55,180</u>	<u>\$ 54,066</u>	<u>\$ 32,217</u>	<u>\$ 32,027</u>
Loans and leases past due in excess of 90 days and still accruing	\$ 1,991	\$ 1,606	\$ 1,523	\$ 2,073	\$ 1,582
Other real estate owned	\$ 534	\$ 642	\$ 1,215	\$ 2,228	\$ 3,935
Loans and leases outstanding at end of period	\$ 7,642,143	\$ 6,839,230	\$ 6,761,183	\$ 6,189,148	\$ 5,774,139
Average loans and leases outstanding	\$ 7,172,624	\$ 6,777,192	\$ 6,737,339	\$ 5,987,398	\$ 5,582,651
Nonperforming loans as a percentage of total loans and leases	0.46 %	0.81 %	0.80 %	0.52 %	0.55 %
Provision for credit losses on loans and leases	\$ 17,521	\$ (377)	\$ 53,472	\$ 14,533	\$ 12,531
Allowance for credit losses	\$ 102,906	\$ 92,522	\$ 101,309	\$ 51,637	\$ 47,764
Net charge-offs	\$ 7,137	\$ 8,410	\$ 17,193	\$ 10,660	\$ 13,065
Net charge-offs as a percentage of average loans and leases outstanding	0.10 %	0.12 %	0.26 %	0.18 %	0.23 %
Provision for credit losses on loans and leases as a percentage of net charge-offs	245.50 %	(4.48)%	311.01 %	136.33 %	95.91 %
Allowance for credit losses as a percentage of end-of-period loans and leases outstanding (a)	1.35 %	1.35 %	1.50 %	0.83 %	0.83 %
Allowance for credit losses as a percentage of end-of-period loans and leases outstanding, excluding PPP loans (a)	1.35 %	1.37 %	1.61 %	0.83 %	0.83 %
Allowance for credit losses as a percentage of nonperforming loans (a)	289.98 %	167.67 %	187.43 %	160.28 %	149.14 %
Gross income that would have been recorded at original rates	\$ 1,444	\$ 3,503	\$ 3,733	\$ 1,860	\$ 1,428
Interest that was reflected in income	244	569	297	262	256
Net reduction to interest income due to nonaccrual	<u>\$ 1,200</u>	<u>\$ 2,934</u>	<u>\$ 3,436</u>	<u>\$ 1,598</u>	<u>\$ 1,172</u>

(a) End of period loans and nonperforming loans exclude loans held for sale.

Nonperforming loans decreased \$19.7 million to \$35.5 million at December 31, 2022, compared to \$55.2 million at December 31, 2021. Nonperforming loans as a percentage of total loans decreased to 0.46% from 0.81% at December 31, 2022 compared to December 31, 2021.

Also included in nonperforming loans are TDRs, which are those loans whose terms have been renegotiated to provide a reduction or deferral of principal or interest as a result of the deteriorating financial position of the borrower under terms not available in the market. TDRs decreased \$5.0 million during 2022. For additional information on TDRs please refer to Note 9 "Loans and Leases and Allowance for Credit Losses."

Net charge-offs were \$7.1 million in 2022 compared to \$8.4 million for the year 2021. The most significant credit losses recognized during the year include \$2.5 million in charge-offs recognized on six commercial real estate relationships. Net charge-offs in the loans to individuals category totaled \$3.3 million for 2022, primarily due to charge-offs of indirect auto loans.

Additional detail on credit risk is included in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” under “Provision for Credit Losses,” “Allowance for Credit Losses” and “Credit Risk.”

Provision for credit losses on loans and leases as a percentage of net charge-offs increased to a 245.5% for the year ended December 31, 2022 from a negative 4.5% for the year ended December 31, 2021. This change was not driven by net charge-offs, but rather an increase in the provision for loan credit losses on loans. This increased provision in 2022 is primarily a result of loan growth and changes in the economic forecast used in calculating the allowance.

Allowance for Credit Losses

Following is a summary of the allocation of the allowance for credit losses at December 31:

	2022		2021		2020		2019		2018	
	Allowance Amount	% (a)	Allowance Amount	% (a)	Allowance Amount	% (a)	Allowance Amount	% (a)	Allowance Amount	% (a)
	(dollars in thousands)									
Commercial, financial, agricultural and other	\$ 22,650	16 %	\$ 18,093	17 %	\$ 17,187	23 %	\$ 20,234	20 %	\$ 19,374	20 %
Real estate construction	8,822	7	4,220	7	7,966	6	2,558	7	2,002	6
Residential real estate	21,412	29	12,625	28	14,358	26	4,093	27	3,969	27
Commercial real estate	28,804	31	33,376	33	41,953	33	19,768	34	18,386	37
Loans to individuals	21,218	17	24,208	15	19,845	12	4,984	12	4,033	10
Total	<u>\$ 102,906</u>		<u>\$ 92,522</u>		<u>\$ 101,309</u>		<u>\$ 51,637</u>		<u>\$ 47,764</u>	
Allowance for credit losses as percentage of end-of-period loans outstanding	1.35 %		1.35 %		1.50 %		0.83 %		0.83 %	
Allowance for credit losses as a percentage of end-of-period loans and leases outstanding, excluding PPP loans	1.35 %		1.37 %		1.61 %		0.83 %		0.83 %	

(a) Represents the ratio of loans in each category to total loans.

Effective January 1, 2020, the company adopted the CECL methodology of calculating the allowance for credit losses which provides for expected losses over the life of a loan. Prior periods are reported in accordance with previously applicable GAAP and was calculated to provide for credit losses as they were incurred.

The allowance for credit losses increased \$10.4 million from December 31, 2021 to December 31, 2022. The allowance for credit losses as a percentage of end-of-period loans outstanding was 1.35% at both December 31, 2022 and 2021. The allowance for credit losses includes both a general reserve for performing loans and reserves for individually analyzed loans. Comparing December 31, 2022 to December 31, 2021, the general reserve for performing loans is 1.34% and 1.36%, respectively, of total performing loans for both periods. Reserves for individually analyzed loans increased from 0.7% of nonperforming loans at December 31, 2021 to 2.0% of nonperforming loans at December 31, 2022. The allowance for credit losses as a percentage of nonperforming loans was 290.0% and 167.7% at December 31, 2022 and 2021, respectively.

The allowance for credit losses represents management’s estimate of expected losses in the loan portfolio at a specific point in time. This estimate includes losses associated with specifically identified loans, as well as estimated credit losses inherent in the remainder of the loan portfolio. Additions are made to the allowance through both periodic provisions charged to income and recoveries of losses previously incurred. Reductions to the allowance occur as loans are charged off. Management evaluates the appropriateness of the allowance at least quarterly, and in doing so relies on various factors including, but not limited to, assessment of historical loss experience, contractual payment schedules, prepayment estimates, calculated probability of default and loss given default estimates and forecasts of certain macroeconomic variables, such as unemployment, gross domestic product, housing price index as well as other macroeconomic variables. This evaluation is subjective and requires material estimates that may change over time. For a description of the methodology used to calculate the allowance for credit losses, please refer to “Critical Accounting Policies and Significant Accounting Estimates—Allowance for Credit Losses.”

Investment Portfolio

Marketable securities that we hold in our investment portfolio, which are classified as “securities available for sale,” act as a source of liquidity. However, we do not anticipate liquidating the investments prior to maturity.

Following is a detailed schedule of the amortized cost of securities available for sale as of December 31:

	2022	2021	2020
	(dollars in thousands)		
Obligations of U.S. Government Agencies:			
Mortgage-Backed Securities—Residential	\$ 4,127	\$ 5,242	\$ 6,492
Mortgage-Backed Securities—Commercial	324,306	365,024	182,823
Obligations of U.S. Government-Sponsored Enterprises:			
Mortgage-Backed Securities—Residential	527,777	632,687	481,109
Other Government-Sponsored Enterprises	1,000	1,000	100,996
Obligations of States and Political Subdivisions	9,482	9,538	11,154
Corporate Securities	32,010	32,088	22,941
Total Securities Available for Sale	\$ 898,702	\$ 1,045,579	\$ 805,515

As of December 31, 2022, securities available for sale had a fair value of \$0.8 billion. Gross unrealized gains were \$0.3 million and gross unrealized losses were \$136.3 million. The level of gross unrealized losses is directly related to the change in market interest rates.

The following is a schedule of the contractual maturity distribution of securities available for sale at December 31, 2022.

	U.S. Government Agencies and Corporations	States and Political Subdivisions	Other Securities	Total Amortized Cost (a)	Weighted Average Yield (b)
	(dollars in thousands)				
Within 1 year	\$ 48	\$ —	\$ 5,001	\$ 5,049	3.28 %
After 1 but within 5 years	31,204	1,885	5,996	39,085	2.23
After 5 but within 10 years	42,924	7,597	21,013	71,534	2.36
After 10 years	783,034	—	—	783,034	1.72
Total	\$ 857,210	\$ 9,482	\$ 32,010	\$ 898,702	1.80 %

(a) Equities are excluded from this schedule because they have an indefinite maturity.

(b) Yields are calculated on a taxable equivalent basis.

Mortgage-backed securities, which include mortgage-backed obligations of U.S. Government agencies and obligations of U.S. Government-sponsored enterprises, have contractual maturities ranging from less than one year to approximately 45 years and have anticipated average lives to maturity ranging from less than three years to approximately six years.

The available for sale investment portfolio amortized cost decreased \$146.9 million, or 14%, at December 31, 2022 compared to 2021. Available for sale investment calls or maturities totaled \$145.6 million during 2022. Liquidity provided from sales, calls and maturities was utilized to fund growth in the loan portfolio or reinvested into investment securities and interest-bearing deposits with banks.

Following is a detailed schedule of the amortized cost of securities held to maturity as of December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
	(dollars in thousands)		
Obligations of U.S. Government Agencies:			
Mortgage-Backed Securities—Residential	\$ 2,008	\$ 2,409	\$ 2,766
Mortgage-Backed Securities—Commercial	75,229	91,439	36,799
Obligations of U.S. Government-Sponsored Enterprises:			
Mortgage-Backed Securities—Residential	329,267	387,848	277,351
Mortgage-Backed Securities—Commercial	4,794	7,309	9,737
Other Government-Sponsored Enterprises	22,221	21,904	—
Obligations of States and Political Subdivisions	26,643	29,402	34,391
Debt Securities Issued by Foreign Governments	1,000	1,000	800
Total Securities Held to Maturity	<u>\$ 461,162</u>	<u>\$ 541,311</u>	<u>\$ 361,844</u>

The following is a schedule of the contractual maturity distribution of securities held to maturity at December 31, 2022.

	<u>U.S. Government Agencies and Corporations</u>	<u>States and Political Subdivisions</u>	<u>Other Securities</u>	<u>Total Amortized Cost</u>	<u>Weighted Average Yield</u>
	(dollars in thousands)				
Within 1 year	\$ —	\$ 945	\$ 200	\$ 1,145	3.01 %
After 1 but within 5 years	4,794	9,019	800	14,613	2.49
After 5 but within 10 years	42,684	16,116	—	58,800	1.94
After 10 years	386,041	563	—	386,604	1.52
Total	<u>\$ 433,519</u>	<u>\$ 26,643</u>	<u>\$ 1,000</u>	<u>\$ 461,162</u>	1.61 %

The held to maturity investment portfolio decreased \$80.1 million, or 15%, at December 31, 2022 compared to 2021. Held to maturity investment purchases of \$0.2 million were offset by the calls or maturities of \$79.6 million in investments.

See Note 8 “Investment Securities” and Note 17 “Fair Values of Assets and Liabilities” for additional information related to the investment portfolio.

Deposits

Total deposits increased \$23.0 million in 2022. Interest-bearing demand and savings deposits decreased \$8.7 million, noninterest-bearing demand deposits increased \$11.7 million and time deposits increased \$20.0 million. For additional information concerning our deposits, please refer to Note 13 “Interest-Bearing Deposits.”

At December 31, 2022 and 2021, time deposits of \$100 thousand or more totaled \$172.0 million and \$136.1 million, respectively. Time deposits of \$250 thousand or more had remaining maturities as follows as of the end of each year in the two-year period ended December 31:

	2022		2021	
	Amount	%	Amount	%
(dollars in thousands)				
3 months or less	\$ 12,663	19 %	\$ 13,349	25 %
Over 3 months through 6 months	11,886	18	14,116	26
Over 6 months through 12 months	14,675	23	16,092	30
Over 12 months	26,231	40	10,390	19
Total	<u>\$ 65,455</u>	<u>100 %</u>	<u>\$ 53,947</u>	<u>100 %</u>

The estimated total amount of uninsured deposits was \$2.1 billion at both December 31, 2022 and 2021. Uninsured amounts are estimated based on known deposit account relationships for each depositor and insurance guidelines provided by the FDIC.

Short-Term Borrowings and Long-Term Debt

Short-term borrowings increased \$234.4 million, or 169%, from \$138.3 million at December 31, 2021 to \$372.7 million at December 31, 2022. Long-term debt decreased \$1.0 million, from \$182.3 million at December 31, 2021 to \$181.2 million at December 31, 2022. For additional information concerning our short-term borrowings, subordinated debentures and other long-term debt, please refer to Note 14 “Short-term Borrowings,” Note 15 “Subordinated Debentures” and Note 16 “Other Long-term Debt” of the Consolidated Financial Statements.

Contractual Obligations and Off-Balance Sheet Arrangements

The table below sets forth our contractual obligations to make future payments as of December 31, 2022. For a more detailed description of each category of obligation, refer to the note in our Consolidated Financial Statements indicated in the table below.

	Footnote Number Reference	1 Year or Less	After 1 But Within 3 Years	After 3 But Within 5 Years	After 5 Years	Total
(dollars in thousands)						
FHLB advances	16	\$ 740	\$ 1,568	\$ 1,693	\$ 861	\$ 4,862
Subordinated debentures	15	—	—	—	170,937	170,937
Operating leases	11	4,952	9,400	8,157	35,244	57,753
Total contractual obligations		<u>\$ 5,692</u>	<u>\$ 10,968</u>	<u>\$ 9,850</u>	<u>\$ 207,042</u>	<u>\$ 233,552</u>

The table above excludes our cash obligations upon maturity of certificates of deposit, which is set forth in Note 13 “Interest-Bearing Deposits” of the Consolidated Financial Statements.

In addition, see Note 10 “Commitments and Letters of Credit” for detail related to our off-balance sheet commitments to extend credit, financial standby letters of credit, performance standby letters of credit and commercial letters of credit as of December 31, 2022. Commitments to extend credit, standby letters of credit and commercial letters of credit do not necessarily represent future cash requirements since it is unknown if the borrower will draw upon these commitments and often these commitments expire without being drawn upon. As of December 31, 2022, a reserve for expected credit losses of \$10.0 million was recorded for unused commitments and letters of credit.

Liquidity

Liquidity refers to our ability to meet the cash flow requirements of depositors and borrowers as well as our operating cash needs with cost-effective funding. Liquidity risk arises from the possibility that we may not be able to meet our financial obligations and operating cash needs or may become overly reliant upon external funding sources. In order to manage this risk, our Board of Directors has established a Liquidity Policy that identifies primary sources of liquidity, establishes procedures for

monitoring and measuring liquidity and quantifies minimum liquidity requirements based on limits approved by our Board of Directors. This policy designates our Asset/Liability Committee (“ALCO”) as the body responsible for meeting these objectives. The ALCO, which includes members of executive management, reviews liquidity on a periodic basis and approves significant changes in strategies that affect balance sheet or cash flow positions. Liquidity is centrally managed on a daily basis by our Treasury Department, which monitors it by using such measures as a 30-day liquidity stress analysis, liquidity gap ratios and noncore funding ratios.

We generate funds to meet our cash flow needs primarily through the core deposit base of FCB and the maturity or repayment of loans and other interest-earning assets, including investments. Core deposits are the most stable source of liquidity a bank can have due to the long-term relationship with a deposit customer. The level of deposits during any period is sometimes influenced by factors outside of management’s control, such as the level of short-term and long-term market interest rates and yields offered on competing investments, such as money market mutual funds. Deposits increased \$23.0 million during 2022, and comprised 91% of total liabilities at December 31, 2022, as compared to 95% at December 31, 2021. Proceeds from the sale, maturity and redemption of investment securities totaled \$225.2 million during 2022 and provided liquidity to fund loans, purchase investment securities and fund depositor withdrawals.

We also have available unused wholesale sources of liquidity, including overnight federal funds and repurchase agreements, advances from the Federal Home Loan Bank of Pittsburgh, borrowings through the discount window at the Federal Reserve Bank of Cleveland and access to certificates of deposit through brokers. We have increased our borrowing capacity at the Federal Reserve by establishing a Borrower-in-Custody of Collateral arrangement that enables us to pledge certain loans, not being used as collateral at the Federal Home Loan Bank, as collateral for borrowings at the Federal Reserve. At December 31, 2022 our borrowing capacity at the Federal Reserve related to this program was \$1.0 billion and there were no amounts outstanding. Additionally, as of December 31, 2022, our maximum borrowing capacity at the Federal Home Loan Bank of Pittsburgh was \$2.0 billion and as of that date amounts used against this capacity included \$289.9 million in outstanding borrowings.

We participate in the Certificate of Deposit Account Registry Services (“CDARS”) program as part of an ALCO strategy to increase and diversify funding sources. As of December 31, 2022, our maximum borrowing capacity under this program was \$1.5 billion and as of that date there was \$4.9 million outstanding. CDARS includes a wholesale and a reciprocal program. The reciprocal program allows our depositors to receive expanded FDIC coverage by placing multiple certificates of deposit at other CDARS member banks. The current outstanding balance in its entirety relates to the reciprocal program. As of December 31, 2022, our outstanding certificates of deposits from this program have an average weighted rate of 0.48% and an average original term of 364 days.

We also have available unused federal funds lines with four correspondent banks. These lines have an aggregate commitment of \$160.0 million and there were no amounts outstanding as of December 31, 2022. In addition, we have available unused repo lines with two correspondent banks. These lines have an aggregate commitment of \$265.0 million with no outstanding balance as of December 31, 2022.

The liquidity needs of First Commonwealth on an unconsolidated basis (the "Parent Company") consist primarily of operating expenses, debt service payments and dividend payments to our stockholders, which collectively totaled \$52.6 million for the year ended December 31, 2022, as well as any cash necessary to repurchase our shares, which totaled \$15.6 million for the year ended December 31, 2022. The primary source of liquidity for the Parent Company is dividends from subsidiaries. The Parent Company had \$72.2 million in junior subordinated debentures and cash and interest-bearing deposits of \$37.7 million at December 31, 2022. At the end of 2022, the Parent Company had a \$20.0 million short-term, unsecured revolving line of credit with another financial institution. As of December 31, 2022, there were no amounts outstanding under this line. The Parent Company has the ability to enhance its liquidity position by raising capital or incurring debt.

Refer to “Financial Condition” above for additional information concerning our deposits, loan portfolio, investment securities and borrowings.

Market Risk

Market risk refers to potential losses arising from changes in interest rates, foreign exchange rates, equity prices and commodity prices. Our market risk is composed primarily of interest rate risk. Interest rate risk is comprised of repricing risk, basis risk, yield curve risk and options risk. Repricing risk arises from differences in the cash flow or repricing between asset and liability portfolios. Basis risk arises when asset and liability portfolios are related to different market rate indices, which do not always change by the same amount. Yield curve risk arises when asset and liability portfolios are related to different maturities on a given yield curve; when the yield curve changes shape, the risk position is altered. Options risk arises from “embedded options” within asset and liability products as certain borrowers have the option to prepay their loans when rates fall, while certain depositors can redeem or withdraw their deposits early when rates rise.

The process by which we manage our interest rate risk is called asset/liability management. The goals of our asset/liability management are increasing net interest income without taking undue interest rate risk or material loss of net market value of our equity, while maintaining adequate liquidity. Net interest income is increased by growing earning assets and increasing the difference between the rate earned on earning assets and the rate paid on interest-bearing liabilities. Liquidity is measured by the ability to meet both depositors' and credit customers' requirements.

We use an asset/liability model to measure our interest rate risk. Interest rate risk measures include earnings simulation and gap analysis. Gap analysis is a static measure that does not incorporate assumptions regarding future events. Gap analysis, while a helpful diagnostic tool, displays cash flows for only a single rate environment. Net interest income simulations explicitly measure the exposure to earnings from changes in market rates of interest. Under simulation analysis, our current financial position is combined with assumptions regarding future business to calculate net interest income under various hypothetical rate scenarios. Our net interest income simulations assume a level balance sheet whereby new volume equals run-off. The ALCO reviews earnings simulations over multiple years under various interest rate scenarios. Reviewing these various measures provides us with a reasonably comprehensive view of our interest rate profile.

The following gap analysis compares the difference between the amount of interest-earning assets and interest-bearing liabilities subject to repricing over a period of time. The ratio of rate sensitive assets to rate sensitive liabilities repricing within a one-year period was 0.76 and 0.84 at December 31, 2022 and 2021, respectively. A ratio of less than one indicates a higher level of repricing liabilities over repricing assets over the next twelve months. The level of First Commonwealth's ratio is largely driven by the modeling of interest-bearing non-maturity deposits, which are included in the analysis as repricing within one year.

Following is the gap analysis as of December 31:

	2022					
	0-90 Days	91-180 Days	181-365 Days	Cumulative 0-365 Days	Over 1 Year Through 5 Years	Over 5 Years
	(dollars in thousands)					
Loans and leases	\$ 3,164,495	\$ 354,556	\$ 575,640	\$ 4,094,691	\$ 2,498,042	\$ 978,319
Investments	46,426	35,579	74,962	156,967	461,699	734,221
Other interest-earning assets	29,919	—	—	29,919	71	—
Total interest-sensitive assets (ISA)	3,240,840	390,135	650,602	4,281,577	2,959,812	1,712,540
Certificates of deposit	71,976	56,539	102,037	230,552	173,810	955
Other deposits	4,929,952	—	—	4,929,952	—	—
Borrowings	445,065	50,204	407	495,676	3,256	50,791
Total interest-sensitive liabilities (ISL)	5,446,993	106,743	102,444	5,656,180	177,066	51,746
Gap	\$ (2,206,153)	\$ 283,392	\$ 548,158	\$ (1,374,603)	\$ 2,782,746	\$ 1,660,794
ISA/ISL	0.59	3.65	6.35	0.76	16.72	33.10
Gap/Total assets	22.50 %	2.89 %	5.59 %	14.02 %	28.38 %	16.94 %

2021

	0-90 Days	91-180 Days	181-365 Days	Cumulative 0-365 Days	Over 1 Year Through 5 Years	Over 5 Years
(dollars in thousands)						
Loans and leases	\$ 2,910,172	\$ 394,048	\$ 606,468	\$ 3,910,688	\$ 2,296,873	\$ 555,022
Investments	98,969	82,267	154,316	335,552	725,576	516,766
Other interest-earning assets	310,629	—	—	310,629	—	—
Total interest-sensitive assets (ISA)	3,319,770	476,315	760,784	4,556,869	3,022,449	1,071,788
Certificates of deposit	97,269	72,453	106,243	275,965	107,795	1,232
Other deposits	4,938,673	—	—	4,938,673	—	—
Borrowings	210,682	200	400	211,282	53,197	51,577
Total interest-sensitive liabilities (ISL)	5,246,624	72,653	106,643	5,425,920	160,992	52,809
Gap	\$ (1,926,854)	\$ 403,662	\$ 654,141	\$ (869,051)	\$ 2,861,457	\$ 1,018,979
ISA/ISL	0.63	6.56	7.13	0.84	18.77	20.30
Gap/Total assets	20.19 %	4.23 %	6.85 %	9.10 %	29.98 %	10.68 %

Gap analysis has limitations due to the static nature of the model, which holds volumes and consumer behaviors constant in all economic and interest rate scenarios. A lower level of rate sensitive assets to rate sensitive liabilities repricing in one year could indicate reduced net interest income in a rising interest rate scenario, and conversely, increased net interest income in a declining interest rate scenario. However, the gap analysis incorporates only the level of interest-earning assets and interest-bearing liabilities and not the sensitivity each has to changes in interest rates. The impact of the sensitivity to changes in interest rates is provided in the table below.

The following table presents an analysis of the potential sensitivity of our annual net interest income to gradual changes in interest rates over a 12-month time frame as compared with net interest income if rates remained unchanged and there are no changes in balance sheet categories.

	Net interest income change (12 months) for basis point movements of:			
	-200	-100	+100	+200
(dollars in thousands)				
December 31, 2022 (\$)	\$ (11,973)	\$ (5,486)	\$ 5,902	\$ 11,413
December 31, 2022 (%)	(3.12)%	(1.43)%	1.54 %	2.98 %
December 31, 2021 (\$)	\$ (9,008)	\$ (4,976)	\$ 5,956	\$ 10,224
December 31, 2021 (%)	(3.25)%	(1.79)%	2.15 %	3.69 %

The following table represents the potential sensitivity of our annual net interest income to immediate changes in interest rates as compared to if rates remained unchanged, assuming there are no changes in balance sheet categories.

	Net interest income change (12 months) for basis point movements of:			
	-200	-100	+100	+200
(dollars in thousands)				
December 31, 2022 (\$)	\$ (45,361)	\$ (20,166)	\$ 18,626	\$ 36,011
December 31, 2022 (%)	(11.83)%	(5.26)%	4.86 %	9.39 %
December 31, 2021 (\$)	\$ (26,120)	\$ (17,640)	\$ 13,867	\$ 29,192
December 31, 2021 (%)	(9.42)%	(6.36)%	5.00 %	10.53 %

The analysis and model used to quantify the sensitivity of our net interest income becomes less meaningful in a decreasing 200 basis point scenario given the current interest rate environment. Results of the 100 and 200 basis point interest rate decline

scenario are affected by the fact that many of our interest-bearing liabilities are at rates below 1%, with an assumed floor of zero in the model. For the years 2022 and 2021, the cost of our interest-bearing liabilities averaged 0.31% and 0.27%, respectively, and the yield on our average interest-earning assets, on a fully taxable equivalent basis, averaged 3.79% and 3.43%, respectively.

The ALCO is responsible for the identification and management of interest rate risk exposure. As such, the ALCO continuously evaluates strategies to manage our exposure to interest rate fluctuations.

Asset/liability models require that certain assumptions be made, such as prepayment rates on earning assets and the impact of pricing on non-maturity deposits, which may differ from actual experience. These business assumptions are based upon our experience, business plans and published industry experience. While management believes such assumptions to be reasonable, there can be no assurance that modeled results will approximate actual results.

Credit Risk

First Commonwealth maintains an allowance for credit losses at a level deemed sufficient for losses inherent in the loan and lease portfolio at the date of each statement of financial condition. Management reviews the appropriateness of the allowance on a quarterly basis to ensure that the provision for credit losses has been charged against earnings in an amount necessary to maintain the allowance at a level that is appropriate based on management's assessment of estimated expected losses.

First Commonwealth's methodology for assessing the appropriateness of the allowance for credit losses consists of several key elements. These elements include an assessment of individual nonperforming loans with a balance greater than \$250 thousand, loss experience trends and other relevant factors.

First Commonwealth also maintains a reserve for unfunded loan commitments and letters of credit based upon credit risk and probability of funding. The reserve totaled \$10.0 million at December 31, 2022 and is classified in "Other liabilities" on the Consolidated Statements of Financial Condition.

Nonperforming loans include nonaccrual loans and loans classified as troubled debt restructurings. Nonaccrual loans represent loans on which interest accruals have been discontinued. Troubled debt restructured loans are those loans whose terms have been renegotiated to provide a reduction or deferral of principal or interest as a result of the deteriorating financial position of the borrower, who could not obtain comparable terms from alternate financing sources. In 2022, five loans totaling \$0.7 million were identified as troubled debt restructurings. These loans were individually analyzed and no additional reserves were required.

We discontinue interest accruals on a loan when, based on current information and events, it is probable that we will be unable to fully collect principal or interest due according to the contractual terms of the loan. A loan is also placed in nonaccrual status when, based on regulatory definitions, the loan is maintained on a "cash basis" due to the weakened financial condition of the borrower. Generally, loans 90 days or more past due are placed on nonaccrual status, except for consumer loans which are placed on nonaccrual status at 150 days past due.

