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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2011

Or

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File Number 001-11138

First Commonwealth Financial Corporation

(Exact name of registrant as specified in its charter)

Pennsylvania **(State or other jurisdiction of incorporation or organization)**	**25-1428528** **(I.R.S. Employer Identification No.)**
22 North Sixth Street, Indiana, PA **(Address of principal executive offices)**	**15701** **(Zip Code)**

724-349-7220

(Registrant s telephone number, including area code)

N/A

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

Indicate by a check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

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

(Do not check if a smaller reporting company)

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

The number of shares outstanding of issuer s common stock, $1.00 par value, as of August 1, 2011, was 104,906,994.

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FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES

FORM 10-Q

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FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES

ITEM 1. *Financial Statements and Supplementary Data*

(Unaudited)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	June 30, 2011	December 31, 2010
	(dollars in thousands, except share data)	
Assets		
Cash and due from banks	$ 78,187	$ 69,854
Interest-bearing bank deposits	52,320	4
Securities available for sale, at fair value	1,009,332	967,715
Other investments	44,095	48,859
Loans held for sale	823	0
Loans:		
Portfolio loans	3,992,058	4,218,083
Allowance for credit losses	(75,166)	(71,229)
Net loans	3,916,892	4,146,854
Premises and equipment, net	66,776	66,981
Other real estate owned	36,507	24,700
Goodwill	159,956	159,956
Amortizing intangibles, net	4,597	5,376
Other assets	321,817	322,543
Total assets	$ 5,691,302	$ 5,812,842
Liabilities		
Deposits (all domestic):		
Noninterest-bearing	$ 730,049	$ 706,889
Interest-bearing	3,806,099	3,910,963
Total deposits	4,536,148	4,617,852
Short-term borrowings	161,935	187,861
Subordinated debentures	105,750	105,750
Other long-term debt	73,352	98,748
Total long-term debt	179,102	204,498
Other liabilities	52,041	52,854
Total liabilities	4,929,226	5,063,065
Shareholders Equity		
Preferred stock, $1 par value per share, 3,000,000 shares authorized, none issued	0	0
	105,563	105,515

Common stock, $1 par value per share, 200,000,000 shares authorized; 105,563,455 shares issued and 104,906,994 shares outstanding at June 30, 2011; 105,515,079 shares issued and 104,846,194 shares outstanding at December 31, 2010		
Additional paid-in capital	366,266	366,488
Retained earnings	297,796	291,492
Accumulated other comprehensive income (loss), net	2,509	(2,458)
Treasury stock (656,461 and 668,885 shares at June 30, 2011 and December 31, 2010)	(7,458)	(7,660)
Unearned ESOP shares	(2,600)	(3,600)
Total shareholders equity	762,076	749,777
Total liabilities and shareholders equity	$ 5,691,302	$ 5,812,842

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

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FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES

ITEM 1. *Financial Statements and Supplementary Data*

(Unaudited) (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2011	2010	2011	2010
	(dollars in thousands, except share data)			
Interest Income				
Interest and fees on loans	$ 49,379	$ 57,367	$ 100,262	$ 114,775
Interest and dividends on investments:				
Taxable interest	8,558	9,664	16,932	20,131
Interest exempt from federal income taxes	13	1,839	199	3,990
Dividends	12	19	29	46
Interest on bank deposits	27	48	36	73
Total interest income	57,989	68,937	117,458	139,015
Interest Expense				
Interest on deposits	9,093	13,067	18,629	26,647
Interest on short-term borrowings	178	616	363	1,468
Interest on subordinated debentures	1,386	1,390	2,769	2,765
Interest on other long-term debt	447	1,268	943	2,441
Total interest on long-term debt	1,833	2,658	3,712	5,206
Total interest expense	11,104	16,341	22,704	33,321
Net Interest Income	46,885	52,596	94,754	105,694
Provision for credit losses	9,112	4,010	22,929	49,030
Net Interest Income after Provision for Credit Losses	37,773	48,586	71,825	56,664
Noninterest Income				
Change in fair value on impaired securities	448	190	2,317	(1,327)
Non-credit related gains on securities not expected to be sold (recognized in other comprehensive income)	(448)	(2,300)	(2,317)	(3,533)
Net impairment losses	0	(2,110)	0	(4,860)
Net securities gains	1,608	562	2,185	982
Trust income	1,764	1,398	3,482	2,892
Service charges on deposit accounts	3,748	4,603	7,174	8,755
Insurance and retail brokerage commissions	1,616	1,866	3,178	3,728
Income from bank owned life insurance	1,390	1,301	2,747	2,558
Letter of credit fees	892	748	1,526	1,367
Gain on sale of assets	1,251	116	1,482	413
Card related interchange income	3,042	2,686	5,842	5,006
Other income	1,753	1,479	3,776	3,259
Total noninterest income	17,064	12,649	31,392	24,100

Noninterest Expense				
Salaries and employee benefits	21,546	21,047	42,674	43,374
Net occupancy expense	3,495	3,539	7,227	7,432
Furniture and equipment expense	3,135	3,101	6,315	6,266
Data processing expense	1,525	1,478	2,949	2,915
Pennsylvania shares tax expense	1,434	1,457	2,612	2,514
Intangible amortization	389	576	779	1,233
Collection and repossession expense	1,726	794	3,042	1,717
Other professional fees and services	1,099	1,062	2,224	2,228
FDIC insurance	1,248	2,012	3,083	3,975
Loss on sale or write-down of assets	4,214	2,314	4,515	2,397
Other operating expenses	5,889	6,298	11,709	12,866
Total noninterest expense	45,700	43,678	87,129	86,917
Income (Loss) Before Income Taxes	9,137	17,557	16,088	(6,153)
Income tax provision (benefit)	1,718	4,015	3,423	(6,527)
Net Income	$ 7,419	$ 13,542	$ 12,665	$ 374
Average Shares Outstanding	104,686,072	85,777,550	104,652,472	85,405,715
Average Shares Outstanding Assuming Dilution	104,686,072	85,788,566	104,653,604	85,412,371
Per Share Data:				
Basic Earnings per Share	$ 0.07	$ 0.15	$ 0.12	$ 0.00
Diluted Earnings per Share	0.07	0.15	0.12	0.00
Cash Dividends Declared per Common Share	0.03	0.01	0.06	0.04

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

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FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES

ITEM 1. *Financial Statements and Supplementary Data*

(Unaudited) (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

(dollars in thousands, except share data)

	Shares Outstanding	**Common Stock**	**Additional Paid-in Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss), Net**	**Treasury Stock**	**Unearned ESOP Shares**	**Total Shareholders Equity**
Balance at December 31, 2010	104,846,194	$ 105,515	$ 366,488	$ 291,492	$ (2,458)	$ (7,660)	$ (3,600)	$ 749,777
Comprehensive income								
Net income				12,665				12,665
Other comprehensive income, net of tax:								
Unrealized holding gains on securities arising during the period					4,881			4,881
Non-credit related gains on securities not expected to be sold					1,506			1,506
Reclassification adjustment for gains on securities included in net income					(1,420)			(1,420)
Total other comprehensive income								$ 4,967
Total comprehensive income								$ 17,632
Cash dividends declared ($0.06 per share)				(6,278)				(6,278)
Net decrease in unearned ESOP shares							1,000	1,000
ESOP market value adjustment ($472, net of $165 tax benefit)			(307)					(307)
Discount on dividend reinvestment plan purchases			(32)					(32)
Tax benefit of stock options exercised			6					6
Treasury stock acquired	(1,336)					(9)		(9)
Treasury stock reissued	13,760		0	(83)		155		72
Restricted stock	25,000	25	(10)	0		56		71
Common stock issuance	23,376	23	121			0		144
Balance at June 30, 2011	104,906,994	$ 105,563	$ 366,266	$ 297,796	$ 2,509	$ (7,458)	$ (2,600)	$ 762,076

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FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES

ITEM 1. *Financial Statements and Supplementary Data*

(Unaudited) (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

(Continued)

(dollars in thousands, except share data)

