

# Business Strategies Today

What you need to know about Total Money Management

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Managing Risk in a Climate of Change



**REGIONAL WINNER**  
*Overall Client Satisfaction*  
Middle Market Banking

## THE MOST IMPORTANT STEP FOR ANY GROWING COMPANY IS THE NEXT ONE.

No two businesses take the same path and each one has a different definition of success. But the one thing all growing companies have in common is a next step. First National Bank exists to help you reach that next level — however high your sights are set. Our long-term focus on and commitment to our region's economy make us a knowledgeable partner with a reputation for building prosperous relationships.

To learn more visit [fnb-online.com](http://fnb-online.com) or call 1-800-555-5455.

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EQUAL HOUSING LENDER, MEMBER FDIC NYSE: FNB



**T**oday's climate of rapid and seemingly unending change has dampened the optimism of some in the business community. Many companies are struggling to manage the risks that are mounting on several fronts.

This edition of *Business Strategies Today* pinpoints three rapidly evolving business concerns, including continued healthcare reform, the threat of data attacks, and foreign exchange in a tumultuous global market. First National Bank's experts will share insight into comprehensive financial strategies to help you defend against these heightened risks.

#### Healthcare Reform

Just when you thought the crush of healthcare reform had peaked, newly defined regulations have risen to the surface. Unless you have a staff dedicated to translating, implementing and monitoring these new requirements, you run the risk of noncompliance and financial penalties. At FNB, it's our business to understand the intricacies of healthcare reform, so we can help you effectively manage the financial risks.

#### Data Attacks

Only a handful of the most high-profile data breaches make it to the evening news, but every company is subject to costly data attacks. Few companies, however, have the technology or specialized staff to effectively manage data compromises. As part of a full-service financial risk management strategy, FNB's experts can tailor a selection of services to help you prevent and

mitigate financial loss resulting from data breaches.

#### Globalization

Most companies are impacted by the global market in one way or another, perhaps by overseas travel, importing raw materials, exporting goods or purchasing property or equipment from another country, including Canada. FNB's International Banking experts can help you minimize the financial risk of doing business abroad. Specifically, we will share how incremental shifts in foreign currency could be impacting you financially, and why now is the right time to evaluate your foreign exchange practices.

At FNB, we make it our job to understand the dynamics of today's business climate, so we can help you manage your financial risk. Give us a call, and let's talk about ways to protect your business interests in this climate of constant change.

Regards,

Vincent J. Delie, Jr.  
**President and CEO, F.N.B. Corporation**  
**CEO, First National Bank**



## The First National Bank Difference

First National Bank, a subsidiary of F.N.B. Corporation (NYSE: FNB), is a local community-based institution that is dedicated to providing total money management solutions. We have a core business concentration on middle and upper-middle market companies and serve their needs as a value-added partner.

### The Strength of FNB

**Local People** When we focus our team's experience and expertise on your industry and your potential for growth we become a valuable business resource.

**Local Relationships** As a community-based institution, we rely on firsthand knowledge of market strengths and opportunities, as well as local management, employees and decision making.