Nonperforming loans are closely monitored on an ongoing basis as part of our loan review and work-out process. The risk of loss on these loans is evaluated by comparing the loan balance to the estimated fair value of any underlying collateral or the present value of projected future cash flows. Losses or specifically assigned allowance for credit losses are recognized where appropriate.

The allowance for credit losses was \$102.9 million at December 31, 2022 or 1.35% of loans outstanding, compared to \$92.5 million, or 1.35% of loans outstanding, at December 31, 2021. Credit measures as of December 31, 2022 compared to December 31, 2021 reflect a decrease in the level of criticized loans of \$65.3 million, from \$198.1 million at December 31, 2021 to \$132.9 million at December 31, 2022. Commercial real estate loans accounted for \$60.0 million of this decrease. Classified assets decreased \$33.1 million, from \$77.6 million at December 31, 2021 to \$44.4 million at December 31, 2022. Delinquency on accruing loans decreased \$9.4 million, or 90%, and the level of nonperforming loans decreased \$19.7 million for the same period.

The allowance for credit losses as a percentage of nonperforming loans was 290.0% at December 31, 2022 and 167.7% as of December 31, 2021. The allowance for credit losses includes specific allocations of \$0.7 million related to nonperforming loans covering 2% of the total nonperforming balance at December 31, 2022 and specific allocations of \$0.4 million covering 1% of the total nonperforming balance at December 31, 2021. The amount of allowance related to nonperforming loans was determined by using estimated fair values obtained from current appraisals and updated discounted cash flow analyses.

Management believes that the allowance for credit losses is at a level that is sufficient to absorb expected losses in the loan and lease portfolio at December 31, 2022.

The following table provides information on net charge-offs and nonperforming loans by loan category:

	For the Period Ended December 31, 2022			As of December 31, 2022		
	Net Charge-offs	% of Total Net Charge-offs	Net Charge-offs as a % of Average Loans	Nonperforming Loans	% of Total Nonperforming Loans	Nonperforming Loans as a % of Total Loans
	(dollars in thousands)					
Commercial, financial, agricultural and other	\$ 1,967	27.56 %	0.03 %	\$ 4,309	12.14 %	0.05 %
Real estate construction	(9)	(0.13)	—	—	—	—
Residential real estate	152	2.13	—	9,145	25.77	0.12
Commercial real estate	1,718	24.07	0.02	21,505	60.60	0.28
Loans to individuals	3,309	46.37	0.05	528	1.49	0.01
Total loans and leases, net of unearned income	<u>\$ 7,137</u>	<u>100.00 %</u>	<u>0.10 %</u>	<u>\$ 35,487</u>	<u>100.00 %</u>	<u>0.46 %</u>

As the above table illustrates, commercial real estate and residential real estate loans were the most significant portions of the nonperforming loans as of December 31, 2022. See discussions related to the provision for credit losses and loans for more information.

New Accounting Pronouncements

In March 2020, FASB released Accounting Standards Update (“ASU”) 2020-04 - Reference Rate Reform (Topic 848), which provides optional guidance to ease the accounting burden in accounting for, or recognizing the effects from, reference rate reform on financial reporting. The new standard is a result of the discontinuance of the London Interbank Offered Rate (“LIBOR”) as an available benchmark rate. The standard is elective and provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, or other transactions that reference LIBOR, or another reference rate expected to be discontinued. The Company has elected to apply the practical expedient allowing for a contract modification, due to reference rate reform, to be accounted for as a continuation of the existing contract and does not require contract remeasurement at the modification date or reassessment of a previous accounting determination. The amendments in the update are effective for all entities between March 12, 2020 and December 31, 2024 (In December 2022, FASB released ASU 2022-06, which extended the original sunset date in ASU 2020-04 from December 31, 2022 to December 31, 2024). The Company has established a cross-functional working group to manage the Company’s transition from LIBOR. Products that utilize LIBOR have been identified and have incorporated enhanced language to accommodate the transition to alternative reference rates and the use of LIBOR has been discontinued as an index for new loans. All LIBOR based loans are expected to be transitioned to a new index by June 30, 2023. The impact of the LIBOR transition is not expected to have a material impact on the Company’s consolidated financial statements.

In October 2021, FASB released ASU 2021-08 – “Business Combinations (Topic 805), Accounting for Contract Assets and Contract Liabilities from Contracts with Customers” (“ASU 2021-08”). ASU 2021-08 requires that an acquirer recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606, “Revenue from Contracts with Customers.” ASU 2021-08 is effective for the Company for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, with early adoption permitted. The standard should be applied prospectively to business combinations occurring on or after the effective date of the amendments. The Company is in the process of assessing the impact of adoption on its consolidated financial statements.

In March 2022, FASB released ASU 2022-02 – “Financial Instruments – Credit Losses (Topic 326), Troubled Debt Restructurings and Vintage Disclosures” (“ASU 2022-02”). ASU 2022-02 eliminates the accounting guidance for troubled debt restructurings (“TDRs”) while expanding modification and vintage disclosure requirements. Under the previous guidance a TDR occurs when a loan to a borrower experiencing financial difficulty is restructured with a concession provided that a creditor would not otherwise consider. ASU 2022-02 removes the TDR accounting model, instead requiring modifications to apply existing refinancing and restructuring guidance to determine if the modification results in a new loan or is a continuation of the existing one. The update also requires additional disclosures on the nature, magnitude and subsequent performance of certain types of modifications with borrowers experiencing financial difficulties. ASU 2022-02 further includes a requirement to disclose gross charge-offs incurred by year of origination of the related loan or lease. ASU 2022-02 is effective for the Company for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, with early adoption permitted. ASU 2022-02 is not expected to have a material impact on the Company’s consolidated financial statements, but will result in additional disclosure requirements.

In December 2019, FASB issued ASU 2019-12 - "Simplifying the Accounting for Income Taxes". ASU 2019-12 eliminates certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. It also clarifies and simplifies other aspects of the accounting for income taxes. The company adopted the ASU in 2022 and had no material adjustments.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

Information appearing in Item 7 of this report under the caption "Market Risk" is incorporated herein by reference in response to this item.

ITEM 8. Financial Statements and Supplementary Data

FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	December 31,	
	2022	2021
(dollars in thousands, except share data)		
Assets		
Cash and due from banks	\$ 124,254	\$ 84,738
Interest-bearing bank deposits	29,990	310,634
Securities available for sale, at fair value	762,661	1,041,380
Securities held to maturity, at amortized cost, (Fair value \$386,205 at December 31, 2022 and \$536,651 at December 31, 2021)	461,162	541,311
Other investments	26,414	12,838
Loans held for sale	11,869	18,583
Loans and leases:		
Portfolio loans and leases	7,642,143	6,839,230
Allowance for credit losses	(102,906)	(92,522)
Net loans and leases	7,539,237	6,746,708
Premises and equipment, net	115,106	120,775
Other real estate owned	534	642
Goodwill	303,328	303,328
Amortizing intangibles, net	9,205	11,188
Bank owned life insurance	222,651	224,700
Other assets	199,255	128,268
Total assets	\$ 9,805,666	\$ 9,545,093
Liabilities		
Deposits (all domestic):		
Noninterest-bearing	\$ 2,670,508	\$ 2,658,782
Interest-bearing	5,334,961	5,323,716
Total deposits	8,005,469	7,982,498
Short-term borrowings	372,694	138,315
Subordinated debentures	170,937	170,775
Other long-term debt	4,862	5,573
Capital lease obligation	5,425	5,921
Total long-term debt	181,224	182,269
Other liabilities	194,205	132,639
Total liabilities	8,753,592	8,435,721
Shareholders' Equity		
Preferred stock, \$1 par value per share, 3,000,000 shares authorized, none issued	—	—
Common stock, \$1 par value per share, 200,000,000 shares authorized; 113,914,902 shares issued as of December 31, 2022 and 2021; and 93,376,314 and 94,233,152 shares outstanding at December 31, 2022 and 2021, respectively	113,915	113,915
Additional paid-in capital	497,431	496,121
Retained earnings	774,863	691,260
Accumulated other comprehensive (loss) income, net	(137,692)	(8,768)
Treasury stock (20,538,588 and 19,681,750 shares at December 31, 2022 and 2021, respectively)	(196,443)	(183,156)
Total shareholders' equity	1,052,074	1,109,372
Total liabilities and shareholders' equity	\$ 9,805,666	\$ 9,545,093

The accompanying notes are an integral part of these Consolidated Financial Statements.

FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

Years Ended December 31,

	2022	2021	2020
	(dollars in thousands, except share data)		
Interest Income			
Interest and fees on loans and leases	\$ 302,207	\$ 267,599	\$ 275,189
Interest and dividends on investments:			
Taxable interest	24,668	24,723	24,063
Interest exempt from federal income taxes	479	595	1,053
Dividends	877	521	686
Interest on bank deposits	1,722	400	218
Total interest income	<u>329,953</u>	<u>293,838</u>	<u>301,209</u>
Interest Expense			
Interest on deposits	6,714	5,749	21,972
Interest on short-term borrowings	1,999	99	704
Interest on subordinated debentures	8,595	8,555	8,580
Interest on other long-term debt	198	649	1,419
Interest on capital lease obligation	226	245	263
Total interest expense	<u>17,732</u>	<u>15,297</u>	<u>32,938</u>
Net Interest Income	312,221	278,541	268,271
Provision for credit losses	21,106	(1,376)	56,718
Net Interest Income after Provision for Credit Losses	<u>291,115</u>	<u>279,917</u>	<u>211,553</u>
Noninterest Income			
Net securities gains	2	16	70
Trust income	10,518	11,111	9,101
Service charges on deposit accounts	19,641	17,984	16,387
Insurance and retail brokerage commissions	8,857	8,502	7,850
Income from bank owned life insurance	5,459	6,433	6,552
Gain on sale of mortgage loans	5,276	13,555	18,764
Gain on sale of other loans and assets	6,036	8,130	4,827
Card related interchange income	27,603	27,954	23,966
Derivative mark to market	368	2,344	(2,521)
Swap fee income	4,685	2,543	1,588
Other income	10,263	8,185	7,892
Total noninterest income	<u>98,708</u>	<u>106,757</u>	<u>94,476</u>
Noninterest Expense			
Salaries and employee benefits	126,031	119,506	118,961
Net occupancy	18,037	16,586	17,647
Furniture and equipment	15,582	15,642	15,393
Data processing	13,922	12,373	10,543
Advertising and promotion	5,031	4,983	4,679
Pennsylvania shares tax	4,447	4,604	4,500
Intangible amortization	3,196	3,497	3,689
Other professional fees and services	4,894	4,501	3,886
FDIC insurance	2,871	2,529	2,699
Loss on sale or write-down of assets	343	303	680
Litigation and operational losses	2,834	2,324	1,411
Merger and acquisition related	1,702	—	—
COVID-19 expense	151	449	874
Early retirement	—	—	3,422
Branch consolidation	(104)	(103)	2,672
Other operating expenses	30,701	26,663	24,770
Total noninterest expense	<u>229,638</u>	<u>213,857</u>	<u>215,826</u>
Income before income taxes	160,185	172,817	90,203
Income tax provision	32,004	34,560	16,756
Net Income	<u>\$ 128,181</u>	<u>\$ 138,257</u>	<u>\$ 73,447</u>
Average Shares Outstanding	93,612,043	95,583,890	97,499,586
Average Shares Outstanding Assuming Dilution	93,887,447	95,840,285	97,758,965
Per Share Data: Basic Earnings Per Share	\$ 1.37	\$ 1.45	\$ 0.75
Diluted Earnings Per Share	\$ 1.37	\$ 1.44	\$ 0.75
Cash Dividends Declared per Common Share	\$ 0.475	\$ 0.455	\$ 0.440

The accompanying notes are an integral part of these Consolidated Financial Statements.

FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31,		
	2022	2021	2020
	(dollars in thousands)		
Net Income	\$ 128,181	\$ 138,257	\$ 73,447
Other comprehensive (loss) income, before tax (benefit) expense:			
Unrealized holding (losses) gains on securities arising during the period	(131,838)	(29,892)	19,981
Less: reclassification adjustment for gains on securities included in net income	(2)	(16)	(70)
Unrealized losses on derivatives:			
Unrealized holding losses on derivatives arising during the period	(31,573)	(3,356)	(4,467)
Unrealized gains (losses) for postretirement obligation:			
Prior service cost	76	76	(537)
Net gain (loss)	143	275	(155)
Total other comprehensive (loss) income, before income tax (benefit) expense	(163,194)	(32,913)	14,752
Income tax (benefit) expense related to items of other comprehensive (loss) income	(34,270)	(6,912)	3,098
Comprehensive Income	\$ (743)	\$ 112,256	\$ 85,101

The accompanying notes are an integral part of these Consolidated Financial Statements.

FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	<u>Shares Outstanding</u>	<u>Common Stock</u>	<u>Additional Paid-in- Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income (Loss), net</u>	<u>Treasury Stock</u>	<u>Total Shareholders' Equity</u>
(dollars in thousands, except per share data)							
Balance at December 31, 2021	94,233,152	\$ 113,915	\$ 496,121	\$ 691,260	\$ (8,768)	\$ (183,156)	\$ 1,109,372
Net income				128,181			128,181
Total other comprehensive loss					(128,924)		(128,924)
Cash dividends declared (\$0.475 per share)				(44,578)			(44,578)
Treasury stock acquired	(1,132,577)					(15,598)	(15,598)
Treasury stock reissued	174,989		580	—		1,612	2,192
Restricted stock	100,750	—	730	—		699	1,429
Balance at December 31, 2022	<u>93,376,314</u>	<u>\$ 113,915</u>	<u>\$ 497,431</u>	<u>\$ 774,863</u>	<u>\$ (137,692)</u>	<u>\$ (196,443)</u>	<u>\$ 1,052,074</u>

	<u>Shares Outstanding</u>	<u>Common Stock</u>	<u>Additional Paid-in- Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income (Loss), net</u>	<u>Treasury Stock</u>	<u>Total Shareholders' Equity</u>
(dollars in thousands, except per share data)							
Balance at December 31, 2020	96,130,751	\$ 113,915	\$ 494,683	\$ 596,614	\$ 17,233	\$ (153,828)	\$ 1,068,617
Net income				138,257			138,257
Total other comprehensive loss					(26,001)		(26,001)
Cash dividends declared (\$0.455 per share)				(43,611)			(43,611)
Treasury stock acquired	(2,195,110)					(31,301)	(31,301)
Treasury stock reissued	173,907		771	—		1,493	2,264
Restricted stock	123,604	—	667	—		480	1,147
Balance at December 31, 2021	<u>94,233,152</u>	<u>\$ 113,915</u>	<u>\$ 496,121</u>	<u>\$ 691,260</u>	<u>\$ (8,768)</u>	<u>\$ (183,156)</u>	<u>\$ 1,109,372</u>

	<u>Shares Outstanding</u>	<u>Common Stock</u>	<u>Additional Paid-in- Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income (Loss), net</u>	<u>Treasury Stock</u>	<u>Total Shareholders' Equity</u>
(dollars in thousands, except per share data)							
Balance at December 31, 2019	98,311,840	\$ 113,915	\$ 493,737	\$ 577,348	\$ 5,579	\$ (134,914)	\$ 1,055,665
Net income				73,447			73,447
Total other comprehensive income					11,654		11,654
Cash dividends declared (\$0.440 per share)				(42,982)			(42,982)
Adoption of accounting standard - ASU 2016-13				(11,199)			(11,199)
Treasury stock acquired	(2,430,842)					(20,905)	(20,905)
Treasury stock reissued	158,453		459	—		1,358	1,817
Restricted stock	91,300	—	487	—		633	1,120
Balance at December 31, 2020	<u>96,130,751</u>	<u>\$ 113,915</u>	<u>\$ 494,683</u>	<u>\$ 596,614</u>	<u>\$ 17,233</u>	<u>\$ (153,828)</u>	<u>\$ 1,068,617</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31,

	2022	2021	2020
	(dollars in thousands)		
Operating Activities			
Net income	\$ 128,181	\$ 138,257	\$ 73,447
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for credit losses	21,106	(1,376)	56,718
Deferred tax (benefit) expense	(2,011)	1,432	(8,217)
Depreciation and amortization	10,552	11,442	11,653
Net gains on securities and other assets	(11,556)	(22,273)	(18,807)
Net amortization of premiums and discounts on securities	2,027	4,772	6,183
Income from increase in cash surrender value of bank owned life insurance	(5,261)	(6,105)	(6,288)
Mortgage loans originated for sale	(195,105)	(390,940)	(410,715)
Proceeds from sale of mortgage loans	198,302	419,574	408,877
(Increase) decrease in interest receivable	(6,846)	5,885	(10,735)
Increase (decrease) in interest payable	1,172	(412)	(879)
(Decrease) increase in income taxes payable	(4,561)	10,664	(887)
Other—net	15,413	(5,874)	5,349
Net cash provided by operating activities	151,413	165,046	105,699
Investing Activities			
Transactions with securities held to maturity:			
Proceeds from sales	—	—	—
Proceeds from maturities and redemptions	79,613	120,728	118,905
Purchases	(200)	(361,734)	(85,679)
Transactions with securities available for sale:			
Proceeds from sales	—	—	—
Proceeds from maturities and redemptions	145,589	433,910	472,282
Purchases	—	(676,861)	(411,178)
Purchases of FHLB stock	(20,632)	(4,453)	(22,231)
Proceeds from the redemption of FHLB stock	7,056	3,342	26,766
Proceeds from redemption of other investments	—	500	—
Proceeds from bank owned life insurance	5,337	7,357	1,444
Proceeds from the sale of loans	68,625	76,414	41,141
Proceeds from sales of other assets	8,609	7,798	5,531
Net increase in loans	(871,578)	(161,667)	(622,504)
Purchases of premises and equipment	(11,207)	(10,639)	(7,615)
Net cash used in investing activities	(588,788)	(565,305)	(483,138)
Financing Activities			
Net increase in federal funds purchased	—	—	—
Net increase (decrease) in other short-term borrowings	234,379	20,942	(84,480)
Net increase in deposits	23,007	543,947	761,398
Repayments of other long-term debt	(712)	(50,685)	(659)
Repayments of capital lease obligations	(496)	(464)	(430)
Dividends paid	(44,578)	(43,611)	(42,982)
Proceeds from reissuance of treasury stock	245	222	222
Purchase of treasury stock	(15,598)	(31,301)	(20,905)
Net cash provided by financing activities	196,247	439,050	612,164
Net (decrease) increase in cash and cash equivalents	(241,128)	38,791	234,725
Cash and cash equivalents at January 1	395,372	356,581	121,856
Cash and cash equivalents at December 31	\$ 154,244	\$ 395,372	\$ 356,581

The accompanying notes are an integral part of these Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1—Statement of Accounting Policies

General

The following summary of accounting and reporting policies is presented to aid the reader in obtaining a better understanding of the consolidated financial statements of First Commonwealth Financial Corporation and its subsidiaries (“First Commonwealth”) contained in this report. First Commonwealth’s subsidiaries include First Commonwealth Bank (“FCB” or the “Bank”), First Commonwealth Insurance Agency, Inc. (“FCIA”), FRAMAL and First Commonwealth Financial Advisors, Inc. (“FCFA”).

The financial information is presented in accordance with generally accepted accounting principles and general practice for financial institutions in the United States of America. In preparing financial statements, management is required to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. In addition, these estimates and assumptions affect revenues and expenses in the financial statements and as such, actual results could differ from those estimates.

Through its subsidiaries, which include a commercial bank and an insurance agency, First Commonwealth provides a full range of loan, deposit, trust, insurance and personal financial planning services primarily to individuals and small to middle market businesses in 26 counties in central and western Pennsylvania as well as throughout Ohio. First Commonwealth has determined that it has one business segment.

First Commonwealth is subject to regulations of certain state and federal agencies. These regulatory agencies periodically examine First Commonwealth for adherence to laws and regulations.

Basis of Presentation

The accompanying Consolidated Financial Statements include the accounts of First Commonwealth previously defined above. All material intercompany transactions have been eliminated in consolidation. Certain prior period amounts have been reclassified to conform to the current period’s presentation.

Equity investments of less than a majority but at least 20% ownership are accounted for by the equity method and classified as “Other assets.” Earnings on these investments are reflected in “Other income” on the Consolidated Statements of Income, as appropriate, in the period earned.

Investment Securities

Debt securities that First Commonwealth has the positive intent and ability to hold to maturity are classified as securities held to maturity and are reported at amortized cost adjusted for amortization of premium and accretion of discount on a level yield basis. Debt and equity securities that are bought and held principally for the purpose of selling them in the near term are to be classified as trading securities and reported at fair value, with unrealized gains and losses included in earnings. Debt securities not classified as either held-to-maturity securities or trading securities are classified as securities available for sale and are reported at fair value, with unrealized gains and losses that are not related to impairment excluded from earnings and reported as a component of other comprehensive income, which is included in shareholders’ equity, net of deferred taxes.

First Commonwealth has securities classified as held to maturity and available for sale and does not engage in trading activities. First Commonwealth utilizes the specific identification method to determine the net gain or loss on debt securities and the average cost method to determine the net gain or loss on the equity securities.

First Commonwealth conducts a comprehensive review of the investment portfolio on a quarterly basis to evaluate for expected credit losses. When evaluating available-for-sale securities, management first considers whether we intend to sell the security, or if it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis. If there is intent to sell, the security’s amortized cost is written down to fair value through income. Otherwise, available-for-sale securities whose market values have fallen below their book value are evaluated at the issuer-specific level to determine if the decline in value is a result of credit losses. Issuer-specific securities include obligations of U.S. Government agencies and sponsored enterprises, single issue trust preferred securities, corporate debentures and obligations of states and political subdivisions. Further analysis of these securities includes a review of research reports, analysts’ recommendations, credit rating changes, news stories, annual reports, impact of interest rate changes and any other relevant information pertaining to the affected security. Any loss not determined to be a credit loss is recorded as a reduction to shareholders equity, through other comprehensive income. Held-to-maturity securities are evaluated for impairment on an annual basis, using historical probability of default and loss given default information specific to the investment category. On a quarterly basis, a qualitative review is

completed incorporating changes to the mix and credit quality of the investment portfolio. If this evaluation determines that credit losses exist an allowance for credit loss is recorded and included in earnings as a component of credit loss expense.

Mortgage Loans Held for Sale

Certain residential mortgage loans are originated for sale in the secondary mortgage loan market with the majority sold with servicing rights released. These loans are classified as loans held for sale and are carried at the estimated market value on an aggregate basis. Market value is determined on the basis of rates obtained in the respective secondary market for the type of loan held for sale. Loans are generally sold at a premium or discount from the carrying amount of the loan. Such premium or discount is recognized at the date of sale. Gain or loss on the sale of loans is recorded in non-interest income at the time consideration is received and all other criteria for sales treatment have been met.

Loans

Loans are carried at the principal amount outstanding. Interest is accrued as earned. Loans held for sale are carried at the lower of cost or fair market value determined on an individual basis.

First Commonwealth considers a loan to be past due and still accruing interest when payment of interest or principal is contractually past due but the loan is both well secured and in the process of collection. For installment, mortgage, term and other loans with amortizing payments that are scheduled monthly, 90 days past due is reached when four monthly payments are due and unpaid. For demand, time and other multi-payment obligations with payments scheduled other than monthly, delinquency status is calculated using number of days instead of number of payments. Revolving credit loans, including personal credit lines and home equity lines, are considered to be 90 days past due when the borrower has not made the minimum payment for four monthly cycles.

A loan is placed in nonaccrual status when, based on current information and events, it is probable that First Commonwealth will be unable to fully collect principal or interest due according to the contractual terms of the loan. A loan is also placed in nonaccrual status when, based on regulatory definitions, the loan is maintained on a "cash basis" due to the weakened financial condition of the borrower. When a determination is made to place a loan in nonaccrual status, all accrued and unpaid interest is reversed. Nonaccrual loans are restored to accrual status when, based on a sustained period of repayment by the borrower in accordance with the contractual terms of the loan, First Commonwealth expects repayment of the remaining contractual principal and interest or when the loan otherwise becomes well-secured and in the process of collection.

First Commonwealth considers a loan to be a troubled debt restructured loan ("TDR") when the loan terms have been renegotiated to provide a reduction or deferral of principal or interest as a result of the financial difficulties experienced by the borrower, who could not obtain comparable terms from alternate financing sources. TDR loans are considered to be nonperforming loans.

A loan is considered to be nonperforming when, based on current information and events, it is expected that First Commonwealth will be unable to collect principal or interest that is due in accordance with contractual terms of the loan. Nonperforming loans include nonaccrual loans and TDR loans. Expected losses on nonperforming loans are measured based on the present value of expected cash flows discounted at the loan's effective interest rate or, as a practical expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent.

For loans other than those that First Commonwealth expects repayment through liquidation of the collateral, when the remaining recorded investment in the loan is less than or equal to the present value of the expected cash flows, income is applied as a reduction to loan principal rather than interest income.

Loans deemed uncollectible are charged off through the allowance for credit losses. Factors considered in assessing ultimate collectability include past due status, financial condition of the borrower, collateral values and debt covenants including secondary sources of repayment by guarantors. Payments received on previously charged off loans are recorded as recoveries in the allowance for credit losses.

Acquired loans are recorded at estimated fair value on the date of acquisition with no carryover of the related allowance for credit losses. The fair value of acquired loans is determined by estimating the principal and interest cash flows expected to be collected on the loans and discounting those cash flows at a market rate of interest. The estimated fair value considers factors such as loan term, internal risk rating, delinquency status, prepayment rates, estimated value of the underlying collateral and the current interest rate environment.

Loan Fees

Loan origination and commitment fees, net of associated direct costs, are deferred and the net amount is amortized as an adjustment to the related loan yield on the interest method, generally over the contractual life of the related loans or commitments.

Other Real Estate Owned

Real estate, other than bank premises, is recorded at fair value less estimated selling costs at the time of acquisition. After that time, other real estate is carried at the lower of cost or fair value less estimated costs to sell. Fair value is determined based on an independent appraisal. Expenses related to holding the property and rental income earned on the property are generally reflected in earnings in the current period. Depreciation is not recorded on the other real estate owned properties.

Allowance for Credit Losses for Loans and Leases

On January 1, 2020, First Commonwealth adopted ASU 2016-13 Financial Instruments - Credit Losses ("Topic 326"), which replaces the incurred loss methodology for determining our allowance for credit losses and related provision for credit losses with an expected loss methodology that is referred to as the Current Expected Credit Loss ("CECL") model. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including our loans and leases.

We adopted ASU 2016-13 using the modified retrospective method for all financial assets measured at amortized cost and off-balance sheet credit exposures and recognized a cumulative effect adjustment reducing retained earnings by \$11.2 million, net of tax. First Commonwealth made the accounting policy election to exclude accrued interest from the allowance for credit loss calculation because these balances are written off or reversed when a loan is placed in non-accrual status.

In connection with our adoption of ASU 2016-13, we made changes to our loan portfolio segments, as compared to loan segments under the incurred model, to align with the methodology applied in determining the allowance under CECL. In 2022, the annual review of loss history and loss drivers used in the allowance credit losses resulted in several new loan portfolio segments. Real estate construction, which was previously one segment, has been divided into two categories, Construction residential and Construction other. Loans to state and political subdivisions and other commercial loans that have different characteristics than loans in the Time and Demand category, were moved into a new Time and demand other category. Additionally, a new portfolio segment for equipment finance was added as we entered that business in 2022. Refer to Note 9, "Loans and Leases and Allowance for Credit Losses" for further discussion of these portfolio segments.

Under CECL, the allowance for credit losses is calculated by pooling loans of similar credit risk characteristics and applying a discounted cash flow methodology after incorporating probability of default and loss given default estimates. Probability of default represents an estimate of the likelihood of default and loss given default measures the expected loss upon default. Inputs impacting the expected losses includes a forecast of macroeconomic factors, using a weighted forecast from a nationally recognized firm. Our model incorporates a one-year forecast of macroeconomic factors, after which the factors revert back to the historical mean over a one-year period.

All nonperforming credits, which includes nonaccrual loans and all TDRs, in excess of \$250 thousand are individually evaluated on a quarterly basis. A specific reserve is established for individually evaluated loans in an amount equal to the total amount of estimated losses for the loans that are reviewed. Based on this reserve as a percentage of reviewed loan balances, a reserve is also established for the nonperforming loan balances that are not individually reviewed.