	Shares Outstanding	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net	Treasury Stock	Unearned ESOP Shares	Total Shareholders Equity
Balance at December 31, 2009	85,151,875	$ 86,600	$ 301,523	$ 278,887	$ (6,045)	$ (16,554)	$ (5,600)	$ 638,811
Comprehensive income								
Net income				374				374
Other comprehensive income, net of tax:								
Unrealized holding gains on securities arising during the period					6,431			6,431
Non-credit related gains on securities not expected to be sold					2,297			2,297
Reclassification adjustment for losses on securities included in net income					2,553			2,553
Total other comprehensive income								$ 11,281
Total comprehensive income								$ 11,655
Cash dividends declared ($0.04 per share)				(3,402)				(3,402)
Net decrease in unearned ESOP shares							1,000	1,000
ESOP market value adjustment ($500, net of $175 tax benefit)			(325)					(325)
Discount on dividend reinvestment plan purchases			(22)					(22)
Treasury stock acquired	(1,291)					(8)		(8)
Treasury stock reissued	690,537		656	(4,552)		7,808		3,912
Restricted stock	30,120	0	0	(168)		297		129
Common stock issuance	370,898	371	2,129					2,500
Balance at June 30, 2010	86,242,139	$ 86,971	$ 303,961	$ 271,139	$ 5,236	$ (8,457)	$ (4,600)	$ 654,250

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

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FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES

ITEM 1. *Financial Statements and Supplementary Data*

(Unaudited) (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Six Months Ended June 30,	
	2011	2010
	(dollars in thousands)	
Operating Activities		
Net income	$ 12,665	$ 374
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	22,929	49,030
Deferred tax expense (benefit)	211	(7,526)
Depreciation and amortization	4,827	5,579
Net losses on securities and other assets	1,384	3,634
Net amortization (accretion) of premiums and discounts on securities	460	(97)
Net amortization of premiums and discounts on long-term debt	(69)	(529)
Income from increase in cash surrender value of bank owned life insurance	(2,747)	(2,558)
Decrease in interest receivable	1,085	2,111
Decrease in interest payable	(558)	(146)
(Decrease) increase in income tax payable	(894)	1,970
Other-net	(122)	8,452
Net cash provided by operating activities	39,171	60,294
Investing Activities		
Transactions with securities held to maturity:		
Proceeds from maturities and redemptions	0	14,520
Transactions with securities available for sale:		
Proceeds from sales	69,926	70,043
Proceeds from maturities and redemptions	229,515	224,717
Purchases	(331,702)	(121,309)
Proceeds from the redemption of FHLB stock	4,764	0
Proceeds from bank owned life insurance	88	0
Proceeds from sale of loans	4,402	0
Proceeds from sales of other assets	5,513	4,468
Net decrease in loans	181,216	158,234
Purchases of premises and equipment	(4,230)	(2,908)
Net cash provided by investing activities	159,492	347,765
Financing Activities		
Net decrease in federal funds purchased	(12,800)	(87,550)
Net decrease in other short-term borrowings	(13,126)	(515,700)
Net (decrease) increase in deposits	(81,657)	202,929
Repayments of other long-term debt	(24,328)	(61,919)
Proceeds from issuance of long-term debt	0	50,000
Proceeds from issuance of common stock	144	2,500

Discount on dividend reinvestment plan purchases	(32)	(22)
Dividends paid	(6,278)	(3,402)
Proceeds from reissuance of treasury stock	72	3,912
Purchase of treasury stock	(9)	(8)
Net cash used in financing activities	(138,014)	(409,260)
Net increase (decrease) in cash and cash equivalents	60,649	(1,201)
Cash and cash equivalents at January 1	69,858	89,559
Cash and cash equivalents at June 30	$ 130,507	$ 88,358

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

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FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES

ITEM 1. *Financial Statements and Supplementary Data*

(Unaudited) (Continued)

June 30, 2011

Notes to Condensed Consolidated Financial Statements

Note 1 Basis of Presentation

The accounting and reporting policies of First Commonwealth Financial Corporation and its subsidiaries (First Commonwealth or Company) conform with generally accepted accounting principles in the United States of America (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates, assumptions and judgments that affect the amounts reported in the financial statements and accompanying notes. Actual realized amounts could differ from those estimates. In the opinion of management, the unaudited interim condensed consolidated financial statements include all adjustments (consisting of only normal recurring adjustments) necessary for a fair presentation of First Commonwealth s financial position, results of operations, cash flows and changes in shareholders equity as of and for the periods presented.

The results of operations for the six months ended June 30, 2011 are not necessarily indicative of the results that may be expected for the full year of 2011. These interim financial statements should be read in conjunction with First Commonwealth s 2010 Annual Report on Form 10-K which is available on First Commonwealth s website at http://www.fcbanking.com.

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.

Note 2 Supplemental Comprehensive Income Disclosures

The following table identifies the related tax effects allocated to each component of other comprehensive income in the Condensed Consolidated Statements of Changes in Shareholders Equity:

	For the Six Months Ended June 30, 2011			For the Six Months Ended June 30, 2010		
	Pre-tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Pre-tax Amount	Tax (Expense) Benefit	Net of Tax Amount
	(dollars in thousands)					
Unrealized gains on securities:						
Unrealized holding gains on securities arising during the period	$ 7,509	$ (2,628)	$ 4,881	$ 9,895	$ (3,464)	$ 6,431
Non-credit related gains on securities not expected to be sold	2,317	(811)	1,506	3,533	(1,236)	2,297
(Gains) losses realized in net income	(2,185)	765	(1,420)	3,928	(1,375)	2,553
Net unrealized gains	7,641	(2,674)	4,967	17,356	(6,075)	11,281
Other comprehensive income	$ 7,641	$ (2,674)	$ 4,967	$ 17,356	$ (6,075)	$ 11,281

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FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES

ITEM 1. *Financial Statements and Supplementary Data*

(Unaudited) (Continued)

June 30, 2011

Notes to Condensed Consolidated Financial Statements (Continued)

Note 2 Supplemental Comprehensive Income Disclosures (Continued)

	For the Three Months Ended June 30, 2011			For the Three Months Ended June 30, 2010		
	Pre-tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Pre-tax Amount	Tax (Expense) Benefit	Net of Tax Amount
			(dollars in thousands)			
Unrealized gains on securities:						
Unrealized holding gains on securities arising during the period	$ 9,125	$ (3,193)	$ 5,932	$ 5,990	$ (2,097)	$ 3,893
Non-credit related gains on securities not expected to be sold	448	(157)	291	2,300	(805)	1,495
(Gains) losses realized in net income	(1,608)	563	(1,045)	1,583	(554)	1,029
Net unrealized gains	7,965	(2,787)	5,178	9,873	(3,456)	6,417
Other comprehensive income	$ 7,965	$ (2,787)	$ 5,178	$ 9,873	$ (3,456)	$ 6,417

Note 3 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 noncash investing and financing activities:

	For the Six Months Ended June 30, 2011	2010
	(dollars in thousands)	
Cash paid (received) during the year for:		
Interest	$ 23,377	$ 34,071
Income taxes	3,900	(1,184)
Noncash investing and financing activities:		
ESOP loan reductions	$ 1,000	$ 1,000
Loans transferred to other real estate owned and repossessed assets	20,640	1,769
Loans transferred from held to maturity to available for sale	823	0
Gross increase in market value adjustment to securities available for sale	7,631	17,356
Transfer of securities from held to maturity to available for sale	0	22,433

Correction of Prior Period Error in Cash Flow

For certain reporting periods in 2010, we erroneously presented the proceeds from the sale of certain available-for-sale securities within the Proceeds from maturities and redemptions sub-line item of Transactions with securities available-for-sale included in the Investing Activities section of the Consolidated Statements of Cash Flows, instead of within the Proceeds from Sales sub-line item of Transactions with securities available-for-sale. In addition, we erroneously presented the proceeds from the call of a held-to-maturity bond within the Proceeds from maturities and redemptions sub-line item of Transactions with securities available-for-sale included in the Investing Activities section of the Consolidated Statements of Cash Flows instead of within the Proceeds from maturities and redemptions sub-line item of Transactions with securities held-to-maturity.

