Ingredion Inc
Form 4
October 03, 2014

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

OMB APPROVAL
OMB Number: 3235-0287
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(Print or Type Responses)

1. Name and Address of Reporting Person *
KLEIN BARBARA A

(Last) (First) (Middle)

5 WESTBROOK CORPORATE CENTER

(Street)

WESTCHESTER, IL 60154

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
Ingredion Inc [INGR]

3. Date of Earliest Transaction (Month/Day/Year)
10/01/2014

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	10/01/2014		A		369.723 (1)	A	$ 0	24,812.8865 (2)	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
KLEIN BARBARA A 5 WESTBROOK CORPORATE CENTER WESTCHESTER, IL 60154	X			

Signatures

Christine M. Castellano, Attorney-in-Fact	10/03/2014
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) These are restricted stock units issued to the Company's outside directors as part of their annual retainer and are payable in stock no earlier than six months after resignation or retirement as a director and no later than ten years therafter.

(2) Includes restricted stock units acquired through deemed dividend reinvestment and shares of common stock acquired through dividend reinvestment.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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Note 13 Variable Interest Entities

As defined by FASB ASC 810-10, Consolidation, 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 ASU 2009-17. These VIEs include qualified affordable housing projects that First Commonwealth has invested in as part of its community reinvestment initiatives. We periodically assess whether or not our variable interests in these VIEs, 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 as of December 31:

	2011	**2010**
	(dollars in thousands)	
Low Income Housing Limited Partnership Investments	$ 667	$ 925

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ITEM 8. Financial Statements and Supplementary Data (Continued)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 14 Commitments and Letters of Credit

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

As of December 31, 2011 and 2010, First Commonwealth did not own or trade other financial instruments with significant off-balance sheet risk including derivatives such as futures, forwards, option contracts and the like, although such instruments may be appropriate to use in the future to manage interest rate risk. See Note 7 Derivatives for a description of interest rate swaps provided to customers.

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

	2011	2010
	(dollars in thousands)	
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	$ 1,495,009	$ 1,471,692
Financial standby letters of credit	53,689	64,348
Performance standby letters of credit	76,371	79,140
Commercial letters of credit	1,297	20

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. First Commonwealth evaluates each customer s creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by First Commonwealth upon extension of credit, is based on management s credit evaluation of the counterparty. Collateral that is held varies but may include accounts receivable, inventory, property, plant and equipment, and residential and income-producing commercial properties.

Standby letters of credit and commercial letters of credit are conditional commitments issued by First Commonwealth to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

The current notional amounts outstanding at December 31, 2011 include financial standby letters of credit of $3.2 million, performance standby letters of credit of $4.9 million and commercial letters of credit of $1.0 million issued during 2011. A liability of $0.1 million has been recorded as of December 31, 2011 and 2010, which represents the estimated fair value of letters of credit issued. The fair value of letters of credit is estimated based on the unrecognized portion of fees received at the time the commitment was issued.

Unused commitments and letters of credit provide exposure to future credit loss in the event of nonperformance by the borrower or guaranteed parties. Management s evaluation of the credit risk in these commitments resulted in the recording of a liability of $1.5 million and $1.4 million as of December 31, 2011 and 2010, respectively. 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.

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ITEM 8. Financial Statements and Supplementary Data (Continued)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 15 Premises and Equipment

Premises and equipment are described as follows:

	Estimated Useful Life	2011	2010
		(dollars in thousands)	
Land	Indefinite	$ 12,513	$ 11,894
Buildings and improvements	10-50 years	81,072	79,577
Leasehold improvements	5-40 years	14,536	15,740
Furniture and equipment	3-10 years	79,722	83,681
Software	3-10 years	33,479	29,770
Subtotal		221,322	220,662
Less accumulated depreciation and amortization		154,567	153,681
Total premises and equipment		$ 66,755	$ 66,981

Depreciation related to premises and equipment included in noninterest expense for the years ended December 31, 2011, 2010 and 2009 amounted to $8.3 million, $8.6 million and $8.5 million, respectively.

First Commonwealth leases various premises and assorted equipment under non-cancelable agreements. Total future minimal rental commitments at December 31, 2011, were as follows:

	Premises	Equipment
	(dollars in thousands)	
2012	$ 3,627	$ 207
2013	3,306	207
2014	3,148	18
2015	2,980	0
2016	2,798	0
Therafter	19,613	0
Total	$ 35,472	$ 432

Included in the lease commitments above is $486 thousand in lease payments to be paid under a sale-leaseback arrangement. The sale-leaseback transaction occurred in 2005 and resulted in a gain of $297 thousand on the sale of a branch that is being recognized over the 15 year lease term through 2020.

Increases in utilities and taxes that may be passed on to the lessee under the terms of various lease agreements are not reflected in the above table. However, certain lease agreements provide for increases in rental payments based upon historical increases in the consumer price index or the lessor s cost of operating the facility, and are included in the minimum lease commitments. Additionally, the table above includes rent expense that is recognized for rent holidays and during construction periods. Total lease expense amounted to $4.4 million in 2011, $4.4 million in 2010 and $4.3 million in 2009.

Note 16 Goodwill and Other Amortizing Intangible Assets

FASB ASC Topic 350, Intangibles Other requires that goodwill be reviewed annually, or more frequently, if circumstances indicate that it might be impaired, by comparing the fair value of the goodwill to its recorded value, or carrying value. If the carrying value of goodwill exceeds its fair value, an impairment charge must be recorded.

We consider First Commonwealth to be one reporting unit. The carrying amount of goodwill as of December 31, 2011 and 2010 was $159.9 million. No impairment charges on goodwill or other intangible assets were incurred in 2011, 2010 or 2009.

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ITEM 8. Financial Statements and Supplementary Data (Continued)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 16 Goodwill and Other Amortizing Intangible Assets (Continued)

We test goodwill for impairment as of November 30th each year and again at any quarter-end if any material events occur during a quarter that may affect goodwill. We have evaluated our goodwill for impairment on a quarterly basis since September 30, 2009 as a result of the negative impact other-than-temporary impairment charges and credit losses in our loan portfolio have had on our earnings and stock price. These losses along with ongoing uncertainty in the general economy and the financial markets, which may continue to negatively impact our performance and stock price, resulted in a need to evaluate our goodwill. There has been no change in our annual test date of November 30th.

Goodwill is tested for impairment using a two-step process that begins with an estimation of fair value as of December 31, 2011.

The first step compares the estimated fair value of First Commonwealth with its carrying amount, including goodwill. If the estimated fair value exceeds its carrying amount, goodwill is not considered impaired. However, if the carrying amount exceeds its estimated fair value, a second step would be performed that would compare the implied fair value to the carrying amount of goodwill. An impairment loss would be recorded to the extent that the carrying amount of goodwill exceeds its implied fair value.

Fair value may be determined using market prices, comparison to similar assets, market multiples, discounted cash flow analysis and other variables. Our Step 1 test for potential goodwill impairment incorporates both income and market based analyses. The income analysis used in our Step 1 incorporates estimated cash flows which extend five years into the future and, by their nature, are difficult to estimate over such an extended time-frame. Factors that may significantly affect the estimates used in our Step 1 income analysis include, but are not limited to, balance sheet growth assumptions, credit losses in our investment and loan portfolios, competitive pressures in our market area, changes in customer base and customer product preferences, changes in revenue growth trends, cost structure, changes in discount rates, conditions in the banking sector and general economic variables.

The market approach used in the Step 1 test calculates the change of control price a market participant would pay by adding a change of control premium to the current trading value of the Company.

As of December 31, 2011, our Step 1 goodwill analysis indicated that our fair value was approximately 26% below book value. Therefore in accordance with ASC Topic 350-20-35-8, a Step 2 analysis was undertaken.

The Step 2 test follows the purchase price allocation under the purchase method described in ASC 820-10, and fair value estimates as defined and prescribed by ASC 820-10-30. To determine the implied fair value of goodwill, the fair value of all assets other than goodwill, less the fair value of liabilities is subtracted from the fair value of the Company. Significant judgment and estimates are involved in estimating the fair value of the assets and liabilities of the Company. Key valuations used in the analysis were the mark-to-fair-value on the loan portfolio, assessment of core deposit intangibles and the mark-to-fair-value of outstanding debt and deposits.

As a result of the Step 2 analysis, it was determined that the fair value of our goodwill exceeded its carrying value by approximately 40% and therefore no impairment charge was required.

As of December 31, 2011, goodwill was not considered impaired; however, changing economic conditions that may adversely affect our performance, fair value of our assets and liabilities, or stock price could result in impairment, which could adversely affect earnings in future periods. Management will continue to monitor events that could impact this conclusion in the future.

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ITEM 8. Financial Statements and Supplementary Data (Continued)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 16 Goodwill and Other Amortizing Intangible Assets (Continued)

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

The following table summarizes other intangible assets:

	Gross Intangible Assets	Accumulated Amortization (dollars in thousands)	Net Intangible Assets
December 31, 2011			
Core deposits	$ 22,470	$ (18,627)	$ 3,843
Other	725	(725)	0
Total other intangible assets	$ 23,195	$ (19,352)	$ 3,843
December 31, 2010			
Core deposits	$ 22,470	$ (17,094)	$ 5,376
Other	725	(725)	0
Total other intangible assets	$ 23,195	$ (17,819)	$ 5,376

Core deposits are amortized over their expected lives using the present value of the benefit of the core deposits and straight-line methods of amortization. The core deposits have a remaining amortization period of eight years and a weighted average amortization period of approximately four years. First Commonwealth recognized amortization expense on other intangible assets of $1.5 million, $2.0 million, and $2.8 million for the years ended December 31, 2011, 2010 and 2009, respectively. In 2008, other intangible assets consisted of covenants not to compete which were fully amortized in 2009.