An additional component of the allowance is determined by management based on a qualitative analysis of certain factors related to portfolio risks that are not incorporated in the calculated model. Factors considered by management include lending practices, ability and experience of the credit staff, the overall lending environment and external factors such as the regulatory environment and competition. Portfolio risks include unusual changes or recent trends in specific portfolios such as unexpected changes in the trends or levels of delinquency. No matter how detailed an analysis of potential credit losses is performed, these estimates are inherently imprecise. Management must make estimates using assumptions and information that is often subjective and changes rapidly.

Allowance for Off-Balance Sheet Credit Exposures

First Commonwealth maintains an allowance for off-balance sheet credit exposure at a level deemed sufficient to absorb losses that are inherent to off-balance sheet credit risk. Off-balance sheet credit exposure includes commitments to extend credit, standby letters of credit and commercial letters of credit. The Company's methodology for assessing the appropriateness of the allowance for off-balance sheet credit exposure consists of analysis of historical usage trends. The calculation begins with historical usage trends related to lines of credit as well as letters of credit and then utilizes those figures to determine the

probable usage of available lines. These values are then adjusted by the expected loss percentage calculated for comparable loan categories as part of the allowance for credit losses for loans. This amount is adjusted quarterly and any change to the allowance is reported as part of provision expense on the Consolidated Statements of Income. The allowance for off-balance sheet credit exposures is reflected in "Other Liabilities" in the Consolidated Statements of Financial Condition.

Bank Owned Life Insurance

First Commonwealth and the banks that First Commonwealth has acquired have purchased insurance on the lives of certain groups of employees. The policies accumulate asset values to meet future liabilities, including the payment of employee benefits such as health care. Increases in the cash surrender value are recorded as non-interest income in the Consolidated Statements of Income and cash receipts and disbursements are included in "Operating Activities" in the Consolidated Statements of Cash Flows. Under some of these policies, the beneficiaries receive a portion of the death benefit. The net present value of the future death benefits scheduled to be paid to the beneficiaries was \$3.7 million and \$4.5 million as of December 31, 2022 and 2021, respectively, and is reflected in "Other Liabilities" on the Consolidated Statements of Financial Condition.

Premises, Equipment and Lease Commitments

Premises and equipment are carried at cost less accumulated depreciation on First Commonwealth's Consolidated Statements of Financial Condition. Depreciation is computed on the straight-line and accelerated methods over the estimated useful life of the asset. A straight-line depreciation method was used for substantially all furniture and equipment as well as buildings and improvements. Charges for maintenance and repairs are expensed as incurred. Leasehold improvements are expensed over the term of the lease or the estimated useful life of the improvement, whichever is shorter.

Software costs are amortized on a straight-line basis over a period not to exceed 7 years.

A right-of-use asset and related lease liability is recognized on the Consolidated Statements of Financial Condition for operating leases First Commonwealth has entered to lease certain office facilities. These amounts are reported as components of premises and equipment and other liabilities. Short-term operating leases, which are leases with an original term of 12 months or less and do not have a purchase option that is likely to be exercised, are not recognized as part of the right-of-use asset or lease liability. First Commonwealth has no material leasing arrangements for which it is the lessor of property or equipment.

Business Combinations

Business combinations are accounted for by using the acquisition method of accounting. Under the acquisition method, identifiable assets acquired and liabilities assumed at the acquisition date are measured at their fair values as of that date, and are recognized separately from goodwill. The difference between the purchase price and the fair value of the net assets acquired is recorded as goodwill. Results of operations of the acquired entities are included in the consolidated statement of income from the date of acquisition. Acquisition costs are expensed when incurred.

Goodwill

Intangible assets resulting from acquisitions under the purchase method of accounting consist of goodwill and other intangible assets (see "Other Intangible Assets" section below). Goodwill is not amortized and is subject to at least annual assessments for impairment. First Commonwealth reviews goodwill annually and again at any quarter-end if a material event occurs during the quarter that may affect goodwill. When circumstances indicate that it is more likely than not that fair value is less than carrying value, a triggering event has occurred and a quantitative impairment test is performed. Goodwill is evaluated for potential impairment by determining if our fair value has fallen below carrying value.

Other Intangible Assets

Other intangible assets consist of core deposits and customer lists obtained through acquisitions. Core deposit intangibles are amortized over their estimated lives using the present value of the benefit of the core deposits and straight-line methods of amortization. Customer list intangibles are amortized over the expected lives using expected cash flows based on retention of the customer base. These intangibles are evaluated for impairment on an annual basis and when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Accounting for the Impairment of Long-Lived Assets

First Commonwealth reviews long-lived assets, such as premises and equipment and intangibles, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. These changes in circumstances may include a significant decrease in the market value of an asset or the extent or manner in which an asset is used. If there is an indication that the carrying amount of an asset may not be recoverable, future undiscounted cash flows expected to result from the use of the asset are estimated. If the sum of the expected cash flows is less than the carrying value of the asset, a loss is recognized for the difference between the carrying value and fair value of the asset. Long-lived assets

classified as held for sale are measured at the lower of their carrying amount or fair value less cost to sell. Depreciation or amortization is discontinued on long-lived assets classified as held for sale.

Income Taxes

First Commonwealth records taxes in accordance with the asset and liability method of FASB ASC Topic 740, "Income Taxes," ("Topic 740") whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases given the provisions of the enacted tax laws. Deferred tax assets are reduced, if necessary, by the amount of such benefits that are more likely than not expected to be realized based upon available evidence. In accordance with Topic 740, interest or penalties incurred for taxes will be recorded as a component of noninterest expense.

Comprehensive Income Disclosures

"Other Comprehensive Income" (comprehensive income, excluding net income) includes the after-tax effect of changes in unrealized holding gains and losses on available-for-sale securities, changes in the funded status of defined benefit postretirement plans and changes in the fair value of cash flow hedges. Comprehensive income is reported in the accompanying Consolidated Statements of Comprehensive Income, net of tax.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, federal funds sold and interest-bearing bank deposits. Generally, federal funds are sold for one-day periods.

Derivatives and Hedging Activities

First Commonwealth accounts for derivative instruments and hedging activities in accordance with FASB ASC Topic 815, "Derivatives and Hedging" ("Topic 815"). All derivatives are evaluated at inception as to whether or not they are hedging or non-hedging activities, and appropriate documentation is maintained to support the final determination. First Commonwealth recognizes all derivatives as either assets or liabilities on the Consolidated Statements of Financial Condition and measures those instruments at fair value. For derivatives designated as fair value hedges, changes in the fair value of the derivative and the hedged item related to the hedged risk are recognized in earnings. Any hedge ineffectiveness would be recognized in the income statement line item pertaining to the hedged item. For derivatives designated as cash flow hedges, changes in fair value of the effective portion of the cash flow hedges are reported in other comprehensive income ("OCI"). When the cash flows associated with the hedged item are realized, the gain or loss included in OCI is recognized in the Consolidated Statement of Income.

When First Commonwealth purchases a portion of a commercial loan that has an existing interest rate swap, it enters a Risk Participation Agreement with the counterparty and assumes the credit risk of the loan customer related to the swap. Any fee paid to First Commonwealth as a result of the risk participation agreement is offset by credit risk of the counterparties and is recognized in the income statement. Credit risk on the risk participation agreements is determined after considering the risk rating, probability of default and loss given default of the counterparties.

Management periodically reviews contracts from various functional areas of First Commonwealth to identify potential derivatives embedded within selected contracts. As of December 31, 2022, First Commonwealth has interest rate derivative positions that are designated as hedging instruments and others that are not designated as hedging instruments. See Note 7, "Derivatives," for a description of these instruments.

Earnings Per Common Share

Basic earnings per share excludes dilution and is computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. For all periods presented, the dilutive effect on average shares outstanding is the result of unvested restricted stock grants.

Fair Value Measurements

In accordance with FASB ASC Topic 820, "Fair Value Measurements and Disclosures" ("Topic 820"), First Commonwealth groups financial assets and financial liabilities measured at fair value into three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1—Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange ("NYSE"). Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2—Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained for identical or comparable assets or liabilities from alternative pricing sources with reasonable levels of price transparency. Level 2 securities include U.S. Government securities issued by Agencies and Sponsored Enterprises, Obligations of States and Political Subdivisions, certain corporate securities, FHLB stock, loans held for sale, interest rate derivatives that include interest rate swaps, risk participation agreements and foreign currency contracts, certain other real estate owned and certain nonperforming loans.
- Level 3—Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker traded transactions. If the inputs used to provide the evaluation are unobservable and/or there is very little, if any, market activity for the security or similar securities, the securities would be considered Level 3 securities. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities. The assets included in Level 3 are nonmarketable equity investments, certain other real estate owned and certain nonperforming loans.

In general, fair values of financial instruments are based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon pricing models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality and our creditworthiness, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time. See Note 17 "Fair Values of Assets and Liabilities" for additional information.

Revenue from Contracts with Customers

First Commonwealth records revenue from contracts with customers in accordance with ASC Topic 606, "Revenue from Contracts with Customers" ("Topic 606"). Under Topic 606, the Company must identify the contract with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, and recognize revenue when (or as) the Company satisfies a performance obligation.

A significant component of the Company's revenue, net interest earned on financial assets and liabilities, is excluded from the scope of Topic 606. First Commonwealth generally fully satisfies its performance obligations on its contracts with customers as services are rendered and the transaction prices are typically fixed; charged either on a periodic basis or based on activity. Because performance obligations are satisfied as services are rendered and the transaction prices are fixed, the Company has made no significant judgments in applying the revenue guidance prescribed in Topic 606 that affect the determination of the amount and timing of revenue from contracts with customers.

Note 2—Acquisition

On August 30, 2022, we entered into an agreement and plan of merger to acquire Centric Financial Corporation ("Centric") and its banking subsidiary, Centric Bank. Centric will contribute seven full-service banking offices and one loan production office in the Harrisburg, Philadelphia and Lancaster MSAs. The acquisition is an all-stock transaction and Centric shareholders were entitled to receive a fixed exchange ratio of 1.09 shares of First Commonwealth common stock for each Centric common stock. This merger was completed after close of business January 31, 2023 resulting in the issuance of 9,688,478 shares of common stock.

Note 3—Supplemental Comprehensive Income Disclosures

The following table identifies the related tax effects allocated to each component of other comprehensive income in the Consolidated Statements of Comprehensive Income as of December 31. Reclassification adjustments related to securities available for sale are included in the “Net securities gains” line in the Consolidated Statements of Income.

	2022			2021			2020		
	Pretax Amount	Tax (Expense) Benefit	Net of Tax Amount	Pretax Amount	Tax (Expense) Benefit	Net of Tax Amount	Pretax Amount	Tax (Expense) Benefit	Net of Tax Amount
(dollars in thousands)									
Unrealized gains (losses) on securities:									
Unrealized holding (losses) gains on securities arising during the period	\$ (131,838)	\$ 27,686	\$ (104,152)	\$ (29,892)	\$ 6,278	\$ (23,614)	\$ 19,981	\$ (4,196)	\$ 15,785
Reclassification adjustment for gains on securities included in net income	(2)	—	(2)	(16)	3	(13)	(70)	15	(55)
Total unrealized (losses) gains on securities	(131,840)	27,686	(104,154)	(29,908)	6,281	(23,627)	19,911	(4,181)	15,730
Unrealized gains (losses) on derivatives:									
Unrealized holding losses on derivatives arising during the period	(31,573)	6,630	(24,943)	(3,356)	705	(2,651)	(4,467)	938	(3,529)
Total unrealized losses on derivatives	(31,573)	6,630	(24,943)	(3,356)	705	(2,651)	(4,467)	938	(3,529)
Unrealized gains (losses) for postretirement obligations:									
Prior service cost	76	(16)	60	76	(16)	60	(537)	113	(424)
Net gain (loss)	143	(30)	113	275	(58)	217	(155)	32	(123)
Total unrealized gains (losses) for postretirement obligations	219	(46)	173	351	(74)	277	(692)	145	(547)
Total other comprehensive (loss) income	\$ (163,194)	\$ 34,270	\$ (128,924)	\$ (32,913)	\$ 6,912	\$ (26,001)	\$ 14,752	\$ (3,098)	\$ 11,654

The following table details the change in components of OCI for the year ended December 31:

	2022			
	Securities Available for Sale	Derivatives	Post-Retirement Obligation	Accumulated Other Comprehensive Income
	(dollars in thousands)			
Balance at January 1	\$ (3,317)	\$ (5,546)	\$ 95	\$ (8,768)
Other comprehensive loss before reclassification adjustment	(104,152)	(24,943)		(129,095)
Amounts reclassified from accumulated other comprehensive income (loss)	(2)	—		(2)
Prior service cost			60	60
Net gain			113	113
Net other comprehensive loss during the period	(104,154)	(24,943)	173	(128,924)
Balance at December 31	<u>\$ (107,471)</u>	<u>\$ (30,489)</u>	<u>\$ 268</u>	<u>\$ (137,692)</u>
	2021			
	Securities Available for Sale	Derivatives	Post-Retirement Obligation	Accumulated Other Comprehensive Income
	(dollars in thousands)			
Balance at January 1	\$ 20,310	\$ (2,895)	\$ (182)	\$ 17,233
Other comprehensive income before reclassification adjustment	(23,614)	(2,651)		(26,265)
Amounts reclassified from accumulated other comprehensive income (loss)	(13)	—		(13)
Prior service cost			60	60
Net gain			217	217
Net other comprehensive income during the period	(23,627)	(2,651)	277	(26,001)
Balance at December 31	<u>\$ (3,317)</u>	<u>\$ (5,546)</u>	<u>\$ 95</u>	<u>\$ (8,768)</u>
	2020			
	Securities Available for Sale	Derivatives	Post-Retirement Obligation	Accumulated Other Comprehensive Income
	(dollars in thousands)			
Balance at January 1	\$ 4,580	\$ 634	\$ 365	\$ 5,579
Other comprehensive income before reclassification adjustment	15,785	(3,529)		12,256
Amounts reclassified from accumulated other comprehensive income (loss)	(55)	—		(55)
Prior service cost			(424)	(424)
Net gain			(123)	(123)
Net other comprehensive income during the period	15,730	(3,529)	(547)	11,654
Balance at December 31	<u>\$ 20,310</u>	<u>\$ (2,895)</u>	<u>\$ (182)</u>	<u>\$ 17,233</u>

Note 4—Supplemental Cash Flow Disclosures

The following table presents information related to cash paid during the year for interest and income taxes as well as detail on non-cash investing and financing activities for the years ended December 31:

	2022	2021	2020
	(dollars in thousands)		
Cash paid during the period for:			
Interest	\$ 16,396	\$ 15,624	\$ 33,964
Income taxes	34,326	22,374	25,914
Non-cash investing and financing activities:			
Loans transferred to other real estate owned and repossessed assets	2,852	3,163	3,865
Fair value of loans transferred from held to maturity to held for sale	61,892	73,697	37,305
Loans transferred from held for sale to held to maturity	1,485	—	4,335
Gross (decrease) increase in market value adjustment to securities available for sale	(131,840)	(29,908)	19,911
Gross decrease in market value adjustment to derivatives	(31,574)	(3,356)	(4,467)
Investments committed to purchase, not settled	—	—	(34,185)
Increase in limited partnership investment unfunded commitment	—	7,565	—
Proceeds from death benefit on bank-owned life insurance not received	1,973	—	(384)
Treasury shares issued	1,947	2,042	1,594

Note 5—Earnings per Share

The following table summarizes the composition of the weighted-average common shares (denominator) used in the basic and diluted earnings per share computation for the years ending December 31:

	2022	2021	2020
Weighted average common shares issued	113,914,902	113,914,902	113,914,902
Average treasury shares	(20,089,722)	(18,140,857)	(16,254,304)
Average deferred compensation shares	(55,734)	(55,590)	(42,751)
Average unearned nonvested shares	(157,403)	(134,565)	(118,261)
Weighted average common shares and common stock equivalents used to calculate basic earnings per share	93,612,043	95,583,890	97,499,586
Additional common stock equivalents (nonvested stock) used to calculate diluted earnings per share	219,584	200,712	203,836
Additional common stock equivalents (deferred compensation) used to calculate diluted earnings per share	55,820	55,683	55,543
Weighted average common shares and common stock equivalents used to calculate diluted earnings per share	93,887,447	95,840,285	97,758,965
Per Share Data			
Basic Earnings Per Share	\$ 1.37	\$ 1.45	\$ 0.75
Diluted Earnings Per Share	\$ 1.37	\$ 1.44	\$ 0.75

The following table shows the number of shares and the price per share related to common stock equivalents that were not included in the computation of diluted earnings per share for the years ended December 31, because to do so would have been anti-dilutive.

	2022			2021			2020		
	Shares	Price Range		Shares	Price Range		Shares	Price Range	
		From	To		From	To		From	To
Restricted Stock	128,860	\$ 12.77	\$ 16.43	99,344	\$ 12.77	\$ 15.96	92,499	\$ 13.72	\$ 15.44
Restricted Stock Units	25,983	\$ 21.08	\$ 21.08	—	\$ —	\$ —	106,931	\$ 12.43	\$ 15.37

Note 6—Cash and Due from Banks

Regulations of the Board of Governors of the Federal Reserve System impose uniform reserve requirements on all depository institutions with transaction accounts, such as checking accounts and NOW accounts. Reserves are maintained in the form of vault cash or balances held with the local Federal Reserve Bank. Because balances held at the Federal Reserve earn interest, depending on our liquidity position, we may maintain balances in excess of the reserve requirement. First Commonwealth maintained average balances of \$181.6 million during 2022 and \$309.6 million during 2021 with the Federal Reserve Bank of Cleveland.

Note 7—Derivatives

Derivatives Not Designated as Hedging Instruments

First Commonwealth is a party to interest rate derivatives that are not designated as hedging instruments. These derivatives relate to interest rate swaps that First Commonwealth enters into with customers to allow customers to convert variable rate loans to a fixed rate. First Commonwealth pays interest to the customer at a floating rate on the notional amount and receives interest from the customer at a fixed rate for the same notional amount. At the same time the interest rate swap is entered into with the customer, an offsetting interest rate swap is entered into with another financial institution. First Commonwealth pays the other financial institution interest at the same fixed rate on the same notional amount as the swap entered into with the customer, and receives interest from the financial institution for the same floating rate on the same notional amount.

The changes in the fair value of the swaps offset each other, except for the credit risk of the counterparties, which is determined by taking into consideration the risk rating, probability of default and loss given default for all counterparties.

We have 35 risk participation agreements with financial institution counterparties for interest rate swaps related to loans in which we are a participant. The risk participation agreements provide credit protection to the financial institution should the borrower fail to perform on its interest rate derivative contract with the financial institution. We have 15 risk participation agreements with financial institution counterparties for interest rate swaps related to loans in which we are the lead bank. The risk participation agreement provides credit protection to us should the borrower fail to perform on its interest rate derivative contract with us.

First Commonwealth is also party to interest rate caps and collars that are not designated as hedging instruments. The interest rate caps relate to contracts that First Commonwealth enters into with loan customers that provide a maximum interest rate on their variable rate loan. At the same time the interest rate cap is entered into with the customer, First Commonwealth enters into an offsetting interest rate cap with another financial institution. The notional amount and maximum interest rate on both interest cap contracts are identical. The interest rate collars relate to contracts that First Commonwealth enters into with loan customers that provides both a maximum and minimum interest rate on their variable rate loan. At the same time the interest rate collar is entered into with the customer, First Commonwealth enters into an offsetting interest rate collar with another financial institution. The notional amount and the maximum and minimum interest rates on both interest collar contracts are identical.

The fee received, less the estimate of the loss for the credit exposure, was recognized in earnings at the time of the transaction.

Derivatives Designated as Hedging Instruments

In August 2019, the Company entered into two interest rate swap contracts that are designated as cash flow hedges. These contracts mature on August 15, 2024 and August 15, 2026 and have notional amounts of \$30.0 million and \$40.0 million, respectively. The Company's risk management objective for these hedges is to reduce its exposure to variability in expected future cash flows related to interest payments made on subordinated debentures benchmarked to the 3-month LIBOR rate. Therefore, the interest rate swaps convert the interest rate benchmark on the first \$70.0 million of 3-month LIBOR based subordinated debentures to a fixed rate.

During 2021, the Company entered into eight interest rate swap contracts that were designated as cash flow hedges. The interest rate swaps have a total notional amount of \$500.0 million; \$75.0 million with an original maturity of three years, \$250.0 million with an original maturity of four years, and \$175.0 million with an original maturity of five years. The Company's risk management objective for these hedges is to reduce its exposure to variability in expected future cash flows related to interest payments on commercial loans benchmarked to the 1-month LIBOR rate. Therefore, the interest rate swaps convert the interest payments on the first \$500.0 million of 1-month LIBOR based commercial loans into fixed rate payments.

The periodic net settlement of these interest rate swaps are recorded as an adjustment to "Interest on subordinated debentures" or "Interest and fees on loans" in the Consolidated Statement of Income. For the years ended December 31, 2022 and 2020, net interest income decreased \$4.8 million and \$0.4 million, respectively, and increased \$0.6 million for the year ended December

31, 2021 as a result of these interest rate swaps. Changes in the fair value of the cash flow hedges are reported on the balance sheet and in OCI. When the cash flows associated with the hedged item are realized, the gain or loss included in OCI is recognized in "Interest on subordinated debentures" or "Interest and fees on loans," in the Consolidated Statements of Income in the same line item as the income or expense on the hedged items. The cash flow hedges were highly effective at December 31, 2022 and changes in the fair value attributed to hedge ineffectiveness were not material.

The Company also enters into interest rate lock commitments in conjunction with its mortgage origination business. These are commitments to originate loans whereby the interest rate on the loan is determined prior to funding and the customers have locked into that interest rate. The Company locks in the rate with an investor and commits to deliver the loan if settlement occurs ("best efforts") or commits to deliver the locked loan in a binding ("mandatory") delivery program with an investor. Loans under mandatory rate lock commitments are covered under forward sales contracts of mortgage-backed securities ("MBS"). Forward sales contracts of MBS are recorded at fair value with changes in fair value recorded in "Noninterest income" in the Consolidated Statements of Income. The impact to noninterest income for the years ended December 31, 2022 and 2021 was a decrease of \$0.1 million and \$0.5 million, respectively, and an increase of \$0.4 million for the year ended December 31, 2020.

Interest rate lock commitments and commitments to deliver loans to investors are considered derivatives. The market value of interest rate lock commitments and best efforts contracts are not readily ascertainable with precision because they are not actively traded in stand-alone markets. We determine the fair value of rate lock commitments and delivery contracts by measuring the fair value of the underlying asset, which is impacted by current interest rates and taking into consideration the probability that the rate lock commitments will close or will be funded. At December 31, 2022, the underlying funded mortgage loan commitments had a carrying value of \$4.3 million and a fair value of \$4.0 million, while the underlying unfunded mortgage loan commitments had a notional amount of \$12.0 million. At December 31, 2021, the underlying funded mortgage loan commitments had a carrying value of \$11.0 million and a fair value of \$11.9 million, while the underlying unfunded mortgage loan commitments had a notional amount of \$29.7 million.

In addition, a small amount of interest income on loans is exposed to changes in foreign exchange rates. Several commercial borrowers have a portion of their operations outside of the United States and borrow funds on a short-term basis to fund those operations. In order to reduce the risk related to the translation of foreign denominated transactions into U.S. dollars, the Company enters into foreign exchange forward contracts. These contracts relate principally to the Euro and the Canadian dollar. The contracts are recorded at fair value with changes in fair value recorded in "Other operating expenses" in the Consolidated Statements of Income. The impact on other noninterest expense for the years ended December 31, 2022 totaled \$5 thousand, \$11 thousand and \$18 thousand, respectively. There were no foreign exchange forward contracts outstanding at December 31, 2022. At December 31, 2021, the underlying loans exposed to changes in foreign exchange rates had both a carrying value and a fair value of \$2.0 million.

The following table depicts the credit value adjustment recorded relative to the notional amount of derivatives outstanding as well as the notional amount of risk participation agreements participated to other banks at December 31:

	2022	2021
	(dollars in thousands)	
Derivatives not Designated as Hedging Instruments		
Credit value adjustment	\$ (27)	\$ (395)
Notional Amount:		
Interest rate derivatives	816,745	708,759
Interest rate caps	15,340	66,007
Interest rate collars	35,354	35,354
Risk participation agreements	256,043	241,111
Sold credit protection on risk participation agreements	(100,741)	(95,618)
Interest rate options	12,009	29,691
Derivatives Designated as Hedging Instruments		
Interest rate swaps:		
Fair value adjustment	(38,596)	(7,022)
Notional Amount	570,000	570,000
Interest rate forwards:		
Fair value adjustment	63	(29)
Notional Amount	16,000	38,000
Foreign exchange forwards:		
Fair value adjustment	—	12
Notional Amount	—	1,982

The table below presents the amount representing the change in the fair value of derivative assets and derivative liabilities attributable to credit risk included in “Other income” on the Consolidated Statements of Income for the years ended December 31:

	2022	2021	2020
	(dollars in thousands)		
Non-hedging interest rate derivatives:			
(Decrease) increase in other income	\$ (363)	\$ 728	\$ (981)
Hedging interest rate derivatives:			
(Decrease) increase in interest and fees on loans	(5,125)	1,567	—
(Decrease) increase in interest from subordinated debentures	(283)	959	449
Hedging interest rate forwards:			
(Decrease) increase in other income	(92)	(454)	420
Hedging interest rate derivatives:			
Increase in other expense	5	11	18

The fair value of our derivatives is included in a table in Note 17, “Fair Values of Assets and Liabilities,” in the line items “Other assets” and “Other liabilities.”

Note 8—Investment Securities

Securities Available for Sale

Below is an analysis of the amortized cost and fair values of securities available for sale at December 31:

	2022				2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(dollars in thousands)							
Obligations of U.S. Government Agencies:								
Mortgage-Backed Securities – Residential	\$ 4,127	\$ 37	\$ (181)	\$ 3,983	\$ 5,242	\$ 420	\$ —	\$ 5,662
Mortgage-Backed Securities – Commercial	324,306	—	(52,890)	271,416	365,024	1,725	(4,459)	362,290
Obligations of U.S. Government-Sponsored Enterprises:								
Mortgage-Backed Securities – Residential	527,777	59	(78,847)	448,989	632,687	6,308	(9,021)	629,974
Other Government-Sponsored Enterprises	1,000	—	(118)	882	1,000	—	(19)	981
Obligations of States and Political Subdivisions	9,482	—	(1,295)	8,187	9,538	89	(103)	9,524
Corporate Securities	32,010	179	(2,985)	29,204	32,088	973	(112)	32,949
Total Securities Available for Sale	\$ 898,702	\$ 275	\$(136,316)	\$ 762,661	\$1,045,579	\$ 9,515	\$ (13,714)	\$1,041,380

Mortgage backed securities include mortgage backed obligations of U.S. Government agencies and obligations of U.S. Government-sponsored enterprises. These obligations have contractual maturities ranging from less than one year to approximately 40 years with lower anticipated lives to maturity due to prepayments. All mortgage backed securities contain a certain amount of risk related to the uncertainty of prepayments of the underlying mortgages. Interest rate changes have a direct impact upon prepayment speeds; therefore, First Commonwealth uses computer simulation models to test the average life and yield volatility of all mortgage backed securities under various interest rate scenarios to monitor the potential impact on earnings and interest rate risk positions.

Expected maturities will differ from contractual maturities because issuers may have the right to call or repay obligations with or without call or prepayment penalties. Other fixed income securities within the portfolio also contain prepayment risk.

The amortized cost and estimated fair value of debt securities available for sale at December 31, 2022, by contractual maturity, are shown below:

	Amortized Cost	Estimated Fair Value
	(dollars in thousands)	
Due within 1 year	\$ 5,001	\$ 4,997
Due after 1 but within 5 years	8,881	8,654
Due after 5 but within 10 years	28,610	24,622
Due after 10 years	—	—
	42,492	38,273
Mortgage-Backed Securities (a)	856,210	724,388
Total Debt Securities	\$ 898,702	\$ 762,661

- (a) Mortgage Backed Securities include an amortized cost of \$328.4 million and a fair value of \$275.4 million for Obligations of U.S. Government agencies issued by Ginnie Mae and an amortized cost of \$527.8 million and a fair value of \$449.0 million for Obligations of U.S. Government-sponsored enterprises issued by Fannie Mae and Freddie Mac.