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FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES

ITEM 1. *Financial Statements and Supplementary Data*

(Unaudited) (Continued)

June 30, 2011

Notes to Condensed Consolidated Financial Statements (Continued)

Note 3 Supplemental Cash Flow Disclosures (Continued)

Correction of Prior Period Error in Cash Flow (Continued)

The errors for the six-months ended June 30, 2010, have been corrected in the 2010 Consolidated Statements of Cash Flows presented on page 7 by removing the transactions from the Proceeds from maturities and redemptions sub-line item of Transactions with securities available for sale included in the Investing Activities section of the Consolidated Statements of Cash Flows, and including these transactions within the Proceeds from Sales sub-line item of Transactions with securities available-for-sale. Additionally, the proceeds from the call of the held-to-maturity bond was reclassified from the Proceeds from maturities and redemptions sub-line item of Transactions with securities available-for-sale included in the Investing Activities section of the Consolidated Statements of Cash Flows to the Proceeds from maturities and redemptions sub-line item of Transactions with securities held-to-maturity.

We have not amended or restated any prior period filings as this error does not impact our reported net income, net cash flows, or shareholders equity and was not considered material. While the six-month period of 2010 is corrected in this Form 10-Q, the corrections to the nine-month period ended September 30, 2010 and the year ended December 31, 2010, will be reflected in future filings of our September 30, 2011 Form 10-Q and our December 31, 2011 Form 10-K, respectively.

The effects of the correction of this error on the sub-lines within the Investing Activities section of the Consolidated Statements of Cash Flows for each respective period, is reflected below.

	For the Six Months Ended June 30, 2010	For the Nine Months Ended September 30, 2010	For the Year Ended December 31, 2010
		(dollars in thousands)	
Consolidated Statement of Cashflows			
Investing Activities			
Transactions with securities held-to-maturity:			
Proceeds from maturities and redemptions			
Original	$ 13,063	$ 13,063	$ 14,376
Revised	14,520	14,520	14,520
Transactions with securities available-for-sale:			
Proceeds from sales			
Original	19,019	26,754	28,573
Revised	70,043	141,585	143,503
Proceeds from maturities and redemptions			
Original	277,198	460,561	547,761

Revised	224,717	344,273	430,115

In accordance with current presentation in the Consolidated Statements of Cash Flows, we have reclassified $2.6 million related to the redemption of FHLB stock from proceeds from maturities and redemptions of available-for-sale securities to a separate line item. This reclassification decreases the proceeds from maturities and redemptions of available for sale securities for the year ended December 31, 2010.

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FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES

ITEM 1. *Financial Statements and Supplementary Data*

(Unaudited) (Continued)

June 30, 2011

Notes to Condensed Consolidated Financial Statements (Continued)

Note 4 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:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2011	**2010**	**2011**	**2010**
Weighted-average common shares outstanding	105,558,574	86,907,241	105,536,947	86,765,809
Average treasury stock shares	(656,461)	(746,060)	(660,206)	(964,527)
Average unearned ESOP shares	(181,835)	(337,626)	(198,285)	(352,623)
Average unearned nonvested shares	(34,206)	(46,005)	(25,984)	(42,944)
Weighted-average common shares and common stock equivalents used to calculate basic earnings per share	104,686,072	85,777,550	104,652,472	85,405,715
Additional common stock equivalents (nonvested stock) used to calculate diluted earnings per share	0	11,016	0	6,656
Additional common stock equivalents (stock options) used to calculate diluted earnings per share	0	0	1,132	0
Weighted-average common shares and common stock equivalents used to calculate diluted earnings per share	104,686,072	85,788,566	104,653,604	85,412,371

At June 30, 2011, there were options to purchase 546,270 shares of common stock outstanding, at a price ranging from $6.36 per share to $14.55 per share and common stock equivalents outstanding of 20,725 shares at a price ranging from $5.70 per share to $6.82 per share that were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive. At June 30, 2010, there were options to purchase 656,686 shares of common stock outstanding, at a price ranging from $5.29 per share to $14.55 per share and common stock equivalents outstanding of 4,218 shares at a price of $12.35 per share that were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive.

Note 5 Variable Interest Entities

As defined by Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 810-10, Consolidation, Overall, a Variable Interest Entity (VIE) is a corporation, partnership, trust or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. Under ASC 810-10, an entity that holds a variable interest in a VIE is required to consolidate the VIE if the entity is deemed to be the primary beneficiary, which generally means it is subject to a majority of the risk of loss from the VIE s activities, is entitled to receive a majority of the entity s residual returns, or both.

First Commonwealth s VIEs are evaluated under the guidance included in FASB Accounting Standards Update (ASU) 2009-17, Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities. These VIEs include qualified affordable housing projects that First

Commonwealth has invested in as

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FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES

ITEM 1. *Financial Statements and Supplementary Data*

(Unaudited) (Continued)

June 30, 2011

Notes to Condensed Consolidated Financial Statements (Continued)

Note 5 Variable Interest Entities (Continued)

part of its community reinvestment initiatives. We periodically assess whether or not our variable interests in the VIE, based on qualitative analysis, provide us with a controlling interest in the VIE. The analysis includes an assessment of the characteristics of the VIE. We do not have a controlling financial interest in the VIE, which would require consolidation of the VIE, as we do not have the following characteristics: (1) the power to direct the activities that most significantly impact the VIE s economic performance; and (2) the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE.

First Commonwealth s maximum potential exposure is equal to its carrying value and is summarized in the table below:

	June 30, 2011	December 31, 2010
	(dollars in thousands)	
Low Income Housing Limited Partnership Investments	$ 879	$ 925

Note 6 Commitments and Contingent Liabilities

Commitments and letters of credit

Standby 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 of 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:

	June 30, 2011	December 31, 2010
	(dollars in thousands)	
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	$ 1,339,912	$ 1,471,692
Financial standby letters of credit	52,455	64,348
Performance standby letters of credit	74,927	79,140
Commercial letters of credit	20	20

The current notional amounts outstanding as of June 30, 2011 include financial standby letters of credit of $0.9 million and performance standby letters of credit of $0.8 million issued during the first six months of 2011. There were no commercial letters of credit issued during the first six months of 2011. A liability of $0.1 million was recorded as of June 30, 2011 and December 31, 2010, which represents the 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. See Note 12, Fair Value of Assets and Liabilities, for additional information.

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FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES

ITEM 1. *Financial Statements and Supplementary Data*

(Unaudited) (Continued)

June 30, 2011

Notes to Condensed Consolidated Financial Statements (Continued)

Note 6 Commitments and Contingent Liabilities (Continued)

Commitments and letters of credit (Continued)

Unused commitments and letters of credit provide exposure to future credit loss in the event of nonperformance by the borrower or guaranteed parties. An evaluation of the credit risk in these instruments resulted in the recording of a liability of $0.8 million as of June 30, 2011 and $1.4 million as of December 31, 2010. The credit risk evaluation incorporated probability of default, loss given default and estimated utilization for the next twelve months for each loan category and the letters of credit.

Legal proceedings

McGrogan v. First Commonwealth Bank is a class action that was filed on January 12, 2009, in the Court of Common Pleas of Allegheny County, Pennsylvania. The action alleges that First Commonwealth Bank promised class members an 8% interest rate on its IRA Market Rate Savings Account for as long as the class members kept their money on deposit in the IRA account. The class asserts that First Commonwealth committed fraud, breached its modified contract with the class members, and violated the Pennsylvania Unfair Trade Practice and Consumer Protection Law when it resigned as custodian of the IRA Market Rate Savings Accounts in 2008 and offered the class members a roll-over IRA account with a 3.5% interest rate. At that time, aggregate balances in the IRA Market Rate Savings accounts totaled approximately $11.5 million. The class members seek monetary damages for the alleged breach of contract, punitive damages for the alleged fraud and Unfair Trade Practice and Consumer Protection Law violations, and attorney s fees. On July 27, 2011, the court granted class certification as to the breach of contract claim and denied class certification as to the fraud and Pennsylvania Unfair Trade Practice and Consumer Protection Law claims. The amount of liability, if any, will depend upon information which is not presently known to the Bank, including Court s interpretation of the IRA contract and each class member s life expectancy and pace of distributions from the IRA account. Accordingly, the Company is unable to estimate the amount or range of a reasonably possible loss.