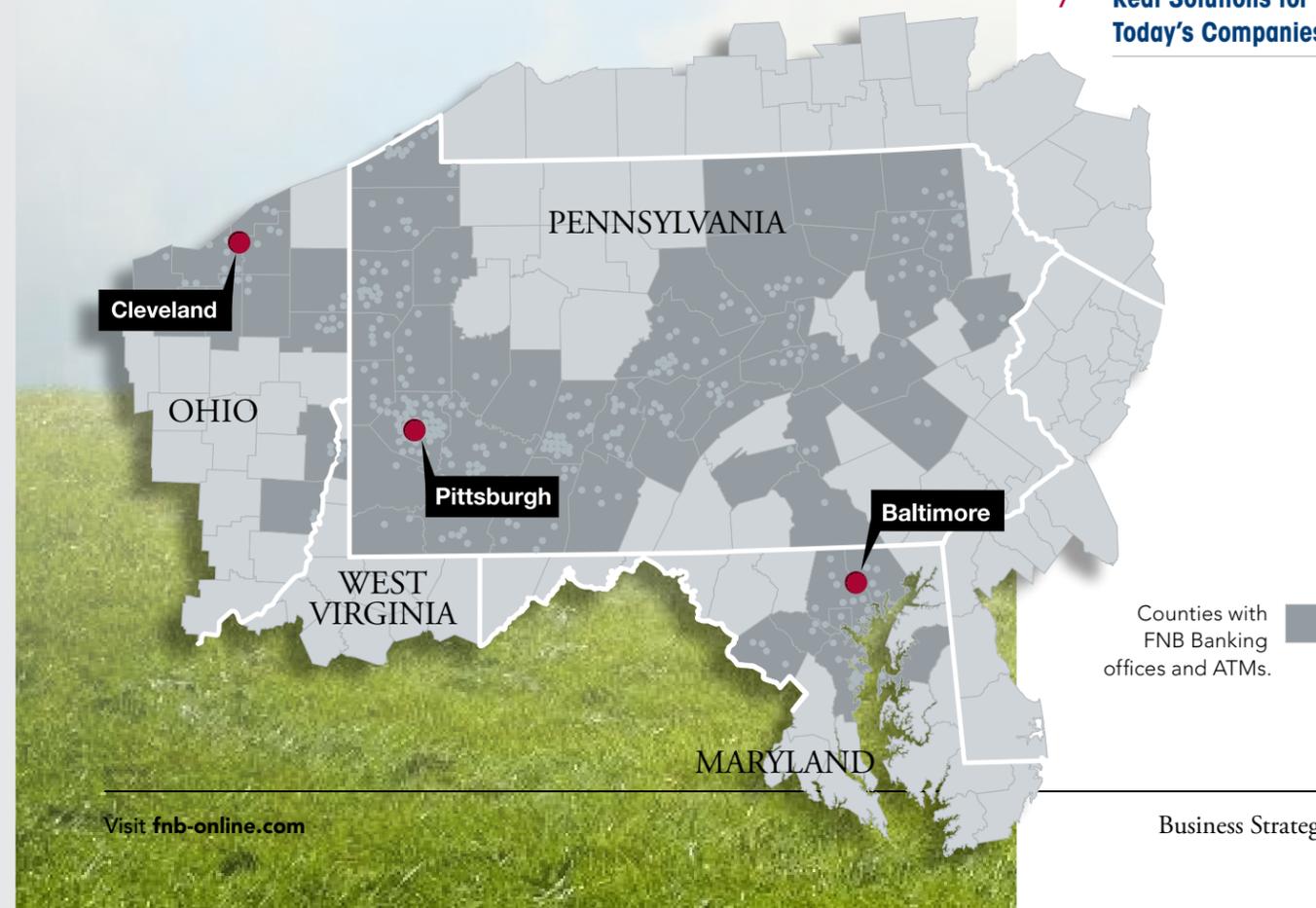
**Local Commitment** Our commitment to the success of our community-based initiatives is demonstrated in volunteer hours and financial contributions to numerous nonprofit organizations.

## Values That Matter

- Helping clients achieve economic success and financial security
- Building enduring relationships based on trust and integrity
- Creating long-term value for shareholders
- Giving employees an opportunity to learn, grow and contribute as members of a winning team
- Improving the quality of life in the communities we serve

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### Rethink Healthcare Funding

Healthcare reform is stirring renewed interest in plan funding options. Specifically, self-funding has become a hot topic, since this option could help employers steer clear of some of the complexities related to the Affordable Care Act. Don't miss the opportunity to potentially benefit from alternate funding options. FNB's financial experts can provide insight to help you determine the funding plan most suited to your needs.

## A Less Than Affordable Care Act

**S**INCE THE AFFORDABLE CARE ACT (ACA), or Obamacare, was signed into law in 2010, financial and administrative requirements have been a concern for companies large and small. Interpretation of the 20,000-page bill continues to evolve on a daily basis, and more companies are turning to financial and insurance professionals for effective healthcare risk management strategies.

### Financial Impact

As additional components of ACA become effective, sticker shock will become a reality for many consumers and businesses. Government-mandated changes in underwriting and rating procedures are limiting the ability of carriers to control their risk. As a result, a portion of that risk will be transferred back to plan holders in the form of increased premiums. Because carriers can no longer consider the claims experience of employees in determining rates, small businesses will be impacted at a disproportionate rate. The magnitude of financial impact is evident in small business premiums, many of which are increasing from 50 percent to more than 100 percent.

Additionally, ACA-generated taxes are now beginning to surface. On the horizon is a Medicare surtax of nearly 4 percent for individuals whose modified gross income plus net investment income crosses the

\$200,000 threshold; broadly defined investment income includes royalties, interest, dividends, rents and other activities. Individuals with salaries above \$200,000 will also see a Medicare tax hike of nearly 1.0 percent.

Employers, in addition to absorbing the sting of increased premiums, could face a stiff 40 percent excise tax if they offer plans with total individual premiums in excess of \$10,200. This is in addition to a number of other ACA-generated taxes created to help pay for health-care reform; one new tax alone will net \$8 billion in 2014.

### Business Complexities

In addition to pricing challenges, companies with 50 or more employees are now faced with a significant number of complex decisions: which employees will be covered, how is full-time defined, and what penalties will apply if some or all employees are not covered? How should the employee plan be funded, how will claims be managed, and who will monitor constantly evolving compliance issues? What communications are necessary to keep employees informed of plan changes?