Proceeds from sales of securities and gross gains (losses) realized on sales, calls and maturities of securities available for sale were as follows for the years ended December 31:

	2022	2021	2020
	(dollars in thousands)		
Proceeds from sales	\$ —	\$ —	\$ —
Gross (losses) gains realized:			
Sales Transactions:			
Gross gains	\$ —	\$ —	\$ —
Gross losses	—	—	—
Maturities			
Gross gains	2	16	70
Gross losses	—	—	—
	2	16	70
Net gains	\$ 2	\$ 16	\$ 70

Gross gains from maturities recognized in 2022, 2021 and 2020 were the result of calls on municipal securities.

Securities available for sale with an approximate fair value of \$626.7 million and \$759.1 million were pledged as of December 31, 2022 and 2021, respectively, to secure public deposits and for other purposes required or permitted by law.

Securities Held to Maturity

Below is an analysis of the amortized cost and fair values of debt securities held to maturity at December 31:

	2022				2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
(dollars in thousands)								
Obligations of U.S. Government Agencies:								
Mortgage-Backed Securities – Residential	\$ 2,008	\$ —	\$ (224)	\$ 1,784	\$ 2,409	\$ 101	\$ —	\$ 2,510
Mortgage-Backed Securities – Commercial	75,229	—	(14,196)	61,033	91,439	305	(1,939)	89,805
Obligations of U.S. Government-Sponsored Enterprises:								
Mortgage-Backed Securities – Residential	329,267	—	(53,002)	276,265	387,848	2,800	(5,758)	384,890
Mortgage-Backed Securities – Commercial	4,794	—	(129)	4,665	7,309	148	—	7,457
Other Government-Sponsored Enterprises	22,221	—	(4,501)	17,720	21,904	—	(625)	21,279
Obligations of States and Political Subdivisions	26,643	—	(2,865)	23,778	29,402	414	(103)	29,713
Debt Securities Issued by Foreign Governments	1,000	—	(40)	960	1,000	—	(3)	997
Total Securities Held to Maturity	<u>\$ 461,162</u>	<u>\$ —</u>	<u>\$ (74,957)</u>	<u>\$ 386,205</u>	<u>\$ 541,311</u>	<u>\$ 3,768</u>	<u>\$ (8,428)</u>	<u>\$ 536,651</u>

The amortized cost and estimated fair value of debt securities held to maturity at December 31, 2022, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or repay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Fair Value
(dollars in thousands)		
Due within 1 year	\$ 1,145	\$ 1,143
Due after 1 but within 5 years	9,819	9,315
Due after 5 but within 10 years	38,337	31,570
Due after 10 years	563	430
	49,864	42,458
Mortgage-Backed Securities (a)	411,298	343,747
Total Debt Securities	<u>\$ 461,162</u>	<u>\$ 386,205</u>

(a) Mortgage Backed Securities include an amortized cost of \$77.2 million and a fair value of \$62.8 million for Obligations of U.S. Government agencies issued by Ginnie Mae and an amortized cost of \$334.1 million and a fair value of \$280.9 million for Obligations of U.S. Government-sponsored enterprises issued by Fannie Mae and Freddie Mac.

Securities held to maturity with an amortized cost of \$368.8 million and \$313.9 million were pledged as of December 31, 2022 and 2021, respectively, to secure public deposits for other purposes required or permitted by law.

Other Investments

As a member of the Federal Home Loan Bank ("FHLB"), First Commonwealth is required to purchase and hold stock in the FHLB to satisfy membership and borrowing requirements. The level of stock required to be held is dependent on the amount of First Commonwealth's mortgage related assets and outstanding borrowings with the FHLB. This stock is restricted in that it can

only be sold to the FHLB or to another member institution, and all sales of FHLB stock must be at par. As a result of these restrictions, FHLB stock is unlike other investment securities insofar as there is no trading market for FHLB stock and the transfer price is determined by FHLB membership rules and not by market participants. As of December 31, 2022 and 2021, our FHLB stock totaled \$25.2 million and \$11.7 million, respectively and is included in “Other investments” on the Consolidated Statements of Financial Condition.

FHLB stock is held as a long-term investment and its value is determined based on the ultimate recoverability of the par value. First Commonwealth evaluates impairment quarterly and has concluded that the par value of its investment in FHLB stock will be recovered. Accordingly, no impairment charge was recorded on these securities for the year ended December 31, 2022.

At both December 31, 2022 and 2021, Other Investments also includes \$1.2 million in equity securities. These securities do not have a readily determinable fair value and are carried at cost. For the years ended December 31, 2022 and 2021, there were no gains or losses recognized through earnings on equity securities. On a quarterly basis, management evaluates equity securities by reviewing research reports, analysts’ recommendations, credit rating changes, news stories, annual reports, regulatory filings, impact of interest rate changes and other relevant information.

Impairment of Investment Securities

On January 1, 2020, First Commonwealth adopted Topic 326, which requires estimated credit losses on held to maturity securities be recorded as an allowance for credit loss instead of a reduction in the amortized cost of the securities.

There were no estimated credit losses recorded during the years ended December 31, 2022, 2021 and 2020.

First Commonwealth utilizes the specific identification method to determine the net gain or loss on debt securities and the average cost method to determine the net gain or loss on equity securities.

We review our investment portfolio on a quarterly basis for indications of impairment. For available for sale securities the review includes analyzing the financial condition and near-term prospects of the issuer, including any specific events which may influence the operations of the issuer and whether we are more likely than not to sell the security. We evaluate whether we are more likely than not to sell debt securities based upon our investment strategy for the particular type of security and our cash flow needs, liquidity position, capital adequacy, tax position and interest rate risk position. Held-to-maturity securities are evaluated for impairment on a quarterly basis using historical probability of default and loss given default information specific to the investment category. If this evaluation determines that credit losses exist, an allowance for credit loss is recorded and included in earnings as a component of credit loss expense.

The following table presents the gross unrealized losses and estimated fair values at December 31, 2022 for available for sale securities for which an allowance for credit losses has not been recorded and held to maturity securities by investment category and time frame for which the securities have been in a continuous unrealized loss position:

	<u>Less Than 12 Months</u>		<u>12 Months or More</u>		<u>Total</u>	
	<u>Estimated Fair Value</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Fair Value</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Fair Value</u>	<u>Gross Unrealized Losses</u>
	(dollars in thousands)					
Obligations of U.S. Government Agencies:						
Mortgage-Backed Securities – Residential	\$ 3,734	\$ (405)	\$ —	\$ —	\$ 3,734	\$ (405)
Mortgage-Backed Securities – Commercial	92,208	(12,364)	240,241	(54,722)	332,449	(67,086)
Obligations of U.S. Government-Sponsored Enterprises:						
Mortgage-Backed Securities – Residential	239,760	(21,543)	482,195	(110,306)	721,955	(131,849)
Mortgage-Backed Securities – Commercial	4,666	(129)	—	—	4,666	(129)
Other Government-Sponsored Enterprises	—	—	18,603	(4,619)	18,603	(4,619)
Obligations of States and Political Subdivisions	21,234	(1,979)	9,230	(2,181)	30,464	(4,160)
Debt Securities Issued by Foreign Governments	587	(13)	373	(27)	960	(40)
Corporate Securities	14,406	(590)	12,632	(2,395)	27,038	(2,985)
Total Securities	\$ 376,595	\$ (37,023)	\$ 763,274	\$ (174,250)	\$ 1,139,869	\$ (211,273)

At December 31, 2022, fixed income securities issued by U.S. Government Agencies and U.S. Government-sponsored enterprises comprised 97% of total unrealized losses. All unrealized losses are a result of changes in market interest rates. At December 31, 2022, there were 209 debt securities in an unrealized loss position. There were no equity securities in an unrealized loss position at December 31, 2022.

The following table presents the gross unrealized losses and estimated fair value at December 31, 2021 for both available for sale and held to maturity securities by investment category and time frame for which the securities had been in a continuous unrealized loss position:

	Less Than 12 Months		12 Months or More		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
(dollars in thousands)						
Obligations of U.S. Government Agencies:						
Mortgage-Backed Securities – Commercial	\$ 320,414	\$ (6,398)	\$ —	\$ —	\$ 320,414	\$ (6,398)
Obligations of U.S. Government-Sponsored Enterprises:						
Mortgage-Backed Securities – Residential	658,965	(14,779)	—	—	658,965	(14,779)
Other Government-Sponsored Enterprises	22,261	(644)	—	—	22,261	(644)
Obligations of States and Political Subdivisions	11,213	(206)	—	—	11,213	(206)
Debt Securities Issued by Foreign Governments	997	(3)	—	—	997	(3)
Corporate Securities	19,013	(112)	—	—	19,013	(112)
Total Securities	<u>\$ 1,032,863</u>	<u>\$ (22,142)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,032,863</u>	<u>\$ (22,142)</u>

As of December 31, 2022, our corporate securities had an amortized cost and estimated fair value of \$32.0 million and \$29.2 million, respectively, and were comprised of debt for large regional banks. At December 31, 2021, these securities had an amortized cost of \$32.1 million and estimated fair value of \$32.9 million. When unrealized losses exist, management reviews each of the issuer's asset quality, earnings trend and capital position, to determine whether the unrealized loss position is a result of credit losses. All interest payments on the corporate securities are being made as contractually required.

There was no expected credit related impairment recognized on investment securities during the twelve months ended December 31, 2022, 2021 and 2020.

Note 9—Loans and Leases and Allowance for Credit Losses

Loans and leases are presented in the Consolidated Statements of Financial Condition net of deferred loan fees and costs, and discounts related to purchased loans. Net deferred costs were \$5.9 million and \$0.8 million as of December 31, 2022 and 2021, respectively, and discounts on purchased loans were \$5.4 million and \$6.0 million at December 31, 2022 and 2021, respectively. The following table provides outstanding balances related to each of our loan types as of December 31:

	2022	2021
	(dollars in thousands)	
Commercial, financial, agricultural and other	\$ 1,211,706	\$ 1,173,452
Time and demand	1,023,824	1,159,524
Commercial credit cards	13,920	13,928
Equipment Finance	79,674	
Time and demand other	94,288	
Real estate construction	513,101	494,456
Construction other	395,439	
Construction residential	117,662	
Residential real estate	2,194,669	1,920,250
Residential first lien	1,547,192	1,299,534
Residential junior lien/home equity	647,477	620,716
Commercial real estate	2,425,012	2,251,097
Multifamily	431,151	385,432
Nonowner occupied	1,510,347	1,465,247
Owner occupied	483,514	400,418
Loans to individuals	1,297,655	999,975
Automobile and recreational vehicles	1,210,451	901,280
Consumer credit cards	10,657	11,151
Consumer other	76,547	87,544
Total loans and leases	\$ 7,642,143	\$ 6,839,230

Commercial, financial, agricultural and other loans at December 31, 2022 and 2021 includes \$4.3 million and \$71.3 million, respectively, in PPP loans for small businesses who meet the necessary eligibility requirements. PPP loans are 100% guaranteed by the SBA under the CARES Act and are forgivable, in whole or in part, if the proceeds are used for payroll and other permitted purposes in accordance with the PPP requirements. Because PPP loans are fully guaranteed by the SBA, there is no allowance for credit losses recognized for these loans.

First Commonwealth's loan portfolio includes five primary loan categories. When calculating the allowance for credit losses these categories are classified into fourteen portfolio segments. During 2022, the portfolio loan segments were expanded from eleven to fourteen categories. Loan segments are explained below and all related tables are presented with loan segments considered in each respective period, as this expansion of loan segments is made on a prospective basis in accordance with applicable guidance. The composition of loans by portfolio segment includes;

Commercial, financial, agricultural and other

Time & Demand - Consists primarily of commercial and industrial loans. This category consists of loans that are typically cash flow dependent and therefore have different risk and loss characteristics than other commercial loans. Loans in this category include revolving and term structures with fixed and variable interest rates. The primary macroeconomic drivers for estimating credit losses for this category include forecasts of national unemployment and economic conditions measured by GDP.

Commercial Credit Cards - Consists of unsecured credit cards for commercial customers. These commercial credit cards have separate characteristics outside of normal commercial non-real estate loans, as they tend to have shorter overall duration. The primary macroeconomic drivers for estimating credit losses for this category include forecasts of national unemployment and economic conditions measured by GDP.

Equipment Finance - Consists of loans and leases to finance the purchase of equipment for commercial customers. The risk and loss characteristics are unique for this group due to the type of collateral. The primary macroeconomic drivers for estimating

credit losses for this category include forecasts of national unemployment and economic conditions measured by GDP. There were no equipment finance loans or leases in the portfolio prior to the first quarter of 2022.

Time & Demand Other - Consists primarily of loans to state and political subdivisions and other commercial loans that have different characteristics than loans in the Time and Demand category. The primary macroeconomic drivers for estimating credit losses for this category include forecasts of household debt to income and economic conditions measured by GDP. Prior to the first quarter of 2022, these loans were included in the Time and Demand category. The breakout into a separate category is the result of an annual review of loss history and loss drivers used in the allowance for credit losses model.

Real estate construction

Construction Other - Consists of construction loans to commercial builders and developers and are secured by the properties under development.

Construction Residential - Consists of loans to finance the construction of residential properties during the construction period. Borrowers are typically individuals who will occupy the completed single family property.

The risk and loss characteristics of these two construction categories are different than other real estate secured categories due to the collateral being at various stages of completion. The nature of the project and type of borrower of the two construction categories provides for unique risk and loss characteristics for each category. The primary macroeconomic drivers for estimating credit losses for construction loans include forecasts of national unemployment and measures of completed construction projects. Prior to the first quarter of 2022, all construction loans were included in one loan category. The breakout into separate construction categories is the result of an annual review of loss history and loss drivers used in the allowance for credit losses model.

Residential real estate

Residential first lien - Consists of loans with collateral of 1-4 family residencies with a senior lien position. The risk and loss characteristics are unique for this group because the collateral for these loans are the borrower's primary residence. The primary macroeconomic drivers for estimating credit losses for this category include forecasts of national unemployment and residential property values.

Residential Junior Lien/Home Equity - Consists of loans with collateral of 1-4 family residencies with an open end line of credit or junior lien position. The junior lien position for the majority of these loans provides a higher risk of loss than other residential real estate loans. The primary macroeconomic drivers for estimating credit losses for this category include forecasts of national unemployment and residential property values.

Commercial real estate

Multifamily - Consists of loans secured by commercial multifamily properties. Real estate related to rentals to consumers provide unique risk and loss characteristics. The primary macroeconomic drivers for estimating credit losses for this category include forecasts of commercial real estate values and national unemployment. In the first quarter of 2022, as a result of an annual review of loss history and loss drivers, national unemployment replaced rental vacancy as one of the primary macroeconomic drivers in this category.

Nonowner Occupied - Consists of loans secured by commercial real estate non-owner occupied and provides different loss characteristics than other real estate categories. The primary macroeconomic drivers for estimating credit losses for this category include forecasts of national unemployment and economic conditions measured by GDP.

Owner Occupied - Consists of loans secured by commercial real estate owner occupied properties. The risk and loss characteristics of this category were considered different than other real estate categories because it is owner occupied and would impact the ability to conduct business. The primary macroeconomic drivers for estimating credit losses for this category include forecasts of national unemployment and economic conditions measured by GDP.

Loans to individuals

Automobile and recreational vehicles - Consists of both direct and indirect loans with automobiles and recreational vehicles held as collateral. The primary macroeconomic drivers for estimating credit losses for this category include forecasts of consumer sentiment and automobile retention value.

Consumer Credit Cards - Consists of unsecured consumer credit cards. The primary macroeconomic drivers for estimating credit losses for this category include forecasts of consumer sentiment and economic conditions measured by GDP.

Other Consumer - Consists of lines of credit, student loans and other consumer loans, not secured by real estate or autos. The primary macroeconomic drivers for estimating credit losses for this category include forecasts of consumer sentiment and retail

sales. In the first quarter of 2022, as a result of an annual review of loss history and loss drivers, retail sales replaced household debt as one of the primary macroeconomic factors for this category.

The allowance for credit losses is calculated by pooling loans of similar credit risk characteristics and applying a discounted cash flow methodology after incorporating probability of default and loss given default estimates. Probability of default represents an estimate of the likelihood of default and loss given default measures the expected loss upon default. Inputs impacting the expected losses include a forecast of macroeconomic factors, using a weighted forecast from a nationally recognized firm. Our model incorporates a one-year forecast of macroeconomic factors, after which the factors revert back to the historical mean over a one-year period. The most significant macroeconomic factor used in estimating credit losses is the national unemployment rate. The forecasted value for national unemployment at the beginning of the forecast period was 3.68% and during the one-year forecast period it was projected to average 4.68%, with a peak of 5.01%.

Credit Quality Information

As part of the on-going monitoring of credit quality within the loan portfolio, the following credit worthiness categories are used in grading our commercial loans:

<u>Pass</u>	Acceptable levels of risk exist in the relationship. Includes all loans not classified as OAEM, substandard or doubtful.
<u>Other Assets Especially Mentioned (OAEM)</u>	Potential weaknesses that deserve management's close attention. The potential weaknesses may result in deterioration of the repayment prospects or weaken the Bank's credit position at some future date. The credit risk may be relatively minor, yet constitute an undesirable risk in light of the circumstances surrounding the specific credit. No loss of principal or interest is expected.
<u>Substandard</u>	Well-defined weakness or a weakness that jeopardizes the repayment of the debt. A loan may be classified as substandard as a result of deterioration of the borrower's financial condition and repayment capacity. Loans for which repayment plans have not been met or collateral equity margins do not protect the Company may also be classified as substandard.
<u>Doubtful</u>	Loans with the characteristics of substandard loans with the added characteristic that collection or liquidation in full, on the basis of presently existing facts and conditions, is highly improbable.

The Company's internal creditworthiness grading system provides a measurement of credit risk based primarily on an evaluation of the borrower's cash flow and collateral. Category ratings are reviewed each quarter, at which time management analyzes the results, as well as other external statistics and factors related to loan performance.

The following tables represent our credit risk profile by creditworthiness category for the years ended December 31:

	Non-Pass					Total Non-Pass	Total
	Pass	OAEM	Substandard	Doubtful	Loss		
	(dollars in thousands)						
Commercial, financial, agricultural and other	\$ 1,164,193	\$ 35,389	\$ 12,124	\$ —	\$ —	\$ 47,513	\$ 1,211,706
Time and demand	976,346	35,389	12,089	—	—	47,478	1,023,824
Commercial credit cards	13,920	—	—	—	—	—	13,920
Equipment Finance	79,674	—	—	—	—	—	79,674
Time and demand other	94,253	—	35	—	—	35	94,288
Real estate construction	513,101	—	—	—	—	—	513,101
Construction other	395,439	—	—	—	—	—	395,439
Construction residential	117,662	—	—	—	—	—	117,662
Residential real estate	2,187,780	736	6,153	—	—	6,889	2,194,669
Residential first lien	1,542,854	675	3,663	—	—	4,338	1,547,192
Residential junior lien/home equity	644,926	61	2,490	—	—	2,551	647,477
Commercial real estate	2,347,000	52,291	25,721	—	—	78,012	2,425,012
Multifamily	430,613	488	50	—	—	538	431,151
Nonowner occupied	1,439,478	49,037	21,832	—	—	70,869	1,510,347
Owner occupied	476,909	2,766	3,839	—	—	6,605	483,514
Loans to individuals	1,297,206	—	449	—	—	449	1,297,655
Automobile and recreational vehicles	1,210,090	—	361	—	—	361	1,210,451
Consumer credit cards	10,657	—	—	—	—	—	10,657
Consumer other	76,459	—	88	—	—	88	76,547
Total	\$ 7,509,280	\$ 88,416	\$ 44,447	\$ —	\$ —	\$ 132,863	\$ 7,642,143

2021

	Non-Pass					Total Non-Pass	Total
	Pass	OAEM	Substandard	Doubtful	Loss		
	(dollars in thousands)						
Commercial, financial, agricultural and other	\$ 1,121,234	\$ 33,765	\$ 18,453	\$ —	\$ —	\$ 52,218	\$ 1,173,452
Time and demand	1,107,306	33,765	18,453	—	—	52,218	1,159,524
Commercial credit cards	13,928	—	—	—	—	—	13,928
Real estate construction	493,913	498	45	—	—	543	494,456
Residential real estate	1,913,064	976	6,210	—	—	7,186	1,920,250
Residential first lien	1,295,524	905	3,105	—	—	4,010	1,299,534
Residential junior lien/home equity	617,540	71	3,105	—	—	3,176	620,716
Commercial real estate	2,113,123	85,324	52,650	—	—	137,974	2,251,097
Multifamily	355,702	14,565	15,165	—	—	29,730	385,432
Nonowner occupied	1,368,922	63,783	32,542	—	—	96,325	1,465,247
Owner occupied	388,499	6,976	4,943	—	—	11,919	400,418
Loans to individuals	999,770	—	205	—	—	205	999,975
Automobile and recreational vehicles	901,132	—	148	—	—	148	901,280
Consumer credit cards	11,151	—	—	—	—	—	11,151
Consumer other	87,487	—	57	—	—	57	87,544
Total	\$ 6,641,104	\$ 120,563	\$ 77,563	\$ —	\$ —	\$ 198,126	\$ 6,839,230

The following table summarizes the loan risk rating category by loan type including term loans on an amortized cost basis by origination year as of December 31:

	Term Loans					Prior	Revolving Loans	Total
	2022	2021	2020	2019	2018			
	(dollars in thousands)							
Time and demand	\$ 180,134	\$ 165,064	\$ 66,006	\$ 88,959	\$ 57,030	\$ 57,907	\$ 408,724	\$1,023,824
Pass	180,134	154,542	56,592	79,935	56,718	56,309	392,116	976,346
OAEM	—	10,489	8,387	1,846	250	895	13,522	35,389
Substandard	—	33	1,027	7,178	62	703	3,086	12,089
Commercial credit cards	—	—	—	—	—	—	13,920	13,920
Pass	—	—	—	—	—	—	13,920	13,920
Equipment Finance	79,674	—	—	—	—	—	—	79,674
Pass	79,674	—	—	—	—	—	—	79,674
Time and demand other	7,172	20,281	19,626	3,823	2,885	36,197	4,304	94,288
Pass	7,172	20,281	19,626	3,823	2,885	36,162	4,304	94,253
Substandard	—	—	—	—	—	35	—	35
Construction other	81,870	179,919	85,264	23,001	24,005	1,011	369	395,439
Pass	81,870	179,919	85,264	23,001	24,005	1,011	369	395,439
Construction residential	82,829	34,783	—	31	18	—	1	117,662
Pass	82,829	34,783	—	31	18	—	1	117,662
Residential first lien	272,136	507,573	337,995	102,870	69,890	255,573	1,155	1,547,192
Pass	272,136	507,042	337,979	102,097	69,212	253,310	1,078	1,542,854
OAEM	—	164	—	133	51	250	77	675
Substandard	—	367	16	640	627	2,013	—	3,663
Residential junior lien/home equity	77,016	49,273	1,499	2,584	1,683	4,396	511,026	647,477
Pass	77,016	49,273	1,499	2,517	1,683	4,263	508,675	644,926
OAEM	—	—	—	—	—	51	10	61
Substandard	—	—	—	67	—	82	2,341	2,490
Multifamily	140,004	90,868	60,699	39,848	19,914	78,483	1,335	431,151
Pass	140,004	90,868	60,699	39,848	19,914	77,945	1,335	430,613
OAEM	—	—	—	—	—	488	—	488
Substandard	—	—	—	—	—	50	—	50
Nonowner occupied	298,751	153,918	115,947	214,068	141,814	581,060	4,789	1,510,347
Pass	298,751	153,918	115,947	212,588	113,638	541,007	3,629	1,439,478
OAEM	—	—	—	1,480	20,349	26,207	1,001	49,037
Substandard	—	—	—	—	7,827	13,846	159	21,832
Owner occupied	113,010	105,513	56,977	44,430	26,456	131,432	5,696	483,514
Pass	113,010	105,309	55,468	43,014	26,294	128,230	5,584	476,909
OAEM	—	182	745	791	92	923	33	2,766
Substandard	—	22	764	625	70	2,279	79	3,839
Automobile and recreational vehicles	613,513	330,298	172,530	68,996	20,589	4,525	—	1,210,451
Pass	613,513	330,252	172,435	68,865	20,524	4,501	—	1,210,090
Substandard	—	46	95	131	65	24	—	361
Consumer credit cards	—	—	—	—	—	—	10,657	10,657
Pass	—	—	—	—	—	—	10,657	10,657
Consumer other	6,561	17,177	2,489	3,798	1,656	4,085	40,781	76,547
Pass	6,561	17,177	2,489	3,775	1,652	4,085	40,720	76,459
Substandard	—	—	—	23	4	—	61	88
Total	\$1,952,670	\$1,654,667	\$ 919,032	\$ 592,408	\$ 365,940	\$1,154,669	\$1,002,757	\$7,642,143

	Term Loans					Prior	Revolving Loans	Total
	2021	2020	2019	2018	2017			
	(dollars in thousands)							
Time and demand	\$ 281,244	\$ 126,403	\$ 143,030	\$ 91,118	\$ 45,442	\$ 111,127	\$ 361,160	\$1,159,524
Pass	280,854	125,728	128,080	83,204	31,472	102,399	355,569	1,107,306
OAEM	390	596	1,125	7,780	13,945	7,126	2,803	33,765
Substandard	—	79	13,825	134	25	1,602	2,788	18,453
Commercial credit cards	—	—	—	—	—	—	13,928	13,928
Pass	—	—	—	—	—	—	13,928	13,928
Real estate construction	202,016	129,298	123,153	38,267	441	841	440	494,456
Pass	201,992	128,824	123,153	38,267	441	796	440	493,913
OAEM	24	474	—	—	—	—	—	498
Substandard	—	—	—	—	—	45	—	45
Residential first lien	376,106	375,904	126,788	84,484	74,268	260,010	1,974	1,299,534
Pass	376,095	375,885	126,618	84,079	74,135	256,815	1,897	1,295,524
OAEM	—	—	—	67	—	761	77	905
Substandard	11	19	170	338	133	2,434	—	3,105
Residential junior lien/home equity	56,861	1,999	3,322	2,684	1,009	5,348	549,493	620,716
Pass	56,861	1,999	3,246	2,684	1,009	5,195	546,546	617,540
OAEM	—	—	—	—	—	61	10	71
Substandard	—	—	76	—	—	92	2,937	3,105
Multifamily	90,062	73,068	16,782	36,523	63,872	103,774	1,351	385,432
Pass	90,062	73,068	16,782	21,846	49,832	102,761	1,351	355,702
OAEM	—	—	—	—	14,040	525	—	14,565
Substandard	—	—	—	14,677	—	488	—	15,165
Nonowner occupied	194,137	98,840	202,236	173,053	177,295	615,943	3,743	1,465,247
Pass	194,137	98,840	202,236	155,293	152,174	563,743	2,499	1,368,922
OAEM	—	—	—	3,723	19,235	39,737	1,088	63,783
Substandard	—	—	—	14,037	5,886	12,463	156	32,542
Owner occupied	77,710	62,380	53,954	34,115	32,989	134,713	4,557	400,418
Pass	77,710	59,973	51,513	33,623	31,644	129,593	4,443	388,499
OAEM	—	2,194	1,220	492	1,321	1,716	33	6,976
Substandard	—	213	1,221	—	24	3,404	81	4,943
Automobile and recreational vehicles	456,730	252,518	122,943	48,375	17,230	3,484	—	901,280
Pass	456,730	252,518	122,867	48,361	17,224	3,432	—	901,132
Substandard	—	—	76	14	6	52	—	148
Consumer credit cards	—	—	—	—	—	—	11,151	11,151
Pass	—	—	—	—	—	—	11,151	11,151
Consumer other	22,156	4,655	8,030	5,084	542	5,503	41,574	87,544
Pass	22,156	4,655	8,030	5,084	542	5,460	41,560	87,487
Substandard	—	—	—	—	—	43	14	57
Total	\$1,757,022	\$1,125,065	\$ 800,238	\$ 513,703	\$ 413,088	\$1,240,743	\$ 989,371	\$6,839,230

Portfolio Risks

The credit quality of our loan portfolio can potentially represent significant risk to our earnings, capital and liquidity. First Commonwealth devotes a substantial amount of resources managing this risk primarily through our credit administration department that develops and administers policies and procedures for underwriting, maintaining, monitoring and collecting

loans. Credit administration is independent of lending departments and oversight is provided by the credit committee of the First Commonwealth Board of Directors.