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FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES

ITEM 1. *Financial Statements and Supplementary Data*

(Unaudited) (Continued)

June 30, 2011

Notes to Condensed Consolidated Financial Statements (Continued)

Note 7 Investment Securities

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

	June 30, 2011				December 31, 2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(dollars in thousands)							
Obligations of U.S. Government Agencies:								
Mortgage Backed Securities Residential	$ 33,695	$ 3,996	$ 0	$ 37,691	$ 36,719	$ 3,874	$ 0	$ 40,593
Obligations of U.S. Government Sponsored Enterprises:								
Mortgage Backed Securities Residential	657,193	28,221	(323)	685,091	618,454	26,513	(2,986)	641,981
Mortgage Backed Securities Commercial	212	1	(1)	212	233	1	(1)	233
Other Government- Sponsored Enterprises	242,818	728	(290)	243,256	184,531	225	(869)	183,887
Obligations of States and Political Subdivisions	1,029	28	0	1,057	47,175	644	0	47,819
Corporate Securities	11,827	228	(90)	11,965	21,226	494	(344)	21,376
Pooled Trust Preferred Collateralized Debt Obligations	56,393	39	(29,448)	26,984	58,780	16	(32,444)	26,352
Total Debt Securities	1,003,167	33,241	(30,152)	1,006,256	967,118	31,767	(36,644)	962,241
Equity Securities	3,074	2	0	3,076	5,137	337	0	5,474
Total Securities Available for Sale	$ 1,006,241	$ 33,243	$ (30,152)	$ 1,009,332	$ 972,255	$ 32,104	$ (36,644)	$ 967,715

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FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES

ITEM 1. *Financial Statements and Supplementary Data*

(Unaudited) (Continued)

June 30, 2011

Notes to Condensed Consolidated Financial Statements (Continued)

Note 7 Investment Securities (Continued)

The amortized cost and fair value of debt securities available for sale at June 30, 2011, by contractual maturity, are shown below. 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.

	Amortized Cost	Fair Value
	(dollars in thousands)	
Due within one year	$ 7,110	$ 7,125
Due after one but within five years	235,792	236,224
Due after five but within ten years	945	964
Due after ten years	68,220	38,949
	312,067	283,262
Mortgage Backed Securities (a)	691,100	722,994
Total Debt Securities	$ 1,003,167	$ 1,006,256

(a) Mortgage Backed Securities include an amortized cost of $34 million and a fair value of $38 million for Obligations of U.S. Government Agencies issued by Ginnie Mae. Obligations of U.S. Government-Sponsored Enterprises includes obligations issued by Fannie Mae and Freddie Mac which had an amortized cost of $657 million and a fair value of $685 million.

For the six months ended June 30, 2011, the Company realized proceeds of $69.9 million from the sale of available for sale securities which included $2.4 million in gross gains and $0.2 million in gross losses. For the six months ended June 30, 2010, the Company realized proceeds of $70.0 million from the sale of available for sale securities which included $1.7 million in gross gains and $0.8 million in gross losses.

During the first quarter of 2011, $5.2 million in single issue trust preferred securities and $1.2 million in corporate debentures owned by a non-bank subsidiary of the Company were sold in order to reinvest the proceeds in more liquid assets for that subsidiary. The amounts sold represent the entire portfolio of single issue trust preferred securities and corporate debentures owned by that subsidiary and resulted in a net gain of $0.3 million. During the second quarter of 2011, $3.0 million in single issue trust preferred securities were called resulting in a gain of $0.1 million. Additionally, in the first half of 2011, the Company continued its strategy to liquidate its obligations of states and political subdivisions portfolio in order to mitigate future credit risk and improve our tax position. Investments in obligations of states and political subdivisions totaled $1.1 million and $47.2 million as of June 30, 2011 and December 31, 2010, respectively. This decline is a result of $3.6 million in maturities and $42.5 million in sales which provided $0.3 million in recognized gains. As of June 30, 2011, none of the remaining investments in obligations of states and political subdivisions were in an unrealized loss position. All of these securities were classified as available for sale.

Securities available for sale with a fair value of $675 million and $660 million were pledged as of June 30, 2011 and December 31, 2010, respectively, to secure public deposits and for other purposes required or permitted by law.

As of June 30, 2011 and December 31, 2010, there were no securities classified as held to maturity.

For the six months ended June 30, 2010, net securities gains included $50 thousand in gains and no losses for debt securities held to maturity.

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FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES

ITEM 1. *Financial Statements and Supplementary Data*

(Unaudited) (Continued)

June 30, 2011

Notes to Condensed Consolidated Financial Statements (Continued)

Note 8 Other Investments

As a member of the Federal Home Loan Bank (FHLB) of Pittsburgh, First Commonwealth is required to purchase and hold stock in the FHLB to satisfy membership and borrowing requirements. 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 June 30, 2011 and December 31, 2010, our FHLB stock totaled $44.1 million and $48.9 million, respectively, and is included in Other investments on the Condensed Consolidated Statements of Financial Condition.

In December 2008, the FHLB voluntarily suspended dividend payments on its stock, as well as temporarily discontinued the repurchase of excess stock from members. The FHLB last paid a dividend in the third quarter of 2008. In October 2010, the FHLB resumed the repurchase of excess stock from its members by repurchasing the lesser of 5% of the members total capital stock outstanding or its total excess capital stock. As a result, $2.5 million, $2.5 million, and $2.3 million, of the Company s FHLB stock was repurchased in October 2010, February 2011 and April 2011, respectively. On July 27, 2011, the FHLB announced that it will repurchase additional stock. Accordingly, $2.2 million of the $44.1 million in stock owned by the Company at June 30, 2011 was repurchased by the FHLB. Decisions regarding any future repurchases of excess capital stock will be made by the FHLB on a quarterly basis.

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. The decision of whether impairment exists is a matter of judgment that reflects our view of the FHLB s long-term performance, which includes factors such as the following:

- its operating performance;
- the severity and duration of declines in the fair value of its net assets related to its capital stock amount;
- its commitment to make payments required by law or regulation and the level of such payments in relation to its operating performance;
- the impact of legislative and regulatory changes on the FHLB, and accordingly, on the members of the FHLB; and
- its liquidity and funding position.

Management reviewed the FHLB s Form 10-Q for the period ended March 31, 2011 filed with the SEC on May 10, 2011 in order to evaluate all of these considerations. First Commonwealth concluded that the par value of its investment in FHLB stock is recoverable. Accordingly, no impairment charge was recorded on these securities for the six months ended June 30, 2011. Our evaluation of the factors described above in future periods could result in the recognition of impairment charges on FHLB stock.

Although debt issued by the FHLB is not explicitly guaranteed by the US Government, the FHLB s AAA credit rating reflects the implicit support of the U.S. Government. A downgrade in the credit rating of the U.S. Government could likely increase the borrowing costs of the FHLB and possibly have a negative impact on its operations and long-term performance. It is possible this could have an adverse effect on the value of our investment in FHLB stock.

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FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES

ITEM 1. *Financial Statements and Supplementary Data*

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June 30, 2011

Notes to Condensed Consolidated Financial Statements (Continued)

Note 9 Impairment of Investment Securities

As required by FASB ASC Topic 320, Investments Debt and Equity Securities, credit related other-than-temporary impairment on debt securities is recognized in earnings while non-credit related other-than-temporary impairment on debt securities not expected to be sold is recognized in other comprehensive income (OCI). In the second quarter of 2011, no other-than-temporary impairment charges were recognized and $0.5 million in non-credit related gains on our trust preferred collateralized debt obligations that were determined to be impaired in previous periods was recorded in OCI. In the second quarter of 2010, we recorded $2.1 million in other-than-temporary impairment charges. These charges include $2.0 million in credit related other-than-temporary impairment on three trust preferred collateralized debt obligations, $0.1 million recorded on one equity security and a $45 thousand write-down on municipals transferred from held to maturity to available for sale. All of the securities for which other-than-temporary impairment was recorded were classified as available for sale securities. Additionally, $2.3 million in non-credit related gains on securities not expected to be sold was recorded in OCI.