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

	Core Deposit Intangibles (dollars in thousands)
2012	$ 1,467
2013	1,064
2014	615
2015	338
2016	177
Therafter	182
Total	$ 3,843

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ITEM 8. Financial Statements and Supplementary Data (Continued)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 17 Interest-Bearing Deposits

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

	2011	2010
	(dollars in thousands)	
Interest-bearing demand deposits	$ 95,945	$ 95,260
Savings deposits	2,430,802	2,335,773
Time deposits	1,197,560	1,479,930
Total interest-bearing deposits	$ 3,724,307	$ 3,910,963

Interest-bearing deposits at December 31, 2011 and 2010, include allocations from interest-bearing demand deposit accounts of $541.7 million and $507.6 million, respectively, into savings which includes money market accounts. These reallocations are based on a formula and have been made to reduce First Commonwealth s reserve requirement in compliance with regulatory guidelines.

Included in time deposits at December 31, 2011 and 2010, were certificates of deposit in denominations of $100 thousand or more of $317.0 million and $386.8 million, respectively.

Interest expense related to certificates of deposit $100 thousand or greater amounted to $7.4 million in 2011, $9.4 million in 2010 and $14.8 million in 2009.

Included in time deposits at December 31, 2011, were certificates of deposit with the following scheduled maturities (dollars in thousands):

2012	$ 662,473
2013	139,453
2014	181,545
2015	120,947
2016 and thereafter	93,142
Total	$ 1,197,560

Note 18 Short-term Borrowings

Short-term borrowings at December 31 were as follows:

	2011			2010			2009		
	Ending Balance	Average Balance	Average Rate	Ending Balance	Average Balance	Average Rate	Ending Balance	Average Balance	Average Rate
					(dollars in thousands)				
Federal funds purchased	$ 75,300	$ 15,642	0.26%	$ 12,800	$ 40,322	0.26%	$ 630,000	$ 584,691	0.29%
Borrowings from FHLB	84,000	7,537	0.21	0	277,329	0.39	125,000	274,699	0.48
Securities sold under agreements to repurchase	153,477	155,551	0.43	170,563	165,945	0.47	199,526	168,527	0.72

Treasury, tax and loan note option	0	4,134	0.00	4,498	4,482	0.00	4,406	3,747	0.00
Total	$ 312,777	$ 182,864	0.40	$ 187,861	$ 488,078	0.40	$ 958,932	$ 1,031,664	0.41
Maximum total at any month-end	$ 312,777			$ 1,000,753			$ 1,155,933		
Weighted average rate at year-end			0.28%			0.43%			0.30%

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ITEM 8. Financial Statements and Supplementary Data (Continued)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 18 Short-term Borrowings (Continued)

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

	2011	2010	2009
	(dollars in thousands)		
Federal funds purchased	$ 41	$ 105	$ 1,678
Borrowings from FHLB	16	1,069	1,328
Securities sold under agreements to repurchase	671	774	1,210
Total interest on short-term borrowings	$ 728	$ 1,948	$ 4,216

Note 19 Subordinated Debentures

Subordinated Debentures outstanding at December 31 are as follows:

		2011		2010	
	Due	Amount	Rate	Amount	Rate
		(dollars in thousands)			
Owed to:					
First Commonwealth Capital Trust I	2029	$ 33,583	9.50%	$ 33,583	9.50%
First Commonwealth Capital Trust II	2034	30,929	LIBOR + 2.85	30,929	LIBOR + 2.85
First Commonwealth Capital Trust III	2034	41,238	LIBOR + 2.85	41,238	LIBOR + 2.85
Total		$ 105,750		$ 105,750	

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

Interest on the debentures issued to First Commonwealth Capital Trust III is paid quarterly at a floating rate of LIBOR plus 2.85% which is reset quarterly. Subject to regulatory approval, First Commonwealth may redeem the debentures, in whole or in part, at its option on any interest payment date at a redemption price equal to 100% of the principal amount of the debentures. Deferred issuance costs of $630 thousand are being amortized on a straight-line basis over the term of the securities.

Interest on the debentures issued to First Commonwealth Capital Trust II is paid quarterly at a floating rate of LIBOR plus 2.85%, which is reset quarterly. First Commonwealth may redeem the debentures, in whole or in part, at its option at a redemption price equal to 100% of the principal amount of the debentures, plus accrued and unpaid interest to the date of the redemption. Deferred issuance costs of $471 thousand are being amortized on a straight-line basis over the term of the securities.

Interest on debentures issued to First Commonwealth Capital Trust I is paid semiannually at a fixed rate of 9.50%. Subject to regulatory approvals, First Commonwealth may redeem the debentures, in whole or in part, at a redemption price equal to 103.8% of the principal amount of the debentures declining ratably on each September 1 to 100% on September 1, 2019, plus accrued and unpaid interest to the date of the redemption. Deferred issuance costs of $996 thousand are being amortized on a straight-line basis over the term of the securities.

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ITEM 8. Financial Statements and Supplementary Data (Continued)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 20 Other Long-term Debt

Other long-term debt at December 31 follows:

	2011			2010		
	Amount	Weighted Average Contractual Rate	Weighted Average Effective Rate	Amount	Weighted Average Contractual Rate	Weighted Average Effective Rate
	(dollars in thousands)					
ESOP loan due:						
2011				$ 2,000	LIBOR + 1.00%	LIBOR + 1.00%
2012	$ 1,600	LIBOR + 1.00%	LIBOR + 1.00%	1,600	LIBOR + 1.00	LIBOR + 1.00
Borrowings from FHLB due:						
2011				24,685	5.22	5.19
2012	25,585	1.54	1.53	25,593	2.43	2.42
2013	30,085	2.32	2.32	30,086	3.03	3.02
2014	7,891	5.37	5.35	7,892	5.37	5.35
2015	29,970	1.37	1.37	371	4.66	4.66
2016	388	4.64	4.64			
Thereafter	6,145	4.66	4.66	6,521	4.66	4.66
Total	$ 101,664			$ 98,748		

The weighted average contractual rate reflects the rate due to creditors. The weighted average effective rate of long-term debt in the schedule above includes the effect of purchase accounting valuation adjustments that were recorded in connection with prior business combinations.

An FHLB advance in the amount of $7.5 million is convertible on a quarterly basis at the FHLB s option into floating rate debt indexed to 3 month LIBOR.

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

Capital securities included in total long-term debt on the Consolidated Statements of Financial Condition are excluded from the above, but are described in Note 19 Subordinated Debentures.

Scheduled loan payments for other long-term debt are summarized below:

	2012	2013	2014	2015	2016	Thereafter	Total
	(dollars in thousands)						
Long-term debt payments	$ 27,072	$ 29,968	$ 7,854	$ 29,970	$ 388	$ 6,145	$ 101,397
Purchase valuation amortization	113	117	37	0	0	0	267
Total	$ 27,185	$ 30,085	$ 7,891	$ 29,970	$ 388	$ 6,145	$ 101,664

The amounts on the purchase valuation amortization row in the table above include fair market adjustments from prior business combinations.

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ITEM 8. Financial Statements and Supplementary Data (Continued)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 21 Fair Values of Assets and Liabilities

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

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

In accordance with FASB ASC Topic 820, First Commonwealth groups financial assets and financial liabilities measured at fair value in three levels, based on the principal markets in which the assets and liabilities are transacted and the observability of the data points used to determine fair value. These levels are:

Level 1 Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange (NYSE). Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities. Level 1 securities include equity holdings comprised of publicly traded bank stocks which were priced using quoted market prices.

Level 2 Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained for identical or comparable assets or liabilities from alternative pricing sources with reasonable levels of price transparency. Level 2 includes Obligations of U.S. Government securities issued by Agencies and Sponsored Enterprises, Obligations of States and Political Subdivisions, certain corporate securities, certain equity securities, FHLB stock, interest rate derivatives that include interest rate swaps and risk participation agreements, certain other real estate owned and certain impaired loans.

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

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

The equity investments included in Level 2 are based on broker prices and are included in Level 2 because they are not traded on an active exchange market.

Other Investments is comprised of FHLB stock whose estimated fair value is based on its par value. Additional information on FHLB stock is provided in Note 10 Other investments.

Interest rate derivatives are reported at estimated fair value utilizing Level 2 inputs and are included in Other assets and Other liabilities. First Commonwealth values its interest rate swap positions using a

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ITEM 8. Financial Statements and Supplementary Data (Continued)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 21 Fair Values of Assets and Liabilities (Continued)

yield curve by taking market prices/rates for an appropriate set of instruments. The set of instruments currently used to determine the U.S. Dollar yield curve includes cash LIBOR rates from overnight to three months, Eurodollar futures contracts and swap rates from three years to thirty years. These yield curves determine the valuations of interest rate swaps. Interest rate derivatives are further described in Note 7 Derivatives.