Total gross charge-offs for the years ended December 31, 2022 and 2021 were \$9.8 million and \$13.1 million, respectively.

Age Analysis of Past Due Loans by Segment

The following tables delineate the aging analysis of the recorded investments in past due loans as of December 31. Also included in these tables are loans that are 90 days or more past due and still accruing because they are well-secured and in the process of collection.

	2022						
	30 - 59 days past due	60 - 89 days past due	90 days and greater and still accruing	Nonaccrual	Total past due and nonaccrual	Current	Total
	(dollars in thousands)						
Commercial, financial, agricultural and other	\$ 1,233	\$ 279	\$ 355	\$ 2,374	\$ 4,241	\$ 1,207,465	\$ 1,211,706
Time and demand	1,121	270	352	2,374	4,117	1,019,707	1,023,824
Commercial credit cards	27	9	—	—	36	13,884	13,920
Equipment Finance	—	—	—	—	—	79,674	79,674
Time and demand other	85	—	3	—	88	94,200	94,288
Real estate construction	502	—	—	—	502	512,599	513,101
Construction other	—	—	—	—	—	395,439	395,439
Construction residential	502	—	—	—	502	117,160	117,662
Residential real estate	3,023	1,178	811	5,683	10,695	2,183,974	2,194,669
Residential first lien	1,547	771	214	3,369	5,901	1,541,291	1,547,192
Residential junior lien/home equity	1,476	407	597	2,314	4,794	642,683	647,477
Commercial real estate	7,870	25	93	20,539	28,527	2,396,485	2,425,012
Multifamily	202	—	—	—	202	430,949	431,151
Nonowner occupied	7,547	—	92	19,575	27,214	1,483,133	1,510,347
Owner occupied	121	25	1	964	1,111	482,403	483,514
Loans to individuals	3,268	571	732	449	5,020	1,292,635	1,297,655
Automobile and recreational vehicles	2,694	368	295	361	3,718	1,206,733	1,210,451
Consumer credit cards	53	29	5	—	87	10,570	10,657
Consumer other	521	174	432	88	1,215	75,332	76,547
Total	\$ 15,896	\$ 2,053	\$ 1,991	\$ 29,045	\$ 48,985	\$ 7,593,158	\$ 7,642,143

2021

	30 - 59 days past due	60 - 89 days past due	90 days and greater and still accruing	Nonaccrual	Total past due and nonaccrual	Current	Total
(dollars in thousands)							
Commercial, financial, agricultural and other	\$ 633	\$ 987	\$ 155	\$ 2,006	\$ 3,781	\$ 1,169,671	\$ 1,173,452
Time and demand	605	972	144	2,006	3,727	1,155,797	1,159,524
Commercial credit cards	28	15	11	—	54	13,874	13,928
Real estate construction	813	—	448	45	1,306	493,150	494,456
Residential real estate	3,393	983	218	5,608	10,202	1,910,048	1,920,250
Residential first lien	1,934	354	51	2,706	5,045	1,294,489	1,299,534
Residential junior lien/home equity	1,459	629	167	2,902	5,157	615,559	620,716
Commercial real estate	—	74	—	40,195	40,269	2,210,828	2,251,097
Multifamily	—	—	—	15,097	15,097	370,335	385,432
Nonowner occupied	—	—	—	23,930	23,930	1,441,317	1,465,247
Owner occupied	—	74	—	1,168	1,242	399,176	400,418
Loans to individuals	1,611	417	785	206	3,019	996,956	999,975
Automobile and recreational vehicles	1,228	175	199	148	1,750	899,530	901,280
Consumer credit cards	36	44	63	—	143	11,008	11,151
Consumer other	347	198	523	58	1,126	86,418	87,544
Total	\$ 6,450	\$ 2,461	\$ 1,606	\$ 48,060	\$ 58,577	\$ 6,780,653	\$ 6,839,230

Nonaccrual Loans

The previous tables summarize nonaccrual loans by loan segment. The Company generally places loans on nonaccrual status when the full and timely collection of interest or principal becomes uncertain, when part of the principal balance has been charged off and no restructuring has occurred, or the loans reach a certain number of days past due. Generally, loans 90 days or more past due are placed on nonaccrual status, except for consumer loans which are placed in nonaccrual status at 150 days past due.

When a loan is placed on nonaccrual, the accrued unpaid interest receivable is reversed against interest income and all future payments received are applied as a reduction to the loan principal. Generally, the loan is returned to accrual status when (a) all delinquent interest and principal become current under the terms of the loan agreement or (b) the loan is both well-secured and in the process of collection and collectability is no longer in doubt.

Nonperforming Loans

Management considers loans to be nonperforming when, based on current information and events, it is determined that the Company will not be able to collect all amounts due according to the loan contract, including scheduled interest payments. Nonperforming loans includes nonaccrual loans and all troubled debt restructured loans. When management identifies a loan as nonperforming, the credit loss is measured based on the present value of expected future cash flows, discounted at the loan's effective interest rate, except when the sole source or repayment for the loan is the operation or liquidation of collateral. When the loan is collateral dependent, the appraised value less estimated cost to sell is utilized. If management determines the value of the loan is less than the recorded investment in the loan, a credit loss is recognized through an allowance or a charge-off to the allowance for credit losses.

When the ultimate collectability of the total principal of a nonperforming loan is in doubt and the loan is on nonaccrual status, all payments are applied to principal, under the cost recovery method. When the ultimate collectability of the total principal of a nonperforming loan is not in doubt and the loan is on nonaccrual status, contractual interest is credited to interest income when received under the cash basis method.

There were no nonperforming loans held for sale at both December 31, 2022 and 2021. There were no gains on nonperforming loans held for sale during both of the years ended December 31, 2022 and 2020. There was \$0.4 million in gains on sale of nonperforming loans recognized during the year ended December 31, 2021.

The following tables include the recorded investment and unpaid principal balance for nonperforming loans with the associated allowance amount, if applicable, as of December 31, 2022 and 2021. Also presented are the average recorded investment in nonperforming loans and the related amount of interest recognized while the loan was considered nonperforming for the years ended December 31, 2022, 2021 and 2020. Average balances are calculated based on month-end balances of the loans for the period reported and are included in the table below based on its period end allowance position.

	2022				
	Recorded investment	Unpaid principal balance	Related specific allowance	Average recorded investment	Interest Income Recognized
(dollars in thousands)					
With no related specific allowance recorded:					
Commercial, financial, agricultural and other	\$ 3,141	\$ 9,555		\$ 3,751	\$ 157
Time and demand	3,141	9,555		3,751	157
Equipment Finance	—	—		—	—
Time and demand other	—	—		—	—
Real estate construction	—	—		—	—
Construction other	—	—		—	—
Construction residential	—	—		—	—
Residential real estate	9,145	11,010		9,040	241
Residential first lien	5,754	6,848		5,280	172
Residential junior lien/home equity	3,391	4,162		3,760	69
Commercial real estate	21,505	24,119		22,983	172
Multifamily	—	—		172	43
Nonowner occupied	20,155	22,565		21,304	104
Owner occupied	1,350	1,554		1,507	25
Loans to individuals	528	563		455	16
Automobile and recreational vehicles	440	475		378	16
Consumer other	88	88		77	—
Subtotal	34,319	45,247		36,229	586
With a specific allowance recorded:					
Commercial, financial, agricultural and other	\$ 1,168	\$ 1,186	\$ 711	\$ 261	\$ 8
Time and demand	1,168	1,186	711	261	8
Equipment Finance	—	—	—	—	—
Time and demand other	—	—	—	—	—
Real estate construction	—	—	—	—	—
Construction other	—	—	—	—	—
Construction residential	—	—	—	—	—
Residential real estate	—	—	—	—	—
Residential first lien	—	—	—	—	—
Residential junior lien/home equity	—	—	—	—	—
Commercial real estate	—	—	—	—	—
Multifamily	—	—	—	—	—
Nonowner occupied	—	—	—	—	—
Owner occupied	—	—	—	—	—
Loans to individuals	—	—	—	—	—
Automobile and recreational vehicles	—	—	—	—	—
Consumer other	—	—	—	—	—
Subtotal	1,168	1,186	711	261	8
Total	\$ 35,487	\$ 46,433	\$ 711	\$ 36,490	\$ 594

2021

	Recorded investment	Unpaid principal balance	Related specific allowance	Average recorded investment	Interest Income Recognized
(dollars in thousands)					
With no related specific allowance recorded:					
Commercial, financial, agricultural and other	\$ 3,720	\$ 10,303		\$ 9,240	\$ 389
Time and demand	3,720	10,303		9,240	389
Real estate construction	45	53		53	—
Residential real estate	9,365	11,294		10,315	375
Residential first lien	5,200	6,337		5,674	279
Residential junior lien/home equity	4,165	4,957		4,641	96
Commercial real estate	40,591	41,525		26,235	119
Multifamily	14,677	14,677		1,223	—
Nonowner occupied	24,581	25,310		22,668	28
Owner occupied	1,333	1,538		2,344	91
Loans to individuals	446	485		479	15
Automobile and recreational vehicles	388	422		425	15
Consumer other	58	63		54	—
Subtotal	54,167	63,660		46,322	898
With a specific allowance recorded:					
Commercial, financial, agricultural and other	\$ 327	\$ 349	\$ 307	\$ 84	\$ —
Time and demand	327	349	307	84	—
Real estate construction	—	—	—	—	—
Residential real estate	—	—	—	—	—
Residential first lien	—	—	—	—	—
Residential junior lien/home equity	—	—	—	—	—
Commercial real estate	686	711	88	665	—
Multifamily	421	446	88	444	—
Nonowner occupied	—	—	—	—	—
Owner occupied	265	265	—	221	—
Loans to individuals	—	—	—	—	—
Automobile and recreational vehicles	—	—	—	—	—
Consumer other	—	—	—	—	—
Subtotal	1,013	1,060	395	749	—
Total	\$ 55,180	\$ 64,720	\$ 395	\$ 47,071	\$ 898

	2020	
	Average recorded investment	Interest Income Recognized
(dollars in thousands)		
With no related specific allowance recorded:		
Commercial, financial, agricultural and other	\$ 6,371	\$ 80
Time and demand	6,371	80
Real estate construction	146	14
Residential real estate	11,913	335
Residential first lien	6,605	241
Residential junior lien/home equity	5,308	94
Commercial real estate	22,287	184
Multifamily	1	—
Nonowner occupied	18,536	82
Owner occupied	3,750	102
Loans to individuals	470	13
Automobile and recreational vehicles	447	13
Consumer other	23	—
Subtotal	41,187	626
With a specific allowance recorded:		
Commercial, financial, agricultural and other	\$ 1,544	\$ 3
Time and demand	1,544	3
Real estate construction	—	—
Residential real estate	—	—
Residential first lien	—	—
Residential junior lien/home equity	—	—
Commercial real estate	7,997	10
Multifamily	395	—
Nonowner occupied	7,363	—
Owner occupied	239	10
Loans to individuals	—	—
Automobile and recreational vehicles	—	—
Consumer other	—	—
Subtotal	9,541	13
Total	\$ 50,728	\$ 639

Unfunded commitments related to nonperforming loans were \$0.2 million at both December 31, 2022 and 2021. After considering the collateral related to these commitments, there was no reserve established as of December 31, 2022 or 2021.

Troubled debt restructured loans are those loans whose terms have been renegotiated to provide a reduction or deferral of principal or interest as a result of the financial difficulties experienced by the borrower, who could not obtain comparable terms from alternate financing sources. Troubled debt restructured loans are considered to be nonperforming loans.

The following table provides detail as to the total troubled debt restructured loans and total commitments outstanding on troubled debt restructured loans as of December 31:

	2022	2021	2020
	(dollars in thousands)		
Troubled debt restructured loans			
Accrual status	\$ 6,442	\$ 7,120	\$ 8,512
Nonaccrual status	8,852	13,134	14,740
Total	\$ 15,294	\$ 20,254	\$ 23,252
Commitments			
Letters of credit	\$ 60	\$ 60	\$ 60
Unused lines of credit	23	16	11
Total	\$ 83	\$ 76	\$ 71

The following tables provide detail, including specific reserve and reasons for modification, related to loans identified as troubled debt restructurings during the years ending December 31:

2022							
	Number of Contracts	Type of Modification			Total Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Specific Reserve
		Extend Maturity	Modify Rate	Modify Payments			
(dollars in thousands)							
Residential real estate	5	\$ —	\$ 10	\$ 683	\$ 693	\$ 676	\$ —
Residential first lien	5	—	10	683	693	676	—
Total	5	\$ —	\$ 10	\$ 683	\$ 693	\$ 676	\$ —

2021							
	Number of Contracts	Type of Modification			Total Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Specific Reserve
		Extend Maturity	Modify Rate	Modify Payments			
(dollars in thousands)							
Commercial, financial, agricultural and other	6	\$ —	\$ —	\$ 7,893	\$ 7,893	\$ 288	\$ —
Time and demand	6	—	—	7,893	7,893	288	—
Residential real estate	15	—	359	301	660	624	—
Residential first lien	12	—	359	171	530	502	—
Residential junior lien/home equity	3	—	—	130	130	122	—
Commercial real estate	2	—	—	644	644	634	—
Nonowner occupied	2	—	—	644	644	634	—
Loans to individuals	7	—	110	63	173	144	—
Automobile and recreational vehicles	7	—	110	63	173	144	—
Total	30	\$ —	\$ 469	\$ 8,901	\$ 9,370	\$ 1,690	\$ —

	Type of Modification				Total Pre- Modification Outstanding Recorded Investment	Post- Modification Outstanding Recorded Investment	Specific Reserve
	Number of Contracts	Extend Maturity	Modify Rate	Modify Payments			
(dollars in thousands)							
Commercial, financial, agricultural and other	4	\$ —	\$ 629	\$ 2,176	\$ 2,805	\$ 2,196	\$ 636
Time and demand	4	—	629	2,176	2,805	2,196	636
Residential real estate	18	—	33	917	950	791	—
Residential first lien	9	—	33	513	546	411	—
Residential junior lien/home equity	9	—	—	404	404	380	—
Commercial real estate	5	—	—	10,857	10,857	10,758	—
Nonowner occupied	4	—	—	10,289	10,289	10,263	—
Owner occupied	1	—	—	568	568	495	—
Loans to individuals	14	—	114	148	262	224	—
Automobile and recreational vehicles	14	—	114	148	262	224	—
Total	41	\$ —	\$ 776	\$ 14,098	\$ 14,874	\$ 13,969	\$ 636

The troubled debt restructurings included in the above tables are also included in the nonperforming loan tables provided earlier in this footnote. Loans defined as modified due to a change in rate include loans that were modified for a change in rate as well as a re-amortization of the principal and an extension of the maturity. For the years ended December 31, 2022, 2021 and 2020, \$10 thousand, \$0.4 million and \$0.8 million, respectively, of total rate modifications represent loans with modifications to the rate as well as payment due to re-amortization. In 2022 and 2020, the changes in loan balances between the pre-modification balance and post-modification balance are due to customer payments. For 2021, the change between the pre-modification and post-modification balance for commercial real estate loans is primarily due to the payoff of one large commercial relationship that restructured during the year.

A troubled debt restructuring is considered to be in default when a restructured loan is 90 days or more past due. The following table provides information related to loans that were restructured within the past twelve months and that were considered to be in default during the year ending December 31:

	2022		2021		2020	
	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
(dollars in thousands)						
Commercial, financial, agricultural and other	—	\$ —	1	\$ 223	—	\$ —
Time and demand	—	—	1	223	—	—
Residential real estate	—	—	—	—	1	34
Residential junior lien/home equity	—	—	—	—	1	34
Loans to individuals	—	—	1	21	2	74
Automobile and recreational vehicles	—	—	1	21	2	74
Total	—	\$ —	2	\$ 244	3	\$ 108

The following tables provide detail related to the allowance for credit losses for the years ended December 31.

	2022				
	Beginning balance	Charge-offs	Recoveries	Provision (credit) ^a	Ending balance
	(dollars in thousands)				
Commercial, financial, agricultural and other	\$ 18,093	\$ (2,361)	\$ 394	\$ 6,524	\$ 22,650
Time and demand	15,283	(710)	202	5,265	20,040
Commercial credit cards	247	(217)	71	234	335
Equipment Finance	—	—	—	1,086	1,086
Time and demand other	2,563	(1,434)	121	(61)	1,189
Real estate construction	4,220	—	9	4,593	8,822
Construction other	3,278	—	9	3,073	6,360
Construction residential	942	—	—	1,520	2,462
Residential real estate	12,625	(339)	187	8,939	21,412
Residential first liens	7,459	(163)	130	7,396	14,822
Residential junior liens/home equity	5,166	(176)	57	1,543	6,590
Commercial real estate	33,376	(2,487)	769	(2,854)	28,804
Multifamily	3,561	(411)	411	1,165	4,726
Nownowner occupied	24,838	(1,836)	342	(6,918)	16,426
Owner occupied	4,977	(240)	16	2,899	7,652
Loans to individuals	24,208	(4,658)	1,349	319	21,218
Automobile and recreational vehicles	21,392	(2,639)	787	(721)	18,819
Consumer credit cards	496	(486)	75	327	412
Consumer other	2,320	(1,533)	487	713	1,987
Total	\$ 92,522	\$ (9,845)	\$ 2,708	\$ 17,521	\$ 102,906

a) The provision (credit) shown here excludes the provision for off-balance sheet credit exposure included in the income statement.

December 31, 2022

	Ending balance	Ending balance: individually evaluated for credit losses	Ending balance: collectively evaluated for credit losses	Loans		
				Ending balance	Ending balance: individually evaluated for credit losses	Ending balance: collectively evaluated for credit losses
(dollars in thousands)						
Commercial, financial, agricultural and other	\$ 22,650	\$ 711	\$ 21,939	\$ 1,211,706	\$ 3,330	\$ 1,208,376
Time and demand	20,040	711	19,329	1,023,824	3,330	1,020,494
Commercial credit cards	335	—	335	13,920	—	13,920
Equipment Finance	1,086	—	1,086	79,674	—	79,674
Time and demand other	1,189	—	1,189	94,288	—	94,288
Real estate construction	8,822	—	8,822	513,101	—	513,101
Construction other	6,360	—	6,360	395,439	—	395,439
Construction residential	2,462	—	2,462	117,662	—	117,662
Residential real estate	21,412	—	21,412	2,194,669	301	2,194,368
Residential first liens	14,822	—	14,822	1,547,192	301	1,546,891
Residential junior liens/ home equity	6,590	—	6,590	647,477	—	647,477
Commercial real estate	28,804	—	28,804	2,425,012	20,583	2,404,429
Multifamily	4,726	—	4,726	431,151	—	431,151
Nownowner occupied	16,426	—	16,426	1,510,347	19,918	1,490,429
Owner occupied	7,652	—	7,652	483,514	665	482,849
Loans to individuals	21,218	—	21,218	1,297,655	—	1,297,655
Automobile and recreational vehicles	18,819	—	18,819	1,210,451	—	1,210,451
Consumer credit cards	412	—	412	10,657	—	10,657
Consumer other	1,987	—	1,987	76,547	—	76,547
Total	\$ 102,906	\$ 711	\$ 102,195	\$ 7,642,143	\$ 24,214	\$ 7,617,929

2021

	Beginning balance	Charge-offs	Recoveries	Provision (credit) ^a	Ending balance
(dollars in thousands)					
Commercial, financial, agricultural and other	\$ 17,187	\$ (7,020)	\$ 2,430	\$ 5,496	\$ 18,093
Time and demand	16,838	(6,845)	2,412	5,441	17,846
Commercial credit cards	349	(175)	18	55	247
Real estate construction	7,966	(9)	155	(3,892)	4,220
Residential real estate	14,358	(309)	468	(1,892)	12,625
Residential first liens	7,919	(60)	337	(737)	7,459
Residential junior liens/home equity	6,439	(249)	131	(1,155)	5,166
Commercial real estate	41,953	(1,659)	135	(7,053)	33,376
Multifamily	6,240	(1)	—	(2,678)	3,561
Nowowner occupied	28,414	(1,556)	125	(2,145)	24,838
Owner occupied	7,299	(102)	10	(2,230)	4,977
Loans to individuals	19,845	(4,061)	1,460	6,964	24,208
Automobile and recreational vehicles	16,133	(1,792)	1,016	6,035	21,392
Consumer credit cards	635	(425)	71	215	496
Consumer other	3,077	(1,844)	373	714	2,320
Total	\$ 101,309	\$ (13,058)	\$ 4,648	\$ (377)	\$ 92,522

a) The provision (credit) shown here excludes the provision for off-balance sheet credit exposure included in the income statement.

December 31, 2021

	Ending balance	Ending balance: individually evaluated for credit losses	Ending balance: collectively evaluated for credit losses	Loans		
				Ending balance	Ending balance: individually evaluated for credit losses	Ending balance: collectively evaluated for credit losses
(dollars in thousands)						
Commercial, financial, agricultural and other	\$ 18,093	\$ 307	\$ 17,786	\$ 1,173,452	\$ 3,032	\$ 1,170,420
Time and demand	17,846	307	17,539	1,159,524	3,032	1,156,492
Commercial credit cards	247	—	247	13,928	—	13,928
Real estate construction	4,220	—	4,220	494,456	—	494,456
Residential real estate	12,625	—	12,625	1,920,250	253	1,919,997
Residential first liens	7,459	—	7,459	1,299,534	—	1,299,534
Residential junior liens/home equity	5,166	—	5,166	620,716	253	620,463
Commercial real estate	33,376	88	33,288	2,251,097	40,246	2,210,851
Multifamily	3,561	88	3,473	385,432	15,097	370,335
Nowowner occupied	24,838	—	24,838	1,465,247	24,205	1,441,042
Owner occupied	4,977	—	4,977	400,418	944	399,474
Loans to individuals	24,208	—	24,208	999,975	—	999,975
Automobile and recreational vehicles	21,392	—	21,392	901,280	—	901,280
Consumer credit cards	496	—	496	11,151	—	11,151
Consumer other	2,320	—	2,320	87,544	—	87,544
Total	\$ 92,522	\$ 395	\$ 92,127	\$ 6,839,230	\$ 43,531	\$ 6,795,699

2020

	2020					
	Beginning balance	Impact of adoption of CECL	Charge-offs	Recoveries	Provision (credit) ^a	Ending balance
	(dollars in thousands)					
Commercial, financial, agricultural and other	\$ 20,234	\$ 1,478	\$ (6,318)	\$ 314	\$ 1,479	\$ 17,187
Time and demand	—	21,242	(6,220)	301	1,515	16,838
Commercial credit cards	—	470	(98)	13	(36)	349
Real estate construction	2,558	562	—	26	4,820	7,966
Residential real estate	4,093	7,276	(1,040)	414	3,615	14,358
Residential first liens	—	7,326	(550)	296	847	7,919
Residential junior liens/home equity	—	4,043	(490)	118	2,768	6,439
Commercial real estate	19,768	(207)	(4,939)	312	27,019	41,953
Multifamily	—	1,647	—	—	4,593	6,240
Nowowner occupied	—	12,317	(4,678)	187	20,588	28,414
Owner occupied	—	5,597	(261)	125	1,838	7,299
Loans to individuals	4,984	4,284	(6,953)	991	16,539	19,845
Automobile	—	6,106	(3,954)	745	13,236	16,133
Consumer credit cards	—	221	(595)	36	973	635
Consumer other	—	2,941	(2,404)	210	2,330	3,077
Total	\$ 51,637	\$ 13,393	\$ (19,250)	\$ 2,057	\$ 53,472	\$ 101,309

a) The provision (credit) shown here excludes the provision for off-balance sheet credit exposure included in the income statement.

December 31, 2020

	December 31, 2020					
	Ending balance	Loans		Ending balance	Loans	
Ending balance: individually evaluated for credit losses		Ending balance: collectively evaluated for credit losses	Ending balance: individually evaluated for credit losses		Ending balance: collectively evaluated for credit losses	
	(dollars in thousands)					
Commercial, financial, agricultural and other	\$ 17,187	\$ 1,268	\$ 15,919	\$ 1,555,986	\$ 5,411	\$ 1,550,575
Time and demand	16,838	1,268	15,570	1,541,382	5,411	1,535,971
Commercial credit cards	349	—	349	14,604	—	14,604
Real estate construction	7,966	—	7,966	427,221	—	427,221
Residential real estate	14,358	—	14,358	1,750,592	1,105	1,749,487
Residential first liens	7,919	—	7,919	1,144,323	528	1,143,795
Residential junior liens/home equity	6,439	—	6,439	606,269	577	605,692
Commercial real estate	41,953	3,638	38,315	2,211,569	34,947	2,176,622
Multifamily	6,240	116	6,124	371,239	459	370,780
Nowowner occupied	28,414	3,508	24,906	1,421,151	31,450	1,389,701
Owner occupied	7,299	14	7,285	419,179	3,038	416,141
Loans to individuals	19,845	—	19,845	815,815	—	815,815
Automobile	16,133	—	16,133	712,800	—	712,800
Consumer credit cards	635	—	635	12,360	—	12,360
Consumer other	3,077	—	3,077	90,655	—	90,655
Total	\$ 101,309	\$ 4,906	\$ 96,403	\$ 6,761,183	\$ 41,463	\$ 6,719,720

Note 10—Commitments and Letters of Credit

First Commonwealth is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit and commercial letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the Consolidated Statements of Financial Condition. First Commonwealth's exposure to credit loss in the event of nonperformance by the other party of the financial instrument for commitments to extend credit, standby letters of credit and commercial letters of credit is represented by the contract or notional amount of those instruments. First Commonwealth uses the same credit policies for underwriting all loans, including these commitments and conditional obligations.

As of December 31, 2022 and 2021, First Commonwealth did not own or trade other financial instruments with significant off-balance sheet risk including derivatives such as futures, forwards, option contracts and the like, although such instruments may be appropriate to use in the future to manage interest rate risk. See Note 7, "Derivatives," for a description of interest rate derivatives entered into by First Commonwealth.

Standby letters of credit and commercial letters of credit are conditional commitments issued by First Commonwealth to guarantee the performance of a customer to a third party. The contract or notional amount of these instruments reflects the maximum amount of future payments that First Commonwealth could be required to pay under the guarantees if there were a total default by the guaranteed parties, without consideration for possible recoveries under recourse provisions or from collateral held or pledged. In addition, many of these commitments are expected to expire without being drawn upon; therefore, the total commitment amounts do not necessarily represent future cash requirements.

The following table identifies the notional amount of those instruments at December 31:

	2022	2021
	(dollars in thousands)	
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	\$ 2,356,539	\$ 2,353,991
Financial standby letters of credit	18,417	18,824
Performance standby letters of credit	12,853	10,663
Commercial letters of credit	573	975

Commitments to extend credit are agreements to lend to a customer 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 Commonwealth evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by First Commonwealth upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral that is held varies but may include accounts receivable, inventory, property, plant and equipment, and residential and income-producing commercial properties.

The notional amounts outstanding at December 31, 2022 include amounts issued in 2022 of \$1.3 million in financial standby letters of credit and \$4.9 million in performance standby letters of credit. There were no commercial letters of credit issued during 2022. A liability of \$0.1 million has been recorded as of December 31, 2022 and 2021, which represents the estimated fair value of letters of credit issued. The fair value of letters of credit is estimated based on the unrecognized portion of fees received at the time the commitment was issued.

Unused commitments and letters of credit provide exposure to future credit loss in the event of nonperformance by the borrower or guaranteed parties. Management's evaluation of the credit risk in these commitments resulted in the recording of a liability of \$10.0 million and \$6.4 million as of December 31, 2022 and 2021, respectively. This liability is reflected in "Other liabilities" in the Consolidated Statements of Financial Condition. The credit risk evaluation incorporates the expected loss percentage calculated for comparable loan categories as part of the allowance for credit losses for loans.