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.

In the Condensed Consolidated Statements of Income, the Change in fair value on impaired securities line represents the change in fair value of securities impaired in the current or previous periods. The change in fair value includes both non-credit and credit related gains or losses. Credit related losses occur when the entire amortized cost of the security will not be recovered. The Non-credit related gains on securities not expected to be sold (recognized in other comprehensive income) line represents the gains and losses on the securities resulting from factors other than credit. The non-credit related gain or loss is disclosed in the Condensed Consolidated Statements of Income and recognized through other comprehensive income. The Net impairment losses line represents the credit related losses recognized in total noninterest income for the related period.

We review our investment portfolio on a quarterly basis for indications of impairment. This review includes analyzing the length of time and the extent to which the fair value has been lower than the cost, 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. In addition, the risk of future other-than-temporary impairment may be influenced by additional bank failures, weakness in the U.S. economy, changes in real estate values and additional interest deferrals in our pooled trust preferred collateralized debt obligations. Our pooled trust preferred collateralized debt obligations are beneficial interests in securitized financial assets within the scope of FASB ASC Topic 325, Investments Other, and are therefore evaluated for other-than-temporary impairment using management s best estimate of future cash flows. If these estimated cash flows indicate that it is probable that an adverse change in cash flows has occurred, then other-than-temporary impairment would be recognized in accordance with FASB ASC Topic 320. There is a risk that First Commonwealth will record other-than-temporary impairment charges in the future. See Note 12, Fair Values of Assets and Liabilities, for additional information.

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FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES

ITEM 1. *Financial Statements and Supplementary Data*

(Unaudited) (Continued)

June 30, 2011

Notes to Condensed Consolidated Financial Statements (Continued)

Note 9 Impairment of Investment Securities (Continued)

The following table presents the gross unrealized losses and estimated fair values at June 30, 2011 by investment category and time frame for which securities have been in a continuous unrealized loss position:

	Less Than 12 Months		12 Months or More		Total	
Description of Securities	**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 Sponsored Enterprises:						
Mortgage Backed Securities Residential	$ 63,715	$ (323)	$ 0	$ 0	$ 63,715	$ (323)
Mortgage Backed Securities Commercial	0	0	165	(1)	165	(1)
Other Government-Sponsored Enterprises	78,410	(290)	0	0	78,410	(290)
Corporate Securities	3,799	(26)	4,034	(64)	7,833	(90)
Pooled Trust Preferred Collateralized Debt Obligations	0	0	26,895	(29,448)	26,895	(29,448)
Total Securities	$ 145,924	$ (639)	$ 31,094	$ (29,513)	$ 177,018	$ (30,152)

The following table presents the gross unrealized losses and estimated fair values at December 31, 2010 by investment category and time frame for which securities have been in a continuous unrealized loss position:

	Less Than 12 Months		12 Months or More		Total	
Description of Securities	**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 Sponsored Enterprises:						
Mortgage Backed Securities Residential	$ 105,304	$ (2,986)	$ 0	$ 0	$ 105,304	$ (2,986)
Mortgage Backed Securities Commercial	182	(1)	0	0	182	(1)
Other Government - Sponsored Enterprises	126,531	(869)	0	0	126,531	(869)
Corporate Securities	4,482	(73)	5,827	(271)	10,309	(344)
Pooled Trust Preferred Collateralized Debt Obligations	0	0	26,286	(32,444)	26,286	(32,444)
Total Securities	$ 236,499	$ (3,929)	$ 32,113	$ (32,715)	$ 268,612	$ (36,644)

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FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES

ITEM 1. *Financial Statements and Supplementary Data*

(Unaudited) (Continued)

June 30, 2011

Notes to Condensed Consolidated Financial Statements (Continued)

Note 9 Impairment of Investment Securities (Continued)

At June 30, 2011, pooled trust preferred collateralized debt obligations accounted for 98% of total unrealized losses and fixed income securities issued by U.S. Government agencies and U.S. Government-sponsored enterprises accounted for 2%. There were no equity securities in an unrealized loss position.

As of June 30, 2011, our corporate securities had an amortized cost and an estimated fair value of $11.8 million and $12.0 million, respectively, and were comprised of single issue trust preferred securities issued primarily by money center and large regional banks. Included in the corporate securities portfolio are investments which had a gross unrealized loss of $0.1 million as of June 30, 2011 and $0.3 million as of December 31, 2010. After a review of each of the issuer s asset quality, earnings trend and capital position, it was determined that none of the issues in an unrealized loss position were other-than-temporarily impaired. Additionally, all interest payments on these securities are being made as contractually required.

As of December 31, 2010, our corporate securities were comprised of single issue trust preferred securities as well as some corporate debentures. The single issue trust preferred securities had an amortized cost and estimated fair value of $20.0 million, while our corporate debentures had a book value of $1.2 million and a fair value of $1.3 million.

The following table provides information related to our pooled trust preferred collateralized debt obligations as of June 30, 2011:

Pooled Trust Preferred Collateralized Debt Obligations

(dollars in thousands)

Deal	**Class**	**Amortized Cost**	**Estimated Fair Value**	**Unrealized Gain (Loss)**	**Moody s/ Fitch Ratings**	**Number of Banks**	**Deferrals and Defaults as a Percentage of Current Collateral**	**Excess Subordination as a Percentage of Current Performing Collateral**
Pre TSL I	Senior	$ 2,364	$ 2,158	$ (206)	A2/BBB	25	39.74%	290.41%
Pre TSL IV	Mezzanine	1,830	794	(1,036)	Ca/CCC	6	27.07%	38.57%
Pre TSL V	Mezzanine	50	89	39	Caa3/D	3	100.00%	0.00%
Pre TSL VI	Mezzanine	234	200	(34)	Ca/D	5	73.62%	510.11%
Pre TSL VII	Mezzanine	3,936	2,495	(1,441)	Ca/C	18	67.87%	0.00%
Pre TSL VIII	Mezzanine	1,619	888	(731)	C/C	34	45.91%	0.00%
Pre TSL IX	Mezzanine	2,227	934	(1,293)	Ca/C	48	30.50%	0.00%
Pre TSL X	Mezzanine	1,300	783	(517)	C/C	53	46.56%	0.00%

Pre TSL XII	Mezzanine	5,389	2,724	(2,665)	Ca/C	77	32.69%	0.00%
Pre TSL XIII	Mezzanine	11,816	4,770	(7,046)	Ca/C	64	32.31%	0.00%
Pre TSL XIV	Mezzanine	12,523	4,629	(7,894)	Ca/C	64	34.98%	0.00%
MMCap I	Senior	5,958	4,986	(972)	A3/BBB	29	32.25%	255.79%
MMCap I	Mezzanine	837	452	(385)	Ca/C	29	32.25%	13.70%
MM Comm IX	Mezzanine	6,310	1,082	(5,228)	Caa3/C	33	42.95%	0.00%
Total		$ 56,393	$ 26,984	$ (29,409)				

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FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES

ITEM 1. *Financial Statements and Supplementary Data*

(Unaudited) (Continued)

June 30, 2011

Notes to Condensed Consolidated Financial Statements (Continued)

Note 9 Impairment of Investment Securities (Continued)

As of June 30, 2011, the book value of our pooled trust preferred collateralized debt obligations totaled $56.4 million with a fair value of $27.0 million, which includes securities comprised of 359 banks and other financial institutions. Two of our pooled securities are senior tranches and the remainder are mezzanine tranches, three of which have no senior class remaining in the issue. Two of the pooled issues, representing $8.3 million of the $56.4 million book value, remain above investment grade. At the time of initial issue, the subordinated tranches ranged in size from approximately 7% to 35% of the total principal amount of the respective securities and no more than 5% of any pooled security consisted of a security issued by any one institution. As of June 30, 2011, after taking into account management s best estimates of future interest deferrals and defaults, nine of our securities had no excess subordination in the tranches we own and five of our securities had excess subordination which ranged from 14% to 510% of the current performing collateral.

Lack of liquidity in the market for trust preferred collateralized debt obligations, credit rating downgrades and market uncertainties related to the financial industry are factors contributing to the impairment on these securities.