### Solutions

FNB's full-service insurance agency has a focused and turn-key team of benefits experts who can help you manage the comprehensive financial and administrative risks of health care reform. We are equipped to provide compliance tools, administrative solutions, risk management services, funding alternatives, employee education and more. Call us today at 866.362.4603, and talk to our employee benefits experts about solutions to manage your healthcare risks, so you can focus on growing your business.

## A Layered Defense Against Fraud

**T**ENS OF MILLIONS OF DOLLARS AND A 50 PERCENT REDUCTION IN PROFIT; that's what recent data breaches have cost some of the nation's largest retailers. These mega-attacks grab headlines, but every business is at risk. In fact, smaller companies typically have fewer fraud prevention resources and are therefore less able to keep pace with the increasingly sophisticated methods of hackers. If you are among those hoping to escape unscathed, it's time to turn wishful thinking into a realistic plan of action.

A single layer of defense will not fully prevent the financial risk of fraud or the loss of proprietary business information and customer confidence. First National Bank's experts, however, can help you implement a number of risk management strategies to create a layered defense against fraud.

### Prevention Begins on the Inside

Commit to an internal culture of prevention by educating employees about ways to handle confidential information, passwords and suspicious emails. Look for ways to close procedural gaps, such as requiring segregation of duties and dual control for all financial transactions. Be cognizant of potential employee fraud; 20 percent of private companies identified employee fraud as their greatest financial drain.

### Add Layers of Protection with Customized Financial Services

Why endure the repercussions of fraud that might have been prevented? First National Bank offers services to increase your fraud resistance by monitoring account transactions on a daily basis. You can control your payment decisions by weeding out potentially fraudulent transactions before they hit your

business accounts. Be sure to ask us about Positive Pay, ACH Debit Filter and other services to help prevent fraud.

### Beyond Prevention

The potential of fraud continues to increase as attackers refine their ability to infiltrate databases and steal sensitive information. In this high-risk cyber environment, it's important that companies add a layer of defense beyond prevention. A fully integrated risk management strategic plan is key to any organization's operating plan. Specifically, liability policies related to cyber fraud, employee dishonesty and other management issues serve as the best way to transfer risk and minimize your exposure. The cost of protection is negligible when compared to the financial loss incurred when the operations of a business are brought to a standstill as a result of fraud.

### When Healthcare and Cyberspace Collide

As millions of Americans search for new healthcare options, they are sharing highly personal information. The downside? The new databases used to manage this information do not have sufficient infrastructures to protect this confidential data.

## Malware Knows No Bounds

MORE THAN 25 MILLION PIECES OF MALWARE ARE CURRENTLY SWIRLING IN CYBERSPACE, UNHINDERED BY NATIONAL BORDERS OR GOVERNMENT MANDATES. AS MALWARE BECOMES MORE PROLIFIC, MORE POTENT AND MORE RESISTANT TO DETECTION, THE RISK OF FRAUD AND FINANCIAL LOSS CONTINUES TO INCREASE. WAITING TO IMPLEMENT A SOUND RISK MANAGEMENT STRATEGY IS LIKE LEAVING YOUR FRONT DOOR OPEN WITH ALL OF YOUR VALUABLES PILED IN PLAIN SIGHT. WHEN YOU'RE READY TO LOCK THE FRONT DOOR, CALL FNB'S EXPERTS AT 866.362.4603 TO DISCUSS SOUND RISK MANAGEMENT STRATEGIES.

The insurance professionals at FNB can help you determine effective risk management solutions to safeguard the financial integrity of your business and personal interests.

Call us today at 866.362.4603, before financial risk becomes reality.



THE MASSIVE HEALTHCARE OVERHAUL PROMISES TO HAVE REPERCUSSIONS FOR YEARS TO COME.



## Rethinking Foreign Exchange Practices

A one-size-fits-all FX policy is ineffective in today's business climate. If you have been buying or selling in a single currency for an extended time, you are almost certainly experiencing income leakage. If you are like most companies, you are not adequately staffed to manage the many moving parts of foreign exchange. FNB's international banking experts can evaluate your FX practices, so you can mitigate risk, reduce costs and potentially squeeze a profit out of the currency exchange process.

# Foreign Exchange in Emerging Markets

INTERNATIONAL TRADE REPRESENTS A SIGNIFICANT SHARE OF THE U.S. GROSS DOMESTIC PRODUCT (GDP), with nearly 20 percent of regional businesses currently involved in foreign markets. Companies are enticed by the prospect of decreased manufacturing costs and increased sales and revenue. As with any potentially profitable venture, certain risks must be managed. In today's climate, it is especially important to manage the volatility of foreign exchange (FX) in emerging markets.