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

We also utilize this approach to estimate our own credit risk on derivative liability positions. In 2011, we recognized $4.4 million in credit losses related to two interest rate swaps which were terminated due to deterioration in the credit quality of the counterparty.

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

Level 3 Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker traded transactions. If the inputs used to provide the valuation are unobservable and/or there is very little, if any, market activity for the security or similar securities, the securities would be considered Level 3 securities. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities. The assets included in Level 3 are select Obligations of States and Political Subdivisions, corporate securities, pooled trust preferred collateralized debt obligations, non-marketable equity investments, certain impaired loans and loans held for sale.

The estimated fair values for the Obligations of States and Political Subdivisions included in Level 3 and corporate securities, which include our single issue trust preferred securities, were obtained from pricing sources with reasonable pricing transparency, taking into account other unobservable inputs related to the risks for each issuer. These valuations were classified as Level 3 due to the inactivity in the respective markets.

Our pooled trust preferred collateralized debt obligations are collateralized by the trust preferred securities of individual banks, thrifts and bank holding companies in the U.S. There has been little or no active trading in these securities for approximately twenty-four months; therefore it was more appropriate to determine estimated fair value using a discounted cash flow analysis. The fair values of the pooled trust preferred collateralized debt obligations are determined by a specialized third party valuation service. Detail on the process for determining appropriate cash flows for this analysis is provided in Note 11 Impairment of Investment Securities. The discount rate applied to the cash flows is determined by evaluating the current market yields for comparable corporate and structured credit products along with an evaluation of the risks associated with the cash flows of the comparable security. Due to the fact that there is no active market for the pooled trust preferred collateralized debt obligations, one key reference point is the market yield for the single issue trust preferred securities issued by banks and thrifts for which there is more activity than for the pooled securities. Adjustments are then made to reflect the credit and structural differences between these two security types.

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ITEM 8. Financial Statements and Supplementary Data (Continued)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 21 Fair Values of Assets and Liabilities (Continued)

Management validates the fair value of the pooled trust preferred collateralized debt obligations by monitoring the performance of the underlying collateral, discussing the discount rate, cash flow assumptions and general market trends with the specialized third party and by confirming changes in the underlying collateral to the trustee and underwriter reports. Management s monitoring of the underlying collateral includes deferrals of interest payments, payment defaults, cures of previously deferred interest payments, any regulatory filings or actions and general news related to the underlying collateral. Management also evaluates fair value changes compared to expectations based on changes in the interest rates used in determining the discount rate and general financial markets.

The estimated fair value of the non-marketable equity investments included in level 3 is based on par value.

Loans held for sale are carried at the lower of cost or fair value with the fair value being the expected sales price of the loan. The estimated fair value of the loans currently held for sale was determined by calculating the discounted expected future cash flows of the loan. The discount rate applied to the future cash flows was determined based on a risk based expected return and capital structure of potential buyers.

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

	2011			
	Level 1	Level 2	Level 3	Total
	(dollars in thousands)			
Obligations of U.S. Government Agencies:				
Mortgage-Backed Securities Residential	$ 0	$ 36,194	$ 0	$ 36,194
Obligations of U.S. Government-Sponsored Enterprises:				
Mortgage-Backed Securities Residential	0	801,031	0	801,031
Mortgage-Backed Securities Commercial	0	193	0	193
Other Government-Sponsored Enterprises	0	268,648	0	268,648
Obligations of States and Political Subdivisions	0	459	0	459
Corporate Securities	0	11,411	0	11,411
Pooled Trust Preferred Collateralized Debt Obligations	0	0	22,980	22,980
Total Debt Securities	0	1,117,936	22,980	1,140,916
Equities	440	0	1,420	1,860
Total Securities Available for Sale	440	1,117,936	24,400	1,142,776
Other Investments	0	39,796	0	39,796
Loans Held for Sale	0	0	13,412	13,412
Other Assets (a)	0	16,064	0	16,064
Total Assets	$ 440	$ 1,173,796	$ 37,812	$ 1,212,048
Other Liabilities (a)	$ 0	$ 18,986	$ 0	$ 18,986
Total Liabilities	$ 0	$ 18,986	$ 0	$ 18,986

(a) Non-hedging interest rate derivatives

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ITEM 8. Financial Statements and Supplementary Data (Continued)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 21 Fair Values of Assets and Liabilities (Continued)

	2010			
	Level 1	Level 2	Level 3	Total
	(dollars in thousands)			
Obligations of U.S. Government Agencies:				
Mortgage-Backed Securities Residential	$ 0	$ 40,593	$ 0	$ 40,593
Obligations of U.S. Government-Sponsored Enterprises:				
Mortgage-Backed Securities Residential	0	641,981	0	641,981
Mortgage-Backed Securities Commercial	0	233	0	233
Other Government-Sponsored Enterprises	0	183,887	0	183,887
Obligations of States and Political Subdivisions	0	47,476	343	47,819
Corporate Securities	0	0	21,376	21,376
Pooled Trust Preferred Collateralized Debt Obligations	0	0	26,352	26,352
Total Debt Securities	0	914,170	48,071	962,241
Equities	1,462	2,442	1,570	5,474
Total Securities Available for Sale	1,462	916,612	49,641	967,715
Other Investments	0	48,859	0	48,859
Other Assets (a)	0	15,939	0	15,939
Total Assets	$ 1,462	$ 981,410	$ 49,641	$ 1,032,513
Other Liabilities (a)	$ 0	$ 16,663	$ 0	$ 16,663
Total Liabilities	$ 0	$ 16,663	$ 0	$ 16,663

(a) Non-hedging interest rate derivatives

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis are summarized as follows at for the year ended December 31, 2011:

	Obligations of States and Political Subdivisions	Corporate Securities	Pooled Trust Preferred Collateralized Debt Obligations	Equities	Loans Held for Sale	Other Assets	Total
	(dollars in thousands)						
Balance, beginning of year	$ 343	$ 21,376	$ 26,352	$ 1,570	$ 0	$ 0	$ 49,641
Total gains or losses							
Included in earnings	4	387	0	(150)	0	(4,449)	(4,208)
Included in other comprehensive income	(20)	(98)	1,284	0	0	0	1,166
Purchases, issuances, sales, and settlements							

Purchases	0	0	0	0	0	0	0
Issuances	0	0	0	0	0	0	0
Sales	(327)	(6,700)	0	0	0	0	(7,027)
Settlements	0	(3,000)	(4,656)	0	0	(71)	(7,727)
Transfers from Level 3	0	(11,965)	0	0	0	0	(11,965)
Transfers into Level 3	0	0	0	0	13,412	4,520	17,932
Balance, end of year	$ 0	$ 0	$ 22,980	$ 1,420	$ 13,412	$ 0	$ 37,812

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ITEM 8. Financial Statements and Supplementary Data (Continued)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 21 Fair Values of Assets and Liabilities (Continued)

There are no gains or losses included in earnings for the period that are attributable to the change in realized gains (losses) relating to assets held at December 31, 2011.

During 2011, securities totaling $12.0 million transferred from Level 3 to Level 2. There were no transfers between Level 1 and Level 2 securities. The primary reason for the transfer out of Level 3 in 2011 was due to an increase in activity in the market that resulted in observable market activity or comparable trades that could be used to establish a benchmark for valuation for this group of securities.

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis are summarized as follows for the year ended December 31, 2010:

	Obligations of States and Political Subdivisions	Corporate Securities	Pooled Trust Preferred Collateralized Debt Obligations	Equities	Other Assets	Total
			(dollars in thousands)			
Balance, beginning of year	$ 3,600	$ 18,830	$ 29,730	$ 1,570	$ 0	$ 53,730
Total gains or losses						
Included in earnings	0	0	(8,688)	0	0	(8,688)
Included in other comprehensive income	(2,316)	2,546	6,833	0	0	7,063
Purchases, issuances, sales, and settlements						
Purchases	0	0	0	0	0	0
Issuances	0	0	0	0	0	0
Sales	(941)	0	0	0	0	(941)
Settlements	0	0	(1,523)	0	0	(1,523)
Transfers from Level 3	0	0	0	0	0	0
Transfers into Level 3	0	0	0	0	0	0
Balance, end of year	$ 343	$ 21,376	$ 26,352	$ 1,570	$ 0	$ 49,641

During 2010, there were no transfers between Level 1, Level 2 and Level 3 securities.

Losses of $6.8 million included in earnings for the year ended December 31, 2010 are attributable to the change in realized losses relating to assets held at December 31, 2010 and are reported in the lines Net impairment losses and Net securities gains (losses) in the Consolidated Statement of Operations.

Certain financial assets and financial liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment).

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

	2011			
	Level 1	Level 2	Level 3	Total

					Total Gains (Losses)
			(dollars in thousands)		
Impaired loans	$ 0	$ 73,783	$ 26,349	$ 100,132	$ (24,636)
Other real estate owned	0	31,232	438	31,670	(8,643)
Total Assets	$ 0	$ 105,015	$ 26,787	$ 131,802	$ (33,279)

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ITEM 8. Financial Statements and Supplementary Data (Continued)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 21 Fair Values of Assets and Liabilities (Continued)

	2010				
	Level 1	Level 2	Level 3	Total	Total Gains (Losses)
			(dollars in thousands)		
Impaired loans	$ 0	$ 78,967	$ 26,715	$ 105,682	$ (50,953)
Other real estate owned	0	24,871	10	24,881	(2,309)
Total Assets	$ 0	$ 103,838	$ 26,725	$ 130,563	$ (53,262)

Impaired loans over $100 thousand are individually reviewed to determine the amount of each loan considered to be at risk of noncollection. The impaired loans are collateral based and the fair value is determined by reviewing real property appraisals, equipment valuations, accounts receivable listings and other financial information. First Commonwealth s loan policy requires updated appraisals be obtained at least every twelve months on all impaired loans with balances of $250 thousand and over.