On a quarterly basis we evaluate our debt securities for other-than-temporary impairment. In the first six months of 2011, no credit related other-than-temporary impairment charges were recognized on our pooled trust preferred collateralized debt obligations. When evaluating these investments we determine a credit related portion and a non-credit related portion of other-than-temporary impairment. The credit related portion is recognized in earnings and represents the expected shortfall in future cash flows. The non-credit related portion is recognized in OCI and represents the difference between the fair value of the security and the amount of credit related impairment. A discounted cash flow analysis provides the best estimate of credit related other-than-temporary impairment for these securities.

As of June 30, 2011, none of the pooled trust preferred collateralized debt obligations were considered to be nonperforming securities, compared to $15.8 million which were considered nonperforming at December 31, 2010. These securities were returned to performing status because of growing evidence supporting management s estimate of future cash flows which indicate that all remaining principal and interest will be received. Support for these estimates include; no other-than-temporary impairment charges have been recorded since the third quarter of 2010, improvement in the underlying collateral of these bonds has occurred, evidenced by a continued decline in new interest payment deferrals and principal defaults as well as an increase in actual cures of deferring collateral.

Additional information related to the discounted cash flow analysis follows:

Our pooled trust preferred collateralized debt obligations are measured for other-than-temporary impairment within the scope of FASB ASC Topic 325 by determining whether it is probable that an adverse change in estimated cash flows has occurred. Determining whether there has been an adverse change in estimated cash flows from the cash flows previously projected involves comparing the present value of remaining cash flows previously projected against the present value of the cash flows estimated at June 30, 2011. We consider the discounted cash flow analysis to be our primary evidence when determining whether credit related other-than-temporary impairment exists.

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(Unaudited) (Continued)

June 30, 2011

Notes to Condensed Consolidated Financial Statements (Continued)

Note 9 Impairment of Investment Securities (Continued)

Results of a discounted cash flow test are significantly affected by other variables such as the estimate of future cash flows, credit worthiness of the underlying banks and determination of probability of default of the underlying collateral. The following provides additional information for each of these variables:

Estimate of Future Cash Flows Cash flows are constructed in an INTEX cash flow model. INTEX is a proprietary cash flow model recognized as the industry standard for analyzing all types of collateralized debt obligations. It includes each deal s structural features updated with trustee information, including asset-by-asset detail, as it becomes available. For collateral issued by financial institutions with over $15 billion in asset size, our estimate of future cash flows includes a 20% prepayment rate in years 3 and 4 and a 2% prepayment rate thereafter. The modeled cash flows are then used to estimate if all the scheduled principal and interest payments of our investments will be returned.

Credit Analysis A quarterly credit evaluation is performed for each of the 359 banks comprising the collateral across the various pooled trust preferred securities. Our credit evaluation considers all evidence available to us and includes the nature of the issuer s business, its years of operating history, corporate structure, loan composition, loan concentrations, deposit mix, asset growth rates, geographic footprint and local economic environment. Our analysis focuses on profitability, return on assets, shareholders equity, net interest margin, credit quality ratios, operating efficiency, capital adequacy and liquidity.

Probability of Default A probability of default is determined for each bank and is used to calculate the expected impact of future deferrals and defaults on our expected cash flows. Each bank in the collateral pool is assigned a probability of default for each year until maturity. Currently, any bank that is in default is assigned a 100% probability of default and a 0% projected recovery rate. All other banks in the pool are assigned a probability of default based on their unique credit characteristics and market indicators with a 10% projected recovery rate. For the majority of banks currently in deferral we assume the bank continues to defer and will eventually default and therefore a 100% probability of default is assigned. However, for some deferring collateral there is the possibility that they become current on interest or principal payments at some point in the future and in those cases a probability that the deferral will ultimately cure is assigned. The probability of default is updated quarterly. As of June 30, 2011, default probabilities for performing collateral ranged from 0.33% to 95%.

Our credit evaluation provides a basis for determining deferral and default probabilities for each underlying piece of collateral. Using the results of the credit evaluation, the next step of the process is to look at pricing of senior debt or credit default swaps for the issuer (or where such information is unavailable, for companies having similar credit profiles as the issuer). The pricing of these market indicators provides the information necessary to determine appropriate default probabilities for each bank.

In addition to the above factors, our evaluation of impairment also includes a stress test analysis which provides an estimate of excess subordination for each tranche. We stress the cash flows of each pool by increasing current default assumptions to the level of defaults which results in an adverse change in estimated cash flows. This stressed breakpoint is then used to calculate excess subordination levels for each pooled trust preferred security. The results of the stress test allows management to identify those pools that are at a greater risk for a future break in cash flows so that we can monitor banks in those pools more closely for potential deterioration of credit quality.

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(Unaudited) (Continued)

June 30, 2011

Notes to Condensed Consolidated Financial Statements (Continued)

Note 9 Impairment of Investment Securities (Continued)

Our cash flow analysis as of June 30, 2011, indicates no additional credit related other-than-temporary impairment has occurred on our pooled trust preferred securities since December 31, 2010. As a result, no other-than-temporary impairment charges were recognized in the second quarter of 2011. Based upon the analysis performed by management, it is probable that nine of our pooled trust preferred securities will experience principal and interest shortfalls and therefore appropriate other-than-temporary charges were recorded in 2008, 2009 and 2010. These securities are identified in the table on page 18 with 0% Excess Subordination as a Percentage of Current Performing Collateral. For the remaining securities listed in that table, our analysis as of June 30, 2011 indicates it is probable that we will collect all contractual principal and interest payments.

The following provides a cumulative roll forward of credit losses recognized in earnings for debt securities held and not intended to be sold:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2011	2010	2011	2010
	(dollars in thousands)			
Balance, beginning (a)	$ 44,850	$ 38,911	$ 44,850	$ 36,161
Credit losses on debt securities for which other-than-temporary impairment was not previously recognized	0	0	0	0
Additional credit losses on debt securities for which other-than-temporary impairment was previously recognized	0	1,965	0	4,715
Balance, ending	$ 44,850	$ 40,876	$ 44,850	$ 40,876

(a) The beginning balance represents credit related losses included in other-than-temporary impairment charges recognized on debt securities in prior periods. For the six months ended June 30, the beginning balance represents impairment losses taken before January 1 of the respective year.

In the second quarter of 2011, there were no other-than-temporary impairment charges recorded on equity securities. There was $0.1 million of other-than-temporary impairment charges recognized in the second quarter of 2010 on equity securities. On a quarterly basis, management evaluates equity securities for other-than-temporary impairment by reviewing the severity and duration of decline in estimated fair value, research reports, analysts recommendations, credit rating changes, news stories, annual reports, regulatory filings, impact of interest rate changes and other relevant information. As of June 30, 2011, there are no equity securities in an unrealized loss position.

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FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES

ITEM 1. *Financial Statements and Supplementary Data*

(Unaudited) (Continued)

June 30, 2011

Notes to Condensed Consolidated Financial Statements (Continued)

Note 10 Loans and Allowance for Credit Losses

The following table provides outstanding balances related to each of our loan types:

	June 30, 2011	**December 31, 2010**
	(dollars in thousands)	
Commercial, financial, agricultural and other	$ 943,186	$ 913,814
Real estate construction	146,113	261,482
Residential real estate	1,101,859	1,127,273
Commercial real estate	1,270,797	1,354,074
Loans to individuals	530,103	561,440
Total loans	$ 3,992,058	$ 4,218,083

During the six months ended June 30, 2011, loans decreased $226.0 million or 5% compared to balances outstanding at December 31, 2010. Declines were experienced in all categories except commercial, financial, agricultural and other and can be attributed to the following: real estate construction declined as the result of the completion of construction projects which upon completion were moved to the commercial real estate category; the decline in residential real estate loans can be attributed to planned runoff in this portfolio; commercial real estate decreased largely as a result of payoffs by the conduit markets which provided longer term, lower rate financing to several borrowers; and loans to individuals declined primarily because of weaker consumer loan demand.

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 loans:

Pass — No change in credit rating of borrower. Acceptable levels of risk exist in the relationship.

Other Assets Especially Mentioned (OAEM) — 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.