Note 11—Premises, Equipment and Lease Commitments

Premises and Equipment

Premises and equipment are described as follows:

	Estimated Useful Life	2022	2021
		(dollars in thousands)	
Land	Indefinite	\$ 13,860	\$ 14,621
Buildings and improvements	10-50 years	70,844	75,149
Operating lease right of use asset	1-25 years	51,499	47,938
Leasehold improvements	5-40 years	37,398	35,909
Furniture and equipment	3-7 years	76,879	73,976
Software	3-7 years	44,439	43,511
Subtotal		294,919	291,104
Less accumulated depreciation and amortization		179,813	170,329
Total premises and equipment, net		<u>\$ 115,106</u>	<u>\$ 120,775</u>

Depreciation related to premises and equipment included in noninterest expense for the years ended December 31, 2022, 2021 and 2020 amounted to \$9.1 million, \$9.9 million and \$10.9 million, respectively. Amortization of lease right-of-use assets totaled \$3.4 million in 2022, \$1.4 million in 2021 and \$2.6 million in 2020.

At December 31, 2022, there were no premise and equipment assets considered available for sale. At December 31, 2021, \$1.9 million in premise and equipment assets were considered available for sale as a result of the 2020 branch consolidation initiative.

Lease Commitments

First Commonwealth has elected to apply certain practical expedients under ASU 2016-02 "Leases" (Topic 842), including (i) to not apply the requirements in the new standard to short-term leases (ii) to not reassess the lease classification for any expired or existing lease (iii) to account for lease and non-lease components separately (iv) to not reassess initial direct costs for any existing leases. The impact of this standard primarily relates to operating leases of certain real estate properties, primarily certain branch and ATM locations and office space. First Commonwealth has no material leasing arrangements for which it is the lessor of property or equipment.

The following table represents the lease costs and other lease information for the years ended December 31.

	2022	2021
	(dollars in thousands)	
Balance sheet:		
Operating lease asset classified as premises and equipment	\$ 40,747	\$ 40,550
Operating lease liability classified as other liabilities	45,149	44,801
Income statement:		
Operating lease cost classified as occupancy and equipment expense	\$ 4,990	\$ 4,806
Weighted average lease term, in years	13.95	14.11
Weighted average discount rate	3.29 %	3.24 %
Operating cash flows	\$ 4,838	\$ 4,753

The ROU assets and lease liabilities are impacted by the length of the lease term and the discount rate used to present value the minimum lease payments. First Commonwealth's lease agreements often include one or more options to renew at the Company's discretion. If we consider the renewal option to be reasonably certain, we include the extended term in the calculation of the ROU asset and lease liability.

First Commonwealth uses incremental borrowing rates when calculating the lease liability because the rate implicit in the lease is not readily determinable. The incremental borrowing rate used by First Commonwealth is an amortizing loan rate obtained from the Federal Home Loan Bank ("FHLB") of Pittsburgh. This rate is consistent with a collateralized borrowing rate and is

available for terms similar to the lease payment schedules.

The following table reconciles future minimum lease payments due under non-cancelable operating leases (those amounts subject to recognition) to the lease liability as of December 31, 2022 (dollars in thousands):

For the twelve months ended December 31,

2023	\$	4,952
2024		4,807
2025		4,593
2026		4,201
2027		3,956
Thereafter		35,244
Total future minimum lease payments		57,753
Less remaining imputed interest		12,604
Operating lease liability	\$	45,149

Rent expense, net of rental income, for all operating leases totaled \$4.7 million in 2022, \$4.5 million in 2021 and \$6.7 million in 2020. Rent expense includes amounts related to items that are not included in the determination of lease right-of-use assets including expenses related to short-term leases and non-lease components such as taxes, insurance, and common area maintenance costs.

Note 12—Goodwill and Other Intangible Assets

FASB ASC Topic 350-20, "Intangibles—Goodwill and Other" ("Topic 350"), requires an annual valuation of the fair value of a reporting unit that has goodwill and a comparison of the fair value to the book value of equity to determine whether the goodwill has been impaired. Goodwill is also required to be tested on an interim basis if an event or circumstance indicates that it is more likely than not that an impairment loss has been incurred. When circumstances indicate that it is more likely than not that fair value is less than carrying value, a triggering event has occurred and a quantitative impairment test would be performed.

We consider First Commonwealth to be one reporting unit. The carrying amount of goodwill as of December 31, 2022 and 2021 was \$303.3 million. No impairment charges on goodwill or other intangible assets were incurred in 2022, 2021 or 2020.

We test goodwill for impairment as of November 30th each year and again at any quarter-end if any material events occur during a quarter that may affect goodwill.

As of December 31, 2022, no indicators of impairment were identified; however, changing economic conditions that may adversely affect our performance, the fair value of our assets and liabilities, or our stock price could result in impairment, which could adversely affect earnings in future periods. Management will continue to monitor events that could impact this conclusion in the future.

Topic 350 also requires that an acquired intangible asset be separately recognized if the benefit of the intangible asset is obtained through contractual or other legal rights, or if the asset can be sold, transferred, licensed, rented or exchanged, regardless of the acquirer's intent to do so.

The following table summarizes other intangible assets:

	Gross Intangible Assets	Accumulated Amortization	Net Intangible Assets
(dollars in thousands)			
December 31, 2022			
Customer deposit intangibles	\$ 22,573	\$ (16,750)	\$ 5,823
Customer list intangible	2,283	(1,921)	362
Total other intangible assets	<u>\$ 24,856</u>	<u>\$ (18,671)</u>	<u>\$ 6,185</u>
December 31, 2021			
Customer deposit intangibles	\$ 22,573	\$ (14,407)	\$ 8,166
Customer list intangible	2,283	(1,762)	521
Total other intangible assets	<u>\$ 24,856</u>	<u>\$ (16,169)</u>	<u>\$ 8,687</u>

Core deposits are amortized over their expected lives using the present value of the benefit of the core deposits and straight-line methods of amortization. The core deposits have a remaining amortization period of 6.7 years and a weighted average amortization period of approximately 5.3 years. The customer list intangible represents the estimated value of the customer base for an insurance agency acquired in 2014 and the wealth management business acquired as part of the DCB acquisition in 2017. These amounts are amortized over their expected lives using expected cash flows based on retention of the customer base. The customer list intangible has a remaining amortization period of 6.7 years and a weighted average amortization period of 4.9 years. First Commonwealth recognized amortization expense on other intangible assets of \$2.5 million, \$2.9 million, and \$3.4 million for the years ended December 31, 2022, 2021 and 2020, respectively.

In addition to customer deposit intangibles and customer list intangibles, First Commonwealth has servicing rights on mortgage loans as well as certain commercial loans totaling \$3.0 million and \$2.5 million as of December 31, 2022 and 2021, respectively. These servicing rights relate to loans sold to third parties on which the Company retains servicing responsibilities. The Company recognized amortization expense on these servicing assets of \$0.7 million and \$0.6 million for the years ended December 31, 2022 and 2021, respectively.

The following presents the estimated amortization expense of core deposit and customer list intangibles:

	Core Deposit Intangibles	Customer List Intangible	Total
(dollars in thousands)			
2023	\$ 1,932	\$ 128	\$ 2,060
2024	1,522	97	1,619
2025	1,112	69	1,181
2026	702	42	744
2027	312	15	327
Thereafter	243	11	254
Total	<u>\$ 5,823</u>	<u>\$ 362</u>	<u>\$ 6,185</u>

Note 13—Interest-Bearing Deposits

Components of interest-bearing deposits at December 31 were as follows:

	2022	2021
(dollars in thousands)		
Interest-bearing demand deposits	\$ 357,769	\$ 291,476
Savings deposits	4,572,183	4,647,197
Time deposits	405,009	385,043
Total interest-bearing deposits	<u>\$ 5,334,961</u>	<u>\$ 5,323,716</u>

Interest-bearing deposits at both December 31, 2022 and 2021 include allocations from interest-bearing demand deposit accounts of \$1.4 billion into savings, which includes money market accounts. These allocations are based on a formula and were made to reduce First Commonwealth's reserve requirement in compliance with regulatory guidelines. Deposits totaling \$0.7 million and \$0.6 million at December 31, 2022 and 2021, respectively, were reclassified from deposits to loans due to their overdrawn status.

Included in time deposits at December 31, 2022 and 2021 were certificates of deposit in denominations of \$250 thousand or more of \$65.5 million and \$51.7 million, respectively.

Interest expense related to certificates of deposit in denominations of \$250 thousand or greater amounted to \$0.2 million in 2022, \$0.4 million in 2021 and \$2.0 million in 2020.

Included in time deposits at December 31, 2022, were certificates of deposit with the following scheduled maturities (dollars in thousands):

2023	\$ 230,244
2024	83,065
2025	64,757
2026	18,708
2027 and thereafter	8,235
Total	<u>\$ 405,009</u>

Note 14—Short-term Borrowings

Short-term borrowings at December 31 were as follows:

	2022			2021			2020		
	Ending Balance	Average Balance	Average Rate	Ending Balance	Average Balance	Average Rate	Ending Balance	Average Balance	Average Rate
(dollars in thousands)									
Federal funds purchased	\$ —	\$ 1,553	3.93 %	\$ —	\$ —	— %	\$ —	\$ 4,147	1.06 %
Borrowings from FHLB	285,000	41,529	4.24	—	—	—	—	28,252	1.54
Securities sold under agreements to repurchase	87,694	101,752	0.18	138,315	119,801	0.08	117,373	110,235	0.21
Total	<u>\$ 372,694</u>	<u>\$ 144,834</u>	1.38	<u>\$ 138,315</u>	<u>\$ 119,801</u>	0.08	<u>\$ 117,373</u>	<u>\$ 142,634</u>	0.49
Maximum total at any month-end	<u>\$ 372,694</u>			<u>\$ 138,315</u>			<u>\$ 248,471</u>		
Weighted average rate at year-end			3.56 %			0.06 %			0.10 %

Interest expense on short-term borrowings for the years ended December 31 is detailed below:

	2022	2021	2020
(dollars in thousands)			
Federal funds purchased	\$ 61	\$ —	\$ 44
Borrowings from FHLB	1,759	—	434
Securities sold under agreements to repurchase	179	99	226
Total interest on short-term borrowings	<u>\$ 1,999</u>	<u>\$ 99</u>	<u>\$ 704</u>

Note 15—Subordinated Debentures

Subordinated debentures outstanding at December 31 are as follows:

	Due	Rate	2022	2021
			Amount	Amount
(dollars in thousands)				
Owed to:				
First Commonwealth Bank	June 1, 2028	4.875% until June 1, 2023, then 3-Month LIBOR + 1.845%	\$ 49,499	\$ 49,407
First Commonwealth Bank	June 1, 2033	5.50% until June 1, 2028, then 3-Month LIBOR + 2.37%	49,271	49,201
First Commonwealth Capital Trust II	January 23, 2034	3-Month LIBOR + 2.85%	30,929	30,929
First Commonwealth Capital Trust III	April 6, 2034	3-Month LIBOR + 2.85%	41,238	41,238
Total			<u>\$ 170,937</u>	<u>\$ 170,775</u>

On May 21, 2018, First Commonwealth Bank issued ten-year subordinated notes with an aggregate principal amount of \$50.0 million and a fixed-to-floating rate of 4.875%. The rate remains fixed until June 1, 2023, then adjusts on a quarterly basis to three-month LIBOR + 1.845%. The Bank may redeem the notes, beginning with the interest payment due on June 1, 2023, in whole or in part at a redemption price equal to 100% of the principal amount of the subordinated notes, plus accrued and unpaid interest to the date of redemption. Deferred issuance costs of \$0.9 million are being amortized on a straight-line basis over the term of the notes.

On May 21, 2018, First Commonwealth Bank also issued fifteen-year subordinated notes with an aggregate principal amount of \$50.0 million and a fixed-to-floating rate of 5.50%. The rate remains fixed until June 1, 2028, then adjusts on a quarterly basis to three-month LIBOR + 2.37%. The Bank may redeem the notes, beginning with the interest payment due on June 1, 2028, in whole or in part, at a redemption price equal to 100% of the principal amount of the subordinated notes, plus accrued and unpaid interest to the date of redemption. Deferred issuance costs of \$1.1 million are being amortized on a straight-line basis over the term of the notes.

First Commonwealth currently has two trusts, First Commonwealth Capital Trust II and First Commonwealth Capital Trust III, of which 100% of the common equity is owned by First Commonwealth. The trusts were formed for the purpose of issuing company obligated mandatorily redeemable capital securities to third-party investors and investing the proceeds from the sale of the capital securities solely in junior subordinated debt securities ("subordinated debentures") of First Commonwealth. The subordinated debentures held by each trust are the sole assets of the trust.

Interest on the debentures issued to First Commonwealth Capital Trust III is paid quarterly at a floating rate of three-month LIBOR + 2.85% which is reset quarterly. Subject to regulatory approval, First Commonwealth may redeem the debentures, in whole or in part, at its option on any interest payment date at a redemption price equal to 100% of the principal amount of the debentures, plus accrued and unpaid interest to the date of the redemption. Deferred issuance costs of \$0.6 million are being amortized on a straight-line basis over the term of the securities.

Interest on the debentures issued to First Commonwealth Capital Trust II is paid quarterly at a floating rate of three-month LIBOR + 2.85%, which is reset quarterly. Subject to regulatory approval, First Commonwealth may redeem the debentures, in whole or in part, at its option at a redemption price equal to 100% of the principal amount of the debentures, plus accrued and unpaid interest to the date of the redemption. Deferred issuance costs of \$0.5 million are being amortized on a straight-line basis over the term of the securities.

In order to reduce its exposure to variability in expected future cash flows related to interest payments on First Commonwealth Capital Trust II and III, the Company entered into two interest rate swap contracts that are designated as cash flow hedges. These contracts fix the LIBOR based portion of the interest rate on Capital Trust II at 1.515% until August 15, 2024 and on Capital Trust III at 1.525% until August 15, 2026. Additional information related to these cash flow hedges can be found in Note 7- "Derivatives".

Note 16—Other Long-term Debt

Other long-term debt at December 31 follows:

	2022		2021	
	Amount	Weighted Average Contractual Rate	Amount	Weighted Average Contractual Rate
(dollars in thousands)				
Borrowings from FHLB due:				
2022			\$ 712	3.85 %
2023	\$ 740	3.86 %	739	3.86
2024	769	3.86	769	3.86
2025	799	3.86	799	3.86
2026	830	3.87	830	3.87
2027	863	3.87		
Thereafter	861	3.49	1,724	3.68
Total	<u>\$ 4,862</u>		<u>\$ 5,573</u>	

The weighted average contractual rate reflects the rate due to creditors. The weighted average effective rate of long-term debt is equal to the weighted average contractual rate.

All of First Commonwealth's Federal Home Loan Bank stock, along with an interest in mortgage loans and residential mortgage backed securities, has been pledged as collateral with the Federal Home Loan Bank of Pittsburgh.

Capital securities included in total long-term debt on the Consolidated Statements of Financial Condition are excluded from the above, but are described in Note 15, "Subordinated Debentures."

Note 17—Fair Values of Assets and Liabilities

Topic 820 requires disclosures for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). All non-financial assets are included either as a separate line item on the Consolidated Statements of Financial Condition or in the "Other assets" category of the Consolidated Statements of Financial Condition. Currently, First Commonwealth does not have any non-financial liabilities to disclose.

FASB ASC Topic 825, "Financial Instruments" ("Topic 825"), permits entities to irrevocably elect to measure select financial instruments and certain other items at fair value. The unrealized gains and losses are required to be included in earnings each reporting period for the items that fair value measurement is elected. First Commonwealth has elected not to measure any existing financial instruments at fair value under Topic 825; however, in the future we may elect to adopt this guidance for select financial instruments.

In accordance with Topic 820, First Commonwealth groups financial assets and financial liabilities measured at fair value in three levels, based on the principal markets in which the assets and liabilities are transacted and the observability of the data points used to determine fair value. These levels are defined in Note 1, "Statement of Accounting Policies."

Level 2 investment securities are valued by a recognized third party pricing service using observable inputs. The model used by the pricing service varies by asset class and incorporates available market, trade and bid information as well as cash flow information when applicable. Because many fixed-income investment securities do not trade on a daily basis, the model uses available information such as benchmark yield curves, benchmarking of like investment securities, sector groupings and matrix pricing. The model will also use processes such as an option-adjusted spread to assess the impact of interest rates and to develop prepayment estimates. Market inputs normally used in the pricing model include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications.

Management validates the market values provided by the third party service by having another source price 100% of the securities on a monthly basis, monthly monitoring of variances from prior period pricing and, on a monthly basis, evaluating pricing changes compared to expectations based on changes in the financial markets.

Other Investments include FHLB stock whose estimated fair value is based on its par value. Additional information on FHLB stock is provided in Note 8, "Investment Securities."

Loans held for sale include residential mortgage loans originated for sale in the secondary mortgage market. The estimated fair value for these loans was determined on the basis of rates obtained in the respective secondary market. Loans held for sale could also include the Small Business Administration guaranteed portion of small business loans. The estimated fair value of these loans is based on the contract with the third party investor.

Interest rate derivatives are reported at estimated fair value utilizing Level 2 inputs and are included in "Other assets" and "Other liabilities" in the Consolidated Statements of Financial Condition. These consist of interest rate swaps where there is no significant deterioration in the counterparties' (loan customers') credit risk since origination of the interest rate swap as well as interest rate caps, interest rate collars and risk participation agreements. First Commonwealth values its interest rate swap and cap positions using a yield curve by taking market prices/rates for an appropriate set of instruments. The set of instruments currently used to determine the U.S. Dollar yield curve includes cash LIBOR rates from overnight to one year, Eurodollar futures contracts and swap rates from one year to thirty years. These yield curves determine the valuations of interest rate swaps. Interest rate derivatives are further described in Note 7, "Derivatives."

For purposes of potential valuation adjustments to our derivative positions, First Commonwealth evaluates the credit risk of its counterparties as well as our own credit risk. Accordingly, we have considered factors such as the likelihood of default, expected loss given default, net exposures and remaining contractual life, among other things, in determining if any estimated fair value adjustments related to credit risk are required. We review our counterparty exposure quarterly, and when necessary, appropriate adjustments are made to reflect the exposure.

We also utilize this approach to estimate our own credit risk on derivative liability positions. In 2022 and 2021, we have not realized any losses due to a counterparty's inability to pay any net uncollateralized position.

Interest rate derivatives also include interest rate forwards entered into to hedge residential mortgage loans held for sale and the related interest-rate lock commitments. This includes forward commitments to sell mortgage loans. The fair value of these derivative financial instruments are based on derivative market data inputs as of the valuation date and the underlying value of mortgage loans for rate lock commitments.

In addition, the Company hedges foreign currency risk through the use of foreign exchange forward contracts. The fair value of foreign exchange forward contracts is based on the differential between the contract price and the market-based forward rate.

The estimated fair value for other real estate owned included in Level 2 is determined by either an independent market based appraisal less estimated costs to sell or an executed sales agreement.

The estimated fair value of the other investments included in Level 3 is based on carrying value as these securities do not have a readily determinable fair value.

The estimated fair value of limited partnership investments included in Level 3 is based on par value.

For interest rate derivatives included in Level 3, the fair value incorporates credit risk by considering such factors as likelihood of default and expected loss given default based on credit quality of the underlying counterparties (loan customers).

In accordance with ASU 2011-4, the following table provides information related to quantitative inputs and assumptions used in Level 3 fair value measurements.

	Fair Value (dollars in thousands)		Valuation Technique	Unobservable Inputs	Range / (weighted average)
December 31, 2022					
Other Investments	\$ 1,170		Carrying Value	N/A	N/A
Nonperforming Loans	363 (a)		Gas Reserve Study	Discount rate	10.00%
				Gas per MMBTU	\$3.00 - \$3.00 (b)
				Oil per BBL/d	\$80.00 - \$80.00 (b)
Limited Partnership Investments	17,691		Par Value	N/A	N/A
December 31, 2021					
Other Investments	1,170		Carrying Value	N/A	N/A
Nonperforming Loans	598 (a)		Gas Reserve study	Discount rate	10.00%
				Gas per MMBTU	\$2.00 - \$2.00 (b)
				Oil per BBL/d	\$50.00 - \$50.00 (b)
Limited Partnership Investments	14,981		Par Value	N/A	N/A

(a) the remainder of nonperforming loans valued using Level 3 inputs are not included in this disclosure as the values of those loans are based on bankruptcy agreement documentation.

(b) unobservable inputs are defined as follows: MMBTU—one million British thermal units; BBL/d—barrels per day.

The discount rate is the significant unobservable input used in the fair value measurement of nonperforming loans. Significant increases in this rate would result in a decrease in the estimated fair value of the loans, while a decrease in this rate would result in a higher fair value measurement. Other unobservable inputs in the fair value measurement of nonperforming loans relate to gas, oil and natural gas prices. Increases in these prices would result in an increase in the estimated fair value of the loans, while a decrease in these prices would result in a lower fair value measurement.

The tables below present the balances of assets and liabilities measured at fair value on a recurring basis at December 31:

	2022			
	Level 1	Level 2	Level 3	Total
	(dollars in thousands)			
Obligations of U.S. Government Agencies:				
Mortgage-Backed Securities—Residential	\$ —	\$ 3,983	\$ —	\$ 3,983
Mortgage-Backed Securities—Commercial	—	271,416	—	271,416
Obligations of U.S. Government-Sponsored Enterprises:				
Mortgage-Backed Securities—Residential	—	448,989	—	448,989
Other Government-Sponsored Enterprises	—	882	—	882
Obligations of States and Political Subdivisions	—	8,187	—	8,187
Corporate Securities	—	29,204	—	29,204
Total Securities Available for Sale	—	762,661	—	762,661
Other Investments	—	25,244	1,170	26,414
Loans Held for Sale	—	11,869	—	11,869
Other Assets (a)	—	50,738	17,691	68,429
Total Assets	\$ —	\$ 850,512	\$ 18,861	\$ 869,373
Other Liabilities (a)	\$ —	\$ 89,298	\$ —	\$ 89,298
Total Liabilities	\$ —	\$ 89,298	\$ —	\$ 89,298

(a) Hedging and non-hedging interest rate derivatives and limited partnership investments

	2021			
	Level 1	Level 2	Level 3	Total
	(dollars in thousands)			
Obligations of U.S. Government Agencies:				
Mortgage-Backed Securities—Residential	\$ —	\$ 5,662	\$ —	\$ 5,662
Mortgage-Backed Securities—Commercial	—	362,290	—	362,290
Obligations of U.S. Government-Sponsored Enterprises:				
Mortgage-Backed Securities—Residential	—	629,974	—	629,974
Other Government-Sponsored Enterprises	—	981	—	981
Obligations of States and Political Subdivisions	—	9,524	—	9,524
Corporate Securities	—	32,949	—	32,949
Total Securities Available for Sale	—	1,041,380	—	1,041,380
Other Investments	—	11,668	1,170	12,838
Loans Held for Sale	—	18,583	—	18,583
Other Assets (a)	—	26,805	14,981	41,786
Total Assets	\$ —	\$ 1,098,436	\$ 16,151	\$ 1,114,587
Other Liabilities (a)	\$ —	\$ 34,263	\$ —	\$ 34,263
Total Liabilities	\$ —	\$ 34,263	\$ —	\$ 34,263

(a) Hedging and non-hedging interest rate derivatives and limited partnership investments

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis are summarized as follows for the year ended December 31, 2022:

	<u>Other Investments</u>	<u>Other Assets</u>	<u>Total</u>
	(dollars in thousands)		
Balance, beginning of year	\$ 1,170	\$ 14,981	\$ 16,151
Total gains or losses			
Included in earnings	—	—	—
Included in other comprehensive income	—	—	—
Purchases, issuances, sales, and settlements			
Purchases	—	2,991	2,991
Issuances	—	—	—
Sales	—	(281)	(281)
Settlements	—	—	—
Transfers from Level 3	—	—	—
Transfers into Level 3	—	—	—
Balance, end of year	<u>\$ 1,170</u>	<u>\$ 17,691</u>	<u>\$ 18,861</u>

There are no gains or losses included in earnings for the period that are attributable to the change in realized gains (losses) relating to assets held at December 31, 2022.

During the year ended December 31, 2022, there were no transfers between fair value Levels 1, 2 or 3.

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis are summarized as follows for the year ended December 31, 2021:

	<u>Other Investments</u>	<u>Other Assets</u>	<u>Total</u>
	(dollars in thousands)		
Balance, beginning of year	\$ 1,670	\$ 6,619	\$ 8,289
Total gains or losses			
Included in earnings	—	—	—
Included in other comprehensive income	—	—	—
Purchases, issuances, sales, and settlements			
Purchases	—	8,511	8,511
Issuances	—	—	—
Sales	—	—	—
Settlements	(500)	(149)	(649)
Transfers from Level 3	—	—	—
Transfers into Level 3	—	—	—
Balance, end of year	<u>\$ 1,170</u>	<u>\$ 14,981</u>	<u>\$ 16,151</u>

There are no gains or losses included in earnings for the period that are attributable to the change in realized gains (losses) relating to assets held at December 31, 2021.

During the year ended December 31, 2021, there were no transfers between fair value Levels 1, 2 or 3.

The tables below present the balances of assets measured at fair value on a nonrecurring basis at December 31 and total gains and losses realized on these assets during the year ended December 31:

	2022				Total Gains (Losses)
	Level 1	Level 2	Level 3	Total	
	(dollars in thousands)				
Nonperforming loans	\$ —	\$ 23,140	\$ 11,636	\$ 34,776	\$ (2,127)
Other real estate owned	—	553	—	553	—
Total Assets	\$ —	\$ 23,693	\$ 11,636	\$ 35,329	\$ (2,127)

	2021				Total Gains (Losses)
	Level 1	Level 2	Level 3	Total	
	(dollars in thousands)				
Nonperforming loans	\$ —	\$ 42,538	\$ 12,247	\$ 54,785	\$ 352
Other real estate owned	—	729	—	729	—
Total Assets	\$ —	\$ 43,267	\$ 12,247	\$ 55,514	\$ 352

Nonperforming loans over \$250 thousand are individually reviewed to determine the amount of each loan considered to be at risk of noncollection. The fair value for nonperforming loans that are collateral based is determined by reviewing real property appraisals, equipment valuations, accounts receivable listings and other financial information. A discounted cash flow analysis is performed to determine fair value for nonperforming loans when an observable market price or a current appraisal is not available. For real estate secured loans, First Commonwealth's loan policy requires updated appraisals be obtained at least every twelve months on all nonperforming loans with balances of \$250 thousand and over. For real estate secured loans with balances under \$250 thousand, we rely on broker price opinions. For non-real estate secured assets, the Company normally relies on third party valuations specific to the collateral type.

A fair value determined by either an independent market based appraisal less estimated costs to sell or an executed sales agreement, is classified as Level 2. The fair value for other real estate owned determined using an internal valuation is classified as Level 3. Other real estate owned had a current carrying value of \$0.5 million as of December 31, 2022 and consisted primarily of commercial real estate properties in Pennsylvania. We review whether events and circumstances subsequent to a transfer to other real estate owned have occurred that indicate the balance of those assets may not be recoverable. If events and circumstances indicate further impairment, we will record a charge to the extent that the carrying value of the assets exceed their fair values, less estimated costs to sell, as determined by valuation techniques appropriate in the circumstances.

Certain other assets and liabilities, including goodwill, core deposit intangibles and customer list intangibles are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments only in certain circumstances. Additional information related to this measurement is provided in Note 12 "Goodwill and Other Amortizing Intangible Assets." There were no other assets or liabilities measured at fair value on a nonrecurring basis during 2022.

FASB ASC Topic 825-10, "Transition Related to FSP FAS 107-1" and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments," requires disclosure of the fair value of financial assets and financial liabilities, including those financial assets and financial liabilities that are not measured and reported at fair value on a recurring basis or nonrecurring basis. The methodologies for estimating the fair value of financial assets and financial liabilities that are measured at fair value on a recurring or nonrecurring basis are as discussed above. The methodologies for other financial assets and financial liabilities are discussed below.

Cash and due from banks and interest bearing bank deposits: The carrying amounts for cash and due from banks and interest-bearing bank deposits approximate the estimated fair values of such assets.

Securities: Fair values for available for sale and held to maturity securities are based on quoted market prices, if available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. The carrying value of other investments, which includes FHLB stock, is considered a reasonable estimate of fair value.

Loans held for sale: The estimated fair value of loans held for sale is based on market bids obtained from potential buyers.