Fair value for other real estate owned is determined by an independent market based appraisal less costs to sell and is classified as level 2. Other real estate owned has a current carrying value of $30.0 million as of December 31, 2011 and consisted primarily of a Pennsylvania based manufacturing plant with related real estate, an office building in western Pennsylvania and a multi-family construction project in eastern Pennsylvania. We review whether events and circumstances subsequent to a transfer to other real estate owned have occurred that indicate the balance of those assets may not be recoverable. If events and circumstances indicate further impairment, we will record a charge to the extent that the carrying value of the assets exceed their fair values, less cost to sell, as determined by valuation techniques appropriate in the circumstances.

Certain other assets and liabilities, including goodwill and core deposit intangibles, are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments only in certain circumstances. A goodwill impairment test for First Commonwealth was completed as of December 31, 2011. Based on this analysis, the fair value of First Commonwealth exceeded its book value. Additional information related to this measurement is provided in Note 16 Goodwill and Other Amortizing Intangible Assets. There were no other assets or liabilities measured at fair value on a nonrecurring basis during 2011.

FASB ASC Topic 825, Financial Instruments requires disclosure of the fair value of financial assets and financial liabilities, including those financial assets and financial liabilities that are not measured and reported at fair value on a recurring basis or nonrecurring basis. The methodologies for estimating the fair value of financial assets and financial liabilities that are measured at fair value on a recurring or nonrecurring basis are as discussed above. The methodologies for other financial assets and financial liabilities are discussed below.

<u>Cash and short-term instruments:</u> The carrying amounts for cash and short-term instruments approximate the estimated fair values of such assets.

<u>Securities:</u> Fair values for securities available for sale and securities held to maturity are based on quoted market prices, if available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. Pooled trust preferred collateralized debt obligations values are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker traded transactions. These valuations incorporate certain assumptions and projections in determining the fair value assigned to each instrument. The carrying value of nonmarketable equity securities, such as FHLB stock, is considered a reasonable estimate of fair value.

<u>Loans held for sale:</u> The fair value of loans held for sale are estimated utilizing a present value of future discounted cash flows of the loan utilizing a risk based expected return to discount the value.

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ITEM 8. Financial Statements and Supplementary Data (Continued)
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Note 21 Fair Values of Assets and Liabilities (Continued)

Loans: The fair values of all loans are estimated by discounting the estimated future cash flows using interest rates currently offered for loans with similar terms to borrowers of similar credit quality adjusted for past due and nonperforming loans which is not an exit price under FASB ASC Topic 820, Fair Value Measurements and Disclosures. At December 31, 2011, the Company completed a Step 2 goodwill impairment analysis which incorporated an exit price for loans under FASB ASC Topic 820 of $3.8 billion.

Off-balance sheet instruments: Many of First Commonwealth s off-balance sheet instruments, primarily loan commitments and standby letters of credit, are expected to expire without being drawn upon; therefore, the commitment amounts do not necessarily represent future cash requirements. Management has determined that due to the uncertainties of cash flows and difficulty in predicting the timing of cash flows for loan commitments, fair values were not estimated for either period. FASB ASC Topic 460, Guarantees clarified that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The carrying amount and estimated fair value for standby letters of credit was $0.1 million at December 31, 2011 and 2010. See Note 14 Commitments and Letters of Credit, for additional information.

Deposit liabilities: Management estimates the fair value of deposits based on a market valuation of similar deposits. The carrying value of variable rate time deposit accounts and certificates of deposit approximate their fair values at the report date. Also, fair values of fixed rate time deposits for both periods are estimated by discounting the future cash flows using interest rates currently being offered and a schedule of aggregated expected maturities.

Short-term borrowings: The fair values of borrowings from the Federal Home Loan Bank were estimated based on the estimated incremental borrowing rate for similar types of borrowings. The carrying amounts of other short-term borrowings such as federal funds purchased, securities sold under agreement to repurchase and treasury, tax and loan notes were used to approximate fair value.

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

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

	2011		2010	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(dollars in thousands)			
Financial assets				
Cash and due from banks	$ 74,967	$ 74,967	$ 69,854	$ 69,854
Interest-bearing deposits	3,511	3,511	4	4
Securities available for sale	1,142,776	1,142,776	967,715	967,715
Other investments	39,796	39,796	48,859	48,859
Loans held for sale	13,412	13,412	0	0
Loans	4,043,643	4,113,525	4,218,083	4,213,293
Financial liabilities				
Deposits	4,504,684	4,452,235	4,617,852	4,560,070
Short-term borrowings	312,777	312,777	187,861	182,931
Long-term debt	101,664	103,749	98,748	102,038
Subordinated debt	105,750	75,310	105,750	86,870

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ITEM 8. Financial Statements and Supplementary Data (Continued)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 22 Income Taxes

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

	2011	2010	2009
		(dollars in thousands)	
Current tax provision for income exclusive of securities transactions:			
Federal	$ 651	$ 3,794	$ 3,123
State	161	59	164
Total current tax provision	812	3,853	3,287
Deferred tax benefit	(1,192)	(3,614)	(29,108)
Total tax (benefit) provision	$ (380)	$ 239	$ (25,821)

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

	2011		2010		2009	
	Amount	% of Pretax Income	Amount	% of Pretax Income	Amount	% of Pretax Income
			(dollars in thousands)			
Tax at statutory rate	$ 5,213	35%	$ 8,126	35%	$ (16,060)	35%
Decrease resulting from:						
Income from bank owned life insurance	(1,959)	(13)	(1,866)	(8)	(1,555)	3
Tax-exempt income, net	(3,453)	(23)	(5,688)	(25)	(7,537)	16
Tax credits	(270)	(2)	(304)	(1)	(447)	1
Other	89	0	(29)	0	(222)	1
Total tax (benefit) provision	$ (380)	(3)%	$ 239	1%	$ (25,821)	56%

The total tax provision for financial reporting differs from the amount computed by applying the statutory federal income tax rate to income before taxes. First Commonwealth ordinarily generates an annual effective tax rate that is less than the statutory rate of 35% due to benefits resulting from tax-exempt interest, income from bank owned life insurance and tax benefits associated with low income housing tax credits. The consistent level of tax benefits that reduce First Commonwealth s tax rate below the 35% statutory rate, coupled with the relatively low level of annual pretax income produced a low tax benefit for the year ended December 31, 2011 and a low tax provision for the year ended December 31, 2010.

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ITEM 8. Financial Statements and Supplementary Data (Continued)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 22 Income Taxes (Continued)

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

	2011	2010
	(dollars in thousands)	
Deferred tax assets:		
Allowance for credit losses	$ 21,432	$ 24,930
Postretirement benefits other than pensions	841	933
Alternative minimum tax credit carryforward	15,247	14,764
Net operating loss carryforward	1,626	0
Writedown of other real estate owned	2,876	780
Other tax credit carryforward	1,383	1,034
Deferred compensation	2,215	2,115
Swap credit risk	1,037	254
Loan origination fees and costs	0	110
Accrued interest on nonaccrual loans	3,161	2,543
Low income housing partnership investments	44	204
Other-than-temporary impairment of securities	15,764	16,570
Unrealized loss on securities available for sale	0	1,589
Capitalization of OREO expenses	826	446
Depreciation of assets	0	683
Unfunded loan commitment allowance	536	507
Other	2,778	2,309
Total deferred tax assets	69,766	69,771
Deferred tax liabilities:		
Basis difference in assets acquired	(1,213)	(1,429)
Loan origination fees and costs	(392)	0
Unfunded postretirement obligation	(179)	(269)
Accumulated accretion of bond discount	(18)	(49)
Income from unconsolidated subsidiary	(551)	(542)
Unrealized gain on securities available for sale	(898)	0
Depreciation of assets	(242)	0
Other	(1)	(1)
Total deferred tax liabilities	(3,494)	(2,290)
Net deferred tax asset	$ 66,272	$ 67,481

The net deferred tax asset of $66.3 million as of December 31, 2011 includes a $15.2 million alternative minimum tax credit carryforward with an indefinite life and a $1.4 million tax credit carryforward, of which $0.2 million expires in 2028, $0.5 million expires in 2029, $0.3 million expires in 2030 and $0.4 million expires in 2031. There is also a $15.8 million deferred tax asset for other-than-temporary impairment of securities, of which $0.2 million are potential capital losses that can only be utilized if capital gains are realized.

Management assesses all available positive and negative evidence to estimate if sufficient future taxable income will be generated to utilize the existing deferred tax assets. In evaluating deferred tax assets, future taxable income of $177.0, forecasted over the next three years was considered.