Substandard — 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.

Doubtful	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.

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Note 10 Loans and Allowance for Credit Losses (Continued)

Credit Quality Information (Continued)

The use of creditworthiness categories to grade loans permits management s use of migration analysis to estimate a portion of credit risk. The Company s internal creditworthiness grading system is based on experiences with similarly graded loans. Category ratings are reviewed each quarter, at which time management analyzes the results, as well as other external statistics and factors, to track the migration of loan performance. Loans that migrate towards higher risk rating levels generally have an increased risk of default, whereas, loans that migrate toward lower risk ratings generally will result in a lower risk factor being applied to those related loan balances.

The following tables represent our credit risk profile by creditworthiness:

	June 30, 2011					
	Commercial, financial, agricultural and other	Real estate construction	Residential real estate	Commercial real estate	Loans to individuals	Total
	(dollars in thousands)					
Pass	$ 832,569	$ 84,295	$ 1,091,117	$ 993,340	$ 530,074	$ 3,531,395
Non-Pass						
OAEM	38,929	9,923	5,385	98,770	10	153,017
Substandard	65,099	46,184	5,357	178,687	19	295,346
Doubtful	6,589	5,711	0	0	0	12,300
Total Non-Pass	110,617	61,818	10,742	277,457	29	460,663
Total	$ 943,186	$ 146,113	$ 1,101,859	$ 1,270,797	$ 530,103	$ 3,992,058

	December 31, 2010					
	Commercial, financial, agricultural and other	Real estate construction	Residential real estate	Commercial real estate	Loans to individuals	Total
	(dollars in thousands)					
Pass	$ 778,260	$ 181,348	$ 1,115,825	$ 1,062,400	$ 561,360	$ 3,699,193
Non-Pass						

OAEM	54,318	10,845	6,198	82,361	6	153,728
Substandard	81,236	60,712	5,250	209,313	74	356,585
Doubtful	0	8,577	0	0	0	8,577
Total Non-Pass	135,554	80,134	11,448	291,674	80	518,890
Total	$ 913,814	$ 261,482	$ 1,127,273	$ 1,354,074	$ 561,440	$ 4,218,083

Portfolio Risks

Credit quality of our loan portfolio represents significant risk to our earnings, capital, regulatory agency relationships, investment community and shareholder returns. First Commonwealth devotes a substantial amount of resources to managing this risk primarily through our credit administration department that develops and

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Note 10 Loans and Allowance for Credit Losses (Continued) (Continued)

Portfolio Risks (Continued)

administers policies and procedures for underwriting, maintaining, monitoring and collecting activities. Credit administration is independent of lending departments and oversight is provided by the Credit Committee of the First Commonwealth Board of Directors.

Our loan portfolio risks include increased credit quality risks due to high levels of classified loans that need to be worked through to resolution, the large amount of loans exceeding recently established internal lending limits and uncertain economic conditions.

Classified loans, or loans designated OAEM, substandard or doubtful, total $460.7 million at June 30, 2011 decreasing $58.2 million from December 31, 2010. As of June 30, 2011, classified loans total 11.5% of the loan portfolio, a decrease from 12.3% as of December 31, 2010. These loans have been evaluated with respect to the adequacy of the allowance for credit losses which we believe is adequate at this time. However, changes in economic conditions, interest rates, borrower financial condition, delinquency trends or previously established fair values of collateral factors could significantly change those judgmental estimates. The credit administration department continually monitors and evaluates those evolving factors in order to adjust the allowance for credit losses.

Our local markets of western Pennsylvania, which comprise 92% of our loan portfolio, have not been as intensely affected by the most recent economic recession as some other regions of the country and are evidencing a quicker economic recovery. We believe focusing on originating loans in our local markets will improve ongoing credit quality in the portfolios.

Risk factors associated with commercial real estate and construction related loans are monitored closely since this is an area that represents the most significant portion of the loan portfolio and has experienced the most stress during the economic downturn and has evidenced little recovery strength.

Credit quality measures as of June 30, 2011 were mixed as delinquency 90 days and greater and still accruing decreased $0.2 million compared to December 31, 2010. Loans classified as non-pass decreased $58.2 million while delinquency 30 to 59 days increased $22.4 million. However, the increase in 30 to 59 day delinquency is primarily due to $19.8 million related to one relationship as the result of modifications on related accounts which have not been completed yet.

In addition, during the first half of 2011, 15 relationships were classified as troubled debt restructuring. These loans increased the nonperforming loans balance by $21.5 million and increased specific reserves by $2.4 million. The most significant additions were a $6.9 million commercial real estate loan for a retail strip development in western Pennsylvania and two commercial real estate loans totaling $10.0 million; one in western Pennsylvania and one in Maryland. All three of these loans were provided extensions at the maturity of a balloon payment.

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June 30, 2011

Notes to Condensed Consolidated Financial Statements (Continued)

Note 10 Loans and Allowance for Credit Losses (Continued)

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 June 30, 2011 and December 31, 2010. Also included in these tables are loans that are 90 days or more past due and still accruing because they are either well-secured and in the process of collection.

	June 30, 2011						
	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	$ 13,920	$ 377	$ 464	$ 38,160	$ 52,921	$ 890,265	$ 943,186
Real estate construction	2,127	1,021	184	37,264	40,596	105,517	146,113
Residential real estate	7,999	1,883	10,362	3,441	23,685	1,078,174	1,101,859
Commercial real estate	14,440	1,916	567	33,795	50,718	1,220,079	1,270,797
Loans to individuals	2,568	824	1,383	7	4,782	525,321	530,103
Total	$ 41,054	$ 6,021	$ 12,960	$ 112,667	$ 172,702	$ 3,819,356	$ 3,992,058

	December 31, 2010						
	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	$ 2,195	$ 513	$ 731	$ 25,586	$ 29,025	$ 884,789	$ 913,814
Real estate construction	363	2,279	0	44,670	47,312	214,170	261,482
Residential real estate	8,322	2,545	10,144	2,249	23,260	1,104,013	1,127,273
Commercial real estate	5,076	5,302	459	43,586	54,423	1,299,651	1,354,074
Loans to individuals	2,745	848	1,869	60	5,522	555,918	561,440

Total	$ 18,701	$ 11,487	$ 13,203	$ 116,151	$ 159,542	$ 4,058,541	$ 4,218,083

The previous tables summarizes 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, 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 unless they are well-secured and in the process of collection.

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June 30, 2011

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Note 10 Loans and Allowance for Credit Losses (Continued)

Nonaccrual Loans

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 doubtful.

Impaired Loans

Management considers loans to be impaired 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. Determination of impairment is treated the same across all loan segments. When management identifies a loan as impaired, the impairment 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. In these cases, management uses the current fair value of collateral, less selling costs when foreclosure is probable, instead of discounted cash flows. If management determines the value of the impaired loan is less than the recorded investment in the loan, impairment is recognized through an allowance estimate or a charge-off to the allowance.

When the ultimate collectability of the total principal of an impaired 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 an impaired 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.

Nonperforming loans increased $29.4 million to $146.9 million at June 30, 2011 compared to $117.5 million at December 31, 2010. Unfunded commitments related to nonperforming loans were $0.3 million at June 30, 2011 and an off balance sheet reserve of $0.1 million has been established for these commitments.

Significant additions in nonaccrual loans for the six months ended June 30, 2011 include the following:

$9.7 million loan for a western Pennsylvania office complex.

$3.1 million loan for a western Pennsylvania manufacturer.

$13.7 million shared national credit commercial loan for an information technology firm in Maryland.

- $3.3 million commercial real estate project in Pennsylvania.

Significant reductions in nonaccrual loans for the six months ended June 30, 2011 include the following:

- $4.0 million land development loan in central Pennsylvania which was transferred to OREO.
- $10.0 million commercial real estate loan for an office building for which a charge-off was taken and was subsequently transferred to OREO.
- $4.0 million construction loan in Florida which was transferred to OREO.

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June 30, 2011

Notes to Condensed Consolidated Financial Statements (Continued)

Note 10 Loans and Allowance for Credit Losses (Continued)

Impaired Loans (Continued)

Movement of $11.3 million loan for a waste management company to accrual status. This loan continues to be classified as nonperforming because modifications made to original loan contract have resulted in classification as a troubled debt restructuring.

