



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

SCOTT G. ALVAREZ
GENERAL COUNSEL

November 28, 2016

Matthew C. Tomb, Esq.
Executive Vice President,
Chief Risk Officer and General Counsel
First Commonwealth Financial Corporation
601 Philadelphia Street
Indiana, Pennsylvania 15701

Dear Mr. Tomb:

This is in response to your letter to the Federal Reserve Bank of Cleveland, dated November 17, 2016 and received on November 18, requesting a waiver from an application requirement under the Bank Holding Company Act of 1956, as amended (“BHC Act”),¹ for First Commonwealth Financial Corporation (“First Commonwealth”), Indiana, Pennsylvania, a bank holding company, to acquire DCB Financial Corp. (“DCB Financial”), a bank holding company, and its subsidiary, Delaware County Bank and Trust Company (“Delaware County Bank”), Lewis Center, Ohio, a state nonmember bank.

The purpose of the proposed transaction is to facilitate the merger of Delaware County Bank with and into First Commonwealth’s wholly owned subsidiary, First Commonwealth Bank, Indiana, Pennsylvania, a state nonmember bank. The transaction would occur as follows: (1) DCB Financial would merge with and into First Commonwealth, with First Commonwealth as the surviving entity; and (2) immediately thereafter, Delaware County Bank would merge with and into First Commonwealth Bank, with First Commonwealth Bank as the surviving entity (“Bank Merger”). You have indicated the above transaction steps would occur simultaneously and that First Commonwealth would not operate Delaware County Bank as a separate entity.

Section 3 of the BHC Act and the Board’s Regulation Y require the approval of the Board before a bank holding company may merge with any other bank

¹ 12 U.S.C. § 1841 et seq.

holding company and before a bank holding company may acquire direct or indirect ownership or control of more than 5 percent of the voting shares of a bank.² Through the transaction described above, First Commonwealth would merge with FCB Financial thereby acquiring greater than 5 percent of the voting shares of Delaware County Bank. Accordingly, First Commonwealth would be required to obtain the Board's prior approval under section 3 of the BHC Act and Regulation Y.

In certain circumstances, however, in order to avoid duplication of regulatory review by federal banking regulators, the Board's rules provide that a bank holding company seeking to merge with another bank holding company need not obtain the Board's prior approval. Specifically, section 225.12(d)(2) of the Board's Regulation Y provides that a bank holding company need not receive the Board's approval if the transaction is subject to review by a federal banking agency under the Bank Merger Act,³ and meets certain other criteria.⁴ Your proposal meets all of the applicable criteria, and First Commonwealth has provided all necessary information.

The proposed merger of Delaware County Bank and First Commonwealth Bank requires the prior approval of the Federal Deposit Insurance Corporation ("FDIC") under the Bank Merger Act.⁵ In acting on the merger proposal, the FDIC must consider whether the proposal meets the interstate provisions of the Bank Merger Act, the impact the acquisition would have on competition, the financial and managerial resources and future prospects of the combined organization, the convenience and needs of the communities served by Delaware County Bank and First Commonwealth Bank, the institutions' records of performance under the Community Reinvestment Act, the institutions' effectiveness in combating money laundering activities, and risks to the stability of the United States banking or financial system.⁶ These criteria are substantially similar to the criteria the Board would consider under section 3 of the BHC Act.⁷

² 12 U.S.C. § 1842(a); 12 CFR 225.11.

³ 12 U.S.C. § 1828(c).

⁴ 12 CFR 225.12(d)(2).

⁵ 12 U.S.C. § 1828(c). First Commonwealth Bank filed an application with the FDIC requesting approval of the Bank Merger under the Bank Merger Act on November 17, 2016.

⁶ 12 U.S.C. §§ 1828(c)(5) and (11), 2902(3)(E), 2903(a)(2).

⁷ See 12 U.S.C. § 1842(c); 12 CFR 225.13.

Additionally, at no time would Delaware County Bank operate as a separate subsidiary of First Commonwealth. Following the transaction, the separate corporate existence of Delaware County Bank would cease, and First Commonwealth Bank would continue to operate as a state nonmember bank. Under these circumstances, review of the transaction under section 3 of the BHC Act would be duplicative of the review under the Bank Merger Act.

Based on a review of these and other facts presented, the Legal Division believes that no regulatory purpose would be served by requiring First Commonwealth to file a formal application under section 3 of the BHC Act. The Legal Division, therefore, would not recommend that the Board take action to require a filing of a formal application by First Commonwealth in connection with the transaction described above. This opinion is subject to the receipt by First Commonwealth, First Commonwealth Bank, DCB Financial, and Delaware County Bank of all other necessary regulatory approvals and compliance with any terms and conditions that may be imposed upon approval of the proposal.

This opinion is based on all the facts and representations presented to Federal Reserve staff. Any material change in those facts or representations should be communicated immediately to Federal Reserve staff and may cause this opinion to be reconsidered. This opinion is limited to this proposal and does not apply to any other transaction.

If you have any questions regarding this matter, please contact Michelle Kidd at (202) 736-5554 or Kirin Walsh at (202) 452-3058 of my staff.

Sincerely,

A handwritten signature in cursive script, appearing to read "Scott H. Allen". The signature is written in dark ink and includes a large, circular flourish at the end.

cc: Federal Deposit Insurance Corporation

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bcc: Alison Thro
Jon Stoloff
Michelle Kidd
Kirin Walsh
Sharon Ellis
Sharon Logan
Katie Ross-Foster
Margaret Miller
Jon Hiratsuka
Board Records
Legal Records
BS&R Clearing Unit

E-Apps # 30959
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