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ITEM 8. Financial Statements and Supplementary Data (Continued)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 22 Income Taxes (Continued)

The amount of future taxable income used in management s valuation is based upon management approved forecasts, evaluation of historical earnings levels, proven ability to raise capital to support growth or during times of economic stress and consideration of prudent and feasible potential tax strategies. If future events differ from our current forecasts, a valuation allowance may be required, which could have a material impact on our financial condition and results of operations. Based on our evaluation, including the consideration of the weighting of positive and negative evidence, as of December 31, 2011, management has determined that no valuation allowance is necessary for the deferred tax assets because it is more likely than not that these assets will be realized through future reversals of existing temporary differences and through future taxable income.

First Commonwealth adopted new authoritative accounting guidance issued under FASB ASC Topic 740-10, Accounting for Uncertainty in Income Taxes as of January 1, 2007, and had no material unrecognized tax benefits or accrued interest and penalties as of December 31, 2011. We do not expect the total amount of unrecognized tax benefits to significantly increase in the next twelve months and will record interest and penalties as a component of noninterest expense.

First Commonwealth is subject to routine audits of our tax returns by the Internal Revenue Service as well as all states in which we conduct business. Federal and state income tax years 2008 through 2010 are open for examination as of December 31, 2011.

Note 23 Retirement Plans

First Commonwealth has a savings plan pursuant to the provisions of section 401(k) of the Internal Revenue code. Under the terms of the plan, each participant receives an employer contribution in an amount equal to 3% of their compensation. In addition, each participating employee may contribute up to 80% of their compensation to the plan of which up to 4% is matched 50% by the employer s contribution. The 401(k) plan expense was $2.5 million in 2011, $2.6 million in 2010, and $3.6 million in 2009.

First Commonwealth maintains a Supplemental Executive Retirement Plan (SERP) to provide deferred compensation for those employees whose total annual or annualized Plan compensation for a calendar year exceeded the maximum limit of compensation that can be recognized for tax-qualified retirement plans. The purpose of this Plan is to restore some of the benefits lost by eligible employees compared to other employees due to limits and restrictions incorporated into First Commonwealth s 401(k) Plan and ESOP.

Participants in the SERP are eligible to defer (on a pre-tax basis) from 1% to 25% of their Plan compensation (compensation in excess of the tax-qualified plan limit). In 2009, First Commonwealth made a matching contribution to the Plan for each payroll up to the first 4% of their Plan compensation and also made a contribution to the Plan for each payroll equal to 3% of their Plan compensation. In addition, First Commonwealth made a contribution to the Plan at the end of the Plan Year on Plan compensation equal to that percentage of compensation that will be contributed to the ESOP. In April 2009 First Commonwealth suspended all employer contributions.

The SERP will continue to supplement First Commonwealth s 401(k) and ESOP plans and will therefore be modified at the same time and in the same respect as the basic plans are modified in future periods. The SERP plan expense was $86 thousand in 2011, $96 thousand in 2010 and $130 thousand in 2009.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 23 Retirement Plans (Continued)

Postretirement Benefits Other than Pensions from Prior Acquisitions

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

	2011	2010	2009
	(dollars in thousands)		
Service cost	$ 0	$ 0	$ 0
Interest cost on projected benefit obligation	86	128	141
Amortization of transition obligation	2	2	2
Gain amortization	(50)	(10)	(28)
Net periodic benefit cost	$ 38	$ 120	$ 115

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

	2011	2010
	(dollars in thousands)	
Change in Benefit Obligation		
Benefit obligation at beginning of year	$ 1,897	$ 2,562
Service cost	0	0
Interest cost	86	128
Amendments	0	0
Actuarial loss (gain)	210	(450)
Net benefits paid	(301)	(343)
Benefit obligation at end of year	1,892	1,897
Change in Plan Assets		
Fair value of plan assets at beginning of year	0	0
Actual return on plan assets	0	0
Employer contributions	301	343
Net benefits paid	(301)	(343)
Fair value of plan assets at end of year	0	0
Funded Status at End of Year	1,892	1,897
Unrecognized transition obligation	(2)	(3)
Unrecognized net loss	513	772
Amounts recognized in retained earnings	$ 2,403	$ 2,666

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

	2011	2010

	(dollars in thousands)	
Amounts Recognized in the Statement of Financial Condition as Other liabilities	$ 1,892	$ 1,897

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ITEM 8. Financial Statements and Supplementary Data (Continued)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 23 Retirement Plans (Continued)

Postretirement Benefits Other than Pensions from Prior Acquisitions (Continued)

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

	2011	2010	2009
		(dollars in thousands)	
Amounts recognized in accumulated other comprehensive income, net of tax:			
Net (gain) loss	$ (333)	$ (502)	$ (216)
Transition obligation	1	2	3
Total	$ (332)	$ (500)	$ (213)

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

	2011	2010	2009
Weighted-average Assumptions			
Discount rate	4.22%	4.71%	5.21%
Health care cost trend: Initial	8.00%	9.00%	10.00%
Health care cost trend: Ultimate	4.75%	4.75%	4.75%
Year ultimate reached	2016	2016	2016

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

	2011	2010	2009
Weighted Average Assumptions for Net Periodic Cost			
Discount rate	4.71%	4.71%	5.21%
Health care cost trend: Initial	9.00%	10.00%	10.00%
Health care cost trend: Ultimate	4.75%	4.75%	4.75%
Year ultimate reached	2016	2016	2016
Corridor	10.00%	10.00%	10.00%
Recognition period for gains and losses	12.7	12.7	13.0

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

The health care cost trend rate assumption can have a significant impact on the amounts reported for this plan. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	One-Percentage-Point Increase	One-Percentage-Point Decrease
	(dollars in thousands)	
Effect on total of service and interest cost components	$ 3	$ (3)
Effect on postretirement benefit obligation	58	(54)

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ITEM 8. Financial Statements and Supplementary Data (Continued)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 23 Retirement Plans (Continued)

Postretirement Benefits Other than Pensions from Prior Acquisitions (Continued)

As of December 31, 2011, the projected benefit payments for the next ten years are as follows:

	Projected Benefit Payments (dollars in thousands)
2012	$ 247
2013	236
2014	230
2015	223
2016	215
2017 - 2021	802

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

The estimated costs that will be amortized from accumulated other comprehensive income into net periodic cost for 2012 are as follows (dollars in thousands):

Net gain	$ (32)
Transition obligation	2
Total	$ (30)

Note 24 Unearned ESOP Shares

All employees with at least one year of service are eligible to participate in the ESOP. Contributions to the plan are determined by the Board of Directors and are based upon a prescribed percentage of the annual compensation of all participants. The ESOP acquired shares of First Commonwealth s common stock in a transaction whereby the ESOP Trust borrowed funds that were guaranteed by First Commonwealth. The borrowed amounts represent leveraged and unallocated shares, and accordingly have been recorded as long-term debt with the offset as a reduction of common shareholders equity. Compensation costs related to the plan were $717 thousand, $783 thousand and $972 thousand in 2011, 2010 and 2009, respectively.

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ITEM 8. Financial Statements and Supplementary Data (Continued)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 24 Unearned ESOP Shares (Continued)

First Commonwealth s ESOP borrowed funds that are guaranteed by First Commonwealth, and had a balance of $1.6 million at December 31, 2011 and $3.6 million at December 31, 2010. The loan is scheduled to be repaid in 2012 and payments will be made from contributions to the ESOP by First Commonwealth and from dividends on unallocated ESOP shares. The loan has been recorded as long-term debt in the Consolidated Statements of Financial Condition, with a like amount of unearned ESOP shares recorded as a reduction of shareholders equity. The unearned ESOP shares included as a component of shareholders equity represent First Commonwealth s prepayment of future compensation expense. The shares acquired by the ESOP are held in a suspense account and will be released to the ESOP for allocation to the plan participants as the debt is reduced.

The following is an analysis of ESOP shares held in suspense and the fair value of those shares as of December 31:

	2011	2010	2009
		(dollars in thousands)	
Shares in suspense, beginning of the year	237,106	375,925	512,117
Shares allocated	(132,445)	(138,819)	(136,192)
Shares acquired	0	0	0
Shares in suspense, end of the year	104,661	237,106	375,925
Fair market value of shares in suspense	$ 550	$ 1,679	$ 1,748

Interest paid on the ESOP loan and dividends received on unallocated shares for the year ended December 31 were:

	2011	2010	2009
		(dollars in thousands)	
Interest paid on ESOP loan	$ 38	$ 66	$ 95
Dividends on unallocated shares	32	22	154

Dividends on unallocated shares were used for debt service while all dividends on allocated shares were allocated or paid to the participants.

Note 25 Incentive Compensation Plan

On January 20, 2009, the Board of Directors of the Company adopted with shareholder approval, the First Commonwealth Financial Corporation Incentive Compensation Plan. This plan allows for shares of common stock to be issued to employees, directors, and consultants of the Company and its subsidiaries as an incentive to aid in the financial success of the Company. The shares can be issued as options, stock appreciation rights, performance share or unit awards, dividend or dividend equivalent rights, stock awards, restricted stock awards, or other annual incentive awards. Up to 5,000,000 shares of stock can be awarded under this plan, of which, 4,810,369 shares are still eligible for awards.

Restricted Stock

The following provides detail on the restricted stock awards which were issued in 2011 and 2010 in order to retain and attract key employees. The grant date fair value of the restricted stock awards is equal to the price of the Corporation s common stock on grant date.