Loans: The fair values of all loans are estimated by discounting the estimated future cash flows using interest rates currently offered for loans with similar terms to borrowers of similar credit quality adjusted for past due and nonperforming loans.

Off-balance sheet instruments: Many of First Commonwealth's off-balance sheet instruments, primarily loan commitments and standby letters of credit, are expected to expire without being drawn upon; therefore, the commitment amounts do not necessarily represent future cash requirements. FASB ASC Topic 460, "Guarantees," clarified that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The carrying amount and estimated fair value for standby letters of credit was \$0.1 million at both December 31, 2022 and 2021. See Note 10, "Commitments and Letters of Credit," for additional information.

Deposit liabilities: The estimated fair value of demand deposits, savings accounts and money market deposits is the amount payable on demand at the reporting date because of the customers' ability to withdraw funds immediately. The carrying value of variable rate time deposit accounts and certificates of deposit approximate the fair value at the report date. Also, fair values of fixed rate time deposits for both periods are estimated by discounting the future cash flows using interest rates currently being offered and a schedule of aggregated expected maturities.

Short-term borrowings: The fair values of borrowings from the FHLB were estimated based on the estimated incremental borrowing rate for similar types of borrowings. The carrying amounts of other short-term borrowings, such as federal funds purchased and securities sold under agreement to repurchase, were used to approximate fair value due to the short-term nature of the borrowings.

Subordinated debt and long-term debt: The fair value of long-term debt and subordinated debt is estimated by discounting the future cash flows using First Commonwealth's estimate of the current market rate for similar types of borrowing arrangements.

The following table presents carrying amounts and estimated fair values of First Commonwealth's financial instruments at December 31:

	2022				
	Carrying Amount	Fair Value Measurements Using:			
		Total	Level 1	Level 2	Level 3
(dollars in thousands)					
Financial assets					
Cash and due from banks	\$ 124,254	\$ 124,254	\$ 124,254	\$ —	\$ —
Interest-bearing deposits	29,990	29,990	29,990	—	—
Securities available for sale	762,661	762,661	—	762,661	—
Securities held to maturity	461,162	386,205	—	386,205	—
Other investments	26,414	26,414	—	25,244	1,170
Loans held for sale	11,869	11,869	—	11,869	—
Loans and leases	7,642,143	7,639,721	—	23,140	7,616,581
Financial liabilities					
Deposits	8,005,469	7,992,012	—	7,992,012	—
Short-term borrowings	372,694	363,135	—	363,135	—
Long-term debt	4,862	4,781	—	4,781	—
Subordinated debt	170,937	156,621	—	—	156,621
Capital lease obligation	5,425	5,425	—	5,425	—
2021					
	Carrying Amount	Fair Value Measurements Using:			
		Total	Level 1	Level 2	Level 3
(dollars in thousands)					
Financial assets					
Cash and due from banks	\$ 84,738	\$ 84,738	\$ 84,738	\$ —	\$ —
Interest-bearing deposits	310,634	310,634	310,634	—	—
Securities available for sale	1,041,380	1,041,380	—	1,041,380	—
Securities held to maturity	541,311	536,651	—	536,651	—
Other investments	12,838	12,838	—	11,668	1,170
Loans held for sale	18,583	18,583	—	18,583	—
Loans and leases	6,839,230	7,169,768	—	42,538	7,127,230
Financial liabilities					
Deposits	7,982,498	7,980,101	—	7,980,101	—
Short-term borrowings	138,315	136,473	—	136,473	—
Long-term debt	5,573	6,065	—	6,065	—
Subordinated debt	170,775	175,040	—	—	175,040
Capital lease obligation	5,921	5,921	—	5,921	—

Note 18—Income Taxes

The income tax provision for the years ended December 31 is as follows:

	2022	2021	2020
	(dollars in thousands)		
Current tax provision:			
Federal	\$ 33,545	\$ 32,586	\$ 21,629
State	471	397	329
Total current tax provision	34,016	32,983	21,958
Deferred tax provision (benefit):			
Federal	(1,967)	1,501	(5,070)
State	(45)	76	(132)
Total deferred tax provision	(2,012)	1,577	(5,202)
Total tax provision	<u>\$ 32,004</u>	<u>\$ 34,560</u>	<u>\$ 16,756</u>

The statutory to effective tax rate reconciliation for the years ended December 31 is as follows:

	2022		2021		2020	
	Amount	% of Pretax Income	Amount	% of Pretax Income	Amount	% of Pretax Income
	(dollars in thousands)					
Tax at statutory rate	\$ 33,639	21 %	\$ 36,292	21 %	\$ 18,943	21 %
Increase (decrease) resulting from:						
State income tax, net of federal benefit	361	—	326	—	155	—
Income from bank owned life insurance	(1,146)	(1)	(1,351)	(1)	(1,376)	(1)
Tax-exempt interest income, net	(809)	(1)	(846)	—	(1,117)	(1)
Tax credits	(341)	—	(127)	—	(44)	—
Other	300	1	266	—	195	—
Total tax provision	<u>\$ 32,004</u>	<u>20 %</u>	<u>\$ 34,560</u>	<u>20 %</u>	<u>\$ 16,756</u>	<u>19 %</u>

The total tax provision for financial reporting differs from the amount computed by applying the statutory federal income tax rate to income before taxes. First Commonwealth ordinarily generates an annual effective tax rate that is less than the statutory rate of 21% due to benefits resulting from tax-exempt interest, income from bank owned life insurance, and tax benefits associated with low-income housing tax credits. The consistent level of tax benefits that reduce First Commonwealth's tax rate below the statutory rate produced an annual effective tax rate of 20% for each of the years ended December 31, 2022 and 2021 and 19% for the year ended December 31, 2020.

The tax effects of temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities that represent significant portions of the deferred tax assets and liabilities at December 31 are presented below:

	2022	2021
	(dollars in thousands)	
Deferred tax assets:		
Lease liability	\$ 9,581	\$ 9,489
Allowance for credit losses	21,837	19,597
Postretirement benefits other than pensions	223	235
Unrealized loss on securities available for sale	36,673	2,357
Net operating loss carryforward	37	75
Deferred compensation	1,960	1,969
Accrued interest on nonaccrual loans	935	779
Accrued incentives	3,185	2,591
Unfunded loan commitments & other reserves	2,126	1,363
Other	1,205	988
Total deferred tax assets	77,762	39,443
Deferred tax liabilities:		
Loan origination fees and costs	(1,320)	(253)
Right of use asset	(8,646)	(8,589)
Depreciation of assets	(2,139)	(1,725)
Section 197 intangibles	(1,717)	(1,107)
Other	(197)	(308)
Total deferred tax liabilities	(14,019)	(11,982)
Net deferred tax asset	\$ 63,743	\$ 27,461

The Company has approximately \$0.9 million of Pennsylvania net operating losses which begin to expire in 2034 and the Company expects to fully utilize the losses prior to expiration.

Management assesses all available positive and negative evidence to estimate if sufficient future taxable income will be generated to utilize the existing deferred tax assets. Based on our evaluation, as of December 31, 2022, management has determined that no valuation allowance is necessary for the deferred tax assets because it is more likely than not that these assets will be realized through future reversals of existing temporary differences and future taxable income.

In accordance with FASB ASC Topic 740-10, “Accounting for Uncertainty in Income Taxes,” the Company has no material unrecognized tax benefits or accrued interest and penalties as of December 31, 2022. We do not expect the total amount of unrecognized tax benefits to significantly increase in the next twelve months. The Company records interest and penalties on unrecognized tax benefits as a component of noninterest expense.

First Commonwealth is subject to routine audits of our tax returns by the Internal Revenue Service (“IRS”) as well as all states in which we conduct business. Generally, tax years prior to the year ended December 31, 2019 are no longer open to examination by federal and state taxing authorities.

Note 19—Retirement Plans

First Commonwealth has a savings plan pursuant to the provisions of section 401(k) of the Internal Revenue code. Effective January 1, 2020, a participating employee can receive a maximum matching contribution of 4% of their eligible compensation. In addition, each participating employee may contribute up to 80% of their eligible compensation to the plan. The 401(k) plan expense was \$2.9 million in 2022, \$3.0 million in 2021, and \$3.9 million in 2020.

First Commonwealth maintains a Non-Qualified Deferred Compensation Plan (“NQDC Plan”) to provide deferred compensation for those employees who are in the top 10% of full-time employees, as determined on the basis of eligible compensation. The NQDC Plan provides participants whose maximum retirement contribution is limited by IRS rules to defer additional compensation.

Participants in the NQDC Plan are eligible to defer (on a pre-tax basis) from 1% to 25% of their eligible Plan compensation. Participants are also eligible to defer all or a portion of the Annual Incentive Plan (on a pre-tax basis) from 10% to 100% of their annual cash incentive earned. Effective January 1, 2020, an employer elective contribution is available to participants who reach the IRS Compensation limits in the 401kPlan. The ‘makeup match’ contribution is made to eligible participants on an annual basis. Effective January 1, 2021, an employer non-elective contribution is available to certain participants determined by the Company. The ‘discretionary’ contribution may be approved from year-to-year and allocated on an annual basis. There was \$0.2 million in NQDC Plan expense recognized in 2022, and no NQDC Plan expense recognized in either 2021 and 2020.

Select employees from former acquisitions were covered by postretirement benefit plans which provide medical and life insurance coverage. The measurement date for these plans was December 31.

Postretirement Benefits Other than Pensions from Prior Acquisitions

Net periodic benefit cost of these plans for the years ended December 31, was as follows:

	2022	2021	2020
	(dollars in thousands)		
Service cost	\$ —	\$ —	\$ —
Interest cost on projected benefit obligation	35	23	23
Amortization of transition obligation	—	—	—
Amortization of prior service cost	75	76	—
Gain amortization	(96)	(27)	(52)
Net periodic benefit cost	<u>\$ 14</u>	<u>\$ 72</u>	<u>\$ (29)</u>

The following table sets forth the change in the benefit obligation and plan assets as of December 31:

	2022	2021
	(dollars in thousands)	
Change in Benefit Obligation		
Benefit obligation at beginning of year	\$ 986	\$ 1,372
Service cost	—	—
Interest cost	22	23
Amendments	—	—
Actuarial gain	(212)	(302)
Net benefits paid	(88)	(107)
Benefit obligation at end of year	<u>708</u>	<u>986</u>
Change in Plan Assets		
Fair value of plan assets at beginning of year	—	—
Actual return on plan assets	—	—
Employer contributions	88	107
Net benefits paid	(88)	(107)
Fair value of plan assets at end of year	<u>—</u>	<u>—</u>
Funded Status at End of Year	708	986
Unrecognized prior service cost	(386)	(461)
Unrecognized net gain	728	584
Amounts recognized in retained earnings	<u>\$ 1,050</u>	<u>\$ 1,109</u>

As of December 31, the funded status of the plan is:

	2022	2021
	(dollars in thousands)	
Amounts Recognized in the Statement of Financial Condition as Other liabilities	\$ 708	\$ 986

The following table sets forth the amounts recognized in accumulated other comprehensive income that have not yet been recognized as components of net periodic benefit costs as of December 31:

	2022	2021	2020
	(dollars in thousands)		
Amounts recognized in accumulated other comprehensive income, net of tax:			
Net (gain) loss	\$ (575)	\$ (461)	\$ (243)
Prior service cost	305	364	424
Total	<u>\$ (270)</u>	<u>\$ (97)</u>	<u>\$ 181</u>

Weighted-average assumptions used to determine the benefit obligation as of December 31 are as follows:

	2022	2021	2020
Weighted-Average Assumptions			
Discount rate	5.31 %	2.38 %	1.83 %
Health care cost trend: Initial	6.50 %	5.90 %	5.95 %
Health care cost trend: Ultimate	4.75 %	4.75 %	4.75 %
Year ultimate reached	2028	2027	2026

Weighted-average assumptions used to determine the net benefit costs as of December 31 are as follows:

	2022	2021	2020
Weighted-Average Assumptions for Net Periodic Cost			
Discount rate	2.38 %	1.83 %	2.88 %
Health care cost trend: Initial	5.90 %	5.95 %	5.55 %
Health care cost trend: Ultimate	4.75 %	4.75 %	4.75 %
Year ultimate reached	2027	2026	2025
Corridor	10.00 %	10.00 %	10.00 %
Recognition period for gains and losses	9.9	10.4	10.9

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 introduced a prescription drug benefit under Medicare Part D and a federal subsidy to sponsors of retiree health care benefit plans that provide a prescription drug benefit that is at least actuarially equivalent to Medicare Part D. The postretirement plans of First Commonwealth are provided through insurance coverage; therefore, First Commonwealth will not receive a direct federal subsidy. The preceding measures of the accumulated postretirement benefit cost assume that First Commonwealth will not receive the subsidy due to the relatively small number of retirees.

As of December 31, 2022, the projected benefit payments for the next ten years are as follows:

	Projected Benefit Payments
	(dollars in thousands)
2023	\$ 105
2024	99
2025	93
2026	87
2027	79
2028 - 2032	287

The projected payments were calculated using the same assumptions as those used to calculate the benefit obligations included in this note.

The estimated costs that will be amortized from accumulated other comprehensive income into net periodic cost for 2023 are as follows:

	Postretirement Benefits
	(dollars in thousands)
Net gain	\$ (96)
Prior service cost	76
Total	<u>\$ (20)</u>

Note 20—Incentive Compensation Plan

On January 20, 2009, the Board of Directors of the Company adopted, with shareholder approval, the First Commonwealth Financial Corporation Incentive Compensation Plan. This plan allows for shares of common stock to be issued to employees, directors, and consultants of the Company and its subsidiaries as an incentive to aid in the financial success of the Company. The shares can be issued as options, stock appreciation rights, performance share or unit awards, dividend or dividend equivalent rights, stock awards, restricted stock awards, or other annual incentive awards. Up to 5,000,000 shares of stock can be awarded under this plan, of which 2,115,605 shares were still eligible for awards as of December 31, 2022.

Restricted Stock

The following provides detail on the restricted stock awards which were issued and outstanding in 2022, 2021 and 2020 in order to retain and attract key employees. The grant date fair value of the restricted stock awards is equal to the price of First Commonwealth's common stock on grant date.

Grant Date	Shares issued	Grant Price	Vesting Date	Number of Equal Vesting Periods
March 28, 2022	50,000	\$ 15.46	March 28, 2025	1
February 17, 2022	57,000	16.43	February 17, 2025	1
January 3, 2022	1,000	16.25	January 3, 2025	1
December 13, 2021	2,000	14.83	December 13, 2024	1
December 9, 2021	1,000	15.07	December 9, 2024	1
November 22, 2021	1,565	15.96	November 22, 2024	1
November 19, 2021	24,000	15.81	November 19, 2024	1
September 27, 2021	6,000	13.78	September 27, 2024	1
June 14, 2021	15,000	14.58	June 1, 2024	3
February 18, 2021	84,950	12.77	February 18, 2024	1
February 20, 2020	95,300	13.72	February 20, 2023	1
February 21, 2019	63,000	14.22	February 22, 2022	1
February 21, 2019	15,000	14.22	February 22, 2022	1
November 26, 2018	2,000	13.82	November 26, 2021	1
May 29, 2018	3,000	15.44	May 29, 2021	1
March 26, 2018	2,000	14.08	March 26, 2021	1
February 26, 2018	77,500	14.49	February 26, 2021	1
March 24, 2017	5,000	12.99	March 24, 2020	1
March 24, 2017	7,000	12.99	March 24, 2020	1

Compensation expense related to restricted stock was \$3.7 million, \$3.1 million and \$2.9 million in 2022, 2021 and 2020, respectively. As of December 31, 2022, there was \$4.3 million of unrecognized compensation cost related to unvested restricted stock awards granted.

A summary of the status of First Commonwealth's unvested service-based restricted stock awards as of December 31 and changes for the years ended on those dates is presented below:

	2022		2021		2020	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Outstanding, beginning of the year	286,015	\$ 13.82	250,800	\$ 14.13	171,500	\$ 14.27
Granted	108,000	15.98	134,515	13.64	95,300	13.72
Vested	(75,500)	14.24	(88,389)	14.46	(12,000)	12.99
Forfeited	(7,250)	13.11	(10,911)	13.66	(4,000)	13.85
Outstanding, end of the year	<u>311,265</u>	14.48	<u>286,015</u>	13.82	<u>250,800</u>	14.13

The following provides detail on restricted stock awards estimated to be granted on a performance award basis during 2022, 2021 and 2020. These plans were previously approved by the Board of Directors.

Grant Date	Target Share Award	Performance Period (years)	Award if threshold met	Award if targets are met	Award if superior met	Award if threshold not achieved	Vesting After Performance Period (years)	Final vesting
December 30, 2015	60,000	5					0	December 31, 2020
February 22, 2018	102,000	3	40 %	100 %	200 %	— %	0	December 31, 2020
February 21, 2019	121,900	3	40 %	100 %	200 %	— %	0	December 31, 2021
February 20, 2020	125,800	3	40 %	100 %	200 %	— %	0	December 31, 2022
February 18, 2021	143,400	3	40 %	100 %	200 %	— %	0	December 31, 2023
February 17, 2022	121,200	3	40 %	100 %	200 %	— %	0	December 31, 2024

The following table summarizes the estimated unvested target share awards for the Plans as of December 31:

	2022	2021	2020
Outstanding, beginning of the year	391,100	434,180	442,832
Granted	200,503	143,400	125,800
Issued	(157,251)	(158,531)	(134,452)
Forfeited	—	(27,949)	—
Outstanding, end of the year	<u>434,352</u>	<u>391,100</u>	<u>434,180</u>

Based on a Monte Carlo simulation, the above grants have the following fair market values per share:

	Proportional Fair Value		
	50%	25%	25%
February 23, 2017	\$ 13.29	\$ 13.29	\$ 15.09
February 22, 2018	14.17	13.25	15.83
February 21, 2019	14.22	16.62	13.07
February 20, 2020	13.72	15.37	12.43
February 18, 2021	12.77	11.45	16.41
February 17, 2022	16.56	15.20	21.08

Note 21—Contingent Liabilities

Legal proceedings

First Commonwealth and its subsidiaries are subject in the normal course of business to various pending and threatened legal proceedings in which claims for monetary damages are asserted. As of December 31, 2022, management, after consultation with legal counsel, does not anticipate that the aggregate ultimate liability arising out of litigation pending or threatened against First Commonwealth or its subsidiaries will be material to First Commonwealth's consolidated financial position. On at least a quarterly basis, First Commonwealth assesses its liabilities and contingencies in connection with such legal proceedings. For those matters where it is probable that First Commonwealth will incur losses and the amounts of the losses can be reasonably estimated, First Commonwealth records an expense and corresponding liability in its consolidated financial statements. To the extent the pending or threatened litigation could result in exposure in excess of that liability, the amount of such excess is not currently estimable. Although not considered probable, the range of reasonably possible losses for such matters in the aggregate, beyond the existing recorded liability (if any), is between \$0 and \$1 million. Although First Commonwealth does not believe that the outcome of pending litigation will be material to First Commonwealth's consolidated financial position, it cannot rule out the possibility that such outcomes will be material to the consolidated results of operations and cash flows for a particular reporting period in the future.

Note 22—Revenue Recognition

Substantially all of the Company's revenue is generated from contracts with customers. Revenue associated with financial instruments, including revenue from loans and securities, certain noninterest income streams such as fees associated with derivatives are not in scope of FASB ASU Topic 606 - "Revenue from Contracts with Customers". Topic 606 is applicable to noninterest revenue streams such as trust income, service charges on deposits, insurance and retail brokerage commissions, card related interchange income and gain(loss) on sale of OREO. For contracts within the scope of Topic 606, the Company immediately expenses contract acquisition costs when the asset that would have resulted from capitalizing these costs would have been amortized in one year or less.

Noninterest revenue streams in-scope of Topic 606 are discussed below:

Trust Income

Trust income is primarily comprised of fees earned from the management and administration of trusts and other customer assets. The Company's performance obligation is generally satisfied over time and the resulting fees are recognized monthly, based upon a tiered scale of market value of the assets under management at month-end. Payment is generally received a few days after month end through a direct charge to customers' accounts. The Company does not earn performance-based incentives. Optional services such as financial planning or tax return preparation services are also available to trust customers. The Company's performance obligation for these transactional-based services is generally satisfied and related revenue recognized, at a point in time. Payment is received shortly after services are rendered.

Service Charges on Deposit Accounts

Service charges on deposit accounts consist of fees earned from its deposit customers for transaction-based, account maintenance, overdraft services and account analysis fees. Transaction-based fees, which include services such as ATM use fees, stop payment fees, statement rendering and ACH fees, are recognized at the time the transaction is executed which is the point in time the Company fulfills the customer's request. Monthly account maintenance fees are earned over the course of the month, representing the period over which the Company satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. The Company's performance obligation for account analysis fees is generally satisfied, and the related revenue recognized, during the month the service is provided. Payment for service charges on deposit accounts is primarily received immediately or in the following month through a direct charge to customers' accounts.

Insurance and Retail Brokerage Commissions

Insurance income primarily consists of commissions received from execution of personal, business and health insurance policies when acting as an agent on behalf of insurance carriers. The Company's performance obligation is generally satisfied upon the issuance of the insurance policy. Because the Company's contracts with the insurance carriers are generally cancellable by either party, with minimal notice, insurance commissions are recognized during the policy period as received. Also, the majority of insurance commissions are received on a monthly basis during the policy period, however some carriers pay the full annual commission to First Commonwealth at the time of policy issuance or renewal. In these cases, First Commonwealth would be required to refund any commissions it would not be entitled to as a result of cancelled or terminated policies. The Company has established a refund liability for the remaining term of the policies expected to be cancelled. The

Company also receives incentive-based contingency fees from the insurance carriers. Contingency fee revenue, which totals approximately \$0.5 million per year, is recognized as received due to the immaterial amount.

Retail brokerage income primarily consists of commissions received on annuity and investment product sales through a third-party service provider. The Company's performance obligation is generally satisfied upon the issuance of the annuity policy or the execution of an investment transaction. The Company does not earn a significant amount of trailer fees on annuity sales. However, after considering the factors impacting these trailer fees, such as the uncertainty of investor behavior and changes in the market value of assets, First Commonwealth determined that it would recognize trailing fees as received because it could not reasonably estimate an amount of future trailing commissions for which collection is probable. Commissions from the third-party service provider are received on a monthly basis based upon customer activity for the month. The fees are recognized monthly with a receivable until commissions are received from the third-party service provider the following month. Because the Company acts as an agent in arranging the relationship between the customer and the third-party service provider and does not control the services rendered to the customers, retail brokerage fees are presented net of related costs, including \$4.0 million and \$3.7 million, respectively, in commission expense as of December 31, 2022 and 2021.

Card Related Interchange Income

Card related interchange income is primarily comprised of debit and credit card income, ATM fees and merchant services income. Debit and credit card income is primarily comprised of interchange fees earned whenever the Company's debit and credit cards are processed through card payment networks such as MasterCard. ATM fees are primarily generated when a Company cardholder uses a non-Company ATM or a non-Company cardholder uses a Company ATM. Merchant services income mainly represents fees charged to merchants to process their debit and credit card transactions, in addition to account management fees. Card related interchange income is recognized at the point in time as the customer transactions are settled.

Other Income

Other income includes service revenue from processing wire transfers, bill pay service, cashier's checks, and other services. The Company's performance obligation for these services are largely satisfied, and related revenue recognized, when the services are rendered or upon completion. Payment is typically received immediately or in the following month.

Gains(losses) on sales of OREO

First Commonwealth records a gain or loss from the sale of OREO when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. When First Commonwealth finances the sale of OREO to the buyer, an assessment of whether the buyer is committed to perform their obligations under the contract is completed along with an evaluation of whether collectability of the transaction price is probable. Once these criteria are met, the OREO asset is derecognized and the gain or loss on sale is recorded upon transfer of control of the property to the buyer. In determining the gain or loss on the sale, First Commonwealth adjusts the transaction price and related gain(loss) on sale if a significant financing component is present.

The following presents noninterest income, segregated by revenue streams in-scope and out-of-scope of Topic 606 for the year ended December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
	(dollars in thousands)		
Noninterest Income			
In-scope of Topic 606:			
Trust income	\$ 10,518	\$ 11,111	\$ 9,101
Service charges on deposit accounts	19,641	17,984	16,387
Insurance and retail brokerage commissions	8,857	8,502	7,850
Card related interchange income	27,603	27,954	23,966
Gain on sale of other loans and assets	455	753	967
Other income	4,036	4,184	3,675
Noninterest Income (in-scope of Topic 606)	<u>71,110</u>	<u>70,488</u>	<u>61,946</u>
Noninterest Income (out-of-scope of Topic 606)	27,598	36,269	32,530
Total Noninterest Income	<u>\$ 98,708</u>	<u>\$ 106,757</u>	<u>\$ 94,476</u>

Note 23—Related Party Transactions

Some of First Commonwealth's directors, executive officers, principal shareholders and their related interests had transactions with the subsidiary bank in the ordinary course of business. All deposit and loan transactions were made on substantially the same terms, such as collateral and interest rates, as those prevailing at the time for comparable transactions. In the opinion of management, these transactions do not involve more than the normal risk of collectability nor do they present other unfavorable features. It is anticipated that similar transactions will be entered into in the future.

The following is an analysis of loans to related parties (dollars in thousands):

December 31, 2021	\$ 18,953
Advances	928
Repayments	(900)
Other	327
December 31, 2022	<u>\$ 19,308</u>

Note 24—Regulatory Restrictions and Capital Adequacy

The amount of funds available to the parent from its subsidiary bank is limited by restrictions imposed on all depository institutions by banking regulation that restricts and limits the payment of dividends and the ability of depository institutions to engage in transactions, including lending transactions and asset purchases, with affiliates.

First Commonwealth and First Commonwealth Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators which, if undertaken, could have a direct material effect on First Commonwealth's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, First Commonwealth and First Commonwealth Bank must meet specific capital guidelines that involve quantitative measures of First Commonwealth's assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. First Commonwealth's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weighting and other factors.

Effective January 1, 2015, First Commonwealth became subject to regulatory risk-based capital rules adopted by the federal banking agencies implementing Basel III. The capital rules require First Commonwealth to maintain the following minimum capital levels:

- a minimum Tier I capital to risk-weighted assets of at least 6.0%, plus a capital conservation buffer of 2.5%, resulting in a required minimum ratio of 8.5%
- a minimum Common Equity Tier 1 to risk weighted assets of at least 4.5%, plus the capital conservation buffer of 2.5%, resulting in a required minimum ratio of 7%.
- a minimum Total Capital to risk weighted assets of at least 8.0%, plus the 2.5% capital conservation buffer, resulting in a required minimum of 10.5%
- a minimum Leverage ratio, which is Tier 1 capital to adjusted average assets, of 4.0%

The capital conservation buffer may only include capital that qualifies as Common Equity Tier 1.

The Basel III Rules also permit banking organizations with less than \$15.0 billion in assets to retain, through a one-time election, the exclusion of accumulated other comprehensive income from regulatory capital. The Company elected to retain this treatment, which reduces the volatility of regulatory capital levels.

During the second quarter of 2018, First Commonwealth Bank, the Company's banking subsidiary, issued \$100 million in subordinated debt, which under regulatory rules qualifies as Tier II capital. This subordinated debt issuance increased the total risk-based capital ratio by 160 basis points.

As of December 31, 2022, the Company had \$4.3 million in PPP loans outstanding under the CARES Act. Because these loans are 100% guaranteed by the SBA, banking regulators confirmed that they have a zero percent risk weight under applicable risk-based capital rules. Additionally, a bank may exclude all PPP loans pledged as collateral to the Federal Reserve's PPP Facility from average total assets when calculating its leverage ratio, while PPP loans that are not pledged as collateral to the PPP Facility will be included. The PPP loans originated by the Company are included in our leverage ratio as of December 31, 2022, as we did not utilize the PPP Facility.

In March 2020, regulators issued interim financial rule (“IFR”) “Regulatory Capital Rule: Revised Transition of the Current Expected Losses Methodology for Allowances” in response to the disrupted economic activity from the pandemic. The IFR provides financial institutions that adopt CECL during 2020 with the option to delay for two years the estimated impact of CECL on regulatory capital, followed by a three-year transition period to phase out the aggregate amount of the capital benefit provided by the initial two-year delay (“five-year transition”). The Company adopted CECL effective January 1, 2020 and elected to implement the five-year transition. Regulatory capital levels without the capital benefit at December 31, 2022 for both First Commonwealth and First Commonwealth Bank would have continued to be greater than the amounts needed to be considered “well capitalized”, as the transition provided a capital benefit of approximately 7 to 15 basis points.