The following tables include the recorded investment and unpaid principal balance for impaired loans with the associated allowance amount, if applicable, as of June 30, 2011 and December 31, 2010. Also presented are the average recorded investment in impaired loans and the related amount of interest recognized while the loan was considered impaired. Average balances are calculated based on month-end balances of the loans of the period reported.

	June 30, 2011		
	Recorded Investment	Unpaid Principal Balance	Related Allowance
	(dollars in thousands)		
With no related allowance recorded:			
Commercial, financial, agricultural and other	$ 921	$ 1,009	$ 0
Real estate construction	7,011	23,742	0
Residential real estate	2,194	2,550	0
Commercial real estate	18,323	19,350	0
Loans to individuals	7	7	0
Subtotal	28,456	46,658	0
With an allowance recorded:			
Commercial, financial, agricultural and other	39,880	40,182	12,717
Real estate construction	30,252	34,538	14,222
Residential real estate	1,391	1,473	216
Commercial real estate	46,896	47,300	7,711
Loans to individuals	0	0	0
Subtotal	118,419	123,493	34,866
Total	$ 146,875	$ 170,151	$ 34,866

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Notes to Condensed Consolidated Financial Statements (Continued)

Note 10 Loans and Allowance for Credit Losses (Continued)

Impaired Loans (Continued)

	December 31, 2010		
	Recorded Investment	Unpaid Principal Balance	Related Allowance
	(dollars in thousands)		
With no related allowance recorded:			
Commercial, financial, agricultural and other	$ 2,963	$ 5,745	$ 0
Real estate construction	14,319	62,317	0
Residential real estate	1,961	2,534	0
Commercial real estate	22,970	23,830	0
Loans to individuals	60	125	0
Subtotal	42,273	94,551	0
With an allowance recorded:			
Commercial, financial, agricultural and other	23,118	38,940	6,709
Real estate construction	30,351	34,954	11,855
Residential real estate	344	344	56
Commercial real estate	21,401	21,626	5,287
Loans to individuals	0	0	0
Subtotal	75,214	95,864	23,907
Total	$ 117,487	$ 190,415	$ 23,907

	For the Six Months Ended June 30, 2011		For the Six Months Ended June 30, 2010	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
	(dollars in thousands)			
With no related allowance recorded:				
Commercial, financial, agricultural and other	$ 3,167	$ 5	$ 2,873	$ 4
Real estate construction	12,727	2	27,862	0
Residential real estate	2,005	2	1,858	0
Commercial real estate	29,407	18	18,131	0

Loans to individuals	16	0	52	0
Subtotal	47,322	27	50,776	4
With an allowance recorded:				
Commercial, financial, agricultural and other	27,026	76	49,660	0
Real estate construction	31,124	2	44,054	0
Residential real estate	506	0	1,353	0
Commercial real estate	29,292	177	10,649	6
Loans to individuals	0	0	0	0
Subtotal	87,948	255	105,716	6
Total	$ 135,270	$ 282	$ 156,492	$ 10

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Note 10 Loans and Allowance for Credit Losses (Continued)

Impaired Loans (Continued)

	For the Three Months Ended June 30, 2011		For the Three Months Ended June 30, 2010	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
	(dollars in thousands)			
With no related allowance recorded:				
Commercial, financial, agricultural and other	$ 2,297	$ 2	$ 1,956	$ 2
Real estate construction	10,204	2	41,192	0
Residential real estate	1,987	1	1,759	0
Commercial real estate	26,255	7	23,361	0
Loans to individuals	7	0	89	0
Subtotal	40,750	12	68,357	2
With an allowance recorded:				
Commercial, financial, agricultural and other	30,770	74	50,592	0
Real estate construction	31,701	1	30,230	0
Residential real estate	722	0	1,975	0
Commercial real estate	39,912	164	6,086	2
Loans to individuals	0	0	0	0
Subtotal	103,105	239	88,883	2
Total	$ 143,855	$ 251	$ 157,240	$ 4

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. As of June 30, 2011, troubled debt restructured loans totaled $34.7 million. In 2011, 15 relationships, comprised of 27 loans, totaling $21.5 million were identified as troubled debt restructurings resulting in specific reserves of $2.4 million. As of December 31, 2010, troubled debt restructured loans totaled $1.3 million. In the first six months of 2010, there were no loan modifications determined to be troubled debt restructurings. The following table provides detail related to loans identified as troubled debt restructurings during the first six months of 2011:

	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
		(dollars in thousands)	
Troubled Debt Restructurings:			
Commercial, financial, agricultural and other	8	$ 2,268	$ 2,263
Real estate construction	3	354	371
Residential real estate	2	90	90
Commercial real estate	14	18,830	18,731
Loans to individuals	0	0	0
Total	27	$ 21,542	$ 21,455

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Note 10 Loans and Allowance for Credit Losses (Continued)

Impaired Loans (Continued)

The following table provides detail related to loans identified as troubled debt restructurings during the three months ended June 30, 2011:

	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
		(dollars in thousands)	
Troubled Debt Restructurings:			
Commercial, financial, agricultural and other	0	$ 0	$ 0
Real estate construction	0	0	0
Residential real estate	2	90	90
Commercial real estate	4	10,882	10,839
Loans to individuals	0	0	0
Total	6	$ 10,972	$ 10,929

The trouble debt restructurings included in the above tables are also included in the impaired loan tables provided earlier in this note.

The following tables provide detail related to the allowance for credit losses:

	For the Six Months Ended June 30, 2011						
	Commercial, financial, agricultural and other	Real estate construction	Residential real estate	Commercial real estate	Loans to individuals	Unallocated	Total
				(dollars in thousands)			
Allowance for credit losses:							
Beginning balance	$ 21,700	$ 18,002	$ 5,454	$ 16,913	$ 4,215	$ 4,945	$ 71,229
Charge-offs	(2,957)	(8,048)	(1,700)	(5,575)	(1,522)	0	(19,802)
Recoveries	261	0	96	164	289	0	810

Provision	4,171	7,747	3,020	7,278	888	(175)	22,929
Ending balance	$ 23,175	$ 17,701	$ 6,870	$ 18,780	$ 3,870	$ 4,770	$ 75,166
Ending balance: individually evaluated for impairment	$ 12,717	$ 14,222	$ 216	$ 7,711	$ 0	$ 0	$ 34,866
Ending balance: collectively evaluated for impairment	$ 10,458	$ 3,479	$ 6,654	$ 11,069	$ 3,870	$ 4,770	$ 40,300
Loans:							
Ending balance	$ 943,186	$ 146,113	$ 1,101,859	$ 1,270,797	$ 530,103		$ 3,992,058
Ending balance: individually evaluated for impairment	$ 40,447	$ 37,087	$ 2,174	$ 63,743	$ 0		$ 143,451
Ending balance: collectively evaluated for impairment	$ 902,739	$ 109,026	$ 1,099,685	$ 1,207,054	$ 530,103		$ 3,848,607

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Note 10 Loans and Allowance for Credit Losses (Continued)

Impaired Loans (Continued)

	For the Six Months Ended June 30, 2010						
	Commercial, financial, agricultural and other	**Real estate construction**	**Residential real estate**	**Commercial real estate**	**Loans to individuals**	**Unallocated**	**Total**
	(dollars in thousands)						
Allowance for credit losses:							
Beginning balance	$ 31,369	$ 18,224	$ 5,847	$ 17,526	$ 4,731	$ 3,942	$ 81,639
Charge-offs	(1,545)	(38,182)	(2,540)	(1,059)	(1,946)	0	(45,272)
Recoveries	2,188	0	48	115	298	0	2,649
Provision	2,969	44,478	1,570	(2,826)	1,488	1,351	49,030
Ending balance	$ 34,981	$ 24,520	$ 4,925	$ 13,756	$ 4,571	$ 5,293	$ 88,046
Ending balance: individually evaluated for impairment	$ 24,240	$ 16,734	$ 14	$ 530	$ 0	$ 0	$ 41,518
Ending balance: collectively evaluated for impairment							