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ITEM 8. Financial Statements and Supplementary Data (Continued)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 25 Incentive Compensation Plan (Continued)

Restricted Stock (Continued)

On November 21, 2011, we issued 10,000 shares of our common stock to an executive of the Company as an inducement for her employment which was issued under the Incentive Compensation Plan adopted by the Company. The shares were issued pursuant to a Restricted Stock Agreement dated November 21, 2011. The restricted stock was determined to have a fair value of $4.41 per share and was based on the closing price of our common stock on the grant date. The restricted stock fully vests at the end of a three year period on November 21, 2014.

On April 1, 2011, we issued 25,000 shares of our common stock to an executive of the Bank as an inducement to his employment which was issued under the Incentive Compensation Plan adopted by the Company. The shares were issued pursuant to a Restricted Stock Agreement dated April 1, 2011. The restricted stock was determined to have a fair value of $6.82 per share and was based on the closing price of our common stock on the grant date. The restricted stock fully vests at the end of a five year period on April 1, 2016.

On January 22, 2010, we issued 30,120 shares of our common stock to an executive of the Company as an inducement for his employment which was issued under the Incentive Compensation Plan adopted by the Company. The shares were issued pursuant to a Restricted Stock Agreement dated January 22, 2010. The restricted stock was determined to have a fair value of $5.70 per share and was based on the closing price of our common stock on the grant date. The restricted stock vests equally over a two year period ending January 22, 2012.

On April 1, 2008, we issued 12,654 shares of our common stock to an executive of the Bank as an inducement for his continued employment and not under any stock incentive plan adopted by the Company. The shares were issued pursuant to a Restricted Stock Agreement dated April 1, 2008. The restricted stock was determined to have a fair value of $12.35 per share and was based on the closing price of our common stock on the grant date. The restricted stock vests equally over a three year period ending April 1, 2011.

On November 12, 2007, we issued 35,000 shares of our common stock to an executive of the Bank as an inducement for his employment and not under any stock incentive plan adopted by the Company. The shares were issued pursuant to a Restricted Stock Agreement dated October 19, 2007. The restricted stock was determined to have a fair value of $10.95 per share and was based on the closing price of our common stock on the grant date. The restricted stock vested equally over a three year period, and the final vesting occurred on November 12, 2010.

Compensation expense related to restricted stock was $249 thousand, $244 thousand and $180 thousand in 2011, 2010 and 2009, respectively. As of December 31, 2011, there was $684.9 thousand of unrecognized compensation cost related to unvested restricted stock awards granted.

On December 30, 2011, First Commonwealth entered into an agreement with an executive of the Company to issue 100,000 shares of our common stock as inducement for his continued employment on January 1, 2012. The restricted stock is determined to have a fair value of $5.26 per share and was based on the closing price of our stock on the grant date. The restricted stock will vest equally over a four year period with final vesting occurring on January 1, 2016. This grant will require compensation expense of $526 thousand to be recorded over the four-year vesting period.

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ITEM 8. Financial Statements and Supplementary Data (Continued)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 25 Incentive Compensation Plan (Continued)

Restricted Stock (Continued)

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

	2011		2010		2009	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Outstanding, beginning of the year	34,338	$ 6.52	20,103	$ 11.53	35,988	$ 11.44
Granted	35,000	6.13	30,120	5.70	0	0.00
Vested	(19,278)	7.16	(15,885)	11.32	(15,885)	11.32
Forfeited	0	0.00	0	0.00	0	0.00
Outstanding, end of the year	50,060	6.00	34,338	6.52	20,103	11.53

On January 17, 2011, the Board of Directors approved the 2011 2013 Long-Term Incentive Plan (the Plan). The Plan stipulates restricted stock awards based on future performance of the Company over a three-year performance period. If performance thresholds are met, participants will receive 40% of the target award; if performance targets are met, participants will receive 100% of the target award; if performance targets are exceeded at a superior level, participants will receive 200% of the target award. If the performance thresholds are not achieved, participants will not receive an award. If awards are received, the restricted shares will vest over a one-year period after the performance period, with final vesting occurring on January 17, 2014. The following table summarizes the unvested target award for the Plan as of December 31:

	2011	
	Shares	Weighted Average Grant Date Fair Value
Outstanding, beginning of the year	0	$ 0.00
Granted	126,000	7.03
Vested	0	0.00
Forfeited	(32,667)	7.03
Outstanding, end of the year	93,333	7.03

Stock Option Plan

First Commonwealth s stock based compensation plan expired on October 15, 2005, and is described below. All of the exercise prices and related number of shares have been adjusted to reflect historical stock splits. The plan permitted the Executive Compensation Committee to grant options for up to 4.5 million shares of First Commonwealth s common stock through October 15, 2005.

The vesting requirements and terms of options granted were at the discretion of the Executive Compensation Committee. Options granted in 2005 vested in the year granted. All options expire ten years from the grant date. All equity compensation plans were approved by security holders.

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ITEM 8. Financial Statements and Supplementary Data (Continued)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 25 Incentive Compensation Plan (Continued)

Stock Option Plan (Continued)

A summary of the status of First Commonwealth s outstanding stock options as of December 31 and changes for the years ended on those dates is presented below:

	2011		2010		2009	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of the year	640,866	$ 10.05	728,552	$ 10.18	758,480	$ 10.26
Granted	0	0.00	0	0.00	0	0.00
Exercised	(13,760)	5.29	0	0.00	(4,476)	11.56
Forfeited	(130,243)	10.61	(87,686)	11.19	(25,452)	12.34
Balance, end of the year	496,863	10.03	640,866	10.05	728,552	10.18
Exercisable at the end of the year	496,863	10.03	640,866	10.05	728,552	10.18

The intrinsic value of stock options exercised during the years ended December 31, 2011 and 2009 was $1.17 per share and $3.30 per share, respectively. There were no options exercised during the year ended December 31, 2010.

The following table summarizes information about the stock options outstanding at December 31, 2011:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contract Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$5.14 - $8.99	164,945	0.6	$ 6.68	164,945	$ 6.68
$9.00 - $9.99	50,087	1.4	9.27	50,087	9.27
$10.00 - $10.99	4,954	1.9	10.46	4,954	10.46
$11.00 - $11.99	112,414	0.1	11.70	112,414	11.70
$12.00 - $15.00	164,463	1.3	12.46	164,463	12.46
Total	496,863	0.79	10.03	496,863	10.03

Note 26 Contingent Liabilities

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 a minimum interest rate of 8% 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

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ITEM 8. Financial Statements and Supplementary Data (Continued)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 26 Contingent Liabilities (Continued)

certification as to breach of contract claim and denied class certification as to the fraud and Pennsylvania Unfair Trade Practice and Consumer Protection Law claims. On December 20, 2011, the Plaintiffs filed a Motion for Partial Summary Judgment, and on February 27, 2012, First Commonwealth Bank filed a Motion for Summary Judgment and a Brief in Opposition to the Plaintiffs Motion for Partial Summary Judgment. Oral argument on these Motions is currently scheduled for April 2012. The amount of liability, if any, will depend upon information which is not presently known to the Bank, including the 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.

Note 27 Related Party Transactions

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

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

Balance December 31, 2010	$ 1,069
Advances	5,074
Repayments	(5,134)
Other	(458)
Balance December 31, 2011	$ 551

The Other line primarily reflects decreases due to changes in the individuals designated as a related party during the year.

Note 28 Regulatory Restrictions and Capital Adequacy

The amount of funds available to the parent from its subsidiary bank is limited by restrictions imposed on all financial institutions by banking regulators. The dividend restrictions have not had, and are not expected to have, a significant impact on First Commonwealth s ability to meet its cash obligations. Cash dividends declared per common share were $0.12 for 2011 and $0.06 for 2010.

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

Quantitative measures established by regulation to ensure capital adequacy require First Commonwealth to maintain minimum amounts and ratios of Total and Tier I capital (common and certain other core equity capital) to risk weighted assets, and of Tier I capital to average assets. As of December 31, 2011, First Commonwealth and its banking subsidiary met all capital adequacy requirements to which they are subject.

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ITEM 8. Financial Statements and Supplementary Data (Continued)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 28 Regulatory Restrictions and Capital Adequacy (Continued)

As of December 31, 2011, First Commonwealth Bank was considered well capitalized under the regulatory framework for prompt corrective action. To be considered well capitalized, the bank must maintain minimum Total risk-based capital, Tier I risk-based capital and Tier I leverage ratios as set forth in the table below:

	Actual		Regulatory Minumum		Well Capitalized Regulatory Guidelines	
	Capital Amount	Ratio	Capital Amount	Ratio	Capital Amount	Ratio
			(dollars in thousands)			
As of December 31, 2011						
Total Capital to Risk Weighted Assets						
First Commonwealth Financial Corporation	$ 720,307	14.7%	$ 391,709	8.0%	N/A	N/A
First Commonwealth Bank	689,333	14.1	390,172	8.0	$ 487,715	10.0%
Teir I Capital to Risk Weighted Assets						
First Commonwealth Financial Corporation	$ 659,083	13.5%	$ 195,855	4.0%	N/A	N/A
First Commonwealth Bank	628,346	12.9	195,086	4.0	$ 292,629	6.0%
Tier I Capital to Average Assets						
First Commonwealth Financial Corporation	$ 659,083	11.9%	$ 221,444	4.0%	N/A	N/A
First Commonwealth Bank	628,346	11.4	219,627	4.0	$ 274,534	5.0%
As of December 31, 2010						
Total Capital to Risk Weighted Assets						
First Commonwealth Financial Corporation	$ 720,697	14.2%	$ 405,272	8.0%	N/A	N/A
First Commonwealth Bank	677,847	13.5	401,051	8.0	$ 501,314	10.0%
Teir I Capital to Risk Weighted Assets						
First Commonwealth Financial Corporation	$ 657,106	13.0%	$ 202,636	4.0%	N/A	N/A
First Commonwealth Bank	614,914	12.3	200,526	4.0	$ 300,789	6.0%
Tier I Capital to Average Assets						
First Commonwealth Financial Corporation	$ 657,106	11.5%	$ 228,104	4.0%	N/A	N/A
First Commonwealth Bank	614,914	10.9	226,363	4.0	$ 282,953	5.0%

Note 29 Capital

In the third quarter of 2010, the Company completed a public offering of 18,543,750 shares of its common stock at an offering price of $4.65 per share, raising additional capital of $86.2 million. In connection with the stock offering approximately $4.8 million worth of costs were capitalized resulting in net proceeds of $81.4 million.