As of December 31, 2022 and 2021, First Commonwealth and First Commonwealth Bank met all capital adequacy requirements to which they are subject and were considered well-capitalized under the regulatory rules as set forth in the tables below:

	Actual		Minimum Capital Required		Required to be Considered Well Capitalized	
	Capital Amount	Ratio	Capital Amount	Ratio	Capital Amount	Ratio
(dollars in thousands)						
As of December 31, 2022						
Total Capital to Risk Weighted Assets						
First Commonwealth Financial Corporation	\$ 1,160,053	14.36 %	\$ 848,288	10.50 %	\$ 807,893	10.00 %
First Commonwealth Bank	1,100,529	13.65	846,593	10.50	806,279	10.00
Tier I Capital to Risk Weighted Assets						
First Commonwealth Financial Corporation	\$ 966,072	11.96 %	\$ 686,709	8.50 %	\$ 646,314	8.00 %
First Commonwealth Bank	906,548	11.24	685,337	8.50	645,023	8.00
Tier I Capital to Average Assets						
First Commonwealth Financial Corporation	\$ 966,072	10.18 %	\$ 379,527	4.00 %	\$ 474,408	5.00 %
First Commonwealth Bank	906,548	9.58	378,578	4.00	473,223	5.00
Common Equity Tier I to Risk Weighted Assets						
First Commonwealth Financial Corporation	\$ 896,072	11.09 %	\$ 565,525	7.00 %	\$ 525,131	6.50 %
First Commonwealth Bank	906,548	11.24	564,395	7.00	524,081	6.50
(dollars in thousands)						
As of December 31, 2021						
Total Capital to Risk Weighted Assets						
First Commonwealth Financial Corporation	\$ 1,071,965	14.64 %	\$ 768,723	10.50 %	\$ 732,118	10.00 %
First Commonwealth Bank	1,041,854	14.26	767,321	10.50	730,782	10.00
Tier I Capital to Risk Weighted Assets						
First Commonwealth Financial Corporation	\$ 894,670	12.22 %	\$ 622,300	8.50 %	\$ 585,694	8.00 %
First Commonwealth Bank	864,559	11.83	621,165	8.50	584,626	8.00
Tier I Capital to Average Assets						
First Commonwealth Financial Corporation	\$ 894,670	9.73 %	\$ 367,656	4.00 %	\$ 459,570	5.00 %
First Commonwealth Bank	864,559	9.43	366,839	4.00	458,549	5.00
Common Equity Tier I to Risk Weighted Assets						
First Commonwealth Financial Corporation	\$ 824,670	11.26 %	\$ 512,482	7.00 %	\$ 475,876	6.50 %
First Commonwealth Bank	864,559	11.83	511,547	7.00	475,008	6.50

Note 25—Capital

At December 31, 2022, shareholders' equity was \$1.1 billion, a decrease of \$57.3 million from December 31, 2021. The decrease was due to a \$128.9 million decrease in the fair value of available for sale securities, \$44.6 million of dividends paid to shareholders and \$15.6 million of common stock repurchases. These decreases were partially offset by \$128.2 million in net income and \$2.2 million in treasury stock sales. Cash dividends declared per common share were \$0.475, \$0.455 and \$0.440 for the years ended December 31, 2022, 2021 and 2020, respectively.

In October 2021, the Board of Directors authorized a \$25.0 million share repurchase program of the Company's common stock. As of December 31, 2022, 1,371,019 shares at an average price of \$13.92 have been repurchased. First Commonwealth may suspend or discontinue the program at any time.

Note 26—Condensed Financial Information of First Commonwealth Financial Corporation (parent company only)

Statements of Financial Condition

	December 31,	
	2022	2021
	(dollars in thousands)	
Assets		
Cash	\$ 37,695	\$ 11,649
Loans	8	9
Investment in subsidiaries	1,061,285	1,152,580
Investment in unconsolidated subsidiary trusts	2,200	2,181
Investment in jointly-owned company	394	357
Premises and equipment, net	3,098	3,244
Dividends receivable from subsidiaries	5,428	7,762
Other assets	21,345	8,212
Total assets	\$ 1,131,453	\$ 1,185,994
Liabilities and Shareholders' Equity		
Accrued expenses and other liabilities	\$ 7,212	\$ 4,455
Subordinated debentures payable	72,167	72,167
Shareholders' equity	1,052,074	1,109,372
Total liabilities and shareholders' equity	\$ 1,131,453	\$ 1,185,994

Statements of Income

	For the years ended December 31,		
	2022	2021	2020
	(dollars in thousands)		
Interest and dividends	\$ 78	\$ 4	\$ 8
Dividends from subsidiaries	92,082	72,202	61,708
Interest expense	(3,245)	(3,205)	(3,229)
Other income	112	—	3
Operating expense	(4,747)	(4,721)	(4,687)
Income before taxes and equity in undistributed earnings of subsidiaries	84,280	64,280	53,803
Applicable income tax benefits	1,625	1,646	1,648
Income before equity in undistributed earnings of subsidiaries	85,905	65,926	55,451
Equity in undistributed earnings of subsidiaries	42,276	72,331	17,996
Net income	\$ 128,181	\$ 138,257	\$ 73,447

Statements of Cash Flow	For the years ended December 31,		
	2022	2021	2020
	(dollars in thousands)		
Operating Activities			
Net income	\$ 128,181	\$ 138,257	\$ 73,447
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	335	369	383
Net gains on sales of assets	(113)	228	—
Decrease (increase) in prepaid income taxes	—	317	(317)
Undistributed equity in subsidiaries	(42,276)	(72,330)	(17,996)
Other net	—	(14,830)	19,705
Net cash provided by operating activities	<u>86,127</u>	<u>52,011</u>	<u>75,222</u>
Investing Activities			
Net change in loans	2	2	1
Purchases of premises and equipment	(152)	(101)	(20)
Net cash used in investing activities	<u>(150)</u>	<u>(99)</u>	<u>(19)</u>
Financing Activities			
Dividends paid	(44,578)	(43,611)	(42,982)
Proceeds from reissuance of treasury stock	245	222	222
Purchase of treasury stock	(15,598)	(31,301)	(20,905)
Net cash used in financing activities	<u>(59,931)</u>	<u>(74,690)</u>	<u>(63,665)</u>
Net increase (decrease) in cash	26,046	(22,778)	11,538
Cash at beginning of year	11,649	34,427	22,889
Cash at end of year	<u>\$ 37,695</u>	<u>\$ 11,649</u>	<u>\$ 34,427</u>

Cash dividends declared per common share were \$0.475 for 2022, \$0.455 in 2021 and \$0.440 in 2020.

First Commonwealth Financial Corporation has an unsecured \$20.0 million line of credit with another financial institution. As of December 31, 2022, there are no amounts outstanding on this line and we are in compliance with all debt covenants related to the line of credit.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of First Commonwealth Financial Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated statement of financial condition of First Commonwealth Financial Corporation and subsidiaries (the Company) as of December 31, 2022 and 2021, the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2022, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in conformity with U.S. generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 27, 2023 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosure to which it relates.

Allowance for Credit Losses

Description of the Matter

First Commonwealth's loan and lease portfolio totaled \$7.6 billion as of December 31, 2022 and the associated Allowance for Credit Losses (ACL) was \$102.9 million. As discussed in Notes 1 and 9 of the financial statements, the ACL represents management's current estimate of lifetime credit losses inherent in the loan portfolio at the balance sheet date. The ACL is calculated by pooling loans of similar risk characteristics and applying a discounted cash flow methodology after incorporating probability of default and loss given default estimates. Inputs impacting the expected losses include a forecast of macroeconomic factors, using a weighted forecast from a nationally recognized firm. The ACL also includes qualitative factors related to loan portfolio risks not reflected in the calculated model, including lending practices, ability and experience of the credit staff, the overall lending environment and external factors such as the regulatory environment and competition.

Auditing management's ACL estimate and related provision for credit losses was complex due to the discounted cash flow model and related inputs used to compute the reserve and involves a high degree of subjectivity due to the judgment required in evaluating management's determination of the qualitative factors described above.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design, and tested the operating effectiveness of the Company's controls over the ACL process, including controls over the appropriateness of the ACL methodology, the expected loss models, the reliability and accuracy of data used in developing the ACL estimate, and management's review and approval process over the forecast, qualitative adjustments and overall ACL results.

We tested management's expected loss models including evaluating the conceptual soundness of model methodology, assessing model performance and governance, testing key model assumptions, including the reasonable and supportable forecast, and independently recalculating model output with the assistance of EY specialists. We also verified the underlying economic forecast data used to estimate the quantitative reserve was complete and accurate.

To test the qualitative factor adjustments, among other procedures, we assessed management's methodology and considered whether relevant risks were reflected in the models and whether adjustments to the model output were appropriate. We tested the completeness, accuracy, and relevance of the underlying data used to estimate the qualitative adjustments. We evaluated whether qualitative adjustments were reasonable based on changes in economic conditions and the loan portfolio. We also assessed whether qualitative adjustments were consistent with publicly available information (e.g. macroeconomic data). Further, we performed an independent search for the existence of new or contrary information relating to risks impacting the qualitative factor adjustments to validate that management's considerations are appropriate. Additionally, we evaluated whether the overall ACL, inclusive of qualitative factor adjustments, appropriately reflects losses expected in the loan and lease portfolio by comparing to historical losses and peer bank data.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2019.
Pittsburgh, Pennsylvania
February 27, 2023

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of First Commonwealth Financial Corporation

Opinion on Internal Control over Financial Reporting

We have audited First Commonwealth Financial Corporation and subsidiaries internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, First Commonwealth Financial Corporation and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of financial condition of the Company as of December 31, 2022 and 2021, the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2022, and the related notes and our report dated February 27, 2023 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Assessment of Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

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

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

/s/ Ernst & Young LLP

Pittsburgh, Pennsylvania
February 27, 2023

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

ITEM 9A. Controls and Procedures

Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report pursuant to Rule 13a-15 under the Securities Exchange Act of 1934 (the “Exchange Act”). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to provide reasonable assurance that the information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms of the Securities and Exchange Commission.

In addition, our management, including our Chief Executive Officer and Chief Financial Officer, also conducted an evaluation of our internal controls over financial reporting to determine whether any changes occurred during the fourth fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting. No such changes were identified in connection with this evaluation.

Ernst & Young LLP, Pittsburgh, Pennsylvania, (U.S. PCAOB Auditor Firm I.D.: 42), the independent registered public accounting firm that audited our consolidated financial statements included in this Annual Report on Form 10-K, has issued an audit report on the effectiveness of our internal control over financial reporting as of December 31, 2022. The report, which expresses an unqualified opinion on the effectiveness of our internal control over financial reporting as of December 31, 2022, is included at the end of Item 8 under the heading Report of “Independent Registered Public Accounting Firm.”

MANAGEMENT'S ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING

First Commonwealth is responsible for the preparation, the integrity, and the fair presentation of the Consolidated Financial Statements included in this annual report. The Consolidated Financial Statements and notes to the financial statements have been prepared in conformity with generally accepted accounting principles and include some amounts based upon management's best estimates and judgments.

First Commonwealth's management is responsible for establishing and maintaining effective internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f), that is designed to produce reliable financial statements in conformity with generally accepted accounting principles and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements. Under the supervision and with the participation of management, including First Commonwealth's principal executive officer and principal financial officer, First Commonwealth conducted an evaluation of the effectiveness of internal control over financial reporting based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

All internal control systems, no matter how well designed, have inherent limitations, including the possibility that a control can be circumvented and that misstatements due to error or fraud may occur without detection. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Based on First Commonwealth's evaluation based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), management concluded that internal control over financial reporting was effective as of December 31, 2022. The effectiveness of First Commonwealth's internal control over financial reporting as of December 31, 2022 has been audited by Ernst & Young, LLP, an independent registered public accounting firm, as stated in their audit report which is included herein.

First Commonwealth Financial Corporation
Indiana, Pennsylvania

February 27, 2023

/S/ T. Michael Price

T. Michael Price

President and Chief Executive Officer

/S/ James R. Reske

James R. Reske

Executive Vice President, Chief Financial Officer and Treasurer

ITEM 9B. Other Information

None.

ITEM 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

None.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance

Information called for by this item concerning the identification, business experience and qualifications of First Commonwealth's directors will be included in First Commonwealth's definitive Proxy Statement to be filed with the Securities and Exchange Commission in connection with the annual meeting of shareholders to be held April 25, 2023 (the "Proxy Statement"), under the heading "Proposal 1—Election of Directors," and is incorporated herein by reference.

Information called for by this item concerning First Commonwealth's compliance with section 16(a) of the Exchange Act will be included in the Proxy Statement under the heading "Section 16(a) Beneficial Ownership Reporting Compliance," and is incorporated herein by reference.

First Commonwealth has adopted a code of conduct and ethics that applies to all employees of the Company, including executive officers. In addition, First Commonwealth has adopted a code of ethics for the Chief Executive Officer and all senior financial officers of the Company. Both of these codes are filed as exhibits to this Annual Report on Form 10-K and are posted on First Commonwealth's website at <http://www.fcbanking.com>. Refer to Item 15 of this Annual Report on Form 10-K for a list of exhibits.

Information called for by this item concerning First Commonwealth's Audit Committee and the identification of "Audit Committee financial experts" will be included in the Proxy Statement under the heading "Corporate Governance," and is incorporated herein by reference.

Certain information regarding executive officers is included under the caption "Executive Officers of First Commonwealth Financial Corporation" after Part I, Item 4, of this Report.

ITEM 11. Executive Compensation

Information called for by this item concerning compensation of First Commonwealth's executive officers and the report of the Compensation and Human Resources Committee will be included in the Proxy Statement under the heading "Executive Compensation," and is incorporated herein by reference.

Information called for by this item concerning compensation of First Commonwealth's directors will be included in the Proxy Statement under the heading "Compensation of Directors," and is incorporated herein by reference.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information called for by this item concerning security ownership of certain beneficial owners and security ownership of management will be included in the Proxy Statement under the headings "Stock Ownership of Certain Beneficial Owners" and "Stock Ownership of Directors and Management," and is incorporated herein by reference.

The following table provides information related to our existing equity compensation plans as of December 31, 2022:

<u>Plan Category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u>	<u>Weighted average exercise price of outstanding options, warrants and rights</u>	<u>Number of securities remaining available for future issuance under equity compensation plans</u>
Equity compensation plans approved by security holders	434,352	N/A	2,115,605
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	434,352	N/A	2,115,605

The number of securities to be issued upon exercise of outstanding option, warrants and rights represent the maximum number of shares that may be issued pursuant to outstanding performance units.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence

Information called for by this item concerning transactions with related persons and review, approval or ratification of transactions with related persons will be included in the Proxy Statement under the heading “Related Party Transactions,” and is incorporated herein by reference.

Information called for by this item concerning director independence will be included in the Proxy Statement under the heading “Corporate Governance,” and is incorporated herein by reference.

ITEM 14. Principal Accountant Fees and Services

Information called for by this item concerning fees paid to First Commonwealth’s principal accountant and First Commonwealth’s pre-approval policies and procedures will be included in the Proxy Statement under the heading “Audit Information,” and is incorporated herein by reference.

PART IV**ITEM 15. Exhibits, Financial Statements and Schedules****(A) Documents Filed as Part of this Report****(1) Financial Statements**

All financial statements of the registrant as set forth under Item 8 of the Report on Form 10-K.

(2) Financial Statement Schedules

<u>Schedule Number</u>	<u>Description</u>	<u>Page</u>
I	Indebtedness to Related Parties	N/A
II	Guarantees of Securities of Other Issuers	N/A

(3) Exhibits

<u>Exhibit Number</u>	<u>Description</u>	<u>Incorporated by Reference to</u>
3.1	Amended and Restated Articles of Incorporation of First Commonwealth Financial Corporation	Exhibit 3.1 to the quarterly report on Form 10-Q for the quarter ended June 30, 2010
3.2	Amended and Restated By-Laws of First Commonwealth Financial Corporation	Exhibit 3.1 to the current report as Form 8-K filed February 1, 2016
10.1	Amended and Restated Non-Qualified Deferred Compensation Plan (formerly known as the Supplemental Executive Retirement Plan)	Exhibit 10.1 to the current report on Form 8-K filed December 21, 2017
10.2	Amendment No. One to Amended and Restated Non-Qualified Deferred Compensation Plan	Exhibit 10.1 to the quarterly report on Form 10-Q for the quarter ended September 30, 2021
10.3	Amendment No. Two to Amended and Restated Non-Qualified Deferred Compensation Plan	Exhibit 10.2 to the quarterly report on Form 10-Q for the quarter ended September 30, 2021
10.4	Amendment No. Three to Amended and Restated Non-Qualified Deferred Compensation Plan	Exhibit 10.3 to the quarterly report on Form 10-Q for the quarter ended September 30, 2021
10.5	Amended and Restated Employment Agreement dated January 1, 2012 entered into among First Commonwealth Financial Corporation, First Commonwealth Bank and T. Michael Price	Exhibit 10.1 to the current report on Form 8-K filed January 5, 2012
10.6	Change of Control Agreement dated December 30, 2011 entered into between FCFC and T. Michael Price	Exhibit 10.3 to the current report on Form 8-K filed January 5, 2012
10.7	First Commonwealth Financial Corporation Incentive Compensation Plan	Annex I to Proxy Statement filed March 19, 2015 relating to the 2015 Annual Meeting of Shareholders
10.8	2022 Annual Incentive Plan	Exhibit 10.1 to the quarterly report on Form 10-Q for the quarter ended March 31, 2022
10.9	2020-2022 Long-Term Incentive Plan	Exhibit 10.2 to the quarterly report on Form 10-Q for the quarter ended March 31, 2020
10.10	2021-2023 Long-Term Incentive Plan	Exhibit 10.2 to the quarterly report on Form 10-Q for the quarter ended March 31, 2021
10.11	2022-2024 Long-Term Incentive Plan	Exhibit 10.2 to the quarterly report on Form 10-Q for the quarter ended March 31, 2022
10.12	Form of Restricted Stock Agreement for service-based restricted stock	Exhibit 10.3 to the quarterly report on Form 10-Q filed May 8, 2012
10.13	Change of Control Agreement dated December 30, 2011 entered into between FCFC and Leonard V. Lombardi	Exhibit 10.13 to the annual report on Form 10-K filed March 5, 2012

<u>Exhibit Number</u>	<u>Description</u>	<u>Incorporated by Reference to</u>
10.14	Change of Control Agreement dated December 30, 2011 entered into between FCFC and Matthew C. Tomb	Exhibit 10.14 to the annual report on Form 10-K filed March 5, 2012
10.15	Employment Agreement dated April 10, 2014 between First Commonwealth Financial Corporation and James R. Reske	Exhibit 10.1 to the current report on Form 8-K filed April 10, 2014
10.16	Change of Control Agreement dated April 10, 2014 between First Commonwealth Financial Corporation and James R. Reske	Exhibit 10.3 to the current report on Form 8-K filed April 10, 2014
10.17	Change of Control Agreement dated November 14, 2019 entered into between FCFC and Norman J. Montgomery	Exhibit 10.1 to current report on Form 8-K filed November 19, 2019
10.18	Change of Control Agreement dated March 1, 2013 entered into between FCFC and Carrie L. Riggie	Exhibit 10.4 to the quarterly report on Form 10-Q filed May 8, 2013
10.19	Change of Control Agreement dated May 31, 2013 entered into between FCFC and Jane Grebenc	Exhibit 10.2 to the quarterly report on Form 10-Q filed August 7, 2013
10.20	Employment Agreement dated May 31, 2013 entered into between FCFC and Jane Grebenc	Exhibit 10.1 to the quarterly report on Form 10-Q filed August 7, 2013
10.21	Employment Agreement dated September 19, 2016 entered into between FCFC and Brian Karris	Exhibit 10.1 to the quarterly report on Form 10-Q filed November 9, 2016
10.22	Change of Control Agreement dated September 19, 2016 entered into between FCFC and Brian Karris	Exhibit 10.2 to the quarterly report on Form 10-Q filed November 9, 2016
<u>21.1</u>	<u>Subsidiaries of the Registrant</u>	Filed herewith
<u>23.1</u>	<u>Consent of EY LLP Independent Registered Public Accounting Firm</u>	Filed herewith
<u>31.1</u>	<u>Chief Executive Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>	Filed herewith
<u>31.2</u>	<u>Chief Financial Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>	Filed herewith
<u>32.1</u>	<u>Chief Executive Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>	Filed herewith
<u>32.2</u>	<u>Chief Financial Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>	Filed herewith
101.00	The following materials from First Commonwealth Financial Corporation's Annual Report on Form 10-K for the year ended December 31, 2022, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets at December 31, 2022 and December 31, 2021, (ii) the Consolidated Statements of Income for the years ended December 31, 2022, 2021 and 2020, (iii) the Consolidated Statements of Comprehensive Income for the years ended December 31, 2022, 2021 and 2020, (iv) the Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2022, 2021 and 2020, (v) the Consolidated Statements of Cash Flows for the years ended December 31, 2022, 2021 and 2020, and (vi) the Notes to Consolidated Financial Statements.	Filed herewith

ITEM 16. Form 10-K Summary

None.

SIGNATURES

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

FIRST COMMONWEALTH FINANCIAL CORPORATION (Registrant)

By: _____ /S/ T. Michael Price
T. Michael Price
President and Chief Executive Officer

Dated: February 27, 2023

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been executed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Capacity</u>	<u>Date</u>
/S/ Julie A. Caponi Julie A. Caponi	Director	February 27, 2023
/S/ Ray T. Charley Ray T. Charley	Director	February 27, 2023
/S/ Gary R. Claus Gary R. Claus	Director	February 27, 2023
/S/ David S. Dahlmann David S. Dahlmann	Director	February 27, 2023
/S/ Johnston A. Glass Johnston A. Glass	Director	February 27, 2023
/S/ Jon L. Gorney Jon L. Gorney	Director, Chairman	February 27, 2023
/S/ Jane Grebenc Jane Grebenc	Executive Vice President and Chief Revenue Officer	February 27, 2023
/S/ David W. Greenfield David W. Greenfield	Director	February 27, 2023
/S/ Patrica A. Husic Patricia A. Husic	Director	February 27, 2023
/S/ Bart E. Johnson Bart E. Johnson	Director	February 27, 2023
/S/ Luke A. Latimer Luke A. Latimer	Director	February 27, 2023
/S/ Aradhna M. Oliphant Aradhna M. Oliphant	Director	February 27, 2023
/S/ T. Michael Price T. Michael Price	President and Chief Executive Officer (Principal Executive Officer)	February 27, 2023
/S/ James R. Reske James R. Reske	Executive Vice President, Chief Financial Officer, and Treasurer	February 27, 2023
/S/ Robert J. Ventura Robert J. Ventura	Director	February 27, 2023
/S/ Stephen A. Wolfe Stephen A. Wolfe	Director	February 27, 2023

Exhibit 21.1 Subsidiaries of First Commonwealth Financial Corporation

Percent Ownership by Registrant

First Commonwealth Bank 601 Philadelphia Street Indiana, PA 15701 Incorporated under laws of Pennsylvania	100%
Subsidiaries of First Commonwealth Bank	
First Commonwealth Insurance Agency 601 Philadelphia Street Indiana, PA 15701 Incorporated under laws of Pennsylvania	100%
First Commonwealth Community Development Corporation (Inactive) 654 Philadelphia Street Indiana, PA 15701 Incorporated under laws of Pennsylvania	100%
First Commonwealth Financial Advisors Incorporated 601 Philadelphia Street Indiana, PA 15701 Incorporated under laws of Pennsylvania	100%
FraMal Holdings Corporation 1100 N. Market Street, 4th Floor Wilmington, DE 19890 Incorporated under laws of Delaware	100%
First Commonwealth Capital Trust II 601 Philadelphia Street Indiana, PA 15701 Incorporated under laws of Pennsylvania	100%
First Commonwealth Capital Trust III 601 Philadelphia Street Indiana, PA 15701 Incorporated under laws of Pennsylvania	100%
Commonwealth Trust Credit Life Insurance Company 3101 North Central Avenue, Suite 400 Phoenix, AZ 85012 Incorporated under laws of Arizona	50%

Exhibit 23.1 Consent of Independent Registered Public Accounting Firm

Consent of Independent Registered Public Accounting Firm

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

- (1) Registration Statement (Form S-3 No. 333-187288) of First Commonwealth Financial Corporation, and
- (2) Registration Statement (Form S-8 No. 333-159090) of First Commonwealth Financial Corporation, and
- (3) Registration Statement (Form S-8 No. 333-238312) of First Commonwealth Financial Corporation

of our reports dated February 27, 2023, with respect to the consolidated financial statements of First Commonwealth Financial Corporation and the effectiveness of internal control over financial reporting of First Commonwealth Financial Corporation included in this Annual Report (Form 10-K) of First Commonwealth Financial Corporation for the year ended December 31, 2022.

/s/ Ernst & Young LLP

Pittsburgh, Pennsylvania
February 27, 2023

EXHIBIT 31.1
CHIEF EXECUTIVE OFFICER CERTIFICATION
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, T. Michael Price, certify that:

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

February 27, 2023

Date

/s/ T. Michael Price

Signature

President and Chief Executive Officer

Title

EXHIBIT 31.2
CHIEF FINANCIAL OFFICER CERTIFICATION
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, James R. Reske, certify that:

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

February 27, 2023

Date

/S/ James R. Reske

Signature

Executive Vice President, Chief Financial Officer and Treasurer

Title

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADDED BY SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

I, T. Michael Price, President and Chief Executive Officer of First Commonwealth Financial Corporation (“First Commonwealth”), certify that the Annual Report of First Commonwealth on Form 10-K for the period ended December 31, 2022, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition of First Commonwealth at the end of such period and the results of operations of First Commonwealth for such period.

DATED: February 27, 2023

/s/ T. Michael Price

T. Michael Price

President and Chief Executive Officer

EXHIBIT 32.2

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADDED BY SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

I, James R. Reske, Executive Vice President, Chief Financial Officer and Treasurer of First Commonwealth Financial Corporation (“First Commonwealth”), certify that the Annual Report of First Commonwealth on Form 10-K for the period ended December 31, 2022, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition of First Commonwealth at the end of such period and the results of operations of First Commonwealth for such period.

DATED: February 27, 2023

/S/ James R. Reske

James R. Reske

Executive Vice President, Chief Financial Officer and Treasurer

Shareholder Information

Annual Meeting

The Annual Meeting of Shareholders will be held virtually via a live audio webcast on Tuesday, April 25, 2023 beginning at 2:00 p.m. Eastern Time.

To join the Annual Meeting, visit <https://meetnow.global/MVFSKR2> and enter the control number found on the proxy card or Notice of Internet Availability of Proxy Materials.

Common Stock

First Commonwealth Financial Corporation common stock is listed on the New York Stock Exchange (NYSE) and is traded under the symbol FCF. Current market prices for First Commonwealth Financial Corporation common stock can be obtained from your local stock broker or by calling the Corporation at 724-349-7220 or 1-800-711-2265.

Transfer Agent

Computershare
P.O. Box 43006
Providence, RI 02940-3006
Telephone: 1-866-203-5173
www.computershare.com/investor

Dividend Payments

Subject to the approval of the Board of Directors, quarterly cash dividends are paid in the months of February, May, August and November.

Dividend Reinvestment

First Commonwealth Financial Corporation's direct stock purchase and dividend reinvestment plan offers shareholders an opportunity to reinvest their dividends in additional shares of the Corporation's common stock. Once enrolled in the plan, participants may also purchase shares through voluntary cash investments. For more information on the plan, please call Computershare at 1-866-203-5173.

Direct Deposit of Dividends

For information about direct deposit of dividends to your U.S. bank account, please visit www.computershare.com/investor or contact Computershare at 1-866-203-5173.

Investor/Shareholder Inquiries

Requests for information or assistance regarding investor/shareholder inquiries should be directed to the Corporation at 724-349-7220 or 1-800-711-2265 or InvestorRelations@fcbanking.com.



First Commonwealth Financial Corporation

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