### Why Emerging Markets?

Recent shifts in the Fed's quantitative easing policy threw emerging markets into a tailspin, initiating a cycle of volatility and potential currency depreciation. The cycle occurs when emerging markets try to stimulate their economy with higher interest rates to attract new sources of capital. When investors follow rates, money floods out of the U.S. economy and into the emerging market. Once that economy cools, those investments are sucked back out of the emerging market, resulting in a rapid depreciation of currency. Some countries do not have a reserve sufficient to respond appropriately. (The value of currency has been known to plummet by as much as 15 percent in a single day.) Businesses which fail to stay ahead of this cycle can experience significant financial loss.

Yenner Karto has been instrumental in the build-out of FNB's International Banking Services. Yenner has 25 years of industry experience spanning the continents of Africa, Asia and North America. He is a member of several international payment and trade organizations, as well as the United States District Export Council, an appointment made by the Secretary of the Department of Commerce and the President of the United States. To discuss your international banking needs, contact Yenner directly at 412.320.2156.



Companies that import, export, make payroll or operate in emerging markets such as China, Southeast Asia, India, Africa, Latin America, Mexico and elsewhere around the world should be especially vigilant in implementing risk management strategies to mitigate volatility and protect profitability. Few companies, however, have the staffing resources or expertise to monitor the moment-by-moment shifts in currency.

FNB's International Banking experts are well-versed in factors that contribute to the volatility of foreign exchange, including the value of the dollar, interest rate differentials and trade policies, as well as political and economic climates. Our professionals can help you manage the risk of foreign exchange with real-time market intelligence and proven hedging strategies, a practice to eliminate the "surprises" of FX transactions.

While hedging could be used for speculative purposes, it is a more effective risk management strategy. Managing FX volatility allows you to calculate revenue and protect your profit, so you can keep your business model on track and maintain a competitive edge.

Call us today at 412.320.2156 to discuss comprehensive risk management strategies to effectively manage FX and other risks inherent in the international market.

# Real Solutions for Today's Companies

AS MORE U.S. COMPANIES DELVE INTO THE GLOBAL ARENA, FIRST NATIONAL BANK HAS EDUCATED ITS CLIENTS ON HOW TO MANAGE INTERNATIONAL TRANSACTIONS MORE EFFICIENTLY AND MORE SECURELY WHILE MEETING THE CLIENT'S FINANCIAL OBJECTIVES.

### SCENARIO ONE A Local Importer

The President of a Central Pennsylvania-based manufacturing company recapped how First National Bank's collaborative environment has helped his company capitalize on international business opportunities. "I approached a Commercial Banker at FNB," he notes. "Our company wanted to import copper from Taiwan to support our manufacturing needs. The supplier was unwilling to establish open terms, because they thought our credit history was insufficient. We needed a way around this, but many local banks were hesitant to help us. FNB looked at our business as a whole and found a solution that worked for us."

FNB's Business Credit team used the company's accounts receivable and inventory to determine a borrowing base, and the bank was able to lend a percentage of the value of those assets in the form of a line of credit. FNB's International Banking unit then issued the foreign supplier an international letter of credit within the line of credit, and the client began to import copper from Taiwan. "FNB's plan ensured our supply of copper would be uninterrupted, and we were able to meet our client delivery deadlines," explained the company's leader.

Managing the risk of foreign exchange was new to the company's leadership. "They had no strategy in place," explains Yenner Karto, head of FNB's International Banking team. "Basically, they were at the mercy of foreign exchange markets, and they were unable to accurately budget the cost of raw materials. They needed help to ensure their copper costs would not be inflated due to exchange rates."

First National Bank guided the client to lock in rates at a predetermined time prior to each purchase from Taiwan. Having an accurate final cost of raw materials in turn allowed the company to better project their cash flow needs and protect their business model.

### SCENARIO TWO Foreign Payroll

A regional company conducts business in Mexico and makes payroll in pesos twice monthly. FNB's International Banking experts evaluated the company's payroll practices, and recognized their payroll expenses were inflated beyond budgeted levels because of unfavorable FX rates. To avoid the complication of monitoring the constant fluctuation in exchange rates, the company chose to conduct business in U.S. dollars only. Because of their peso exposure, the company often experienced cost inflation when they paid in dollars.

After the company's management team met with FNB's International Banking team, a strategy to reverse the trend was implemented. The company began to hedge their peso exposure at a predetermined time prior to payroll. By eliminating the unknown in payroll expenses, the company has been able to stay within budget regardless of rate volatility.

The company has since expanded its relationship with FNB, implementing lock box services to speed access to client payments. Company employees also receive benefits unique to FNB's WorkPlace Banking program, and the client's facility is insured by a comprehensive property and casualty policy established with FNB's insurance professionals.

Each day, First National Bank provides comprehensive financial solutions to meet the unique needs of small and middle market companies. Contact a Commercial Banker today at 866.362.4603. We would like an opportunity to understand your business needs and help you develop solutions to financially benefit your company.



Yenner Karto