The Company amended its Dividend Reinvestment Plan (DRIP) during the second quarter of 2009 to provide the flexibility to raise capital by selling up to 5,000,000 shares of common stock through the DRIP. These shares may be sold pursuant to routine reinvested dividends, as well as optional cash purchases. During 2011, there were no shares issued under this program. During 2010, 1,116,810 shares were issued under this program, 745,912 of which were related to the reissuance of Treasury Shares, raising $6.7 million in capital. During 2009, 97,905 shares were issued under this program, all of which were related to the reissuance of Treasury Shares, raising $0.4 million in capital.

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ITEM 8. Financial Statements and Supplementary Data (Continued)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 30 Condensed Financial Information of First Commonwealth Financial Corporation (parent company only)

Statements of Financial Condition	**December 31, 2011**	**2010**
	(dollars in thousands)	
Assets		
Cash	$ 6,376	$ 20,871
Loans to affiliated parties	34	39
Investment in subsidiaries	751,702	730,066
Investment in unconsolidated subsidiary trusts	3,291	3,291
Investment in jointly-owned company	8,007	7,883
Premises and equipment, net	14,196	12,225
Recievable from subsidiaries	2,545	2,856
Other assets	85,833	91,924
Total assets	$ 871,984	$ 869,155
Liabilities and Shareholders Equity		
Accrued expenses and other liabilities	$ 6,091	$ 10,028
Loans payable	1,600	3,600
Subordinated debentures payable	105,750	105,750
Shareholders equity	758,543	749,777
Total liabilities and shareholders equity	$ 871,984	$ 869,155

Statements of Operations	**2011**	**2010**	**2009**
		(dollars in thousands)	
Interest and dividends	$ 1	$ 1	$ 2
Dividends from subsidiaries	10,321	3,190	31,048
Interest expense	(5,605)	(5,658)	(6,265)
Other income	30,595	28,789	29,125
Operating expense	(44,057)	(42,786)	(42,916)
Income (loss) before taxes and equity in undistributed earnings of subsidiaries	(8,745)	(16,464)	10,994
Applicable income tax benefits	6,618	6,790	7,226
Income (loss) before equity in undistributed earnings of subsidiaries	(2,127)	(9,674)	18,220
Equity in undistributed earnings of subsidiaries	17,401	32,652	(38,284)
Net income (loss)	$ 15,274	$ 22,978	$ (20,064)

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ITEM 8. Financial Statements and Supplementary Data (Continued)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 30 Condensed Financial Information of First Commonwealth Financial Corporation (parent company only) (Continued)

Statements of Cash Flow	2011	2010	2009
		(dollars in thousands)	
Operating Activities			
Net income (loss)	$ 15,274	$ 22,978	$ (20,064)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	3,730	3,658	3,330
Net (gain) loss on sales of assets	(1,069)	(3)	8
Decrease (increase) in prepaid income taxes	0	23	(23)
Undistributed equity in subsidiaries	(17,401)	(32,652)	38,285
Other net	1,649	9,029	(3,819)
Net cash provided by operating activities	2,183	3,033	17,717
Investing Activities			
Net change in loans to affiliated parties	5	7	8
Purchases of premises and equipment	(5,736)	(3,026)	(3,282)
Proceeds from sale of other assets	1,461	15	(6)
Additional investment in subsidiary	0	(70,000)	0
Net cash used by investing activities	(4,270)	(73,004)	(3,280)
Financing Activities			
Proceeds from issuance of common stock	144	83,913	0
Discount on dividend reinvestment plan purchases	(63)	(33)	(369)
Dividends paid	(12,558)	(5,306)	(29,677)
Proceeds from reissuance of treasury stock	72	4,248	484
Purchase of treasury stock	(9)	(9)	(18)
Stock option tax benefit	6	0	149
Net cash (used in) provided by financing activities	(12,408)	82,813	(29,431)
Net (decrease) increase in cash	(14,495)	12,842	(14,994)
Cash at beginning of year	20,871	8,029	23,023
Cash at end of year	$ 6,376	$ 20,871	$ 8,029

Cash dividends declared per common share were $0.12 for 2011, $0.06 for 2010 and $0.18 for 2009.

During 2004, the ESOP obtained a $14.0 million line of credit from an unrelated financial institution. The line of credit was used to purchase stock in 2005 for the ESOP and is guaranteed by First Commonwealth. During 2005, $8.5 million was borrowed on the line. There were no borrowings on the line during 2011, 2010 and 2009. The loan was recorded as long-term debt and the offset was recorded as a reduction of common shareholders equity. Current balance of the ESOP loan is $1.6 million. See Note 24 Unearned ESOP Shares. We are currently not meeting debt covenants on this loan related to Return on Average Assets and expect to either obtain a waiver or a modification from the lender for these covenants.

First Commonwealth Financial Corporation has an unsecured $15.0 million line of credit with another financial institution. There are no amounts outstanding on this line as of December 31, 2011. As of December 31, 2011, we did not meet the debt covenants related to Return on Average Assets but have obtained a waiver from the lender for this covenant for the quarter ended December 31, 2011.

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ITEM 8. Financial Statements and Supplementary Data (Continued)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Quarterly Summary of Financial Data Unaudited

The unaudited quarterly results of operations for the years ended December 31 are as follows:

	2011			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
	(dollars in thousands, except per share data)			
Interest income	$ 56,487	$ 57,600	$ 57,989	$ 59,469
Interest expense	8,854	10,120	11,104	11,600
Net interest income	47,633	47,480	46,885	47,869
Provision for credit losses	25,912 (a)	6,975	9,112	13,817
Net interest income after provision for credit losses	21,721	40,505	37,773	34,052
Net impairment losses	0	0	0	0
Net securities gains	0	0	1,608	577
Other noninterest income	15,478	10,799	15,456	13,751
Other expenses	48,576	41,121	45,700	41,429
(Loss) income before income taxes	(11,377)	10,183	9,137	6,951
Income tax (benefit) provision	(5,660)	1,857	1,718	1,705
Net (loss) income	$ (5,717)	$ 8,326	$ 7,419	$ 5,246
Basic (loss) earnings per share	$ (0.05)	$ 0.08	$ 0.07	$ 0.05
Diluted (loss) earnings per share	(0.05)	0.08	0.07	0.05
Average shares outstanding	104,765,492	104,728,915	104,686,072	104,618,499
Average shares outstanding assuming dilution	104,765,492	104,728,915	104,686,072	104,623,518

(a) The increase in the provision for credit losses during the fourth quarter can be attributed to revised collateral valuations on nine impaired commercial loan relationships, primarily secured by commercial real estate, the transfer of three loan relationships to held-for-sale and the restructuring of two commercial loans.

	2010			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
	(dollars in thousands, except per share data)			
Interest income	$ 63,363	$ 65,982	$ 68,937	$ 70,078
Interest expense	13,392	14,886	16,341	16,980
Net interest income	49,971	51,096	52,596	53,098
Provision for credit losses	8,000	4,522	4,010	45,020

Net interest income after provision for credit losses	41,971	46,574	48,586	8,078
Net impairment losses	(43)	(4,290)	(2,110)	(2,750)
Net securities gains	10	1,430	562	420
Other noninterest income	14,288	13,739	14,197	13,781
Other expenses	43,378	40,931	43,678	43,239
Income (loss) before income taxes	12,848	16,522	17,557	(23,710)
Income tax provision (benefit)	903	5,863	4,015	(10,542)
Net income (loss)	$ 11,945	$ 10,659	$ 13,542	$ (13,168)
Basic earnings (loss) per share	$ 0.11	$ 0.11	$ 0.15	$ (0.15)
Diluted earnings (loss) per share	0.11	0.11	0.15	(0.15)
Average shares outstanding	104,524,923	97,199,306	85,777,550	85,029,748
Average shares outstanding assuming dilution	104,527,683	97,203,753	85,788,566	85,029,748

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ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

ITEM 9A. Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report pursuant to Rule 13a-15 under the Securities Exchange Act of 1934 (the Exchange Act). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to provide reasonable assurance that the information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms of the Securities and Exchange Commission.

In addition, our management, including our Chief Executive Officer and Chief Financial Officer, also conducted an evaluation of our internal controls over financial reporting to determine whether any changes occurred during the fourth fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting. No such changes were identified in connection with this evaluation.

ITEM 9B. Other Information

None.

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PART III

ITEM 10. **Directors, Executive Officers and Corporate Governance**

Information called for by this item concerning the identification, business experience and qualifications of First Commonwealth s directors will be included in First Commonwealth s definitive Proxy Statement to be filed with the Securities and Exchange Commission in connection with the annual meeting of shareholders to be held April 24, 2012 (the Proxy Statement), under the heading Proposal 1 Election of Directors, and is incorporated herein by reference.

Information called for by this item concerning First Commonwealth s compliance with section 16(a) of the Exchange Act will be included in the Proxy Statement under the heading Section 16(a) Beneficial Ownership Reporting Compliance, and is incorporated herein by reference.

First Commonwealth has adopted a code of conduct and ethics that applies to all employees of the Company, including executive officers. In addition, First Commonwealth has adopted a code of ethics for the Chief Executive Officer and all senior financial officers of the Company. Both of these codes are filed as exhibits to this Annual Report on Form 10-K and are posted on First Commonwealth s website at http://www.fcbanking.com. Refer to Item 15 of this Annual Report on Form 10-K for a list of exhibits.

There have been no material changes to the procedures by which security holders of First Commonwealth may recommend nominees to First Commonwealth s Board of Directors since First Commonwealth last disclosed those procedures in its definitive Proxy Statement in connection with the 2012 annual meeting of shareholders.

Information called for by this item concerning First Commonwealth s Audit Committee and the identification of Audit Committee financial experts will be included in the Proxy Statement under the heading Corporate Governance, and is incorporated herein by reference.

Certain information regarding executive officers is included under the caption Executive Officers of First Commonwealth Financial Corporation after Part I, Item 4, of this Report.

ITEM 11. **Executive Compensation**

Information called for by this item concerning compensation of First Commonwealth s executive officers and the report of the Compensation and Human Resources Committee will be included in the Proxy Statement under the heading Executive Compensation, and is incorporated herein by reference.

Information called for by this item concerning compensation of First Commonwealth s directors will be included in the Proxy Statement under the heading Compensation of Directors, and is incorporated herein by reference.

ITEM 12. **Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

Information called for by this item concerning security ownership of certain beneficial owners and security ownership of management will be included in the Proxy Statement under the headings Security Ownership of Certain Beneficial Owners and Securities Owned by Directors and Management, and is incorporated herein by reference.

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ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters (Continued)

The following table provides information related to our existing equity compensation plans as of December 31, 2011:

Plan Category[1]	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	276,877	$ 12.15	4,810,369
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	276,877	$ 12.15	4,810,369

(1) The table does not include information on stock options issued by First Commonwealth in substitution for stock options of GA Financial, Inc. and Pittsburgh Financial Corporation upon the acquisition of those companies. At December 31, 2011, 219,986 shares of common stock are issuable upon exercise of substitute stock options issued in connection with those acquisitions with a weighted average exercise price of $7.36. First Commonwealth cannot grant additional stock options or other equity awards under the GA Financial or Pittsburgh Financial equity compensation plans.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence

Information called for by this item concerning transactions with related persons and review, approval or ratification of transactions with related persons will be included in the Proxy Statement under the heading Related Party Transactions, and is incorporated herein by reference.

Information called for by this item concerning director independence will be included in the Proxy Statement under the heading Corporate Governance, and is incorporated herein by reference.

ITEM 14. Principal Accountant Fees and Services

Information called for by this item concerning fees paid to First Commonwealth s principal accountant and First Commonwealth s pre-approval policies and procedures will be included in the Proxy Statement under the heading Annual Audit Information, and is incorporated herein by reference.

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PART IV

ITEM 15. Exhibits, Financial Statements and Schedules

(A) Documents Filed as Part of this Report

(1) Financial Statements

All financial statements of the registrant as set forth under Item 8 of the Report on Form 10-K.

(2) Financial Statement Schedules

Schedule Number	Description	Page
I	Indebtedness to Related Parties	N/A
II	Guarantees of Securities of Other Issuers	N/A

(3) Exhibits

Exhibit Number	Description	Incorporated by Reference to
3.1	Amended and Restated Articles of Incorporation of First Commonwealth Financial Corporation	Exhibit 3.1 to the quarterly report on Form 10-Q for the quarter ended June 30, 2010
3.2	Amended and Restated By-Laws of First Commonwealth Financial Corporation	Exhibit 3.1 to the current report as Form 8-K filed January 20, 2011
10.1	Change of Control Agreement dated October 18, 2005 entered into between FCFC and Sue A. McMurdy	Exhibit 10.3 to the annual report on Form 10-K filed February 29, 2008
10.2	Amended and Restated Non-Qualified Deferred Compensation Plan (formerly known as the Supplemental Executive Retirement Plan)	Filed herewith.
10.3	Employment Agreement dated October 19, 2007 entered into between FCFC and T. Michael Price	Exhibit 10.9 to the annual report on Form 10-K filed February 29, 2008
10.4	Change of Control Agreement dated December 30, 2011 entered into between FCFC and T. Michael Price	Exhibit 10.3 to the current report on Form 8-K filed January 5, 2012
10.5	First Commonwealth Financial Corporation Incentive Compensation Plan	Annex I to Proxy Statement filed March 16, 2009 relating to the 2009 Annual Meeting of Shareholders
10.6	2009-2011 Long Term Incentive Plan	Exhibit 10.2 to the quarterly report on Form 10-Q filed May 7, 2009
10.7	2011 Annual Incentive Plan	Exhibit 10.1 to the quarterly report on Form 10-Q filed May 10, 2011
10.8	2011-2013 Long Term Incentive Plan	Exhibit 10.2 to the quarterly report on Form 10-Q filed May 10, 2011

10.9	Employment Agreement dated January 22, 2010 entered into between FCFC and Robert E. Rout	Exhibit 10.1 to the current report on Form 8-K filed January 28, 2010
10.10	Restricted Stock Agreement dated January 22, 2010 entered into between FCFC and Robert E. Rout	Exhibit 10.2 to the current report on Form 8-K filed January 28, 2010

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ITEM 15. Exhibits, Financial Statements and Schedules (Continued)

Exhibit Number	Description	Incorporated by Reference to
10.11	Change of Control Agreement dated December 30, 2011 entered into between FCFC and Robert E. Rout	Exhibit 10.4 to the current report on Form 8-K filed January 5, 2012
10.12	Change of Control Agreement dated December 30, 2011 entered into between FCFC and I. Robert Emmerich	Filed herewith
10.13	Change of Control Agreement dated December 30, 2011 entered into between FCFC and Leonard V. Lombardi	Filed herewith
10.14	Change of Control Agreement dated December 30, 2011 entered into between FCFC and Matthew C. Tomb	Filed herewith
10.15	Restricted Stock Agreement dated April 1, 2011 entered into between FCFC and I. Robert Emmerich	Filed herewith
10.16	Separation Agreement and General Release dated April 25, 2011 entered into between FCFC and David R. Tomb, Jr.	Exhibit 10.1 to the quarterly report on Form 10-Q filed August 5, 2011
10.17	Separation Agreement and General Release dated April 25, 2011 entered into between FCFC and R. John Previte	Exhibit 10.2 to the quarterly report on Form 10-Q filed August 5, 2011
10.18	Agreement and General Release dated September 9, 2011 entered into between FCFC and Thaddeus J. Clements	Exhibit 10.1 to the quarterly report on Form 10-Q filed November 9, 2011
10.19	Agreement and General Release dated December 5, 2011 entered into between FCFC and John J. Dolan	Exhibit 10.1 to the current report on Form 8-K filed December 7, 2011
21.1	Subsidiaries of the Registrant	Filed herewith
23.1	Consent of KPMG LLP Independent Registered Public Accounting Firm	Filed herewith
31.1	Chief Executive Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Chief Financial Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.1	Chief Executive Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.2	Chief Financial Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith
101	Interactive Data File (XBRL)	Furnished herewith

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in Indiana, Pennsylvania.

FIRST COMMONWEALTH FINANCIAL CORPORATION
(Registrant)

By: /s/ T. Michael Price
T. Michael Price

President and Chief Executive Officer

Dated: March 5, 2012

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been executed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Capacity	Date
/s/ Julie A. Caponi **Julie A. Caponi**	Director	March 5, 2012
/s/ Ray T. Charley **Ray T. Charley**	Director	March 5, 2012
/s/ Gary R. Claus **Gary R. Claus**	Director	March 5, 2012
/s/ David S. Dahlmann **David S. Dahlmann**	Director, Chairman	March 5, 2012
/s/ Johnston A. Glass **Johnston A. Glass**	Director	March 5, 2012
/s/ David W. Greenfield **David W. Greenfield**	Director	March 5, 2012
/s/ Luke A. Latimer **Luke A. Latimer**	Director	March 5, 2012
/s/ James W. Newill **James W. Newill**	Director	March 5, 2012

/s/ T. MICHAEL PRICE **T. Michael Price**	President and Chief Executive Officer (Principal Executive Officer)	March 5, 2012
/s/ ROBERT E. ROUT **Robert E. Rout**	Executive Vice President, Chief Financial Officer, and Treasurer	March 5, 2012
/s/ LAURIE S. SINGER **Laurie S. Singer**	Director	March 5, 2012
/s/ ROBERT J. VENTURA **Robert J. Ventura**	Director	March 5, 2012

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